

**EssilorLuxottica**

*Société anonyme*

Registered office: 147, rue de Paris, 94220 Charenton-le-Pont, France  
712 049 618 R.C.S. Créteil  
(the “**Company**”)

**RULES OF PROCEDURE OF THE BOARD OF DIRECTORS**

(Adopted by the Board of Directors at its meeting of November 18, 2003 and amended by the Board of Directors at its meetings of November 18, 2004, January 24, 2007, November 26, 2009, November 25, 2010, November 24, 2011, February 27, November 25, 2013, November 25, 2014, December 2, 2015, December 6, 2016, December 6, 2017, February 28, 2018 and October 1, 2018)

(the “**Board Rules of Procedure**”)

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\* These Board Rules of Procedure are not part of the Articles of Association of the Company and are not binding on third parties. They cannot be invoked by third parties or shareholders against the Company or its officers. In any case of discrepancy between these Board Rules of Procedure and the Articles of Association of the Company, the Articles of Association shall prevail.

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## **PREAMBLE**

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The board of directors of the Company (the “**Board**” or the “**Board of Directors**”) is mandated by all of the shareholders and acts in the interests of the Company. It exercises the role and powers granted to it by applicable laws and regulations, as set forth by Articles 15 and 18 of the articles of association of the Company (the “**Articles of Association**”).

These Board Rules of Procedure apply to all current and future members of the Board (each, a “**Director**”) and are intended to supplement the legal, regulatory and statutory provisions in order to outline the precise rules of operation of the Board and its special Committees in the interests of the Company and its shareholders. It also sets out the missions and powers of the executive chairman of the Board of Directors (*Président-Directeur Général*) (the “**Executive Chairman**”) and the executive vice-chairman of the Board of Directors (*Vice-Président-Directeur Général Délégué*) (the “**Executive Vice-Chairman**”).

It includes, as Annex 1 hereto, the charter applicable to any Company’s Director (the “**Director’s Charter**”) setting out the rights and obligations of Directors.

By extension, these Board Rules of Procedure apply to any person who may attend permanently or punctually the Board’s or special Committees’ meetings.

At its meeting held on March 4, 2009, the Board decided to comply with the “*Corporate Governance Code of Listed Corporations*” (*Code de gouvernement d’entreprise des sociétés cotées*) of the AFEP/ MEDEF, as may be amended from time to time (the “**AFEP/ MEDEF Code**”), which is available on the website of the MEDEF (<http://www.medef.fr>).

Essilor (“**Essilor**”) announced on January 16, 2017 the conclusion of an agreement with Delfin S.à r.l. (a Luxembourg company) (“**Delfin**”) in connection with a proposed combination of Essilor with Luxottica Group S.p.A. (an Italian listed company) (“**Luxottica**”) (as further amended, supplemented and/or implemented, the “**Combination Agreement**”). These Board Rules of Procedure reflect the governance principles agreed upon between Essilor and Delfin in the Combination Agreement and are without prejudice to the provisions of the implementation letter entered into between Delfin and Essilor on May 25, 2018. They will become applicable as from the date of the completion of the contribution by Delfin of the Luxottica shares it holds to Essilor and shall remain applicable until the Board will have approved new rules of procedure (or amended the existing ones)<sup>1</sup>.

Pursuant to the provisions of the Combination Agreement, a committee shall be put in place in order to provide in particular a forum to review integration issues. Such committee shall be an operational committee (distinct from the special Committees of the Board of Directors) and is referred hereto as the “**Integration Committee**” (see Section 3 below).

These Board Rules of Procedure, which are subject to regular review by the Board, in particular after its self-assessment, are published in whole or partly on the corporate website or reproduced in the annual registration document of the Company.

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<sup>1</sup> It is also acknowledged that in addition to these Board Rules of Procedure, Luxottica shall remain subject - for as long as Luxottica is a listed company –to article 16 of Consob Resolution no. 20249 of 28 December 2017 (including with respect to Luxottica’s independent negotiation capacity with clients and suppliers, as well as any group cash pooling structure being consistent with Luxottica’s corporate interest).

## 1. GENERAL PRINCIPLES OF THE BOARD OF DIRECTORS

### 1.1 Composition

All Directors are expected to act in the Company's interest and to possess the following essential qualities: (i) ability to judge, in particular, situations, strategies and people, based primarily on his or her own experience; (ii) a capacity to anticipate that enables him or her to identify risks and strategic issues; (iii) integrity, regularity of attendance, active participation and involvement.

The composition of the Board is organized as to enable it to fully perform its duties independently and objectively. The Directors, based on their expertise and complementary professional experiences, have a duty to be vigilant and exercise complete freedom of judgment. This freedom of judgment allows them to participate independently in the decisions and work of the Board and, where applicable, its special Committees.

The Board will consider what would be the desirable balance within its membership and within that of the Committees of the Board, in particular as regards the diversity (representation of women and men, nationalities, international experience, skills, etc.). It will publish in the annual report the objectives, methods and results of its policy on these matters.

At least half of the members of the Board of Directors shall be independent, consistently with the governance rules agreed upon between Essilor and Delfin in the Combination Agreement. Director(s) representing the employee shareholders as well as Directors representing employees are not taken into account when calculating this percentage. The Board of Directors decides whether or not a Director is independent, based on the recommendation of the Nomination and Compensation Committee.

### 1.2 Independence

#### 1.2.1 Definition of an "Independent Director"

A Director is considered independent when he or she has no relationship of any kind whatsoever with the Company, its Group<sup>2</sup> or the management that may interfere with his or her freedom of judgement.

The criteria to be reviewed by the Nomination and Compensation Committee and the Board in order for a Director to qualify as independent and to prevent risks of conflicts of interest between the Director and the management, the Company, or the Group, are the following:

1. not to be and not to have been during the course of the previous five years:

- an employee or executive officer<sup>3</sup> of the Company;

- an employee, executive officer or director of a company belonging to the Group (other than a director of the Company, Essilor International (former *Delamare Sovra*) or Luxottica);

2. not to be an executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee or an executive officer of the Company (currently in office or having held such office during the last five years) is a director;

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<sup>2</sup> In these Board Rules of Procedure, "Group" means the Company and any and all entities which the Company controls, "control" having the meaning set forth in Paragraphs I and II of Article L. 233-3 of the French Commercial Code.

