

FERRETTI S.P.A.

a company with registered office at Via Irma Bandiera 62, Cattolica, Rimini – share capital of
euro 338,482,654.00

Taxpayer reference, VAT No. and company registration no. 04485970968 at the Register of Companies for
Romagna, Forlì-Cesena and Rimini -REA No. 29 - 296608

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

prepared pursuant to article 123-*bis* of Legislative Decree No. 58 of 24 February 1998 58

for the year ended 31 December 2023



FERRETTIGROUP

(traditional administrative and control model)

Approved by the Board of Directors on 14 March 2023

Published on the website, www.ferrettigroup.com, in the section *Corporate Governance*.

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GLOSSARY

Shareholders' Meeting	means the shareholders' meeting of Ferretti.
Borsa Italiana	means Borsa Italiana S.p.A., a company with registered office at Piazza degli Affari 6, Milan.
Corporate Governance Code	means the Corporate Governance Code for listed companies, as approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, ANIA, Assonime, Confindustria, and Assogestioni, available at www.borsaitaliana.it in the section, <i>Corporate Governance</i> in the <i>Market Rules</i> .
Civil Code	means the Royal Decree No. 262 of 16 March 1942, as amended.
Code of Ethics	means the set of defined, recognised and agreed values that are established by the Ferretti code of ethics to govern the conduct of directors, employees and all those who work with the Issuer's business
Corporate Governance Committee	means the Corporate Governance Committee for listed companies, promoted by Borsa Italiana, ABI, ANIA, Assogestioni, Assonime, and Confindustria.
Board of Statutory Auditors	means the Issuer's Board of Statutory Auditors.
Controls, Risks, and Related Parties Committee	means Ferretti's internal controls, risks and related parties committee, which has oversight of transactions with related parties and is appointed in accordance with the RPT Rules (this Committee is also named Audit Committee).
Remuneration Committee	means the Company's remuneration committee, established further to the recommendations set forth in the Corporate Governance Code.
Board of Directors	means the Issuer's Board of Directors.
CONSOB	means the National Commission for Companies and the Stock Exchange, with registered office at Via GB Martini, 3, Rome.

First Trading Day	means 27 June 2023, the date on which trading in shares of Ferretti began on Euronext Milan.
Non-Financial Disclosure	means the consolidated non-financial disclosure that the Company is obliged to prepare pursuant to Legislative Decree 254/2016.
Issuer, Ferretti or the Company	means Ferretti S.p.A., a company with registered office at Via Irma Bandiera 62, Cattolica (Rimini), REA No. 29 – 296608, taxpayer reference and company registration no. 04485970968 at the Register of Companies for Romagna, Forlì-Cesena and Rimini.
Euronext Milan	means the regulated market known as Euronext Milan, organised and operated by Borsa Italiana.
Reporting Year	means the financial year ended 31 December 2023.
Group	means Ferretti and the companies it controls pursuant to article 2359(1)(1) of the Civil Code, and its associates pursuant to article 2359(3) of the Civil Code that are included within its consolidation perimeter.
Market Abuse Regulation or MAR	means Regulation (EU) No 596/2014, as amended.
Supervisory Board	means the supervisory board established by the Issuer pursuant to Legislative Decree 231/2001.
SMEs	means the small and medium-sized enterprises whose shares are listed, pursuant to article 1(1)(w- <i>quater</i>)(1) of the CLFI, and article 2- <i>ter</i> of the Issuers' Regulations.
Shareholder Engagement Policy	means Ferretti's policy for managing engagement with shareholders and other material stakeholders, as approved by the Board of Directors on 18 May 2023.

Remuneration Policy	means Section I of the Remuneration Report, which sets forth clearly and in a comprehensible manner (a) the Company's and the Group's policy on the remuneration of members of the Board of Directors, the ESRs, and, subject always to the terms of article 2402 of the Civil Code, the members of the Board of Statutory Auditors; and (b) the bodies involved, and the procedures used, in preparing, approving and revising that policy, and its term.
2024 Remuneration Policy	means the Remuneration Policy for the 2024 financial year, as approved by a meeting of the Board of Directors of 14 March 2024, at the proposal of the Remuneration Committee, and subject to approval from the Shareholders' Meeting called to resolve upon the Issuer's financial statements as at and for the year ended 31 December 2023.
RPT Procedure	means the procedure that governs transactions with related parties that are effected by the Issuer, or through subsidiaries, in accordance with the terms of the CONSOB Related Parties Rules, as approved on a preliminary basis by a meeting of the Issuer's Board of Directors of 18 May 2023 and subsequently approved on 19 February 2024, following favourable review by the independent directors.
Market Rules	means the rules governing the markets organised and operated by Borsa Italiana.
Issuers' Regulations	means the implementing regulations of the CLFI regarding the duties and obligations of issuers that were adopted by CONSOB under its Resolution No. 11971 of 14 May 1999, as amended.
RPT Rules	means the regulations on transactions with related parties 17221 of 12 March 2010, as amended.
Report	means this report on corporate governance and structures, as required to be prepared and published pursuant to article 123- <i>bis</i> , CLFI.
Remuneration Report	means the report on remuneration policy, and compensation paid, prepared pursuant to article 123- <i>ter</i> , CLFI, article 84- <i>quater</i> of the Issuers' Regulations, in accordance with Schedule 7- <i>bis</i> to those Regulations, which is available, as the law requires, from the Company's registered office and its website at www.ferrettigroup.com , in the section, <i>Corporate Governance</i> .
IARMS	means the Issuer's internal controls and risk management system.

By-Laws

means the Company's by-laws, as most recently amended on 18 May 2023 and made available on the Issuer's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

Consolidated Law of Financial Intermediation or CLFI means Legislative Decree No. 58 of 24 February 1998, as amended.

Except where this Report indicates otherwise, the following terms have the meanings they are attributed in the Corporate Governance Code: independent director, significant shareholder, chief executive officer or CEO, board of directors, business plan, company with concentrated ownership, large company, sustainable success, and top management.

1 ISSUER'S PROFILE

Ferretti is an established player in the global luxury yacht market, leading the global market for inboard luxury yachts over 9 metres (approximately 30 feet), and among the first-ranked players within the super yacht segment.

Since 31 March 2022, Ferretti has been listed on the Hong Kong Stock Exchange, and since 27 June 2023, also on Euronext Milan, a market organised and managed by Borsa Italiana. As at the date of this Report, the Issuer's market capitalisation is Euro 1,069 millions.

1.1 GOVERNANCE SYSTEM ADOPTED BY THE ISSUER

In order to ensure an effective and transparent allocation of roles and responsibilities among its corporate bodies and, in particular, proper balance between the management functions and the control functions, the Issuer has adopted a system of corporate governance that is consistent with the manner in which regulation has evolved, and best practices in Italy and internationally, drawing upon the principles and recommendations set forth in the Corporate Governance Code and the CG Code pursuant to Appendix C1 to the Listing Rules, which the Issuer upholds. The corporate governance system has been constructed in accordance with the laws and regulations that govern companies listed in Italy and in Hong Kong.

Ferretti had adopted a traditional system of management and control under article 2380-*bis et seq.* of the Civil Code, in which connection the Board of Directors is responsible for management of the business, and the Board of Directors is responsible for control and supervisory functions:⁽¹⁾

Ferretti's governance system ensures that the Issuer's management and its shareholders are continually in contact. It comprises:

- (a) the **Shareholders' Meeting**, which as a body has functions that are exclusively to resolve upon matters that are, by law, circumscribed to those decisions of greatest importance to the Company's existence;
- (b) the **Board of Directors**, which is the body responsible for leading and managing the Company and the Group. The Board of Directors places considerable priority upon its role in leading the Group in pursuit of sustainable growth and the consistent creation of value for the Company over the medium and long term. A Nominations Committee, a Remuneration Committee, a Sustainability Committee (also known as the Environmental, Social and Governance Committee), and a Controls and Risks Committee are each made up of members of the Board of Directors. All have functions of bringing proposals and offering advice, consistent with the recommendations set forth in the Corporate Governance Code; a Related Party Committee (a role fulfilled by the Controls and Risks Committee) has also been established in accordance with the applicable laws and regulations, the RPT Rules and the RPT Procedure;
- (c) the **Board of Statutory Auditors** oversees, *inter alia* (i) compliance with the law and the By-Laws, and also with principles of sound administration; (ii) with respect to the matters within its pursuit, the adequacy of the Company's organisational structure, internal control system and accounting administrative system, and the reliability of the latter in representing the Issuer's transactions; (iii) the manner in which the corporate governance rules under the codes of conduct to which the Issuer is bound are implemented in practice; and (iv) the effectiveness of the internal audit and risk management system, the external auditing, and the independence of the external auditor; and
- (d) the **External Auditor** audits the accounts. It is appointed in accordance with the terms of the deed of incorporation, by the Shareholders' Meeting at the proposal of the Board of Statutory Auditors. The External Auditor performs its duties independently and autonomously and accordingly is not a representative of either the majority or the minority shareholders. The audit firm EY S.p.A. ("**EY**") has been appointed, by resolution of the Shareholders' Meeting of 18 May 2023, to audit the accounts for each of the nine years 2023-2031.

Ferretti has also established a Supervisory Board, responsible for overseeing the effectiveness and adequacy of the Issuer's internal controls and mechanisms, and of its organisational and operational model the Issuer adopted pursuant to and for the purposes of Decree 231/2001 (the "**231 Model**"); and reporting upon its implementation. Looking beyond the Supervisory Board, the Issuer's Internal Audit function, the Controls, Risks and Related

⁽¹⁾ The matters within the purview of each of the corporate bodies, and the rules under which they operate, are governed by laws and regulations in force, the By-Laws, the Rules of the Shareholders' Meeting, the Rules of the Board of Directors and of the individual Committees, adopted by the Board of Directors on 20 March 2023; and by the Company's own internal procedures.

Parties Committee, the Sustainability Committee and the Board of Statutory Auditors all have an important role in the Issuer's IARMS.

In order to comply with the recommendations set forth in the Corporate Governance Code, on 18 May 2023 the Board of Directors:

- (i) pursuant to recommendation 11 under article 3 of the Corporate Governance Code, approved the Rules of the Board of Directors, and the Rules for the individual Committees. These define the rules of operation of the Board of Directors, the Control and Risks Committee and Related Parties Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, including the manner in which the meetings are minuted and the procedures for handling the supply of information to directors (for further information on the Rules of the Board of Directors, please see section 4.4, below);
- (ii) pursuant to recommendation 3 under article 1 of the Corporate Governance Code, adopted the Shareholder Engagement Policy (for further information on the terms of that policy, please see section 12, below).

As the parent company of the Group, Ferretti directs the strategies of its business and of the Group as a whole, and directs and coordinates within the meaning of article 2497 *et seq.* of the Civil Code, in respect of the Italian subsidiaries it controls within the Group, setting forth medium- and long-term strategies in terms of (i) financial results; (ii) investment and industrial objectives; and (iii) commercial and marketing policies.

The values articulated by the Code of Ethics commit all employees to ensure that the Group's activities are carried on in accordance with the law, regulations and the internal procedures adopted by the Group, within a framework of fair competition, with honesty, integrity and propriety, respecting the legitimate interests of Shareholders, employees, customers, suppliers, and business and financial partners, as well as the communities in the countries where the Group is present.

As at the date of this Report, the Issuer does not constitute a SME for the purposes of article 1(1)(w-*quater*.1), CLFI and article 2-*ter* of the Issuers' Regulations, nor does it qualify as a large company under the Corporate Governance Code, in that its market capitalisation has in the past three calendar years been below the threshold for large companies thereunder (which is to say, euro 1 billion). The Company also does not qualify as a company with concentrated ownership within the meaning of that phrase under the Corporate Governance Code, since, as at the date of this Report, to the best of the Company's knowledge, there are no shareholders' agreements among its shareholders. In this regard, it should be borne in mind that Ferretti has been listed on Euronext Milan since the First Trading Day.

1.2 SUSTAINABILITY POLICIES

Under the Corporate Governance Code, the Board of Directors is charged with leading the Company in pursuit of sustainable success, an objective that in practice means the creation of long-term value for the benefit of Shareholders, while taking into consideration the interests of the Issuer's other major stakeholders.

In line with best practices and the provisions of the Corporate Governance Code, the Board of Directors manages the Company with a view to the pursuit of sustainable success in application of the guidelines of the Group's Business Plan for the period 2023-27 (the "**Business Plan**"), approved at the meeting of the Board of Directors of 8 March 2023.

Additionally, in accordance with the terms of the Hong Kong Stock Exchange's ESG Reporting Guide, the Group considers and determines the features and extent of the risks related to environmental, social and governance matters, in relation to the key issues.

The Company has also established a Sustainability Committee, responsible for supporting the Board of Directors in drafting environmental, social and governance strategies and policy, monitoring ESG issues, examining and assessing measures of sustainability performance, defining metrics and targets, preparing ESG reports, and in drafting recommendations for the Board of Directors.

Finally, the Company is obliged to prepare a consolidated non-financial disclosure in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016. For further information regarding the consolidated non-financial disclosure as at 31 December 2023, approved by the Board of Directors on 14 March 2024, please see the Issuer's website at www.ferrettigroup.com, in the section, *Investor Relations*.

2 INFORMATION REGARDING OWNERSHIP (PURSUANT TO ARTICLE 123-BIS(1), CLFI)

2.1 STRUCTURE OF SHARE CAPITAL (PURSUANT TO ARTICLE 123-BIS(1)(A), CLFI)

2.1.1 The Company's share capital and shares

As at the date of this Report, the subscribed and paid share capital of the Issuer is euro 338,482,654, comprising 338,482,654 ordinary shares with no stated nominal value.

As at the date of this Report, no classes of shares other than ordinary shares have been issued.

The following table sets forth the structure of the Issuer's share capital as at the date of this Report.

SHARE CAPITAL STRUCTURE				
CLASS	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS	LISTED/UNLISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	338,482,654	338,482,654	Euronext Milan and Stock Exchange of Hong Kong	Each share confers one voting right

Ferretti shares are dematerialised securities pursuant to article 83-*bis et seq.*, CLFI.

Ferretti shares are registered, indivisible, freely transferrable, and confer identical rights upon their holders. More specifically, each ordinary share confers one voting right, and the other economic and administrative rights under the By-Laws and the law.

As at the date of this Report, no financial instruments have been issued that would entitle the holders to subscribe newly-issued shares.

2.2 RESTRICTIONS UPON TRANSFERS OF SECURITIES (PURSUANT TO ARTICLE 123-BIS(1)(B), CLFI)

As at the date of this Report, no restrictions apply to the transfer of shares in the Issuer. Similarly, there are no restrictions upon ownership of shares in the Issuer, nor any provisions whereby a prospective shareholder must seek prior approval.

2.3 MATERIAL HOLDINGS OF SHARES (PURSUANT TO ARTICLE 123-BIS(1)(C), CLFI)

Based on the available information, including the notices provided pursuant article 120, CLFI, the shareholders who, as at the date of this Report, directly or indirectly have shareholdings in excess of 3% of the Issuer's voting share capital, including shares held through any intermediaries, fiduciaries or companies controlled by those shareholders, are set forth in the following table.

CERTIFYING PERSON	ENTITY HOLDING SHARES IN THE COMPANY	PERCENTAGE OF THE ORDINARY SHARE CAPITAL	PERCENTAGE OF THE VOTING SHARE CAPITAL
Shandong SA SAC	Ferretti International Holding S.p.A.	37.541%	37.541%
Valea Foundation	Flipnation Limited	10.007%	10.007%

Danilo Iervolino	Danilo Iervolino	5.227% ²	5.227%
Piero Ferrari	Kheope SA	4.562%	4.562%
UBS Group AG	UBS Group AG(*)	5.44%	5.44%
Float	-	37.16%	37.16%
Total	-	100.000%	100.000%

(*) The Company has not received any notice pursuant to article 120, CLFI. This information results from the "disclosure of interests" page maintained by the Stock Exchange of Hong Kong.

2.4 SECURITIES CONFERRING PARTICULAR CONTROL RIGHTS (PURSUANT TO ARTICLE 123-BIS(1)(D), CLFI)

No securities have been issued that confer particular control rights, nor are there persons with particular powers under the terms of laws, regulations or the by-laws presently in force.

The By-Laws do not contain provisions relating to shares with multiple votes, or increased voting power.

2.5 EMPLOYEE SHARE SCHEMES: MECHANISM FOR EXERCISING VOTING RIGHTS (PURSUANT TO ARTICLE 123-BIS(1)(E), CLFI)

As at the date of this Report, there is no employee share scheme in place.

2.6 RESTRICTIONS UPON VOTING RIGHTS (PURSUANT TO ARTICLE 123-BIS(1)(F), CLFI)

As at the date of this Report, the By-Laws impose no restrictions upon voting rights for holders of ordinary shares, nor upon voting rights for particular percentages or numbers of votes, nor specific conditions for the exercise of voting rights, nor systems under which the economic rights associated with the shares are, with the Company's cooperation, separated from share ownership, with the exception of article 6.5 of the By-Laws, under which the extraordinary shareholders' meeting "may resolve upon the allocation to the employees of the Company or subsidiaries of financial instruments other than shares, bearing economic rights and optionally also administrative rights, other than the right to vote in the shareholders' meeting, by establishing terms for the exercise of the rights thus allocated, the ability to make transfers, and grounds on which they would be terminated or redeemed".

2.7 SHAREHOLDERS' AGREEMENTS (PURSUANT TO ARTICLE 123-BIS(1)(G), CLFI)

As at the date of this Report, the Company is not aware of any agreements between shareholders that have been disclosed pursuant to article 122, CLFI, regarding shares in the Issuer.

2.8 CHANGE-OF-CONTROL PROVISIONS (PURSUANT TO ARTICLE 123-BIS(1)(H), CLFI) AND PROVISIONS OF THE BY-LAWS REGARDING TAKEOVER BIDS (PURSUANT TO ARTICLE 104-BIS(1-TER) AND (1), CLFI)

2.8.1 Change-of-control provisions

The Group has the following material agreements that include change-of-control provisions.

Facility Agreement

On 2 August 2019, Ferretti and CRN S.p.A. (a company that would subsequently be absorbed into Ferretti) entered into a facility agreement with a syndicate of leading Italian and international institutional lenders, namely Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas – Milan

² 0.058% of the shares are held by Hong Kong Securities Clearing Company Limited.

branch S.p.A. (the "**Agent**"), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., Banca Monte dei Paschi di Siena S.p.A. (formerly MPS Capital Services Banca per le Imprese S.p.A., "**MPS**"), and Intesa Sanpaolo S.p.A. (successor to UBI Banca S.p.A.) (together, the "**Original Lenders**") for an aggregate amount of euro 170 million, comprising (i) a Term Loan Facility in an amount of euro 70 million; (ii) a Pre-Finance Facility in an amount of euro 60 million; and (iii) a revolving facility in an amount of euro 40 million. The agreement was subsequently amended on 12 September 2019, 17 December 2021 and 26 April 2023. On 31 March 2021, MPS assigned part of its interest in the loan to Medio Credito Centrale S.p.A. – Banca del Mezzogiorno (together with the Original Lenders, the "**Lenders**").

The agreement, as amended, includes change-of-control provisions, meaning that if at any time following the listing of Ferretti on Euronext Milan: (A) the Key Shareholder, meaning Weichai Holding Group Hong Kong Investment Co. Ltd, ceases (a) to hold, directly or indirectly, (i) a shareholding amounting to 34.99% or more of the share capital issued by Ferretti, or (ii) share capital issued by Ferretti with voting rights amounting to 34.99% or more of the voting rights that may be exercised at ordinary or extraordinary shareholders' meetings of the Company; (b) to be, directly or indirectly, the principal shareholder of the Company; or (B) any person, or person acting in concert, other than the Key Shareholder, acquire control of Ferretti (within the meaning of article 2359(1), parts (1) and (2), of the Civil Code), then none of the Lenders shall any longer be obliged to finance any of the credit facilities, all of the credit facilities shall be cancelled, and all outstanding drawdowns, accrued interest, and any other sums accrued under the terms of the finance documents, shall be immediately enforceable and due.

Finance leases

Ferretti has two finance leases in place (refs. 1133995/1 and 1133996/1) that were made between CRN S.p.A. (a company subsequently absorbed into Ferretti) and Alba Leasing S.p.A. on 17 January 2019, that provide, as is market practice for agreements of this kind, terms that, if applied, would entitle Alba Leasing S.p.A. to terminate the agreement in the event of any change in the shareholders structure of Ferretti that occurs without the prior written consent of Alba Leasing S.p.A.

2.8.2 Provisions of the by-laws regarding takeover bids

With respect to the laws and regulations presently in force regarding takeover bids, the By-Laws do not entitle the Board of Directors to derogate from the provisions on board neutrality while a bid continues, under articles 104(1) and (1-*bis*), CLFI, nor does it expressly provides for the application of the neutralization rules pursuant to articles 104-*bis*(2) and (3), CLFI.

2.9 AUTHORITY TO INCREASE SHARE CAPITAL, AND AUTHORISATIONS TO BUY BACK SHARES (PURSUANT TO ARTICLE 123-BIS(1)(M), CLFI)

As at the date of this Report, the Board of Directors has neither been granted authority by the Shareholders' Meeting to increase share capital, pursuant to article 2443 of the Civil Code, nor to issue any equity instruments.

As at the date of this Report, the Shareholders' Meeting has not resolved upon any authorisation for the buyback of shares, pursuant to article 2357 *et seq.* of the Civil Code. The Shareholders' Meeting called to approve the non-consolidated financial statements as at and for the period ended 31 December 2023 will also consider approval of a buyback plan. Documentation regarding that is on the Issuer's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

2.10 DIRECTION AND COORDINATION ACTIVITIES (PURSUANT TO ARTICLE 2497 ET SEQ. OF THE CIVIL CODE)

As at the date of this Report, the Company is not subject to direction or coordination, within the meaning of article 2497 *et seq.* of the Civil Code, by Ferretti International Holding S.p.A., which holds 37.541% of the share capital. In particular, the presumption under article 2497-*sexies* of the Civil Code does not apply, as:

- (a) generally, the decisions relating to the management of the Issuer and its subsidiaries are taken exclusively within the Issuer's Board of Directors, or the corporate bodies of the Issuer's subsidiaries, where they are matters within those bodies' purview;
- (b) Ferretti does not receive directives or instructions from International Holding S.p.A. regarding its strategic decisions on financial, industrial and commercial matters, nor regarding decisions on investments or extraordinary transactions;
- (c) the parent company, Ferretti International Holding S.p.A., is not involved, in any way or on any basis, in the process of preparing, reviewing or approving the Group's business plans or the Company's or the Group's annual budgets. These are prepared by the Company's and the Group's management, and are reviewed and approved only by the Company's Board of Directors, which does so with complete autonomy and without any interference from the parent, Ferretti International Holding S.p.A.;
- (d) Ferretti International Holding S.p.A. provides no financial assistance of any sort to Ferretti, and in particular and without limitation, does not grant loans or provide guarantees, patronage letters or other security for the Issuer;
- (e) Ferretti International Holding S.p.A. manages no services for Ferretti, and in particular, it provides no cash pooling function;
- (f) Ferretti International Holding S.p.A. takes no decisions regarding the management of Ferretti's personnel, nor does it draw up organisational structures for the Company;
- (g) Ferretti International Holding S.p.A. does not have group rules or policies regarding the procurement of goods or services, in relation to which the Company's Board of Directors has complete autonomy in its decision-making.

It should be mentioned incidentally that the professional expertise and stature of the non-executive and independent directors are a further bulwark in ensuring that the decisions of the Board of Directors are taken in the sole interest of the Company, the Group, and its stakeholders, without any third party imparting instructions or interfering.

As mentioned in paragraph 1 of this Report, above, the Issuer directs and coordinates, within the meaning of article 2497 *et seq.* of the Civil Code, the Italian companies of the Group that it directly or indirectly controls. It sets the other companies' medium- to long-term strategies, in terms of financial results; investment and industrial objectives; and commercial policies and marketing.

The information required by article 123-*bis*(1)(i), CLFI (regarding "agreements between the company and its directors... that provide for compensation in the event of resignation or dismissal in the absence of gross misconduct or breach of contract, or where the relationship ceases following a takeover bid") is set forth in the Remuneration Report prepared and published pursuant to article 123-*ter*, CLFI, and article 84-*quater* of the Issuers' Regulations.

The information required by article 123-*bis*(1)(l), CLFI, regarding "provisions applicable to the appointment and replacement of directors... and to the amendment of the By-Laws, other than those additionally provided by applicable laws and regulations" are set forth in Section 4 of this Report, below.

3 COMPLIANCE (PURSUANT TO ARTICLE 123-*bis*(2)(A), CLFI)

The Company has endorsed the Corporate Governance Code as at the date of this Report, which has applied since 1 January 2021. It may be accessed by the public on the website of Borsa Italiana's Corporate Governance Committee, at: <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>.

