

**REPORT  
OF THE BOARD OF DIRECTORS  
TO THE ORDINARY AND EXTRAORDINARY  
GENERAL MEETING OF STOCKHOLDERS  
OF LUXOTTICA GROUP S.P.A.**

**APRIL, 19 2018**

Dear Stockholders,

You have been invited to the Ordinary and Extraordinary Meeting of Stockholders to consider and vote upon the following Agenda:

Extraordinary Meeting

1. Amendment to Article 18 of the By-Laws.

Ordinary Meeting

1. The approval of the Statutory Financial Statements for the year ended December 31, 2017.
2. The allocation of net income and the distribution of dividends.
3. Appointment of the Board of Directors:
  - a) Determination of the number of members of the Board of Directors;
  - b) Determination of the term of the office of the Directors;
  - c) Appointment of the Directors;
  - d) Determination of the remuneration of the Directors.
4. Appointment of the Board of Statutory Auditors:
  - a) Appointment of the members of the Board of Statutory Auditors;
  - b) Determination of the remuneration of the Statutory Auditors.
5. An advisory vote on the first section of the Company's Remuneration Report in accordance with article 123-ter, paragraph 6 of Legislative Decree no. 58/1998.

**EXTRAORDINARY MEETING**

## 1. AMENDMENT TO ARTICLE 18 OF THE BY-LAWS

Dear Stockholders,

We have convened the extraordinary meeting to submit for your approval the amendment to Article 18 of the By-Laws in the first paragraph relating to the term of office of the directors.

The provisions in the current By-Laws provide that directors shall serve in office for three years, without the possibility for the Stockholders' Meeting to decide on the duration of the Board mandate, which in any case, pursuant to Article 2383 of the Italian Civil Code, shall not exceed three years

We therefore propose that, subject to the maximum limit set by the law for three years, the Stockholders' Meeting can determine the duration of the Board mandate.

We believe that this proposed amendment will allow for more flexibility in the appointment of the Board of Directors to be elected at the Stockholders' Meeting and the stockholders will be called upon to resolve on this in Item 3 of the Agenda for the Ordinary Meeting.

Current text	Proposed text
<p><u><i>Translation from the Italian which remains the definitive version</i></u></p> <p><b>Article 18)</b> -Directors shall serve for a period of three years and their terms shall expire on the date of the meeting of stockholders called for the approval of the balance sheet related to the last year of their term, and they can be re-elected at such time.</p> <p>Whenever there is a vacancy among the Board of Directors during the fiscal year, the other directors shall provide for their substitutions by resolution approved by the Board of Statutory Auditors, provided that the majority is composed of directors appointed by the meeting of stockholders. Directors so appointed will hold office until the following meeting of stockholders, which will be called to reappoint them, to supplement the Board by appointing other directors or to reduce the number of directors.</p> <p>Directors appointed by the meeting of stockholders will hold office until the end of</p>	<p><u><i>Translation from the Italian which remains the definitive version</i></u></p> <p><b>Article 18)</b> -Directors shall serve for a period of <b>maximum three years, according to the resolutions of the Stockholders' Meeting</b>, and their terms shall expire on the date of the meeting of stockholders called for the approval of the balance sheet related to the last year of their term, and they can be re-elected at such time.</p> <p>Whenever there is a vacancy among the Board of Directors during the fiscal year, the other directors shall provide for their substitutions by resolution approved by the Board of Statutory Auditors, provided that the majority is composed of directors appointed by the meeting of stockholders. Directors so appointed will hold office until the following meeting of stockholders, which will be called to reappoint them, to supplement the Board by appointing other directors or to reduce the number of directors.</p> <p>Directors appointed by the meeting of</p>

<p>the term of office of the directors who were in office when they were appointed. Should the majority of directors appointed by the meeting of stockholders leave office, the entire Board of Directors terminates its duty; the directors still in office shall timely call a meeting to appoint the new Board of Directors.</p>	<p>stockholders will hold office until the end of the term of office of the directors who were in office when they were appointed. Should the majority of directors appointed by the meeting of stockholders leave office, the entire Board of Directors terminates its duty; the directors still in office shall timely call a meeting to appoint the new Board of Directors.</p> <p><b>(all other articles of the By-Laws are unchanged)</b></p>
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If you agree with the provisions stated above, please adopt the following resolution:

“The Stockholders’ Meeting of Luxottica Group S.p.A.

resolves

- to amend Article 18 of the By-Laws in accordance with the text included in the Report of the Board of Directors;
- to grant the most extensive powers to the Board of Directors and to the Chairman, and the Deputy Chairman - Chief Executive Officer, severally, on its behalf, in order to implement this resolution and in particular to fulfill all related necessary notice obligations, with powers to amend it or to include variations in order to register it in the Company Register or if requested by competent authorities.”

**ORDINARY MEETING**

## **1. THE APPROVAL OF THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017.**

Dear Stockholders,

We hereby present the Statutory Financial Statements for the year ended December 31, 2017 for your approval, which closed with net income of Euro 631,270,701. We kindly ask you to refer to the Annual Financial Report and draft Statutory Financial Statements included herewith for any additional and useful information on this item, and we inform you that the report will be published within the time limits provided for by law.

We recommend that you adopt the following resolution:

“The General Meeting of Luxottica Group S.p.A., having examined the draft Statutory Financial Statements for the fiscal year ended December 31, 2017, the management report of the Board of Directors, the Board of Auditors’ report, the Independent Auditor’s report and the report of the Board of Directors on the items on the agenda, all of which within the time limits prescribed by law are made available at the headquarters of the Company, at the authorized storage platform "eMarket Storage" at the address [www.emarketstorage.com](http://www.emarketstorage.com), and published on the Company website [www.luxottica.com](http://www.luxottica.com), under the Governance/General Meeting section,

resolves

- to approve the Statutory Financial Statements as of and for the year ended December 31, 2017, reflecting net income of Euro 631,270,701.”

## **2. THE ALLOCATION OF NET INCOME AND THE DISTRIBUTION OF DIVIDENDS.**

Dear Stockholders,

The Board of Directors, in consideration of its expectations for future income and growth prospects of the Group, recommends that you adopt the resolution approving the distribution of dividends in the amount of Euro 1.01 per ordinary share, and hence per American Depository Receipt (“ADR”, each representing one ordinary share), based on the net income of the 2017 fiscal year.

Having taken into consideration the number of shares currently issued, namely 485,044,033 and the 6,071,922 shares directly held by the Company on the date of this Report, the total amount to be distributed would be equal to Euro 483.8 million.

The dividend will be paid out net of Euro 9,245.4 to be set aside for the legal reserve and net of Euro 1,451,219 to be set aside to the reserve created according to article 2426 8bis of the Italian civil code due to income from exchange rate gains.

The balance following the withdrawal of funds for the distribution would be allocated to the extraordinary reserve.

It is to be specified that the amount to be set aside for the legal reserve and for the distribution of dividends may vary due to the possible issue of new shares following the exercise of stock options. In any case, in the event that all the exercisable stock options are in fact exercised and new shares issued by the record date, the maximum amount to be allocated for the distribution of dividends, assuming that the number of treasury shares of the Company remains unchanged, would be equal approximately to Euro 483.9 million.

We recommend that the payment date of the dividend be set for April 25, 2018, with an ex-dividend date for the ordinary shares of April 23, 2018, established according to the Borsa Italiana calendar, and a record date (namely, the date on which entries in the records count for the purpose of determining the right to receive payment of dividends) set for April 24, 2018.

Regarding the ADRs, the record date will be April 24, 2018 whereas the payment date by Deutsche Bank Trust Company Americas (“DB”), the depository bank for the ADRs that has been authorized to make the applicable payment in U.S. Dollars, is expected to be May 2, 2018 based on the Euro/U.S. Dollar exchange rate as of April 25, 2018.

