Report of the Board of Directors to the Ordinary Meeting of Stockholders of Luxottica Group S.p.A.

27, 28 April 2012
Dear Stockholders,

You have been convened to the Ordinary Meeting to consider and vote upon the following Agenda:

1. The approval of the Statutory Financial Statements for the year ended December 31, 2011.

2. The allocation of net income and distribution of dividends, payable in part out of the extraordinary reserve.

3. The election of the Board of Directors for the 2012 – 2014 term:
   (a) Determination of the number of members of the Board of Directors;
   (b) Election of the Directors; and
   (c) Determination of their remuneration.

4. The election of the Board of Statutory Auditors for the 2012-2014 term:
   (a) Election of the Statutory Auditors; and
   (b) Determination of their remuneration.


6. An advisory vote on the first section of the remuneration report in accordance with article 123-ter, paragraph 6 of Legislative Decree no. 58/1998.
1. STATUTORY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

Dear Stockholders,

We hereby present the statutory financial statements as at 31 December 2011 for your approval, which closed with a net income of 180,887,125 euros. We kindly ask you to refer to the annual financial report and statutory financial statements here included for any further information on this subject, and we inform you that this report will be published within the time limits provided for by law.

We recommend that you pass the following resolution:

“The Stockholders’ Meeting of Luxottica Group S.p.A., having examined the draft statutory financial statements for the fiscal year closing on 31 December 2011, the management report of the Board of Directors, the auditor’s report and the report of the Board of Directors on the items on the agenda, all of which have been deposited at the headquarters of the Company and at the Borsa Italiana (Italian Stock Exchange) within the time limits provided for by law, and published on the company website www.luxottica.com,

resolves

- to approve the statutory financial statements as at 31 December 2011, which carries a net income of 180,887,125 euros for the fiscal year.”

2. ALLOCATION OF NET INCOME AND DISTRIBUTION OF THE DIVIDENDS, PAYABLE IN PART OUT OF THE EXTRAORDINARY RESERVE

Dear Stockholders,

The Board of Directors, in consideration of the prospects for the Group development and its expectations of future income, recommends that you resolve on the distribution of a gross dividend of 0.49 euros per ordinary share, and hence per American Depository Share (ADS), payable out of the net income of the 2011 fiscal year, and in part out of the extraordinary reserve composed of profits of tax years ending after the tax year ended December 31, 2007.

Having taken the number of shares that are presently in circulation into consideration, namely 468,200,290, the total amount to be distributed would be equal to 227.1 mln euros, having taken the 4,681,025 shares directly owned by the Company on the date of the present report into consideration. The distribution would take place by withdrawing 16,992.5 euros from the net incomes for the fiscal year and allocating them to the legal reserve.

It is to be specified that the amount in question may vary due to the possible issue of new shares following the exercising of stock options on the part of the Company before the ex-dividend date. In any case, in the event that all the exercisable stock options are in fact exer-
cised before the ex-dividend date, the maximum amount to be taken for the distribution of the dividend, assuming that the number of the treasury shares of the company remains unchanged, would amount to approximately 228 million euros.

Having taken into account the calendar approved by Borsa Italiana S.p.A., we recommend that the payment date of the dividend is set for 24 May 2012, with its detachment date on 21 May 2012.

We therefore call upon you to pass the following resolution:

“The Stockholders’ Meeting of Luxottica Group S.p.A., having taken the net income for the fiscal year as set forth on the statutory financial statements as at 31 December 2011 into consideration, having taken into account the prospects for the Group development and its expectations of future income and having acknowledged the Report of the Board of Directors, resolves

1. to allocate a portion of the net income for the fiscal year, equal to ___ 1 euros, to the legal reserve in order to reach one fifth of the subscribed share capital on the date of the present meeting, in accordance with article 2430 of the Italian Civil Code;

2. to distribute a gross dividend of 0.49 euros per entitled share, and therefore per American Depositary Share (ADS), based on the whole net income for the 2011 fiscal year following the allocation stated in point 1, and for the remaining amount based on the extraordinary reserve composed of profits of tax years ending after the tax year ended December 31 2007;

3. to set the payment date of the dividend for 24 May 2012, having taken the calendar approved by Borsa Italiana S.p.A. into consideration, with its detachment date on 21 May 2012.”

With regard to the American Depositary Shares (ADS) listed on the New York Stock Exchange, it is to be specified that the ex-dividend date will coincide with 21 May 2012, as is the case for the ordinary shares, whereas the payment date of the dividend by Deutsche Bank Trusts America (“DB”), the bank that holds the ordinary shares against which the ADS have been issued and that has been entrusted with the payment in question, has been set by DB for 31 May 2012 in US$ at the US$/euro exchange rate of 24 May 2012.

Information about tax regime are exposed at the end of the Report.

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1 This amount is to be determined based on the share capital on the date of the meeting.
3. **APPOINTMENT OF THE BOARD OF DIRECTORS**

Dear Stockholders,

The term in office of the Board of Directors comes to an end with the approval of the statutory financial statements for the 2011 fiscal year. The Meeting is therefore called upon to:

- determine the number of members of the Board of Directors, which cannot be less than five nor exceed fifteen, where it is also to be noted that one Director, or at least two if the Board is composed of more than seven members, must meet the requirement of independence set forth in article 147-ter of Italian Legislative Decree no. 58/98;
- appoint the directors, who, in accordance with article 18 of the company articles of association, will remain in office for three fiscal years. This office will come to an end on the date of the meeting convened to approve the statutory financial statements for the 2014 fiscal year;
- determine the remuneration to be assigned to the Board for the full term of office.

