

LUXOTTICA GROUP S.P.A.

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**PROCEDURE FOR RELATED PARTIES TRANSACTIONS**

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## 1. FOREWORD

This procedure (the “**Procedure**”) governs the related parties transactions made by Luxottica Group S.p.A. (“**Luxottica**” or the “**Company**”) and by companies controlled by it, in accordance with the Set of Rules adopted by the National Commission for Companies and the Stock Exchange (Consob) resolution no. 17221 of March 12, 2010 (the “**Set of Rules**”).

## 2. DEFINITIONS

2.1 In addition to the definitions contained in other articles, capitalized terms used in this Procedure have the meaning indicated below, it being understood that this meaning is valid both in the singular and in the plural form:

**Independent Directors:** the directors acknowledged as independent by the Company pursuant to the Self-Regulatory Code of Listed Companies of Borsa Italiana S.p.A. (the “**Self-Regulatory Code**”).

**Unrelated Directors:** directors other than the counterparty of a given transaction and its Related Parties.

**To Control/Control:** the power to direct the financial and management policies of an entity in order to obtain advantages from its activities. Control is assumed to exist when a party owns - directly or indirectly through its Controlled Companies – more than half the voting rights of an entity, unless - in exceptional cases – it can be clearly demonstrated that such ownership does not entail Control. Control also exists when a party owns half, or less than half, the voting rights that can be exercised at the shareholders meeting if this party has:

- (a) the control of more than half the voting rights under an agreement with other investors;
- (b) the power to direct the entity’s financial and management policies under a by-laws or an agreement;
- (c) the power to appoint or to remove the majority of members of the board of directors or of an equivalent corporate governance body, and board or body controls the entity;
- (d) the power to exercise the majority of voting rights at the meetings of the board of directors or of an equivalent corporate governance body, and that board or body controls the entity.

**Joint Control:** contractually established sharing of Control over an economic activity.

**Executives with Strategic Responsibilities:** the parties who directly or indirectly have the power and the responsibility for planning, management and control of the

company's activities, including the company's directors – whether executive or non-executive ones – and the statutory auditors.

**Substantial Influence:** the power to participate in the determination of the financial and management policies of an entity without having Control of it. A Substantial Influence can be achieved through the ownership of shares, through by-laws clauses or agreements. If a party directly or indirectly – for example through Controlled Companies - owns 20% or a higher percentage of the votes that can be cast at the shareholders meeting of a partially owned company, said party is assumed to have a Substantial Influence, unless it is possible to clearly demonstrate the contrary. On the other hand, if the party directly or indirectly – for example through Controlled Companies - owns less than 20% of the votes that can be cast at the shareholders meeting of the partially owned company, this party is assumed not to have a Substantial Influence, unless such an influence can be clearly demonstrated. The presence of a party owning the absolute or relative majority of voting rights does not necessarily prevent another party from having a Substantial Influence. The existence of a Substantial Influence is usually implied by the occurrence of one or several of the following circumstances:

- (a) representation in the board of directors, or in an equivalent body, of the partially owned company;
- (b) participation in the decision-making process, including the participation in decisions regarding dividends or any other type of profit distribution;
- (c) the presence of relevant transactions between the owner company and the partially owned company;
- (d) the exchange of key personnel;
- (e) the sharing of essential technical information.

**Significant Interest:** means, with regard to a company, the direct or indirect ownership of a shareholding higher than 5% of the share capital or sharing, between the company and a subsidiary or affiliate company with which the transaction takes place, one or more Executives with Strategic Responsibilities beneficiaries of incentive plans (or of variable remuneration) linked directly and in a relevant way to the results achieved by such subsidiary or affiliate company.

**Joint Venture:** a contractual agreement with which two or several parties undertake an economic activity subject to Joint Control .

**Related Party Transaction:** any transfer of resources, services or obligations between Related Parties, regardless of whether consideration has been given. In any case, the following transactions are included: (a) mergers, demergers or non-proportional demergers if made with Related Parties; (b) each decision concerning the granting of remunerations and economic benefits, in whatever form, concerning the members of the management and supervisory bodies, and Executives with Strategic Responsibilities.

**Small Amount Transactions:** Related Parties Transactions in which the foreseeable maximum consideration amount or the foreseeable maximum amount of the performances charged to the company does not exceed, for each transaction:

- (a) Euro 250,000, per year, with reference to the granting of remunerations and economic benefits, in any form, to a member of a management or supervisory body, or to an Executive with Strategic Responsibilities;
- (b) generally, Euro 1 million for other Related Parties Transactions or in the event of several Related Parties Transactions conducted with a same Related Party which are a series of related or similar transactions or implement a single project.