<sup>3</sup> In these Board Rules of Procedure, "executive officer" designates the Executive Chairman, the Executive Vice-Chairman and any Deputy CEO of the Company; "non-executive officer" designates any non-executive Chairman of the Board (if any); "company officers" includes both the executive officers and the non-executive officer (if any).

3. not to be a customer, supplier, commercial banker or investment banker (or be linked directly or indirectly to these persons):
  - that is material to the Company or its Group;
  - or for a significant part of whose business the Company or its Group accounts;
4. not to be related by close family ties to a Company's officer;
5. not to have been an auditor of the Company within the previous five years;
6. not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of twelve years is reached.

The Board of Directors (based on the recommendation of the Nomination and Compensation Committee) may consider that, although a Director meets the criteria set out above, he or she cannot be held to be independent owing to the specific circumstances of the person or the Company, due to its ownership structure or for any other reason. Conversely, the Board may consider that a Director who does not meet these criteria is nevertheless independent.

### 1.2.2 Independence and capital shareholding

Directors representing major shareholders (either as employees, executive officers or directors of said shareholders) of the Company may be considered as being independent, provided that these shareholders do not take part in the control of the Company.

Nevertheless, beyond a 10% holding of shares or 10% of the voting rights, the Board, upon a report from the Nomination and Compensation Committee, should systematically review the qualification of a Director as independent in the light of the break-down of the Company's capital and the existence of a potential conflict of interest.

The Board should take appropriate action to assure the shareholders and the market that its duties will be performed with the necessary independence and objectivity.

### 1.3 Conflicts of Interest

Any Director (whether he/ she is an individual Director or a permanent representative of a legal entity holding directorship) of the Company shall consider himself or herself as being bound by the provisions of Article 19 of the AFEP/ MEDEF Code, the Director's Charter included as Annex 1 to these Board Rules of Procedure together with the rules set forth in the following paragraphs.

#### 1.3.1 Situations giving rise to Conflict of Interest

Any Director who is directly or indirectly exposed to an actual or potential conflict between his/ her interests (or those of the legal entity holding directorship he/ she represents) and those of the Company (or any company of the Group) because of the positions that he/ she holds, and/ or any interests that he/ she has elsewhere (a "**Conflict of Interest**"), shall inform the Executive Chairman and the Executive Vice-Chairman, as well as the Chairperson of the relevant Committees as the case may be. When a Director takes office and by January 31 of each year, he/ she shall prepare (and update when needed) and submit to the Executive Chairman, the Executive Vice-Chairman and the Nomination and Compensation Committee, a statement indicating any actual or potential Conflict of Interest he/ she may have with any Group's companies.

A Director may be requested by the Executive Chairman and/ or the Executive Vice-Chairman, at any time, to confirm in writing that he or she is not in a Conflict of Interest situation. Pursuant to Section 4.4 below, Directors and any other persons who attend Board meetings shall be required to treat all information provided during these meetings as strictly confidential.

#### 1.3.2 Guidelines for dealing with Conflicts of Interest

*Procedure to prevent situations of Conflict of Interest*

In the event of a Conflict of Interests, the concerned Director shall (i) prior to the concerned meeting, inform in due time the Executive Chairman and the Executive Vice-Chairman, with a copy to the Secretary of the Board, and (ii) shall not attend the Board (or Committee) meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations.

It is specified that if the concerned Director is the Chairperson of a Committee and the concerned meeting is one of such Committee, then, such Director shall notify his/ her Conflict of Interest situation to the other Committee's members and shall not attend the meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations.

#### *Organization of the meeting*

At the beginning of any Board (or Committee) meeting, the Executive Chairman or the Executive Vice-Chairman (or the Chairperson of the relevant Committee, in case of Committee's meeting) will disclose all the Conflicts of Interest notifications he or she has received prior to such meeting.

If necessary due to the agenda of a given Board (or Committee) meeting, the Executive Chairman or the Executive Vice-Chairman (or the Chairperson of the relevant Committee) may decide to organize the meeting in two parts, with the first part attended by the concerned Director(s) and dealing with the agenda items not giving rise to any Conflict of Interest, and the second held without the concerned Director(s) being present.

If the concerned Director is the Chairperson of the Board or of the relevant Committee, the other members shall appoint a temporary Chairperson for the time of his/ her absence (it being understood that if the concerned Director is the Executive Chairman, the chair of the Board shall be conferred to the Executive Vice-Chairman solely, and vice-versa).

Decisions by the Board of Directors concerning a Conflict of Interest shall be recorded in the minutes of the relevant Board meeting.

#### *Issues*

Any issues concerning the implementation of this Section "*Conflicts of interest*" shall be submitted to the Executive Chairman and the Executive Vice-Chairman, and for Committee meeting, the Chairperson of the relevant Committee. If an issue relating to any concerned Director cannot be resolved following discussions between them, then, the Board (or the Committee) shall make a decision.

#### 1.3.3 Sensitive information as defined in competition law

In the event of a Conflict of Interest relating to a position or interest in an entity whose interests compete with those of the Group, no sensitive information, as defined in competition law, may be disclosed or discussed in the presence of the concerned Director.

The definition of sensitive information in competition law covers all information not in the public domain that could enable the concerned Director to understand or influence the Company's commercial and other strategies in markets served by the entity whose interests compete with those of the Company and with which the concerned Director has ties, including, without limitations, recent, current or future pricing strategies and prices (including discounts or rebates), detailed information concerning technology and R&D projects, recent current or future profit margins on, or profitability targets for, specific products or services, and current or future strategic plans, business development projects, particularly planned potential mergers and acquisitions, market shares, market analyses, covering inter alia forecast changes in offer and/ or demand and prices.

