



# **Report on corporate governance and ownership structure**

**Pursuant to art.123-bis of the italian  
consolidated financial law**

Year 2017

Approved by the Board of Directors on February 26, 2018

Traditional administration and control system

Luxottica Group S.p.A.

Registered Office: Piazzale Luigi Cadorna, 3 – 20123 Milano

Website: [www.luxottica.com](http://www.luxottica.com)

Set out below are the corporate governance rules and procedures of the management and control system of the group of companies controlled by Luxottica Group S.p.A. (hereinafter, “Luxottica” or the “Company”).

Luxottica complies, as illustrated below, with the Code of Conduct prepared by the Committee for Corporate Governance of listed companies promoted by Borsa Italiana S.p.A. (hereinafter the “**Code of Conduct**”, the text of which was updated in July 2015 and is available on the website of the Committee for Corporate Governance at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>). The Report refers to the fiscal year which ended on December 31, 2017 and has been updated with the most relevant subsequent events up to the date of its approval.

## Section I – General information and ownership structure

### I. Introduction

The group of companies controlled by Luxottica Group S.p.A. (hereinafter “Luxottica Group” or the “Group”), one of the major global companies in the eyewear sector, implements its business strategies through the presence of subsidiary companies in the various countries in which it operates. The Group is a leader in the design, manufacture and distribution of fashion, luxury, sports and performance eyewear. Its global wholesale organization covers more than 150 countries and is complemented by an extensive retail network of approximately 9,000 stores mostly located in North America, Latin America and AsiaPacific. Product design, development and manufacturing take place in six production facilities in Italy, three in the People’s Republic of China, one in India, one in Brazil and one in the United States devoted to sports and performance eyewear.

Luxottica is listed on the Telematic Stock Exchange, organized and managed by Borsa Italiana (“MTA”). In 2017, the Company initiated and concluded the delisting procedure from the New York Stock Exchange (NYSE), on which it was listed until June 16, 2017. Since this date, Luxottica has no longer been required to comply with the reporting obligations imposed on publicly registered companies under U.S. law. The Company also requested its voluntary deregistration from the U.S. Securities and Exchange Commission (SEC), which became effective on September 14, 2017. Since this date Luxottica Group S.p.A. has no longer been formally subject to the provisions of the Sarbanes-Oxley Act (SOX). In any event, the Company has considered it appropriate to voluntarily maintain the internal control system for financial reporting that had been initially implemented for the purposes of SOX compliance.

Detailed information on the delisting and deregistration process can be found on the Company website [www.luxottica.com](http://www.luxottica.com) in the Investors/FAQ section on delisting from the NYSE.

Luxottica, the parent company of the Group, manages and coordinates its subsidiary companies, acting in the interest of the Luxottica Group as a whole.

Unified management of the subsidiary companies is achieved by:

- preparation of Group industrial and commercial plans;
- preparation of budgets and the assignment of objectives and projects;
- forecasting of adequate information flows for management and control;
- review and approval of extraordinary or significant operations;
- preparation of certain financial policies (for example, the definition of indebtedness and cash investment or cash equivalent investment criteria);
- establishment of centralized operational structures to provide professional services and support to all the companies belonging to the Group;
- adoption of codes of conduct and procedures binding on the entire Group;
- adoption of common organizational models; and
- formulation of guidelines on the composition, operation and role of the board of directors of the subsidiary companies as well as on the assignment of management responsibilities in the subsidiary companies, consistent with those adopted by the parent company.

The Italian subsidiary companies have acknowledged Luxottica as the company that exercises the activities of management and coordination pursuant to art. 2497 *et seq.* of the Italian Civil Code.

The principles on which the corporate governance system of the parent company is founded are also applicable to all the companies belonging to the entire Luxottica Group, namely:

1. defined, acknowledged and shared values, which are set out in the Code of Ethics;
2. the central role of the Board of Directors;
3. the effectiveness and transparency of management decisions;
4. the adoption of an adequate internal control system;
5. the adoption of proper and transparent rules regarding transactions carried out by related parties and the processing of confidential information;
6. a proactive risk management system;
7. and a remuneration and incentive system for managers linked to the creation of sustainable value over time.

The values established in the Code of Ethics of Luxottica Group bind all employees to ensure that the activities of the Group are performed in compliance with applicable law, in the context of fair competition, with honesty, integrity and fairness, respecting the legitimate interests of stockholders, employees, clients, suppliers, business and financial partners, as well as respecting the customs of the countries in which the Luxottica Group operates.



## II. Structure of Luxottica and information on the ownership structure pursuant to art. 123-bis of Italian consolidated financial law

The Luxottica governance system – based on a traditional management and control system – is characterized by the presence of:

- a board of directors (“Board of Directors” or “Board”), responsible for the management of the Company;
- a board of statutory auditors (“Board of Statutory Auditors”), responsible for supervising: (i) compliance with applicable law and with the Company’s by-laws; (ii) compliance with the principles of administration; (iii) the adequacy of the organizational structure, the internal control system and the accounting management system, as well as its reliability to correctly report the Company results; (iv) the procedures to implement corporate governance rules provided for by the codes of conduct compiled by organizations managing regulated markets or by trade associations, with which the Company publicly declares to comply; (v) the adequacy of the regulations imposed by the Company on subsidiary companies pursuant to art. 114, paragraph 2 of the Italian Legislative Decree no. 58/1998 (hereinafter also the “Italian Consolidated Financial Law”); and, according to the provisions of Italian Legislative Decree no. 39/2010; and (vi) with respect to statutory audits, the process of collecting financial information, the effectiveness of the internal auditing and management risk system, the auditing of accounts and the independence of the statutory auditor. The Luxottica Group Board of Statutory Auditors also acted as the Audit Committee pursuant to SOX until September 14, 2017;
- the meeting of stockholders (“Meeting of Stockholders”), at which stockholders have the power to vote – both in ordinary and extraordinary meetings – among other things, upon (i) the appointment and removal of the members of the Board of Directors and of the Board of Statutory Auditors and upon their respective remuneration; (ii) the approval of the annual financial statements and the allocation of profits; (iii) amendments to the Company’s by-laws; (iv) the appointment of the function responsible for the statutory auditing of accounts, upon the recommendation of the Board of Statutory Auditors; and (v) adoption of equity incentive plans.

The task of auditing is assigned to an audit firm (“Audit Firm”) listed on the special CONSOB register and appointed by the Meeting of Stockholders.

The powers and responsibilities of the Board of Directors, the Board of Statutory Auditors, the Meeting of Stockholders and of the Audit Committee are described in detail later in the Report.

The Company’s share capital is made up exclusively of ordinary, fully paid-up voting shares, entitled to voting rights both at the ordinary and extraordinary meeting of stockholders. As at January 31, 2018 the share capital was Euro 29,102,461.98 made up of 485,041,033 shares each with a nominal value of Euro 0.06.

There are no restrictions on the transfer of shares. No shares have special controlling rights. There is no employee shareholding scheme.

The Company’s stockholders with an equity holding greater than 3% of Luxottica’s share capital are stated below, and it is specified that, in the absence of a more recent direct announcement to the Company, the percentage communicated to CONSOB, pursuant to article 120 of the Italian Consolidated Financial Law, is given.

Delfin S.à r.l., with 62.437% of the share capital as at January 31, 2018.

Giorgio Armani, with 4.644% of the share capital, according to the notification made to the Company and to CONSOB on July 13, 2017, equivalent to 4.644% of the share capital as at January 31, 2017, assuming that the number of shares held is unchanged.

The Chairman Leonardo Del Vecchio controls Delfin S.à r.l.

The Company is not subject to management and control as defined in the Italian Civil Code. The Board of Directors made its last assessment in this regard on January 29, 2018 and confirmed that the presumption indicated in article 2497-sexies of the Italian Civil Code was also overcome this year, similar to previous years. This is because Delfin S.à r.l. (“the parent holding company”) acts as a holding company and from an operational and business perspective there is no common managing interest with Luxottica nor with the other affiliates of Luxottica. In particular, in the aforesaid Board meeting it was determined that no management and coordination activities on the part of the parent holding company existed as: (a) the parent holding company does not prepare and approve industrial, financial and strategic plans nor does it approve the budgets that are to be implemented by Luxottica; (b) the parent holding company is not involved in the definition of business or market strategies aimed at any subsidiary company; (c) no directives or instructions on financial or credit matters are issued to Luxottica, or regarding the choice of contracting parties or extraordinary transactions; (d) the parent holding company is not required to approve investment transactions of the subsidiary company Luxottica in advance; or (e) there are no policies or regulations that are “imposed” on any subsidiary by the parent holding company.

Information on the stock option plans, the share capital increases approved by stockholders and reserved to stock option plans, and the performance share plans assigned to employees is available in the annual financial report, in the documents prepared pursuant to article 84-bis of the Regulations for Issuers, available on the Company’s website in the Governance/Compensation section and in the Report on Remuneration prepared in accordance with 123-ter of Italian Consolidated Financial Law.

The Company is aware of the provisions of the agreement (the “Agreement”) between Essilor International S.A. (*Compagnie Générale d’Optique*) (“Essilor”) and Delfin S.à.r.l. (“Delfin”) concerning the combination of Essilor and Luxottica Group S.p.A. (“Luxottica”)(the “Combination”) that may be relevant under art.122 of the Italian Consolidated Financial Law on shareholders agreements, according to the information provided to Luxottica and to the general public in compliance with legal and regulatory provisions.

This Agreement contains, *inter alia*, clauses that can be attributed to relevant shareholders’ agreements under art.122, paragraph 1 and paragraph 5, letter d) of the Italian Consolidated Financial Law, as they concern the exercising of voting rights and several governance rules regarding Luxottica and Essilor for a period of approximately three years from the conclusion closing of the contribution, on the part of Delfin, of its controlling shareholding in Luxottica. The Agreement also contains standard interim management clauses (which also include the distribution of dividends on the part of Essilor and Luxottica) aimed at preserving the fixed values, used as a basis by the parties to agree upon the exchange ratio for the aforesaid contribution.

For further details, please refer to the announcement made to CONSOB under art.122 of the Italian Consolidated Financial Law, which can be viewed on the CONSOB website [www.consob.it](http://www.consob.it), as well as the material information referred to in article 130 of the Regulations for Issuers, published on the Luxottica website [www.luxottica.com](http://www.luxottica.com) and available on the authorized eMarket Storage platform ([www.emarketstorage.com](http://www.emarketstorage.com)).

With the exception of the following, Luxottica and its subsidiary companies are not party to any significant agreement which is amended or terminated in the event of a change in control and that can be disclosed without causing damages to the Company.

On June 30, 2008 the subsidiary company Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 275 million with the following expiry dates: USD 20 million which expired on July 1, 2013; USD 127 million, which expired on July 1, 2015; and USD 128 million, which will expire on July 1, 2018. The agreement with institutional investors provides for the advance repayment of the notes in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company's shares.

On January 29, 2010 the subsidiary company Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 175 million with the following expiry dates: USD 50 million on January 29, 2017; USD 75 million on January 29, 2019; and USD 50 million on January 29, 2020. The Note Purchase Agreement provides for the advance repayment of the notes in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares.

On September 30, 2010 Luxottica Group S.p.A. made a private placement of notes in the U.S. market for a total amount of Euro 100 million with the following expiry dates: Euro 50 million on September 15, 2017; and Euro 50 million on September 15, 2020. The Note Purchase Agreement provides for the advance payment of the notes in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares.

On December 15, 2011 the subsidiary Luxottica U.S. Holdings Corp. made a private placement of notes in the U.S. market for a total amount of USD 350 million, expiring on December 15, 2021. The Note Purchase Agreement provides for the advance repayment of the notes in the event that a third party not linked to the Del Vecchio family gains control of at least 50% of the Company shares. On January 30, 2017 the Board of Directors approved its early repayment.

On March 19, 2012 the Company issued a bond listed on the Luxembourg Stock Exchange (ISIN XS0758640279) for a total amount of Euro 500 million, expiring on March 19, 2019. The offering prospectus contains a clause concerning the change of control, which provides for the possibility of the holders of the bonds to exercise a redemption option of 100% of the value of the notes in the event that a third party not linked to the Del Vecchio family gains control of the Company. This clause is not applied in the event that the bonds have an investment grade credit rating. On January 20, 2014 the Standard & Poor's rating agency awarded the Long-Term Credit Rating "A-" to the Company and the bonds.

On February 10, 2014 the Company issued a bond listed on the Luxembourg Stock Exchange (code ISIN XS1030851791) for a total amount of Euro 500 million, expiring on February 10, 2024. The transaction was issued using the EMTN Program established on May 10, 2013, whose prospectus contains a clause concerning the change of control, which provides for the possibility of the holders of the bonds to exercise a redemption option of 100% of the value of the notes in the event that a third party not linked to the Del Vecchio family gains control of the Company. This clause is not applied in the event that the bonds have an investment grade credit rating. The Standard & Poor's rating agency awarded the Long Term Credit Rating "A-" to the Company and the bonds.