**Transactions of Greater Relevance:** Related Parties Transactions in which at least one of the following relevance indexes – which are applicable according to the specific transaction type - is greater than 5%:

- (a) Value relevance index: it is the ratio between the transaction value and either the net worth taken from the most recent balance sheet published (consolidated balance sheet, if any) by the company or - for listed companies – if higher, the company's capitalization measured at the close of the last open market day included in the reference period of the most recent periodic accounting document published (annual or semi-annual financial report or interim report). If the economic conditions of the transaction are determined, the transaction value is:
  - (i) for the cash components, the amount paid to/by the contractual counterparty;
  - (ii) for the components made up of financial instruments, the fair value determined, on the transaction date, in compliance with the international accounting principles adopted with the Set of Rules (CE) no.1606/2002;
  - (iii) for the transactions involving financing or the granting of guarantees, the maximum amount that can be paid.

If the transaction economic conditions depend in whole or in part on magnitudes which are not yet known, the transaction value is the maximum receivable or payable value under the agreement;

- (b) Assets relevance index: it is the ratio between the total assets of the entity concerned by the transaction and the total assets of the company. The data to be used must be taken from the most recent balance sheet published (consolidated balance sheet, if any) by the company; if possible, similar data must be used to determine the total assets of the entity concerned by the transaction. For the transactions involving the acquisition and transfer of

shareholdings in companies that have an impact on the consolidation, the numerator value is the total assets of the partially owned company, regardless of the capital percentage concerned. For transactions involving the acquisition or transfer of shareholdings in companies that do not have an impact on the consolidation area, the numerator value is:

- (i) in the case of acquisitions, the transaction value increased by the liabilities of the target company possibly assumed by the purchaser;
- (ii) in the case of transfers, the consideration paid for the assets transferred.

For transactions involving the acquisition or transfer of other assets (other than the acquisition of a shareholding), the numerator value is:

- (i) in the case of acquisitions, the higher of the consideration paid and the accounting value that will be attributed to the asset;
  - (ii) in the case of transfers, the assets' accounting/book value;
- (c) Liabilities relevance index: the ratio between the total liabilities of the target entity and the total assets of the company. The data to be used must be taken from the most recent balance sheet published (consolidated balance sheet, if any) by the company; if possible, similar data must be used to determine the total liabilities of the company or of the business unit acquired.

**Transactions of Lesser Relevance:** Related Parties Transactions other than Transactions of Greater Relevance and Small Amount Transactions.

**Ordinary Transactions:** Related Parties Transactions that: (a) belong to the ordinary operating activity or the related financial activity of the company; and (b) are conducted under conditions (i) which are similar to those usually applied to unrelated parties for transactions of corresponding nature, scope and risk, (ii) which are based on regulated rates or on imposed prices, or (iii) which correspond to those applied to parties for which the law requires the company to enter into agreements with a set consideration.

**Executive Bodies:** depending on the circumstances and the governance model adopted by the board of directors, the Chief Executive Officer/s, each within the limit of authority granted by the Board of Directors.

**Related Party:** a party who:

- (a) directly or indirectly, also through Controlled Companies, trustees or intermediaries:
  - (i) Controls the company, is Controlled by the company, or is under common Control with it;
  - (ii) holds a shareholding in the company such as to exert a Substantial

Influence on the company;

- (iii) exerts Joint Control over the company;
- (b) is an Affiliated Company of the company;
- (c) is a Joint Venture in which the company takes part;
- (d) is one of the Executives with Strategic Responsibilities of the company or of its controlling company;
- (e) is a Close Relative of one of the parties referred to under letters (a) or (d) above;
- (f) is an entity in which one of the parties referred to under letters (d) or (e) exerts the Control, Joint Control or Substantial Influence, or holds, directly or indirectly, a significant share – in any case not lower than 20% - of voting rights able to be exercised at a shareholders meeting;
- (g) is a complementary, collective or individual, Italian or foreign pension fund, created in favor of the employees of the company, or of any other entity related to it.

**Issuers' Regulations:** the set of rules adopted under Consob resolution no. 11971 of May 14, 1999, as amended.

**Unrelated Shareholders:** the parties who have the right to vote other than the counterparty of a given transaction and the parties who are related both to the counterparty of a given transaction and/or to the company.

**Affiliated Company:** any Italian or foreign entity, even without legal personality, such as in the case of a partnership, in which a member exerts a Substantial Influence but not Control or Joint Control.