The directors are appointed by the Meeting based on the lists submitted by the stockholders, in which each name is matched with a progressive number up to a maximum number of fifteen.

By virtue of the combined provisions of article 17 of the company’s articles of association and CONSOB resolution no.18083 of 25 January 2012, stockholders, who at the time the list is submitted, possess a shareholding equal to at least 1% of the share capital, may submit a list of candidates for appointment to the Board of Directors. We kindly ask you to refer to the capital recorded in the Trade Register, pursuant to articles 2444 and 2436, paragraph 6ff, Italian Civil Code, on the date the lists are filed.

Each candidate can be presented on only one list, under penalty of ineligibility. If several lists are submitted, these lists must not be related to each other in any way, even indirectly. Therefore, each stockholder cannot submit or participate in the submission of more than one list, even through a third party or trust company.

Furthermore, stockholders that fall into the following categories cannot submit or participate in the submission of more than one list: a) those adhering to a stockholders’ agreement regarding the shares of the Company; b) an individual and the companies controlled by this person; c) the companies subject to communal control; d) a company and its general managers or directors.

In the event of violation of these rules, the vote of the stockholder on any of the lists submitted is disregarded.

The lists, complete with the professional curriculum vitae of the selected candidates, as well as a declaration stating that they accept their candidacy, that there are no legal grounds for their ineligibility or incompatibility provided for by law and that they meet any possible requirements indicated in the list, and which must be signed by the stockholders who submitted them, must be submitted to the registered office of the Company (Milan – Via Cantu’ 2 – Monday to Friday 9:00 – 18:00, attention Corporate Affairs) or sent via email to the certified email address assemblea.luxottica@legalmail.it, no later than twenty-five days prior to the date fixed for the stockholders meeting. The Company makes the lists and their attachments available to the public at its registered office, on its website and using the other methods provided for by CONSOB at least twenty-one days before the date fixed for the stockholders’ meeting.

The ownership of the minimum shareholding, which is required in order to be able to submit the lists, is determined by taking the number of registered shares of the stockholders submit-
ting the list into consideration on the day the list is submitted to the Company and based on the subscribed share capital on that date. The related certification may also be presented to the Company after the list has been submitted, provided that this takes place before the date that the Company has fixed for the publication of the lists.

Each list can also expressly indicate, where appropriate, the directors who meet the requirement of independence provided for by the codes of conduct prepared by the organisations managing regulated markets or by trade associations.

The stockholders who intend to submit lists to appoint members of the Board of Directors are called upon to take note of the recommendations of CONSOB announcement no. DEM/9017893 of 26 February 2009.

Granted the above, the Board of Directors, acknowledging the provisions of article 17 of the company’s articles of association on the composition and methods of appointing the Board of Directors, which is to be referred to, calls upon the Meeting:

- to fix the number of members of the Board of Directors;
- to vote on the lists of candidates for the position of Director of the Company submitted and made known using the methods and within the time limits provided in article 17 of the company articles of association;
- to determine their remuneration.

4. APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

Dear Stockholders,

The term in office of the Statutory Auditors comes to an end with the approval of the statutory financial statements for the 2011 fiscal year.

The Meeting is therefore called upon to appoint the Board of Statutory Auditors, composed of three statutory auditors and two substitute auditors, which will remain in office until the approval of the statutory financial statements as at 31 December 2014. The Meeting must also determine their remuneration.

The Board of Statutory Auditors is appointed by the Meeting on the basis of lists submitted by the stockholders, according to the procedures set forth below.

The election of one Statutory Auditor, who is to take the position of Chairman of the Board, and one Substitute Auditor is reserved for the minority list – which is not relevantly associated, even indirectly, in accordance with article 148, paragraph 2 of Italian Legislative Decree 58/1998 and related regulatory provisions.

By virtue of the combined provisions of article 27 of the company’s articles of association and CONSOB resolution no.18083 of 25 January 2012, stockholders, who at the time the list is submitted, possess a shareholding equal to at least 1% of the share capital, may submit a list of candidates for appointment to the Board of Directors. We kindly ask you to refer to the capital recorded in the Trade Register, pursuant to articles 2444 and 2436, paragraph 6ff, Italian Civil Code, on the date the lists are filed.

The lists must be submitted to the registered office of the Company (Milan – Via Cantu’ 2 – Monday to Friday, 9:00 – 18:00, attention Corporate Affairs) or sent via email to the certified
email address assemblea.luxottica@legalmail.it, no later than twenty-five days prior to the date fixed for the stockholders meeting.

The lists must contain the names of one or more candidates holding the position of Statutory Auditor and one or more who hold the position of Substitute Auditor. The names of the candidates are marked under each section (statutory Auditor section, substitute Auditor section) by a progressive number and in any case must not exceed the number of members of the body to be chosen.

The lists furthermore contain, also as an attachment: (i) information regarding the identity of the stockholders that submitted the lists, with the indication of their overall percentage shareholding; (ii) a statement from the stockholders other than those that hold, also jointly, a controlling or relevant majority shareholding, attesting the absence of any relationship connected to the latter provided for by art.144-quinquies of CONSOB Regulations for Issuers no.11971/1999; (iii) exhaustive information on the personal and professional characteristics of the candidates, as well as a statement from these candidates attesting that they satisfy the requirements provided for by law and to their acceptance of the candidacy, complete with a list of director and auditing duties held by these candidates in other companies.

The Company makes the lists and their attachments available to the public at its registered office, on its website and using the other methods established by CONSOB, at least twenty-one days before the date fixed for the stockholders meeting.