We therefore call upon you to pass the following resolution:

“The General Meeting of Luxottica Group S.p.A., having taken into consideration the net income for the fiscal year as set forth in the Statutory Financial Statements for the year ended December 31, 2017, in consideration of the Group’s expectations for future income and growth prospects and having acknowledged the Report of the Board of Directors,

resolves



1. to allocate a portion of the net income for the fiscal year, equal to Euro \_\_\_\_<sup>1</sup>, to the legal reserve in order to reach one fifth of the subscribed share capital on the date of the General Meeting, in accordance with article 2430 of the Italian Civil Code;
2. to distribute a dividend of Euro 1.01 per ordinary share, and therefore per ADR (each ADR representing one ordinary share), based on the net income for the 2017 fiscal year, following the allocation stated in point 1;
3. to set aside Euro 1,451,219 to the reserve created according to article 2426 8bis of the Italian civil code due to income from exchange rate gains;
4. to set aside to the extraordinary reserve the amount remaining after the allocations and distribution provided above;
5. to set the payment date for the dividend on the ordinary shares for April 25, 2018, with an ex-dividend date for the ordinary shares of April 23, 2018, established according to the Borsa Italiana calendar, and a record date (namely, the date on which entries in the records count for the purpose of determining the right to receive payment of dividends) set for April 24, 2018, whereas the payment date by Deutsche Bank Trust Company Americas (“DB”), the depositary bank for the ADRs that has been authorized to make the applicable payment, is expected to be set by DB for May 2, 2018 in US\$ at the Euro/US\$ exchange rate as of April 25, 2018.”

The information on the tax treatment applied to the dividend distributions is reported in Annex A of this report.

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<sup>1</sup> This amount is to be determined based on the share capital on the date of the meeting.

### 3. APPOINTMENT OF THE BOARD OF DIRECTORS

Dear Stockholders,

The current Directors' term of office will expire with the approval of the financial statements for the 2017 fiscal year.

The General Meeting is therefore called upon to:

- determine the number of members of the Board, which can be no less than five and no more than fifteen members, also specifying that one Director, or at least two, in the event that the Board is composed of more than seven members, must fulfill the necessary independence requirements pursuant to article 147-ter of Italian Legislative Degree no. 58/1998;
- upon the approval of the extraordinary item at the Stockholders' Meeting of the proposed amendment of Article 18 of the By-Laws and the subsequent filing of the updated By-Laws with the Company's Register, determine the term of office of the Board of Directors that will serve for a period of maximum three years according to the resolution adopted at the Stockholders' Meeting;
- appoint the Directors;
- determine the remuneration to be assigned to the Directors for the entire term of office.

Directors are appointed at the General Meeting pursuant to lists submitted by the stockholders, which will include a maximum of fifteen candidates, listed in descending numerical order.

Under the combined provisions of Article 17 of the By-laws and CONSOB resolution no. 20273 dated January 24, 2018, a list for the appointment of Directors can be presented only by those stockholders who, at the time of the presentation of the list, hold an interest at least equal to 0.5% of the share capital. Reference is to be made to the capital stated in the register of companies, pursuant to articles 2444 and 2436, paragraph 6 of the Italian Civil Code, on the date the lists are filed.

Each candidate may not appear on more than one list or that candidate will be ineligible.

In case multiple lists are submitted, they will not be related in any way; even indirectly. Therefore, each stockholder may not submit or contribute to the submission of more than one list, even through third parties or by means of trust companies.

Moreover, stockholders falling within the following categories may submit or contribute to the submission of only one list: (a) parties to a stockholders' agreement relating to the Company's shares; (b) a person or a company and its controlled companies; (c) jointly controlled companies; (d) a company and its directors or general managers.

In the event of the violation of these rules, the vote of such stockholder, with respect to any of the submitted lists, will not be taken into account.

The lists, together with the professional CVs of the candidates, as well as the statements by the candidates accepting their office, confirming the non-existence of causes for their ineligibility or of any noncompliance with applicable law, and confirming the fulfilment of any requirements set forth in such list, signed by the stockholders presenting them must be filed at the registered office of the Company (Milan - Piazzale Cadorna 3 - from Monday to Friday, 9:00 a.m. - 5:30 p.m., attention Corporate Affairs department) or sent via email to the certified email address [assemblea.luxottica@legalmail.it](mailto:assemblea.luxottica@legalmail.it) at least twenty-five days prior to the date of the General Meeting (March 25, 2018). The Company will make the lists and their annexes available to the public at its registered office, on its website, and in any other manner provided for by CONSOB, at least twenty-one days prior to the date of the General Meeting (March 29, 2018).

Whether the minimum required stock interest is held, which is required for submitting such lists, is determined with reference to the shares of stock that are ascertained as registered, in favor of the stockholders who submitted the list, on the day the list is filed with the Company, with reference to the stock capital subscribed on the same date. The relevant certification also must be submitted to the Company after filing of the list, provided that this occurs within the time period required for the publication of the lists by the Company.

Italian Law no. 120 dated July 12, 2011 introduced gender-quotas for the composition of governing bodies of listed companies. In this regard, in order to enable the Board of Directors to be in compliance with the laws in force on gender equality, the lists that have at least three candidates must include candidates of different genders. The gender that is least represented must obtain at least one third (rounded up) of the elected Directors.

If appropriate, each list may also expressly name Directors possessing independence requirements as provided for by the codes of conduct drawn up by companies managing regulated markets or industry associations.

The stockholders that intend to submit lists for the appointment of the members of the Board of Directors are requested to review the recommendations contained in CONSOB communication no. DEM/9017893 dated February 26, 2009.

Finally, it is to be noted that according to the recommendations contained in the Code of Conduct of Listed Companies to which the Company adheres, issuers such as Luxottica Group S.p.A. that belong to the FTSE-MIB index, at least one third of the Board of Directors is to be made up of independent Directors.

Therefore, the Board of Directors, having acknowledged the provisions of article 17 of the By-Laws on the composition and methods of appointment of the Board of Directors, to which reference is to be made, calls upon the General Meeting:

- to fix the number of members of the Board of Directors;
- upon the approval of the extraordinary item at the Stockholders' Meeting of the proposed amendment of Article 18 of the By-Laws and subsequent filing of the updated By-Laws with the Company's Register, to determine the term of office of the Board of Directors;
- to vote for the lists of candidates for the office of Director of the Company submitted and notified using the methods and within the time limits referred to in Article 17 of the By-laws;
- to determine the related remuneration.

#### 4. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Dear Stockholders,

The current Statutory Auditors' term of office will expire with the approval of the financial statements for the 2017 fiscal year.

The General Meeting is therefore called upon to appoint the Board of Statutory Auditors, composed of three regular Statutory Auditors and two alternate Statutory Auditors with their terms expiring on the date the financial statements as at December 31, 2020 are approved by the Company. The General Meeting must also determine the related remuneration.

The Board of Statutory Auditors is appointed at the General Meeting on the basis of lists submitted by the stockholders, pursuant to the procedures indicated below.

The appointment of one regular Statutory Auditor, as Chairman, and of one alternate Statutory Auditor will be reserved for the minority - which is not part, even indirectly, of the relationship to be considered pursuant to article 148, sub-paragraph 2 of Italian Legislative Decree no 58/1998 and the related regulations.

Under the combined provisions of Article 27 of the By-Laws and CONSOB resolution no. 20273 dated January 24, 2018, a list for the appointment of members of the Board of Statutory Auditors can be presented only by those stockholders who, alone or jointly with other presenting stockholders at the time of the presentation of the list, hold an interest at least equal to 0.5% of the share capital stated in the register of companies, pursuant to articles 2444 and 2436, paragraph 6, of the Italian Civil Code, on the date the lists are filed. The lists must be filed at the registered office of the Company (Milan - Piazzale Cadorna 3 - from Monday to Friday, 9:00 a.m.-5:30 p.m., attention Corporate Affairs) or sent via email to the certified email address [assemblea.luxottica@legalmail.it](mailto:assemblea.luxottica@legalmail.it) at least twenty-five days prior to the date of the General Meeting (March 25, 2018).

The lists must indicate the name of one or more candidates to be appointed as regular Statutory Auditors and alternate Statutory Auditors. The name of each candidate will be marked in descending numerical order in each section (section of regular Statutory Auditors and section of alternate Statutory Auditors) and the candidates listed will not be more than the members of the body to be appointed.

The lists will further contain, including as attachments: (i) information related to the identity of the stockholders who have filed the list, indicating the percentage of their combined stockholding; (ii) representations of stockholders different from the ones who hold, separately or jointly, a stockholding of control or of simple majority, stating the lack of relationship as per article 144-*quinquies* of CONSOB Issuer Regulations no. 11971/1999; (iii) exhaustive information on the personal and professional qualifications of each candidate as well as a declaration of the candidate confirming the existence of the qualifications provided by law, the acceptance of the office jointly with the administration and control offices held in other companies.