The risk of an exchange of sensitive information as defined in competition law is equivalent in all respects to a conflict of interest within the meaning of this Section "*Conflicts of interest*".

## **2. THE MANAGEMENT (AT THE LEVELS OF THE COMPANY, LUXOTTICA AND ESSILOR INTERNATIONAL)**

### **2.1 General Principles: Executive Chairman, Executive Vice-Chairman and Deputy CEO**

The management of the Company is assumed, under their responsibility and within the limits of the corporate purpose, as well as in accordance with these Board Rules of Procedure, jointly by the Chairman and by the Vice-Chairman of the Board of Directors, who shall have executive responsibilities, respectively as Executive Chairman (*Président-Directeur Général*) and as Executive Vice-Chairman (*Vice-Président-Directeur Général Délégué*), with equal powers.

The Executive Chairman and the Executive Vice-Chairman may propose to the Nomination and Compensation Committee, which shall make a recommendation to the Board of Directors on such proposal, the appointment of another individual, who holds the title of Deputy Chief Executive Officer (*Directeur Général Délégué*) (the “**Deputy CEO**”), and the Board shall determine the scope and duration of the powers granted to such Deputy CEO.

The Deputy CEO will be in charge of coordinating the activities of the Company, as a holding company of Luxottica and Essilor International, and assisting the Executive Chairman and the Executive Vice-Chairman in their efforts to facilitate the integration of Luxottica and Essilor International, in coordination with the Integration Committee.

In case of appointment of other Deputy Chief Executive Officers (*Directeurs Généraux Délégués*), Sections of the Board Rules of Procedure applicable to the Deputy CEO will apply *mutatis mutandi* to them.

### **2.2 Powers of the Executive Chairman and the Executive Vice-Chairman relating to the management of the Company**

Both the Executive Chairman and the Executive Vice-Chairman are vested with the most extensive and equal powers to act in all circumstances in the name of the Company. They shall exercise those powers within the limits of the corporate purpose and subject to the powers expressly granted to the Shareholders’ Meetings and to the Board of Directors by law as well as to the limitations set forth by the Articles of Association and by these Board Rules of Procedure.

With regard to third parties, the Executive Chairman and the Executive Vice-Chairman each represents the Company and the Company shall be bound by all the actions taken by the Executive Chairman and the Executive Vice-Chairman, even those that fall outside the scope of its corporate purpose, unless it proves that the third party knew that such action exceeded the corporate purpose or that it could not have been unaware of it given the circumstances, it being understood that the mere publication of the Articles of Association shall not be sufficient to constitute such a proof.

Decisions relating to the management of the Company shall be made jointly by, or with the approval of both, the Executive Chairman and the Executive Vice-Chairman, failing which, by the Board of Directors, except for those decisions or matters: (a) which are listed in Annex 2 hereto and - except as otherwise jointly decided by the Executive Chairman and the Executive Vice-Chairman - can be made either by the Executive Chairman or the Executive Vice-Chairman, acting individually, or by the person to which such power or authority has been delegated, as specified in Annex 2; (b) for which the Executive Chairman and the Executive Vice-Chairman subsequently (i) agree in writing that they can act individually or (ii) jointly delegate powers or authority to a manager of the Company or to another person; or (c) which fall within the scope of the powers, or require the approval, of the Board of Directors pursuant to Section 4.2 below.

Decisions relating to the Company or the Group, made by the Executive Chairman and/ or the Executive Vice-Chairman, acting alone or jointly, shall comply with the Financing Policy and the External Growth Matters as defined in Section 2.3.2 below.

**2.3 Matters relating to the management and operations of Luxottica, Essilor International and the Group**

**2.3.1 General principles**

- a) The Executive Chairman shall: (i) act, and be entitled to designate any other person to act, as chief executive officer of Luxottica; (ii) be entitled to take individually any decision concerning the appointment or removal of the members of the board of directors of Luxottica or any other decision that the Company is entitled to take as controlling shareholder of Luxottica.
- b) The Executive Vice Chairman shall: (i) act, and be entitled to designate any other person to act, as chief executive officer of Essilor International; (ii) be entitled to take individually any decision concerning the appointment or removal of the members of the board of directors of Essilor International or any other decision that the Company is entitled to take as controlling shareholder of Essilor International.
- c) The Executive Vice Chairman (or any other person to whom he would have delegated appropriate powers or authority) shall be entitled to take individually any decisions concerning the entities from the former Essilor's group that have not been contributed to Essilor International prior to the completion of the combination of Essilor and Luxottica (i.e., Essilor India Private Ltd, Essilor Manufacturing India Private Ltd, Essilor Korea Co. Ltd, Onbitt Co. Ltd, together, the "**Essilor Entities**"), that the Company is entitled to take as shareholder of the Essilor Entities.

The Board of Directors of each of Luxottica, Essilor International and (where appropriate) the Essilor Entities, will define, under its own responsibility, the scope of its respective CEOs delegation of powers in accordance with the laws and rules in force in its relevant jurisdiction, provided that:

- i. they comply with the provisions set forth in Sections 2.3.2 and 4.2 of these Board Rules of Procedure;
- ii. any decision of the CEO or of the Board of either Essilor International or Luxottica, or of any of their subsidiaries, or Essilor Entities, related to any material capital expenditure or acquisition shall require: (i) the joint prior approval of the Executive Chairman and the Executive Vice-Chairman in respect of capital expenditures or acquisitions whose value is (x) individually above Euro 50 million but below 150 million, or (but except as otherwise jointly agreed by the Executive Chairman and Executive Vice-Chairman) (y) lower than Euro 50 million but in excess of Euro 10 million, whenever (and as from the moment in which) the aggregate value of all capital expenditures or acquisitions made or resolved upon during the current calendar year exceeds Euro 300 million; or (ii) the prior approval of the Board of Directors of the Company, if the value of such capital expenditure or acquisition exceeds Euro 150 million individually; and
- iii. any decision of the CEO or of the Board of either Essilor International or Luxottica, or of any of their subsidiaries, or Essilor Entities, related to commitments (e.g., long term agreements) in respect of purchases of raw, semi-finished materials and components or services required for production, agreements for the distribution and supply of glasses, lenses and sunglasses, merchandising agreements shall require: (i) unless agreed otherwise between the Executive Chairman and the Executive Vice-Chairman, the joint prior approval of the Executive Chairman and the Executive Vice-Chairman, if the value of the purchases is (x) above Euro 50 million but below 150 million individually, or (y) lower than Euro 50 million but in excess of Euro 10 million, whenever (and as from the moment in which) the aggregate value of all such purchases made or resolved upon during the current calendar year exceeds Euro 300 million; or (ii) the prior approval of the Board of Directors of the Company, if the value of the purchases is exceeding Euro 150 million individually.