**Controlled Company:** any entity, even without legal personality, such as in the case of a partnership, subject to the Control of another entity.

**Close Relative:** each relative who is expected to be able to influence, or be influenced by, the concerned party in its relationships with the company. Close Relatives can include: (a) one's not legally separated spouse and one's common law wife/husband; (b) one's children and the persons dependent on and in the care of the party, the not legally separated spouse or the common law wife/husband.

**Consolidated Law on Finance:** Legislative Decree no. 58 of 24<sup>th</sup> February 1998.

- 2.2 The definitions of Related Party and Related Party Transaction, and the other definitions referred to therein, are interpreted making reference to the set of international accounting principles adopted according to the procedure referred to in article 6 of the set of rules (CE) no. 1606/2002.

### 3. SCOPE OF APPLICATION

3.1 The provisions of the Set of Rules and of this Procedure do not apply to Small Amount Transactions.

3.2 Without prejudice to the provisions of art. 5, para. 8, of the Set of Rules and of paragraph 3.3 below, the provisions of the Set of Rules and of this Procedure do not apply:

- (a) To compensation plans based on financial instruments, approved by the shareholders meeting pursuant to art. 114-*bis* of the Consolidated Law on Finance, and to the related executive transactions;
- (b) To the resolutions of the board of directors concerning the remuneration of managers holding particular offices - other than the resolutions passed pursuant to art. 2389, para. 3, of the Civil Code – as well as of Executives with Strategic Responsibilities, provided that:
  - (i) the company has adopted a remuneration policy;
  - (ii) the remuneration policy was defined with the participation of a committee exclusively made up of non-executive managers the majority of whom are Independent Directors;
  - (iii) a report illustrating the remuneration policy was subject to the advisory vote of the shareholders meeting;
  - (iv) the remuneration granted is consistent with such policy;
- (c) to Ordinary Transactions, provided that, when different from Small Amount Transactions, the Executive Bodies shall inform the Board of Directors in case of Transactions made with Executives with Strategic Responsibilities within the Company, within its controlling company or with related parties linked to such executives;
- (d) to Related Parties Transactions with or between Controlled Companies, even jointly among them, as well as to those with Affiliated Companies, provided that in the Controlled Companies or in the Affiliated Companies which are counterparties in such transactions there is no Significant Interest of other Related Parties of the Company.

3.3 If a Transaction of Greater Relevance is an Ordinary Transaction according to this Procedure, the Company:

- (a) shall notify Consob - within the term set forth in article 5, paragraph 3, of the Set of Rules - of the counterparty, the purpose and the consideration of the transactions which benefited from the above exclusion;
- (b) shall disclose in the interim report and in the annual report– among the

information provided for by article 5, paragraph 8, of the Set of Rules - which transactions subject to the information obligations set forth in said provision were concluded availing of the exclusion contemplated in this article.

3.4 Without prejudice to the provisions of art. 5 of the Set of Rules, the provisions of the Set of Rules and of this Procedure do not apply – if the Company’s By-laws expressly allows it – to the Related Parties Transactions which are not governed by the shareholders meeting, and must not be authorized by the shareholders meeting, and which are approved under urgent conditions, provided that:

- (a) If the Related Party Transaction to be carried out is within the scope of responsibility the Executive Bodies, the chairman of the board of directors is informed about the urgent circumstances before carrying out the Related Party Transaction;
- (b) without prejudice to its effectiveness the Related Party Transaction subsequently becomes the subject-matter of a non-binding resolution of the next subsequent shareholders meeting;
- (c) the board of directors prepares for the shareholders meeting a report containing an adequate justification of the urgent circumstances;
- (d) the board of auditors reports to the meeting on their own evaluations on the existence of the urgent circumstances;
- (e) the report and the evaluation referred to under points (c) and (d) above are made available to the public at least twenty-one days before the date set for the meeting at the registered office, and in the manners set forth under Title II, Section I, of the Issuers’ Regulations.
- (f) by the day after the shareholders meeting, information on voting results, with particular regard to the number of total votes expressed by those shareholders that are not related are made available to the public – according to Title II, Chapter I, of the Issuers’ Regulations.

#### **4. RULES CONCERNING RELATED PARTIES TRANSACTIONS**

##### **4.1 Transactions of Lesser Relevance**

- (a) The board of directors and the Executive Bodies approve the Transactions of Lesser Relevance with the prior reasoned and non-binding recommendation of a committee on the interest of the Company in the transaction execution, as well as on the convenience and on the substantial correctness of the transaction conditions.
- (b) The committee is made up of at least three non-executive Unrelated Directors, the majority of whom are Independent Directors.