The ownership of the minimum shareholding, which is required in order to be able to submit the lists, is determined by taking the number of registered shares of the stockholders submitting the list into consideration on the day the list is submitted to the Company and based on the subscribed share capital on that date. The related certification may also be presented to the Company after the list has been submitted, provided that this takes place before the date that the Company has fixed for the publication of the lists.

In the event that on the expiry of the deadline for the submission of the lists one list only has been submitted, or lists have been submitted by stockholders who are linked to each other in accordance with the applicable provisions, additional lists may be submitted up to the third day after this date. In this case, the above thresholds provided for the submission of lists are halved.

A stockholder may not submit or vote for more than one list, either individually, through a third party or through trust companies. Stockholders belonging to the same group and stockholders who are party to a stockholders’ agreement on the issuer’s shares, may not submit or vote for more than one list, even through a third party or through trust companies. A candidate may appear on one list only, under penalty of ineligibility.

The stockholders who intend to submit lists to appoint members of the Board of Statutory Auditors are called upon to take note of the recommendations of CONSOB announcement no. DEM/9017893 of 26 February 2009.
Granted the above, the Board of Directors, acknowledging the provisions of article 27 of the company’s articles of association on the composition and methods of appointing the Board of Statutory Auditors, which is to be referred to, calls upon the Meeting:

- to vote on the lists of the candidates for the position of Statutory Auditor of the Company submitted and made known using the methods and within the time limits provided in article 27 of the company articles of association;
- to determine their remuneration.


Dear Stockholders,

You have been invited to attend the ordinary meeting also to pass resolution on supplementing the remuneration to be paid to PricewaterHouseCoopers S.p.A. for the task of auditing for the 2012-2020 fiscal years, which was approved by the Stockholders’ Meeting of 28 April 2011. In this regard we kindly ask you to refer to the proposal submitted by the Board of Statutory Auditors of Luxottica Group S.p.A. reported below and to approve it.

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‘Dear Stockholders,

In the second half of 2011, the partial demerger of the subsidiary company Luxottica S.r.l. in favour of Luxottica Group S.p.A. was approved, the effects of which came into force as of January 1, 2012.

The demerger primarily involved the transfer of the following to the Company: (a) the management of brand licence and sub-licence agreements that Luxottica S.r.l was a part of and related activities including the selection and coordination phases of manufacturing and supply; and (b) the selling of glasses and products in the eyewear and similar sectors through wholesale and retail networks, carried out previously by Luxottica S.r.l and including the activities connected and instrumental thereto, including distribution and logistics.

Therefore, as a result of the aforesaid extraordinary transaction, the independent registered public accounting firm, PricewaterhouseCoopers S.p.A. (“PWC”), entrusted with the auditing of the statutory financial statements of the fiscal year and the consolidated financial statements of Luxottica Group S.p.A. for the 2012-2020 fiscal years by virtue of the resolution of the stockholders’ meeting of April 28, 2011, agreed with the management of the Company to transfer part of the remuneration initially provided for the statutory audit of Luxottica S.r.l. to Luxottica Group S.p.A. as it is estimated that PWC’s level of commitment will be much higher compared to that contemplated by the resolutions passed during the previous meeting. Therefore, due to related higher auditing costs to be borne by Luxottica Group S.p.A. there will be an equivalent reduction of the costs to be borne by Luxottica S.r.l.
In accordance with the provisions of paragraph 4.3 “Fees and other expenses” of the task proposal dated February 17, 2011, PWC has formulated a proposal to amend the previously approved remuneration, which was examined by the Board of Statutory Auditors in its meeting of February 14, 2012.

The new proposed remuneration is recorded in the table below, together with an indication of the number of anticipated hours of work:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>2012-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HOURS/YEAR</td>
</tr>
<tr>
<td>Auditing of the statutory financial statements of Luxottica</td>
<td>865</td>
</tr>
<tr>
<td>Auditing of the consolidated financial statements</td>
<td>3,725</td>
</tr>
<tr>
<td>Verification of regular bookkeeping, correct recording of data and management-related issues</td>
<td>475</td>
</tr>
<tr>
<td>Limited review of the six-month financial report</td>
<td>1,560</td>
</tr>
<tr>
<td>Review of Form 20-F</td>
<td>1,180</td>
</tr>
<tr>
<td>Review of internal controls in accordance with Section 404 of the Sarbanes-Oxley Act</td>
<td>1,155</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8,960</strong></td>
</tr>
</tbody>
</table>

The contractual provisions of the PWC proposal, on the basis of which the task of auditing was granted by the Meeting of April 28, 2011, will remain unchanged for any matters that have not been provided for by the proposed amendment.

The Board of Statutory Auditors of Luxottica Group examined PWC’s proposal, met with the auditors and representatives of various corporate departments in order to acquire information on the further activities necessary for the audit as a result of the demerger and deemed that supplementing the remuneration is fair and adequate in light of the revised activities schedule and structure.

Having taken the above into consideration, we propose that you pass the following resolution:

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

- having acknowledged the offer submitted by PricewaterhouseCoopers S.p.A. to supplement the remuneration for the audit for the 2012-2020 fiscal years;
- having examined the justified proposal of the Board of Statutory Auditors prepared in accordance with Italian Legislative Decree 39/2010;
having taken the increase in the auditing activities required of PricewaterhouseCoopers S.p.A. into consideration and deeming the request to supplement the remuneration for the execution of the task of auditing to be fair and adequate,

resolves

- to approve the proposal to supplement the remuneration submitted by PricewaterhouseCoopers, acknowledging that, for the nine-year period from 2012 to 2020;
- the annual remuneration for the auditing of the statutory financial statements of Luxottica Group S.p.A. will amount to 75,000 euros;
- the annual remuneration for the auditing of the consolidated financial statements will amount to 390,000 euros;
- the annual remuneration for the verification of regular bookkeeping, correct recording of data and management-related issues will amount to 42,000 euros;
- the annual remuneration for the limited review of the six-month financial report will amount to 157,000 euros;
- the annual remuneration for the review of Form 20-F will amount to 106,000 euros; and
- the annual remuneration for the review of internal controls in accordance with Section 404 of the Sarbanes-Oxley Act will amount to 100,000 euros;

acknowledging that the further terms and conditions of PricewaterhouseCoopers’ proposal remain unchanged, on the basis of which the task of auditing was granted by the Meeting of April 28, 2011.”