Upon the closing of the Combination with Essilor, for the purpose of the above mentioned Private Placement agreements, the change of control will be triggered. Luxottica shall notify the change of control to the Note holders and offer prepayment of the notes, with a variable cash out depending on the acceptance of the prepayment offer by the Note holders.

With regard to the agreements between the Company and the Directors on the indemnity to be paid in the event of resignation or termination of employment without just cause or in the event of termination of the employment relationship following a take-over bid, and in general for all the information on the remuneration of Directors and managers with strategic responsibilities and the implementation of the recommendations of the Code of Conduct with regard to remuneration, please refer to the Report on Remuneration prepared in accordance with article 123-ter of the Italian Consolidated Financial Law.

The appointment and the removal of Directors and Auditors are respectively governed by article 17 and by article 27 of the Company's by-laws, which are available for review on the Company website [www.luxottica.com](http://www.luxottica.com) in the Governance/By-laws section. With regard to any matters not expressly provided for by the by-laws, the current legal and regulatory provisions shall apply.

The Company's by-laws can be modified by an extraordinary Meeting of Stockholders, which convenes and passes resolutions based on a majority vote according to the provisions of law and, as provided for by article 23 of the by-laws, by the Board of Directors within certain limits in modifying the by-laws to adapt to legal provisions.

Pursuant to article 12 of the Company's by-laws, the stockholders for whom the Company has received notice from the relevant intermediaries pursuant to the centralized management system of financial instruments, in accordance with the law and regulations in force at that time, are entitled to participate and vote in the Meeting.

Each share carries the right to one vote.

The Meeting of Stockholders is held on single call. Pursuant to article 14 of the Company's by-laws, the validity of the composition of the meetings of stockholders and of the related resolutions shall be determined in accordance with the provisions of the law. The Ordinary Meeting of Stockholders is properly constituted irrespective of the percentage of capital represented and resolutions are passed with the absolute majority of capital represented. The Extraordinary Meeting of Stockholders is properly constituted with the presence of the number of stockholders that represent at least one-fifth of the share capital and passes resolutions with the vote in favor of at least two-thirds of the capital represented.

The Board of Directors has not been granted a proxy to increase the share capital pursuant to article 2443 of the Italian Civil Code.

The Meeting of Stockholders held on June 14, 2006 approved the further increase in capital by a maximum of Euro 1,200,000 (one million two hundred thousand) in one or several tranches by June 30, 2021 through the issue of new ordinary shares to be offered exclusively by subscription to employees of the Company and/or its subsidiaries.

The Meeting of Stockholders held on April 29, 2016 authorized the purchase and subsequent utilization of a maximum number of 10 million Luxottica Group shares. The Company will be able to purchase treasury shares, in one or several tranches, until the next meeting of stockholders called to approve the financial statements, but no later than eighteen months after the date of adoption of the applicable resolution. A similar authorization to purchase and dispose of treasury shares was granted pursuant to the Meeting held on Stockholders of April 24, 2015.

Further details regarding the transactions made are available under the Investors/Shareholding section of the Company's website [www.luxottica.com](http://www.luxottica.com).



As of January 31, 2018, Luxottica directly holds 6,158,689 treasury shares.

Please note that the information concerning the characteristics of the risk management and internal control system referred to in article 123-bis, paragraph 2, letter b) of the Italian Consolidated Financial Law, are listed below in Section II of this Report, which describes the Risk Management and Internal Control System.

Due to the proposed combination with Essilor, the Board of Directors resolved not to adopt a diversity policy on the composition of the administration, management and control bodies in terms of age, gender composition and professional experience and training and to refer all decisions in this regard to the Board of Directors of EssilorLuxottica subsequent to the Implementation Date as defined in the Agreement governing this transaction. The composition of the Board of Directors and of the Board of Statutory Auditors is compliant with the provisions of law in terms of balance between genders.

# Section II – Information on the implementation of the provisions of the code of conduct

## I. Board of directors

### ROLE AND DUTIES

The Board of Directors plays a central role in Luxottica's corporate governance.

It is responsible for the management of the Company, with the objective of maximizing value for stockholders in the medium to long-term.

To this end, the Board passes resolutions on actions necessary to achieve the Company's business purpose, except for those matters which, under applicable law or the Company by-laws, are expressly reserved for the Meeting of Stockholders.

Pursuant to art. 23, paragraph 5, of the Company by-laws, the Board of Directors is solely responsible for passing resolutions on the following matters:

1. the definition of general development and investment programs and of the Company and Group objectives;
2. the preparation of the budget;
3. the definition of the financial plans and the approval of indebtedness transactions exceeding 18 months' duration; and
4. the approval of strategic agreements.

With reference to the last item above, the Board of Directors resolved that in any case the following are to be deemed to be of a strategic nature:

- the agreements and decisions with a value exceeding 30 (thirty) million euros, intended as a unit amount (or aggregate amount in the case of transactions of the same nature or with a similar subject), concluded within the same context, also by other companies of the Group and/or with different counterparties, with the exception of the following transactions, even if they exceed the threshold of 30 million euros (so-called "Over-Threshold Transactions"): intra-group transactions; the purchase of raw materials, semi-finished products and manufacturing components; supply and distribution agreements for glasses; the payment of overdue debts for tax, salaries, dividends or interim dividends allocated for distribution, bonds and other loans;
- the agreements and decisions concerning the acquisition or disposal, temporary or permanent, or the availability of trademark rights, be they owned or licensed, exclusive or non-exclusive, regardless of the value of the transaction (and therefore even if less than the limit referred to in the previous point), with the exception of inter-group transactions, merchandising agreements and agreements for the manufacture of goods and services directly used by the Company and/or its subsidiaries;

- the agreements and decisions concerning the employment, promotion, transfer or termination of employment or collaboration relationships, of any kind and for any amount, even if with companies of the Group, related to the following managerial positions with strategic roles (“Strategic Managers”): Chief Financial Officer; Group Human Resources Officer; Group Investor Relations and Corporate Communications Officer; Chief Operating Officer; Group Design Officer; Corporate Business Services Officer; President Wholesale; President Retail Optical; President Retail Luxury and Sun.

Subject to the concurrent competence of the extraordinary meeting of stockholders, the Board of Directors shall also have authority over resolutions in connection with mergers and demergers in accordance with Articles 2505 and 2505-bis and 2506-ter of the Civil Code, the establishment or termination of branches, the determination of which directors shall be entrusted with the power of representing the Company, the reduction of the outstanding capital stock in the event of withdrawal of a stockholder, the amendment of the by-laws to comply with legal requirements, and the transfer of the principal place of business within Italian territory.

The Board of Directors approves the strategic plan of the Group, monitoring its implementation, as well as the budget.

The Board of Directors annually assesses the adequacy of the organizational, administrative and accounting structure of Luxottica and of the strategically relevant subsidiary companies through the examination of a report prepared each fiscal year, as well as the adequacy of the internal control and risk management system. The Board of Directors reviews and approves the Company’s governance system also in connection with the Group structure.

The Board, upon the review of the Control and Risk Committee, is responsible for the definition of the guidelines for the internal control and risk management system in order to identify, measure, manage and monitor the main risks concerning the Company and its subsidiaries, defining the risk level that is compatible with the strategic objectives of the Company.

The Board of Directors grants and revokes managing powers, defining their limits and conditions of exercise. For a more detailed description of the existing managing powers as well as the frequency with which the executive bodies must report to the Board on the activities performed in exercising such powers, please refer to the sub-section entitled Executive Directors of this Section II.

The Board of Directors evaluates the general performance of the Company, paying particular attention to the information received from the executive bodies and by the Control and Risk Committee, periodically comparing the results achieved with the forecast data within their area of responsibility.

In particular, the Board carries out its assessments taking into account the information supplied by the executive bodies, which, on the basis of the guidelines issued by the Board, supervise all business structures and formulate proposals to be submitted to the Board with regard to the organizational structure of the Company and of the Group, the general development and investment plans, the financial plans and provisional financial statements as well as any other matter submitted to them by the Board itself.

The Directors report to the full Board and to the Board of Statutory Auditors on the transactions in which they hold an interest on their own behalf or on behalf of third parties. Each Director is responsible for reporting to the Board and to the Board of Statutory Auditors any such interest in a transaction.

For detailed information on the procedure for the approval of transactions with related parties, please refer to the relevant paragraph of this section.

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

The members of the Board of Directors are called to carry out an annual evaluation on the composition, role and performance of the Board and the Committees by filling out a special questionnaire. For the assessment conducted for the 2017 fiscal year and similar to the last two years, the Company made use of the support of an independent expert, Prof. Alessandro Minichilli, associate professor in the Management and Technology faculty of the Università Bocconi, with whom Luxottica has not previously had any professional or business dealings.

The questionnaire, reviewed by all the Directors, is made up of specific questions that concern, among others: the adequacy of the number of its members and of the composition of the Board and of its Committees, the type of professionals represented in the Board and its Committees, the planning, organization, duration and number of meetings, the adequacy of documents sent before the meetings, the information provided to the non-executive directors during the meetings, the efficiency and effectiveness of the decision-making processes, and the role and contribution of the Board committees. In order to render the self-assessment process useful for the overall improvement of the efficiency of the Board, ample space was also left this year to the qualitative assessments and suggestions of the individual Directors.

The results of the self-assessment, which were substantially in line with the previous year, were presented to the Board of Directors in the meeting held on January 29, 2018 by the Lead Independent Director, who anonymously reported on the opinions put forward by the Directors and the suggestions made to improve the running of the management bodies of the Company, distinguishing the assessments of Executive Directors from the assessments of Non-Executive Directors.

During fiscal year 2017, the Board of Directors of Luxottica met eight times. The record of attendance of the individual Directors is listed in the table at the end of this Report and the average length of the meetings was approximately two hours.

Where the Chairman deemed it appropriate to deal in greater depth with certain items on the agenda, senior managers of the Company were invited to participate in the Board meetings to discuss these items. In particular, during the fiscal year, the Chief Financial Officer, the Group Internal Audit Director, the M&A Director, the EMEA Head of Legal Affairs, the Corporate Communication and IR Director, and the Chairman of the Supervisory Board were invited to attend the meetings for the subjects regarding their respective areas of competence.

The Board of Directors is convened with a notice period of at least three days; in an emergency this time may be reduced to one day.

The Board of Directors formally determined that the suitable notice period for sending supporting information documents is two days before each meeting.

Throughout 2017 the relevant documents and information enabling the Board to make informed decisions were provided by the Directors with an average of two and a half days' advance notice of the meetings.

In October 2017, one induction session was held attended by Directors, Statutory Auditors and several top management representatives, aimed at updating directors on the activities carried out in the field of corporate social responsibility and non-financial reporting.

In January 2018, the Company issued the calendar of corporate events for the 2018 fiscal year, which is available on the website: [www.luxottica.com](http://www.luxottica.com). During the period from January 1 through February 26, 2018 inclusive the Board of Directors met twice.



## COMPOSITION

In accordance with its by-laws, the Company is managed by a Board of Directors composed of no less than five and no more than fifteen members, appointed by the Meeting of Stockholders, once the number of directors has been decided.

The Board of Directors currently in office was appointed by the Ordinary Meeting of Stockholders held on April 24, 2015, and shall remain in office until the Meeting of Stockholders approves the financial statements for the fiscal year ending on December 31, 2017.

The Board of Directors is composed of fourteen Directors.

On December 15, 2017 Mr. Massimo Vian, CEO of Product and Operations handed in his resignation. Mr. Francesco Milleri, already Deputy Chairman, was appointed CEO, and Mr. Stefano Grassi, Chief Financial officer of the Group, was co-opted by the Board, having been approved by the Board of Statutory Auditors.

Detailed information on the powers assigned to the Board can be found below in the section on “Executive Directors”.

The composition of the Board of Directors on the date of approval of this Report is provided below, including specifics on the office held and committee membership.

|                         |   |
|-------------------------|---|
| Leonardo Del Vecchio    | Executive Chairman  |
| Luigi Francavilla       | Deputy Chairman   |
| Francesco Milleri       | Deputy Chairman – Chief Executive Officer                             |
| Stefano Grassi          | -   |
| Marina Brogi*           | Member of the Human Resources Committee and Lead Independent Director |
| Luigi Feola*            | -   |
| Elisabetta Magistretti* | Chairperson of the Control and Risk Committee                         |
| Mario Notari            | Member of the Human Resources Committee                               |
| Maria Pierdicchi*       | -   |
| Karl Heinz Salzburger*  | -   |
| Luciano Santel*         | Member of the Control and Risk Committee                              |
| Cristina Scocchia*      | Member of the Control and Risk Committee                              |
| Sandro Veronesi*        | -   |
| Andrea Zappia*          | Chairman of the Human Resources Committee                             |

\* Director satisfying the requirement of independence set forth in the Italian Consolidated Financial Law and in the Code of Conduct

Francesco Milleri and Stefano Grassi are employees of the Company.