This Report provides an account of those recommendations with which the Company has not presently complied, in whole or in part, on a "comply or explain" basis as the Corporate Governance Code requires.

Since the Issuer is also listed on the Stock Exchange of Hong Kong, the Issuer is subject to the CG Code, set forth in Appendix C1 to the Listing Rules.

4 BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Company's Board of Directors plays a key role of directing the business strategically. This goes beyond the preparation of the Company's business plans and organisational structures, and setting its values and standards. There is a continuous commitment to ensuring value creation over the long term, and pursuing sustainable success, by: (i) promoting sustainable growth in the medium and long term that takes account of the social and environmental aspects that impact the business, through an appropriate system for controls and risk management, including sustainability risks; (ii) ensuring the greatest transparency with the market and investors; and (iii) paying particular attention to significant changes to the business prospects, and the risks to which the Company is exposed.

The Board of Directors is also responsible for confirming that the accounting, administrative and organisational structures are appropriate, as are the controls necessary for monitoring the Company's and Group's performance, and for the other duties it has under applicable laws and regulations.

The Board of Directors devises the corporate governance system that best serves the Company's conduct of its business and the pursuit of its strategies, subject to the limitations imposed by applicable law and regulations, and the Company's By-Laws. If necessary, it evaluates and promotes appropriate changes, submitting them to the Shareholders' Meeting where such matters are within the meeting's purview.

The Board of Directors plays a central role in organising the business, and strategic and organisational direction are among its functions and responsibilities. It also ensures that the necessary controls are in place for monitoring the performance of the Issuer and that of the other companies of the Group.

Further to the powers it holds under the By-Laws, and consistent with the recommendations of the Corporate Governance Code and the CG Code, the Board of Directors:

- (a) determines the strategies of the Issuer and the Group, consistent with pursuit of sustainable success, and monitors those strategies' implementation. In connection with the matters within its purview, the Board of Directors examines and approves strategic, financial and business plans for the Issuer and the Group, periodically monitoring their execution. More particularly, the Board of Directors on 8 March 2023 approved the Business Plan, implementation of which it has monitored continuously;
- (b) determines the nature and level of risk compatible with the Issuer's strategic objectives, including in its evaluating all factors that may be significant for the Issuer's sustainable success;
- (c) determines the system of corporate governance it considers to best serve the conduct of the business and pursuit of its strategies, as well as the structure of the Group. In particular, the Board of Directors has: (a) appointed the committees from among its number, and assigned them specific functions; (b) appointed and conferred powers upon the Chief Executive Officer and the Executive Director; and (c) approved and revised the Group's organisational model;
- (d) promotes engagement with shareholders and the Issuer's other material stakeholders. In this respect the Board of Directors on 18 May 2023 adopted the Shareholder Engagement Policy, which seeks to ensure continuous and open liaison based on mutual understanding of their respective roles, with existing institutional investors, potential investors, asset managers, operators in the financial markets, the Italian and international financial press, ratings agencies and proxy advisors, and with trade associations and shareholders generally. The aim is to increase understanding regarding the Company's and the Group's activities, its financial performance, and its strategies in pursuit of sustainable success in line with the recommendations of article 1 of the Corporate Governance Code, while maintaining appropriate communication channels with these persons (for more information on the Shareholder Engagement Policy, please see Section 12 of this Report, below);
- (e) at the proposal of the Chairman of the Board of Directors and the Chief Executive Officer, adopted a procedure for the internal management and external disclosure of the Issuer's documents and information, with particular reference to insider information (for further information, please see Section 5 of this Report, below); and
- (f) makes prior examination of, and approves, transactions by the Issuer and its subsidiaries where these are of significant importance in strategic terms or in terms of business, results of operations or financial condition, with particular attention where one or more directors directly or indirectly has a conflict of

interest. In this respect, the Board of Directors has not set criteria for identifying transactions that are of significant importance in strategic terms or in terms of business, results of operations or financial condition, in that: (i) all transactions not covered by the delegated powers of the Chief Executive Officer are matters for the Board of Directors; and (ii) the Board of Directors sets the criteria that apply to each individual transaction at the time of their approval. That means, with the exception of the powers expressly granted to the Chief Executive Officer, listed in paragraph 4.7.1 of this Report, the Issuer's Board of Directors expresses and must approve the majority of significant transactions, which assures continuous monitoring of performance, while taking an active role in the main business decisions.

For so long as the shares are quoted on the Stock Exchange of Hong Kong, the Board of Directors prepares regular financial reports required by Hong Kong laws and regulations, additional to those required by Italian law. It makes these available to the public in the forms, and at the times, required by the relevant rules.

With respect conflicts of interest and transactions with related parties for the Issuer and the Group, please see Section 10 of this Report.

Pursuant to article 2381 of the Civil Code and recommendation No. 1 of the Corporate Governance Code, the Board of Directors in the course of the Reporting Year periodically assessed the adequacy of the accounting, administrative and organisational structure of the Issuer and the other companies of strategic importance to the Group, with particular reference to the internal audit and risk management system. For more information, please see Section 9 of this Report.

In the course of the Reporting Year, the Board of Directors on a number of occasions made assessment of general operational performance, taking into consideration the information provided by the Chief Executive Officer, and periodically compared results with forecasts.

The Board of Directors did not consider it necessary or desirable in the Reporting Year to draw up reasoned proposals regarding the corporate governance system for submission to the Shareholders' Meeting, in that it considers the existing system to serve the business's requirements.

For information regarding the Board of Directors' purview over matters of (i) its own composition and functioning; (ii) appointments and its evaluation of its own performance; (iii) the Remuneration Policy; and (iv) IARMS, please see paragraphs 4.3 and 4.4, and 7.1, 8.1 and 9, respectively, of this Report.

4.2 APPOINTMENT AND REPLACEMENT (PURSUANT TO ARTICLE 123-BIS(1)(I), CLFI)

Pursuant to article 19 of the By-Laws, the Board of Directors is made up of seven to 11 directors, including the Chairman of the Board of Directors and one or more Deputy Chairs, where appointed.

Directors are appointed on the basis of lists submitted by shareholders or the outgoing Board of Directors, if it wishes to do so, and these list Directors sequentially.

The members of the Board of Directors must meet the particular requirements of professionalism, independence and integrity specified in the applicable laws and regulations, including those applicable to companies with shares quoted on the Stock Exchange of Hong Kong. For so long as the shares are quoted on the Stock Exchange of Hong Kong, at least a third (and not less than three) of the members of the Board of Directors must meet the requirements for independence under the regulations of the Stock Exchange of Hong Kong, in addition to those discussed below.

Appointment of the Board of Directors is also made in accordance with the laws and regulations in force regarding gender balance, including those that apply to companies with shares quoted on the Stock Exchange of Hong Kong.

Only shareholders who, individually or in combination with other shareholders, hold voting shares representing at least the percentage required for the Company under the rules in force may submit lists. The participation threshold most recently established by CONSOB for Ferretti pursuant to Art. 144-*septies*(1) of the Issuers' Regulations, under its resolution no. 92 of 31 January 2024, is 2.5%.

Each shareholder, and shareholders linked by control relationships or that are associates under the Civil Code, or that have entered into a shareholders' agreement regarding shares in the Company, may only submit and vote in favour of a single list (including voting by agents and fiduciary firms).

Each candidate may appear in only one list, and shall otherwise be ineligible.

Not more than eleven candidates may appear on each list, and must be listed sequentially. Each must satisfy the legal requirements. At least three candidates, placed no lower than second, fifth and seventh on each list, must also meet the requirements of independence under the law and the Corporate Governance Code. Consistent with such laws as are in force, lists that include three or more candidates must be made up of candidates of both genders, in at least the minimum proportions required by law, as the notice calling the meeting specifies.

Each list is accompanied by comprehensive information regarding the personal and professional characteristics of the candidates, and declarations under which the individual candidates accept their candidature, and confirm, under their own liability, that they meet the requirements under the laws and regulations for the members of the Board of Directors, along with any other documents that the laws and regulations may require.

The lists submitted by shareholders are filed with the Company no later than is required by the laws and regulations in force, which date is indicated in the notice calling the meeting, to the Company's registered office or by such means of telecommunication as the notice calling the meeting indicates; and made available to the public in accordance with the laws and regulations in force. Where submitted, the list from the Board of Directors must be filed at the Company's registered office no less than 31 days prior to the date of the Shareholders' Meeting, and formally made public as described in the preceding paragraph.

The Shareholders' Meeting having determined the number of directors for election, they are elected as follows: (1) from the list that obtained the greatest number of votes are taken, based on the order of preference in which the candidates are listed, all of the directors except one; and (2) from the list that received the second greatest number of votes, provided it is not connected, directly or indirectly, under the laws and regulations in force, with those who submitted or voted in favour of the list under (1), a director is elected in accordance with the law, based on the order of preference in which the candidates are listed.

Where two lists have received the same number of votes and are second-placed, there is a further round of voting by the Shareholders' Meeting, and the candidate who obtains a simple majority of the votes is elected. Where following application of the above list voting mechanism, (i) the minimum number of candidates meeting independence requirements has not been elected; and/or (ii) the composition of the Board of Directors is not compliant with the law on gender balance, then candidates meeting those requirements are elected in the place of candidates who do not, drawn from the same list. Where only one list is submitted, the Directors are taken from the list provided it has been approved by a simple majority vote.

Where a single list is submitted, the Shareholders' Meeting votes upon that list, and where it obtains a relative majority, the candidates are elected in the order of preference, up to the number fixed by the Shareholders' Meeting, subject always to the obligation to appoint the minimum number of independent directors that is established by the By-Laws and the laws and regulations in force.

In the event that no list is submitted, the list submitted does not permit appointment of directors in accordance with the laws and regulations in force, it is not possible to proceed in accordance with the voting list rules), or not all of the members of the Board of Directors are to be appointed, the Shareholders' Meeting resolves in accordance with its statutory majority, and does not follow the above procedure, but proceeds in a manner that ensures the presence of the minimum number of independent directors under the laws and regulations in force, and compliance with gender balance requirements. No account is taken of list that received support from shareholders that was less than half required for submission of a list.

In the event that a director does not meet, or ceases to meet, the requirements as to independence and integrity under the laws and regulations, or there are grounds on which they are otherwise ineligible or unelectable, that director ceases to hold office. A director's intervening failure to meet independence requirements under the laws or regulations in force does not constitute a ground for them to cease to hold office, where the Board of Directors continues to have the minimum number of members meeting those requirements under the laws and regulations in force.

If in the course of the financial year one or more Directors should cease to hold office, the terms of article 2386 of the Civil Code are applied. If one or more of the Directors who have ceased to hold office was from a list that included unelected candidates, then they may be replaced by appointing people from that list, in the order of preference, provided the candidates are still willing and eligible to hold office. Where no unelected candidates from the outgoing director's list are available, then article 2386 of the Civil Code is applied. The procedures for replacing directors must ensure that there is at least the minimum number of directors meeting independence requirements, and compliance with the rules on gender balance in force. If the majority of the directors appointed by the Shareholders' Meeting ceases to hold office, the whole Board of Directors is dismissed and the Shareholders'

Meeting must be called without delay to reappoint the Board of Directors, by the directors still in office or by the Board of Statutory Auditors.

The By-Laws do not impose independence requirements additional to those under the laws and regulations in force or the terms of the Corporate Governance Code, nor integrity requirements other than those imposed by laws and regulations in force.

The By-Laws do not provide for professional requirements for members of the Board of Directors.

The Company is not subject to other provisions regarding the composition of the Board of Directors, other than those in the Civil Code, the CLFI, the Corporate Governance Code, and the laws and regulations applicable to companies with shares quoted on the Stock Exchange of Hong Kong.

For information regarding the role of the Board of Directors and the Committees in evaluating directors' performance, and in their appointment and replacement, please see Section 7 of this Report.

4.3 COMPOSITION (PURSUANT TO ARTICLE 123-BIS(2)(D), CLFI)

4.3.1 Members of the Board of Directors

The current Board of Directors was appointed by the Shareholders' Meeting of 18 May 2023. The Board of Directors in the Reporting Year had prior thereto been made up of Tan Xuguang (Chairman of the Board of Directors and a non-executive Director), Alberto Galassi (Chief Executive Officer and an executive Director), Xu Xinyu (executive Director), Piero Ferrari (non-executive Director), Li Xinghao (non-executive Director), Hua Fengmao (independent non-executive Director), Stefano Domenicali (independent non-executive Director) and Patrick Sun (independent non-executive Director). To the best of the Company's knowledge, there has been no financial, business, family, or other material or relevant relationships among members of the Board and senior management of the Company, except for the fact that Alberto Galassi is the son-in-law of Piero Ferrari, and both are members of the Board.

On that date, the Shareholders' Meeting of the Issuer determined that the Board of Directors should have nine members, and that the new Board of Directors would hold office for three financial years, i.e. until the approval of the financial statements as at and for the year ending 31 December 2025.

Nine directors were appointed at the proposal of the shareholder, Ferretti International Holding S.p.A. Since the listing of the Company on Euronext Milan took place after the appointment of the Board of Directors, its appointment was not under the list voting mechanism that was added into the By-Laws on 18 June 2023 with effect from the First Trading Day.

As a result of the voting, the following members of the Board of Directors were elected: Tan Xuguang (Chairman of the Board and a non-executive Director), Alberto Galassi (Chief Executive Officer and executive Director), Xu Xinyu (executive Director), Piero Ferrari (Honorary Chairman and non-executive Director), Li Xinghao (non-executive Director), Hua Fengmao (independent non-executive Director), Stefano Domenicali (independent non-executive Director), Patrick Sun (independent non-executive Director) and Jiang Lan (Lansi) (non-executive Director).

With effect from 19 February 2024, Li Xinghao (non-executive Director) and Hua Fengmao (independent non-executive Director) resigned from their positions and the Board of Directors on the same date co-opted Zhang Quan (non-executive Director) and Zhu Yi (independent non-executive Director).

In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Zhang Quan and Zhu Yi, who were appointed as a non-executive Director and an independent non-executive Director on February 19, 2024, obtained the legal advice referred to in Rule 3.09D on the same date and they confirmed that they understood their obligations as a Director of the Company.

The following table sets forth the members of the Board of Directors as at the date of this Report.

POSITION	NAME
Chairman of the Board of Directors ^{(**)(1)(4)(5)}	Tan Xuguang

Chief Executive Officer ⁽¹⁾⁽⁴⁾⁽⁵⁾	Alberto Galassi
Executive Director ⁽²⁾⁽⁴⁾⁽⁵⁾	Xu Xinyu
Director and Honorary Chairman of the Board ^{(**)(2) (5)}	Piero Ferrari
Director ^{(*)(4)(5)}	Zhang Quan
Director ^{(*)(*)(1)(2)(3)(4)}	Zhu Yi
Director ^{(*)(*)(1)(2)(3)}	Stefano Domenicali
Director ^{(*)(*)(1)(2)(3)(5)}	Patrick Sun
Director ^{(**)(3)(4)}	Jiang Lan (Lansi)

(*) Director meeting the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147-*ter*(4), CLFI and Rule 3.13 of the Listing Rules.

(**) Non-Executive Director.

(1) Member of the Nomination Committee

(2) Member of the Remuneration Committee

(3) Member of the Control, Risk and Related Parties Committee

(4) Member of the Sustainability Committee

(5) Member of the Strategic Committee

In accordance with the provisions of Principle V of the Corporate Governance Code, the Board of Directors is made up of executive and non-executive directors (the latter meaning directors without delegated powers of management), all of whom meet the requirements of the law, the Corporate Governance Code and the CG Code, and have the professional qualifications and expertise appropriate to the functions to which they are appointed.

More particularly, all of the members of the Board of Directors meet the integrity requirements under article 2 of the Regulations of the Minister of Justice, No. 162/2000, as referred to by article 147-*quinquies*, CLFI, and are not ineligible to or prohibited from holding office pursuant to article 2382 of the Civil Code or article 148(3), CLFI, as referred to by article 147-*ter*(4), CLFI. In addition, the directors Patrick Sun, Zhu Yi and Stefano Domenicali meet the independence requirements of article 148(3), CLFI, as referred to in article 147-*ter*(4), CLFI, and the independence criteria set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange under the laws of Hong Kong.

The Company has received written confirmation annually from each of the independent non-executive Directors in respect of their independence in accordance with the factors set out in Rule 3.13 of the Listing Rules.

In accordance with the provisions of Principle VI of the Corporate Governance Code, the number of non-executive directors and their expertise is sufficient to ensure that they have significant weight when the Board of Directors is passing resolutions, and ensures effective monitoring of the work of the Board of Directors as a whole.

The presence of three independent directors is intended to achieve good corporate governance as fully as possible, through discussion and debate among the directors. Furthermore, the contribution of the independent directors allows the Board of Directors to impartially and appropriately review the handling of potential conflicts of interest between the Company and the controlling shareholder. The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Up to the date of this Report, no independent non-executive Director has served in the Company for more than nine years.

Please refer to Table 1 in the Schedule for details on the membership of the Board of Directors.

The main professional characteristics of the Company's Directors are set forth below.

- Tan Xuguang: aged 63, is the Chairman of the Board and non-executive Director of Ferretti. Mr. Tan was appointed to the Board of Ferretti on July 3, 2012. He is responsible for the high level oversight of the Board and the management and operations of Ferretti Group. Mr. Tan has been the chairman and the secretary of

the Party Committee of SHIG since June 2009, the chairman of Weichai Group since August 2007, the chairman of China National Heavy Duty Truck Group Co., Ltd. since September 2018. Mr. Tan has served as the chairman of Weichai Power Co., Ltd., a company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, since December 2002. He is currently the chairman of Shaanxi Heavy Duty Automobile Co., Ltd. and the director of the National Key Laboratory of Internal Combustion Engine and Power System. Mr. Tan joined Weifang Diesel Engine Factory (“**WDE Factory**”) in 1977 as Weichai tester, business manager, general manager of Weichai Import and Export Co., Ltd., director of WDE Factory in 1998, chairman of Torch Automobile Group Co., Ltd. in 2005 and chairman of Shandong Juli Co., Ltd. in 2007. Mr. Tan has over 40 years of extensive technical innovation and engineering management experience in the global equipment manufacturing industry. As a leading person in the industry with significant domestic and foreign impact, Mr. Tan has earned numerous prizes and awards. Mr. Tan was appointed as a representative of the tenth, eleventh, twelfth and thirteenth National People’s Congress of the PRC and the committee member of the 14th National Committee of the Chinese People’s Political Consultative Conference and a committee member of the Population, Resources and Environment Committee. Mr. Tan was awarded the National Model Worker twice in 2005 and 2020, and National Excellent Communist Party Member in the centenary founding of the Party in June 2021. He was awarded various honors including the First Class National Science Technology Advance Award as the first author in December 2018; the Qilu Outstanding Talent Award in April 2019 and enjoyed the special government allowance from the State Council in January 2019; the National Innovation Award in May 2020; the 13th Anniversary of Guanghua Engineering Science and Technology Award in September 2020 by the Awarding Foundation of the Guanghua Engineering Science and Technology, the Top Science and Technology Award of Shandong Province in December 2020 and the title of "National Outstanding Engineer" by the Central Committee of the Communist Party and the State Council of the PRC in January 2024. Mr. Tan obtained a doctorate degree in engineering from Tianjin University and is a senior engineer.

- Alberto Galassi: aged 59, is the Chief Executive Officer and executive Director of Ferretti. He was appointed to the Board of Ferretti on October 23, 2013 and became the Chief Executive Officer of Ferretti on May 23, 2014. Mr. Galassi was recently re-appointed as Chief Executive Officer of Ferretti on March 8, 2023. Mr. Galassi is responsible for the formulation of the strategic direction of Ferretti Group and the day-to-day management of Ferretti Group. Mr. Galassi also serves as director in a number of our subsidiaries. He graduated in Law from the University of Modena in 1990 and admitted to the Italian Bar Association in 1996, he began his career as a lawyer, specializing in administrative law and international arbitration. In addition to his legal experience, he has over 20 years' corporate and commercial experience and has been a board member in several well-known companies, including Novico S.p.A., an Italian medical device company between 1995 and 1997, and Piaggio Aero Industries S.p.A. (“**Piaggio Aerospace**”), a major industry player in business aviation, defence and security. There, in 2000 he became a member of the Board of Directors and a member of the Executive Committee as well as head of sales and marketing, playing a crucial role in Piaggio Aerospace's revival and its subsequent international success, becoming its Chief Executive Officer in 2009. He has also been a member of the board of directors of Manchester City Football Club since June 2012 and of Palermo Football Club S.p.A. since July 2022.
- Xu Xinyu: aged 60, is an executive Director of Ferretti. He was appointed to the Board of Ferretti on July 6, 2012. Mr. Xu is responsible for the high level oversight of the management and operations of Ferretti Group. He obtained a graduate in mathematics from Liaocheng University in the PRC in July 1986, with an executive MBA degree from the National University of Singapore in June 2006 and a senior economist since November 2001. He began his career at Weifang Diesel Engine Factory from July 1986 to January 1997 as Head of Human Resources and Operations. He was then Deputy General Manager of Shandong Weichai Import and Export Co. Ltd. from January 1997 to July 1998, Deputy General Manager and Deputy Executive General Manager of Weifang Diesel Engine Factory from July 1999 to July 2004, a Director of Torch Automobile Group Co. Ltd from December 2005 to April 2007, Chairman of Weichai Power (Weifang) Investment Co. Ltd from August 2005 to April 2007, the Chairman of Weichai Power (Shanghai) Technology Development Co. Ltd. from August 2009 to August 2013, the Chairman of Weichai Power (Beijing) International Resource Investment Co. Ltd. from October 2010 to November 2012, the Chairman of Société Internationale des Moteurs Baudouin and Chairman of Weichai America Corp. from May 2009 to July 2012. He has also served as Vice Chairman and Deputy General Manager of Weichai Group since September 2020, Director of Weichai Power (Hong Kong) International Development Co. Ltd. since December 2011, Chairman of Weichai Power (Luxembourg) Holding S.à r.l. since November 2012, Chairman of FIH since April 2020 and Executive

Director of Weichai Power Co. Ltd since December 2002, a company listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange.

- Piero Ferrari: aged 78, he is the Honorary Chairman of the Board and non-executive Director of Ferretti. He was appointed to the Board on 16 June 2016 and is responsible for the high level oversight of the Board and the management and operations of the Group. He is Vice President and Non-Executive Director of Ferrari N.V. (a company listed on the New York Stock Exchange and Borsa Italiana, under ticker symbols RACE and RACE.MI respectively) and since 1988 he has been Vice President of Ferrari S.p.A., whose brand is one of the most important luxury brands in the world in the design, production and sale of high-performance luxury sports cars that also participate in Formula 1. His first role at Ferrari was in 1965, when he worked on the production of the Dino 206 Competizione race car. From 1970 to 1988 he held various managerial positions in the motorsport division of Ferrari, with increasing responsibilities. He was also responsible for managing Ferrari's relationships with suppliers, sponsors and Fédération Internationale de l'Automobile (the International Automobile Federation). He founded High Performance Engineering (HPE-COXA) in 1998 and has served as Chairman of the company ever since. From 1999 to 2014 he was Chairman of Piaggio Aerospace and from 1998 to 2001 he was president of the Italian Automobile Sports Commission. From 2002 to 2011 and from 2011 to 2014 he was also a director and deputy chairman of BPER Banca S.p.A., a bank listed on the Milan stock exchange. He received academic awards such as the honorary degree in Aerospace Engineering conferred by the University of Naples Federico II in September 2004 and the honorary degree in Mechanical Engineering conferred by the University of Modena and Reggio Emilia in November 2005. In October 2004, he also received the title of Cavaliere del Lavoro from the President of the Italian Republic, Carlo Azeglio Ciampi.
- Zhang Quan aged 60, was appointed non-executive Director of Ferretti on February 19, 2024. Mr. Zhang is the vice chairman of Weichai Power Co., Ltd., a company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange. Mr. Zhang joined WDE Factory in July 1986 and had successively served as the deputy secretary of Party Branch of the Engine Research Institute, the chief quality officer and director of the quality department, the procurement department and the marketing department, assistant factory director, deputy factory director, chief marketing officer, executive president and executive chief executive officer of WDE Factory. From July 2015 to present, Mr. Zhang served as the director of Weichai Heavy Machinery Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000880). From December 2014 to present, Mr. Zhang served as the director of Beiqi Foton Motor Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600166). From August 2019 to present, Mr. Zhang served as the director of Weichai Lovol Smart Agriculture Technology Co., Ltd. Mr. Zhang had successively served as a director of Weichai Group, a director of XCMG Construction Machinery Co., Ltd. and a director of Shantui Construction Machinery Co., Ltd. and was selected as the “Leading Talent of Taishan Industry”. Mr. Zhang is a senior economist and holds the bachelor’s degree in engineering from Shandong Polytechnical University and master’s degree in business administration from Fudan University.
- Zhu Yi: aged 47, was appointed as an independent non-executive Director of Ferretti on February 19, 2024. In 1998, Ms Zhu received a bachelor's degree in economics from Shanghai University of Finance and Economics and, in 2001, a master's degree in finance from the same university. She has over 20 years of experience in the investment banking industry, having joined the Morgan Stanley Group in 2002 and worked there until February 2020, where she lastly held the position of managing director, focusing on the automotive, industrial and infrastructure sectors. Since 2020, she has served as partner in Shanghai Huasheng Youge Equity Investment Management Co., Ltd, a subsidiary of China Renaissance Holdings Limited, a company listed on the Hong Kong Stock Exchange, demonstrating professional and leadership skills in managing different projects and transactions.
- Stefano Domenicali: now aged 58, Mr Domenicali was appointed as an independent non-executive Director on 21 December 2021. He is responsible for giving strategic advice and guidance on the business and operations of the Group and ensuring that the interests of all shareholders, in particular minority shareholders, are taken into consideration. He is a graduate in Economics and Commerce from the University of Bologna, with over 30 years of experience in the automotive industry, luxury brands and in organization promotion. He began his professional career in 1991 with Ferrari, where he held various positions, including Head of Direzione Sportiva F1 from 2004 and Team Principal for the Formula 1 team from 2008, where he won a total of 14 titles in the F1 Constructors' and Drivers' Championships. From 2009 to 2014, he represented Ferrari on the FIA World Motor Sport Council. In November 2014, he became Vice President of New

Business Initiatives at AUDI AG, a leading premium car manufacturer, and in March 2016 he became CEO of Automobili Lamborghini, a leading manufacturer of sports supercars. He stepped down as President of the FIA Single Seater Commission in 2020 and in January 2021 became President and Chief Executive Officer of Formula 1. In his career in the car industry, he has been successful in both motorsport and commercial roles.