Milan, February 28, 2012
The Board of Statutory Auditors’

6. ADVISORY VOTE ON THE FIRST SECTION OF THE REMUNERATION REPORT IN ACCORDANCE WITH ARTICLE 123-TER, PARAGRAPH 6, OF LEGISLATIVE DECREE 58/1998

Dear Stockholders,
In accordance with article 123-ter, paragraph 6, of Italian Legislative Decree 58/1998 we hereby submit the first section of the remuneration report prepared by the Company to your consultative vote. The first section of the remuneration report explains the policy of Luxottica Group S.p.A. and its subsidiaries on remuneration (the “Remuneration Policy”).

The Remuneration Policy, approved by the Board of Directors on the proposal of the Human Resources Committee on 24 October 2011 (according to the recommendations of the Corporate Governance Code approved by Borsa Italiana) and subsequently amended by the Board of Directors on the proposal of the Human Resources Committee on 28 February 2012 in light of CONSOB resolution no.18049 dated 23 December 2011, may be subject to revision and
updating by the Board of Directors on the proposal of the Human Resources Committee, which will regularly assess its adequacy, overall coherence and actual application.

We wish to inform you that the full remuneration report will be made available to the public within the time limits set forth in article 123-ter, paragraph 1) of Legislative Decree 58/1998. If you agree with the content of the document stated below, we invite you to resolve the following:

“The Stockholders’ Meeting of Luxottica Group S.p.A., having acknowledged the first section of the remuneration report prepared by the Company resolves in favour of the content of the first section of the remuneration report, according to article 123-ter, paragraph 6, of Italian Legislative Decree 58/1998 and for any other purposes of law.”

Milan, 16 March 2012

For the Board of Directors
Andrea Guerra
Chief Executive Officer
REMUNERATION POLICY
1. PROCEDURES USED FOR THE ADOPTION AND IMPLEMENTATION OF THE REMUNERATION POLICY

1.1. Process for the preparation and approval of the Remuneration Policy

1. The Remuneration Policy is submitted to the Board of Directors by the Human Resources Committee for approval.

2. Once the Board of Directors has examined and approved the Remuneration Policy it is put to a consultative/advisory vote at the Ordinary Meeting of Stockholders.

3. An independent expert is involved in the preparation of the Remuneration Policy, namely the consultancy firm Hay Group Italy.

4. For purposes of the definition and revision of the Remuneration Policy, customary procedures and market remuneration trends are constantly analyzed and monitored, using data supplied by independent experts in aggregate form and without specific reference to specific companies.

1.2 The governance of the Company and the Remuneration Policy

1.2.1 The Organizational System

The Group has adopted an organizational system aimed at ensuring consistency and transparency in relation to its remuneration policy. The existing model aims at guaranteeing an appropriate control of remuneration standard practices throughout the entire Group, ensuring that informed decisions are timely made at the appropriate level of the organization.

<table>
<thead>
<tr>
<th>RESPONSIBILITY</th>
<th>AREA CONCERNED</th>
<th>BENEFICIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td>▪ Fixed remuneration</td>
<td>▪ Directors who are employees</td>
</tr>
<tr>
<td></td>
<td>▪ Variable remuneration</td>
<td>▪ Other Executives with strategic responsibilities</td>
</tr>
<tr>
<td></td>
<td>▪ Long-term Incentives</td>
<td>▪ Senior Managers</td>
</tr>
<tr>
<td>Regions/Business</td>
<td>▪ Fixed Remuneration</td>
<td>▪ Other Managers</td>
</tr>
<tr>
<td></td>
<td>▪ Variable Remuneration</td>
<td>▪ Employees of the local organizations</td>
</tr>
<tr>
<td></td>
<td>▪ Benefits</td>
<td></td>
</tr>
</tbody>
</table>
1.2.2 The Human Resources Committee

1. The Board of Directors, in accordance with the recommendations of the Code of Conduct, set up the Human Resources Committee in 2004.

2. The Human Resources Committee which is currently in office, was appointed on April 29, 2009 and its members are Claudio Costamagna (Chairman), Roger Abravanel, Sabina Grossi and Gianni Mion, who are all non-executive directors and, with the exception of Sabina Grossi, independent directors. The Chairman Claudio Costamagna has specific and adequate expertise on financial matters, in compliance with the recommendations of the Code of Conduct. The Human Resources Committee provides advice and makes proposals, in particular, with respect to the following:

- offering support and assistance to the Board of Directors on the subject of remuneration, formulating proposals for the Board of Directors on the remuneration of executive directors or directors performing special duties or executives with strategic responsibilities;

- regularly assessing the criteria adopted for the remuneration of executives with strategic responsibilities (who are different from the Directors and the general managers), supervising their application and formulating general recommendations to the Board of Directors on this topic;

- formulating and/or reviewing incentive plans to be submitted to the shareholders’ meeting for approval in accordance with article 114-bis of the Italian Consolidation Financial Law and monitoring their development and application over time;

- identifying remuneration criteria for the Group’s top management;

- periodically evaluating the criteria adopted for the remuneration of the Group’s top management and supervising their application;

- analyzing and monitoring market standard procedures and remuneration trends with particular reference to executive directors, general managers and other executives with strategic responsibilities;

- assessing the organizational requirements of the Group and the actions taken in order to efficiently allocate key positions.

