

LUXOTTICA GROUP S.P.A.

**INTERNAL PROCEDURE FOR APPROVAL OF
SERVICES TO BE ASSIGNED TO THE AUDIT FIRM IN
CHARGE OF THE STATUTORY AUDIT AND TO ITS
NETWORK**

Last Update: July 24, 2017

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Introduction

The European regulatory framework governing statutory audits comprises Directive 2014/56/EU of 16 April 2014 (the “Directive”) and Regulation EU No. 537/2014 of 16 April 2014 (the “Regulation”).

The Regulation and the Directive, the latter transposed into Italian law through Legislative Decree No. 135/2016, which amended Legislative Decree No. 39 of 27 January 2010 (hereinafter also “Leg.D.39/2010”), set out a series of measures applied to statutory audits of accounts, as well as certain requirements, relating to the Audit Committee, applicable solely to Public Interest Entities (“PIEs”).

The Regulation introduced additional, more stringent rules, compared with those already in force, applicable only to audit of the aforementioned entities, introducing restrictions in terms of approval of the assignment to audit firms of engagements for certain categories of services.

This Procedure has been prepared, in accordance with regulatory developments, in order to comply with the requirement of independence of the entity charged with the statutory audit of the accounts and to provide guidelines for the evaluation process referred to the assignment of engagements for certain types of services by the Company, its subsidiaries and parents to the audit firm and the member entities of its network.

This Procedure is also intended to achieve efficiency and an orderly performance in the planning of the activities carried out by the Audit Committee, in approval processes and in the internal corporate organisation.

1. Definitions and scope of application

For the purpose of the application of this Procedure, the following definitions are adopted:

- **LUXOTTICA GROUP:** for the purpose of this Procedure, the Company, as PIEs, and its European subsidiaries and European parents as defined in Legislative Decree No. 127/1991;
- **AUDIT FIRM’S NETWORK:** this is the broader - national and international – structure to which the audit firm belongs, and comprises the entities identified in accordance with article 1, paragraph 1, letter l), of Leg.D.39/2010 and article 149-bis, paragraph 2, of CONSOB’s Resolution No. 11971 of 14 May 1999 and subsequent amendments and supplements (“Issuers’ Regulation”);
- **AUDIT COMMITTEE (hereinafter, the “AC”):** in accordance with article 19, paragraph 2, of Leg.D.39/2010, this is identified as the board of statutory auditors (Collegio Sindacale) of Luxottica Group SpA, also in its capacity as Audit Committee for the purpose of the Sarbanes-Oxley Act;
- **STATUTORY AUDIT FIRM:** pursuant to article 1, paragraph 1, letter q), of Leg.D.39/2010, this is a firm qualified to carry out statutory audits pursuant to Leg.D.39/2010 that is listed in a special Registry maintained by the Ministry of the Economy and Finances, or a firm qualified to carry out statutory audits in another member state of the European Union pursuant to the legislation implementing Directive 2006/43/CE, as amended by Directive 2014/56/UE, in force in that member state.

This document defines the general principles and operating procedures for assigning certain types of services to the firm in charge of the statutory audit of the accounts and to the member firms of its network by entities of the Luxottica Group, and is designed to set up an internal oversight system to monitor, at a group level, engagements for mandatory audit services required by law, for audit services with simplified approval and for services to be approved by the AC, assigned to the audit firm and its network, with the aim of monitoring compliance with the regulations for PIEs, safeguarding the independence of the statutory audit firm.

The scope of application of this Procedure, in light of the independence requirements established by Leg.D.39/2010, the Regulation and the Issuers' Regulation, also extends to engagements assigned to the member firms of the audit firm's network.

2. Types of services

The types of services governed by this Procedure are:

- Mandatory audit services ("Audit Services");
- Audit services with simplified approval ("Audit Related Services");
- Non-audit services to be approved by the AC ("Non-Audit Services"); and
- Prohibited services.