The Company will make the lists and their annexes available to the public at its registered office, on its website, and in any other manners provided for by CONSOB, at least twenty-one days prior to the date of the General Meeting (March 29, 2018).

Whether the minimum required stock interest is held, which is required for submitting such lists, is determined with reference to the shares of stock that are ascertained as registered, in favor of the stockholders who submitted such list, on the day the list is filed with the Company, with reference to the stock capital subscribed on the same date. The relevant

certification can be also submitted to the Company after filing of the list, provided that this occurs within the time period required for the publication of the lists by the Company.

In the event that, at the expiry of the deadline for the submission of the lists, only one list has been submitted or lists have been submitted by stockholders who are connected pursuant to applicable law, additional lists may be submitted up to the third day after such date (until March 28, 2018). In this case, the stockholder threshold indicated above and required for the submission of nominee lists will be reduced by one-half.

A stockholder cannot submit and vote more than one list, even through third parties or by means of trust companies. Stockholders belonging to the same group and stockholders signing a stockholders' agreement regarding the shares of the issuing company cannot present or vote on more than one list, even through third parties or by means of trust companies. Each candidate may not appear on more than one list, or that candidate will be ineligible.

Italian Law no. 120 dated July 12, 2011 introduced gender-quotas for the composition of the governing bodies of listed companies.

In this regard, in order to enable the Board of Statutory Auditors to be composed in compliance with the laws in force on gender equality, the lists that have at least three candidates must include candidates of different genders. The gender that is least represented must obtain at least one third (rounded up) of the elected Auditors.

The stockholders that intend to submit lists for the appointment of the members of the Board of Statutory Auditors are requested to review the recommendations contained in CONSOB communication no. DEM/9017893 of February 26, 2009.

Now, therefore, the Board of Directors, having acknowledged the provisions of article 27 of the By-Laws on the composition and methods of appointment of the Board of Statutory Auditors, to which reference is to be made, calls upon the General Meeting:

- to vote for the lists of candidates for the office of Statutory Auditor of the Company submitted and notified using the methods and within the time limits referred to in article 27 of the Company By-Laws;
- to determine the related remuneration.

**5. AN ADVISORY VOTE ON THE FIRST SECTION OF THE COMPANY'S REMUNERATION REPORT IN ACCORDANCE WITH ARTICLE 123-TER, PARAGRAPH 6 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998**

Dear Stockholders,

In accordance with article 123-ter, paragraph 6 of Italian Legislative Decree no. 58/1998, we hereby submit the first section of the remuneration report prepared by the Company for your consultative vote, in which the remuneration policy of Luxottica Group S.p.A. and its subsidiary companies is explained (the "Remuneration Policy"). The Remuneration Policy, approved by the Board upon the proposal of the Human Resources Committee on February 26, 2018 is reported in Annex B of this report.

We wish to inform you that the full remuneration report will be made available to the public within the time limits set forth in article 123-ter, paragraph 1 of Italian Legislative Decree no. 58/1998.

If you agree with the content of the document reported in the annex, we call upon you to pass the following resolution:

"The Stockholders' Meeting of Luxottica Group S.p.A., having taken the first section of the remuneration report prepared by the Company into consideration,

resolves

- in accordance with paragraph 6 of article 123-ter of Legislative Decree no. 58/1998 and for all other legal purposes, to vote in favor of the contents of the aforesaid report".

Milan, March 7, 2018

For the Board of Directors  
The Executive Chairman  
Leonardo Del Vecchio

**ANNEX A**  
**INFORMATION ON TAX TREATMENT APPLIED TO DIVIDENDS**

## Dividend distribution

### Tax Regime – Holders of ordinary shares

The gross amount of dividend paid to shareholders of Italian listed companies whose shares are registered in a centralized deposit system managed by Monte Titoli S.p.A, who are individuals and are Italian resident for tax purposes, will be generally subject to a 26 percent final substitute tax, provided the shareholding is not related to the conduct of a business and if these persons do not hold a “qualified” shareholding.

This substitute tax will be levied by the Italian authorized intermediary that participates in the Monte Titoli system and with which the securities are deposited, as well as by non-Italian intermediaries participating in the Monte Titoli system (directly or through a non-Italian deposit system participating in the Monte Titoli system), through a fiscal representative to be appointed in Italy.

A peculiar treatment would be applicable in respect of dividends on “non-qualified” shareholding not related to the conduct of a business held by Italian resident individuals within so-called “long term individual saving plans” (“*Piani Individuali di Risparmio*” – “*PIR*”), regulated by Art. 1, paragraphs from 100 to 114, of Law 11 December 2016, No. 232.

The above-mentioned substitute tax is not applied in respect of individuals residing in Italy that, upon receipt of the dividends, declare to have a qualified holding or a shareholding assumed in the conduct of a business. In these cases, dividends are subject to ordinary taxation system in accordance with the rules and to the extent provided for by Presidential Decree December 22, 1986, No 917, as subsequently modified.

Italian resident individuals who timely declare that they hold a qualified shareholding or a shareholding related to the conduct of a business will receive the gross amounts of dividends paid and include dividends in their worldwide taxable income, subject to the ordinary income tax rules. The dividend paid to other subjects different from the above mentioned individuals, who are resident in Italy for tax purposes, including those companies subject to IRES/IRPEF and foreign companies with permanent establishment in Italy to which the shares are effectively connected, investment funds, pension funds, real estate investment funds and subjects excluded from income tax pursuant to Art. 74 of Presidential Decree No. 917/86, are not subject to substitute tax. Dividends paid to entities subject to IRES/IRPEF different from individuals holding a non qualified shareholding not related to the conduct of a business will be subject to the ordinary income tax rules.

Italian law provides for a 26 percent final substitute tax rate on dividends paid to Italian residents who are exempt from corporate income tax.

Dividends paid to beneficial owners who are not Italian residents and do not have a permanent establishment in Italy to which the shares are effectively connected are generally subject to a 26 percent substitute tax rate. However, reduced or nil rates of substitute tax on



dividends are available to non-Italian resident beneficial owners who are entitled to such reduced or nil rates and who promptly comply with procedures for claiming benefits under an applicable income tax treaty entered into by Italy or under the Italian domestic Law. Under the currently applicable Italy-U.S. Treaty, for example, an Italian substitute tax at a reduced rate of 15 percent may apply, in certain cases, to dividends paid by Luxottica Group to a U.S. resident entitled to treaty benefits who promptly complies with the procedures for claiming such benefits, provided the dividends are not effectively connected with a permanent establishment in Italy through which the U.S. resident carries on a business or with a fixed base in Italy through which the U.S. resident performs independent personal services. Moreover, under the currently applicable Italian domestic legislation, (i) companies and entities subject to corporation tax and resident in countries that are members of the European Union (the “EU”) or participants in the European Economic Area (the “EEA”) and are included in the list provided for by Italian Ministerial Decree, September 4, 1996 (as most recently amended and supplemented by Ministerial Decree March 23, 2017) (the “Decree”), are entitled to reduced tax rate of 1.2% on dividends distributed by Italian companies; and (ii) pension funds established in a EU or EEA country included in the list provided for by the Decree, are entitled to reduced tax rate of 11%. In addition, under certain circumstances and upon satisfaction of certain procedural requirements, the pension funds mentioned under (ii) above may benefit from exemption from Italian substitute tax on dividends. Italian substitute tax does not apply on dividends paid to international entities and bodies entitled to exemption from taxation pursuant to international legislation or agreements applicable in Italy.

The substitute tax regime does not apply if ordinary shares representing a “non-qualified” interest in Luxottica Group are held by an Italian resident shareholder in a discretionary investment portfolio managed by an authorized professional intermediary, and the shareholder elects to be taxed at a flat rate of 26 percent on the appreciation of the investment portfolio accrued at year-end (which appreciation includes any dividends), pursuant to the so-called discretionary investment portfolio regime – *regime del risparmio gestito*.