- Patrick Sun: now aged 65, he was appointed as an independent non-executive Director on 21 December 2021, and is responsible for giving strategic advice and guidance on the business and operations of the Group and ensuring the interests of all shareholders, in particular minority shareholders, are given due consideration. In 1981, he graduated from the Wharton School of the University of Pennsylvania, USA, with a Bachelor of Science degree in Economics, and he completed the Stanford Executive Program at Stanford Business School in 2000. He has served as an independent non-executive director of Kunlun Energy Company Limited since February 2016 and AustAsia Group Ltd since December 2022. He was an independent non-executive director of China Railway Signal & Communication Corporation Limited from May 2015 to August 2018, Trinity Limited (in liquidation) from October 2008 to November 2020, China NT Pharma Group Company Limited from March 2010 to December 2019, Sihuan Pharmaceutical Holdings Group Ltd. from October 2010 to April 2023, all of which were listed on the Hong Kong Stock Exchange, as well as CRRC Corporation Limited from June 2015 to December 2021 and China Railway Construction Corporation Limited from October 2014 to December 2021, both listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Previously, he was Executive Director and Chief Executive Officer of Value Convergence Holdings Limited from 2006 to 2009, Executive Director of Sunwah Kingsway Capital Holdings Limited (formerly known as SW Kingsway Capital Holdings Limited) from 2004 to 2006, Senior Country Officer and Head of Investment Banking for Hong Kong at J.P. Morgan from 2000 to 2002, and Group Executive Director and Head of Investment Banking for Greater China at Jardine Fleming Holdings Limited from 1996 to 2000. He was Chairman of the Chamber of Hong Kong Listed Companies from 2013 to 2015, a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission from 1995 to 1997 and from 1999 to 2001, Deputy Chair of the Listing Committee of Hong Kong from 2000 to 2002, and a council member of the Hong Kong Stock Exchange from 1995 to 2000. He is a member of the Association of Chartered Certified Accountants in the UK, and of the Hong Kong Institute of Certified Public Accountants. From October 2008 to November 2020, he was an independent non-executive director of Trinity Limited (in liquidation), whose liquidation was ordered in August 2021 due to the company's non-repayment of debt. Mr. Sun has confirmed that (i) the entire winding-up petition process commenced after his resignation from Trinity Limited; (ii) there was no wrongful act on his part leading to the winding-up of Trinity Limited; and (iii) he is not aware of any actual or potential claim that has been or may in future be made against him as a result of the winding-up of Trinity Limited.
- Jiang Lan (Lansi): aged 56, was appointed as a non-executive Director of Ferretti on May 18, 2023. Ms Jiang has extensive experience in various fields such as company establishment and restructuring, mergers and acquisitions and joint venture negotiation and integration, sales and marketing, strategy and business development, brand development, corporate communications as well as government relations. In particular, Ms. Jiang has extensive experience in the Chinese construction equipment and automobile industry and rich knowledge of general business culture and economic climate in China and Asia markets. Ms. Jiang was the executive dean of the Design School of Shanghai Institute of Visual Arts and the group vice president and executive board director of DeTao Group from 2016 to 2021, the senior advisor to the chairman and European affairs of Shandong Linyi Construction Group from 2014 to 2015, the managing director of KJE International Holding Ltd. from 2014 to 2015 and the senior vice president of sales and marketing of Dooran Infracore China Co., Ltd. from 2012 to 2013. In addition, Ms. Jiang has served various management roles in Volvo Group China and Volvo Construction Equipment, including the chief representative of Volvo Construction Equipment Shanghai Representative Office from 1999 to 2002, the director of marketing communications and brand management of Volvo Construction Equipment Region Asia from 2002 to 2005, the vice president of corporate communications and brand of Volvo Group China from 2005 to 2012 and the chairman of Volvo Construction Equipment (China) Co., Ltd. from 2010 to 2012. Ms. Jiang obtained her EMBA at Oxford University in 2015 and a bachelor's degree in education from Beijing Normal University in 1989.

To access the directors' full curricula vitae, please see the Company's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

4.3.2 Diversity policy and measures

With respect to the provisions of article 123-*bis*(2)(d-*bis*), CLFI, on diversity policies within administrative, management and supervisory bodies, in recognition of the importance of diversity and inclusion in ensuring the Group's success, the Board of Directors on 18 March 2023 adopted a Group policy on diversity in the Board of Directors and the Board of Statutory Auditors (the "**Diversity Policy**"). The policy states principles for pursuing the objective of integrating management, professional and academic features, also of an international nature, while taking also into account balanced gender representation.

Through the Diversity Policy, the Company seeks, in line with stakeholders' expectations and with the pillars that form the foundation of the system of corporate governance and the values of the Code of Ethics, so as to create the necessary preconditions for its Boards of Directors and Statutory Auditors are able to exercise their functions as efficiently and honourably as possible, through decision-making processes that reflect a plurality of diverse, expert contributions. To develop a pipeline of potential successors to the Board and maintain gender diversity, the Board has adopted and implemented structured recruitment, selection and training programmes at various levels within the Group for the purpose of developing a broader pool of skilled and experienced potential Board members.

In terms of implementation, the Diversity Policy seeks to guide the candidates that shareholders put forward for membership of the Board of Directors, so that it achieves a composition that is in line with the diversity criteria identified above.

Secondly, monitoring of the results of the Diversity Policy's application, and proposals for its revision, are matters for the Board of Directors, with support from the Nomination Committee and, where appropriate, the Board of Statutory Auditors. The criteria laid down by the Diversity Policy are thus among the matters that the Board of Directors takes into account when reviewing its own performance, a process that, in line with the recommendations of the Corporate Governance Code, it performs annually, regarding its operations, size and composition, also with respect to its Committees.

For further information, please see the Diversity Policy available on the Company's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

The By-Laws provide for rules on the composition of lists in order to ensure presence on the Board of Directors of a minimum number from the less-represented gender, in accordance with the provisions of applicable laws and regulations. Specifically, lists with three or more candidates must be made up of candidates of both genders, in at least the minimum proportions required by laws and regulations, as the notice calling the meeting specifies.

With reference to gender diversity in particular, Law No. 160 of 27 December 2019 amended, *inter alia*, article 147-*ter*, CLFI, introduced a new test, under which at least two-fifths of the members of the Board of Directors (rather than the third that applied previously) must be reserved to the less-represented gender for six consecutive terms of office. As at the date of this Report, two of the nine directors belong to the less-represented gender. The present Board of Directors was appointed on 18 May 2023, prior to the Company's listing on Euronext Milan. Accordingly, the new test will be adopted by the Issuer when it next appoints a revised Board of Directors.

With reference specifically to Principle VII of the Corporate Governance Code, and in accordance with the priority objective of ensuring appropriate expertise and professionalism among its members, the Board of Directors on 18 May 2023, in reviewing its own performance, acknowledged that the members of the Board and the Committees carried appropriate professional characteristics, experience and seniority, which ensured satisfactory diversity in terms of ages and skillsets, and a Board whose composition was well-balanced.

Ferretti is committed to strengthening its culture of inclusivity and to enhancing diversity, inside and outside the Company.

As at 31 December 2023, among the 1,971 employees of the Group (including senior management), the percentages of male employees and female employees are 85% and 15%, respectively. The Board considers that the current gender ratio of the Group's workforce (including senior management) is appropriate for its operations and the Group will aim to continue to maintain gender diversity in its workforce.

On the subject of gender violence, Ferretti Group is an active participant in the fight against violence against women through the promotion and organisation of women's self-defence courses in all of the company's offices with personal defence professionals, and the self-defence courses held in 2023 saw the participation of over 95% of the female population (office and factory workers).

The Group is committed to offering fair levels of remuneration that reflect the expertise, capabilities and experience of each individual, while ensuring that equal opportunities are assured and the risk of discrimination is avoided.

Ferretti manages diversity in accordance with applicable rules and practice. It incentivises the various sections within the business to include differently able personnel, whose addition to the workforce is evaluated in accordance with, and taking into consideration, each person's needs and capabilities, including through the adoption of suitable working environment and hours, where practicable. This enables staff to give the best of themselves. As at 31 December 2023, there were 46 differently able members of staff.

4.3.3 Maximum number of positions within other companies

In accordance with the recommendations of article 3 of the Corporate Governance Code, each member of the Board of Directors is required to make autonomous decisions on a fully-informed basis, in pursuit of the objective of creating value for shareholders in the medium to long term. Each member also commits to dedicating the time necessary to ensure diligent discharge of his or her duties, irrespective of the positions held outside the Group, in full awareness of the responsibilities implicit in the position they hold.

Accordingly, each candidate to the position of Director makes an assessment prior to their accepting a position in the Company and irrespective of the limits imposed upon holding multiple positions under relevant laws and regulations, as to their ability to perform the duties effectively and with due attention, bearing in mind in particular the overall commitment required by any positions outside the Group.

All members of the Board of Directors are also obliged to promptly inform the Board if they become a director or statutory auditor of another company, in order to enable discharge of the disclosure obligations under applicable laws and regulations.

As at the date of this Report, the Board of Directors has not assumed a position regarding a maximum number of positions on the boards of directors or statutory auditors at other large or otherwise listed companies that it considers compatible with the effective discharge of duties as a director of the Issuer.

The following table sets forth a list of positions on boards of directors or statutory auditors held, as at the date of this Report, in companies with shares quoted on regulated markets (in Italy or abroad), in banks, insurance firms, or other large companies, the latter meaning those with assets or revenues exceeding euro 1 billion, excepting companies within the Group.

NAME	COMPANY	POSITION
Tan Xuguang	Weichai Power Co., Ltd.	Chair of the Board of Directors
	Weichai Group Holdings Ltd.	Chair of the Board of Directors
	Shaanxi Heavy-Duty Automobile Co., Ltd.	Chair of the Board of Directors
	KION Group AG	Director
	Shaanxi Fast Gear Co., Ltd.	Statutory Auditor
	Weichai Lovol Intelligent Agricultural Technology Co., Ltd.	Chair of the Board of Directors
	China National Heavy Duty Truck Group Co., Ltd.	Chair of the Board of Directors
	Shandong Heavy Industry Group Co. Ltd.	Chair of the Board of Directors
Alberto Galassi	Ferretti Tech S.r.l.	Sole Director

	RAM S.p.A.	Chair of the Board of Directors
	Manchester City Football Club	Director
	Palermo Football Club S.p.A.	Director
Xu Xinyu	Weichai Power Co., Ltd.	Director
	Weichai Group Holdings Ltd.	Director
	Ferretti International Holding S.p.A.	Chair of the Board of Directors
Piero Ferrari	Ferrari N.V.	Director
	Piero Ferrari Holding S.r.l.	Director
	HPE-OMR S.r.l.	Director
	Kheope S.A.	Director
Zhang Quan	Weichai Power Co., Ltd.	Director, Deputy Chair
	XCMG Construction Machinery Co., Ltd.	Director
	Weichai Heavy Machinery Co., Ltd.	Director
	Beiqi Foton Motor Co., Ltd.	Director
	Weichai Lovol Smart Agriculture Technology Co., Ltd.	Director
	Weichai Intelligent Technology Co., Ltd	Director
	Weichai Westport New Energy Power Co., Ltd.	Director
Zhu Yi	-	-
Stefano Domenicali	Brunello Cucinelli S.p.A.	Director
	Formula One Group	Chair of the Board of Directors and Managing Director
Patrick Sun	Aust Asia Group Ltd.	Director
	Kunlun Energy Company Ltd.	Director
Jiang Lan (Lansi)	KJE International Holdings Limited	Director

4.4 OPERATION OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-BIS(2)(D), CLFI)

4.4.1 Conduct and frequency of meetings

The Board of Directors is the body central to the Company's system of corporate governance, with a primary role in leading and managing the Group as a whole. In addition to its remit under the law and the Company's By-Laws, the Board of Directors is exclusively responsible for the most important decisions, in financial and strategic terms, in terms of structural impact upon operations, and with respect to the Company's and the Group's direction and monitoring, and the creation of value over the medium and long term. It has the power and duty to direct and lead

the business, pursuing an objective of maximising value for shareholders and other stakeholders. Accordingly, the Board of Directors resolves to approve those transactions that are necessary to achieving the corporate objects, except for those matters that are expressly reserved to the Shareholders' Meeting, by the law or under the By-Laws. The Board of Directors, in accordance with recommendation 1 of the Corporate Governance Code, also:

- (a) examine and approve the Company's and the Group's business plans, also based on analysis of the key themes for generating value over the long term, with the support of the relevant Committee;
- (b) regularly monitors implementation of the business plan, and assesses the general performance of operations, comparing results achieved with those forecast;
- (c) determines the nature and level of risk that is compatible with the Company's strategic objectives, including assessments of all those factors that may be relevant to the Company achieving sustainable success;
- (d) determines the Company's system of corporate governance and the Group's structure, and assesses the adequacy of the organisational, administrative and accounting structure of the Company and those of its strategically important subsidiaries, in particular with respect to the internal control and risk management system;
- (e) resolves on transactions by the Company and its subsidiaries that have a significant impact upon the Company's strategy, business, results of operations or financial condition; and accordingly establishes general criteria for identifying those significant transactions;
- (f) in order to ensure that information is properly managed within the Company, it adopts, at the proposal of the Chairman of the Board of Directors jointly with the Chief Executive Officer, a procedure for the internal management and external release of documents and information regarding the Company, especially inside information;
- (g) on each occasion the Board is appointed, it expresses a view as to how the next Board may be best organised, in terms of qualifications and the number of members, taking into account the process for evaluating the size, composition and operation of the Board and its Committees;
- (h) at the Chair's proposal, by agreement with the Chief Executive Officer, it issues a policy for managing engagement with shareholders generally, in light, *inter alia*, of the engagement policies adopted by institutional investors and asset managers; the policy is described in the report on corporate governance and ownership structure;
- (i) determines the powers and responsibilities to be delegated to particular directors, and identifies who among the executive directors is to be Chief Executive Officer;
- (j) appoints an independent director as lead independent director, where the Corporate Governance Code so provides;
- (k) adopts a diversity policy with respect to the composition of the boards of directors or statutory auditors;

In addition to its exercise of the powers it holds by law, the Board of Directors is responsible for resolving, pursuant to paragraph 18.2 of the By-Laws, regarding:

- a) merger by absorption with other companies, and spin-offs of companies 90% or more of whose share capital are held by the Company;
- b) the opening or closing of secondary offices;
- c) the selection of directors to formally represent the Company;
- d) reductions in share capital, where a shareholder withdraws from the Company;
- e) amendment of the By-Laws where that is required by Italian laws or regulations; and
- f) any transfer of the Company's registered office to another location within Italy.

Rules of operation

The Board of Directors' functioning is governed by the By-Laws and the Rules of the Board of Directors and the Committees which were approved by the Board of Directors on 20 March 2023 and 18 May 2023, respectively (and with respect to the Strategic Committee, on 19 February 2024). These are available online on the Company's

website at www.ferrettigroup.com, in the section, *Corporate Governance*, in accordance with recommendation 11 of the Corporate Governance Code.

These rules enable the Board of Directors to operate correctly and effectively, *inter alia*, to ensure an efficient flow of information to directors (see Principle IX of the Corporate Governance Code).

The Board of Directors is validly constituted where a majority of the directors is present, and resolves by the vote in favour of a majority of the directors present. Directors who abstain, or have declared a conflict of interest, are not included in the calculation of the majority for the purposes of voting. Where votes are equal, the Chairman of the Board of Directors has a casting vote.

The Board of Directors elects a Chairman of the Board of Directors from among its number, to remain in office for the whole of the Board's term, where the Shareholders' Meeting has not itself made that election.

Pursuant to article 21 of the By-Laws, the Board of Directors may delegate some of its duties to an Executive Committee, whose members are those directors who are appointed by the Board and, automatically, the Chairman of the Board of Directors and all those directors with executive responsibilities. The Board of Directors may determine that Committee's objectives, and the terms upon which it exercises the powers it is delegated.

The Board of Directors may appoint one or more executive directors, and determine their powers. In addition, the Board of Directors may form one or more committees with consultative, proposal-making or supervisory functions, in accordance with applicable provisions of laws or regulations.

Pursuant to article 22 of the By-Laws, the Board of Directors meets in the location stated in the notice calling the meeting, in the municipality in which the Company is registered, or elsewhere (provided that the meeting is held within the European Union, the United Kingdom or a country within Greater China (the PRC, Hong Kong, Macao or Taiwan). It votes upon all such matters as the Chair, the Board of Statutory Auditors, or at least two directors deem necessary.

The Board of Directors' meetings may also be held by audio- or videoconference, provided that:

- the chair of the meeting is able to establish the identity of those participating in the meeting and their entitlement to do so, to govern the conduct of the meeting, and to observe and declare the outcome of votes;
- the person taking the minutes is able adequately to perceive the proceedings of the meeting that they are recording;
- all the participants are permitted to participate in real time in the discussions, to vote simultaneously, and the ability to receive and transmit, or view, documentation in real time.

These conditions having been satisfied, the meeting is deemed to have met in the place stated in the notice, where the person recording the minutes must be present, in order that those minutes may be prepared and signed.

The Chairman of the Board of Directors and the person recording the minutes may be in different locations.

The Chair, or the person acting in his stead where the Chairman of the Board of Directors is unable to act, calls the Board of Directors, sets its agenda, coordinates its work, and ensures that suitable written information regarding the items on the agenda is provided to all of the directors.

The Board of Directors is called to meet at least three days prior to the appointed date, under a notice of meeting sent to each director by recorded delivery, fax, email or equivalent, provided that it offers proof of receipt. In urgent cases, that period may be reduced to 24 hours. Regular Board meetings are held at quarterly intervals to discuss, the Group's operations, financial performance, to approve interim and annual results and for other significant matters. For regular Board meetings, Board members are given at least 14 days' prior notice in accordance with the CG Code.

The Board of Directors is in any event validly constituted, even if no meeting has formally been called, where all the directors in office are present along with all the standing members of the Board of Statutory Auditors.

Meetings of the board of directors are chaired by the Chairman of the Board of Directors or, if the latter is absent or otherwise unable to chair the meeting, by a Deputy Chair. If there is more than one Deputy Chair, the eldest has priority. Otherwise, the chair is assumed by another director designated by the Board of Directors.

Following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the executive responsible for preparing the Company's accounting documents, pursuant to article 154-*bis*, CLFI (the

"**Financial Reporting Executive**"), and confers suitable powers and resources in order that those duties may be duly discharged.

Rules of the Board of Directors

The Board of Directors has adopted rules that sets terms and procedures for its functioning, compliant with applicable laws and regulations and consistent with recommendation 11 of the Corporate Governance Code. The Rules of the Board of Directors are intended to ensure compliance with applicable provisions of law and of the By-Laws, and, to the fullest extent possible, the principles and recommendations of the Corporate Governance Code to which the Company is bound.

The notice of meeting, which is prepared by the Chairman of the Board of Directors with, if appropriate, support from the Secretary, in both Italian and English, states: the place, date and time of the meeting, the items on the agenda, and the manner in which the directors may participate; as well as the information required by law.

The notice of meeting is sent by the Chair, or a person instructed by the Chair, by recorded delivery, fax, email or equivalent, provided it offers proof of receipt, at least three days prior to the date of the meeting, or, in urgent cases, at least 24 hours prior.

The notice is sent to all of the members of the Board of Directors, and the standing members of the Board of Statutory Auditors. The agenda may be amended by notice to the Chairman of the Board of Directors or a person instructed by the Chair, by the same means as are permitted for despatch of the notice, and within the same periods.

In accordance with the provisions of recommendation 11 of the Corporate Governance Code, any documentation regarding the items on the agenda, which must be drafted in English, is provided by the Chair, if appropriate with the Secretary's support, at least three days prior to the meeting. It is sent to the members of the Board of Directors and the standing members of the Board of Statutory Auditors, and to any other persons invited to the meeting (where necessary or opportune), by means that ensure the necessary confidentiality, which may include a dedicated IT platform. In specific cases in which it is necessary, or where it regards fast-moving transactions, it may be impossible to provide the documentation within the permitted timeframe. In such circumstances the Chairman of the Board of Directors ensures that it is provided as promptly as possible or directly in the course of the meeting, where necessary. Where the documentation is particularly complex or voluminous, the Chair of the Board of Directors, if appropriate with the Secretary's support, ensures that it is accompanied by an English-language document that summarises the most important points with respect to the decisions on the agenda. The directors and the statutory auditors receive prior notice where the documentation is not being provided within the permitted timeframe.

Where the agenda for the meeting includes matters within the purview of the Financial Reporting Executive, that person is intended to attend for the discussion of those matters.

Any persons whose presence is considered useful in relation to the matters on the agenda, or on the basis they would assist with the Board's work (heads of relevant departments, executive employees, managers, employees, or advisors of the Company or its subsidiaries, or others) may be invited to attend, but are not entitled to vote, and they may speak only during discussion of the matters to which the invitation related, at the Chair's invitation, to elucidate information or documents, or provide additional background or detail.

Resolutions are evidenced by minutes signed by the Chairman of the Board of Directors and the Secretary, and are immediately effective except as the minutes may state. They are brought to the attention of the affected departments and units, and, to the extent relevant, to the control functions.

Merely in order to facilitate minute-taking and document the contents of those minutes, and unless the Chairman of the Board of Directors decides otherwise, meetings of the Board of Directors are video-recorded.

The minutes are prepared in Italian and in English, and include the major contributions, summarised by the Secretary of the Board of Directors including, in particular, those parts that provide essential information additional to the documentation; the questions and answers necessary to clarify the documentation; the substantive comments that are relevant or whose inclusion is expressly requested; and the directors' voting declarations.

After the meeting, draft minutes drawn up by the Secretary to the Board (or of the meeting, as the case may be) are submitted for comment and approval to the members of the Board of Directors and the standing members of the Board of Statutory Auditors.

Those parts of the minutes that regard resolutions that must be given immediate effect may be certified and excerpted by the Chairman of the Board of Directors and the Secretary, and this may occur prior to the Board of Directors' approval of the minutes' final draft, which may include contributions that participants made.

The directors and the statutory auditors must keep the documents, information and figures received in the course of their duties confidential, including after the end of their terms of office, subject to any obligations imposed by law, legal or supervisory authorities, and they must not seek out or use confidential information for purposes inconsistent with their duties. Those invited to attend meetings of the Board of Directors are subject to the same confidentiality obligations as the directors and statutory auditors.

Information provided to the Board of Directors

Pursuant to article 22.9 of the By-Laws and article 150, CLFI, and in accordance with best practice, bodies with delegated responsibilities report, orally or in writing, to the Board of Directors and the Board of Statutory Auditors (and absent such bodies, the directors report to the Board of Statutory Auditors) on the business's general performance and anticipated future development, transactions with the greatest impact in terms of business, results of operations and financial condition, or otherwise by size or features, carried out by the Company or its subsidiaries, or that are influenced by any person who directs or coordinates the Company's activities. This applies in particular to transactions where the directors have a direct or indirect conflict of interest. The reports are made at the time of meetings of the Board of Directors and not less than quarterly (and more frequently, where the Board of Directors so determined at the time it delegated the powers). Reports to the Board of Statutory Auditors may also take place personally or at the time of meetings of the Executive Committee, where appointed, where this enables the information to be provided more promptly.