2.1 Mandatory audit services

Mandatory audit services and other activities required by law comprise the following:

- Statutory audits of separate and consolidated financial statements in accordance with articles 14 and 16 of Leg.D.39/2010, assigned by PIEs within the Luxottica Group, and statutory audit activities in accordance with article 14 of Leg.D.39/2010 for the respective subsidiaries and parent companies;
- Audits of annual and interim financial statements in accordance with applicable national and international laws and regulations;
- Reviews of condensed interim financial statements as of 30 June as required by article 154ter of Legislative Decree No. 58/1998 (the 'consolidated act on financial intermediation') and as recommended by CONSOB in its communication No. 97001574 of 20 February 1997;
- Audits of reporting packages prepared for the purpose of annual and interim consolidation;
- Activities prescribed by applicable national law and applicable regulations, to be performed by the auditor or audit firm, as well as non-prohibited services that by law are assigned by an authority (for instance, a court);
- Audits for the purpose of issuing a report on the system of internal control pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

2.2 Assurance services approved by the AC with simplified approval procedure

Assurance services with simplified approval procedure (i.e. services that are considered to be approved by the AC before the event, as per the rules and process defined in paragraph 4 below) comprise, at a minimum, those for the following activities:

- Due diligence procedures (financial, legal and tax due diligence) on entities, businesses or property to be acquired, disposed of or leased;
- Audit services for the purpose of the issuance of attestations or comfort letters, on financial statements and/or trial balances for publication in prospectuses, information documents, offering memoranda and similar documents issued, including but not limited to the documents mentioned in Assirevi's Research Document No. 132 and in Statement on Auditing Standards - SAS 72 "Letters for underwriters and certain other requesting parties";
- Issuance of reports following audit activities (e.g. on pro forma figures, reports pursuant to ISAE 3402, ISAE 3000, etc.), for the benefit of Luxottica Group, supervisory authorities, market bodies (comfort letters, opinions, etc.);

- Assurance services for the purpose of the issuance of attestations on accounting statements or non-accounting documents required by national or supranational administrations for awarding grants/funds to finance specific projects;
- Assurance services for the purpose of the issuance of attestations on the system of internal control;
- Assurance services for the purpose of the issuance of attestations concerning fiscal matters and an entity's tax returns, required by law (e.g. issuance of certificates of compliance);
- Agreed-upon procedures engagements;
- Training services.

2.3 Services that need to be approved beforehand by the AC

Services that need to be approved beforehand by the AC are all services other than the mandatory audit activities and activities required by law illustrated in paragraph 2.1 above and other than the audit services with simplified approval illustrated in paragraph 2.2 above.

Such services need to be defined in light of their nature; they are services other than those illustrated in paragraphs 2.1 and 2.2, other than prohibited services mentioned in paragraphs 1 and 2 of article 5 of the Regulation (referred to in article 17, paragraph 3, of Leg.D.39/2010 as amended by Legislative Decree No. 135/2016) that may be provided by the audit firm performing the statutory audit of the entity's accounts or by member firms of its network to the audited entity, to its parent companies or its subsidiaries, subject to approval of the AC for each engagement.

2.4 Prohibited services

Prohibited services are those listed in article 5 of the Regulation, as referred to in article 17, paragraph 3, of Leg.D.39/2010, i.e.:

- a) Fiscal services concerning:
 - i. The preparation of tax forms;
 - ii. Payroll taxes;
 - iii. Customs duties;
 - iv. Identification of public subsidies or tax incentives, unless assistance by the statutory auditor or audit firm with reference to that services is required by law;
 - v. Assistance in the event of tax audits by the tax authorities, unless assistance by the statutory auditor or audit firm with reference to those audits is required by law;
 - vi. Calculation of direct and indirect taxes and deferred taxes;
 - vii. Tax advice;
- b) Services that involve a role in the management or decision-making process of the audited entity;
- c) Bookkeeping and preparation of accounting records and financial statements;
- d) Payroll accounting services;
- e) Design and implementation of internal control and risk management procedures in relation to the preparation of and/or control over financial reporting, or design and implementation of technological systems for financial reporting;
- f) Valuation services, including actuarial valuations or valuations performed in connection with assistance in the event of disputes;
- g) Legal services concerning:

- i. The role of head of general legal affairs;
 - ii. Negotiation on behalf of the audited entity; and
 - iii. Acting as the entity's legal counsel in litigation;
- h) Services related to the internal audit function of the audited entity;
- i) Services related to the financing, structure and allocation of capital, and the investment strategy of the audited entity, except for attestation services in relation to the financial statements, such as the issuance of comfort letters in connection with prospectuses issued by the audited entity;
- j) Promotion, negotiation or subscription of shares in the audited entity;
- k) Services involving human resources, concerning:
- i. Executives capable of exercising significant influence on the preparation of accounting records or the preparation of the financial statements that are the subject of statutory audits, when such services involve:
 - Search and selection of candidates to such positions; or
 - Verifying references of candidates to such positions;
 - ii. Structuring the design of the organisation; and
 - iii. Cost control.