### **Tax regime – Holders of ADRs**

Dividends paid to Deutsche Bank Trust Company Americas, as depositary of the Ordinary Shares for which ADRs were issued, and afterward paid by Deutsche Bank Trust Company Americas to the ADR holders, who are not Italian residents and do not have a permanent establishment in Italy to which the ADRs are effectively connected, will be subject to the provisional 26% Italian substitute tax, through Deutsche Bank S.p.A., as Italian custodian of said ordinary shares on behalf of Deutsche Bank Trust Company Americas.

The Depositary has mailed to all ADR holders the documentation containing the detailed procedure for obtaining the full or partial refund of said substitute tax, where allowed. Full or partial refund of the substitute tax may be claimed by ADR holders (i) having residence for tax purposes in Italy or in countries which have entered into anti-double taxation treaties with the Republic of Italy allowing for application of reduced or nil tax rate; or (ii)

which are companies or entities subject to corporation tax and resident in countries that are members of the EU or participants in the EEA and are included in the list provided for by Ministerial Decree of September 4, 1996 (as most recently amended and supplemented by Ministerial Decree March 23, 2017), and as such entitled to a reduced substitute tax rate of 1.2% on dividends distributed by Italian companies; or (iii) which are pension funds established in an EU or EEA country included in the list provided for by Ministerial Decree of September 4, 1996 (as most recently amended and supplemented by Ministerial Decree March 23, 2017), and as such entitled to a reduced tax rate of 11% or, under certain conditions, to exemption from Italian taxation on dividends.

On or before August 14<sup>th</sup>, 2018, ADR holders having residence for tax purposes in Italy and who are entitled to get the dividend gross of the Italian withholding tax, may thus submit to Deutsche Bank Trust Company Americas the documentation certifying the right to the application of no substitute tax under the applicable tax system (Form from A to G “Dividend beneficial owner's statement”).

On or before August 14<sup>th</sup>, 2018, ADR holders not resident in Italy for tax purposes shall submit to Deutsche Bank Trust Company Americas the documentation – signed before April 25<sup>th</sup>, 2018 stating the right of application of the reduced or nil tax under any anti-double taxation treaties between that ADR holder Country of residence and Italy or under Italian domestic law - instead of the full 26% tax rate incurred upon payment (Form 6166 and Form A for US residents, Form A or Form DIV/EX 2 or Form DIV/EX 3 or Form Div/EX 3-bis, as the case may be, to be sent in any case along with a suitable residence certificate, and possibly a tax status certificate issued by the relevant tax authorities of the foreign State, for residents of other Countries).

As soon as the required documentation is delivered by Deutsche Bank Trust Company Americas to the bank in charge of payment, i.e. Deutsche Bank S.p.A., this bank shall endeavor to effect repayment to the ADR holder of the balance between the 26% withheld at the time of payment and the rate actually applicable under the Italian domestic law or under any anti-double taxation treaty between Italy and the shareholder's Country of residence. By way of example, Italy and the United States (as well as many other countries) are parties to a tax treaty which contemplates, in certain cases, the application of a 15% withholding tax on the dividends paid, if the necessary documentation is promptly submitted. Therefore, U.S. resident ADR holders covered by the treaty entitled to the 15% rate provided by the treaty have the opportunity of being repaid - by Deutsche Bank S.p.A., through Deutsche Bank Trust Company Americas - the difference between the 26% already withheld at the time of first payment, and the 15% withholding tax provided for by the Italy-United States tax treaty currently in force, thus receiving a further 11% gross dividend.

To the extent a refund of the Italian tax withheld is available to a U.S. holder under Italian law or under Italy-United States tax treaty, the amount of tax withheld that is refundable will not be eligible for credit against such U.S. holder's U.S. federal income tax liability.

In any case, since in the past many ADR holders were not able to supply the certificates required on or before the deadline (especially non Italian resident ADR holders, because foreign tax authorities may take more than two months to issue this documentation), Luxottica Group recommends to start in advance the procedure for obtaining the refund by sending the necessary forms – which are available on website [www.luxottica.com](http://www.luxottica.com) - to

Deutsche Bank Trust Company Americas (Form from A to G for Italian residents, Form 6166 and Form A for U.S. residents, Form A or Form DIV/EX 2 or Form DIV/EX 3 or Form Div/EX 3-bis, as the case may be, to be sent in all cases along with a suitable residence certificate and possibly a tax status certificate issued by the relevant fiscal authorities of the foreign State, for residents of other Countries) - such documents must be signed. The procedure applied by Deutsche Bank Trust Company Americas and Deutsche Bank S.p.A. contemplates that, as soon as Deutsche Bank Trust Company Americas receives the necessary documentation from ADR holders, it will transmit it to Deutsche Bank S.p.A. which, after performing the necessary checks, will communicate refund details to Deutsche Bank Trust Company Americas which in turn will actually effect payments through DTCs (Depository Trust Companies).

Please note that in order for non-Italian resident ADR holders to take advantage of the accelerated tax refund (Quick Refund), the necessary documentation must be signed by the respective Tax Authority on or before April 25<sup>th</sup>, 2018 (the dividend payment date in Euros), and must be received by Deutsche Bank Trust Company Americas on or before August 14<sup>th</sup>, 2018, or by Deutsche Bank S.p.A on or before August 27<sup>th</sup>, 2018.

Luxottica Group recommends to all ADR holders who are interested in taking advantage of such refund to request more detailed information as to the exact procedure to be followed from Deutsche Bank Trust Company Americas (ADR Department, telephone+1-212-747-9100; fax +1-866-888-1120, attn. Emilie Kozol) or Deutsche Bank S.p.A. (Piazza del Calendario, 3 - 20126 Milano Mr. Michele Vitulli, Tel. +39-02-4024-3938 michele.vitulli@db.com or or Ms. Elena Geruntino, Tel. +39-02-4024-2627, elena.geruntino@db.com). or directly from Luxottica Group (Investor Relations Department, tel. +39.02.86334870; fax +39.02.86334092).

ADR holders are further advised that once the amounts withheld are paid to the Italian tax authority, the ADR holders who are entitled to a reduced tax rate may only apply to the Italian tax authority to receive the reimbursement of the excess tax applied to the dividends received from the Company. Such procedure customarily may take years before the reimbursement is actually made. Therefore, the above-mentioned procedure was established by Luxottica Group in the best interest of its stockholders.

**ANNEX B**

**REMUNERATION POLICY**

## **1. PROCEDURES USED FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY**

### **1.1 Process for the preparation and approval of the Remuneration Policy**

1. The Remuneration Policy, which is submitted annually to the Board of Directors by the Human Resources Committee for approval, is the result of a clear and structured process that, consistent with the regulatory directions and suggestions to the Code of Conduct, proactively involves the following corporate bodies and functions: the Meeting of Stockholders, Board of Directors, Human Resources Committee and Human Resources Department.
2. The Human Resources Committee, based on its powers, submits proposals to the Board on the structure and content of the Remuneration Policy and - together with the entire Board - monitors the proper implementation of the Remuneration Policy with the support of specific corporate functions.
3. Once the Board of Directors has examined and approved the Remuneration Policy it is put to a consultative/advisory vote at the Ordinary Meeting of Stockholders.
4. The guiding principles of the Remuneration Policy, initially devised in 2012 with the involvement of consulting company Hay Group Italia, an independent expert, were subsequently developed and refined through updates and revisions made over time by the Board of Directors, upon the proposal of the Human Resources Committee.
5. For the purposes of the definition and revision of the Remuneration Policy, customary procedures and market remuneration levels, experience from the application of the Luxottica Remuneration Policy in previous years, regulatory provisions and CONSOB indications and, in general, regulatory framework and recommendations of the Code of Conduct on remuneration in force from time to time are constantly analyzed, monitored and evaluated.

### **1.2 The Governance of the Company and the Remuneration Policy**

#### *1.2.1 The Organizational System*

1. The Group has adopted an organizational system aimed at ensuring consistency and transparency in relation to its remuneration policy, which is based on the role of direction, coordination and competitive alignment performed chiefly by the Group's Human Resources Department. The existing model in fact aims at guaranteeing appropriate control of standard remuneration practices in the Group, ensuring that informed decisions regarding remuneration are duly made at the appropriate level of the organization.
2. In order to fairly and consistently acknowledge the responsibilities assigned to, as well as the results obtained by, all relevant individuals, in addition to fostering actions and conduct in line with the corporate culture, decisions on remuneration for directors who are also employees of the Company or Group, executives with strategic responsibilities and senior managers are controlled by specific boards and functions of the parent company; on the other hand, for lower levels the regional and local Human Resources Departments, where present, are responsible for the proper application of the Remuneration Policy on a local level, yet in full compliance with the centrally defined remuneration systems and plans, and with an eye, in

particular, to guaranteeing their consistency, transparency and sustainability.