Set out below is a brief profile of each member of the Board of Directors in office. Information is provided regarding the initial year each director was appointed to the Board and the offices held in other listed companies, in financial, banking and insurance companies as well as in those companies of significant size, identified through the criteria implemented by the Company with regard to the accumulation of positions and detailed below. For Luxottica Group, only the most significant subsidiaries or those companies having strategic relevance are listed.

**LEONARDO DEL VECCHIO**

The Company founder, Mr. Del Vecchio has been Chairman of the Board of Directors since its incorporation. In 1986, the President of Italy conferred on him the badge of honor Cavaliere dell'Ordine al "Merito del Lavoro". In May 1995 he was awarded an honorary business administration degree by the University Cà Foscari in Venice. In 1999, he was awarded an honorary Master's degree in International Business by MIB, Management School in Trieste and in 2002 he was awarded an honorary management engineering degree by the University in Udine. In March 2006, he received an honorary degree in materials engineering by the Politecnico in Milan. In December 2012 the Fondazione CUOA awarded him an honorary master's degree in business administration.

He is Chairman of Delfin S.à r.l., Deputy-Chairman of the Board of Directors of Foncière des Régions S.A., and a member of the Board of Directors of Beni Stabili S.p.A. SIIQ.

**LUIGI FRANCAVILLA**

Mr. Francavilla joined Luxottica Group in 1968. He has been a Director since 1985 and Deputy Chairman since 1991. During his long career with the Group he was the Group's Chief Quality Officer, the Group's Product & Design Director and Technical General Manager. He is the Chairman of Luxottica S.r.l. and Luxottica Tristar (Dongguan) Optical Co Ltd, which are among the major production subsidiary companies of the Group.

In April 2000, he was awarded an honorary business administration degree by the Constantinian University, Cranston, Rhode Island, U.S.A. In 2011 he was appointed 'Grande Ufficiale' of the Republic of Italy and in 2012 the President of Italy conferred on him the badge of honor Cavaliere dell'Ordine al "Merito del Lavoro".

**FRANCESCO MILLERI**

The Board of Directors co-opted Mr. Milleri on March 1, 2016; he was then confirmed by the Meeting of Stockholders on April 29, 2016; and on the same date the Board of Directors appointed him Deputy Chairman. He has been CEO since December 15, 2017.

Mr. Milleri graduated with a degree in Law from the University of Florence in 1983 where he worked as an Assistant Professor of Political Economy from 1984 to 1986. In 1987, he earned an MBA in Business Administration, with high merit, from the school of management at the Bocconi University in Milan, followed by a specialization in Corporate Finance at New York University's Stern School of Business as the recipient of Banca d'Italia's "Donato Menichella" scholarship. Mr. Milleri began his career in 1988 as a business consultant for Italian companies and multinational corporations. For more than 20 years he gained international experience working in a variety of industries, including mechanics, consumer goods, financial institutions and pharmaceuticals. Alongside his business consulting activities, in 2000 Mr. Milleri founded and currently leads a group of companies focused on technology and digital innovation. In the Luxottica Group Mr. Milleri is Chairman of Salmoiraghi & Viganò S.p.A.

**STEFANO GRASSI**

Mr. Grassi, Chief Financial Officer of the Group, was co-opted by the Board of Directors on December 15, 2017. He graduated with a degree in Business Administration from La Sapienza University of Rome. He embarked upon his professional career in 1998 in General Electric in Italy, participating in the Financial Management Program. He was then transferred to the Headquarters of GE in Fairfield,

Connecticut and worked for the prestigious organization's Corporate Audit Staff and then for GE Energy as Finance Manager – Business Development, based in Atlanta.

In 2005, Mr. Grassi became Finance Director of General Electric Capital Commercial Finance Italy. He joined Luxottica Group in 2007 as Finance Manager of Luxottica Retail North America based in Mason, Ohio and, from 2008 to 2012, was Group Retail Financial Controller, setting up the corporate management control department for the Retail division. In 2012, he was appointed Group Controlling & Forecasting Director and since October 29, 2014 he has been Chief Financial Officer of the Group. He recently extended his responsibilities leading the Risk Management, Compliance and Asset Protection department as well as of the Legal and Corporate Affairs department of the Group.

In the Luxottica Group, Mr. Grassi is a member of the Board of Directors of various companies, including Luxottica S.r.l., Salmoiraghi & Viganò S.p.A., Oakley Inc. and Luxottica Retail North America Inc.

### **MARINA BROGI**

Ms. Brogi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. She graduated with a degree in Economics from Luigi Bocconi University and has over twenty years of experience in research and training in banking and finance at many universities and business schools. From 1993 to 1998 she was a Researcher of Financial Intermediaries at Bocconi University and from 1998 to 2007 she was Associate Professor of Capital and Financial Markets at La Sapienza University in Rome. Since 2007 she has been a full professor of "Disclosure, Governance and Control in banks and insurance companies" and of "International banking and capital markets" at La Sapienza University in Rome. Ms. Brogi is a member of the Board of Directors of Salini Impregilo S.p.A., Banco di Desio e della Brianza S.p.A. and Chairperson of the board of statutory auditors of Clessidra SGR.

### **LUIGI FEOLA**

Mr. Feola has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated with a degree in Business and Economics from Messina University in 1990. Thereafter he completed an MBA at Luigi Bocconi University in 1991 and an MBA through the International Exchange Program at the University of California, Berkeley, in 1992. In 1992 he also became a certified Chartered Public Accountant. Mr. Feola started his career in 1993 at Procter & Gamble Italy as a financial analyst, where he held positions of increasing responsibility. In 2009 he was appointed Chief Financial Officer, Global Prestige Products and lastly in 2014 Vice President and General Manager of Global Luxury Brands.

He was then appointed President of Value Retail Management Ltd, a company that develops and manages luxury shopping villages in Europe and China until March 2016, when he took on the role of Senior Managing Director Europe at the investment fund Singapore Temasek.

Mr. Feola is also a director of Ruffini Partecipazioni S.r.l.

### **ELISABETTA MAGISTRETTI**

Ms. Magistretti has been a Director of Luxottica Group S.p.A. since April 27, 2012. She graduated with a degree in economics and business from the Università Bocconi of Milan and is registered in the Association of Certified Accountants in Italy. She worked for Arthur Andersen from 1972 to 2001, becoming a partner in 1984. In 2001 she took up the position of Senior Executive which is responsible for the Administrative Governance Management department of Unicredit. From 2006 to 2009, while still at Unicredit, she became the Manager of the Internal Audit Department of the Group. She was a member of the Audit Committee of Unicredit Bulbank, Bulgaria, and the Supervisory Board of Zao

Unicredit, Russia, from 2010 to 2012, as well as of the Board of Directors of Gefran S.p.A. from 2011 to 2012. She was a member of the Board of Directors of Pirelli & c.S.p.A. from 2011 until its delisting in 2016. Ms. Magistretti was also a member of the Italian Accounting Body, a member of the Board of Directors of the Interbank Deposit Protection Fund and the Supervisory Board of Efrag. She is also a member of the Board of Directors of Mediobanca S.p.A.

### **MARIO NOTARI**

Mr. Notari has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He is a Full Professor of Company and Business Law at Università Bocconi in Milan, Director of the Phd Board in Company Law at Università di Brescia and member of the Phd Board in Business Law at Università Bocconi. He is also a member of the Editorial Board of the journals "Osservatorio del diritto civile e commerciale" and "Contratto e impresa", as well as member of the Editorial Board and/or Scientific Board of "Rivista delle società", "Rivista del diritto commerciale", "Rivista dei dottori commercialisti", "Strumenti finanziari e fiscalità" (Egea). He is a member and advisor of several academic and institutional boards. Mr. Notari is the founder and partner of the "Zabban – Notari – Rampolla & Associati" firm in Milan, practicing as a public notary and legal advisor of industrial and financial companies, listed companies and financial institutions and as an arbitrator in the areas of civil, corporate and financial markets law.

He is also a member of the Board of Directors of Delfin S. à r.l.

### **MARIA PIERDICCHI**

Ms. Pierdicchi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. She graduated with a degree in Economics from Luigi Bocconi University in 1982. Thereafter she obtained an MBA in Finance cum laude, at New York University, Stern Graduate School of Business Administration in 1998. From 1981 to 1985 she was a Research Assistant in Banking and International Financial Intermediaries at Luigi Bocconi University and Assistant Professor of International Banking for the SDA Business School. From 1985 to 1986 she served as a consultant at The World Bank in Washington D.C. From 1988 to 1991 she worked at Citibank N.A. as Senior Financial Analyst. In 1991 she joined Premafin S.p.A. where she became General Manager and she stayed with the company until 1998 when she joined Borsa Italiana S.p.A. as Senior Director in charge of the "Nuovo Mercato". In 2003 she joined Standard & Poor's, McGraw Hill Financial Group, where she was appointed Chief Executive Officer of S&P CMSI, Managing Director, Head of Southern Europe, until March 2015. Ms. Pierdicchi is a member of the Board of Directors of Nuova Cassa di Risparmio di Chieti S.p.A. and Autogrill S.p.A.

### **KARL HEINZ SALZBURGER**

Mr. Salzburger has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated from the University of Verona in 1981 with a degree in Economics. In 1983 he obtained a Master's degree in International Marketing from CUOA in Vicenza. He began his professional career at Accumulatori Alto Adige and thereafter he moved to Austria for Salvagnini Transferica S.p.A, where he became General Manager. From 1990 to 1997 he worked for Benetton Sportssystem S.p.A. where he held several positions until he became responsible for the Benetton Sportssystem subsidiaries. In 1997 he was appointed Chief Executive Officer of The North Face Europe and thereafter he was appointed Chief Executive Officer of The North Face Inc. in San Francisco, where he remained until the end of 2000. After May 2000, when The North Face Inc. was acquired by the VF Corporation, he was appointed President for the International Outdoor Coalition and thereafter in



2006, President of VF International, which includes the responsibility for all VF brands in Europe, Middle East and Asia. From 2010 to 2017 he was the Group President of VF Corporation International, a group leader in apparel, sportswear, outdoor products, and which owns among others the following brands Lee, Wrangler, Jansport, Eastpak, The North Face, Vans, Napapijri and 7 For All Mankind.

### **LUCIANO SANTEL**

Mr. Santel has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. After graduating with a degree in Business and Economics from Ca Foscari University of Venice, he began his career in independent international auditing firms (Reconta Ernst & Young and Arthur Andersen). He also served as Finance Director in IVG and in Rossignol Group. In 1996 he was appointed as Chief Operating Officer of Retail Brand Alliance (f/k/a Casual Corner Group Inc.) where he remained until 1999 when he joined Luxottica as V.P. Group International Development. In 2001, he joined Geox S.p.A. as Chief Corporate Officer until 2009, when he was appointed Chief Executive Officer of Stefanel S.p.A. Since September 2013 he has been Chief Corporate Officer of Moncler S.p.A., of which he is also a member of the Board of Directors.

### **CRISTINA SCOCCHIA**

Ms. Scocchia has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. After graduating in Management of International Firms from Luigi Bocconi University, she completed a PhD in Business Administration at the University of Torino.

She started her career at Procter & Gamble, where from 1997 she held positions of increasing responsibility working on mature and emerging markets until she was appointed in September 2012 as Cosmetics International Operations Division leader, with the responsibility of supervising the brands in her portfolio in over 70 countries around the world. In July 2013 she joined L'Oréal Italia S.p.A. and was its Chief Executive Office from 2014 until March 2017. Since July 2017 she has been CEO of Kiko S.p.A. Ms. Scocchia is also a member of the Board of Directors of Pirelli S.p.A. and of Elica S.p.A.

### **SANDRO VERONESI**

Mr. Veronesi has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He graduated in Business and Economics at University of Verona and began his career at Golden Lady S.p.A., where he held key positions until 1993. Since 1993 he has been exclusively dedicated to Calzedonia S.p.A., a company he founded in 1986 and that currently counts more than 3,800 shopping locations in more than 35 countries, owning several brands, among others Intimissimi, Falconeri, Signorvino and Atelier Emé. In 1999, Mr. Veronesi established Fondazione San Zeno, a foundation allocating part of Calzedonia revenues to help disadvantaged people. In 2009, the President of the Republic of Italy conferred on Mr. Veronesi the honor of "Cavaliere dell'Ordine al Merito del Lavoro". He is Chairman of Calzedonia S.p.A.

### **ANDREA ZAPPIA**

Mr. Zappia has been a member of the Board of Directors of Luxottica Group S.p.A. since April 24, 2015. He holds a degree in Business and Economics and began his career at Procter & Gamble, where he served as European Group Marketing Manager. From 1996 to 2001 he held the position of Global Sales and Marketing Director respectively for Ferrari and Maserati and thereafter, he was Vice President of Marketing and Product Development worldwide at Fila. In 2003 he joined Sky Italia as Vice President, Marketing, Promotion and Business Development and other several increasingly senior positions leading to his appointment as Chief Executive Officer in 2011. He is currently a member of

the “Giunta, Comitato di Presidenza and Consiglio Direttivo” for Assolombarda’s project on Media and Communication.