The value of the capital expenditures, acquisitions and purchases referred to in points ii. and iii. above, as more in general the value of transactions referred to elsewhere in these Rules of Procedure of the Board and relevant for the calculations of thresholds, shall be determined taking into account, as the case may be: (i) the overall consideration paid or committed thereunder, all commitments made in connection with the transaction (such as put options, deferred sales, earn outs, etc.) for an amount corresponding to the maximum exposure that the Company or relevant entity of the Group may face thereunder, all costs incurred in connection therewith; and/or (ii) the financial indebtedness of the acquired company or acquired business which would be consolidated in the Company's consolidated accounts; or (iii) in case of lease or similar transaction, in lieu of (i) and (ii) above in this paragraph, the sum of non-cancellable lease payments provided under the relevant agreement; or (iv) in case of partnerships or joint ventures, in lieu of (i) and (ii) above in this paragraph, the expected total turnover that the partnership or joint venture may generate for the Company or for the relevant entity of the Group during the term of the agreement; and (v) in all cases, all series of transactions forming part of or relating to the same transaction.

It is specified that all commitments made in connection with transactions carried out by Essilor or Luxottica prior to the completion date of the contribution by Delfin of its Luxottica shares to Essilor and that have not been satisfied prior to such date shall not be taken into account for the determination and calculation of such thresholds.

### 2.3.2 External Growth Matters and Financing Policy

Decisions relating to any Group's company, made by Luxottica or Essilor International, shall comply with the Sections relating to External Growth Matters and to the Financing Policy, as provided below.

All decisions which fall into the scope of the External Growth Matters or the Financing Policy below shall be the subject of periodic reporting to the Board of Directors.

#### ❖ **External Growth Matters**

The following decisions pertaining to any Group's entity shall be subject to the prior consent of the Executive Chairman and the Executive Vice-Chairman, acting jointly:

- (i) acquisition by any Group's entity of equity interests in third parties entities not belonging to the Group, or of any fixed asset, business or going concern, or the entering into any joint venture agreement, for which the value is comprised between Euro 50-150 million, or exceeds, or fall within, the thresholds set forth in Section 2.3.1, point ii., above;
- (ii) any divestment by any Group's entity, for which the value is comprised between Euro 50-150 million;
- (iii) lease commitments for new properties (including financial leases) by any Group's entity, including under any joint-venture agreement, for which the value is individually comprised between Euro 50-150 million.

Notwithstanding the above, if the value of such acquisition, divestment or lease referred to in (i), (ii) or (iii) above, as the case may be, exceeds Euro 150 million, such decision shall be subject to the prior approval of the Board of Directors of the Company, as set forth in Section 4.2 below.

For the avoidance of doubt, and except as otherwise jointly agreed by the Executive Chairman and Executive Vice-Chairman, transactions entered into:

- between (i) Luxottica and/ or any of its subsidiaries, and/ or entities in which they hold equity interests, on the one hand, and (ii) Essilor International and/ or any of the Essilor Entities and/ or any of their subsidiaries and/ or entities in which they hold equity interests, on the other hand; or
- between (i) the Company on the one hand, and any other of the Group's company, on the other hand;

shall be (i) at arm's length terms and (ii) subject to rules to be defined by the Integration Committee.

It is however provided that (i) transactions between Luxottica, any of its subsidiaries and/ or entities in which they hold equity interests, may be taken by Luxottica or the Executive Chairman, acting alone, as the case may be, and (ii) transactions between Essilor International, the Essilor Entities, and/ or any of their subsidiaries and/ or entities in which they hold equity interests, may be taken by Essilor International or the Executive Vice-Chairman, acting alone, as the case may be.

For the avoidance of any doubt, both the Executive Chairman and the Executive Vice-Chairman shall be informed in advance of any acquisition made by the Group, regardless their amount, and an updated list of the Group's companies may be provided to the Audit and Risk Committee upon its request and at least on a quarterly basis.

#### ❖ **Financing Policy**

The financing policy of the Group (i) will aim at (x) concentrating treasury management of the Group at the level of the Company, in accordance with the interests of the Group and of the operating companies, as well as any applicable corporate governance requirement, and subject to any local financing requirements and (y) in particular, at ensuring a *pari passu* treatment of all creditors, via upstream guarantees of the operating companies as the case may be necessary, so that the Company becomes the main financing vehicle of the Group, both for future bank debt and capital market issuances, and (ii) shall satisfy the need for a strong credit rating for the Group to ensure that the Company, in its capacity as parent company, will be able to efficiently raise financings on the markets in the future.