<b>RESPONSIBILITY</b>	<b>AREA CONCERNED</b>	<b>BENEFICIARIES</b>
<b><i>Corporate</i></b>	<ul style="list-style-type: none"> <li>▪ Fixed remuneration</li> <li>▪ Variable remuneration</li> <li>▪ Medium to Long-term Incentive Plans</li> </ul>	<ul style="list-style-type: none"> <li>▪ Directors who are employees</li> <li>▪ Other Executives with strategic responsibilities</li> <li>▪ Senior managers</li> </ul>
<b><i>Regions / Business</i></b>	<ul style="list-style-type: none"> <li>▪ Fixed remuneration</li> <li>▪ Variable remuneration</li> <li>▪ Benefits</li> </ul>	<ul style="list-style-type: none"> <li>▪ Other managers</li> <li>▪ Employees of regional and local organizations</li> </ul>

### 1.2.2 *The Human Resources Committee*

1. The Board of Directors, in accordance with the recommendations of the Code of Conduct, set up the Human Resources Committee in 2004.
2. The members of the Human Resources Committee in office, appointed by the Board of Directors on April 24, 2015, are the independent directors Andrea Zappia (Chairman) and Marina Brogi, and Mario Notari, a non-executive director.
3. The Chairman Andrea Zappia and the directors Brogi and Notari have specific and adequate expertise on financial matters, which was evaluated by the Board of Directors at the time of their appointment, in compliance with the requirements set forth in the Code of Conduct.
4. The Human Resources Committee performs advisory and supervisory functions, including making recommendations, in particular with respect to:
  - making proposals to the Board of Directors for the definition of the remuneration policy applicable to directors and executives with strategic responsibilities;
  - regularly assessing the adequacy, overall consistency and actual application of the Remuneration Policy;
  - making proposals or offering opinions to the Board of Directors on the remuneration of the Managing Director and the other directors holding particular positions;
  - defining the target market in which to assess the competitiveness of the remuneration of the directors, executives with strategic responsibilities and the management;
  - assessing the target positioning of the Company with regard to all the remuneration

components (base salary, monetary incentive systems, non-monetary remuneration) and the best mix of these components;

- reviewing the remuneration of the directors, executives with strategic responsibilities and the management, the criteria for the composition of the board of directors of significant subsidiaries and supervising their application;
- assessing proposals for the introduction of short and long-term monetary and share incentive plans to be submitted to the Board of Directors for approval;
- identifying the performance indicators necessary for guaranteeing the consistency of the generation of the amount and the reward systems; additionally, monitoring the application of the decisions made by the Board of Directors, checking in particular that performance targets have been reached;
- reviewing the objectives that the short- and long-term incentive systems are based on, as well as the results achieved, and submitting them to the Board of Directors for approval.

5. Furthermore, the Committee reviews and approves the Human Resources management and development objectives and strategies and reviews the results achieved. In particular, the Committee:

- assesses the results of internal surveys on the organizational environment and external surveys on the reputation of the Company;
- reviews the organizational requirements of the Company and actions taken to effectively assign key positions (known as succession plans); makes inquiries for the preparation and revision of succession plans adopted by Board of Directors;
- assesses the results of the initiatives aimed at increasing the value of the key resources of the organization;
- assesses the effectiveness of the strategic partnerships set up by the Company with Universities and Business Schools, as well as more general initiatives taken with regard to the labor market;
- assesses the effectiveness of internal communication initiatives.

6. The Human Resources Committee is granted access to company information and functions deemed necessary for the performance of its own tasks and may also make use of external consultants and advisors in the performance of its duties, after having assessed that the latter parties are not in any situations that may compromise their fully independent judgment.

7. The Committee has its own regulations and all Committee decisions are required to be adopted by the favorable vote of an absolute majority of its members who can express their vote also through means of telecommunication if they are not attending in person. The Chairman of the Board of Statutory Auditors, or another statutory auditor appointed by the latter, is invited to attend meetings of the Committee. The minutes of Committee meetings are duly recorded by the Group Human Resources Officer, who acts as the Secretary of the Committee. The Committee meets whenever the Chairman deems it necessary or upon the request of another Committee member, usually at the dates provided for by the annual schedule of the meetings approved by the Committee. If the Committee deems it appropriate, executives of the Company or external professionals may be invited to participate so that certain topics can be

discussed in detail.

8. The meetings of the Committee are called via a notice, to be sent, also by the Secretary, upon the order of the Chairman of the Human Resources Committee.
9. No director shall take part in the meetings of the Human Resources Committee where proposals are discussed concerning his/her own remuneration.
10. When the Board of Directors approved the Procedure for Related Parties, it granted the Human Resources Committee the power to review transactions with related parties which is limited to resolutions concerning the granting of remuneration and financial benefits to the members of management and control bodies and to other executives with strategic responsibilities.

### 1.2.3 *The Board of Directors*

1. Without prejudice to the functions of the Human Resources Committee, the Board of Directors is responsible for: (i) approving the remuneration of directors performing special duties pursuant to article 2389, paragraph 3, of the Italian Civil Code; (ii) allocating the aggregate remuneration fixed for the directors at the Meeting of Stockholders, in the event this was not determined by the stockholders; and (iii) reviewing the incentive plans to be submitted for approval at the Meeting of Stockholders and the allocation of benefits thereunder annually, normally at the Meeting of Stockholders after approval of the financial statements.
2. With the assistance of the Human Resources Committee, the Board of Directors confirms that the Remuneration Policy has been implemented properly.

## **2. PURPOSES AND PRINCIPLES OF THE REMUNERATION POLICY**

1. The Company's Remuneration Policy is based on the "pay for performance" principle, proactively promoting the establishment of an actual and verifiable link between an individual's remuneration and performance - both individual and of the Group - with the purpose of:
  - (a) aligning the management's interests with the medium- to long-term interests of shareholders and other stakeholders, assessing the performance not only on an annual basis, but in a longer time frame;
  - (b) increasing the value of the Company on a sustainable basis, i.e. helping to implement the strategy and objectives of both Luxottica and the Group over time, creating long-term value for all stakeholders and strengthening the Company's reputation;
  - (c) drawing and motivating qualified professional resources for the pursuit of the objectives of both Luxottica and the Group and motivating these resources to remain with the Group.
2. In particular, the principles which form the basis of decision making on remuneration are:
  - (a) closely correlating the remuneration opportunities to actual results - both individual and general - of the organization, reflecting and measuring the impact of individual performance on the creation of value for the Company and the Group;
  - (b) developing a global offer of remuneration opportunities, which can demonstrate the capacity to draw and retain key and deserving resources of the organization of today and tomorrow, according to the principles of equal opportunities, enhancement of



individual knowledge and professional skills, equity and non-discrimination as provided for by the Group's Code of Ethics.

3. Global remuneration includes a balanced articulation of monetary components, both fixed and variable, and non-monetary, direct and deferred components, which guarantees that pay-packages move over time alongside sustainable profitability levels.
4. The Remuneration Policy is consistent with the risk management policy of the Group. The full alignment of the Group's remuneration policies, the reference regulatory framework and best practices, as well as the full compliance with the corporate values of transparency and responsibility, are functional to the compliance with the interests of shareholders and also of all the other stakeholders, and also to the continuous strengthening of the Group's reputation and the removal of any conflict of interest. Adopting the Group's remuneration strategy based on the pay-for-performance principle, namely on a direct relationship between remuneration and results achieved, in fact guarantees that remuneration is not only fair, appropriate and stimulating, but its ultimate purpose is always guaranteeing the creation of medium- and long-term value for all stakeholders, in the perspective of full economic and social sustainability.