In the performance of its duties, the Human Resources Committee may access relevant information and Company departments as it deems necessary and may also use external consultants and independent advisors as needed.

3. The Human Resources Committee has its own regulations approved by the Board of Directors, and all Committee decisions are required to be adopted by a favourable vote of the absolute majority of its members. The Chairman of the Board of Statutory Auditors is invited to meetings of the Committee. The minutes of Committee meetings are duly recorded by the Human Resources Director. The Committee meets whenever the Chairman deems it necessary or upon the request of another Committee member. If the Committee
deems it appropriate, executives of the Company are invited to participate so that certain topics can be discussed in detail.

4. No Director shall take part in the meetings of the Human Resources Committee where proposals are discussed concerning his/her own remuneration.

5. The Board of Directors, at the time it approved the Procedure for Related Parties, granted the Human Resources Committee the power to review transactions with related parties which are limited to resolutions concerning the granting of remuneration and financial benefits to the members of management and control bodies and to other executives with strategic responsibilities.

1.2.3 The Board of Directors

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

2. Moreover, with the assistance of the Human Resources Committee, the Board of Directors confirms that the Remuneration Policy has been implemented correctly.

2. PURPOSES AND PRINCIPLES OF THE REMUNERATION POLICY

1. The Remuneration Policy is aimed at attracting and motivating qualified professionals to pursue Company and Group objectives, as well as encouraging employee retention. Moreover, the Remuneration Policy is intended to align management’s interests with the medium- to long-term interests of shareholders while increasing the value of the Company on a sustainable basis.

2. Total remuneration is a combination of fixed and variable, direct and deferred, monetary and non-monetary components.

3. The principles which form the basis of decision making on remuneration are:

   - developing a comprehensive remuneration package that is capable of attracting and retaining critical and deserving members of the organisation of both today and tomorrow;

   - developing plans and implementing systems based on the “pay for performance” principle that is, systems and plans based on the close correlation between remuneration and actual results - both individual and general - of the organisation.
3. REMUNERATION COMPONENTS

3.1 Identification of the pay-mix

1. The remuneration available for executive directors (who are also employees of the Company or Group), general managers and executives with strategic responsibilities is comprised of (i) a fixed part (see para. 3.2 below); (ii) a short-term variable part (see para. 3.3 below); and (iii) a possible medium- to long-term variable component (see para. 3.4 below).

2. The guidelines for the composition of the fixed and variable elements of the remuneration package are defined by Human Resources management based on each segment of the employee population. With specific reference to executive directors who are also Company employees, general managers and the executives with strategic responsibilities, the Human Resources Committee defines at the Group level the pay-mix structure, determining its composition in terms of fixed and variable components, consistently benchmarking its conclusions against market trends and internal analysis.

3. Set forth below are the principles on which the remuneration packages are based for the executive directors who are also Company employees and for executives with strategic responsibilities:

- balancing the fixed and variable components of the remuneration based on the Company’s strategic objectives and its risk management policy;

- in respect of the variable component of the remuneration:

  - establishing a proportionate weighting between the short-term variable remuneration and the long-term variable remuneration;

  - tying the payment of remuneration to performance objectives that must be predetermined, measurable and linked to the creation of value for shareholders in the medium and long term;

  - establishing maximum limits for allocation of variable components;

  - providing a vesting period for the long-term variable component (see para. 3.4 below);

- supplementing the remuneration package with an adequate offer of benefits, with reference to market standard practices;

- minimizing the use of indemnities or other compensation which is stipulated ex-ante in the event of resignation, transfer from a position, dismissal or termination of the employment relationship;

- monitoring and analyzing standard remuneration procedures and best practices implemented in the reference market with the objective of ensuring a total remuneration package that is both as competitive as possible and market aligned.
3.2 Fixed remuneration

The fixed remuneration component is essentially correlated to the significance of the position (managerial complexity, nature of the objectives and uniqueness of the skills required). The Company consistently monitors market practice with respect to the components of fixed remuneration, in order to align itself with best practices and also confirms that remuneration levels are being consistently applied across the Group.

3.3 Variable remuneration: Management by Objectives (“MBO”)

1. The variable remuneration component is aimed at rewarding the results achieved by establishing a direct connection between remuneration and short term performance.

2. To strengthen the alignment between management’s/employees’ interests with those of the shareholders, the performance measurement references the actual results achieved by the Company or Group as a whole, by the reference business unit and by the individual.

3. The main instrument used in connection with variable remuneration is the Management by Objectives system (“MBO”), which is primarily, however not exclusively, used for Group management and which over time has become the only formalized short-term incentive method.

4. Annual incentives reward individuals who attain quantitative and qualitative performance objectives and take the form of a variable bonus. The main performance objective used - which is applied to all managerial positions - is EPS (Earning per Share), the weight of which in the context of the objectives assigned may vary depending on the role of the individual manager. EPS performance may be coupled with other financial indicators (for example, the DEBT/EBITDA ratio), with business indicators (Net Sales, DOP – Division Operating Profit, etc.) or by function objectives based on the characteristics and specific elements of various positions.