## LIMITATIONS TO THE ACCUMULATION OF POSITIONS

To assess the maximum number of positions a Director may hold as a director or an auditor in other companies listed on regulated markets, in financial companies, banks, insurance companies or other companies of a significant size that is compatible with the office of Director at Luxottica, the Board of Directors confirmed the following criteria at the Board meeting held on April 24, 2015:

| Listed companies, financial companies, banks, insurance companies or companies of a significant size | Maximum number of appointments as director or auditor in other companies |
|--|--|
| Executive role   | 3 + LUXOTTICA  |
| Non-executive role   | 9 + LUXOTTICA  |

For the purpose of multiple appointments, (i) the only positions to be taken into consideration are those as member of the board of directors or auditor for companies listed on regulated markets (domestic and foreign), in banks, insurance companies, or companies of a significant size, which are defined as companies with a total value of business or revenues exceeding Euro 1,000 million (hereinafter, “Large Companies”), (ii) the appointments by one or more Large Companies belonging to the same group, including Luxottica Group, are counted as one, whereby the appointment requiring the most significant commitment (i.e. the executive role) shall be considered the prevailing one.

The appointments held by the members of the Board of Directors in other companies, in compliance with the criteria indicated above, are compatible with the appointment at Luxottica Group S.p.A.

The members of the Board of Directors possess the required professionalism and experience to perform their roles effectively and efficiently. In particular, it is guaranteed that they possess adequate experience in the business sector in which the Company operates, as well as specific managerial, financial, legal and internal control skills.

Neither the Company by-laws, nor any board resolutions, have authorized, generally or conditionally, any derogations from the non-competition clause.

## COMMITTEES

The Board of Directors has set up the Human Resources Committee and the Control and Risk Committee within the Board. Special regulations approved by the Board of Directors regulate their operations and respective tasks. In the performance of their respective functions, these Committees are entitled to access the information and Company functions necessary for the performance of their respective tasks, and may work with external consultants at the expense of the Company, within the limits of the budget approved by the Board for each committee. In this regard, it is to be noted that if the Human Resources Committee intends to make use of the services of a consultant in order to obtain information on market practices regarding remuneration policies, it must check beforehand that the aforesaid consultant is not in any position that may clearly compromise its independent judgment.

Further information can be found in this Report, and with respect to the Human Resources Committee, in the Remuneration Report published pursuant to article 123-ter of the Italian Consolidated Financial Law.

The Board of Directors did not deem it necessary to set up an “Appointments Committee” which is recommended by the Code of Conduct. This is due to the composition of the ownership structure of the Company. Moreover, responsibilities regarding succession plans, which would be the responsibility of the Appointments Committee, if set up, are assigned to the Human Resources Committee of Luxottica, which, *inter alia*, evaluates the organizational requirements of the Group and the action taken for the effective assignment of key positions.

## EXECUTIVE DIRECTORS

On December 15, 2017 the Board of Directors resolved to simplify the adopted governance model. With the resignation on the same date of the CEO for Product and Operations, Mr. Massimo Vian, powers were focused on the Executive Chairman Mr. Leonardo Del Vecchio and the Deputy Chairman, Mr. Massimo Milleri, who also took on the office of CEO.

The Executive Chairman was granted the powers of management and representation for all the agreements and decisions in the Markets Division that do not fall within the Reserved Decisions and for Over-Threshold Transactions, as defined above, as well as the strategic supervision of the activities of the Company and the Group.

The Deputy Chairman - CEO was assigned powers of management and representation for agreements and decisions with a Transaction Value of no more than 15 million euros, as well as for Over-Threshold Transactions.

The Deputy Chairman – CEO is required to provide adequate information on the exercising of his powers to the Executive Chairman and in particular, he is obliged to coordinate and adequately inform the Executive Chairman of all the agreements and decisions of an extraordinary or non-recurrent nature, even if the value does not exceed 15 million euros, as well as of the agreements and decisions regarding the taking on, promotion, transfer or termination of employment or collaborative relationships, of any kind and for any value, even if with companies of the Group, together with amendments to the structure and the establishment of new roles, concerning top directors.

Mr. Luigi Francavilla, Deputy Chairman, and Mr. Stefano Grassi, Director, are granted the powers, by virtue of the proxies assigned to them, to perform transactions with a value not exceeding 10 million euros.

In compliance with the provisions of the Company’s by-laws, the executive bodies report to the Board of Directors and to the Board of Statutory Auditors promptly and regularly and, in any case, at least quarterly, on the general performance of the business and on the procedures to exercise the managing powers granted to them, as well as on the most relevant economic, financial and asset transactions performed by the Company and by its subsidiaries.

In light of the above, the Board has four Executive Directors: Leonardo Del Vecchio, Francesco Milleri, Luigi Francavilla and Stefano Grassi.

For all information on the governance system in place prior to December 15, 2017, based on the distinction between the Markets Area and the Product and Operations Area, please refer to the 2016 Report on Corporate Governance.

## NON-EXECUTIVE DIRECTORS

Ms. Marina Brogi, Mr. Luigi Feola, Ms. Elisabetta Magistretti, Mr. Mario Notari, Ms. Maria Pierdicchi, Mr. Karl Heinz Salzburger, Mr. Luciano Santel, Ms. Cristina Scocchia, Mr. Sandro Veronesi and Mr. Andrea Zappia are non-executive Directors.

At the time of their candidacy, the following members of the Board of Directors Ms. Marina Brogi, Mr. Luigi Feola, Ms. Elisabetta Magistretti, Ms. Maria Pierdicchi, Mr. Karl Heinz Salzburger, Mr. Luciano Santel, Ms. Cristina Scocchia, Mr. Sandro Veronesi and Mr. Andrea Zappia, declared that they satisfy the requirement of independence set forth by art.148, paragraph 3 of the Consolidated Financial Law, as quoted in art.147-ter of the latter and in art. 3 of the Code of Conduct for Listed Companies.

On April 24, 2015, following its appointment by the Meeting of Stockholders, the Board of Directors verified that the independence requirements of Directors Brogi, Feola, Magistretti, Pierdicchi, Salzburger, Santel, Scocchia, Veronesi and Zappia were met and notified the market of this conclusion. On January 29, 2018 the Board of Directors verified the independence requirements continue to be met on the basis of the information available and information provided by the parties involved, acknowledging that these Directors can continue to be qualified as independent.

The Board of Statutory Auditors verified the correctness of the evaluation carried out by the Board of Directors on the independence of the Directors based on the criteria set forth in the Code of Conduct.

Therefore, in accordance with the provisions of the Italian Consolidated Financial Law and the Code of Conduct, nine out of fourteen Directors are independent, i.e. more than one-third in accordance with the recommendations of the Regulations for issuers such as Luxottica that belong to the FTSE Mib index.

On April 24, 2015, the Board of Directors appointed Ms. Marina Brogi as the Lead Independent Director as a point of reference and coordinator of the requests and contributions of the non-executive and, in particular, independent directors. On her initiative, the independent Directors met a total of nine times in 2017. In eight of these meetings the directors made preparations, *inter alia*, for the issuance of a reasoned opinion required by article 39 of the CONSOB Regulations for Issuers, containing an assessment of the exchange offer for the ordinary shares of Luxottica Group that EssilorLuxottica will be required to launch assuming it will become the controlling stockholder of Luxottica Group S.p.A.

## APPOINTMENT OF DIRECTORS

Directors are appointed by the Meeting of Stockholders pursuant to lists submitted by the stockholders. The Board of Directors in office was appointed by the Meeting of Stockholders held on April 24, 2015. The minimum percentage of share capital required to present a list, as established by CONSOB resolution no.19109 dated January 28, 2015, was equal to 0.5%. As stated in the Company by-laws, any list which has not reached a percentage of votes at least equal to half of that requested for the presentation of a list shall not be considered.

Eleven of the fourteen Directors currently in office were selected from the list submitted by the majority stockholder Delfin S.à r.l. Ms. Marina Brogi was drawn from the minority list submitted by a group of international and national institutional investors (Anima Sgr S.p.A., APG Asset Management NV, Arca SGR S.p.A., Etica SGR S.p.A., Eurizon Capital S.G.R. S.p.A., Eurizon Capital SA, Fideuram Investimenti S.G.R. S.p.A., Fideuram Asset Management (Ireland) Limited, Interfund SICAV, Generali Investments Europe S.p.A. SGR, Legal & General Investment Management Limited, Mediolanum Gestione Fondi SGR S.p.A., Mediolanum International Funds Limited, Pioneer Asset Management S.A., Pioneer Investment Management SGRpA, Ubi Pramerica SGR). Mr. Francesco Milleri was co-opted by the



Board of Directors on March 1, 2016, with a favorable opinion from the Board of Statutory Auditors and subsequently confirmed by the Meeting of Stockholders on April 29, 2016. Mr. Stefano Grassi was co-opted by the Board of Directors on December 15, 2017, following the approval of the Board of Statutory Auditors.

The lists and supporting documentation, filed and published within the deadlines prescribed by law at the time of their appointment, are available for review on the Company's website under the Governance/General Meeting/Archive section.

The appointment of Directors is regulated by article 17 of the Company by-laws (please refer to the by-laws for additional information). The by-laws ensure the balance between genders in the composition of the Board of Directors as provided for by article 147 ter, paragraph 1 of the Italian Consolidated Financial Law.

Due to the Company's ownership structure, in 2015, on the occasion of the Meeting of Stockholders called to renew the Company's governing bodies, the Board of Directors did not express its recommendation on the professional qualifications considered appropriate to be represented in the Board.

It is also to be noted that during the annual self-assessment, the Board of Directors expressed its satisfaction with regard to the skills represented, highlighting that it was not necessary to add other professional figures.

## **HUMAN RESOURCES COMMITTEE**

On April 24, 2015 the Board of Directors appointed the independent Directors Mr. Andrea Zappia, Chairman and Ms. Marina Brogi, as well as the non-executive Director Mr. Mario Notari to be members of the Human Resources Committee, all of whom are in possession of the knowledge and experience of financial matters or remuneration policies required by the Code of Conduct.

The Committee is responsible for offering consultations and submitting proposals to the Board of Directors, mainly with regard to the remuneration of executive directors and managers with strategic responsibilities.

The Chairman of the Committee reports to the Board of Directors at the first meeting on the most relevant subjects examined by the Committee. The Committee presents a report on the activities carried out at least twice a year prior to the approval of the financial statements and the six-month report.

In 2017, the Committee met 6 times for an average of approximately two hours per meeting. In the first two months of 2018 the Committee met twice.

For further information on the responsibilities and activities of the Committee, as well as the remuneration of Directors, Statutory Auditors and managers with strategic responsibilities, please refer to the Remuneration Report published in accordance with article 123-ter of Italian Consolidated Financial Law.

## **SUCCESSION PLANS**

In 2017, the Human Resources Committee reviewed the Company's processes aimed at identifying talented and qualified individuals who could assume managerial positions from one generation to the next. It identified succession plans for managers with strategic responsibilities; in February 2018, following the amendment of the governance model dated December 15, 2017, the Human Resources

Committee examined and discussed the succession plan for the Executive Chairman and the Deputy Chairman - CEO and the plan was then shared with the Board of Directors.

## II. Internal Control and Risk Management System

Information on the internal control and risk management system of the Group is provided below and also pursuant to art. 123-bis, paragraph 2, letter b, of Italian Consolidated Financial Law.

### DEFINITIONS AND OBJECTIVES

Luxottica believes in the importance of developing an internal control culture and management of risk that promotes the undertaking of informed decisions and contributes to the safeguarding of company assets, the efficiency and effectiveness of company processes, the reliability of financial reporting and compliance with laws and regulations, as well as with company by-laws and internal procedures.

The internal control system over financial reporting and risk management (“**ICFR System**”) consists of tools, organizational structures and procedures for each area of activity, which are set forth in the manuals updated and distributed within the Group and which are aimed at contributing to the fair management of the Company in line with predetermined objectives.

The ICFR system, which is integrated into more general organizational structures and the corporate governance of the Company and the Group, is aimed at enabling the Group’s primary risks to be identified, measured, managed and monitored, as well as ensuring that financial reporting is reliable, accurate and disclosure is made promptly. Luxottica is aware that the efforts made to define an efficient internal control system, capable of ensuring complete, accurate and correct financial reporting, do not represent a one-off activity but rather a dynamic process that must be renewed and adapted to the evolution of the business, the socioeconomic environment and the regulatory framework.

According to the provisions of the Code of Ethics of Luxottica, each recipient of internal control procedures must cooperate fully with the internal functions and the external bodies appointed to check the efficiency of the ICFR System.

### BEST PRACTICE PRINCIPLES OF THE GROUP

The structure of the ICFR System of Luxottica Group, which monitors the preparation and disclosure of financial reporting, is consistent with national best practices, such as the guidelines of Confindustria and the principles of the Code of Conduct for Listed Companies, and international best practices, such as *COSO (Committee Of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework* and the *COBIT (Control Objectives for Information and Related Technology) of ISACA (Information Systems Audit and Control Association)*.