Induction programme

The Rules of the Board of Directors as approved on March 20, 2023 provide that the Company must carry out induction sessions at least twice a year, open to all the directors. The objective is, in accordance with the terms of the Corporate Governance Code, to ensure appropriate knowledge of the Company and the sector in which the Group operates (as well as the main trends that may impact the Group's growth strategy), its products, business dynamics and their development, also with a view to sustainable success; and its organisation, the principles of proper risk management, and the regulatory and self-regulatory rules to which it is subject. In light of Ferretti's recent listing on Euronext Milan in June 2023, the Company has yet to organise these induction sessions.

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on first appointment, to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. All Directors have been updated on the latest developments regarding the statutory and regulatory requirements and also the business and market changes to facilitate the performance of their responsibilities and obligations under the Listing Rules and relevant statutory requirements, and enhance their awareness of good corporate governance practices.

All Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors are arranged and reading materials on changes and developments to the Group's business and to the legislative and regulatory environments relating to the market and the operations of the Group provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense. All Directors have confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' continuous professional development by participating in appropriate CPD activities, reading materials relating to regulatory updates and reviewing papers and circulars distributed by the Company.

Activities in the course of the year

During the Reporting Year, eight meetings of the Board of Directors were held, on 8 March, 21 April, 10 May, 18 May, 13 June, 2 August and 7 November 2023.

The meetings were duly minuted.

Meetings of the Board of Directors on average lasted approximately 45 minutes.

In the year ending 31 December 2024, in addition to two minutes of the Board of Directors that took place on 19 February 2024 and 14 March 2024 (in the course of the latter of which, drafts of the consolidated and non-

consolidated financial statements as at and for the period ended 31 December 2023, were approved, it is anticipated as at the date of this Report that there will be at least another three meetings, on: 16 May 2024, 6 September 2024 and 13 November 2024 (as stated in the financial calendar disclosed to the market and Borsa Italiana, available on the Issuer's website at www.ferrettigroup.com, in the section *Investor Relations*).

In the course of the Reporting Year, compared to a participation rate of approximately 98.6%, the individual directors participated in meetings, with the following rates: 87.5% for Tan Xuguang (Chair), 100% for Alberto Galassi (Chief Executive Officer), 100% for Xu Xinyu (Executive Director), 100% for Piero Ferrari (Honorary Chair), 100% for Stefano Domenicali, 100% for Patrick Sun, 100% for Li Xinghao, 100% for Hua Fengmao, and 100% for Jiang Lan (Lansi) (the latter two, with respect to only the meetings that followed their appointment on 18 May 2023). Zhang Quan and Zhu Yi were not members of the Board of Directors in the Reporting Year, as they were co-opted on 19 February 2024.

In light of the above, the Company considers that in the Reporting Year, the directors made appropriate time available for them to perform their duties of office within the Company.

The Chairman of the Board of Directors took steps to ensure that the documentation regarding the items on the agenda were brought to the attention of the directors and the statutory auditors suitably in advance of the date of the meeting. The supply of comprehensive information promptly is ensured by having the documentation sent not less than three business days prior to the date of the meeting. That deadline was generally met and there were no cases of particular urgency that justified making an exception to that deadline for despatching the documentation.

Additionally, the Chairman of the Board of Directors ensured that the matters on the agenda received sufficient time for all directors to speak, which ensured constructive debates in the course of the meetings.

The meetings of the Board of Directors took place with the participation of the Board's Secretary, and, where appropriate, of executives from the Issuer responsible for the functions under discussion, and external advisers with roles in the items under discussion, which meant that the directors were able to explore the matters on the agenda in the necessary detail. Generally, the Chief Executive Officer ensures that executives make themselves available to participate in the meetings, so that those meetings provide regular opportunities for non-executive directors to acquire adequate information on the Issuer's operations.

Finally, it should be noted that meetings of the Board of Directors are normally also attended by the Financial Reporting Executive.

4.5 ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

On 18 May 2023, the Shareholders' Meeting appointed Tan Xuguang as Chairman of the Company's Board of Directors.

The Chairman of the Board of Directors has the powers conferred by law and the By-Laws with respect to the functioning of the Company's corporate bodies and the legal representation of the Company towards third parties.

In accordance with the provisions of the By-Laws and applicable laws and regulations, the Chairman of the Board of Directors, or where the Chairman of the Board of Directors is unavailable, a person acting in the Chair's place, convenes the Board, sets its agenda, coordinate its work and ensures that adequate information on the items on the agenda is provided to all directors.

Exercising the functions assigned by law, the By-Laws and the Rules of the Board of Directors, and also in line with the recommendations of the Corporate Governance Code, the Chairman of the Board of Directors acts as a liaison between the executive directors and the non-executive directors and, with the support of the Secretary to the Board of Directors, ensures that the Board of Directors is able to function effectively.

More particularly, without prejudice to the additional powers established by laws and regulations in force, the By-Laws, and the principles and recommendations in the Corporate Governance Code, the Chair, with support from the Secretary, is responsible for ensuring that:

- (a) the information provided prior to the meetings and the additional information provided during the meetings enable the directors to reach informed decisions in the performance of their duties;
- (b) the activities of the Committees is coordinated with those of the Board of Directors;

- (c) by agreement with the Chief Executive Officer, the Company's and the Group's executives responsible for relevant functions attend Board meetings, also at the request of individual directors, to provide such in-depth information regarding the items on the agenda as may be opportune;
- (d) all of the members of the Board of Directors and the Board of Statutory Auditors may participate, following their appointment and over the course of their term of office, in initiatives to supply them with knowledge of the business sectors in which the Company operates, business dynamics and their development, also with a view to sustainable success; and the principles of proper risk management, and the regulatory and self-regulatory rules to which it is subject,
- (e) duly provided through an induction process; and
- (f) the adequacy and transparency of the process by which the Board of Directors evaluates its own performance, with the support of the Nominations Committee.

The Chairman of the Board of Directors also ensures that the Board of Directors is informed, no later than the next available meeting, of significant developments in the dialogue with shareholders.

Under provision C.2.7 of the CG Code, the Chairman of the Board of Directors should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. The Chairman of the Company has delegated the Secretary (as defined below) to gather any concerns or questions the independent non-executive Directors may have and to report to him, so that the Chairman of the Board of Directors may arrange a meeting with the independent non-executive Directors as and when appropriate. At the date of this Report, no meeting with the independent non-executive Directors without the presence of other Directors has yet been held.

4.6 SECRETARY TO THE BOARD OF DIRECTORS

Pursuant to article 20.2 of the By-Laws and in accordance with recommendation 18 of the Corporate Governance Code, the Board of Directors appoints, and revokes the appointment, of its secretary (the "**Secretary**"), at the Chair's proposal. The Secretary need not be a director, and the requisite qualifications and qualities are determined by the Board.

The secretary must in any event satisfy suitable requirements as to their professional standing and independence of judgement, and have appropriate expertise on company law, the regulated markets, and corporate governance, and must have acquired significant experience within a company secretariat at a company of similar size to the Company.

If the Secretary is absent or unable to act, the Board of Directors may at the Chair's proposal nominate a replacement for any particular meeting, choosing an individual with appropriate professional standing. The Board of Directors, or the Chair, establishes that the requirements are satisfied at the time of the Secretary's appointment for the particular meeting.

The Secretary assists the Chairman of the Board of Directors with his work, with particular regard to the activities referred to above (see recommendation 18 of the Corporate Governance Code).

In the course of the year, the Secretary provided impartial judgements, advice and assistance to the Board of Directors on every material aspect of the proper functioning of the Company's system of corporate governance (see recommendations 18 of the Corporate Governance Code).

In performing their functions, the Secretary has support from a secretariat appropriate to their duties, taking into account *inter alia* the role played by the Secretary, who may also act as secretary for one or more Committees.

In performing the functions of their office, the Secretary had access to appropriate resources, made available by the Board of Directors, including information regarding the business necessary for their duties; suitable financial resources; and the support of external advisers, all as determined by the Board of Directors.

On 19 February 2024, the Board of Directors appointed, for the Board of Directors' term of office and subject to revocation in the event the Board so determines, Ma Jun as its Secretary, replacing Li Xinghao who had been appointed on 18 May 2023 and resigned as a Director with effect from 19 February 2024.

The Board appointed Mr. Niccolò Pallesi and Ms. Wong Hoi Ting as the Joint Company Secretaries on 21 December 2021. They are responsible for the secretarial affairs of the Company and ensuring a good information

flow within the Board and compliance with Board policy and procedures. During the Reporting Year, both the Joint Company Secretaries have attended not less than 15 hours of professional training.

4.7 EXECUTIVE DIRECTORS

4.7.1 Executive Officers

Pursuant to article 21 of the By-Laws, the Board of Directors may, subject to the restrictions imposed by article 2381 of the Civil Code and the By-Laws, delegate some of its powers and responsibilities to one or more members, for whom it determines the powers and the remuneration.

The Board of Directors may also decide that an Executive Committee should be established, whose members are those directors who are appointed by the Board and, automatically, the Chairman of the Board of Directors and all those directors with executive responsibilities. The Board of Directors in its resolution establishing the Executive Committee may also determine its objectives and the manner in which it may exercise its delegated powers.

The Board of Directors in any event has powers to direct and oversee, and to advocate for transactions within the scope of the delegated powers, and the power to revoke such powers' delegation.

Senior managers and attorneys may also be appointed by the Board of Directors, with their powers determined under the appointment.

Additionally, under article 23 of the By-Laws, the Chairman of the Board of Directors formally represents the Company, without restrictions. Directors with executive responsibilities also represent the Company with respect to the matters delegated to them, as do general managers, where they are appointed.

On 18 May 2023, the Board of Directors resolved to appoint Alberto Galassi as Chief Executive Officer and Xu Xinyu as an Executive Director, granting them the necessary powers for them to perform their duties.

Chief Executive Officer

Under a resolution adopted by the Board of Directors on 18 May 2023, Alberto Galassi was granted the broadest ordinary and extraordinary powers, that he may exercise alone, as may be necessary or merely appropriate to pursuit of the Company's objects, or to implementation of the Company's approved Business Plan and Budget, including, without limitation, the power to represent the Company in dealings with third parties, such as:

- representation of the Company in proceedings before any judicial, administrative, tax, ordinary, special or arbitration authority, in criminal or civil proceedings, at any stage and instance, in Italy or elsewhere, with the power to sign claims and documents, in relation to any matter, bringing and supporting claims and defences, in the substantive and at any enforcement stages, and also in bankruptcy proceedings, and to agree, execute and accept waivers, and including the power to appoint lawyers and consultants;
- representation of the Company in all tax matters, including the signing of the Company's annual VAT returns and tax returns, declarations of withholding taxes, reports on results prepared by the tax authorities or the tax police, questionnaires from the tax authorities and any documents required by tax legislation, including the power to appoint lawyers and consultants;
- representation of the Company in relations central, local and other governmental bodies and administrations, ministries, EU bodies and supranational bodies, and with any other political, judicial, military, fiscal, financial, social security or trade union authorities or offices, both in Italy and elsewhere;
- to enable, also by means of special attorneys, any registrations, cancellations, postponements, annotations, signatures, waivers or formality generally, relating to mortgages, pledges, or transcriptions made in favour of the Company, without any limitation, before the registrars of land and other public registers, court employees and third parties, without having to justify their actions to the offices concerned and third parties;
- to sign all acts of ordinary administration, meaning any transaction related to giving effect to resolutions adopted by the Company's competent bodies or representatives, and any transaction execution of which is not expressly reserved by law to others, including the rules governing companies listed on the Hong Kong Stock Exchange, or by the Company's By-Laws to other representatives;

- to agree and give effect to transactions resolved upon or authorized by the competent bodies of the Company or their representatives, signing on behalf of the Company all relevant instruments and agreements, and instruments supplementary thereto and/or amending thereof, and any consequent formalities, with the right to agree any clause or condition in addition to those agreed by the competent bodies or their representatives, and with the right to take any action necessary to best safeguard the Company's rights and entitlements;
- to carry out with general government bodies, and public entities and offices, all such acts and operations as are necessary to obtain concessions, licences and authorisations generally, accepting and executing the relevant final instruments and documents;
- to enter into and carry out transactions relating to the granting and/or obtaining of licences relating to intellectual or industrial property rights;
- more generally, to perform any other act on behalf of the Board of Directors and/or the executive committees;
- to confer and/or delegate powers to other persons, including attorneys or employees within the scope of the powers held;
- to promote and develop adherence to good conduct, regulatory compliance, sound ethics and culture in the Company's operations in compliance with corporate governance principles; and
- accident prevention, and health and safety in the workplace.

The following matters remain the exclusive responsibility of the Board of Directors:

- the receipt and grant of new loans and other financial instruments, other than bank or insurance guarantees, with a value of more than euro 50 million or a maturity of more than 18 months;
- the issuance of financial instruments to be listed on European or non-European regulated markets and their delisting;
- entry into derivatives contracts (a) with a nominal value exceeding euro 100 million, or (b) whose sole purpose and/or effect is not to hedge the Company's risks (e.g. interest rate hedging, exchange rate hedging, or commodity hedging). For the avoidance of doubt, entry into any derivatives contracts of a speculative nature should in any case be subject to the approval of the Board of Directors;
- the acquisition or sale of an in another company resulting in that company being a subsidiary or an associate, with a value exceeding euro 10 million, unless contemplated by the approved Business Plan and/or Budget;
- acquisition or sale of companies or business divisions of strategic importance or otherwise with a value exceeding euro 20 million, unless contemplated by the approved Business Plan and/or Budget;
- acquisition or sale of assets or other assets of strategic importance or otherwise with a total value exceeding euro 10 million, unless contemplated by the approved Business Plan and/or Budget;
- entry into relevant transactions with related parties in accordance with applicable laws and regulations;
- determining, in accordance with the Company's internal policies and applicable laws, the remuneration of the Chief Executive Officer and directors holding particular offices and, if necessary, the allocation of total approved remuneration among the members of the Board of Directors;
- approval of the Group's Business Plan and/or Budget;
- adoption of the Company's corporate governance rules and the definition of the Group's corporate governance guidelines;
- definition of the guidelines for the internal control system, including the appointment of a director responsible for supervising the internal control system, and determining their duties and powers;
- any other matter which should be exclusively in the purview of the Board of Directors under applicable laws and regulations, including those governing companies listed on the Hong Kong Stock Exchange, or the By-Laws.

The Chief Executive Officer is also referred to as the CEO and is not a director of another listed company of which a Director of the Company is the CEO.

The allocation of the powers set out above is justified in light of the characteristics of Ferretti's business activities and the Group's organizational structure.

Executive Director

Under a resolution adopted by the Board of Directors on 18 May 2023, given the operational needs of the Board of Directors following the listing of the Company on both the Stock Exchange of Hong Kong market and Euronext Milan, Xu Xinyu has been granted the power to oversee implementation of the decisions of the Board of Directors and tasked with strengthening the Company's internal audit functions, with the ability to monitor the quality of the Company's operations.

4.7.2 Chairman of the Board of Directors of the Board of Directors

As at the date of this Report, the Chairman of the Board of Directors is not the Issuer's chief executive officer, nor has he been delegated management powers. He does not play a specific role in the development of corporate strategies, nor is he a controlling shareholder of the Issuer.

4.7.3 Honorary Chairman of the Board of Directors

On 18 May 2023, the Board of Directors resolved to appoint Piero Ferrari as Honorary Chair. He neither holds any operational duties or responsibilities, has any specific role in preparing strategy, nor is he a controlling shareholder of the Issuer.

4.7.4 Supply of information to the Board of Directors by executive directors and bodies

During the Reporting Year, the Chief Executive Officer and the Executive Director reported adequately and in a timely manner, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred, doing so in a manner that enabled permit the Board to express, in an informed manner, its views on the matters under examination.

4.7.5 Other Executive Directors

As at the date of this Report, there are no directors with delegated powers or responsibilities other than the Chief Executive Officer and the Executive Director.

As at the date of this Report, no executive committee has been established.

4.8 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

4.8.1 Independent Directors

As at the date of this Report, the Board of Directors includes three independent directors out of a total of nine directors. These are directors who meet the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147(4), CLFI, recommendation 7(2) of the Corporate Governance Code and Rule 3.13 of the Listing Rules.

Specifically, under recommendation 5 of the Corporate Governance Code, the directors Zhu Yi (who replaced the independent director Hua Fengmao with effect from 19 February 2023), Stefano Domenicali and Patrick Sun meet the independence requirements.

The number of independent directors is compliant with recommendation 5 of the Corporate Governance Code and the Listing Rules and appropriate, also in light of their respective fields of expertise, the Company's requirements, the functioning of the Board of Directors, and the composition of the Committees.

On 18 May 2023, the Board of Directors approved the quantitative and qualitative criteria to be used in establishing directors' independence, in order to assess the significance of dealings with the Company and/or the Group,

pursuant to recommendation 7 of the Corporate Governance Code. Specifically, the following are considered "significant":

- (a) a director having a significant commercial, financial or professional relationship with a company (see recommendation 7, part (c)), from which he receives income that exceeds:
 - (i) his annual compensation for the office of director, including compensation for participation on Committees; or
 - (ii) 5% of the average costs incurred by Ferretti in the last three financial years, in relation to relationships of the same commercial, financial or professional nature.

In any event, the relationship is considered significant where the amount of income paid to the director exceeds euro 200,000 (two hundred thousand euros).

- (b) the additional remuneration (recommendation 7, part (d), of the Corporate Governance Code) that exceeds his annual compensation for the office of director, including compensation for participation on Committees, where:
 - i "fixed compensation for the position" means: the compensation determined by the Shareholders' Meeting for all directors, or by the Board of Directors for all non-executive directors, further to the aggregate amount approved by resolution of the Shareholders' Meeting for the whole of the Board of Directors; any remuneration awarded based on the particular position of the non-executive director within the Board of Directors (Chair, Deputy Chair (where appointed), Lead Independent Director (where appointed), determined in accordance with best practice, further to recommendation 25 of the Corporate Governance Code;
 - ii "compensation for participation on Committees" means the remuneration any particular director receives based on their participation in committees established pursuant to the Corporate Governance Code or committees or bodies for which the laws and regulations in force provide, other than remuneration for participating on any executive committees;
 - iii for the purposes of determining the "additional remuneration" received by a director of Ferretti, it is the "fixed compensation for the position" and the "compensation for participation on Committees" that the director receives from companies of the Group that should be taken into consideration.

The independence of a director may be compromised by being a close relation of a person in one of the aforementioned situations, where "close relations" are, without limitation, parents, children, spouses who are not legally separated, and co-habitees.

The Board of Directors confirms that these requirements are satisfied at the time of the appointment, on any occasion that circumstances relevant to independence transpire, and not less than annually. The Board of Statutory Auditors verifies that the criteria and assessment procedures used by the Board of Directors to assess the independence of its members have been correctly applied.

The Board of Directors assesses the initial and continuing satisfaction of the independence requirements, applying *inter alia* all the criteria set forth in the Corporate Governance Code, based on the information that the individuals in question are required to provide and such other information as is otherwise available to the Board of Directors. The outcomes of these assessments are made public through a press release.

On 18 May 2023, the Board of Directors confirmed, based on the information available to it, in particular that provided by the directors, that the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147-ter(4), CLFI, and in recommendation 7 of the Corporate Governance Code, and based only on the criteria set forth in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange, under the laws of Hong Kong, were met by the following directors: Hua Fengmao (who subsequently resigned, effective from 19 February 2023), Stefano Domenicali and Patrick Sun; and on 19 February 2024, the Board of Directors based on the information available to it, in particular that provided by the director in question, that the independence requirements were met by Zhu Yi (who replaced the outgoing independent director, Hua Fengmao).

The quantitative and qualitative criteria to be used in establishing directors' independence, in order to assess the significance of dealings with the Company and/or the Group, pursuant to recommendation 7 of the Corporate Governance Code, were applied following the First Trading Day, and thus beginning with the assessment of the independence of directors who were co-opted on 19 February 2024.

The outcome of the assessments regarding the independence of Hua Fengmao, Stefano Domenicali, and Patrick Sun was favourable, and the market was informed by press release of 18 May 2023.

The outcome of the assessment regarding the independence of Zhu Yi was also favourable, and the market was informed by press release of 19 February 2024, which is available on the Issuer's website at www.ferrettigroup.com, in the section *Investor Relations*.

With reference specifically to the terms of article 149(1) (c-bis), CLFI, and recommendation 6 of the Corporate Governance Code, the Board of Statutory Auditors confirmed that the criteria and assessment procedures used by the Board of Directors to assess the independence of its members have been correctly applied.

None of the Independent Directors have committed to remaining independent for the whole of their term of office and to resigning if necessary. In the event that a director classified as an Independent Director ceases to meet the requirements, he must promptly inform the Board of Directors.

In the course of the Reporting Year, the Independent Directors never met without the other directors, given that Ferretti has been listed since June 2023.

4.8.2 Lead Independent Director

The Board of Directors did not consider it necessary to appoint a lead independent director, in that the tests that would require such an appointment under recommendation 13 of the Corporate Governance Code were not met, since:

- (a) the Chairman of the Board of Directors is not the Chief Executive Officer and does not hold material management responsibilities;
- (b) the Chairman of the Board of Directors does not control the Company, on his own or jointly; and (c) the Issuer does not qualify as a "large company" under the Corporate Governance Code.

5 MANAGEMENT OF CORPORATE INFORMATION

The Board of Directors on 20 March 2023 at the proposal of the Chief Executive Officer, adopted the following procedures:

- (a) a procedure for handling and disclosing inside information, for governing the handling of Inside Information and Material Information, thus a mapping and identification of such information by the relevant functions within Ferretti; and
- (b) a procedure on internal dealing, pursuant to article 19, MAR, to regulate the disclosure obligations towards CONSOB and the public connected with transactions regarding financial instruments issued by the Company, performed by persons discharging managerial responsibilities and persons closely associated with them (as identified under the MAR and the aforementioned procedure).

Both documents are available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

6 COMMITTEES INTERNAL TO THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-bis(2)(D), CLFI)

6.1 ESTABLISHED COMMITTEES

Pursuant to Principle XI and recommendation 16 of the Corporate Governance Code, and the laws and regulations in force, the Board of Directors may establish Committees made up of its members, with fact-finding, consultative or proposal-making functions, regarding appointments, remuneration, and control and risks. Pursuant to the Listing Rules, the Board of Directors must establish the Control and Risks and Related Parties Committee, the Nomination Committee and the Remuneration Committee. In accordance with the Listing Rules, those Committees were established from 21 December 2021.

On 18 May 2023, the Board of Directors resolved to reappointed the following Committees with fact-finding, consultative or proposal-making functions, pursuant to Principle XI and recommendation 16 of the Corporate Governance Code:

- (a) the Control and Risks, and Related Parties, Committee, which addresses internal controls, risk management and transactions with related parties under the RPT Rules and the RPT Procedure;
- (b) the Remuneration Committee, which addresses remuneration;
- (c) the Nomination Committee, which addresses the appointment of directors and procedures for evaluating the performance of the Board of Directors; and
- (d) Sustainability Committee, which addresses issues of sustainability connected with the conduct of the Group's business.

The Committees operate in accordance with their terms of reference, in compliance with the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

On 19 February 2024, pursuant to recommendation 1 of the Corporate Governance Code, the Board of Directors resolved to establish a Strategic Committee, and adopted Rules that would govern its proceedings on the same date.

As at the date of this Report, no Committees have been established beyond those recommended by the Corporate Governance Code, except for the Strategic Committee, which is described in detail in paragraph 6.4, below.

The members and chairs of the Committees are appointed, and dismissed, by resolution of the Board of Directors. Members of Committees have no claims of any kind in the event of their dismissal from that role.

Except as the Board of Directors may determine otherwise at the time of their appointment, members of the Committees are appointed for the same term as that of the Board of Directors to which they also belong. Early termination of office of the Board of Directors for any reason also results in the immediate forfeiture of the Committees.

In the event that, for any reason, one or more members of a Committee cease to hold office, they are replaced by the Board of Directors.

Consistent with recommendation 17 of the Corporate Governance Code, the Board of Directors has in establishing the Committees' membership favoured expertise and experience, and avoided excessive concentration of duties. Specifically: (i) at least one member of the Remuneration Committee has appropriate knowledge and experience on financial matters and remuneration policies, which the Board of Directors is called to assess at the time of appointment; (ii) at least one member of the Control and Risks Committee has appropriate knowledge and experience on accounting and finance, and risk management, which the Board of Directors is called to assess at the time of appointment; and (iii) at least one member of the Sustainability Committee has appropriate knowledge, expertise and experience on matters of social and environmental sustainability. In accordance with the Board of Directors' determinations each time it appoints the Controls, Risks and Related Parties Committee, the Nomination Committee and the Remuneration Committee are each made up of at least three directors, a majority of whom are non-executive and independent, while the Sustainability Committee and the Strategic Committee are each made up of at least three directors, a majority of whom are non-executive. The Chair of the Controls, Risks and Related Parties Committee is an independent non-executive director. The Chairs of the Sustainability Committee, the Strategic Committee and the Nomination Committee are each a non-executive director.