5. The individual performance objectives must be objectively defined and measurable; they can be linked both to business managerial targets (processes/projects) as well as to organizational development targets (skills, abilities). In any case, the assigned objectives must be:

   - **specific**: the goal of each objective that is to be attained must be clearly and factually stated and the expected results must also be identified;
   - **measurable**: the expected results are calculated through easily understandable indicators that are based on factual evidence;
   - **results-oriented**: objectives must be defined with reference to the Company’s and Group’s general strategy and long-term objectives;
   - **time specific**: intermediate steps and deadlines must be clearly and precisely defined.

6. The performance, evaluation and communication of the level of achievement of the assigned objectives is a continuous process marked by three fundamental meetings over a twelve-month period:
Definition and communication of objectives for the year (by the end of February of the reference year);

Mid-year performance evaluation (halfway through the reference year), to check the level of achievement of results in the first part of the year and to define any corrective actions if required;

Final performance evaluation and communication of the level of achievement of the assigned objectives (by the end of January of the following year).

Performance objectives are reviewed by the Human Resources Committee and subsequently shared with the Board of Directors.

7. The allocation of the variable remuneration component is subject to maximum limits, which are differentiated in accordance with the position held by the individual within the Company and the Group, the ability to influence results and the reference market. The variable remuneration target values for managers can vary from 30% to 100% of the fixed remuneration. The maximum pay-out values, on the other hand, can range from 45% to 200% of the aforementioned target values.

8. According to the MBO system adopted by the Company, there are no deferral arrangements for more than one year for payment of the variable remuneration component and, as a rule, the variable component is generally paid in the fiscal year after the reference year, once the relevant data has been finalized. The Board of Directors may from time to time evaluate the introduction of forms of deferral for the payment of the variable remuneration component if it is deemed appropriate on account of the position held by certain key personnel and their responsibilities and subject to the opinion of the Human Resources Committee.

9. The incentive plans for the head of internal control and for the director responsible for preparing corporate accounting documents are consistent with the tasks they are entrusted with.

3.4 Variable Remuneration: Long-Term Incentives (“LTI”)

1. The variable remuneration also has a long-term component which is mainly aimed at directing the actions of management towards achieving identified strategic objectives and retaining Group key personnel.

2. For top managers that hold key positions within the Group, a share allocation plan linked to achieving performance objectives (Performance Shares Plan) is in place. The plan provides for beneficiaries to receive ordinary Luxottica shares free of charge, under the condition that the consolidated EPS (Earning per Share) exceeds all the performance objectives defined by the Board of Directors at the time of allocation of the shares which are measured over a specific three-year fiscal period.

3. Another long-term incentive mechanism used by Luxottica since 1990 are stock option plans, which are also allocated on an annual basis. These plans are aimed at retention, by
providing an incentive, and are awarded to managers and employees in recognition of their potential for professional growth within the Group in the medium term.

4. The stock option plans beneficiaries are identified from among those individuals that have had open-ended contracts of employment with the Company or one of its subsidiaries for at least one year at the date of allocation. The allocation criteria takes into account the position held by the beneficiaries in the Company or in the subsidiaries, the individual performance results attained by the beneficiary in the year prior to the allocation date, and the potential for professional growth within the Group in the medium term.

5. A vesting period of three years is provided for the stock option plans; as a rule, the vesting of these options is not dependent on the attainment of performance objectives.

6. There are no provisions set forth for both types of long-term incentives for the directors and executives with strategic responsibilities (beneficiaries of the plans) requiring that they hold a portion of the acquired shares for any specified period. Likewise there are no provisions for deferred payment systems or any corrective arrangements _ex-post_. However, the Board of Directors, subject to the opinion of the Human Resources Committee, may evaluate whether to include a provision on this matter in the regulations for these incentives on the occasion of a proposal to approve long-term incentive plans in accordance with article 114- _bis_ of the Consolidated Law on Finance.

7. The identification of beneficiaries and the granting of rights in the context of long-term incentive plans take place annually and are generally approved by the Board of Directors after the financial statements are approved at the annual Shareholders’ Meeting.

8. The Board of Directors, upon the recommendation of the Human Resources Committee, can submit to the Shareholders Meeting, according to article 114- _bis_ of the Consolidated Law on Finance, proposals related to long term incentive plans of any kind (including those tied to securities), as long as they are consistent with the above-mentioned purpose and consistent with _best practice_ in the market.

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

The remuneration package for executive directors, general managers, executives with strategic responsibilities and senior managers also includes non-monetary benefits (such as, for example, company cars and telephone), as well as supplementary insurance (i.e. supplementary health insurance, etc.) with the objective of providing the most competitive remuneration package in line with the best practices available in the relevant local markets. Furthermore, in addition to life and non-professional accident insurance coverage provided for by the CCNL\(^2\), the registration in a fund that reimburses supplementary health expenses is offered in addition to the fund set forth by the CCNL.

\(^2\) _Contratto collettivo nazionale di lavoro – Italian collective labour agreement_
3.6 Compensation in the event of resignation, dismissal or termination of the employment relationship

1. With the sole exception of the Chief Executive Officer, there are no agreements between the Company and its directors, the general managers or the executives with strategic responsibilities providing for compensation in the event of resignation, dismissal or termination of the employment relationship.

2. The payment of extraordinary benefits or compensation, at the end of the mandate or employment relationship, is not included in the Company’s and the Group’s general policy on remuneration (without prejudice, in any case, to legal obligations and/or CCNL obligations towards employees). Nevertheless, the Company may agree on special treatment with respect to a termination of office or employment relationship for individual Directors performing special duties, or general managers or executives with strategic responsibilities, if it is deemed opportune in order to attract and retain particular professional personnel.

3. Any termination or severance agreement must be prepared in accordance with reference benchmarks on the subject and within the limits defined by case law and standard practices in the country in which the agreement is entered into.