In order to implement such financing policy:

- A. the financing needs of the companies of the Group shall be satisfied by the Company:
  - (i) through: (x) loans or advances by the Company made at arm's length terms and at competitive conditions compared to loans or advances available to such subsidiary from third parties or (y) capital contributions such as the subscription and issuance of equity or equity-related securities;
  - (ii) by allowing any such direct or indirect subsidiary to access funding through a bank loan or a facility within the limits set forth in point B. below, and
  - (iii) by endeavouring that Luxottica (and its respective subsidiaries) and Essilor International (and the Essilor Entities, together with the Essilor's or the Essilor Entities' respective subsidiaries) will have equal access to the Company's lending and financial support;
- B. in the event that new debt is raised directly by a Group's subsidiary, such debt:
  - (i) may not result in the total consolidated amount of the Gross Indebtedness (as defined below), and excluding items not related to financing activities of either Luxottica (or any of its subsidiaries) or Essilor International (or the Essilor Entities, or any of the Essilor's or Essilor Entities' subsidiaries) increasing by more than:
    - a) €300 million from the day of the contribution by Delfin of the Luxottica shares it holds to the Company to 31/12/2018
    - b) €1 billion from 31/12/2018 up to 31/12/2023
  - (ii) shall be subject to the prior consent of the board of directors of Luxottica (for any debt raised by Luxottica or any of its subsidiaries) or Essilor International (for any debt raised by Essilor International or by any of the Essilor Entities, or any of the Essilor's or the Essilor Entities' subsidiaries) respectively for any new financial debt raised in excess of €50 million; and
  - (iii) shall result in the consolidated debt of each of the Company, Luxottica and Essilor International to remain within the ratio guidance given to the rating agencies by the Company (notably Debt/EBITDA) from time to time assessed and approved by the Board of Directors of the Company.

New financial debt in the form of debt instruments issued on the capital markets (EMTN, USPP, structured bonds, commercial paper or otherwise) may only be raised by the Company and not by any subsidiary, unless approved otherwise by the Board of Directors.

Decisions relating to the financing of the Company shall be subject to the provisions set forth in Section 4.2 (*Powers of the Board of Directors*) below.

For the purpose of this Section 2.3.2, “**Gross Indebtedness**” means the sum of principal amount of the debt instruments existing on the completion day of the contribution and at the end of each year from 2018 up to 2023, excluding application of accounting principles (such as amortized cost or IFRS 16) and excluding any intercompany lending from the Company to any direct or indirect subsidiary.

### **3. THE INTEGRATION COMMITTEE**

An integration committee constituted of executives of the Group (the “**Integration Committee**”), co-chaired by the Executive Chairman and the Executive Vice-Chairman, which may comprise new members jointly designated by the Executive Chairman and the Executive Vice-Chairman, shall be in charge of reviewing integration issues and defining measures required to implement synergies, fostering the development of a cohesive management spirit, sharing information and views as to the developments within Essilor International and Luxottica, identifying strategic initiatives that could be led by the Group and resolving points of divergence, if any (hereinafter, the “**Integration Matters**”).

The Integration Committee identifies the various integration work streams to be put in place in relation to Integration Matters and constitutes adequate teams with members at the level of the Company, Essilor International and/ or Luxottica, as the case may be. It monitors the development of these work streams within the Group and promotes a cohesive and harmonious interaction between such work streams’ teams and team members. It deals with any point of divergence to find a solution considering the whole Group’s interests.

In particular, the Integration Committee is in charge of ensuring the harmonization of the decision-making processes within the Group in respect of Integration Matters. To that end, it shall coordinate with the relevant EssilorLuxottica’s Key Executives (as defined below), the relevant key personnel of the Group and external experts as it deems appropriate and may organize working sessions to create efficient and smooth decision-making processes in respect of Integration Matters. For each work stream related to such matters, a responsible person will be designated (for instance among the EssilorLuxottica’s Key Executives) who will chair, lead the corresponding work stream, and make his/her recommendation to the Integration Committee.

Any decision taken by the Integration Committee shall be agreed upon jointly by the Executive Chairman and the Executive Vice-Chairman. Hence, if no consensus can be reached between the Executive Chairman and the Executive Vice-Chairman, such decision shall not be taken. The Executive Chairman and the Executive Vice-Chairman, together with, as the case may be, the other member(s) of the Integration Committee, shall cooperate in good faith to find a solution for any deadlock situation, including by considering alternatives or compromises.

### **4. THE BOARD OF DIRECTORS**

In accordance with the governance principles agreed upon between Essilor and Delfin in the Combination Agreement, these Rules of Procedure shall reflect, and ensure the practical implementation of, equal powers of the Executive Chairman and the Executive Vice-Chairman.

#### **4.1 The Chairman and the Vice-Chairman**

The Executive Chairman of the Board, together with the Executive Vice Chairman of the Board, organize and direct the work and meetings of the Board, on which they report to the Shareholders’

General Meeting. They ensure the smooth functioning of the Board of Directors and, in particular, that the Directors are able to fulfil their missions.

The Executive Chairman, together with the Executive Vice-Chairman, may convene a Board meeting according to Section 4.3 below, failing which, either the Executive Chairman or the Executive Vice-Chairman may convene a Board meeting.

Except in the case where the Executive Chairman and/ or the Executive Vice-Chairman would be absent of a meeting, the Executive Chairman shall associate the Executive Vice-Chairman in each mission he is vested in pursuant to his function as Chairman of the Board pursuant to applicable laws, regulations and recommendations from the AFEP/ MEDEF Code, including in the missions relating to the Company's shareholders' meetings (which he shall organize and direct together with the Vice-Chairman), and all corresponding decisions shall be taken jointly with the Executive Vice-Chairman. Notwithstanding the prior sentence, if during a shareholders' meeting events occur requiring the Executive Chairman to police the meeting under its responsibility (without such decision belonging or being brought upon joint decision of the Executive Chairman and the Executive Vice-Chairman to the Board of Directors) and if the Executive Chairman and the Executive Vice-Chairman fail to agree as to the course of action, the Chairman shall be entitled to take his decision on his own.

As regards the uses of blank proxies given to the Chairman (in its capacity as Chairman) for such shareholders' meetings, the Chairman shall vote in favor of the resolutions recommended by the Board and shall vote against all other resolutions.

#### **4.2 Powers of the Board of Directors**

The Board of Directors directs the Company's business and oversees its implementation. Subject to the powers expressly granted to the shareholders' general meetings, to the limitations set forth by the Articles of Association and within the limits of the corporate purpose, it deals with all matters concerning the proper running of the Company and the Group, in accordance with the provisions set forth in these Board Rules of Procedure.

The missions of the Board of Directors of the Company shall be carried out in coordination with those of the boards of directors of its subsidiaries Luxottica and Essilor International.