Consistent with the requirements under the Listing Rules, (i) the Control and Risks Committee is made up exclusively of non-executive Directors, with Mr Sun (an independent non-executive Director) currently serving as its chairman. Mr Sun has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules; (ii) the Remuneration Committee has a majority of independent non-executive Directors with Mr Domenicali (an independent non-executive Director) currently serving as its chairman; and (iii) the Nomination Committee comprises a majority of independent non-executive Directors with Mr Tan (Chairman of the Board of Directors) currently serving as its chairman.

The Secretary to the Board of Directors, or another person he identifies from within the Company's secretariat, acts as secretary for each committee.

The Committees are granted a budget to ensure their independence.

The Directors accept appointment to one or more of the Committees only where they consider that they are able to dedicate the time necessary to performing the duties that entails.

During the Reporting Year, and through to the date of this Report, none of the functions for which the Corporate Governance Code recommends establishing a committee have been reserved to the Board of Directors.

6.2 OPERATION OF THE COMMITTEES

With specific reference to the terms of recommendation 11 of the Corporate Governance Code, the functioning of the Committees is governed by the Rules of the Board of Directors and the rules of the individual Committees, as approved by the Board of Directors on 20 March 2023 and 18 May 2023, respectively, in the same form as had been adopted on 21 December 2021 (and, for the Strategic Committee, on 19 February 2024). These are made available on the Company's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

Each Committees' meetings are called by the Chair or one of its members, at regular intervals that enable them to perform their duties, and not less than once a year (except for the Controls, Risks and Related Parties Committee, which meets at least twice a year with the person responsible for auditing the Company's accounts). Meetings take place in the location stated on the notice of meeting, send to all of a Committee's members.

The notice of meeting, prepared in English, is despatched by the Secretary, on the instruction of the Chair of each Committee, by recorded delivery, fax, email or equivalent, provided that it offers proof of receipt. It provides the place, date and time of the meeting, the agenda, the manner in which the members may participate, and the other information required by law. Where necessary or urgent, the notice may be sent not less than 24 hours prior to the meeting, by the same means. A copy of the notice is sent to the Board of Directors (or its Chair), the Chief Executive Officer (where he is not a member of the relevant Committee), the Board of Statutory Auditors (or its Chair), the Head of Internal Audit (for the Controls, Risks and Related Parties Committee), and the Chief Human Resources & Organization Officer (for the Remuneration Committee).

Each Committee may validly resolve, even if no meeting has formally been called, when all members are present.

The Chair of each Committee may, also at the request of the other members, invite the Chair of the Board of Directors, the Chief Executive Officer (where he is not a member of the relevant Committee), the other directors, and, with notice to the Chief Executive Officer, the executives and heads of the relevant business functions within the Company or the Group, the Secretary to the Board of Directors, where not acting as secretary to the meeting, and other persons, including persons from outside the Company and the Group, where their presence is considered useful, *inter alia*, to provide additional information regarding one or more of the matters of the agenda. The Chair of the Board of Statutory Auditors, or another member he designates, participates in the work of the Committees. In such circumstances, the invitees are made aware of the notice of meeting and any documentation, to the extent that is necessary for them to participate effectively in the Committee's work.

The meetings of each Committees may be held by audio- or videoconference, provided that the chair of the meeting is able to establish the identity of those participating in the meeting, they are able to follow the discussions, participate in the deliberations in real time regarding the meeting's activities, vote simultaneously, and are able to receive, provide and review documents in real time; and the person taking the minutes is able adequately to perceive the proceedings of the meeting that they are recording.

Any documentation regarding the items on the agenda is prepared in English and, where opportune or required, also in Italian. It is made available to the members and, where necessary or opportune, also to any invitees, by the secretary, in a manner that ensures the necessary confidentiality, which may include a dedicated IT platform. Ordinarily, it will accompany the notice of meeting, or, in urgent cases be made available at least 24 hours prior to the meeting, transmitted in the same manner as the notice of meeting.

The meetings of each Committee are chaired by their Chair, of, if he is unable or absent, by the eldest member.

In order for the meetings to be validly constituted, a majority of its members must be present. Resolutions are passed with the approval of an absolute majority of those entitled to vote, or, only for the Control and Risks and Related Parties Committee (where not acting as the Related Parties Committee, by an absolute majority of those present. In the event of a tied vote, the Chair of the meeting holds the casting vote. No voting by proxy is permitted.

The minuting of meetings is overseen by the Secretary. Minutes of Committee meetings are prepared in English, with a draft submitted to the Committee's chair (and to the Chair of the Board of Statutory Auditors, or to the person acting in their stead, in the case only of the Control and Risks Committee), and signed by the meeting's chair. The meetings are considered to have been held in the location in which the chair was present.

Except as the Committees may provide otherwise, the terms that govern the meetings of the Board of Directors apply to the meetings of the Committees, mutatis mutandis.

The Chair of each Committee coordinates their work, and informs the Board of Directors at the next meeting, and at least annually (or quarterly, for the Control and Risks Committee), or to such other timetable as the Corporate Governance Code or other applicable laws and regulations may provide from time to time.

For further information regarding the scope of each Committee's work and their composition, please see paragraphs 6.3, 6.4, 7.4, 8.2 and 9.3 of this Report.

Please refer to Table 2 in the Schedules for details of the Committees' membership.

6.3 SUSTAINABILITY COMMITTEE

By resolution of 18 May 2023, the Board of Directors established a Sustainability Committee from among its number .

6.3.1 Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Sustainability Committee as at the date of this Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Xu Xinyu	18 May 2023	Executive Director
Alberto Galassi	18 May 2023	Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director
Zhang Quan	18 May 2023	Non-Executive Director
Jiang Lan	18 May 2023	Non-Executive Director
Zhu Yi	19 February 2024(**)	Independent Non-Executive Director

(*) Tan Xuguang has appropriate knowledge, expertise and experience on matters of social and environmental sustainability.

(**) Zhu Yi was co-opted onto the Committee by the Board of Directors on 19 February 2024 following resignation of the independent non-executive director, Hua Fengmao.

The majority of the members of the Sustainability Committee is made up of non-executive directors (including the Chair).

6.3.2 Functions of the Sustainability Committee, and work performed

The operation of the Sustainability Committee is governed by the Rules of the Sustainability Committee, as approved by the Board of Directors on 18 May 2023.

The rules of the Sustainability Committee are available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

The Sustainability Committee performs proposal-making and advisory functions for the Board of Directors, on each occasion that the Board of Directors must make evaluations, or reach decisions, involving matters related to sustainability, in connection with the Company's operations or in interactions with stakeholders, including through the integration into business strategies of issues of sustainability; More specifically, the Sustainability Committee:

- (a) assumes a role in proposal-making, advising, and supervising, on all areas and issues regarding the activities of the Corporate Social Responsibility ("CSR") unit, and CSR policies and strategies, including support to the Board of Directors in analysing matters relevant to value generation over the long term, with respect to the Company's and the Group's business plan;
- (b) through its receipt of regular updates from the CSR unit, monitors implementation of the policies and directives set by the Board of Directors in terms of CSR;
- (c) provides advice, including such advice as may be specifically requested, to the Board of Directors in determining and updating the Group's sustainability policy, also with a view to its formal approval by the Board of Directors, and examines the decisions and projects submitted or proposed to the Board of Directors that have a sustainability impact;
- (d) assesses the objectives and goals of management initiatives in connection with CSR matters, and reports to the Board of Directors on those considered most effective and consonant with the Company's broader strategies, monitoring their implementation over time;
- (e) proposes desirable approaches to growth that are consistent with the main drivers in the regulation of CSR, providing the Board of Directors with recommendations in that regard;
- (f) evaluates the procedures for the preparation of the consolidated non-financial disclosure, as to their completeness and reliability, coordinating with the Controls, Risks and Related Parties Committee and without impinging on the latter's competencies in this area, and makes preliminary examinations of the annual disclosure, on which it gives its advice prior to its consideration by the Board of Directors for approval, along with any other documentation regarding disclosures on sustainability matters;
- (g) regularly reports to the Board of Directors regarding CSR issues that are relevant to the Company, and any emerging major problems;
- (h) evaluates and advises on the suitability, with respect to the CSR goals the Company pursues, of any proposals on CSR matters from shareholders or other classes of stakeholder;
- (i) examines the suitability of the Company's sustainability policies in light of its strategic guidance, monitoring against best practices internationally, and considering the Group's position on sustainability matters relative to the market;
- (l) monitors the development, and implementation, of the Company's ESG objectives, checks progress towards achievement of those objectives, and advises on the actions necessary to reach those objectives;
- (m) monitors and reports to the Board of Directors on ESG developments, including the main developments affecting the Company's ESG strategies and policies, and its objectives;
- (n) manages and identifies the ESG matters at the Group, and assigns them priorities based on their importance;
- (o) reviews the annual ESG reports, and the other information on sustainability, and makes recommendations to the Board of Directors on approval;
- (p) examines the non-financial disclosure, and the Sustainability Report, pursuant to Legislative Decree No. 254/2016, providing the Board of Directors with advice thereon.

In the course of the Reporting Year, the Sustainability Committee met once, on 8 March 2023.

The Sustainability Committee's meeting was coordinated by Xu Xinyu, who chaired the meeting. It was duly minuted and the Chair of the Sustainability Committee informed the Board of Directors at the next opportune meeting.

The Sustainability Committee's meeting lasted approximately 15 minutes, and Alberto Galassi, Xu Xinyu, Piero Ferrari and Hua Fengmao participated.

In the course of the Reporting Year, the Sustainability Committee did the following:

- (a) examined the Company's ESG report for 2022;
- (b) examined the Company's ESG policies.

Also participating in the Sustainability Committee's meeting were senior individuals from business functions, invited by the Chair of the Sustainability Committee, and the Chief Executive Officer was informed of the participation of those senior figures who had knowledge relevant to the discussions.

In discharging its duties, the Sustainability Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, in the course of the year ending 31 December 2024, one meeting of the Sustainability Committee took place on 14 March 2024, and no further meetings are presently scheduled.

6.4 STRATEGIC COMMITTEE

By resolution of 19 February 2024, the Board of Directors established a Strategic Committee from among its number.

6.4.1 Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Strategic Committee as at the date of this Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Xu Xinyu	18 May 2023	Executive Director
Alberto Galassi	18 May 2023	Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director
Zhang Quan	19 February 2024 ^(*)	Non-Executive Director
Patrick Sun	18 May 2023	Non-Executive Independent Director

(*) Zhang Quan was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Li Xinghao.

The majority of the members of the Sustainability Committee is made up of non-executive directors (including the Chair).

6.4.2 Functions of the Strategic Committee and duties performed

The Strategic Committee's operation is governed by the Rules of the Strategic Committee, as approved by the Board of Directors on 19 February 2024.

The rules of the Strategic Committee are available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

The Strategic Committee works with the other Committees to support the Board of Directors on the creation of value over the long term for the benefit of shareholders, taking into consideration also the interests of the Company's other stakeholders.

Without prejudice to the powers delegated to the Chief Executive Officer, the Strategic Committee, whose function is merely advisory, is tasked with, *inter alia*:

- conducting studies and making recommendations regarding the Company's long-term strategic development plan;
- conducting studies and making recommendations regarding major investment and financing proposals that are subject to approval by the Board of Directors;
- conducting studies and making recommendations regarding major equity operations, and plans for managing assets that are subject to approval by the Board of Directors;

(d) examining and monitoring implementation of the above matters.

In discharging its duties, the Strategic Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

The Strategic Committee had not been established prior to the end of the Reporting Year.

Finally, in the course of the year ending 31 December 2024, no meeting of the Sustainability Committee have taken place, and two meetings are scheduled to take place.

7 DIRECTORS' REPLACEMENT AND ASSESSMENT OF THEIR OWN PERFORMANCE – NOMINATION COMMITTEE

7.1 DIRECTORS' ASSESSMENT OF THEIR OWN PERFORMANCE

Pursuant to Principle XIV of the Corporate Governance Code, the Board of Directors regularly assesses how effective it is, and the contribution made by individual members, using formal procedures whose implementation it oversees.

Specifically, in accordance with recommendation 22 of the Corporate Governance Code, the Board of Directors, at least once every three years, with its term of office drawing to a close, carries out a formal procedure for assessing its own performance, in order to assess how effective the work of the Board of Directors and the Committees has been, and express a view on the functioning in practice, the size, and the composition, of the Board of Directors and its Committees. That takes into consideration also the role it has had in setting strategies and monitoring operating performance, and the suitability of the internal controls and risk management system.

That process also takes account of the contribution made by each Director, in light of their professional characteristics, experience, knowledge, expertise, and gender, as well as the length of time they have been on the Board.

Following that assessment process, the Board of Directors identifies such corrective actions as it may consider necessary or opportune.

In light of Ferretti's recent listing on Euronext Milan, in June 2023, as at the date of this Report the Board of Directors has not carried out such an assessment process.

7.2 STANCE ON THE COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors that held office until approval of the financial statements as at and for the year ended 31 December 2022, has not expressed a view regarding how the board of directors should be composed, in terms of either qualifications or the number of members, since, at the time, Ferretti was not quoted on Euronext Milan.

7.3 REPLACEMENT OF THE EXECUTIVE DIRECTORS

As at the date of this Report, the Company has not formally adopted guidelines on managing the succession of Executive Directors, given that Ferretti does not qualify as a large company for the purposes of the Corporate Governance Code.

7.4 NOMINATION COMMITTEE

In accordance with the terms of recommendation 16 of the Corporate Governance Code, the Board of Directors by a resolution of 18 May 2023 established a Nomination Committee from among its number.

The Nomination Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code, as described below.

7.4.1 Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Nomination Committee as at the date of this Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Stefano Domenicali	18 May 2023	Non-Executive Independent Director
Alberto Galassi	18 May 2023	Executive Director
Sun Patrick	18 May 2023	Independent Non-Executive Director with appropriate knowledge and experience on financial matters and remuneration policies
Zhu Yi	19 February 2024 ^(*)	Non-Executive Independent Director

(*) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The majority of the members of the Nomination Committee meet independence requirements.

7.4.2 Functions of the Nomination Committee and duties performed

The operation of the Nomination Committee is governed by the Corporate Governance Code and by the Rules of the Nomination Committee as approved by the Board of Directors on 18 May 2023 (and amended on 14 March 2024).

The rules of the Nomination Committee are available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

The Nomination Committee performs proposal-making and advisory functions for the Board of Directors, on each occasion that the Board of Directors must make evaluations, or reach decisions, involving matters related to appointments of Directors, or their assessment of their performance, thereby providing support to the Chair of the Board of Directors in monitoring that process to ensure it is adequate and transparent. More particularly, the Nomination Committee is tasked with:

- (a) reviewing, at least annually or to such other timetables as the Corporate Governance Code and applicable laws and regulations may provide from time to time, the structure and composition of the Board of Directors and its Committees, and the number of Directors (including their areas of expertise, knowledge and experience), and drawing up proposals for changes to the composition of the Board of Directors and its Committees, in pursuit of full implementation of the Company's corporate governance strategy;
- (b) identifying qualified persons suitable to become members of the Board of Directors, selecting the persons for appointment as Directors or making recommendations to the Board of Directors regarding selection;
- (c) determining the optimal composition for the Board of Directors and its Committees, providing advice also regarding the kinds of professional roles whose presence on the Board of Directors would be desirable;
- (d) providing support in any presentation by an outgoing Board of Directors of a list of candidates for the Board, in a manner that ensures the list is compiled and submitted transparently;
- (e) expressing, as a Board of Directors' term of office draws to a close, a stance regarding the Board of Directors' composition, in terms of either qualifications or the number of members, taking into account the outcome of the performance assessment process;
- (f) regularly assessing the independence of the independent non-executive directors (including on the basis of the applicative, quantitative and qualitative criteria that the Board of Directors has approved), the integrity of the Directors, and the absence of any grounds on which they would be ineligible or unelectable;
- (g) drawing up proposals regarding the appointment (also where Directors are being co-opted), or reappointment, of Directors, and, where the Corporate Governance Code and/or applicable laws and regulations so provide, succession planning for Directors, in particular the Chair and the Executive Director; and

- (h) making assessments regarding the Company's adoption of diversity policies, for application to the composition of the Board of Directors, Board of Statutory Auditors and the Supervisory Board, regarding aspects such as age, gender, training and professional backgrounds, defining objectives and the means by which they may be achieved.

The Nomination Committee also prepares advice for the Board of Directors on any activities by Directors that are in competition with the Company's, where the Shareholders' Meeting authorises, generally and in advance, exceptions to the rule against competition under article 2390 of the Civil Code.

In the course of the Reporting Year, the Nomination Committee met twice, on 8 March 2023 and 21 April 2023.

During the Reporting Year, the meetings of 8 March 2023 and 21 April 2023 were coordinated by Stefano Domenicali and Hua Fengmao, respectively, who acted as the meeting's chair, as the Committee's Chair was absent; both meetings were duly minuted and the Chair of the Nomination Committee informed the Board of Directors of such meetings at the next opportune Board of Directors' meeting.

Meetings of the Nomination Committee lasted approximately 15 minutes on average, with the members Alberto Galassi, Hua Fengmao, Stefano Domenicali and Patrick Sun attending all of the meetings, and Tan Xuguang, none.

In the course of the Reporting Year, the Nomination Committee did the following:

- (a) advised regarding the reappointment of the CEO and execution of a directorship agreement in that connection; and
- (b) made proposals regarding the reappointment of members of the Board of Directors, and the appointment of an additional Director.

No member of the Board of Statutory Auditors participated in the work of the Nomination Committee, having giving reasons for their absence.

Also participating in the Nomination Committee's meetings were senior individuals from business functions, invited by the Chair of the Nomination Committee, and the Chief Executive Officer was informed of the participation of those senior figures, who had knowledge relevant to the discussions.

In discharging its duties, the Nomination Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, in the course of the year ending 31 December 2024, one meeting of the Sustainability Committee has taken place on 19 February 2024, and a further meeting is scheduled to take place. This will deal, *inter alia*, with possible implementation of procedures on the succession of senior management.

8 REMUNERATION OF DIRECTORS AND THE REMUNERATION COMMITTEE

8.1 REMUNERATION OF THE DIRECTORS

8.1.1 Remuneration Policy

On 14 March 2024, the Board of Directors at the Remuneration Committee's proposal approved the 2024 Remuneration Policy, on members of the Board of Directors, Executives with Strategic Responsibilities, and, subject always to article 2402 of the Civil Code, members of the Company's and the Group's Board of Statutory Auditors. The policy is subject to mandatory approval from the Shareholders' Meeting that is called to approve the non-consolidated financial statements of the Company as at and for the year ended 31 December 2023.

For further information regarding the 2024 Remuneration Policy, please see Section I of the Remuneration Report, available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

8.1.2 Remuneration of Executive Directors and Senior Management

For further information regarding the remuneration of Executive Directors and the Group's senior management, please see Section I of the Remuneration Report, available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

8.1.3 Share-based remuneration plans

As at the date of this Report, the Company has not implemented any share-based remuneration plan.

Board of Directors approved the 2024-2026 Performance Shares Plan, which would be submitted to the Shareholders' Meeting called to consider approval of the non-consolidated financial statements as at and for the year ended 31 December 2023. In that regard, the documentation on the 2024-2026 Performance Shares Plan is available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*, which also includes the document prepared pursuant to article 84-*bis* of the Issuers' Regulations, which provides a summary of the plan.

8.1.4 Remuneration of the Non-Executive Directors

In accordance with the terms of recommendation 29 of the Corporate Governance Code, during the Reporting Year and up to the date of this Report, the remuneration of the Non-Executive Directors was appropriate to the expertise, professional qualifications and commitment required by the duties they have within the Board of Directors and the Committees. That compensation is not linked to any financial performance targets.

For further information regarding the remuneration of Non-Executive Directors, please see the discussion of the 2024 Remuneration Policy in Section I of the Remuneration Report, available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

8.1.5 Accrual and payment of remuneration

The Board of Directors, with the assistance of the Remuneration Committee, ensures that the remuneration paid and accrued is consistent with the principles set forth in the 2024 Remuneration Policy, in light of the results that were achieved and other relevant circumstances.

More particularly, as described in Section I of the Remuneration Report, with assistance from the Remuneration Committee the Board of Directors sets *ex ante* qualitative and quantitative objectives for the short and the medium to long term, to which the Executive Directors' variable component of remuneration is linked. These are consistent with the Company's strategic objectives and with the goal of achieving sustainable success, and includes, where relevant, non-financial measures. Periodically, it assesses achievement of those objectives. Based on those evaluations, the Board of Directors, at the proposal of the Remuneration Committee, determines the portion of remuneration that has accrued for each Executive Director and has those sums disbursed.

8.1.6 Compensation to Directors in the event of dismissal, resignation or termination following a public tender offer (pursuant to article 123-*bis*(1)(i), CLFI)

As at the date of this Report, no agreements have been made between the Issuer and the Directors that provide for compensation in the event of dismissal, resignation or termination following a public tender offer.

However, as further detailed in the Remuneration Policy contained in Section I of the 2024 Remuneration Report, the Company intends to enter into agreements with Executive Directors that regulate anteriorly financial aspects regarding early termination of employment at the initiative of the Company or the individual upon the occurrence of certain events, based on criteria in line with relevant benchmarks, without prejudice to the Company's statutory obligations.

8.2 REMUNERATION COMMITTEE

In accordance with the terms of recommendation 16 of the Corporate Governance Code, the Board of Directors by a resolution of 18 May 2023 established a Remuneration Committee from among its number.

The Remuneration Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code, except as described below.

8.2.1 Composition and operation (pursuant to article 123-*bis*(2)(d), CLFI)

The following table sets forth the composition of the Remuneration Committee as at the date of this Report.

DIRECTOR	APPOINTMENT DATE	REQUIREMENTS SATISFIED
Stefano Domenicali (Chair)	18 May 2023	Independent Non-Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director

Xu Xinyu	18 May 2023	Executive Director
Sun Patrick	18 May 2023	Independent Non-Executive Director with appropriate knowledge and experience on financial matters and remuneration policies ^(*)
Zhu Yi	19 February 2024 ^(**)	Independent Non-Executive Director

(*) Person with appropriate knowledge and experience on financial matters and remuneration policies, as assessed by the Board of Directors at its meeting of 18 May 2023 and subsequently also on 19 February 2024.

(**) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The majority of the members of the Remuneration Committee meet the independence requirements, and the Chair is among the Independent Directors.

recommendation 26 of the Corporate Governance Code provides, *inter alia*, that the "remuneration committee be made up only of non-executive directors." The Company's Remuneration Committee departs from that recommendation in that it includes an Executive Director, Xu Xinyu.

Xu Xinyu is a Director to whom the Board of Directors has delegated powers regarding supervision of the implementation of the Board of Directors' decisions, improvements to the Company's internal audit functions, and oversight of the quality of the Company's operations. Xu Xinyu's executive role is thus principally focussed on compliance and monitoring of the Company's management and operations.

In light of that role, and his capabilities, professional qualifications and prior experience on the Remuneration Committee, the Company considers that his presence on the Remuneration Committee is consistent with that Committee's function of pursuing a remuneration policy intended to bring about sustainable success for the Company, and especially to ensure that the policy is correctly implemented. Accordingly, the Company's view is that the Remuneration Committee's current composition provides a contribution to good corporate governance practices.

The professional expertise and experience of the Director Sun Patrick means that recommendation 26 of the Corporate Governance Code regarding appropriate knowledge and experience on financial matters and remuneration policies is satisfied.

8.2.2 Functions of the Remuneration Committee and duties performed

The operation of the Remuneration Committee is governed by the Corporate Governance Code and by the Rules of the Remuneration Committee as approved by the Board of Directors on 18 May 2023.

The rules of the Remuneration Committee are available on the Company's website at www.ferrettigroup.com, in the section *Corporate Governance*.

The Remuneration Committee is tasked with assisting the Board of Directors in preparing the remuneration policy (see recommendation 25(a) of the Corporate Governance Code).

The Remuneration Committee: (i) submits proposals and provides advice to the Board of Directors on the remuneration of Executive Directors and the other Directors with particular duties, and on setting performance objectives for the variable components of that remuneration (see recommendation 25(b) of the Corporate Governance Code); (ii) monitor the practical application of the Remuneration Policy, checking in practice that the performance objectives have in fact been achieved (see recommendation 25(c) of the Corporate Governance Code); (iii) regularly assesses the suitability and overall consistence of the remuneration policy for the Directors and for others with management roles (see recommendation 25(d) of the Corporate Governance Code).

In accordance with recommendation 26 of the Corporate Governance Code, in the course of the Reporting Year Directors refrained from participating in meetings of the Remuneration Committee at which proposals for their own remuneration were under consideration.

In the course of the Reporting Year, the meetings of the Remuneration Committee were coordinated by the Committee's Chair, and were duly minuted, with the Chair of the Remuneration Committee that reported it at the first available Board of Directors' meeting.