### **3. REMUNERATION COMPONENTS**

#### **3.1 Identification of the pay-mix**

1. The remuneration available for executive directors (who are also employees of the Company or Group), general managers and executives with strategic responsibilities is comprised of (i) a fixed part (see para. 3.2 below); (ii) a short-term variable part (see para. 3.3 below); and (iii) a possible medium- to long-term variable component (see para. 3.4 below).
2. The guidelines for the composition of the fixed and variable elements of the remuneration package are defined by Human Resources management based on each segment of the employee population.
3. With specific reference to executive directors who are also Company employees, general managers (where appointed) and the executives with strategic responsibilities, the Human Resources Committee defines at the Group level the pay-mix structure, determining its composition in terms of fixed and variable components, consistently benchmarking its conclusions against market trends and internal analysis.
4. Set forth below are the principles on which the remuneration packages are based for the executive directors who are also Company employees and for executives with strategic responsibilities:
  - (a) balancing the fixed and variable components of the remuneration based on the Company's strategic objectives and consistently with its risk management policy, in addition to the creation of long-term value for all stakeholders and sustainable growth. The variable component normally exceeds the fixed portion;
  - (b) with reference to the variable component of remuneration:
    - establishing a proportionate weighting of the variable remuneration, in order to guarantee the alignment of the actions of executive directors that are also company employees and executives with strategic responsibilities with business objectives, as well as the shareholders' interests. Therefore, performance assessment parameters

linked to profitability and sustainable growth are preferred.

- binding the payment of variable remuneration:
  - (i) to the achievement of performance targets that must be predetermined, measurable and linked to the creation of value for shareholders in the medium and long term. In particular, in the case of qualitative objectives, the latter must be accompanied by an *ex-ante* indication of the objective parameters to be considered in the final evaluation, indicating the expected results and the estimator. Each step of the entire process must be written and documented; and
  - (ii) to the achievement of a threshold value of performance objectives, to be established *ex-ante* (the so-called gate);
- establishing maximum limits for allocation of the variable component of remuneration, usually not exceeding 2x the fixed remuneration;
- providing an adequate accrual period for the long-term variable component (see para. 3.4 below);
- (c) supplementing the remuneration package with an adequate offer of benefits, with reference to market standard practices;
- (d) minimizing the use of indemnities or other compensation to be stipulated *ex-ante* in the event of resignation, removal from a position, dismissal or termination of employment, without prejudice to the power of the competent boards to authorize agreements in this regard for specific cases;
- (e) monitoring and analyzing standard remuneration procedures and best practices implemented in the reference market with the objective of ensuring a total remuneration package that is both as competitive as possible and market aligned.

### 3.2 Fixed remuneration

The fixed remuneration component is essentially correlated to the significance of the position and therefore linked to professional specialization and the skills required of the individual, as well as related responsibilities and performance achieved over time. The Company consistently monitors market practice with respect to the fixed remuneration components, in order to align itself with best practices and also verifies that remuneration levels are being consistently applied across the Group. Normally, the fixed remuneration component is determined at the time of hiring and, afterwards, any increase by merit for the same position can only be applied against a performance at least aligned with expectations. Executives with strategic responsibilities are also granted allowances for all domestic and foreign travel, in line with the provisions of the reference agreement for executives and the company's complementary agreements.

### 3.3 Short-term Variable remuneration

1. The variable remuneration component is aimed at rewarding the results achieved by establishing a direct connection between remuneration and short-term performance, consistently with sustainable growth and a risk management policy suitable for guaranteeing the creation of value for all stakeholders in the long term.

2. To strengthen the alignment between management's/employees' interests with those of the shareholders and the other stakeholders, the performance measurement is based on the actual results achieved by the Company or Group as a whole, the reference business unit and, of course, the individual.
3. The main instrument used in connection with variable remuneration is the Management by Objectives system ("MBO"), which is primarily, but not exclusively, used for Group management. These incentives reward the achievement of quantitative and qualitative performance of short term objectives, and usually a variable bonus is paid in connection with them.
4. The so-called Key Performance Indicators, as well as the relevant associated performance objectives, are reviewed on a yearly basis by the Human Resources Department, assisted by the Management Control Department, and are submitted for the approval of the Human Resources Committee. These objectives are always defined using objective and measurable parameters, devised in such a way as to neutralize elements or events that may have distorting effects on the incentive system, such as, for instance, extraordinary components that may favor short-term objectives rather than long-term interests.
5. In particular, performance objectives can be linked both to business managerial targets (processes/projects) as well as to organizational development targets (skills, abilities). In any case, the assigned objectives must be:
  - **specific:** the goal of each objective that is to be attained must be clearly and factually stated and the expected results must also be identified;
  - **measurable:** the expected results are calculated through easily understandable indicators that are based on factual evidence;
  - **results-oriented:** objectives must be defined with reference to the Company's and Group's general strategy and long-term objectives;
  - **time specific:** intermediate steps and deadlines must be clearly and precisely defined.
6. Normally, the parameters that can be used focus on the Group's economic/financial and operating performance in terms of stability, efficiency, creation of value and sustainability; in particular, the following parameters stand out:
  1. *Consolidated Net Profit:* an indicator expressed in absolute terms, as resulting from the Group consolidated financial statements, or in relative terms, by dividing the net profit resulting from the relevant financial statements by the average number of the company's outstanding shares (Earnings per Share or EPS);
  2. *Free Cash Flow:* that is the difference between the monetary cash flow generated by the operations and the outgoing cash flows for investments. This measure is a measurement of the Group's self-financing capacity;
  3. *Net Sales:* that is the growth of the net turnover in terms of absolute value;
  4. *Sales Comp:* a typical business retail indicator, which enhances the LFL growth of net turnover under conditions of constant foreign exchange rates;
  5. *DOP – Divisional Operating Profit* and *OI – Operating Income:* both metrics are measurements of profitability, for the wholesale business and the retail business

respectively, and are calculated considering the Group's operations only, i.e. including interest, taxes, depreciation and amortization on tangible and intangible assets;

These parameters can be used either individually or as a part of a mix, which can also vary for different managers according to individual roles and responsibilities.

It is also possible that, when defining performance objectives, specific function objectives are used - mostly in connection with the above-mentioned parameters - and also qualitative objectives linked to specific individual performance parameters, based on the specific characteristics of the various positions; this is in order to best align the characteristics of the MBO plan with the features and needs of the different functions in the Company and the Group.

7. Currently, the main performance objective used - which is applied to all executive positions - is the consolidated net profit – as described in point (a) above - which can be supplemented with financial and/or business indicators, and also specific function objectives.
8. When assessing the achievement level of performance objectives, upon the proposal of the Human Resources Committee, restructuring costs from acquisition (if they are not budgeted), as well as costs of reorganization and extraordinary transactions not related to normal operations can be neutralized.
9. Evaluating the performance and communicating the achievement level of assigned objectives is an ongoing process marked by three key dates over twelve months:
  - (a) definition and communication of the objectives for the year, normally by March of the reference year;
  - (b) interim performance assessment (normally, mid-reference year), for checking the achievement level of results in the first half of the year and taking any corrective actions;
  - (c) final performance assessment and communication of the achievement level of assigned objectives (generally, by March of the next year). Objectives are examined by the Human Resources Committee and then shared with the Board of Directors.
10. The payment of variable remuneration is subject to the achievement of a threshold of the pre-established performance objective, be it financial or in any case measurable through factual and objective data to be established ex-ante, and a ceiling on the issue of the variable component of the remuneration is also provided. This ceiling varies according to the role played by the individual in the Company and the Group, his/her skill at achieving results and the reference market. The variable remuneration target values for management may vary from 30% to 100% of the fixed remuneration. The pay-out ceiling can range from 45% to 200% of the above-mentioned target values. It is also pointed out that changes in the role and responsibility can entail a change in the target percentage.
11. At the end of each fiscal year, the Group Human Resources Department checks the achievement level of assigned objectives based on the final results with the help of the Management Control Department. The variable remuneration level to be paid is normally determined by linear interpolation, in order to have a proportional and accurate growth or drop in the variable remuneration actually paid according to the achievement level of the assigned objective.
12. When defining MBO plans, the Board of Directors can evaluate the introduction of forms to defer the payment of the variable remuneration component, where this is deemed suitable

because of the role played by some key figures and their related responsibilities, and also following the approval of the Human Resources Committee.