The Board of Directors must grant its prior approval, under the conditions of quorum and majority set forth in Section 4.5.2 below, for any issue, event, act or decision concerning the Company and any entity of its Group and related to:

- a. review and approval of the statutory financial statements and of the consolidated financial statements of the Company as well as of the statutory financial statements and of the consolidated financial statements of, as the case may be, Luxottica or Essilor International;
- b. approval and modification of the Group's annual budget (including the annual investments budget) upon the presentation of the forecast of the financing needs of the Group for the year made by the CFOs;
- c. approval and modification of the Group's three-year strategic plan;
- d. any transaction outside the scope of the Group's stated strategy or above Euro 150 million individually, upon recommendation of the Strategy Committee;
- e. distribution of dividends, interim dividends, premium, reserves and/ or any other distributions by the Company, Luxottica or Essilor International, which will be set consistently with the Company's financial prospects and business strategies, it being specified that unless the Board of Directors decides otherwise the pay-out ratio on consolidated net income adjusted by the relevant purchase price allocation (PPA) items and, if any, other items to be decided by the Board of Directors shall not exceed 50%;

- f. any amendment, or any decision that will entail such amendment, to the articles of association of the Company, Luxottica or Essilor International (including for the avoidance of doubt any increase in the share capital (except if it results from the exercise of securities or rights giving access to the share capital or issuance of other securities or rights giving immediate or future access to the share capital or voting rights));
- g. decision relating to the admission to listing on any regulated stock exchange of securities in any Group's company;
- h. any change in accounting methods or principles, or of the tax practices applied within the Group (save for mandatory changes resulting from regulatory changes);
- i. appointment and renewal of the statutory auditors of any Group's company, based on the recommendation of the Audit and Risk Committee;
- j. upon recommendation of the Strategy Committee, decisions on material capital expenditures, acquisitions, purchases, leases or divestments with a value exceeding €150 million as set in the relevant provisions of, as the case may be, Sections 2.3.1 and 2.3.2 above;
- k. any transaction resulting in the expansion of the geographical footprint of the Group to a new country where the Group has no operations, including through any distribution network, whether wholesale or retail, directly or indirectly (through any acquisition, lease, commercial relationships or any agreement of any nature whatsoever) for which the value is above of €10 million or for which such expansion could raise a significant risk in terms of compliance with applicable regulations (e.g., sanctions, fraud, anti-corruption or money laundering regulations) or in terms of security, upon recommendation of the Strategy Committee;
- l. without prejudice to the financing policy as set forth in Section 2.3.2 above or unless decided otherwise by the Board, (x) any decision (and any delegations of powers or authority thereto) pertaining to the entering into of any bank loan or financing facility for a par value or a notional amount exceeding Euro 1 billion, (y) any other decision (and any delegations of powers or authority thereto) pertaining to the financing of the Company (including, for example, the issuance of bonds, notes, debt instruments and/ or hedging instruments) for a par value or a notional amount exceeding Euro 300 million individually and Euro 1 billion in the aggregate on a calendar year within the annual authorization for any banking financing and (z) any decision (and any delegations of powers or authority thereto) for any capital market transaction (either in equity or debt) whatever the amount of such transaction;
- m. any liquidation, merger, spin-off (*scission*), contribution or other similar corporate restructuring (save for intra-Group transactions that trigger no change in the direct or indirect holding by the Company in the share capital of the concerned company or companies) involving any Group's company;
- n. authorization, determination of the terms and conditions and modification of any mandatory or voluntary profit-sharing plan, stock option plan, free share plan (*plan d'attribution gratuite*) or other similar collective incentive schemes in favor of the management and/ or employees of the Group (upon proposal of the Nomination and Compensation Committee when it concerns corporate officers);
- o. except for intra-group transactions, the purchase, transfer or disposal of trademarks or patents and/or the acquisition or the granting of any license with respect to the right to use a trademark or patent or any other transaction entailing, directly or indirectly or as an ancillary consequence thereof (including, for example, the acquisition of a business), the purchase, transfer, disposal or granting of any such trademarks, patents or licenses, for a value exceeding €3 million and, in the case of franchise, any franchise agreement with fees in excess of €10 million.

In addition, the Board is responsible in particular for:

- defining the notion of an "Independent Director" and deliberating on this matter each year;
- identifying the Independent Directors, based on the recommendation of the Nomination and Compensation Committee;

- assessing its own performance (collective and individual) and the performance of management;
- ensuring continued excellence of the Company's management team;
- debating and, if applicable, approving the decisions of the executive officers;
- debating and, if applicable, approving any compensation proposed by the Nomination and Compensation Committee for corporate officers;
- appointing the Deputy CEO (if any) (upon the Executive Chairman and the Executive Vice-Chairman's proposal, as recommended by the Nomination and Compensation Committee);
- debating and, if applicable, approving the appointment of the special Committee members (as recommended by the Nomination and Compensation Committee);
- determining the functions that should be held at the level of the Company so that it fully exercises its role as holding company of the Group (the "**EssilorLuxottica's Key Executives**"), upon the recommendation of the Nomination and Compensation Committee in respect of the joint proposal of Executive Chairman and the Executive Vice-Chairman;
- the designation of the EssilorLuxottica's Key Executives, upon the recommendation of the Nomination and Compensation Committee in respect of the joint proposal of the Executive Chairman and the Executive Vice-Chairman;
- approving and implementing the succession plans for the replacement of the Corporate Officers, as proposed by the Nomination and Compensation Committee pursuant to and in compliance with the governance principles agreed upon between Essilor and Delfin in the Combination Agreement;
- debating and, if applicable, approving other major developments in the organization, upon the recommendation of the Nomination and Compensation Committee in respect of the joint proposal of the Executive Chairman and the Executive Vice-Chairman;
- be informed by the Audit and Risk Committee of the budget, financial situation, cash position and commitments of the Company and be informed in due time of the Company's cash position in order, where appropriate, to take decisions relating to its funding and indebtedness;
- examining the procedures for the identification, evaluation, control and monitoring of the Group's commitments and risk management, in coordination with the work of the Audit and Risk Committee and the Corporate Social Responsibility Committee;
- defining the financial communication policy for the market and analysts, applicable to the whole Group, in order to allow shareholders and investors to access the same information at the same time, and making sure that they are receiving relevant, balanced and meaningful information on the Company's long-term strategy through the financial statements, in the course of major operations and development, and outlook as part of the Group's financial communications.