3.7 Non-competition agreements

1. The Group provides for the possibility of entering into non-competition agreements with Directors, general managers, executives with strategic responsibilities and senior managers at the end of their mandate or employment relationship.

2. In accordance with case law and standard practice, these agreements may provide for payment of compensation recorded in the Gross Annual Income (“GAI”), related to the duration and the extent of the restriction imposed by the agreement itself.

3. The non-competition obligation should refer to the product sector in which the Group operates at the time of entering into the agreement as well as the geographical limits; the extent of the obligation also will vary depending on the position held by the individual at the time the employment relationship is terminated.

4. THE REMUNERATION OF THE DIRECTORS

4.1 The basic remuneration of directors

In accordance with law and the articles of association, the remuneration paid to directors for the positions they hold is determined at the Shareholders’ Meeting, and may include either the aggregate amount of remuneration to be paid or specific details on how it is to be divided among the directors.

4.2 The remuneration of directors performing special duties

1. The remuneration of directors performing special duties is determined by the Board of Directors, on the proposal of the Human Resources Committee, at the time of their appointment or in the first meeting that follows the Committee’s appointment.
2. In particular, the Board of Directors can decide upon the favourable opinion of the Board of Statutory Auditors to award additional remuneration supplementing the fixed remuneration which is generally determined at the Shareholders’ Meeting for the Directors performing special duties at the time of their appointment (see para. 4.1 above).

3. Therefore, the remuneration of directors performing special duties can be composed of: (i) an annual fixed component, that may take the special duties of the directors into consideration; and (ii) in the case of directors who are delegated specific tasks, a medium to long-term variable component (in particular, these directors may be the recipients of medium to long-term incentive plans; see para. 3.4. above). The variable component represents a significant part of overall remuneration paid to these directors (as a general rule, the percentage represented by the variable remuneration of total remuneration may vary between 55% and 65%).

4. Similar criteria is also relevant for general managers of the Company.

5. In several cases special positions are held in companies controlled by Luxottica and involve the allocation of remuneration due to the time commitment required.

4.3 The remuneration of non-executive Directors

1. The remuneration of non-executive Directors is not connected to the achievement of specific performance objectives on the part of the Company. Furthermore, these directors are not the recipients of medium to long-term incentive plans.

2. The non-executive Directors who are members of the committees set up within the Board of Directors (namely, the Human Resources Committee and the Internal Control Committee) receive additional remuneration for these positions, which are determined by the Board of Directors, upon the favourable opinion of the Board of Statutory Auditors.

3. The additional remuneration allocated according to the above procedure is awarded on the recommendation of the Human Resources Committee, it being clearly understood that in this case each director abstains from voting on the proposals regarding his/her own remuneration.

4.4 The remuneration of directors with strategic responsibilities

1. The identification of the most significant members of staff is carried out by the Chief Executive Officer, after consultation with the General Manager of Central Corporate Functions and the Human Resources Director. The group of executives with strategic responsibilities includes the top managers in Italy and abroad.

2. For the executives with strategic responsibilities, the annual variable remuneration (made up of MBO and LTI incentive plans, according to the statements above) represents a significant part of overall remuneration: as a general rule, the percentage represented by the variable remuneration of total remuneration may vary between 55% and 65%.
Dividend distribution

Tax Regime – Holders of ordinary shares

The gross amount of dividend paid to shareholders of Italian listed companies whose shares are registered in a centralized deposit system managed by Monte Titoli S.p.A, who are individuals and are Italian resident for tax purposes, will be subject to a 20 percent final substitute tax, provided the shareholding is not related to the conduct of a business and if these persons do not hold a “qualified” shareholding.

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

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

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

Italian law provides for a 20 percent final substitute tax rate on dividends paid to Italian residents who are exempt from corporate income tax.

Dividends paid to beneficial owners who are not Italian residents and do not have a permanent establishment in Italy to which the shares are effectively connected are generally subject to a 20 percent substitute tax rate. However, reduced rates of substitute tax on dividends are available to non-Italian resident beneficial owners who are entitled to such reduced rates and who promptly comply with procedures for claiming benefits under an applicable income tax treaty entered into by Italy or under the Italian domestic Law. Under the currently applicable Italy-U.S. Treaty, for example, an Italian substitute tax at a reduced rate of 15 percent may apply, in certain cases, to dividends paid by Luxottica Group to a U.S. resident entitled to treaty benefits who promptly complies with the procedures for claiming such benefits, provided the dividends are not effectively connected with a permanent establishment in Italy through which the U.S. resident carries on a business or with a fixed base in Italy through which the U.S. resident performs independent personal services. Moreover, under the currently applicable Italian domestic legislation, (i) companies and entities subject to corporation tax and resident in countries that are members of the European Union (the “EU”) or participants in the European Economic Area (the “EEA”) and are included in the list provided for by Italian Ministerial Decree, September 4, 1996 (as amended and supplemented) (the “Decree”), are entitled to reduced tax rate of 1.375% on distributions of profits for the tax years ending after the tax year ended December 31, 2007; and (ii) pension funds established in a EU or EEA country included in the list provided for by the Decree, are entitled to reduced tax rate of 11% on profits distributed on or after July 29, 2009.

The substitute tax regime does not apply if ordinary shares representing a “non-qualified” interest in Luxottica Group are held by an Italian resident shareholder in a discretionary investment portfolio managed by an authorized professional
intermediary, and the shareholder elects to be taxed at a flat rate of 20 percent on the appreciation of the investment portfolio accrued at year-end (which appreciation includes any dividends), pursuant to the so-called discretionary investment portfolio regime – regime del risparmio gestito.