### SOX AND ITALIAN LAW NO.262/2005

Adjustment to the provisions of SOX was compulsory for Luxottica Group over the years since it was listed on the NYSE, and therefore it represented a significant motivation for the Group to continually improve its ICFR System.

In particular, in the process of adjusting to SOX, Luxottica intended not only to comply with a regulation but has also taken a real opportunity to improve its administrative and financial governance and the quality of its internal control system in order to make it more systematic, consistently monitored and methodologically better defined and documented.

Even though in September 2017, with its deregistration from the SEC, Luxottica no longer was obligated to comply with SOX regulations, it decided to maintain the current system and several internal control procedures implemented for SOX purposes. These procedures, in addition to guaranteeing high standards of Corporate Governance and transparency in economic-financial reporting, also provides the basis for the Company's compliance with the obligations required under Italian law for companies listed in Italy and, in particular, with Italian law no.262/2005 on the Protection of Savings and Corporate Governance and art.154-bis of the Italian Consolidated Financial Law.

## MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

### SYSTEM STRUCTURE AND PHASES

#### (I) Structure and Phases

As mentioned above, the structure of the ICFR System was defined consistently with the model provided by the *COSO Internal Control - Integrated Framework* (the so-called "**COSO Report**"), which establishes 5 components:

- a. control environment inside the organization (*Internal Environment*);
- b. assessment of the risks that could compromise the achievement of corporate goals (*Risk Assessment*);
- c. control activities for the reduction of risks (*Control Activities*);
- d. the information system represented by the exchange of information between top management and operating staff (*Information and Communication*);
- e. monitoring activities over time of the quality and results of internal controls (*Monitoring Activities*).

Following its revision in 2013, the COSO Report introduced a total of 17 principles that make up the fundamental elements of each of the 5 components of the model with the aim of creating an efficient internal control system.

In particular, in compliance with the ICFR System:

- (i) for the most important companies of the Group (so-called *Material Control Units*) controls were designed and their effectiveness was assessed both at general/cross level (entity level controls) and at the level of each operational/administrative process;
- (ii) for the smaller companies, which were however still significant, especially when considered in the aggregate (so-called *Material When Aggregated*), the assessment was performed on the general effectiveness level of the control system.

### ANTI FRAUD PROGRAMS & CONTROLS

Among the cross level controls, the controls to reduce the risk of fraud are particularly important. To this end, Luxottica has developed *Anti-Fraud Programs & Controls* derived from an in-depth risk assessment which, after mapping the possible ways in which fraud could be committed, defined the necessary controls to reduce the risk of fraud and/or allowing its identification. This “*anti-fraud*” system is constantly updated and improved.

### ENTERPRISE RISK MANAGEMENT

With regard corporate risk management, since 2011 an Enterprise Risk Management process has been implemented based on the following features and in line with the models and best practices recognized internationally:

- (i) the definition of a Risk Model for the Group, which classifies in 3 risk factors, those that may compromise the attainment of corporate objectives and/or affect the value of the tangible or intangible assets of the Group (strategic, contextual, external and operative);
- (ii) the development of a *risk assessment* and *risk analysis* methodology to measure exposures in terms of impact and probability of occurrence; and
- (iii) the collection, analysis and aggregation of data and information necessary for processing a Risk Report for the Group directed to the top management of the company.

In 2017, the analysis of the risk factors and opportunities that could significantly influence the achievement of the financial targets of the Group continued, working in concert with the main business areas.

With reference to operating risk, activities aimed at the mitigation of the latter continue, with the aim of reducing and/or transferring the risks identified. These activities, depending on the circumstances, are the direct responsibility of the *Risk Management* department and/or the Managers of the various *businesses*.

The Control and Risk Committee is regularly updated on developments in Enterprise Risk Management matters as well as on the results of analysis and actions taken.

### COMPLIANCE

With reference to compliance, in 2011 a specific program aimed at the mapping of all of the most relevant areas for the Group and gaining an understanding of the level of maturity and protection of processes was set up. On the basis of this program, specific Compliance Programs focused on Corporate Criminal Liability/Anti-Corruption, Privacy Data Management, Responsible Sourcing/Supply Chain Compliance and Antitrust & Competition Compliance have been scoped, defined and developed over the years.

In 2017, special attention was focused on the design of the processes necessary to guarantee compliance with privacy issues taking into consideration the new European regulations on Data Protection.

## **(II) Control, management and analysis of financial risk**

Within the context of the risk factors mentioned in the previous paragraph, the Enterprise Risk Management process paid particular attention to financial risk.

In order to deal with the developments in operating conditions and the legal framework, the Company implemented a policy that defines the rules and principles to (i) identify; (ii) monitor; and (iii) analyze financial risk.

### **FINANCIAL RISK MANAGEMENT POLICY:**

Introduced in 2006, the Financial Risk Management Policy, was most recently updated by the Board of Directors in January 2018 to include several amendments in view of improvements to the process and the ICFR System.

The policy sets forth the principles and rules for the management and monitoring of financial risk and pays particular attention to the activities carried out by the Luxottica Group to minimize the risks deriving from the fluctuations of interest rates, exchange rates and the solvency of financial counterparties.

The policy clarifies that the instrument used for "**interest rate risk**" hedging is "*interest rate swaps*", whereas for "*exchange risk*" "*non-speculative*" derivative instruments, such as "*spot and forward exchange contracts*" are used. In certain circumstances and subject to the specific authorization of the CFO, more flexible instruments that replicate the effect of the forward exchange contract or "*zero cost collar*", "*accumulator forward*" and "*average strike forward*" can be used.

The use of derivative instruments is aimed only at the actual hedging of exchange risk and interest rates that the group is exposed to, therefore the use of these instruments for speculative purposes is not permitted. In addition to the goal of reducing counterparty risk, the policy specifies the minimum criteria to be met in order to be able to transact with the Group. This guideline includes:

- (i) the obligation to operate with qualified banking counterparties through standard agreements (ISDA Master Agreement);
- (ii) a limit on exposure per individual counterparty;
- (iii) minimum credit credential requirements for the counterparties authorized to engage in derivative transactions.

A quarterly reporting system has also been implemented for the Control and Risk Committee since 2007 to highlight the debt exposure and the hedging transactions implemented to minimize "*interest rate*" risk, "*exchange rate*" risk and, since 2011, "*counterparty risk*".

### **ANTI-MONEY-LAUNDERING POLICY**

Luxottica has developed an anti-money-laundering policy, which has been distributed worldwide. Its goal is to guarantee that all applicable laws and regulations are respected, acting proactively and prohibiting any activity that could be considered at risk of money-laundering and/or as the financing of terrorist or criminal activities. Following the issue of the policy, specific training activities were set up for all the employees potentially involved in the activities envisaged in the Policy.

### CREDIT POLICY

This is another operational and control policy that has been implemented for some time and is applicable to all the wholesale companies of Luxottica Group. It was recently updated in February 2015.

This policy defines the rules and responsibilities for the management and control of credit in order to prevent financial risk, optimize credit controls, monitor developments and reduce losses on credit exposure. In particular, this policy sets the guidelines for the following activities:

- apportionment, control and authorization of credit lines;
- monitoring of credit trends;
- soliciting unpaid/expired credits;
- management and monitoring of legal actions;
- management and monitoring of the appropriations and losses on credits;
- determination and monitoring of terms of payment in the various markets; and
- monitoring over warranty terms.

#### **(III) Objectives of the system**

The objectives of the ICFR system have been defined consistently with the obligations laid down in SOX regulations, to which the Group was subject until September 14, 2017, and Italian Law no. 262/2005 on the Protection of Savings and Corporate Governance. The main components of the ICFR System are:

- (i) controls and procedures to comply with reporting obligations regarding financial statements, other accounting documents and all other financial documents.
  - These controls and procedures are designed to ensure that the financial information is adequately collected and communicated to the Group's Executive Chairman, Chief Executive Officer ("CEO")/ or to the Deputy Chairman – CEO from the time of his appointment, and to the Chief Financial Officer (CFO), so that they may make appropriate and timely decisions about the information to be disclosed to the market.
  - In particular, Italian Law no.262/2005 provides for the appointment of a manager responsible for the preparation of the Company's financial reports, identified by the Company as the CFO, who is responsible for the internal control system for financial reporting.
- (ii) an internal control system that supervises the preparation of the financial statements.
  - The internal control system that supervises the preparation of the financial statements has the objective of ensuring the reliability of the financial information in accordance with relevant accounting principles.
  - In addition to defining and testing the internal ICFR system in compliance with SOX requirements, as they were applicable for a part of 2017, and Italian Law no. 262/2005, Luxottica has also identified the necessary actions to ensure its optimal functioning over time.



#### **(IV) ICFR Monitoring and Updates**

The entire ICFR System must, in turn, be monitored at two levels:

- (i) by line management, supervising the significant processes; and
- (ii) by the Internal Audit department, which independently and according to an approved intervention plan must check the effectiveness of the controls and report on them to the relevant functions and bodies.

The designed control system is subject to continuous improvements. Since 2007, on the basis of experience gained internally, independent evaluations by Group's external auditors and the introduction of audit standard no. 5 adopted by the PCAOB (Public Company Accounting Oversight Board), a process for the evaluation and rationalization of the controls is in place, which allows the Company, on the one hand, to eliminate any redundant controls that burden operations without offering a real benefit in terms of strengthening the ICFR System and, on the other hand, to define and better protect the key controls and monitoring controls. This process is performed for all of the most important companies of the Group.

#### **ROLES AND FUNCTIONS INVOLVED**

In compliance with the provisions of art. 2381 of the Italian Civil Code, on the basis of the information received by the executive bodies responsible for ensuring that the organizational, administrative and accounting structure is suitable to the nature and size of the business, the Board of Directors establishes guidelines for the ICFR System and assesses their adequacy so that the major risks for the Group may be correctly identified and monitored, checking that they are also in line with the strategic objectives of Luxottica.

To this end, the Board consults with the Control and Risk Committee, personnel within the Risk Management and Compliance organization, the Manager of the Internal Audit department and the Supervisory Board on the Organizational Model provided for by Italian Legislative Decree no. 231/2001.

The foregoing is without prejudice to the supervisory and control duties, which are by law reserved to the Board of Statutory Auditors, while auditing duties are assigned to an external auditing firm, in accordance with Italian regulations.

In 2010, the Chief Risk & Compliance function of the Group was established, and was responsible for:

- (i) guaranteeing an efficient system to control against the risks linked to the business in which the Group operates;
- (ii) the monitoring of the correct performance of corporate transactions in compliance with the values of the Code of Ethics and the regulatory restrictions, ensuring the supervision and management of compliance-related operations.

This role was entrusted to Mr. Stefano Orsini, Group Risk Compliance & Asset Protection Director, on January 1, 2014, with the implementation of the new governance model. Since December 2017 the function has reported directly to the CFO of the Group.

In line with the directives of the Code of Conduct of Borsa Italiana, and so that the coherence between risk and strategic objectives can be assessed, the Function provides the Board of Directors with the necessary information for these purposes.

The Risk, Compliance & Asset Protection function has continued to consolidate its organizational structure and has adopted the appropriate tools and working methods in line with the best practices recognized at international levels.

In brief, the ICFR System, as a whole, currently involves the corporate roles, described below:

- Directors in charge of the Internal Control and Risk Management System
- Control and Risk Committee
- Internal Audit Manager
- Organizational System pursuant to Italian Legislative Decree no. 231 dated June 8, 2001
- Board of Statutory Auditors
- External Audit Firm
- Manager responsible for the preparation of the Company's financial reports

## **DIRECTORS IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

On January 29, 2016, the Board of Directors had appointed Mr. Leonardo Del Vecchio as Executive Chairman and confirmed Mr. Massimo Vian as CEO for Product and Operations, heads respectively of the Markets Division and the Product and Operations Division, identifying each of them as Directors in charge of the Internal Control and Risk Management System of their respective areas of competence, with the roles and tasks indicated in principle 7.C.4. of the Code of Conduct for Listed Companies.

Subsequently, on December 15, 2017 the Board of Directors, following the resignation of Mr. Massimo Vian from his office as CEO for Product and Operations, appointed the Chairman, Mr. Leonardo Del Vecchio, as Executive Chairman and the Deputy Chairman, Mr. Francesco Milleri, as Deputy Chairman – Chief Executive Officer, identifying both of them as Managers of the Internal Control and Risk Management System with the tasks and functions stated in standard 7.C.4. of the Self-Governance Code for Listed Companies.

## **THE CONTROL AND RISK COMMITTEE**

On April 24, 2015, the Board of Directors appointed the Control and Risk Committee, composed by independent directors Ms. Elisabetta Magistretti, Chairperson, Mr. Luciano Santel and Ms. Cristina Scocchia, all with experience in accounting, finance or risk management required by the Code of Conduct for Listed Companies.

According to the provisions of its charter, last updated in January 2018, the Committee is responsible for performing investigations, offering consultations and submitting proposals to the Board of Directors.