#### **4.3 Convening a Board Meeting**

The Board is convened by its Chairman and/ or its Vice-Chairman as set forth in Section 4.1 above. The author of the convening notice sets the agenda of the meeting. The Chairman or the Vice-Chairman, as applicable, shall have the opportunity to review the convening notice and add new items on the agenda before the convening notice is sent to the Directors.

The Board will meet as often as necessary in the interests of the Company, but at least 5 times per year.

The Board meeting dates and places for the following year will be fixed at the latest by March 1<sup>st</sup> of each year, with the exception of extraordinary meetings.

Board meetings will generally be held in the Paris region (at the Company's headquarters or in any other place, including at the registered office of the Company) or in Milan, although certain meetings might be held from time to time in other places which are important for the business of the Group.

Directors should be informed in writing, in a timely manner, of any additional meeting or any change of the date and/ or place of a given meeting.

A notice of meeting shall be given in writing (including by electronic mail), and will be given at least 7 days before the relevant meeting, unless urgency requires otherwise; in such latter case, notice may be given jointly by the Chairman and the Vice-Chairman at any time. It can be sent out by the secretary of the Board of Directors and will specify the place of the meeting, which may be the Company headquarters or any other place.

The notice of meeting shall be given in English and in French, and an Italian courtesy translation can also be provided at the request of any Director.

#### **4.4 Information for Directors**

Any documentation required to ensure that the Directors are informed about the agenda and any items to be discussed by the Board will either be enclosed with the notice of meeting or sent or delivered at the latest five days before the meeting.

Any such documentation shall be drafted in English, and a French and Italian courtesy translations can also be provided at the request of any Director. In case of discrepancy between the English version and one of its translations, the English version shall prevail, except for those documents whose official language is French pursuant to applicable law.

To be prepared for decisions to be made, Directors must check that the information they deem necessary for the proper flow of the Board's or special Committee's work has been made available to them. If any information has not been made available, or has not properly been made available in a Director's opinion, that Director must request it. Such requests should be addressed to the Executive Chairman and the Executive Vice-Chairman who must satisfy themselves that the Directors are in a position to fulfil their duties.

In addition, Directors will receive between meetings any useful or critical information on significant events or operations relating to the Company or the Group, in particular, press communications released or financial reports made by the Company.

Any such information or documentation obtained by/ provided to Directors in the context of their directorship or as member of a special Committee (or to any other person who may attend a Board's or Committee's meeting) shall be subject to the duty of confidentiality that is binding on each Director. The Chairman and the Executive Vice-Chairman may jointly agree on the nature and content of information that they may disclose to the Directors, officers or key employees of Luxottica and Essilor International (who shall be informed of the confidential nature of such information), on a "need-to-know" basis, and to the extent such disclosure is consistent with applicable law and they deem it necessary for the conduct of the business of the Group. The duty of confidentiality shall also be binding on any person who may attend permanently or punctually the Board's or special Committees' meetings of the Company and by extension to the Board member, officers and employees of Luxottica and Essilor International who have been informed pursuant to the above provision. With regard to any non-public information obtained in the discharge of his or her duties, the Director (or any person who may attend the Board's or special Committees' meetings) shall consider that he or she is bound by a strict duty of confidentiality that goes beyond the mere duty of discretion provided for by law.

Any Director may avail himself or herself of supplementary training on the specific concerns of the Company, its industry or business sectors, if he or she deems it necessary. From the time of their appointment, members of the Audit and Risk Committee will receive information on the Company's accounting, financial and operational affairs.

Directors representing employees or Director(s) representing employee shareholders should be provided with suitable training enabling them to perform their duties, in accordance with regulations. As part of the process for making information available to Directors, members of special Committees can be put in contact with members of special Committees of other listed companies. Site visits will also be arranged for Directors and members of the executive or management committee will make special presentations to them.

Upon appointment of a new Director, he or she will be provided with a file including the Articles of Association, these Board Rules of Procedure (including the Director's Charter) and a memorandum on stock trading restrictions. Any Director ensures that he or she is aware of and complies with the obligations imposed upon him or her by the legal, regulatory, statutory and internal regulations of the Company.

#### **4.5 Organization of Meetings**

##### **4.5.1 Attendance**

The meetings of the Board of Directors are chaired by the Chairman, together with the Vice-Chairman, or, in the absence of the Chairman, by the Vice-Chairman solely, or in the absence of the Vice-Chairman, the Chairman solely. At any meeting of the Board of Directors, both the Chairman and the Vice-Chairman are free to make any statements, raise questions or address matters to be discussed by the Board of Directors.

Directors may choose to be represented by another Director at meetings of the Board of Directors. Each Director may represent no more than one other Director at any Board meeting.

Directors (including the Chairman and the Vice-Chairman) shall make their best efforts to inform in advance the secretary of the Board if they expect to be prevented from attending (in person or by videoconference or telecommunication means) a meeting, as soon as they become aware of such inability to attend. In that event, such Director may choose to be represented by another Director. The secretary of the Board of Directors shall promptly notify such information to the other members of the Board.

Meetings are held in English, with simultaneous translation in French or Italian provided by a translator/interpreter at the request of any Board member. In case of discrepancy between the English version and one of its translations, the English version shall prevail.

##### **4.5.2 Quorum and Majority**

The quorum for any decision taken by the Board of Directors shall be at least half of the Directors present (in person or, as the case may be, by videoconference or telecommunication means).

Decisions shall be taken by a simple majority of the members present or represented, provided, however, that whenever not all of the Directors in office are present at the meeting such majority shall include at least one of the Directors designated by Delfin and one of the Directors designated by the former Essilor pursuant to the Combination Agreement (or of their successors thereof).