- (c) For each Transaction of Lesser Relevance, the committee's members are appointed – if this is not done by the board of directors – by the Executive Bodies, after hearing the chairman of the board of auditors. The board of directors can directly appoint the permanent committee members, can increase their number, if necessary, and can entrust the functions of this committee to one of the committees already established within the board that meets the necessary composition requirements.
- (d) The Executive Bodies make sure that the committee's members receive promptly, by email or fax, complete and adequate information on the Transaction of Lesser Relevance as well as, in case of transactions defined as standard or equivalent, objective verification elements in this regard. If the Transaction of Lesser Relevance is within the field of responsibility of the board of directors, either the chairman or the Executive Bodies ensure that the same information is transmitted, by email or fax, to directors at least three days prior to the meeting.
- (e) Without prejudice to what is provided for above, the chairman ensures that adequate information on the Transactions of Lesser Relevance within the scope of responsibility of the board is supplied to all directors, in compliance with art. 2381 of the Civil Code, as well as to the board of auditors.
- (f) The committee must provide its recommendation before the definitive approval of the Transaction of Lesser Relevance by the board of directors, if the transaction is within the scope of responsibility of this latter. In the other cases, before the Company undertakes to execute it.
- (g) The committee has the right to be assisted by one or several independent experts of their choice and at the expense of the Company.
- (h) If the board of directors does not include at least two Independent and Unrelated Directors, the recommendation provided for by paragraph (a) above is provided by an independent expert, appointed by the chairman of the board of directors, after hearing the chairman of the board of auditors.
- (i) The resolutions of the board of directors which approve a Transaction of Lesser Relevance must be adequately justified, taking into consideration the interest of the Company in the transaction execution, as well as the convenience and the substantial correctness of the transaction conditions.
- (j) The Executive Bodies report to the board of directors and to the board of auditors, at least every quarter, on the execution of the Transactions of Lesser Relevance.
- (k) Without prejudice to the other communication obligations provided for by applicable law provisions, within fifteen days from the end of each quarter of the business year the Company makes available to the public, at the registered office and in the manners indicated under Title II, Section I, of the Issuers' Regulations, as well as on its web site, a document indicating the identity of the

counterparty, the purpose and the consideration of the Transactions of Lesser Relevance approved in the reference quarter in the presence of a negative evaluation of the committee (or of the independent expert in the case governed by point (h) above), as well as of the reasons why such negative evaluation was disregarded. The negative evaluations of the committee are to be attached to the document.

## 4.2 Transactions of Greater Relevance

- (a) The board of directors is exclusively responsible for the approval of Transactions of Greater Relevance.
- (b) The Executive Bodies ensure that a committee made up of at least three Independent and Unrelated Directors is involved in the negotiation and the enquiry phases, through the receipt of complete and adequate information on the Transaction of Greater Relevance, in compliance with what is provided for by paragraph 4.1(d) above. The committee, moreover, can take part in the negotiation phase and in the enquiry one, asking for information and making remarks to the Executive Bodies and the parties in charge of the negotiations or the enquiry. The committee can delegate, for this purpose, one or several of its members. The committee is governed, *mutatis mutandis*, by paragraphs 4.1(c), 4.1(d), 4.1(e), 4.1(f) (part one), 4.1(g), and 4.1(i) above.
- (c) The board of directors passes resolutions on Transactions of Greater Relevance:
  - (i) With the prior favourable recommendation of the committee set forth in point (b) above taking into account the interest of the Company in the transaction execution as well the convenience and substantial correctness of the transaction conditions; or
  - (ii) With the favourable vote of the majority of Independent Directors (without prejudice to the majorities in any case necessary to adopt the resolutions of the board according to law and the by-laws).
- (d) The board of directors can approve a Transaction of Greater Relevance, also in the presence of a contrary opinion of the majority of Independent Directors, when: (i) if allowed by the by-laws of the Company, the ordinary shareholders meeting previously authorized the transaction's execution; (ii) if the Unrelated Shareholders who take part in the meeting at the time of voting represent more than ten percent of the share capital with voting rights, and the majority of Unrelated Shareholders do not express a contrary vote.

If the provision referred to in paragraph (ii) is not included in the by-laws, the Board must include in the resolution proposed to the shareholders a provision that allows the Board to execute the resolution only with the favorable vote of the majority referred to in paragraph (ii).
- (e) In the case indicated under point (c)(i) above, if the board of directors does not

include at least three Independent and Unrelated Directors, the recommendation is given by an independent expert, appointed by the chairman of the board of directors, after hearing the chairman of the board of auditors.