In particular, the Committee performs the following activities:

- assists the Board of Directors in the execution of its tasks regarding internal controls;
- evaluates the preparation of the accounting and company records, together with the manager appointed to carry out this task, having obtained the opinion of the independent auditor and the Board of Statutory Auditors; also reviews the application of accounting principles and their consistency of application for the purposes of preparation of the Group's consolidated financial statements;
- reviews the regular reports on the evaluation of the ICFR System and any particularly significant reports prepared by the Internal Audit department; furthermore, the Committee receives updates from the Board of Statutory Auditors on any auditing activities in progress;
- expresses opinions on specific aspects concerning the identification of corporate risks as well as the planning, implementation and management of the ICFR System.
- reviews the work plan prepared by the Manager of the Internal Audit Department.

On January 29, 2016, in compliance with the comment referred to in article 4 of the Code of Conduct for Listed Companies, which was introduced in July 2015, the Board of Directors resolved to entrust the Control and Risk Committee with supervision of sustainability issues linked to Company activities.

Specific expertise on auditing is assigned to the Audit Committee, described later on in this Report, in accordance with the U.S. laws to which the Luxottica Group was subject until September 14, 2017. Moreover, the Financial Expert was identified within the Audit Committee by the Board of Directors.

The Control and Risk Committee meets whenever the Chairman deems it appropriate, usually prior to the Board meetings for the approval of the annual, six-month report and quarterly financial update, or whenever a meeting is requested to be called by him by another member.

When the Committee deemed it necessary, the management of the Company and the Luxottica Group were invited to participate in meetings to discuss specific items on the agenda and to review the topics within their competence.

During the 2017 fiscal year, the Committee met 13 times, two of which were exclusively as the Committee for Transactions with Related Parties. On five occasions the Internal Control Committee during its meetings examined transactions with related parties, according to the relevant Procedure. The average meeting time was approximately two hours and forty minutes. The Committee among other activities: (i) evaluated the financial risks for the Company; (ii) examined reports of the Supervisory Board and reports regarding complaints of alleged violations of the Code of Ethics (twice a year); (iii) reviewed the reports of the Internal Audit Manager on the activities carried out; (iv) assessed the development of activities aimed at compliance with the SOX, to which the Luxottica Group was subject until September 14, 2017, as well as with Italian Law no. 262/2005; (v) evaluated the audit plan and the integration of same submitted over the year; (vi) reviewed the activities carried out to identify, monitor and manage risks; (vii) evaluated the activities carried out for the Group sustainability project and the status of the activities aimed to the non-financial statement; and (viii) met with representatives of various departments to review in detail the progress of specific projects or the management of several specific risk areas.

The Committee met twice in the first two months of 2018.

The meetings, attended by the Chairman of the Board of Statutory Auditors, or by an Auditor appointed by same, are regularly reported in the meeting minutes. Furthermore, certain meetings are joint meetings between the Committee and the Board of Statutory Auditors.

The Chairman of the Committee reports to the Board of Directors at the earliest opportunity on the most relevant issues examined by the Committee. The Committee presents a report on the activities carried out at least twice a year, prior to the approval of the financial statements and the six-monthly report.

Once a year the Committee, along with the Statutory Auditors, meets the Supervisory Body and the Manager for the preparation of the Company's financial reports.

The Committee has access to the information and the Company functions necessary for the performance of its task as well as to work with external consultants. The Board of Directors approved the allocation of funds totaling Euro 50,000 to the Committee for the 2017 fiscal year in order to provide it with the adequate financial resources to perform its tasks independently.

## **INTERNAL AUDIT MANAGER**

The Manager of the Internal Audit department is responsible for ensuring the effectiveness and suitability of the ICFR System.

Starting from October 1, 2016, on the proposal of the Directors in charge of the Internal Control and Risk Management System, having obtained the favorable opinion of the Control and Risk Committee and having consulted the Board of Statutory Auditors, the Board of Directors appointed Mr. Stefano Russo as Internal Audit Manager on July 25, 2016.

The Internal Audit Manager is not responsible for any operational area and has access to any information useful for the performance of his duties. He is provided with a budget, which is allocated consistently with the activities performed, to reach the objectives set forth in the plan approved by the competent bodies.

During the course of the fiscal year, the Internal Audit Manager performed his role through the implementation of an activities and verification plan which is related to Luxottica Group S.p.A. and its main subsidiaries. Such actions, which the Executive Chairman, the Chief Executive Officer and the Board of Directors were informed of, through the Control and Risk Committee and the Board of Statutory Auditors, have allowed the Company to identify areas for improvement of the ICFR System, for which specific plans have been implemented to further strengthen the foundation of the system itself.

The remuneration of the Internal Audit Manager, which is consistent with Company policies, has been discussed and shared by the Control and Risk Committee and approved by the Board of Directors.

With its resolution of January 29, 2016 the Board of Directors, in consideration of the choice to adopt a simplified governance model entrusted to the Executive Chairman for the Markets Division and to the Chief Executive Officer for the Product and Operations Division, had granted the Executive Chairman, within his role of providing strategic supervision and as the organizational point of contact, the power to supervise the Internal Audit department, with it being clearly understood that the latter was to report hierarchically to the Board of Directors, functionally to the Control and Risk Committee, and to the Chief Executive Officer of the different areas of competence, as well as to the Board of Statutory Auditors in its capacity as Audit Committee under U.S. SOX law, to which the Luxottica Group was subject until September 14, 2017.

Subsequently, on December 15, 2017 the Board of Directors appointed the Chairman, Mr. Leonardo Del Vecchio, as Executive Chairman and the Deputy Chairman, Mr. Francesco Milleri, as Deputy Chairman - Chief executive Officer. The power of the Executive Chairman, within the context of his strategic supervision duties, to supervise the Internal Audit Department, as the person in charge of

organization, was approved, where it is clearly understood that he is also to report hierarchically to the Board of Directors, functionally to the Control and Risk Committee, to the Deputy Chairman – Chief Executive Officer, and to the Board of Statutory Auditors.

The main activities performed by the Internal Audit Manager include, among others, the activities set out in the annual Audit Plan approved by the Board of Directors, the special projects required by the top management, compliance activities under Italian Legislative Decree no. 231/2001 and compliance activities required by SOX, to which the Luxottica Group was subject until September 14, 2017, and by Italian Law no.262/2005 on the Protection of Savings and Corporate Governance.

## **ORGANIZATIONAL SYSTEM PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001**

On October 27, 2005, the Board of Directors implemented the Organization, Management and Control System, as established by former Italian Legislative Decree no. 231/2001 in order to prevent the risk of employees and consultants of the Company carrying out illegal acts, with the consequent administrative liability as provided for by Italian Legislative Decree no. 231/2001 (hereinafter the “**Model**”). The Model, which was subsequently modified throughout the years, was last updated by the resolution of the Board of Directors on October 23, 2017.

Particular importance is given to the “point persons” of the Supervisory Board (the Operational Unit Supervisors), or to the persons that perform functions considered to be the most “sensitive” activities pursuant to former Italian Legislative Decree no. 231/2001, who constantly monitor the implementation of the Model, within their area of responsibility, and report to the Supervisory Board every six months.

In continuation of the training programs implemented over the past few years, training methods for personnel have been put in place, especially for departments that operate in “sensitive” areas pursuant to former Italian Legislative Decree no. 231/2001.

The purpose of the Model is the establishment of a structured and organized system of procedures and control activities carried out mainly for prevention, such that the system cannot be overridden unless by fraudulently failing to comply with its provisions.

To this end, the Model serves the following purposes:

- to make all those working in the name of and on behalf of Luxottica aware of the need to accurately comply with the Model, and that the violation thereof shall result in severe disciplinary measures;
- to support the condemnation by the Company of any behavior which, due to a misunderstanding of corporate interest, is in conflict with the law, rules or more generally with the principles of fairness and transparency upon which the activity of the Company is based;
- to provide information about the serious consequences which the Company may suffer (and therefore also its employees, managers and top managers) from the enforcement of pecuniary and prohibitory fines provided for in Italian Legislative Decree no. 231/2001 and the possibility that such measures may be ordered as an interim measure; and
- to enable the Company to exercise constant control and careful supervision of its activities, in order to be able to react promptly in the event that risks arise and possibly enforce disciplinary measures provided for by the Model itself.

The general part of the Model is available on the website [www.luxottica.com](http://www.luxottica.com) in the Governance/Model 231 section.

The Supervisory Board appointed on April 24, 2015, and in office for three years, until approval of the financial statements as at December 31, 2017, is composed of two external professionals, Mr. Ugo Lecis (Chairman) and Mr. Enrico Maria Bignami and the Internal Audit Manager (Mr. Stefano Russo since October 1, 2016). The Board of Directors, at the time of its appointment on April 24, 2015, considered it appropriate to maintain a Supervisory Board made up of the Internal Audit Manager and two external, independent professionals, instead of entrusting the Board of Statutory Auditors with the task, as permitted by recent amendments introduced by Italian Legislative Decree 231/2001. This choice was deemed appropriate for combining the requirements of independence and expertise, both of which are fundamental for being able to guarantee authoritativeness and effectiveness to the work carried out by the Supervisory Board.

The Board reports every six months to the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors on the activities performed.

During the 2017 fiscal year, the Board of Directors allocated specific funds, totaling Euro 50,000, in order to provide the Supervisory Board with adequate financial resources to perform its duties.

On the basis of the guidelines provided by Luxottica Group S.p.A. and of the risk assessment performed, the subsidiary companies Luxottica S.r.l., Luxottica Italia S.r.l., Oakley Sport International S.r.l. and Luxottica International Distribution S.r.l. adopted and have updated their own Organization Model pursuant to Italian Legislative Decree no. 231/2001, appointing the respective Supervisory Bodies over the years, in order to implement specific control measures relating to the different risk profile of each company.

During the 2017 fiscal year, the subsidiary Salmoiraghi & Viganò S.p.A. also adopted its own Organizational Model under Italian Legislative Decree no.231/2001 and appointed a Supervisory Body.

## **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors currently in office for the duration of three fiscal years, until the approval of the financial statements as at December 31, 2017 was appointed at the Stockholders Meeting held on April 24, 2015, and is composed of Francesco Vella, Chairman, Alberto Giussani and Barbara Tadolini. The alternate Auditors are Maria Venturini and Roberto Miccù. The appointment of the Board of Statutory Auditors currently in office took place through the list-based voting system: Alberto Giussani, Barbara Tadolini and Maria Venturini were appointed from the list submitted by the principal stockholder Delfin S.à.r.l.; Francesco Vella and Roberto Miccù were appointed from the minority list submitted by various Italian and foreign institutional investors (see the 'Appointment of Directors' paragraph).

The minimum percentage of share capital required to present a list, as established by CONSOB resolution no. 19109 dated January 28, 2015, was equal to 0.5% of share capital.

The lists and their supporting documentation, which were filed and published within the deadlines prescribed by law at the time of the presentation of the candidacies, are available for review on the Company's website under the Governance/General Meeting/Archive section.

The procedures for the appointment of Auditors are governed by art. no. 27 of the Company by-laws; for more information, please refer to the Company's by-laws. The appointment of one regular statutory Auditor, as Chairman, and of one alternate statutory Auditor shall 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 legislative decree no 58/1998 and the related regulations. With reference to the composition of the board of Statutory Auditors, the By - Laws ensure the balance between genders, according to article 148, paragraph 1 bis of the Italian Consolidated Financial Law.

The Board of Statutory Auditors supervises (i) compliance with the law and Company by-laws; (ii) compliance with proper management principles; (iii) the appropriateness of the instructions given by the Company to the subsidiary companies; (iv) the appropriateness of the Company structure with respect to the areas of responsibility; (v) the ICFR System and the administrative accounting system; (vi) the reliability of the latter in the correct reporting of the management-related issues; (vii) the financial information process pursuant to the provisions of Italian Legislative Decree no.39/2010; (viii) the efficiency of the internal auditing system; (ix) the auditing of accounts; and (x) the independence of the legal auditor.

Furthermore, the Board of Statutory Auditors (xi) verifies the procedures for the implementation of the corporate governance rules provided for by the Code of Conduct for Listed Companies; (xii) offers its opinion, pursuant to article 2389 of the Italian Civil Code, on the remuneration assigned to Directors with special roles; and (xiii) monitors the implementation of the remuneration policy.

Each Auditor reports to the other Auditors and to the Board of Directors on Company transactions in which they have an interest personally or on the account of a third-party.

The Board of Statutory Auditors presents its duly formed proposal to the Ordinary Meeting of Stockholders on the appointment of the external auditors.

In the performance of its duties, the Board of Statutory Auditors coordinates with the Internal Audit department, the Control and Risk Committee, the Risk Management department and Compliance.

The Board of Statutory Auditors verified the correct application of the criteria used by the Board of Directors to assess the independence of the Directors.

Following its appointment the Board of Statutory Auditors assessed the compliance of its members with the requirements of independence in accordance with the laws in force and the Code of Conduct for Listed Companies and also verified that these requirements were met during the 2017 fiscal year.