13. Currently, the variable remuneration component given based on MBO plans is paid the year after the reference year, after taking the final data into account in order to measure the achievement level of performance objectives and, then, to determine the variable remuneration level due to each beneficiary. Current MBO plans, therefore, do not include mechanisms to defer the variable remuneration component over several years. This choice has been taken, *inter alia*, based on the following considerations:
  - (a) on one hand, it has been considered that MBO plans already include suitable mechanisms - taking the segment of involved population into account - for guaranteeing, in general, the alignment of the beneficiaries' objectives and the medium- and long-term interests of shareholders and other stakeholders. First of all, by defining performance objectives based on current operations, neutralizing extraordinary components that might favor short-term results. Secondly, by identifying a single performance objective (currently, consolidated EPS) to be used for all executive positions, of any organizational level, territory, segment and channel, which acts as the basic element of short-term incentives and medium- long-term incentives. In this way, the matching of interests and strategies among the various population segments is promoted in a longer time frame;
  - (b) on the other hand, it has been considered that the application of the above-mentioned specific deferment mechanisms is particularly meaningful for the strategically most important top managers, for whom other ad hoc retention mechanisms are being applied (see para. 3.4 below).
  
14. When defining MBO plans, the Board of Directors can also evaluate the introduction of mechanisms or the closing of contractual agreements that specify and regulate the Company's right to claim the refund, in full or in part, of variable remuneration components that were determined based on data that have proved to be clearly wrong. Starting from the 2015 fiscal year, consistently with the recommendations of the Code of Conduct, specific claw-back mechanisms have been introduced for the short-term remuneration of Executive Directors and Executives with Strategic Responsibilities. Therefore, if, subsequent to the payment of the short-term variable remuneration of the parties stated above, there are objective circumstances that suggest that the data on which the achievement of the objectives has been based is to be considered clearly wrong, the Company may ask the aforesaid parties, to the extent possible in accordance with applicable regulations, to refund all or part of any amounts paid as MBO. The Company will carry out the assessment regarding if and to what extent the claw-back right is to be exercised, based on: i) the existence of malicious actions or serious misconduct, without which the objectives would not have been reached or such as to compromise their achievement; ii) the seriousness of this conduct; iii) the degree of involvement of the beneficiaries in the events that led to an incorrect assessment of the achievement of the objectives. The claw-back right can be exercised: i) in the event of gross negligence, within and not exceeding three years from the payment of the variable remuneration; and ii) in the event of willful misconduct, within and not exceeding five years from the payment of the MBO.
  
15. The incentive mechanisms of the Executive Responsible for drawing up corporate accounting documents and the Internal Audit Manager are consistent with the tasks assigned to them. In particular, specific quality parameters are used for the Internal Audit Manager: their definition and assessment is entrusted to the Control and Risk Committee, in order to guarantee full independence and to prevent potential conflicts of interest.

16. It must also be noted that the Executive Responsible for drawing up corporate accounting documents does not receive any specific remuneration for the performance of the activities related to this position, and receives a single payment as Chief Financial Officer.

### 3.4 Medium to Long-term Variable Remuneration

1. The remuneration policy of the Company provides for forms of medium to long-term variable remuneration that correspond with the main goal of directing the actions of management towards achieving business objectives and at the same time represent an incentive for retaining Group key personnel (“retention”).

Medium to long-term incentive plans recognize the organizational role in the Company or the Companies of the Group held by the beneficiaries, the individual performance results achieved by the beneficiary and the potential for professional growth within the Group in the medium to long-term. More specifically, the following elements are assessed: (i) the ability of the single beneficiary to contribute to the development of the Company and the Group; (ii) the professional competence and the role held in the Company's organizational structure; (iii) the level of his/her total remuneration; and (iv) the specific retention needs.

In any case, in order to guarantee an adequate retention level and a proper alignment with the medium to long-term objectives of the Company and the Group, as well as of the shareholders and other stakeholders, it has been arranged that the medium to long-term variable remuneration is usually paid to the beneficiaries – both via incentive plans based on financial instruments and via monetary retention plans – only after an adequate accrual period has passed. For incentive plans based on financial instruments, shares are always allocated after a certain vesting period has passed, usually three years, from the allocation of the units or option rights.

On January 16, 2017 the combination with Essilor was announced to the market – a transaction that has not been completed yet at the time of approval of this Report by the Board of Directors – within the framework of which a compulsory public exchange offer on the part of Essilor is envisaged, *inter alia*, with the aim of acquiring all the outstanding ordinary shares of the Company (hereinafter, the “Combination”). Within this context, the Human Resources Committee proposed several amendments to the incentive plans (see below) to the Board of Directors, who approved them. These amendments were aimed at reinforcing the retention component in medium to long-term variable remuneration, considering that the primary interest for the Company and its stockholders would be to retain key personnel of the Group in the medium-term, hence ensuring the continuity of managerial activities that ultimately affects the ability of the Company to create value for its stakeholders.

2. The long-term incentives system can take the form of two categories:
  - I) **Monetary or long-term retention plans:** in consideration of the frame of reference and current market trends, such plans allow the implementation of management policies of the Human Resources Department that are being aimed more and more at retaining and motivating high-value executives within the organization that stand out due to their high level of professionalism and their particular degree of criticality for the business.

These bonuses, whose main objective is the pursuit of the retention of key resources within the organization and which are applied over a period of several years, therefore make a substantial contribution not only to the achievement of the mission of the Group over time, but also to the creation of long-term value for all company

stakeholders, be they internal or external, and to the prevention of the assumption of excessive risk that could be caused by the pursuit of objectives and approaches that are exclusively short-term, and thus guarantee the sustainability of company results.

It must also be noted that the remuneration from retention bonuses such as those described above must in any case be limited in number and total amount, in order to avoid compromising the financial solidity of the Company and the Group through the assumption of excessive risk, also in the long-term.

Furthermore, all the extraordinary items that may favor short-term results rather than the creation of value in the medium to long-term will be neutralized in the structuring and subsequent allocation of monetary retention plans.

On May 16, 2017, in consideration of the significant impact of the Combination on the strategic drivers of the Group, the Board of Directors, upon recommendation of the Human Resources Committee, amended the “LTI Cash 2016-2019” plan, and in line with the retention goals described above, removed the performance condition (cumulated EPS during the reference period), since the strategic business objectives, on the basis of which the medium to long-term objectives underlying the latter had been defined, had changed considerably. The plan was therefore maintained, but the retention component was reinforced, setting forth that the achievement of the aforesaid performance goals would no longer be a requirement for the payment of the additional remuneration, which will then be paid in an amount equal to the target payout to active beneficiaries at the end of the reference period.

On December 15, 2017, upon recommendation of the Human Resources Committee, the Board of Directors approved the adoption of a long-term monetary incentive plan “LTI Cash Plan 2018-2020”, the distribution of which is conditional, *inter alia*, on the continuity of the employment relationship with the Companies of the Group for a three-year period. This plan, subject to the completion of the Combination by December 31, 2018 at the latest, aims at intensifying the retention of the resources that may play a key role in the related combination and integration activities, and therefore represents a tool for retaining and incentivizing Executive Directors, Executives with Strategic Responsibilities and the Senior Management of the Group, from whom a relevant contribution is expected for the Combination to be successful. From the perspective of alignment with the primary interest of the value creation, this monetary incentive can be converted in the future, subject to the approval of the competent corporate bodies, into a plan based on financial instruments connected to the equity of the relevant Company.

- II) Remuneration plans based on financial instruments**, whose objective is to align the interests of beneficiaries, shareholders and other stakeholders by rewarding the creation of long-term value. In particular, the Company has usually adopted the following tools from among the various types of remuneration plans:
- (a) Performance Shares Plan (called Stock Grant plans) granting units, that is the right to receive Luxottica shares based on the achievement profitability and solidity objectives of the Group accumulated over several years; and
  - (b) Stock Option Plans granting option rights for the subsequent subscription of Luxottica shares.

Details about Luxottica’s current plans are described in related documentation published as required by law.

When defining plans based on financial instruments, the Board of Directors can arrange the following, from time to time, for all or some of the beneficiaries:

- (a) the prohibition to transfer - for a predetermined period of time - the shares assigned to them; and/or
- (b) deferred payments systems; and/or
- (c) *ex post* correction systems.