**Tax regime – Holders of ADSs**

Dividends paid to Deutsche Bank Trust Company Americas, as depositary of the Ordinary Shares for which ADSs were issued, and afterward paid by Deutsche Bank Trust Company Americas to the ADS holders, who are not Italian residents and do not have a permanent establishment in Italy to which the ADSs are effectively connected, will be subject to the provisional 20% Italian substitute tax, through Deutsche Bank S.p.A., as Italian custodian of said ordinary shares on behalf of Deutsche Bank Trust Company Americas.

Concurrently with the delivery of the Proxy Statement, the Depositary has mailed to all ADS holders the documentation containing the detailed procedure for obtaining the full or partial refund of said substitute tax, where allowed. Full or partial refund of the substitute tax may be claimed by ADS holders (i) having residence for tax purposes in Italy or in countries which have entered into anti-double taxation treaties with the Republic of Italy allowing for application of reduced or nil tax rate; or (ii) which are companies or entities subject to corporation tax and resident in countries that are members of the EU or participants in the EEA and are included in the list provided for by Ministerial Decree of September 4, 1996 (as amended), and as such entitled to a reduced substitute tax rate of 1.375% on dividends from profits of the tax years ending after the tax year ended December 31, 2007; or (iii) which are pension funds established in an EU or EEA country included in the list provided for by Ministerial Decree of September 4, 1996 (as amended), and as such entitled to a reduced tax rate of 11% on dividends distributed on or after July 29, 2009.

By no later than September 20, 2012 ADS holders having residence for tax purposes in Italy and who are entitled to get the dividend gross of the Italian withholding tax, may thus submit to Deutsche Bank Trust Company Americas the documentation certifying the right to the application of no substitute tax under the applicable tax system (Form from A to G “Dividend beneficial owner’s statement”).

Within September 20, 2012 ADS holders not resident in Italy for tax purposes shall submit to Deutsche Bank Trust Company Americas the documentation – signed before 24th May 2012 – stating the right of application of the reduced tax under any anti-double taxation treaties between that ADS holder Country of residence and Italy or under Italian domestic law - instead of the full 20% tax rate incurred upon payment (Form 6166 and DIV/EX for US residents, Form DIV/EX or Form DIV/EX 2 or Form DIV/EX 3, to be sent in any case along with a suitable residence certificate, and possibly a tax status certificate issued by the relevant tax authorities of the foreign State, for residents of other Countries).

As soon as the required documentation is delivered by Deutsche Bank Trust Company Americas to the bank in charge of payment, i.e. Deutsche Bank S.p.A., this bank shall endeavor to effect repayment to the ADS holder of the balance between the 20% withheld at the time of payment and the rate actually applicable under the Italian domestic law or under any anti-double taxation treaty between Italy and the shareholder’s Country of residence. By way of example, Italy and the United States (as well as many other countries) are parties to a tax treaty which contemplates, in certain cases, the application of a 15% withholding tax on the dividends paid, if the necessary documentation is promptly submitted. Therefore, U.S. resident ADS holders covered by the treaty entitled to the 15% rate provided by the treaty have the opportunity of being repaid - by Deutsche Bank S.p.A., through Deutsche Bank Trust Company Americas - the difference between the 20% already withheld at the time of first payment, and the 15% withholding tax provided for by the Italy-United States tax treaty currently in force, thus receiving a further 5% gross dividend.

In any case, since in the past many ADS holders were not able to supply the certificates required within the deadline (especially non Italian resident ADS holders, because foreign tax authorities may take more than two months to issue this documentation), Luxottica Group recommends to start in advance the procedure for obtaining the refund by sending the necessary forms – which are available on website www.luxottica.com - to Deutsche Bank Trust Company Americas.
(Form from A to G for Italian residents, Form 6166 and DIV/EX for U.S. residents, Form DIV/EX or Form DIV/EX 2 or Form DIV/EX 3, to be sent in all cases along with a suitable residence certificate and possibly a tax status certificate issued by the relevant fiscal authorities of the foreign State, for residents of other Countries) - such documents must be signed. The procedure applied by Deutsche Bank Trust Company Americas and Deutsche Bank S.p.A. contemplates that, as soon as Deutsche Bank Trust Company Americas receives the necessary documentation from ADS holders, it will transmit it to Deutsche Bank S.p.A. which, after performing the necessary checks, will communicate refund details to Deutsche Bank Trust Company Americas which in turn will actually effect payments through DTCs (Depositary Trust Companies).

Please note that in order for non-Italian resident ADS holders to take advantage of the accelerated tax refund (Quick Refund), the necessary documentation must be signed by the respective Tax Authority within May 24, 2012 (the dividend payment date in Euros), and must be received by Deutsche Bank Trust Company Americas within September 20, 2012, or by Deutsche Bank S.p.A. within September 27, 2012.

Luxottica Group recommends to all ADS holders who are interested in taking advantage of such refund to request more detailed information as to the exact procedure to be followed from Deutsche Bank Trust Company Americas (ADR Department, telephone +1-800-876-0959; fax +1-866-888-1120, attn. Gina Seroda) or Deutsche Bank S.p.A. (Piazza del Calendario, 3 - 20126 Milano Mr. Michele Vitulli, Tel. +39-02-4024-3938 Michele.vitulli@db.com or Mr. Roberto Aurì, Tel. +39-02-4024-3406 roberto.auri@db.com or Mrs. Daniela Galeazzì, Tel. +39-02-4024-5350, daniela.galeazzì@db.com or Ms. Elena Geruntino, Tel. +39-02-4024-2627, elena.geruntino@db.com) or directly from Luxottica Group (Investor Relations Department, tel. +39.02.86334718; fax +39.02.86334092).

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