#### **4.3 Transactions within the responsibility of the shareholders meeting**

- (a) Outside the cases set forth in paragraph 4.2(d) above, and without prejudice to the provisions of point (b) below, when a Transaction of Lesser Relevance or a Transaction of Greater Relevance is within the scope of responsibility of the shareholders meeting, or must be authorised by the shareholders meeting, the provisions of articles 4.1 and 4.2 shall apply with reference to the approval – by the board of directors – of the draft resolution to be presented to the meeting.
- (b) The draft resolutions concerning Transactions of Greater Relevance can also be approved in the presence of a contrary opinion of Independent Directors. In such a case, the board of directors shall not implement the resolutions of the shareholders meeting or shall not carry out the management acts authorised by the shareholders meeting if the Unrelated Shareholders who take part in the meeting at the time of voting represent more than ten percent of the share capital with voting right and the majority of the voting Unrelated Shareholders vote against the proposal of the board of directors.
- (c) If expressly allowed by the by-laws of the Company, in the event of an emergency due to situations of corporate crisis, the Related Parties Transactions within the scope of responsibility of the shareholders meeting, or that must be authorized by the meeting, can be conducted in derogation from the provisions of articles (a) and (b) above, provided that:
  - (i) the board of directors prepares a report containing an adequate justification for the urgent circumstances;
  - (ii) the board of auditors reports to the meeting on its own evaluations about the existence of the urgent circumstances;
  - (iii) the report and the evaluations mentioned under points (a) and (b) above were made available to the public at least twenty-one days before the date set for the shareholders meeting at the registered office and in the manners indicated under Title II, Section I, of the Issuers' Regulations.

If the evaluations of the board of auditors are negative, the board of management cannot execute the transaction if the Unrelated Shareholders who take part in the meeting at the time of voting represent more than ten percent of the share capital with voting rights and the majority of the voting Unrelated Shareholders vote against the proposal of the board of directors. Otherwise, by the day after the meeting date, the Company shall make available to the public, in the manners indicated under Title II, Section I, of the Issuers' Regulations, the information concerning the results of the meeting's vote, with particular

regard to the total number of votes expressed by Unrelated Shareholders.

#### **4.4 Framework Resolutions**

- (a) The board of directors can approve, with one single resolution, a series of related or similar Related Parties Transactions with the same Related Parties or with certain categories of Related Parties.
- (b) In the case indicated under point (a) above, and without prejudice to what is provided for by article 3 above:
  - (i) the provisions of articles 4.1 and 4.2 above apply to the framework resolution of the board of management according to the foreseeable maximum amount of the Related Parties Transactions which are referred to therein, considered in the aggregate;
  - (ii) the provisions of articles 4.1 and 4.2 above do not apply to individual Related Parties Transactions conducted implementing a framework resolution of the board of directors, provided that the resolution:
    - (1) is effective for no longer than one year;
    - (2) references sufficiently specific Related Parties Transactions;
    - (3) indicates the foreseeable maximum amount of the transactions that – within the resolution effectiveness period – that can be conducted under the resolution itself;
    - (4) adequately illustrates the conditions of the transactions;
  - (iii) on a quarterly basis, the chairman or the Executive Bodies inform the board of directors about the implementation of framework resolutions.

#### **5. RELATED PARTIES TRANSACTIONS MADE BY CONTROLLED COMPANIES**

- (a) This Procedure also applies to the Related Parties Transactions made by Controlled Companies that were previously examined by the board of directors of the Company, or by one Company Executive with Strategic Responsibilities, without prejudice to the fact that what is provided for by article 3 above also applies to the above-mentioned Related Parties Transactions made by Controlled Companies.
- (b) In order to implement what is provided for by point (a) above, Controlled Companies shall promptly inform the Company's Secretary of the Company regarding the Related Parties Transactions that they intend to approve, providing the Company's Secretary with the information and the documentation necessary to implement what is required in accordance with this Procedure.

**6. NOTICES TO THE COMPANY**

- (a) The Related Parties of the Company shall promptly transmit to the Company's Secretary the information necessary to enable the Company to meet the obligations set forth under the Set of Rules and by the Procedure.
- (b) The chairman or the Executive Bodies ensure(s) that the executive in charge of drawing up the accounting records of the company is promptly notified about all the Related Parties Transactions approved in accordance with the Set of Rules and this Procedure in order to meet the information obligations under art. 154-*bis* of the Consolidated Law on Finance.

The Company shall apply the Procedure beginning January 1, 2011.