The Board of Statutory Auditors acted as the Audit Committee as provided for by SOX until September 14, 2017, the date on which the deregistration process from the U.S. Securities and Exchange Commission was completed. Under U.S. law, Mr. Alberto Giussani had been identified as its Financial Expert.

Furthermore, in accordance with Italian law, the Board of Statutory Auditors acts as a Committee for Internal Control and Auditing.

Consequently, the Board of Statutory Auditors:

- examined and discussed all the declarations required by SOX sections 302 and 906 with management;
- examined the management reports on the ICFR System and the declaration of the auditing company on the conclusions of the management in compliance with SOX section 404;
- examines the reports of the delegated bodies and CFO on any significant point of weakness in the planning or in the performance of internal controls which is reasonably capable of negatively affecting the capacity to record, process, summarize and disclose financial information and the shortcomings identified through the internal controls;

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

- examines the reports by the delegated bodies and Chief Financial Officer on any fraud involving management or related officers in the context of the ICFR System;
- evaluates the proposals of the auditing companies for the appointment as external auditor and submits its proposal on the appointment or revocation of the auditing company to the Meeting of Stockholders;
- supervises the activities of the external auditors and their supply of consulting services, other auditing services or certificates;
- reviews periodic reports of the external auditors on: (i) the critical accounting criteria and practices to be used; (ii) the alternative accounting processes generally accepted, once they have been analyzed together with management, the consequences of the use of such alternative processes and the related information, as well as the processes which are considered preferable by the external auditors; and (iii) any other relevant written communication between the external auditors and management;
- makes recommendations to the Board of Directors on the settlement of disputes between management and the external auditors regarding financial reporting;
- approves the procedures concerning: (i) the receipt, the archiving and the treatment of reports received by the Company on accounting matters, ICFR System matters related to the accounts and audit-related matters; (ii) the confidential and anonymous reporting on questionable accounting or auditing matters;
- assesses the requests to make use of the auditing company appointed to perform the auditing of the balance sheet for permitted non-audit services and expresses their opinion on the matter to the Board of Directors;
- approves the procedures prepared by the Company for the pre-emptive authorization of the permitted non-audit services, analytically identified, and examines the reports on the supply of the authorized services.

With particular reference to Form 20-F, namely the Annual Report drawn up in compliance with U.S. law (the Company having been listed on the NYSE until June 16, 2017), the Board of Statutory Auditors, in its capacity as Audit Committee, also carried out the following tasks:

- reviewed the financial information to be disclosed in the Form 20-F, including the audited financial statements, the management report, selected financial information and the information on market risk, together with the company management and auditing firm;
- reviewed the assessment of the quality and acceptability of accounting principles, the reasonableness of significant evaluations, the clarity of the disclosure of financial information, the management report, the selected financial information and information on market risk, together with the CFO and audit firm; and
- assessed the results of the regular and annual auditing of accounts and any other matters that must be communicated to the Board of Statutory Auditors by the auditing firm in accordance with the auditing principles in force in Italy and the U.S. and other applicable regulations.

The Board of Statutory Auditors has the appropriate skills and resources to perform the above-mentioned duties. The Board of Directors allocated the Board of Statutory Auditors acting as Audit Committee a budget of 100,000 euros for the year 2017.

In 2017 the Board met 13 times – also jointly with Control and Risk Committee - for an average meeting of more than two and a half hours. In the first two months of 2018 the Board met 5 times. During the year, the Statutory Auditors attended the meetings of the Control and Risk Committee, in addition to the Meeting of Stockholders and the meetings of the Board of Directors.

Furthermore, the Chairman of the Board of Statutory Auditors or an Auditor appointed by the latter is invited to attend the meetings of the Human Resources Committee. In 2017, the Chairman of the Board or one Auditor appointed by the latter attended all of the meetings of the Human Resources Committee.

Background information on the members of the Board of Statutory Auditors currently in office is provided below, with an indication of the year of their first appointment to the Board and the primary offices held in other companies as at December 31, 2016.

### **FRANCESCO VELLA, CHAIRMAN**

An attorney at law, Mr. Vella is a full professor of commercial law at the University of Bologna, Italy, where he currently teaches in the Master's program. He has been Chairman of the Board of Statutory Auditors of the Company since April 2009.

He has written three essays and several publications for miscellaneous journals and magazines specialized in banking, financial and corporate matters. Mr. Vella is a member of the editorial board of the following magazines: "Banca Borsa, Titoli di Credito", "Mercato Concorrenza e Regole", "Il Mulino", "Banca, impresa e società", "Giurisprudenza Commerciale" and "Analisi giuridica dell'economia", which he helped to set up, as well as the website "lavoce.info".

He is Chairman of UnipolSai Assicurazioni S.p.A. and UnipolBanca S.p.A, Chairman of the Supervisory Body of Camst Soc. Coop. a.r.l., Hera S.p.A., Enomondo S.p.A. and Bologna Fiere S.p.A.

### **ALBERTO GIUSSANI – STATUTORY AUDITOR**

Mr. Giussani received a degree in Business and Economics from the Università Cattolica in Milan, Italy, and he has been an Auditor of the Company since April 2009.

He is registered in the Register of Accountants and Tax Advisers since 1979 and in the Register of Chartered Accountants since 1995, when the Register was set up.

Between 1981 and 2000, he was a member of the Accounting Principles Commission of the Accountants and Tax Advisers and he serves currently as a member of the Management Board of the Italian Accounting Body. Between 2001 and 2008, he was a member of the Standard Advisory Council of the IASC Foundation for the provision of international accounting principles. He was a partner in the auditing company PricewaterhouseCoopers between 1981 and 2007.

He is also an auditor of Falck Renewables S.p.A. and Carlo Tassara S.p.A., member of the Board of Directors of Fastweb S.p.A. and Chairman of the Board of Directors of El Towers S.p.A.

**BARBARA TADOLINI – STATUTORY AUDITOR**

Ms. Tadolini graduated with a degree in Economics and Business from the Università degli Studi in Genoa in 1985 and she has been an Auditor of Luxottica Group S.p.A. since April 2012.

She has been registered in the Association of Certified Accountants since 1986 and has been a registered statutory auditor since 1995. She has worked at the tax consultancy firm Arthur Andersen and leading professional firms in Genoa. She currently works independently in her own firm in Genoa. Barbara Tadolini was a member of the Board of Certified Accountants in Genoa, as well as member of the National Assembly of Delegates of the "Cassa Nazionale di Previdenza e Assistenza dei dottori Commercialisti". She is also an Auditor of Parmalat S.p.A., Burke & Novi S.r.l., Francesco Baretto S.p.A. and member of the Board of Directors of UnipolSai Assicurazioni S.p.A.

All the Auditors comply with the legal requirements of such office and in particular with the requirements set forth in article no. 148, paragraph 3, of Italian Consolidated Financial Law, and are independent in accordance with the assessment criteria set forth in article 3 of the Code of Conduct for Listed Companies.

**AUDIT FIRM**

The auditing activity is entrusted to an auditing company registered in the Register of Auditors, whose appointment is approved at the Ordinary Meeting of Stockholders.

The audit firm serving until the approval of the financial statements for the year 2020 is PricewaterhouseCoopers S.p.A., in accordance with the resolution of the Ordinary Meeting of Stockholders of April 28, 2011.

**MANAGER RESPONSIBLE FOR THE PREPARATION OF THE COMPANY'S FINANCIAL REPORTS**

On April 24, 2015, the Board of Directors confirmed the Chief Financial Officer Mr. Stefano Grassi's position as the manager responsible for the preparation of the Company's financial reports given that he possesses the adequate accounting and financial skills for the role.

The appointed manager remains in office until: (a) termination of the entire Board of Directors that appointed him; (b) dismissal from the office; or (c) revocation of the office by the Board itself.

The appointed manager has been granted all the powers and resources necessary to perform his duties according to the applicable regulations of the Italian Consolidated Financial Law and of the related performance regulations. In particular, the appointed manager has been granted wide powers connected to: (i) the preparation of adequate administrative and accounting procedures for the preparation of both the separate and consolidated financial statements as well as of any notice of a financial nature; (ii) the issue of certifications pursuant to art. 154-bis paragraph 2, of the Italian Consolidated Financial Law with reference to the acts and the communications of the Company disclosed to the market and relating to the accounting report, including half-year reports, of the Company; and (iii) the issue, together with the Executive Chairman and the CEO of Product and Operations, of certificates pursuant to art. 154-bis paragraph 5, of the Italian Consolidated Financial Law, with reference to the separate financial statements, the consolidated financial statements and the half-year financial statements. More generally, the appointed manager has been granted the power to perform any activity necessary or useful for the appropriate performance of the above-mentioned task including power to expend Company funds within the limits of the powers already granted to him in a separate

power of attorney, with exception of the possibility to spend amounts in excess of the above-mentioned limits, where necessary and upon specific and justified request by the appointed manager, subject to prior approval by the Board of Directors.

### **III. By-laws, Code of Conduct and Procedures**

#### **BY-LAWS**

The current Company by-laws were most recently amended on April 29, 2016 following the resolution adopted at the extraordinary meeting of stockholders, which revised articles 12, 19 and 30.

The text of the by-laws is available on the website [www.luxottica.com](http://www.luxottica.com) in the Governance/By-laws section.

#### **CODE OF ETHICS AND PROCEDURE FOR HANDLING REPORTS AND COMPLAINTS REGARDING VIOLATIONS OF PRINCIPLES AND RULES DEFINED AND/OR ACKNOWLEDGED BY LUXOTTICA GROUP**

The Code of Ethics of Luxottica Group (“Code of Ethics”) represents the values underlying all of the Group’s business activities and is subject to constant verification and updating to reflect the proposals derived in particular from U.S. regulations.

The Code of Ethics, originally approved by the Board of Directors on March 4, 2004, has been adapted over the years and was updated by the Board in the resolution passed on January 29, 2016.

In addition to the Code of Ethics, there is a Procedure for the Handling of Reports and Complaints of Violations of principles and rules defined and/or acknowledged by Luxottica Group.

The procedure covers reports, complaints and notifications of alleged fraud, violation of ethical and behavioral principles set forth in the Code of Ethics of the Group and of irregularities or negligence in accounting, internal controls and auditing.

Complaints received from both internal and external subjects by the Group are taken into consideration: the Group undertakes to safeguard the anonymity of the informant and to ensure that the employee reporting the violation is not subject to any form of retaliation.

The reports of violations of principles and rules defined or recognized by the Group are submitted to the Internal Audit Manager, who in turn submits them to the Chairman of the Board of Statutory Auditors.

The Code of Ethics is available on [www.luxottica.com](http://www.luxottica.com), in the About us/Unique Approach/Responsible Business Practices section.

#### **PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES**

On October 25, 2010 the Board of Directors voted unanimously to adopt a new procedure to regulate transactions with related parties pursuant to the provisions of CONSOB regulation 17221/2010.

The procedure, which was approved by the former Internal Control Committee (composed exclusively of independent Directors), became applicable as of January 1, 2011.

On January 30, 2017, the Board of Directors, in compliance with the recommendation of CONSOB (see Communication no. 10078683 dated September 24, 2010), carried out an assessment on the possibility of revising the procedure, consistent with that done in 2014. In this regard, the Board, having achieved the favorable opinion of the Control and Risk Committee (composed solely of Independent Directors), resolved to make amendments to the Procedure, in line with the best practices on this subject.

The procedure regulates the execution of major and minor transactions. Transactions with and among subsidiary companies, associated companies, ordinary transactions, transactions of an inferior amount (of an amount less than Euro 1 million or, with regard to the remuneration of a member of a management or control body or managers with strategic responsibilities, of an amount less than Euro 250,000) are excluded from the application of the procedure.

The Board of Directors also reached the following decisions, among others, with regard to the interested parties involved in each individual transaction, where possible each time that: (i) the Human Resources Committee was to be involved and consulted regarding transactions for the remuneration and economic benefits of the members of the management and control bodies and managers in strategic roles and (ii) the Control and Risk Committee was to be involved in and consulted about other transactions with related parties.

Further information on the application of the procedure with regard to remuneration and assignment of benefits to the members of the management and control bodies and managers in strategic roles are stated in the Remuneration Report drawn up in accordance with art.123-ter of the Italian Consolidated Financial Law.

The Procedure is available on the website [www.luxottica.com](http://www.luxottica.com), in the Governance/Documents and Procedures section.

## INTERNAL DEALING AND INSIDE INFORMATION MANAGEMENT PROCEDURES

On July 3, 2016, the Company adopted new internal dealing and inside information management procedures with the aim of incorporating the new European provisions on the subject of market abuse and in particular EU Regulation 596/2014 and its implementation measures into the Company's procedures.

**The Internal Dealing Procedure**, last updated on January 24, 2018 regulates in detail the behavioral and disclosure obligations relating to transactions in shares, ADRs, credit instruments issued by Luxottica or derivatives or other financial instruments related to the latter, completed by so-called "relevant parties", namely Directors, Auditors of the Company and Managers with strategic responsibilities, as well as the people closely connected to these parties.