3. Rules for and process of assigning mandatory audit services

As concerns mandatory audit services, these do not need any approval by the AC because they must necessarily be assigned to the statutory auditor or audit firm based on laws or other provisions, also from other authorities.

The process of assigning statutory audits to an audit firm is governed by the applicable laws (article 16 of the Regulation and articles 14 and 16 of Leg.D.39/2010).

4. Rules for and process of simplified approval procedure of assurance services

As concerns engagements for audit services illustrated in paragraph 2.2, the services listed below are considered to be approved beforehand by the AC, and therefore can be assigned to the statutory audit firm or to member firms of its network without prior approval, when the fees for the individual service do not exceed Euro 20 thousand and the total annual fees do not exceed Euro 150 thousand:

- Due diligence procedures (financial, legal and tax due diligence) on entities, businesses or property to be acquired, disposed of or leased;
- Audit services for the purpose of the issuance of attestations or comfort letters, on financial statements and/or trial balances for publication in prospectuses, information documents, offering memoranda and similar documents issued, including but not limited to the documents mentioned in Assirevi's Research Document No. 132 and in Statement on Auditing Standards - SAS 72 "Letters for underwriters and certain other requesting parties";
- Issuance of reports following audit activities (e.g. on pro forma figures, reports pursuant to ISAE 3402, ISAE 3000, etc.), for the benefit of Luxottica Group, supervisory authorities, market bodies (comfort letters, opinions, etc.);
- Assurance services for the purpose of the issuance of attestations on accounting statements or non-accounting documents required by national or supranational administrations for awarding grants/funds to finance specific projects;
- Assurance services for the purpose of the issuance of attestations on the system of internal control;

- Assurance services for the purpose of the issuance of attestations concerning fiscal matters and an entity's tax returns, required by law (e.g. issuance of certificates of compliance);
- Agreed-upon procedures engagements;
- Training services.

The process for assigning such engagements is detailed as follows:

- Once a year, the AC meets and resolves to approve beforehand these types of engagements by category, setting the thresholds mentioned above for the company's financial commitment, and approval is recorded in the minutes of the meeting;
- Once a year, the AC sends the minutes of simplified approval to all the interested parties (board of directors, boards of statutory auditors/ACs of parent companies/subsidiaries, audit firm);
- The company's administrative/corporate functions submit periodical reports about the nature and number of engagements that were actually assigned in the period based on the simplified approval resolution, to all the interested parties (board of directors, boards of statutory auditors/ACs of parent companies/subsidiaries, audit firm).

5. Rules for and process of approval of services by the AC

As concerns engagements for the services illustrated in paragraph 2.3, these can be assigned to the statutory audit firm or to member firms of its network subject to approval by the AC.

The process for assigning such engagements is detailed as follows:

- The requesting function of the Group entity involved sends an information note to the Chief Accountant containing the key features of the engagement and the reasons for assigning it; the note shall contain the information listed in the Appendix hereto;
- The Chief Accounting Officer ("CAO") submits a request for the engagement to be approved to the AC;
- CAO assesses the request and decides whether to approve the service, based on the independence risks identified in article 10 of Leg.D.39/2010 and verifying the list of prohibited services in article 17, paragraph 3, of Leg.D.39/2010; if in favour of approval, the AC makes a resolution and approval is recorded in the minutes of the meeting;
- The AC notifies approval of the individual service to the requesting function and to all interested parties;
- Periodically, the AC submits summaries of services approved to all interested parties (board of directors, shareholders, audit firm).

APPENDIX

NOTE FOR ASSIGNING NON-AUDIT SERVICES TO THE STATUTORY AUDIT FIRM AND TO MEMBER FIRMS OF ITS NETWORK	
For the kind attention of Mr. [...], Chief Accounting Officer	
Group entity:	
Requesting Function:	
Person in charge of the activity:	
Scope of the engagement: <i>(Provide a detailed description)</i>	
Start date and duration of engagement:	
Member firm of the audit firm's network	
Total contractual fees:	
Reasons for assigning the engagement:	
Place, date	Signed by the head of the requesting Function