In the course of the Reporting Year, the Remuneration Committee met twice, on 8 March 2023 and 21 April 2023.

Meetings of the Nomination Committee lasted approximately 15 minutes on average, with the members Stefano Domenicali, Piero Ferrari, Xu Xinyu and Patrick Sun attending all of the meetings, and Hua Fengmao, half.

In the course of the Reporting Year, the Remuneration Committee did the following:

- (a) advised regarding the emoluments for the CEO, at the time of his reappointment; and execution of a directorship agreement in that connection;
- (b) prepared proposals regarding the emoluments to be awarded to new Directors, when the Board of Directors came up for reappointment;
- (c) advised on approval of a Long Term Incentive Plan.

During the Reporting Year, the Remuneration Committee has not made use of the services of any advisor for the purposes of obtaining information on remuneration practices in the market.

No member of the Board of Statutory Auditors participated in the work of the Remuneration Committee, having giving reasons for their absence.

Also participating in the Remuneration Committee's meetings were senior individuals from business functions, invited by the Chair of the Remuneration Committee, and the Chief Executive Officer was informed of the participation of those senior figures, who had knowledge relevant to the discussions.

In discharging its duties, the Remuneration Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, during the year ending 31 December 2024, two meetings of the Remuneration Committee have been held, on 19 February 2024 and 14 March 2024, and a further meeting is scheduled to take place. This will deal, *inter alia*, with possible implementation of procedures on the succession of senior management.

9 INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM – CONTROL, RISKS AND RELATED PARTIES COMMITTEE

9.1 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Ferretti's IARMS is, in accordance with the recommendations under article 6 of the Corporate Governance Code and best practices in the sector, the set of rules, procedures and organisational procedures intended to provide sound and proper management of the business, consistent with the Company's strategic objectives, through appropriate processes for identifying, measuring, managing and monitoring the major risks that the Company and its subsidiaries encounters.

An effective internal controls and risk management system contributes to safeguarding the Company's capital, and efficiency and effectiveness of its business operations, the reliability of its financial information, and compliance with laws and regulations.

On 18 May 2023, for the purpose of presenting the application for admission to trading of ordinary shares in the Company on Euronext Milan, the Board of Directors resolved in favour of adopting an internal controls and risk management system.

That system, which was implemented further during the Reporting Year, enables senior management to obtain, regularly and promptly, a sufficiently comprehensive view of the Company's business, results of operations and financial condition, and the risks to which it and the other main companies of the Group are exposed, while enabling them also: (i) to monitor the major key performance indicators and risk factors regarding the Company and the other main companies of the Group; (ii) to produce information, in particular financial information, in a form that enables analysis appropriate to the kind of business, the organisational complexity, and the management's particular information needs; and (iii) to prepare forward-looking financial information, for the business plan and the budgets, and to check on the achievement of business objectives through a variance analysis.

The IARMS that Ferretti has adopted involves the following parties, each with respect to the matters within its purview:

- (a) the Board of Directors, which sets the guidelines for, and assesses the suitability of the IARMS;
- (b) the Controls, Risks and Related Parties Committee, tasked, as more particularly set forth in paragraph 9.3, below, with providing support, through appropriate preparatory working and providing proposals, to the

Board of Directors in making assessments and decisions regarding the IARMS, and regarding approval of the regular sets of accounts;

- (c) the IARMS Director, who is the Executive Director Xu Xinyu, whose duties include identifying the major business risks and implementing the guidelines set by the Board of Directors, as more particularly described in paragraph 9.2, below;
- (d) the Head of the Internal Audit function, Matteo Scarpa, who is responsible *inter alia* for verifying that the IARMS is appropriate and functioning, as part of his duties described in detail in paragraph 9.4;
- (e) the Board of Statutory Auditors, which, as a committee with oversight of internal and external auditing pursuant to article 19 of Legislative Decree 39/2010, oversees the effectiveness of the IARMS; and
- (f) the Supervisory Board, which is charged with overseeing the effectiveness and appropriateness of Ferretti's internal controls, and its 231 Model.

The Board of Directors, which guides and assesses the suitability of the system of internal controls and risk management, following consultation with the Controls, Risks and Related Parties Committee, in 2023 did the following:

- (a) monitored the process of implementation for the 231 Model, which the Board of Directors had approved on 6 December 2022. The objective of the 231 Model is to place the organisational and governance decisions of the Group's main companies on a formal footing, identifying the Group's central functions and the reporting lines from the various subsidiaries and associates, as a means of assuring organisational consistency;
- (b) directed the setting of the guidelines for the internal control and risk management system, in order that the main risks faced by the Issuer and its subsidiaries (including those that could become significant in terms of the Company's business sustainability over the medium and long term) were correctly identified and adequately measured, managed and monitored, consistent with the management of the business in line with its strategic objectives;
- (c) favourably evaluated the adequacy of the internal controls and risk management system with respect to the characteristics of the business and the risk profile it has assumed; and also the effectiveness of that system;
- (d) approved the working plan drawn up by the Head of Internal Audit, following consultation with the Board of Statutory Auditors and the IARMS Director, Xu Xinyu; and
- (e) examined the main features of the internal controls and risk management system, including an assessment of the system's adequacy.

In performing these tasks, the Board of Directors made use of contributions from the IARMS Director, and the Controls, Risks and Related Parties Committee. With respect to their involvement in the internal controls and risk management system, please see the following sections of this Report.

On 14 March 2024, the Board of Directors approved the Accounts Executive's guidelines for compliance with Law 262/05, in terms of ensuring an internal controls system was in place that would reduce to a minimum the risks of error or fraud regarding the Group's financial information (the "**262 Model**").

9.1.1 Main characteristics of the internal controls and risk management system with respect to financial information

The internal controls and risk management system includes among its core components the internal control system for assembling and preparing financial information. That system is intended to ensure the reliability, accuracy, dependability and timeliness of information, including financial information, in its preparation and release.

The administrative and accounting procedures used in drawing up the financial statements and other financial documentation are prepared by the Accounts Executive, who, together with the IARMS Director and the Chief Executive Officer, confirms their suitability and application in practice when the Company prepares its interim and annual consolidated and non-consolidated financial statements.

(a) Main stages of the internal controls and risk management system with respect to financial information

The methodology following in designing and reviewing the 262 Model is consistent with best practice internationally, and ensures its operation is fully traceable. It comprises three stages:

- Stage A: definition of the perimeter;
- Stage B: Preparation of the Risk Control Matrices; and
- Stage C: Testing.

In terms of identifying and assessing risks on financial information, the Issuer performs its analysis and auditing work on the subsidiaries whose value of production and asset base is above a materiality threshold.

Once the companies of the Group within the perimeter for these purposes are determined, the structure of the Risk Control Matrices is confirmed. These are the documents used by the Accounts Executive to determine the connection between the Company's non-consolidated financial statements and the control objectives, of an accounting or administrative nature. The activities are documented in organisational procedures and existing practices, which provide an account of each process within the scope of the 262 Model.

The risks, as measured and assessed in accordance with international risk assessment practices, regard the operating processes that feed into entries on the general ledger, the estimates and the accounting assertions, with a view to both preventing errors in terms of accuracy and completeness, and preventing fraud.

In relation to identifying and assessing the controls with respect to identified risks, the 262 Model provides for the identification of Key Controls, meaning those controls whose absence or misapplication, in part or in whole, could materially affect the correct representation of the Company's financial position, results of operations and cash flows, in the financial statements.

Assessments of the adequacy and effectiveness of the controls in mitigating risk are qualitative in nature, and based on the outcome of the testing activities carried out in the course of the 262 Model monitoring.

Testing activity is carried out in order to achieve the following objectives:

- confirmation that the controls observed in operating practice and the additional documentation used in drawing up the Company's consolidated and non-consolidated financial statements are applied effectively;
- confirmation that the controls performed are effective, with respect to the objectives of the tests;
- confirmation that the controls are performed in a manner that is consistent with the Risks Control Matrices.

The process seeks to verify that the controls operate effectively against the relevant risks, and are appropriately documented.

These checks are conducted annually or semi-annually in order to ensure that the controls are correctly implemented, their effectiveness relative to the test's objectives may be assessed, and to provide consistency in the manner in which the control activities are performed in relation to the Risk Control Matrices.

(b) Role and functions involved

The system of controls on financial information processes is coordinated and managed by the Accounts Executive, Marco Zammarchi, who was appointed by the Board of Directors in accordance with laws in force and the By-Laws.

The Accounts Executive makes use of the Internal Audit function within the Company, and external advice from DS Advisory S.r.l., to carry out checks on the operations of the control system, and it is supported in that by a number of organisational units within the Company and by the relevant functions and senior figures within the subsidiaries, with respect in particular to administrative areas (for the companies of the Group) that, in relation to the matters within their purview, formally certify (by providing internal letters attesting the same) that the information flows used in preparing financial information are complete and reliable.

The Accounts Executive is directly responsible for checking that the administrative, accounting and financial management is carried out correctly and promptly, since it is his duty to continuously supervise all stages of monitoring and assessing the risks inherent in financial reporting.

The Accounts Executive periodically informs the Board of Statutory Auditors as to the adequacy, including the organisational adequacy, and the reliability, of the administrative and accounting system and reports to the Controls, Risks and Related Parties Committee and the Board of Directors on the activities he has performed and the effectiveness of the internal control system with regard to the risks inherent in financial reporting. The

Accounts Executive also reports on the activities he has performed, and their outcome, to the Supervisory Board; and he liaises with the External Auditor with a view to ensuring a constant exchange of ideas and information regarding the assessment and effectiveness of controls relating to administrative and accounting processes.

Further to the activities and controls he performs, the Accounts Executive provides the statements and certificates contemplated by article 154-*bis*, CLFI.

In particular, pursuant to:

- (a) article 154-*bis*(2), CLFI, the Company's documents and communications to the market regarding its interim or annual financial information are accompanied by a written statement from the Accounts Executive, confirming that it corresponds with the documentary evidence, books and records;
- (b) article 154-*bis*(5), CLFI, the Accounts Executive and the Chief Executive Officer certify the annual non-consolidated financial statements, the condensed interim financial statements, and the annual consolidated financial statements, as to:
 - i. the adequacy and effective application of the administrative and accounting procedures during the period to which the documents relate;
 - ii. the documents having been prepared in accordance with international accounting standards recognised within the European Union;
 - iii. the documents correspond with the books and accounting records;
 - iv. the documents provide a true and accurate representation of the Issuer's business, results of operations and financial condition, and collectively the businesses included within the consolidation perimeter;
 - v. for the annual consolidated and non-consolidated financial statements, the report on operations provides a reliable analysis of performance and of the results of operations, and of the position of the Issuer and collectively the businesses included within the consolidation perimeter, together with a description of the principal risks and uncertainties to which they are exposed;
 - vi. for the condensed interim financial statements, the interim report on operations provides a reliable analysis of the information referred to by article 154-*ter*(4), CLFI.

9.2 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

At the meeting of the Board of Directors of 18 May 2023, the Executive Director Xu Xinyu was appointed as the IARMS Director.

The role was assigned to a person other than the Chief Executive Officer on the basis of the characteristics of Ferretti's business, the Group's organisational structure, and the nature of the responsibilities held by the Chief Executive Officer, Alberto Galassi, and the Executive Director, Xu Xinyu (see paragraph 4.7, above, for more details).

In performing his duties, the IARMS Director, with support from the relevant functions:

- (a) oversaw identification of the major business risks, taking into account the strategy and the business characteristics of the Company and the Group;
- (b) implemented the guidelines that the Board of Directors had set, procuring the design, implementation and operation of the internal control system, and continuously checking its overall suitability and efficiency; and
- (c) dealt with adjusting the internal control system to changes in the businesses, operating conditions, and the legal and regulatory environment.

Xu Xinyu may request that the Internal Audit function carry out checks on specific operational areas, and on compliance with internal rules and procedures in the execution of the business, informing the Chair of the Controls, Risks and Related Parties Committee and the Chair of the Board of Statutory Auditors.

In carrying out his functions, the IARMS Director promptly makes the Controls, Risks and Related Parties Committee, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board aware of any major issues encountered or of which he has learnt.

9.3 CONTROLS, RISK AND RELATED PARTIES COMMITTEE

In accordance with recommendation 16 of the Corporate Governance Code, the Board of Directors resolved on 18 May 2023 to establish the Controls, Risks and Related Parties Committee from among its number.

The Controls, Risks and Related Parties Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code.

9.3.1 Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Controls, Risks and Related Parties Committee as at the date of this Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Sun Patrick (Chair)	18 May 2023	Independent Non-Executive Director with appropriate knowledge and expertise on matters of accounting, finance, auditing and risk management ^(*)
Jiang Lan	19 February 2024 ^(**)	Non-Executive Director
Stefano Domenicali	18 May 2023	Independent Non-Executive Director
Zhu Yi	19 February 2024 ^(***)	Independent Non-Executive Director

(*) Person with appropriate knowledge and experience on matters of accounting, finance, auditing and risk management, as assessed by the Board of Directors at its meeting of 18 May 2023.

(**) Jiang Lan was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Li Xinghao.

(***) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The Controls, Risks and Related Parties Committee is made up entirely of Non-Executive Directors, a majority of whom are independent, and the Chair has been chosen from among those independent directors (see recommendations 35 and 7 of the Corporate Governance Code).

The characteristics of its members are such that the Controls, Risks and Related Parties Committee overall has appropriate and satisfactory expertise regarding the business sector in which the Issuer operates, which is material to assessment of the risks it faces. Further, a member of the Controls, Risks and Related Parties Committee has appropriate knowledge and experience on matters of accounting, finance, auditing and risk management (see recommendation 35 of the Corporate Governance Code).

9.3.2 Functions assigned to the Internal Controls, Risks, and Related Parties Committee, and work performed

The operation of the Controls, Risks and Related Parties Committee is governed by the Corporate Governance Code and by the Rules of the Controls, Risks and Related Parties Committee as approved by the Board of Directors on 18 May 2023.

The rules of the Controls, Risks and Related Parties Committee are available on the Company's website at www.ferrettigrup.com, in the section, *Corporate Governance*.

(i) Duties regarding controls and risks

In accordance with recommendations 33 and 35 of the Corporate Governance Code, the Controls, Risks and Related Parties Committee has the task of assisting the Board of Directors by using its investigative, proposal-making and advisory functions, in reaching evaluations and decisions relating to the internal controls and risk

management system, as well as those relating to the approval of periodic financial and non-financial reports. More particularly, the Controls, Risks, and Related Parties Committee:

- (a) evaluates together with the Accounts Executive, the External Auditor and the Board of Statutory Auditors, the correct application of the accounting standards, and their consistency for the purpose of the preparation of the consolidated financial statements (see recommendation 35(a) of the Corporate Governance Code);
- (b) evaluates the suitability of the periodic financial and non-financial reports, as to its correct representation of the Company's business model and strategies, the impact of its operations, and the performance achieved (see recommendation 35(b) of the Corporate Governance Code), coordinating where relevant with the Sustainability Committee;
- (c) reviews the periodic non-financial information as is relevant to the system of internal controls and risk management (see recommendation 35(c) of the Corporate Governance Code);
- (d) express opinions on specific aspects relating to the identification of the main risks for the business (see recommendation 35(d) of the Corporate Governance Code);
- (e) provides support to the Board of Directors in respect of its assessments and decisions regarding the management of risks arising from adverse events of which it has become aware (see recommendation 35(d) of the Corporate Governance Code);
- (f) examines the periodic reports, and other reports of significance, from the Internal Audit function (see recommendation 35(e) of the Corporate Governance Code);
- (g) monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function (see recommendation 35(f) of the Corporate Governance Code);
- (h) may instruct the Internal Audit function to carry out reviews of specific operational areas, giving notice thereof to the Chair of the Board of Statutory Auditors (see recommendation 35(g) of the Corporate Governance Code); and
- (i) reports to the Board of Directors at least twice a year, at the time of the approval of the annual and interim financial statements, regarding the work performed and the appropriateness of the system of internal controls and risk management (see recommendation 35(h) of the Corporate Governance Code).
- (ii) Duties regarding transactions with related parties.

In terms of the composition and functioning of the Controls, Risks and Related Parties Committee in dealing with transactions with related parties, reference is made to the RPT Procedure.

The Controls, Risks and Related Parties Committee is tasked with carrying out the work regarding transactions with related parties under the RPT Procedure, with respect to both minor and major transactions. With respect to the terms of the RPT Procedure, please see the documentation on the Issuer's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

In the course of the Reporting Year, the meetings of the Controls, Risks and Related Parties Committee were coordinated by the Committee's Chair, and were duly minuted, with the Chair of the Controls, Risks and Related Parties Committee that reported it at the first available Board of Directors' meeting.

In the course of the Reporting Year, the Remuneration Committee met four times, on 8 March 2023, 20 March 2023, 21 April 2023 and 2 August 2023. It never met to discuss transactions with related parties.

Meetings of the Controls, Risks and Related Parties Committee lasted approximately 30 minutes on average, with the members Patrick Sun, Stefano Domenicali and Li Xinghao attending all of the meetings, and Hua Fengmao, three-quarters.

In the course of the Reporting Year, the Controls, Risks and Related Parties Committee, in connection with controls and risks:

- (a) reviewed the consolidated and non-consolidated financial statements as at and for the year ended 31 December 2022;
- (b) advised on the appointment of the external auditor, its compensation, and reviewed its independence;
- (c) reviewed the 2023-2024 Audit Plan;

- (d) reviewed the interim financial statements as at and for the six months ended 30 June 2023;
- (e) reviewed ISA 260, jointly with the external auditor.

The Controls, Risks and Related Parties Committee reported to the Board of Directors on the work it had performed, and the appropriateness of the IARMS, and informed the Board of Directors regarding the meetings of the Controls, Risks and Related Parties Committee, and the issues addressed therein.

In the course of the Reporting Year, the Controls, Risks and Related Parties Committee, in connection with related party transactions, performed no work.

Pursuant to recommendation 17 of the Corporate Governance Code, at least one member of the Board of Statutory Auditors has always attended the meetings of the Remuneration Committee.

More particularly, also with reference to the terms of recommendation 17 of the Corporate Governance Code, over the Reporting Year the meetings of the Controls, Risks and Related Parties Committee saw the presence of members of the Board of Statutory Auditors and, where necessary for discussion of the items on the agenda, at the Chair's invitation and with the agreement of the other attendees, the Accounts Executive, the Head of Internal Audit, and a representative from the external auditor. The attendance of the meetings by those persons with supervisory and audit duties fostered a debate and discussion of the major aspects involved in identifying business risks. The aforementioned persons participated in the meetings of the Controls, Risks and Related Parties Committee at the invitation of the Committee's Chair.

In discharging its duties, the Controls, Risks and Related Parties Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, during the year ending 31 December 2024, two meetings of the Controls, Risks and Related Parties Committee have been held, on 19 February 2024 and 14 March 2023. Another meeting is anticipated before the end of the year, regarding *inter alia* the interim financial statements as at and for the six months ending 30 June 2024.

9.4 HEAD OF INTERNAL AUDIT

Matteo Scarpa, an employee of the Company, is the Head of Internal Audit, in accordance with current recommendations under article 6 of the Corporate Governance Code. The remuneration of the Head of Internal Audit is consistent with the Company's internal policies, and he has full autonomy in terms of spending in the discharge of his duties, subject to the limits in the general annual budget allocated to the Internal Audit function, subject to such amendments as may be examined and approved by the Board of Directors at any time at the proposal of the IARMS Director, with support from the Controls, Risks and Related Parties Committee and following consultation with the Board of Statutory Auditors.

The Head of Internal Audit, who does not have an area of operational responsibility and who reports directly to the Board of Directors, provides the information that the IARMS Director, the Board of Statutory Auditors and the Controls, Risks and Related Parties Committee request.

Specifically, the Head of Internal Audit:

- (a) checks that the IARMS is functioning, and is appropriate;
- (b) checks, both on a continuous basis and as specific needs arise, consistent with international standards, that the IARMS is operative and suitable, through the Audit Plan that he puts together and which the Board of Directors approves, following advice from the Controls, Risks and Related Parties Committee, based on a structured process of analysis and prioritisation of the major risks;
- (c) prepares regular reports detailing his activities, the manner in which risk management is implemented, compliance with the plans drawn up to contain risk, and an assessment of the suitability of the IARMS;
- (d) promptly prepares reports on events of particular significance;
- (e) provides those reports to the Chairs of the Board of Statutory Auditors, the Controls, Risks and Related Parties Committee, and the Board of Directors, as well as the IARMS Director; and
- (f) checks, as part of the Audit Plan, the reliability of the computer systems, including the accounting systems.

The Head of Internal Audit has direct access to all information useful for the performance of his duties and, where deemed necessary, also has access to documentation produced by third parties tasked with controls at the Company or subsidiaries. The Internal Audit function carries out its duties *inter alia* by carrying out spot checks on the processes governing the company's business, with its checks extending to all of the companies of the Group.

In the course of the Reporting Year, the Internal Audit function performed, and was involved in:

- (a) preparation of the Audit Plan for the Reporting Year, which was submitted and approved by the Board of Directors on 20 March 2023, following review by the Controls, Risks and Related Parties Committee and by the IARMS Director, whose review followed consultation with the Board of Statutory Auditors;
- (b) preparation of the Audit Plan for the year ending 31 December 2024, which was submitted to the Board of Directors at its meeting of February 2024, following review by the Controls, Risks and Related Parties Committee by the IARMS Director, whose review followed consultation with the Board of Statutory Auditors;
- (c) checking that the internal controls and risk management system was functioning, suitable and in accordance with the guidelines set by the Board of Directors;
- (d) scheduling and executing direct and specific control work, at the Issuer and at the major subsidiaries within the Group, in accordance with the Audit Plans, in order to identify any shortcomings in the internal controls and risk management system in the various risk areas;
- (e) evaluation and checking, both on a continuous basis further to the Audit Plan, and in relation to specific needs or to meet international standards, the internal controls and risk management system for adequacy, effectiveness and practical functioning (see recommendation 36(a) of the Corporate Governance Code);
- (f) checking, as part of the Audit Plan, the reliability of the computer systems, including the accounting systems (see recommendation 36(e) of the Corporate Governance Code);
- (g) preparation of regular reports detailing his activities, the manner in which risk management is implemented, compliance with the plans drawn up to contain risk, and an assessment of the suitability of the IARMS, whose evaluation he oversaw (see recommendation 36(b) of the Corporate Governance Code);
- (h) submission of the reports under the prior item to the IARMS Director, the Chair of the Board of Statutory Auditors, and the Chair of the Controls, Risks and Related Parties Committee (see recommendation 36(d) of the Corporate Governance Code).

9.5 THE ORGANISATIONAL MODEL, PURSUANT TO LEGISLATIVE DECREE 231/2001

9.5.1 The 231 Model

At its meeting of 6 December 2022, the Board of Directors resolved to adopt, pursuant to and for the purposes of Legislative Decree 231/2001, a revised version of the 231 Model, comprising: (i) a General Section; (ii) a Special Section; and (iii) schedules, including the Code of Ethics.

The 231 Model provides for policies and measures to ensure that activities are carried out in accordance with the law, to eliminate situations of risk, and a system of prevention that mitigates the risk of offences that is consistent with the organisational structure and best practice.

The Special Section clarifies the nature of significant offences identified in the areas of risk and the ways in which they might be committed, and the specific organisational safeguards implemented to prevent their commission.

The 231 Model puts in place appropriate systems and mechanisms for penalising any conduct that breaches its terms.

The requirements set forth in the 231 Model complement those of the Code of Ethics that the Board of Directors approved on 6 December 2022. That describes the ethical duties and responsibilities in the conduct of the Company's affairs and in the business to which every employee, and all those with whom the Company comes into contact in its business, are bound in the performance of their work, in the belief that ethical conduct in business is fundamental to its success. The 231 Model and the Code of Ethics are available on the Company's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

On 4 August 2022, the Board of Directors reappointed the Supervisory Board, which has powers to pursue initiatives and oversight that it may exercise autonomously. Under the reappointment, the Supervisory Board was charged with (i) overseeing the effectiveness of the 231 Model, which means checking the consistency between conduct in practice and the 231 Model; (ii) reviewing the 231 Model for adequacy, meaning its practical ability broadly to prevent undesirable behaviour; (iii) carrying out an analysis regarding the 231 Model's ability over time to meet the requirements that it be sound and functional; (iv) oversee the dynamic revision of the 231 Model as necessary, by making specific suggestions, where the gap analysis makes corrections and adjustments necessary; and (v) carrying out "follow-ups, to check implementation and the practical functioning of the solutions put forward.

The Board of Directors appointed, for the period ending with the approval of the interim financial statements as at and for the six months ending 30 June 2025, the Supervisory Board's existing members, Pier Paolo Beatrizotti, as Chair, and Monica Alberti and Luigi Bergamini, all three from outside the Group.

On 8 November 2023, the Supervisory Board submitted its annual report on its work in the Reporting Year, and its findings.