On May 16, 2017, on the basis of the same reasons supporting the amendments made to the monetary retention plans, the Board of Directors, upon recommendation of the Human Resources Committee, within the context of the powers set forth in the Regulations of the “Performance Shares Plan 2013-2017” verified – in advance of the ordinary schedule – the performance objectives related to the assignment resolved upon in 2015. The pay-out was calculated taking the performance levels of the first two years, 2015 and 2016, into consideration, excluding 2017 due to the substantial changes in the Group strategic business goals. In order to favor the participation – as appropriate - of the beneficiaries to the public exchange offer envisaged within the framework of the Combination, the “minimum holding” obligation, involving Executives Directors and Executives with Strategic Responsibilities, was also removed, and the power to assign the units in advance was provided for, if the exchange offer was launched before the end of the first quarter of 2018.

With regard to the Stock Option Plans, which were last assigned in 2012, it is to be noted that all unexercised options have exceeded the vesting period. Since the expiry of the exercise period (May 2021) is not compatible with the completion schedule of the Combination, on May 16, 2017 the Board of Directors resolved to reduce the exercise period for these rights, implying that beneficiaries can exercise these rights before, or at the same time as, the period for accepting the public exchange offer and can, as appropriate, subscribe to the latter. Any options that are not exercised within this shorter period of time shall expire.

- 3. The Internal Audit Manager is not included in the long-term incentive plans based on financial instruments, be they Stock Option Plans or Performance Shares Plans, but rather in long-term incentive plans that consist of cash bonuses, deferred over a multi-year period and unconnected to the Company’s results.

### **3.5 Benefits and insurance coverage (i.e. social security or pension schemes), in addition to compulsory coverage**

With the objective of providing a global remuneration offer that is as competitive and aligned with the best practice available in the local markets as possible, the remuneration package of executive managers, other executives with strategic responsibilities and senior managers is supplemented with fringe benefits (like, for instance, a company car), with the purpose of supplementing the remuneration package with components in kind that are consistent with the status of the beneficiary, as well as complementary insurance policies (like, for instance, supplementary health insurance), whose aim is protecting the well-being of the beneficiary in a broad sense, i.e. the so-called *perquisite*. In addition to life insurance coverage and coverage against non-work related accidents as provided for by the National Collective Labor Agreement, the registration in a fund for the reimbursement of supplementary health expenses is offered, in addition to the fund provided for by the National Collective Labor Agreement. Then, additional fringe benefits, like, for instance, housing, schooling and so on, can be given in the case of specific tasks, like, for instance, missions abroad.



It is to be noted that non-monetary benefits, as well as insurance, social security and pension coverage, are also paid internationally according to market practice and in compliance with the local rules in force from time to time.

In line with best practices, a policy that covers civil liability against third parties of the corporate boards (including the Board of Statutory Auditors), General Managers, executives with strategic responsibilities, senior managers and other managers (the so-called D&O – Directors & Officers Liability) has also been stipulated. This is in order to hold the above-mentioned subjects harmless from any liability for damages resulting from the exercising of their respective functions (excluding the cases of fraud and serious misconduct).

### **3.6 Compensation in the event of resignation, dismissal or termination of the employment relationship**

- 3.6.1 The Company may agree on special treatment with respect to the termination of office or employment for individual executive directors employed by the Company, or general managers (where appointed) or other executives with strategic responsibilities, if it is deemed appropriate in order to attract and retain particular professional resources, and also in connection with the important role played in the structure of the Company and/or the Group.
- 3.6.2 Any agreement must be prepared in accordance with reference benchmarks on the subject and within the limits defined by case law and the standard practices in the country in which the agreement is concluded.

### **3.7 Non-competition agreements and prohibition on solicitation**

- 3.7.1 The Group provides for the possibility of entering into non-competition agreements or prohibitions on soliciting employees, partners and customers of the Company or other Companies of the Group with directors, general managers, executives with strategic responsibilities and senior managers at the end of their mandate or employment.
- 3.7.2 In accordance with case law and standard practice, these agreements may provide for payment of remuneration proportional to the Gross Annual Income ("GAI"), related to the duration and the extent of the restriction imposed by the agreement itself.
- 3.7.3 The non-competition obligation refers to the product sector in which the Group operates at the time of entering into the agreement as well as the geographic limits; the extent of the obligation also will vary depending on the position held by the individual at the time of termination of the employment relationship.
- 3.7.4 It is to be noted that the prohibition on solicitation is subject to a time limit, usually 24 months.

### **3.8 Other forms of discretionary, occasional and nonrecurring remuneration**

Monetary bonuses that occasionally reward results or performance not included in the short- and long-term variable remuneration components may be provided for through discretionary, one-off bonuses and considerations. In a pay-for-performance perspective, it is, in fact, believed that the payment of one-off money considerations to particularly outstanding strategic managers, because of their exceptional individual contributions, is an important method of differentiation and merit-based selection and, therefore, a way of retaining high-value resources. The assessment of such results and the corresponding bonuses and considerations are subject

to the prior examination of the Human Resources Committee and then, for Directors employed by the Company, of the Board of Directors.

#### **4. THE REMUNERATION OF THE DIRECTORS**

##### **4.1 The basic remuneration of directors**

In accordance with the law and the articles of association, the remuneration paid to directors for the positions they hold is determined by the Meeting of Stockholders, and may include either the aggregate amount of remuneration to be paid or specific details on how it is to be divided among the directors. The members of the Board of Directors are entitled to reimbursement of any expenses incurred by reason of their position.

##### **4.2 The remuneration of directors performing special duties**

1. The remuneration of directors performing special duties is determined by the Board of Directors, on the proposal of the Human Resources Committee, at the time of their appointment or in the first meeting following their appointment, or in any case after their appointment.
2. In particular, the Board of Directors can decide, with the approval of the Board of Statutory Auditors, to award additional remuneration supplementing the fixed remuneration that is generally determined at the Ordinary Meeting of Stockholders for the directors performing special duties at the time of their appointment (see para. 4.1 above).
3. Therefore, the remuneration of directors performing special duties can be composed of: (i) an annual fixed component, which may take the special duties of the directors into consideration; (ii) a short-term variable component, measured in terms of individual and Group's performance; (iii) a medium- to long-term variable component, in the case of directors who are entrusted with specific tasks, correspondingly measured in terms of individual and Group's performance; and (iv) benefits and insurances consistent with individual director assignments. For executive directors that are also employees of the Company, the variable remuneration component follows the above-mentioned provisions (see para. 3.3 and 3.4).
4. In several cases, special positions held in companies controlled by Luxottica involve the allocation of remuneration due to the commitment required.

##### **4.3 The remuneration of non-executive directors**

1. The remuneration of non-executive directors is not linked to the achievement of specific performance objectives on the part of the Company. Furthermore, these directors are not the recipients of medium to long-term incentive plans.
2. The non-executive directors that are members of the committees set up within the Board of Directors (namely, the Human Resources Committee and the Control and Risk Committee) receive additional remuneration for these positions, which is determined by the Board of Directors, subject to the approval of the Board of Statutory Auditors.
3. The additional remuneration allocated according to the above procedure is awarded on the recommendation of the Human Resources Committee, where it is clearly understood that in this case each director abstains from voting on the proposals regarding his/her own remuneration.

#### **4.4 The remuneration of executives with strategic responsibilities**

1. The identification of the most significant members of staff is carried out by the Board of Directors. The group of executives with strategic responsibilities includes the top managers in Italy and abroad.
2. For executives with strategic responsibilities, the annual variable remuneration (made up of MBO and LTI incentive plans, according to the statements above) represents a significant part of overall remuneration: as a general rule, the percentage represented by the variable remuneration of total remuneration may vary between 50% and 70%.

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The Remuneration Policy set forth below is substantially consistent with the version submitted to the advisory vote of the General Meeting of Stockholders held on April 28, 2017, which confirms the goal of reducing medium to long-term variable remuneration awards based on the allocation of financial instruments in favor of variable remuneration instruments based on the payment of monetary benefits.

In light of the Combination with Essilor, several modifications have been made to existing long-term incentive plans, as described in this report. Nevertheless, further amendments may be undertaken during the implementation phase of the 2018 Remuneration Policy, due to the need to adapt and optimize the business scope and/or Group policies, without prejudice to the possibility of approving extraordinary bonuses linked to the implementation of the aforesaid Combination in favor of Executive Directors, Directors with Strategic Responsibilities and Senior Managers of the Group, in compliance with the general guidelines of the remuneration policy described above.