The reporting obligation is applicable to all subsequent transactions, once an equivalent value of 5000 euros has been exceeded.

**The procedure for the management of inside information**, which was last updated on July 25, 2016, in compliance with the applicable legal and regulatory provisions, regulates: the internal management and external communication of information on Luxottica and the companies of the Group, with particular reference to inside information; the establishment, keeping and updating of the register of people that have access to privileged information; the black-out periods that members of the Board of Directors, members of the Board of Statutory Auditors of the Company and managers with strategic responsibilities are obliged to respect in the trading of Luxottica securities. Both procedures are available on the website [www.luxottica.com](http://www.luxottica.com), in the Governance/Documents and Procedures section.



## APPOINTMENT OF EXTERNAL AUDITORS

The Board of Directors approved the 'Group Procedure for the Appointment of External Auditors' back in 2005, in order to protect the independence of the external auditor, which is the fundamental guarantee of the reliability of the accounting information regarding the appointing companies. This policy was last updated on January 24, 2018 with the aim of incorporating the provisions of the Italian Legislative Decree n. 135/2016, applicable since January 1, 2017.

The parent company's external auditor is the main auditor for the entire Luxottica Group.

The policy is available on the website [www.luxottica.com](http://www.luxottica.com), in the Governance/Documents and Procedures section.

## IV. Meeting of Stockholders

The Board of Directors determines the venue, date and time of each Meeting of Stockholders in order to facilitate the participation of stockholders.

The Luxottica Directors and Auditors endeavor to attend the meetings, in particular the Directors who, by virtue of their position, may contribute significantly to the discussion and report on the activities performed.

The Ordinary Meeting of Stockholders is called through a notice published by the thirtieth day prior to the date fixed for the Meeting (or by the fortieth day, in the case of the appointment of company committees), on the Company website and using the other methods prescribed by CONSOB in its Regulations. The notice of call, in compliance with legal provisions, states the necessary instructions on how to participate in the General Meeting of Stockholders, including information on the methods for finding the proxy forms, which can also be accessed through the Company website.

The Governance/General Meeting section of the Company's website contains the relevant information on Meetings of Stockholders held during the most recent fiscal years, including the resolutions passed, the notices of call, as well as the documentation concerning the items on the agenda.

Pursuant to article 12 of the by-laws, those stockholders for whom the Company has received notice by the relevant intermediary pursuant to the centralized management system of the financial instruments, pursuant to the regulations and legal provisions in force at that time, shall be entitled to attend the Meeting and to vote.

All persons entitled to attend the Meeting may be represented by written proxy in accordance with the provisions of law.

The proxy may also be granted to the representative appointed by the Company with voting instructions on all or some of the proposals on the agenda in accordance with art.135-undecies of the Italian Consolidated Financial Law.

The Company by-laws do not provide for voting by mail.

Pursuant to article 14 of the by-laws, the provisions of the law are applied in relation to the validity of the composition of the meeting and the related resolutions.

Meetings of Stockholders may be either ordinary meetings or extraordinary meetings, depending on the subject matters to be dealt with. Different quorum requirements apply to ordinary and extraordi-

nary meetings. Ordinary Stockholders' Meetings must be convened at least once a year to approve the annual financial statements of Luxottica Group S.p.A. At ordinary Stockholders' Meetings, stockholders vote upon dividend distributions, if any, appoint the directors, statutory auditors and external auditors, determine their remuneration and vote on business any matters submitted by the directors to the Stockholders' Meeting.

Ordinary stockholders' meetings of Luxottica can be convened only in one call and there are no minimum quorum requirements. Resolutions may be adopted by a simple majority of ordinary shares represented at such meeting.

Extraordinary meetings of stockholders may be called to vote upon, among other things, proposed amendments to the Bylaws, capital increases, mergers, spinoffs, issuance of convertible debentures, and similar extraordinary actions. Extraordinary stockholders' meetings are properly convened when at least one-fifth of the share capital is represented at the meeting and resolutions are adopted with the affirmative vote of at least two-thirds of the share capital represented at the meeting.

In 2017, the Ordinary Meeting of Stockholders was held on April 28 to pass resolutions on the following items on the agenda:

1. The approval of the Statutory Financial Statements for the year ended December 31, 2016.
2. The allocation of net income and distribution of dividends.
3. An advisory vote on the first section of the remuneration report in accordance with article 123-ter, paragraph 6 of Italian Legislative Decree no. 58/1998;

Luxottica has adopted Regulations for Meetings of Stockholders to ensure the regular and functional management of the Meeting of Stockholders and to ensure that each stockholder is allowed to express an opinion on the items being discussed. The Regulations are available at the Company's registered office and at the venues in which the Meetings of Stockholders are held; the Regulation is also available to the public on the website [www.luxottica.com](http://www.luxottica.com), in the Governance/Documents and Procedures section.

## V. Investor Relations

An investor relations team, which reports to the Executive Chairman, is dedicated to relations with the national and international financial community.

The website [www.luxottica.com](http://www.luxottica.com) includes a dedicated "Investors" section which provides information that may be of interest to the financial community. In order to facilitate knowledge of Luxottica's business strategies and development, information on senior management and other relevant matters, Investor Relations also utilizes financial communications tools, such as roadshows, conference calls and meetings with investors.

Documents on corporate governance are also available on the website [www.luxottica.com](http://www.luxottica.com) in the Governance section and may be requested via e-mail directed to the following address: [investorrelations@luxottica.com](mailto:investorrelations@luxottica.com).

## **Section III – Summary of the most relevant corporate events subsequent to the closing of fiscal year 2017**

Below is a summary of the most significant events that occurred after the closing of fiscal year 2017 up to the date of this Report. The most significant events have been described in the paragraphs above.

After December 31, 2017 the Board of Directors of the Company:

- a. examined the annual report concerning the organizational and accounting corporate structure of Luxottica Group, in accordance with paragraph 3 of art. 2381 of the Civil Code and Principle 1.c.1. of the Code of Conduct, confirming the adequacy of the internal control and risk management system;
- b. on the basis of the answers to a specific questionnaire, assessed the size, composition and performance of the Board itself and of the Committees;
- c. evaluated whether the requirements for independence existed, based on the information available and the information provided by the non-executive Directors by virtue of the provisions of the Italian Consolidated Financial Law and of the Code of Conduct, determining the Directors Brogi, Feola, Magistretti, Pierdicchi, Salzburger, Santel, Scocchia, Veronesi and Zappia to be independent;
- d. verified that the composition of the Board of Directors is compliant with the criteria established with respect to the maximum number of positions to be held in other companies;
- e. decided to allocate specific funds to be made available to the Committees and to the Supervisory Board in order to provide them with adequate financial resources to perform their respective tasks;
- f. evaluated the adequacy of the internal control and risk management system as described in the report in point (a) above and by the report of the Control and Risk Committee and Internal Audit Reports;
- g. reviewed the results of the Auditing activities carried out in 2017 and approved the audit plan for 2018, which had already been shared by the Control and Risk Committee;
- h. on the proposal of the Human Resources Committee, approved the remuneration policy to be submitted to the Meeting of Stockholders to be held on April 19, 2018, for an advisory vote.

In accordance with the provisions of the Code of Conduct, the Board of Statutory Auditors assessed the evaluation made by the Directors on their independence and has verified compliance with the requirements for each individual Auditor as outlined by the Code of Conduct.

The recommendations included in the letter of December 13, 2017 from the Chairman of the Corporate Governance Committee were brought to the attention of the Chairman of the Board of Directors, the Deputy Chairman- CEO, the Chairman of the Board of Statutory Auditors. The letter has been examined and discussed by the Control and Risk Committee and by the Human Resources Committee whose respective Chairpersons reported to the Board of Directors during the meeting held on February 26, 2018.

Milan, February 26, 2018

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

## COMPOSITION OF THE BOARD OF DIRECTORS AND THE COMMITTEES

| Board of Directors                 |                               |                           |                |  |           |               |   |  |                                   | Control and Risk Committee |   | Human Resources Committee |      |
|------------------------------------|-------------------------------|---------------------------|----------------|--|-----------|---------------|---|--|-----------------------------------|----------------------------|---|---------------------------|------|
| Position                           | Members/Year of birth         | Date of first appointment | In charge from | In charge until                                | Executive | Non-executive | Independent Pursuant to Civil Code and Consolidated Financial Law | *  | Other positions in office held ** | ***                        | * | ***                       | *    |
| Executive Chairman                 | Leonardo Del Vecchio (1935)   | 1961                      | 24/04/2015     | Approval of 2017 Financial Statements          | X         |               |   | 100%   | 3                                 |                            |   |                           |      |
| Deputy Chairman                    | Luigi Francavilla (1937)      | 1985                      | 24/04/2015     | Approval of 2017 Financial Statements          | X         |               |   | 87.5%  | 0                                 |                            |   |                           |      |
| Deputy Chairman - CEO              | Francesco Milleri (1959)      | 2016                      | 1/03/2016      | Approval of 2017 Financial Statements          | X         |               |   | 100%   | 0                                 |                            |   |                           |      |
| Director                           | Stefano Grassi (1973)         | 2017                      | 15/12/2017     | Approval of 2017 Financial Statements          | X         |               |   | 100%   | 0                                 |                            |   |                           |      |
| Director                           | Marina Brogi (1967)           | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 87.5%  | 3                                 |                            | X |                           | 100% |
| Director                           | Luigi Feola (1967)            | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 1                                 |                            |   |                           |      |
| Director                           | Elisabetta Magistretti (1947) | 2012                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 1                                 | X                          |   |                           | 100% |
| Director                           | Mario Notari (1964)           | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           | X             |   | 100%   | 1                                 |                            | X |                           | 100% |
| Director                           | Maria Pierdicchi (1957)       | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 2                                 |                            |   |                           |      |
| Director                           | Karl Heinz Salzburger (1957)  | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 0                                 |                            |   |                           |      |
| Director                           | Luciano Santel (1956)         | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 1                                 | X                          |   |                           | 100% |
| Director                           | Cristina Scocchia (1973)      | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 75%  | 2                                 | X                          |   |                           | 100% |
| Director                           | Sandro Veronesi (1959)        | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 62.5%  | 1                                 |                            |   |                           |      |
| Director                           | Andrea Zappia (1963)          | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements          |           |               | X   | 100%   | 1                                 |                            | X |                           | 100% |
| Number of meetings of the Board: 8 |                               |                           |                | Meetings of the Control and Risk Committee: 13 |           |               |   | Meetings of the Human Resources Committee: 6 |                                   |                            |   |                           |      |

\* Indicates the percentage of participation of the Directors in the meetings of the Board of Directors and of the Committees.

\*\* Lists the number of offices as director or auditor performed by the directors in office in other listed companies, banks, financial, insurance companies or companies of a significant size, in compliance with the criteria implemented by the Company and described in section II of this Report.

\*\*\* An "X" indicates that the member of the Board of Directors is also a member of the Committee.

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

## DIRECTORS LEAVING OFFICE DURING THE YEAR

| Name/Year of birth  | Office                         | Date of first appointment | In office since | Date of leaving office | *    | Executive | Non-executive | Independent Pursuant to Code and Italian Consolidated Financial Law |
|---------------------|--------------------------------|---------------------------|-----------------|------------------------|------|-----------|---------------|---|
| Massimo Vian (1973) | CEO for Product and Operations | 2014                      | 24/04/2015      | 15/12/2017             | 100% | X         | -             | -   |

\* Indicates the percentage of participation of the Directors in the meetings of the Board of Directors and of the Committees.

## BOARD OF STATUTORY AUDITORS IN OFFICE AS AT DECEMBER 31, 2017

| Board of Statutory Auditors                        | Members          | Year of birth | Date of first appointment | In charge from | In charge until                       | Percentage of attendance at the Board meetings | Number of other positions in office held * |
|--|------------------|---------------|---------------------------|----------------|---------------------------------------|--|--|
| Chairman, taken from the minority list             | Francesco Vella  | 1958          | 2009                      | 24/04/2015     | Approval of 2017 Financial Statements | 92%  | 2 – 1 of which listed                      |
| Statutory Auditor, taken from the majority list    | Alberto Giussani | 1946          | 2009                      | 24/04/2015     | Approval of 2017 Financial Statements | 77%  | 4 - 2 of which listed                      |
| Statutory Auditor, taken from the majority list    | Barbara Tadolini | 1960          | 2012                      | 24/04/2015     | Approval of 2017 Financial Statements | 100%   | 4 – 2 of which listed                      |
| Substitute Auditor, taken from the minority list   | Roberto Miccu'   | 1965          | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements | -  | -  |
| Substitute Auditor, taken from the majority list   | Maria Venturini  | 1954          | 2015                      | 24/04/2015     | Approval of 2017 Financial Statements | -  | -  |
| Number of meetings during the 2017 fiscal year: 13 |                  |               |                           |                |                                       |  |  |

\* Indicates the number of offices as director or auditor performed by the interested party in other listed companies indicated in book V, title V, paragraphs V, VI and VII of the Italian Civil Code, with the number of offices held in listed companies.