Over the course of the Reporting Year, the Supervisory Board met six times, on 25 January 2023, 21 February 2023, 23 March 2023, 18 April 2023, 13 June 2023 and 11 July 2023, and also carried out specific checks and monitoring as part of its annual plan of work.

9.5.2 Whistleblowing system

On 2 August 2023, the Board of Directors approved a whistleblowing procedure through which employees may report irregularities or breaches of applicable laws or regulations, or of internal procedures, in line with domestic and international best practice. It provides a specific, confidential channel that ensures the whistleblower remains anonymous.

The procedure provides information regarding that channel, how it may be used, and in what circumstances, for internal and external whistleblowing, pursuant to article 5(1)(e) of Legislative Decree 24/2023, and the protective measures for whistleblowers, pursuant to Chapter III of Legislative Decree 24/2023. The internal whistleblowing channel the procedure sets out also gives effect to the obligation under article 6(2-*bis*) of Legislative Decree No. 231/2001.

9.6 EXTERNAL AUDITOR

Pursuant to the provisions of article 17 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree 135/2016, the Shareholders' Meeting of 23 May 2023 approved an ordinary resolution that the Board of Directors had proposed, for the appointment, effective from the First Trading Day, of the audit firm EY S.p.A. as auditors for the consolidated and non-consolidated financial statements of the Group as at and for each of the financial years ending 31 December 2023-2031, and to ensure that the accounts were duly kept and the operations correctly recognised in the ledgers in the course of those financial years.

9.7 ACCOUNTS EXECUTIVE AND OTHER ROLES AND FUNCTIONS

Article 25 of the By-Laws provides that the Board of Directors should, following consultation with the Board of Statutory Auditors (to whose advice it is not bound) appoint the Accounts Executive, in connection with the preparation of the financial statements and the discharge of the duties under applicable laws and regulations. Candidates for the position must have suitable professional qualifications and relevant experience of at least five years in matters of accounting and finance, and such other requirements as the Board of Directors or the rules (and regulations) in force may determine. The Accounts Executive participates in those meetings of the Board of Directors that are to discuss issues in respect of which he has purview.

On 18 May 2023, the Board of Directors, in light of his significant experience in finance and his in-depth knowledge of the Company and the Group, resolved, following favourable advice from the Board of Statutory Auditors, to appoint Marco Zammarchi (an employee of the Issuer and its Chief Financial Officer) as the Accounts Executive pursuant to article 154-*bis*, CLFI, with effect from the First Trading Day.

In accordance with the laws and regulations in force, the Accounts Executive is responsible for:

- (a) preparing appropriate administrative and accounting procedures, for the preparation of the consolidated and non-consolidated financial statements, as well as any other financial disclosures;
- (b) providing written declarations, confirming that the documents and disclosures provided by the Company to the market, relating to the Company's accounting information, including interim information, corresponds with the underlying documents, books and accounting records;
- (c) providing, together with the Chief Executive Officer, the certificates under article 154-*bis*(5), CLFI, in the form of a report prepared in accordance with CONSOB's template that is annexed to the non-consolidated financial statements, the condensed interim financial statements and the consolidated financial statements;
- (d) participating in the meetings of the Company's Board of Directors where the agenda includes the examination of the Company's financial information;
- (e) reporting without delay to the Chief Executive Officer and the Board of Directors, including through the Controls, Risks and Related Parties Committee, on any matters of significant importance believed, if incorrect, to merit inclusion in the certificates required by Art. 154-*bis*, CLFI; and
- (f) reporting semi-annually to the Board of Directors, the Controls, Risks and Related Parties Committee and the Board of Statutory Auditors on the work performed.

At the time of the appointment, the Board of Directors granted the Accounts Executive all such powers and resources as he may require for the performance of his duties under the laws and regulations in force and the By-Laws including direct access to all of the functions and offices, and all such information as is necessary for the production and checking of accounting and financial information, without any particular authorisation.

9.8 COORDINATION BETWEEN THE PERSONS INVOLVED IN THE INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

The Issuer has put in place measures for coordinating the various individuals and bodies involved in the internal controls and risk management system, to ensure they effectively and efficiently coordinate and share information. In particular, as mentioned earlier:

- (a) Executive Director Xu Xinyu, in his capacity as IARMS Director, periodically reports on his work to the Controls, Risks and Related Parties Committee, which, in turn, provides the Board of Directors with its own assessment of the adequacy of the internal controls and risk management system;
- (b) the Head of Internal Audit, Matteo Scarpa, maintains regular information flows with the other corporate bodies and structures with supervisory or monitoring functions in respect of the internal controls and risk management system, such as the Accounts Executive, the Supervisory Board and the External Auditor, each in relation to its particular areas of responsibility;
- (c) the participation of the Head of Internal Audit in the meetings of the Supervisory Board and in the meetings of the Controls, Risks and Related Parties Committee allows the Internal Audit function to maintain adequate visibility over the corporate risks the Group faces and manages, issues that have emerged and attracted the attention of the various supervisory and control bodies;
- (d) the Board of Statutory Auditors maintains regular information flows with the Board of Directors and the Controls, Risks and Related Parties Committee. In particular, at least one member of the Board of Statutory Auditors should attend every meetings of the Controls, Risks and Related Parties Committee;
- (e) the External Auditor participates in the meetings of the Controls, Risks and Related Parties Committee where invited to do so, in order that it may be apprised of the Committee's activities and decisions, and report on its planning, and the results, of its audit work.

10 DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

10.1 PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

The Issuer has adopted the RPT Procedure, which governs transactions with related parties carried out, with the Company or subsidiaries, in accordance with the provisions of the RPT Regulation.

The RPT Procedure was preliminarily approved by the Board of Directors of the Issuer on 18 May 2023, and came into force as of the First Trading Day. On 19 February 2024, supported by favourable advice from the Independent Directors, the Board of Directors definitively approved the RPT Procedure.

The RPT Procedure is available on the Issuer's website at www.ferrettigroup.com, in the *Corporate Governance* section, to which you should refer for further information.

As at the date of this Report, the Company has not adopted any specific operational solutions to facilitate the identification and management of situations in which a Director has an interest, of his own or on behalf of any third party, as it considers that the RPT Procedure and the general principles regarding Directors' responsibilities are sufficient.

With respect to the work performed by the Controls, Risks and Related Parties Committee regarding application of the RPT Procedure, please see paragraph 9.3.2 of this Report.

11 BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT OF STATUTORY AUDITORS

Pursuant to Article 27 of the By-Laws, the Board of Statutory Auditors has three standing auditors and two alternate auditors, who were appointed by the Shareholders' Meeting on the basis of lists submitted by shareholders. The minority is entitled to elect the standing auditor who is to act as Chair of the Board of Statutory Auditors and an alternate auditor.

The Board of Statutory Auditors is appointed on the basis of lists that must be filed at the Company's registered office within the terms provided under relevant laws and regulations, in which candidates are ranked by order of preference. The list consists of two sections, one for candidates for the position of standing auditor, the other for candidates for the position of alternate auditor.

Lists containing three or more candidates must have candidates from both genders in accordance with legal requirements and/or the codes of conduct drawn up by companies managing regulated markets or by trade associations to which the Company belongs.

Only shareholders that individually or together with other shareholders hold shares with voting rights representing the percentage of the share capital required by the laws and regulation in force for the submission of lists of candidates for election to the Company's Board of Directors are entitled to submit lists. The participation threshold most recently established by CONSOB for Ferretti pursuant to Art. 144-*septies*(1) of the Issuers' Regulations, under its resolution no. 92 of 31 January 2024, is 2.5%.

This shareholding must be established by certificates that must be produced, on the day on which the lists are filed, or within such period as the laws and regulation in force regarding the Company's publication of the lists. These details are set forth in the notice calling the meeting.

The list must be accompanied by: (a) information on the identity of the shareholders who submitted them, with an indication of the total percentage of shareholding held, (b) comprehensive information regarding the personal and professional characteristics of the candidates, (c) the declarations in which the individual candidates accept their candidacy and certify, under their own responsibility, that they meet the requirements under the law and the By-Laws for the office, (d) a list any positions of administration and control each candidate holds in other companies, (e) a declaration by the shareholders other than those who hold, individually or jointly, a controlling interest or represent the single-largest shareholding, as to the absence of affiliation with the latter, as applicable laws and regulations provide; and (f) any other declaration, disclosure and/or document required by the laws and regulations in force at the time.

In the event that, when the deadline under the laws and regulations in force for the submission of lists expires, a single list has been filed or more than one list has been filed by shareholders who are connected with each other pursuant to the provisions of the laws and regulations in force, further lists of candidates may be submitted until such latter date as the laws and regulations in force may provide, in which case, the percentage of participation in the Company's share capital required for the submission of a list is halved.

The election of the statutory auditors takes place as follows: (i) two standing auditors and one alternate auditor are elected from the list that obtained the highest number of votes at the Shareholders' Meeting, on the basis of the order in which they are listed in the sections of the list; (ii) from the list that obtained the second-highest number

of votes and that is not connected in any way, directly or indirectly, pursuant to the laws and regulations in force at the time, with those who submitted, or voted for, the list under (i) above, is elected, in accordance with the laws and regulations in force, the remaining standing auditor, who becomes Chair of the Board of Statutory Auditors; and the remaining alternate auditor, based on the ranking order in the sections of the list.

In the event that more than one list has obtained the same number of votes, a new ballot is held among for all those entitled to vote present at the Shareholders' Meeting, and the candidates on the list that obtains the single-largest number of votes is elected.

In the event that only one list has been submitted, the Board of Statutory Auditors shall be drawn entirely from that list, provided it receives the majorities required by law.

If, as a result of the application of this list voting mechanism, the composition of the Board of Statutory Auditors does not comply with the rules on gender balance, the Shareholders' Meeting appoints statutory auditors who do meet the requirements in place of the candidates who do not meet, drawing the replacements from the same list as those they replace.

In the event that the requirements of the law and the By-Laws are no longer satisfied, a statutory auditor ceases to hold office.

In the event that a statutory auditor is replaced, they are replaced by the alternate member from the same list, provided that they have confirmed they meet the requirements of the office, while complying with the rules in force on gender balance in the Board of Statutory Auditors, for the remainder of the term of office. If such a replacement cannot be made in a manner compliant with the regulations in force, the Shareholders' Meeting appoints a statutory auditor who meets the requirements for compliance.

In the event of the replacement of the Chair, this office shall be assumed by the statutory auditor who takes his place.

The previous rules on the election of statutory auditors by voting list do not apply to Shareholders' Meetings that must appoint standing and/or alternate auditors to make the Board of Statutory Auditors up to its full number. In such cases, the Shareholders' Meeting resolves by the majority for which the law provides, in compliance with the principle that minorities must receive representation. Procedures for replacing statutory auditors must in any event ensure compliance with the laws and regulations in force regarding gender balance, as specified above.

11.2 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-BIS(2)(D) AND (D-BIS), CLFI)

As at the date of this Report, the Board of Statutory Auditors in office had been appointed by resolution of the Shareholders' Meeting of 13 June 2023. Earlier in the Reporting Year, the Board of Statutory had comprised the Chair, Luigi Capitani, and Luigi Fontana and Fausto Zanon (as standing auditors) and Giulia De Martino and Veronica Tibiletti (as alternate auditors).

Since the Company was listed on Euronext Milan following the appointment of the Board of Statutory Auditors, this appointment did not take place under the voting mechanism that was included in the By-Laws on 18 June 2023 with effect from the First Trading Day.

The votes results in the following persons being elected as members of the Board of Statutory Auditors: (i) Luigi Capitani, Chair; (ii) Giuseppina Manzo, statutory auditor; (iii) Luca Nicodemi, statutory auditor; (iv) Tiziana Vallone, alternate auditor; and (v) Federica Marone, alternate auditor.

The Board of Statutory Auditors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at and for the year ending 31 December 2025.

The following table sets forth the composition of the Board of Statutory Auditors as of the date of this Report.

CHARGE	NAME AND SURNAME	PROFESSION
Chair	Luigi Capitani	Chartered Accountant and Registered Auditor
Auditor	Giuseppina Manzo	Chartered Accountant and Registered Auditor

Auditor	Luca Nicodemi	Chartered Accountant and Registered Auditor
Alternate Auditor	Tiziana Vallone	Chartered Accountant and Registered Auditor
Alternate Auditor	Federica Marone	Chartered Accountant and Registered Auditor

Please refer to Table 3 in the appendix for further detail regarding the composition of the Board of Statutory Auditors.

The following are the main professional characteristics of the members of the Board of Statutory Auditors:

- Luigi Capitani: a graduate in Economics and Commerce from the University of Parma, he has been a Chartered Accountant since 1993 and an Auditor since 1995. Since November 2023 he has also been a member of the Association of Business Recovery Professionals. He mainly deals with extraordinary transactions, corporate finance, business crisis, design and management of trusts and family assets, strategic, tax, corporate and financial consultancy. He has extensive experience in insolvency proceedings and corporate restructuring as well as a tax litigator. He holds positions on boards of directors and statutory auditors, and is a member of supervisory boards pursuant to Legislative Decree 231/2001, at a variety of entities and companies.
- Giuseppina Manzo: a graduate in Economics and Business Law in 2004 from Bocconi University in Milan, a chartered accountant since 2009. Since 2009 she has been a registered auditor. She works as a consultant on financial information and corporate finance for medium-sized and large companies and groups, including listed companies, operating mainly in the following sectors: banking, industrial, energy and luxury. She has extensive experience in: (i) the valuation of companies and shareholdings, also for the purposes of impairment testing; (ii) fairness opinions on corporate matters; (iii) advising on financial statements and the application of domestic and international accounting standards (IAS/IFRS); (iv) expert reports, both for parties to litigation and for the tribunal itself, in the context of arbitration and court proceedings concerning valuation issues; (v) advice on debt sustainability, also pursuant to article 2501 bis of the Italian Civil Code; and specialization with respect to: (i) extraordinary finance transactions, such as mergers, demergers, contributions, transformations, acquisitions, sales and reorganizations of groups, and (ii) processes for the acquisition of share packages.
- Luca Nicodemi: a graduate in Business Administration from Bocconi University, with a specialisation in Finance, he is a Chartered Accountant and Auditor, and a registered expert witness at the Court of Milan. An expert in corporate governance, he holds important positions in leading football and industrial companies, supervised entities and asset management firms. He has extensive experience in: (i) professional advice (on financial, accounting and tax matters) for M&A transactions, debt restructuring, company valuations for national and international institutional entities (banks, domestic and international private equity funds, sovereign wealth funds, leading investment banks, listed companies, and domestic and international law firms); (ii) valuation, fairness and accounting advice and opinions to leading industrial groups in, *inter alia*, the luxury, infrastructure, banking sectors; and (iii) professional work as a member of the supervisory boards pursuant to Legislative Decree 231/2001 for multinational companies and regulated entities.
- Tiziana Vallone: a graduate in Economics and Commerce at the State University of Bari, she is a chartered accountant, registered auditor and auditor of local authorities. Expert in auditing, corporate finance, corporate law and corporate restructuring, she holds positions on boards of directors and statutory auditors at a number of companies, including multinational and listed companies. She also currently advises as an expert to national roundtables organised by the Ministry of Industry and Made in Italy. She was a lecturer at Bocconi University in Milan until 2006 and currently holds courses at the Order of Chartered Accountants of Milan and the Bar Association of Milan, Bologna and Bergamo on topics of corporate finance, business crisis and risk management. She is a member of various commissions and working groups, such as the Crisis and Business Recovery Commission, where she is the vice-president.
- Federica Marone: a graduate in Economics and Business, specialising in law, at the Parthenope University of Naples, she has been a Chartered Accountant and Auditor since 2006. Until 2023 she was an adjunct lecturer for supplementary teaching activities for the Tax Law course at the Faculty of Law of the Suor Orsola Benincasa University of Naples. Currently, she works as a chartered accountant and tax litigator, drafting opinions and holding various positions as director, liquidator, auditor, and statutory auditor at various

corporations.

For further information on the CVs and professional experience of the members of Ferretti's Board of Statutory Auditors, please refer to the Issuer's website at www.ferrettigroup.com, in the section, *Corporate Governance*.

There has been no change in the composition and structure of the Board of Statutory Auditors between the end of the Reporting Year and the date of this Report.

The Board of Statutory Auditors is validly constituted where a majority of the statutory auditors is present and it resolves by a vote in favour from an absolute majority of those present.

The meetings of the Board of Statutory Auditors may also be held with the participants in multiple locations, which may be close at hand or remote, and may be connected by video or telephone conferencing, provided that the of the meeting is able to establish the identity of those participating in the meeting and their entitlement to do so, to govern the conduct of the meeting, and to observe and declare the outcome of votes; the person taking the minutes is able to adequately perceive the events being minuted; and all participants are able to participate in real time in the discussions and vote simultaneously, and be able to receive and transmit documentation in real time.

The meeting is deemed held in the place stated in the notice of call, where the person taking the minutes must also be in order to enable them to be prepared and signed.

The Chair and the person taking the minutes may be in different places.

The Board of Statutory Auditors met 17 times in the course of the Reporting Year, on the following dates: 3 March 2023, 8 March 2023, 22 April 2023, 8 May 2023, 11 May 2023, 16 May 2023, 18 May 2023, 4 July 2023, 27 July 2023, 1 August 2023, 26 September 2023, 8 November 2023, 16 November 2023, 22 November 2023, 5 December 2023 and 21 December 2023. It should also be noted that of the 17 meetings, eight were meetings of the previous Board of Statutory Auditors and nine were meetings of the current Board of Statutory Auditors.

The meetings were duly minutes. The average duration of the Board of Statutory Auditors meetings was approximately 60 minutes.

In the year ending 31 December 2024, there have been two meetings of the Board of Statutory Auditors on 18 January 2024 and 7 February 2024, and another ten meetings of the Board of Statutory Auditors are currently scheduled to be held.

In the course of the Reporting Year, with respect to the previous Board of Statutory Auditors, the overall participation rate was 95%, specifically: (i) 85% for Luigi Capitani; (ii) 100% for Luigi Fontana; and (iii) 100% for Fausto Zanon. For the current Board of Statutory Auditors, the overall participation rate was 100%, specifically: (i) 100% for Luigi Capitani, (ii) 100% for Giuseppina Manzo; and (iii) 100% for Luca Nicodemi.

At its meeting of 4 July 2023, the Board of Statutory Auditors confirmed that it satisfied the requirements imposed by law and the Corporate Governance Code, in terms of professional standing, expertise, integrity and independence, and it completed its self-evaluation process, observing that it was consonant with its duties, given its suitably calibrated composition, specifically with reference to features of experience, gender composition and the age of its members. The members of the Board of Statutory Auditors also considered that they had the appropriate time and resources to devote to their duties in the Company. The outcome of these evaluations was subsequently transmitted to the Board of Directors and released to the market.

In carrying out the above evaluations, all the information made available by each member of the Board of Statutory Auditors was considered, as required by the recommendations of the Corporate Governance Code, with consideration of any circumstance that affects or could affect independence in accordance with the CLFI and the Corporate Governance Code (see recommendation 6, as referred to in recommendation 9) and all the criteria set forth in the Corporate Governance Code with respect to the independence of Directors were applied (recommendation 7, as referred to in recommendation 9).

The Board of Statutory Auditors has supervised and continues to supervise the independence of the External Auditor, verifying both its compliance with relevant regulations, and the nature and extent of the services other than accounting control that it and the other entities in its network provide to the Issuer or its subsidiaries.

The Board of Statutory Auditors has continuously maintained regular coordination with the Controls, Risks and Related Parties Committee, the Internal Audit function and the Supervisory Board. For information on the manner in which they coordinate, please see paragraph 9.8 of this Report, above.

Pursuant to Legislative Decree 39/2010 (in implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC, and repealing Council Directive 84/253/EEC), the Board of Statutory Auditors is assigned the functions of an audit committee, in particular, the functions of supervising: (i) the financial reporting process; (ii) the effectiveness of internal control, internal audit, where applicable, and risk management systems; (iii) statutory audit of the annual accounts and the consolidated accounts; and (iv) the independence of the External Auditor, in particular with respect to the provision of additional services to the audited entity.

For so long as the Company's shares are admitted to trading on an Italian regulated market, the Board of Statutory Auditors also exercises its other duties and powers under the specific legislation with particular reference to the information to which it is entitled, the Directors are pursuant to Article 150, CLFI, obliged to report on a quarterly basis.

The Chair of the Board of Directors ensured that the statutory auditors have adequate knowledge of the sector in which the Issuer operates, relevant business dynamics and developments, the principles of correct risk management and the relevant regulatory framework. In particular, during the meetings of the Board of Directors during the Reporting Year, the Statutory Auditors received regular in-depth analysis of each specific sector in which the Issuer has business, in order to better understand the corporate dynamics underlying the business and the related developments that took place over the course of the year.

Statutory auditors' remuneration is set so as to be commensurate with the efforts required, the importance of the role, the size of the business, and the features of the sector in which it operates. In this regard, it should be noted that the Shareholders' Meeting of 13 June 2023 set the remuneration of the Chair of the Board of Statutory Auditors as an all-inclusive gross annual fee of Euro 40,000 and the remuneration of each of the standing auditors as an all-inclusive gross annual fee of Euro 30,000.

The Issuer has not enacted any specific obligation that statutory auditors promptly inform the other members of the Board of Statutory Auditors and the Chair of the Board of Directors as to the nature, terms, origin and extent of any interest he has, of his own or on behalf of any third party, in any transaction involving the Issuer, as it considers that such disclosure would in any event be an ethical duty of any member of a board of statutory auditors.

In accordance with the By-Laws, over the course of the Reporting Year the Chief Executive Officer has, together with the Executive Director, reported appropriately to the Board of Statutory Auditors on its work, on the general performance of the business and its anticipated future development, the most significant transactions for the business, results of operations and financial condition, and the most significant transactions in terms of size or other features by the Company and its subsidiaries, at the meetings of the Board of Directors and at least quarterly. That is particularly the case for transactions in which any Director has an interest on his own behalf or on behalf of third parties, or that are influenced by any person who directs or coordinates the Company's activities.

With regard to the provision of Article 123-*bis*(2)(d-*bis*), CLFI, on diversity policies as applied to administrative, management and control bodies, recognising the importance of diversity and inclusion to the Group's success, the Board of Directors on 18 May 2023 adopted a Group policy on diversity on boards of directors and statutory auditors, which sets out principles in pursuit of an objective of integrating management, professional and academic features, also of an international nature, while taking also into account balanced gender representation.

With reference to gender diversity in particular, Law No. 160 of 27 December 2019 amended, *inter alia*, article 148, CLFI, introducing a new test, under which at least two-fifths of the members of the Board of Statutory Auditors (rather than the third that applied previously) must be reserved to the less-represented gender for six consecutive terms of office. This new test applies from the first appointment of such boards that occurs after 1 January 2020.

CONSOB, by its resolution No. 21359 of 13 May 2020, consistent with its notice 1/2020 of 30 January 2020, amended article 114-*undecies*.1(3) of the Issuers' Regulations, such that where boards have three standing members, the calculation of the component for the less-represented gender under article 148, CLFI, is rounded down, not up.

Since the current Board of Statutory Auditors was appointed on 13 June 2023, prior to the Company's listing on Euronext Milan, the above provisions apply from the next appointment of the Board of Statutory Auditors.

Without prejudice to the above, as at the date of this Report, a third of the standing statutory auditors are in any event from the less-represented gender. Accordingly, the Board of Statutory Auditors' present composition complies with the test under article 148(1-*bis*), CLFI, both in its previous and current form, and with the recommendations under article 2 of the Corporate Governance Code.

In the course of the Reporting Year, no circumstances arose that resulted in any member of the Board of Statutory Auditors having to inform the Company of any interest they held, on their own behalf or on behalf of others, in any particular transaction by the Company.

12 SHAREHOLDER RELATIONS

Shareholders are kept suitably informed of developments at the Company and the Group through the prompt and regular publication of corporate documentation on the Issuer's website at www.ferrettigroup.com, in the sections *Investors* and *Corporate Governance*, and, where applicable laws and regulations so require on the Emarketstorage authorised storage mechanism (at www.emarketstorage.it).

The Company encourages shareholders to take an active interest in the Company. During the Reporting Year, the Company has maintained effective and transparent communication with Shareholders by disseminating high-quality information to Shareholders in a timely manner through the publication of annual report, interim report, ESG report as well as the financial results announcements.

The Issuer's website allows investors to access and consult all of the Company's press releases, and, following their approval by the relevant corporate bodies, a complete set of its accounting information (which is to say, the annual financial statements, the interim financial statements, and the interim report). The main documents related to the Group's governance are also available for consultation on the Company's website.

On 18 May 2023, the Board of Directors resolved to appoint Margherita Sacerdoti to be Ferretti's Investor Relator & Sustainability Manager (email, investorrelations@ferrettigroup.com), with responsibility for relations with shareholders generally, including institutional investors, and some specific tasks regarding price-sensitive information and dealings with CONSOB and Borsa Italiana.

On 18 May 2023, the Board of Directors approved, on the proposal of the Chair and by agreement with the Chief Executive Officer, a Shareholder Engagement Policy that reflected the recommendations of the Corporate Governance Code, domestic and international best practice, and engagement policies that institutional investors and asset managers had compiled (see recommendation 3 of the Corporate Governance Code).

The Shareholder Engagement Policy lays down terms governing: (i) the purpose and scope of the policy itself; (ii) the corporate bodies and organisational structures engaging in dialogue with shareholders and other interested parties; (iii) the instruments that may be used for that dialogue, and the manner in which they are used; (iv) the topics, content and timing of dialogue with shareholders and other interested persons; and (v) the terms upon which the policy may be amended, and the persons to whom requests for establishing dialogue with the Company should be directed.

The main topics discussed at conferences and in meetings with shareholders in the Reporting Year were:

- (a) operating performance, the full-year financial statements, and interim financial results;
- (b) business strategy;
- (c) share performance;
- (d) corporate communication and transparency towards the market;
- (e) the IARMS; and
- (f) ESG policies.

During the Reporting Year, dialogue with the financial community (meaning, investors and analysts) was consistent over time. More particularly:

- a Capital Markets Day was held in March 2023 to present the business strategy to the financial community, with a large number of members of the financial community (including analysts and investors) participating;
- the Company participated in roadshows (remotely and in person) in Europe and Asia, to foster discussions with investors;
- the Company invited analysts and investors to events and exhibitions from June to September 2023, to show its products and discuss how the market was performing; and

- the Company participated in conferences organised by brokers.

The Shareholder Engagement Policy is available on the Issuer's website at www.ferrettigroup.com, in the section *Corporate Governance*.

For so long as the shares are quoted on the Stock Exchange of Hong Kong, the Company is obliged to establish and keep a shareholders' register in Hong Kong, in accordance with the laws and regulations of Hong Kong. This may be through a third-party supplier, authorised to supply transfer services in relation to shares quoted on the Stock Exchange of Hong Kong (a "**Hong Kong Branch Register**"), and that is without prejudice to the legal status and prevailing significance of the main register kept pursuant to the laws of Italy.

In this regard, pursuant to article 36 of the By-Laws, the Hong Kong Branch Register may be inspected by shareholders in the Company and by Beneficial Owners (meaning the indirect beneficiaries of shares in the Company under the laws of Hong Kong), during a period of at least two hours each business day, as permitted by applicable law. The Hong Kong Branch Register may, by notice sent by any electronic means that is accepted for such purposes by the Stock Exchange of Hong Kong, be closed during particular hours or for periods not exceeding 30 days per year in aggregate, as the Board of Directors may determine, generally or in relation to any particular class of shares.

13 SHAREHOLDERS' MEETINGS

13.1 CALL OF SHAREHOLDERS' MEETING

Pursuant to article 13 of the By-Laws, the ordinary Shareholders' Meeting must be called to meet at least once a year, to consider approval of the financial statements, within 120 days of the end of the financial year, or within 180 days where the Company is obliged to prepare consolidated financial statements, or where there are particular reasons for that longer period regarding the Company's structure or objects, subject always to article 154-ter, CLFI, and any laws and regulations in force.

Ordinary and extraordinary Shareholders' Meeting are generally held in the municipality in which the Company has its registered office, except where the Board of Directors resolves that it be held elsewhere, either in Italy or elsewhere in the European Union, the United Kingdom, a country within Greater China (the PRC, the Hong Kong Special Administrative Region, Macao or Taiwan), or the United States of America, subject always to article 14.5 of the By-Laws.

The Shareholders' Meeting is called, in accordance with the laws and regulations in force, by notice published in Italian and English on the Company's website, and publicised by the other means for which applicable laws and regulations provide. The notice contains the information required by the laws and regulations in force, which may reflect the items on the agenda.

The Board of Directors may also call a Shareholders' Meeting where shareholders representing at least 5% of share capital so request in relation to specified agenda items, and subject always to the limits set forth in the final part of article 2367 of the Civil Code. In the event of an unjustified delay in calling the meeting, the Board of Statutory Auditors may call it instead.

For so long as the shares are listed on the Stock Exchange of Hong Kong, the notice calling the meeting must also be published in Chinese, at least 21 days prior to the date of the Shareholders' Meeting (or such longer period as may apply under the law), and the rules governing communications for companies with shares listed on the Stock Exchange of Hong Kong apply. The notice must also be published, within the same periods, on the website of the Stock Exchange of Hong Kong.

Pursuant to article 126-bis, CLFI, shareholders who individually or together represent at least 2.5% of the share capital may request that additional items be added to the agenda, within ten days of the agenda's publication, or within five days where the call is made pursuant to article 125-bis(3) or article 104(2), CLFI. Requests should set out the items for inclusion or proposed resolutions on matters already on the agenda. Shareholders requesting to add items to the agenda must provide a suitably detailed report setting out the grounds for the proposed resolutions on any new items whose discussion they are proposing, or the grounds for the further proposals for resolutions on items already on the agenda, and provide that to the Board of Directors by the deadline for submission of additional items.

13.2 PARTICIPATION IN THE SHAREHOLDERS' MEETING

The entitlement to attend and speak at the Shareholders' Meeting and the exercise of voting rights are governed by the laws in force at the time and the provisions of the By-Laws, subject always to the rules applicable to companies with shares listed on the Stock Exchange of Hong Kong.

Those rules provide that all persons who are direct holders of shares under the applicable laws and regulations are entitled to exercise all their rights with respect to the relevant company in the manner provided by applicable law and the By-Laws.

All Beneficial Owners who are not direct holders of the shares may exercise all corporate rights, including the right to attend and vote at General Meetings, where no other person is entitled to do so on their own behalf, (a) collectively, through the Holder of Record registered in either the Main Register or the Hong Kong Branch Register, or a person authorised by the Holder of Record; or (b) individually, through the Holder of Record or a person appointed by the Holder of Record, or, where the Holder of Record has granted authorisation and/or a proxy, on their own behalf, to the fullest extent permitted by all applicable laws and regulations.

The exercise of corporate rights by Beneficial Owners, in the name of the Holder of Record, collectively or individually, does not result in any obligation to revise the Hong Kong Branch Register or the Main Register.

Where a holder of shares (or other financial instruments issued by the Company) is a clearing house recognised under applicable laws and regulations as a result of the shares' listing on the Stock Exchange of Hong Kong, or one or more of its nominees, it may nominate one or more persons to act as proxy and participate in any ordinary or extraordinary Shareholders' Meeting of the Company (or meeting of the holders of the other financial instruments), provided that, where they nominate more than one proxy, the authorisation must specify the number of shares (or other financial instruments) to which the authorisation relates. Any person authorised in the above manner is considered duly authorised without further certification, except where applicable laws or regulations require. They are entitled to exercise the same rights and powers on behalf of the principal (whether a clearing house or a nominee) as if the proxy (or representative) were a shareholder of the Company holding that number of shares (or other financial instruments, as the case may be) as was specified in the authorisation and any certificates that the laws or regulations require.

Entitlement to exercise shareholders' rights is based upon the records as at the dates set by the Board of Directors, for:

- (a) determining the shareholders entitled to receive payment of dividends, other distributions and rights, and the Beneficial Owners entitled to receive, under Hong Kong laws and regulations, payment of dividends, other distributions and rights in respect of the shares held by the Holder of Record. Specifically, with respect to Beneficial Owners, that date may be before, on, or after the date on which that payment of dividends, or other distributions or rights, is resolved upon, paid or made; and
- (b) determining the shareholders entitled to receive the materials related to the Company's ordinary and/or extraordinary Shareholders' Meeting.

A shareholder who is entitled to more than one vote is not obliged to apply all of their votes the same way. Divergent voting is valid and legitimate, except as applicable laws and regulations may specify otherwise.

Where the shares of the Company are admitted to trading on a market such as the Stock Exchange of Hong Kong, which distinguishes between legal ownership and beneficial ownership, shareholders' rights may by authorisation from the legal owner be exercised by beneficial owners, to the fullest extent permitted by applicable laws and regulations.

Under article 15 of the By-Laws, those entitled to vote may be represented by a proxy, in accordance with, and subject to the limits thereon imposed by, the law. The proxy must be granted in written by the principal or their authorised representative, or, where the principal is a company, by written proxy signed by an appropriate officer, representative or other duly authorised person. Where those entitled to vote act on behalf of clients, or other third parties, they may name as proxies the persons for whom they act, or one or more third parties those persons designate.

Where, as a result of the applicable laws and regulations in the place in which the Company's shares are listed, a shareholder must abstain from voting on a particular resolution, the vote by them or their proxy in breach of that requirement is not taken into consideration when determining whether the resolution has passed.

For the avoidance of doubt, the shares in question are included in the calculation of whether the meeting is quorate.

A proxy may be granted electronically, where that is consistent with applicable laws. Electronic notification to the Company of a proxy for the Shareholders' Meeting may be made by sending the document to the email address stated in the notice calling the meeting.

The Company may, for each Shareholders' Meeting, designate a person in the notice of call to whom shareholders may grant proxies and give voting instructions for all or some of the items on the agenda, within such periods and by such means as the law may provide (under article 135-*undecies*, CLFI).

To address organisational requirements during the Covid-19 pandemic, Decree Law 18/2020 (converted with amendments into Law No. 27 of 24 April 2020, and extended pursuant to article 3(1) of Decree Law No. 228 of 30 December 2021, converted with amendments into Law No. 15 of 25 February 2022), introduced temporary measures for shareholders' meetings that could apply as exceptions to the by-laws, or where the by-laws were silent. Particularly, these measures allowed: (i) shareholders' meetings to be held using telecommunications that would enable participants to be identified, allow participation, and permit voting rights to be exercised; (ii) electronic voting, or by correspondence, or through a duly appointed proxy; (iii) listed issuers to state in the notice calling the meeting that shareholders could only participate through a proxy; and (iv) meetings to be held without the chair, secretary and notary necessarily being in the same location. The Company did not make use of these provisions in that the Shareholders' Meetings held during the Reporting Year (on 18 May and 13 June 2023) were held prior to the listing of the Company's shares on Euronext Milan.

13.3 CONDUCT OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting is chaired by the Chair of the Board of Directors, or by the Deputy Chair, where appointed. If they are absent or unable to act, the Shareholders' Meeting elects a chair for the meeting by a majority vote of those present. The chair is assisted by a secretary, who does not have to be a shareholder, appointed by the Shareholders' Meeting; and one or more vote scrutineers, if the chair so wishes. Where the law so requires or the chair of the Shareholders' Meeting wishes, a notary may act as the meeting's secretary.

In determining whether a meeting is quorate, and whether resolutions have passed, the Shareholders' Meeting, in both ordinary and extraordinary session, observes the provisions of the Civil Code, except that resolutions regarding the Company's voluntary liquidation, and/or changes to the By-Laws, require the vote in favour by at least 75% of the share capital represented at the Shareholders' Meeting.

The Shareholders' Meeting, in both ordinary and extraordinary session, is called to meet on a single occasion, unless the Board of Directors states in the notice of meeting that the Shareholders' Meeting may be subject to a second call, or further calls thereafter. Where however shareholders representing at least 5% of the share capital have requested that the meeting be called, and the request stated the items on the agenda, then, subject to the limits under article 2367, final part, of the Civil Code, the Board of Directors must only permit a first call of that meeting.

The Shareholders' Meeting, in both ordinary and extraordinary session, may take place with participants in multiple locations, which may be close at hand or remote, and may be connected by video and/or telephone conferencing, provided that all participants are able to be identified, and they are able to follow the discussions, participate in the deliberations in real time regarding the meeting's activities, and participate in voting, and that all of the above is recorded in the minutes of the meeting. Where the notice of call so states, those entitled to vote may vote electronically, in the manner the notice specifies.

Pursuant to article 10 of the By-Laws, a shareholder may withdraw from the Company in those circumstances under which he is permitted to do so by mandatory law.

The right to withdraw a shareholding is not available to shareholders who did not vote in the context of the approval of resolutions regarding an extension to the Company's term, or the introduction or removal of restrictions upon the circulation of shares. The shares' liquidation value is determined under article 2437-*ter* of the Civil Code.

After deduction of at least 5% to the legal reserve for so long as it has not reached one fifth of share capital, under article 30 of the By-Laws net profits shown on the financial statements are allocated among the Shareholders in accordance with the resolutions passed by the Shareholders' Meeting.

The Shareholders' Meeting approved the Rules of the Shareholders' Meeting on 18 May 2023 and these have been adopted as from the First Trading Day. They are available on the Company's website at www.ferrettigroup.com, in the sections on *Corporate Governance*. The Rules of the Shareholders' Meeting provide, *inter alia*, that:

- (a) the chair of the Shareholders' Meeting (that is, the Chair of the Board of Directors, or a person designated by the Shareholders' Meeting, where he is absent or unable to act) may take all such measures as are considered opportune to ensure that the meeting proceeds properly and the participants are able to exercise their rights;
- (b) the chair governs discussions, allowing directors, statutory auditors, general managers, CFOs, other executives, and those persons who have so requested, to speak. Those entitled to exercise voting rights are entitled to speak on each of the items under discussion and to make proposals in that regard. Directors, statutory auditors, the General Manager, the CFO, and other executives may request that they be permitted to speak, where that is considered necessary. Such a request may be brought as soon as the Shareholders' Meeting opens, and at any time before the chair declares discussion of a particular item closed. In order to ensure that the Shareholders' Meeting is carried out in an orderly fashion, the chair may establish a deadline for the submission of requests to speak, when discussion of particular items begins, or in the course of their discussion. The chair establishes how such requests may be made, how they will be effected, and the order in which they are made;
- (c) before beginning voting, the chair readmits to the Shareholders' Meeting any persons who were excluded during discussions under the terms of the Rules, and checks the number of attendees and the number of votes to which they are entitled;
- (d) the chair establishes an order of voting for the various resolutions under consideration, also taking into consideration whether any are alternative to one another, and may order voting on each item after the end of its discussion, or at the end of discussion of some or all of the items on the agenda.

In the course of the Reporting Year, two ordinary Shareholders' Meetings were held, on 18 May 2023 (attended by eight directors and three standing statutory auditors) and 13 June 2023 (attended by seven directors and three standing statutory auditors).

The Board of Directors reported to the Shareholders' Meeting on its past and future work, and ensured that shareholders were in a position to make informed decisions on the matters before the Shareholders' Meeting.

As at the date of those Shareholders' Meetings, the Company had not been listed on Euronext Milan. It was thus not subject to obligations to publish the reports prepared in connection with various items on the agenda, pursuant to article 125-ter, CLFI, as amended, and article 84-ter of the Issuers' Regulations. Additionally, no measures intended to counter the spread of Covid-19 were applied.

With respect to the rights of shareholders not described in this Report, please refer to the applicable laws and regulations.

14 SUBSEQUENT CHANGES TO CORPORATE GOVERNANCE PRACTICES

On 2 August 2023, the Board of Directors approved a whistleblowing procedure through which employees may report irregularities or breaches of applicable laws or regulations, or of internal procedures. For information regarding the Company's whistleblowing system, please see paragraph 9.5.2 of this Report.

Otherwise, as at the date of this Report, no further corporate governance practices have been applied by the Issuer beyond its obligations under the laws and regulations in force.

15 CHANGES SINCE THE END OF THE FINANCIAL YEAR

No changes have been made since the end of the Reporting Year, other than the establishment of the Strategic Committee.

16 COMMENTS REGARDING THE LETTER DATED 14 DECEMBER 2023 FROM THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE

In the course of its meeting of 19 February 2024, the Board of Directors' attention was brought to a letter from the Chair of the Corporate Governance Committee that had previously been brought to the attention of the Board of Statutory Auditors, with respect to matters within its purview. The letter had been sent to Chair of the Board of Directors, the Chief Executive Officer and the Chair of the Board of Statutory Auditors on 14 December 2023.

It provided certain general indications regarding the application of the Corporate Governance Code that had emerged as a result of monitoring activities, and some recommendations regarding the manner in which the Code was applied, in the following areas: (i) the Business Plan; (ii) the supply of information to Directors prior to meetings of the Board of Directors; (iii) approaches to the ideal composition of the Board of Directors; and (iv) shares with additional voting rights.

The Issuer's observations below take into consideration the fact that Ferretti has been listed on Euronext Milan only since June 2023.

Business Plan

In accordance with recommendation 1 of the Corporate Governance Code, the Board of Directors examines and approves the business plan for the Company and the Group, also on the basis of analysing matters relevant to value generation over the long term with support from the relevant Committee. It also regularly monitors the business plan's implementation and assesses operating performance generally, regularly comparing results with forecasts.

The Rules of the Sustainability Committee provide that the Committee support the Board of Directors in its analysis of matters relevant to value generation over the long term.

Supply of information to Directors prior to meetings of the Board of Directors

The Board of Directors approved the Rules of the Board of Directors, and the Rules of the individual Committees, on 20 March and 18 May 2023, respectively (and those of the Strategic Committee on 19 February 2024), and they are available on the Company's website at www.ferrettigroup.com in the section *Corporate Governance*. They provide for deadlines by which documentation must be provided to members of the Board of Directors. More particularly, the Rules of the Board of Directors provided that meetings are called by the Chair, and documentation provided at least three days prior to the meeting, unless there are specific circumstances that prevent that. For further information regarding the Rules of the Board of Directors, please see paragraph 4.4.1 of this Report, above.

Approaches to the ideal composition of the Board of Directors

Regarding the Board of Directors being invited to state a position regarding the Board's ideal composition, the outgoing Board of Directors made no statement regarding the size and composition of the Board of Directors prior to the Shareholders' Meeting of 18 May 2023 that would *inter alia* consider its reappointment, since the Company was subsequently to list on Euronext Milan (in June 2023).

The Rules of the Board of Directors and those of the Nomination Committee provide for the respective bodies to state a position regarding the optimal composition in terms of numbers and qualification shortly before the Board of Directors comes up for reappointment. In doing so, they must take account of the size, composition and functioning of the Board of Directors and of its Committees.

Shares with additional voting rights

Pursuant to article 127-*quinquies*(1), CLFI, the by-laws of listed companies may provide for shares with additional voting rights. As at the date of this Report, the By-Laws do not provide for shares with additional voting rights. Should the Board of Directors propose the introduction of such shares to the Shareholders' Meeting, in accordance with recommendation 2 of the Corporate Governance Code it should set forth, in its report to the meeting, appropriate justification regarding the purpose of that decision, the expected effects upon the shareholder structure and control of the Company and on its future strategies, and account for the process under which the decision was reached and any contrary views expressed at the Board of Directors.

The recommendations were also brought before the Board of Statutory Auditors, with respect to the matters within its purview.

Milan, 14 March 2024

Ferretti S.p.A.

on behalf of Board of Directors

Alberto Galassi

(Chief Executive Officer)

TABLES

TABLE 1 – COMPOSITION OF THE BOARD OF DIRECTORS AS AT THE END OF THE REPORTING YEAR

Board of Directors													
Position	Member	Year of birth	Date of first appointment (*)	In office since	In office until	List (in which submitted) (**)	List (M/m) (***)	Executive	Non-executive	Independent per Code	Independent per CLFI	Other appts (****)	Participation rate (*****)
Chairman	Tan Xuguang	1961	6 July 2012	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A		x			8	7/8
Chief Executive Officer	Alberto Galassi	1964	23 October 2013	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A	x				4	8/8
Executive Director	Xu Xinyu	1963	6 July 2012	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A	x				3	8/8
Director and Honorary Chair	Piero Ferrari	1945	1 June 2017	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A		x			4	8/8

Director	Li Xinghao ³	1985	6 March 2020	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x			7	8/8
Director	Hua Fengmao ⁴	1968	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	-	8/8
Director	Stefano Domenicali	1965	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	2	8/8
Director	Patrick Sun	1958	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	2	8/8
Director	Jiang Lan (Lansi)	1967	18 May 2023	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x			1	4/4
-----DIRECTORS WHO LEFT OFFICE DURING THE REPORTING YEAR -----													
-	-	-	-	-	-	-	-	-	-	-	-	-	-

³ The director Li Xinghao resigned with effect from 19 February 2024, and on that date Zhang Quan was co-opted to the Board of Directors to replace Li Xinghao.

⁴ The director Hua Fengmao resigned with effect from 19 February 2024, and on that date Zhu Yi was co-opted to the Board of Directors to replace Hua Fengmao.

Number of meetings held during the Reporting Year: eight**Shareholding required to submit a list for the election of one or more members (pursuant to article 147-*bis*, CLFI): 2.5%****Notes:**

The following systems are in the column, "Position":

• indicates the Director in charge of the internal controls and risk management system.

○ indicates the Lead Independent Director.

(*) Each Director's date of first appointment is the first occasion on which they were ever appointed to the Issuer's Board of Directors.

(**) This column indicates whether the Director appeared on a list submitted by shareholders or by the Board of Directors.

(***) This column shows whether the list from which the director was drawn was from a majority group of shareholders (indicated by "M"), or a minority group (indicated by "m").

(****) This column shows the number of positions the director holds as a director or statutory auditor in other listed, or materially large, companies. The main Report sets forth full details of the positions held.

(*****) This column shows the participation rate by directors in meetings of the Board of Directors (the number of meetings attended, and the total number of meetings they could have attended, e.g., 6/8; 8/8 and so forth).

TABLE 2 – COMPOSITION OF THE COMMITTEES, AS AT THE END OF THE REPORTING YEAR

Board of Directors		Executive Committee		Controls, Risks and Related Parties Committee		Remuneration Committee		Nomination Committee		Sustainability Committee	
Position and classification	Member	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman of the Board of Directors– non-executive – not independent	Tan Xuguang	N/A	N/A					0/2	P	0/1	P
Chief Executive Officer – executive – not independent	Alberto Galassi	N/A	N/A					2/2	M	1/1	M
Executive Director – executive – not independent	Xu Xinyu	N/A	N/A			2/2	M			1/1	M
Director and Honorary Chairman of the Board of Directors– non-executive – not independent	Piero Ferrari	N/A	N/A			2/2	M			1/1	M
Director – non-executive – not independent	Li Xinghao	N/A	N/A	4/4	M					0/1	M
Director – non-executive – independent for purposes of CLFI and Corporate Governance Code	Hua Fengmao	N/A	N/A	3/4	M	1/2	M	2/2	M	1/1	M
Director – non-executive – independent for purposes of CLFI and Corporate Governance Code	Stefano Domenicali	N/A	N/A	4/4	M	2/2	P	2/2	M		
Director – non-executive – independent for purposes of CLFI and Corporate Governance Code	Patrick Sun	N/A	N/A	4/4	P	2/2	M	2/2	M		
Director – non-executive – not independent	Jiang Lan (Lansi)	N/A	N/A							0/1	M
-	-	-	-	-	-	-	-	-	-	-	-
Meetings held during the Reporting Year		N/A		4		2		2		1	

TABLE 3 – COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AS AT THE END OF THE REPORTING YEAR

Board of Statutory Auditors									
Position	Member	Year of birth	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Independent (for purposes of the Corporate Governance Code)	Participation rate at meetings of the Board of Statutory Auditors (***)	Number of other positions (****)
Chair	Luigi Capitani	1965	3 July 2012	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	9/9	12
Statutory Auditor (standing)	Giuseppina Manzo	1981	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	5/9	3
Statutory Auditor (standing)	Luca Nicodemi	1973	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	5/9	44
Statutory Auditor (alternate)	Tiziana Vallone	1969	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	-	13
Statutory Auditor (alternate)	Federica Marone	1975	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	-	1
-----STATUTORY AUDITORS WHOSE TERM OF OFFICE ENDED DURING THE REPORTING YEAR-----									
Statutory Auditor (standing)	Luigi Fontana	1966	28 May 2014	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	7/8	7
Statutory Auditor (standing)	Fausto Zanon	1958	3 July 2012	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	7/8	12
Statutory Auditor (alternate)	Giulia De Martino	1978	25 July 2014	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	-	14
Statutory Auditor (alternate)	Veronica Tibiletti	1978	16 March 2020	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	-	12

Number of meetings held during the Reporting Year: 17**Shareholding required to submit a list for the election of one or more members (pursuant to article 148, CLFI): 2.5%****Notes:**

(*) Each Statutory Auditor's date of first appointment is the first occasion on which they were ever appointed to the Issuer's Board of Statutory Auditors.

(**) This column shows whether the list from which the Statutory Auditor was drawn was from a majority group of shareholders (indicated by "M"), or a minority group (indicated by "m").

(***) This column shows the participation rate in meetings of the Board of Statutory Auditors (the number of meetings attended, and the total number of meetings they could have attended, e.g., 6/8; 8/8 and so forth).

(****) This column shows the number of positions the statutory auditor holds as a director or statutory auditor for the purposes of article 148-bis, CLFI, and the implementing provisions contained in the Issuers' Regulations. The full list of appointments is published by CONSOB online, pursuant to article 144-quinquiesdecies of the Issuers' Regulations.