The above-mentioned provisions shall apply without prejudice to the rules applicable to related-party agreements (*conventions réglementées*), situations of conflicts of interest and any other situations where a Director would be prevented to vote under applicable Law.

#### **4.6 Attendance by Means of Videoconference or Telecommunication**

The Directors shall do their best efforts to attend the meetings in person and acknowledge the importance of physical meetings for the cohesion of the Board. However, in the exceptional case where they would be prevented to do so, they may attend by means of videoconference or telecommunication, in accordance with Article R. 225-21 of the French Commercial Code.

In such case, any Director planning to attend the concerned meeting by means of videoconference or telecommunication shall inform the Executive Chairman, the Executive Vice-Chairman and the secretary of the Board as promptly as possible and at least three days before the meeting (except if it was not predictable) explaining the reasons why he/ she cannot attend physically. The secretary of the Board shall in turn notify such information to the other members of the Board.

The technical properties of the means used for the videoconferencing or telecommunication must permit the continuous and simultaneous retransmission of the discussions.

In accordance with applicable laws and regulations and as provided for by Article 16, 2) of the Articles of Association, Directors attending Board meetings by means of videoconference or telecommunication will be recorded as present for the purpose of establishing a quorum or a majority.

However, these forms of attendance are not permissible when the Board intend to deliberate on the approval of the Company's financial statements and consolidated statements, in accordance with applicable laws.

Before the start of the discussions, the absence of third parties, microphones or any other factor that would compromise the confidential nature of the discussions must be established.

Unless decided otherwise jointly by the Executive Chairman and the Executive Vice-Chairman, Directors attending meetings by means of videoconference or telecommunication shall not receive any attendance fee in respect of such meetings.

#### **4.7 Minutes**

The draft minutes of the previous Board meeting will be sent or delivered to all Directors at the latest on the day of the notice of the next meeting.

The minutes of the Board are approved by the Board of Directors and duly signed by the Executive Chairman and the Executive Vice-Chairman.

Minutes shall be drafted in French, with an English courtesy translation, and an Italian courtesy translation shall be prepared for Directors' review at the request of any Director.

The minutes of the meeting should summarize the discussions and specify the decisions made. They should mention briefly questions raised or reservations stated.

The minutes of the discussion will also mention the attendance of Directors by videoconferencing or telecommunication means. They will also record the occurrence of any technical incidents in the videoconference or telecommunication, if they disrupted the session.

The attendance register mentions the Directors attending the Board meeting by videoconference or telecommunication. This information should be mentioned in the attendance register which will be then duly signed by the Director at the following meeting during which the draft minutes, stating this information, are approved.

The secretary of the Board of Directors shall be authorized to certify copies of and extracts from minutes of Board meetings as a true record.

### **5. SPECIAL COMMITTEES**

#### **❖ Four permanent special committees**

When proposed by the Nomination and Compensation Committee, the Board may create special committees (the "**Committees**") and decide on their composition and duties. These Committees act within the framework delegated to them by the Board and submit their opinions and proposals to the Board. The Committees do not act in the place of the Board, but rather as an extension of the Board, facilitating its work.

In any event, the Company has four permanent Director Committees:

1. Audit and Risk Committee;
2. Nomination and Compensation Committee;
3. Strategy Committee; and
4. Corporate Social Responsibility (CSR) Committee.

With respect to any committee:

- (i) the agenda of each meeting is sent to the relevant Committee members before the meeting, together with any information or documentation that is useful for the discussion;
- (ii) any information and documentation for the discussions will be available on a secure platform or sent by electronic means;
- (iii) any such documentation shall be generally drafted in English and in French, and an Italian courtesy translation can also be provided at the request of any member;
- (iv) meetings are held in English, with simultaneous translations in French and/ or in Italian provided by a translator/ interpreter at the request of any member;
- (v) minutes and reports (if any) shall be drafted in French with an English courtesy translation, and an Italian courtesy translation shall be prepared at the request of any Committee member.

Whenever the agenda of a meeting of a Committee includes some items overlapping the competence of another Committee (as provided herein), the Chairperson of the first Committee liaises with the Chairperson of the second to ensure a coordination.

It is specified that some information or documents required to ensure that the members of the Committees are informed will be collected or prepared within the context of the meetings of the committees and/ or the boards of directors of Luxottica or Essilor International and will consequently be transmitted to the members of the Committees of the Company only after these meetings.

#### ❖ **Membership**

Each committee shall comprise an equal number of Directors between those designated by Delfin and the members of the board of the former Essilor.

Members of Committees may choose to be represented by another member at meetings of the Committee. Each member may represent no more than one other member at any Committee meeting.

The deliberations of the Committees shall be valid only if at least half of their members attend the meeting in person (provided further that at least one Director designated by Delfin and one Director designated by the former Essilor (or his or her successor Directors) shall be present or represented).

Decisions shall be made based upon a majority vote of the members attending. If vote is tied then the Chairperson of the meeting shall not have any casting vote.

#### ❖ **Work organization**

The Committees' meeting dates and places for the following year will be fixed at the latest by March 1<sup>st</sup> of each year, with the exception of extraordinary meetings.

The Committees' meetings will generally be held in the Paris region (at the Company's registered office or in any other place), although certain meetings might be held from time to time in other places which are important for the business of the Group.

Committees' members should be informed in writing, in a timely manner, of any additional meeting or any change of the date and/ or place of a given meeting.

#### ❖ **Attendance by videoconference**

The Committee members shall do their best efforts to attend the meetings in person and acknowledge the importance of physical meetings for the cohesion of the Board. However, in the exceptional case where they would be prevented to do so, they may attend the meeting by means of videoconference or telecommunication, in accordance with Article R. 225-21 of the French Commercial Code.

The technical properties of the means used for the videoconferencing or telecommunication must permit the continuous and simultaneous retransmission of the discussions.

In accordance with applicable laws and regulations and as provided for by Article 16, 2) of the Articles of Association, Directors attending Committee meetings by means of videoconference or telecommunication will be recorded as present for the purpose of establishing a quorum or a majority.

In order to ensure a cohesive and efficient framework, the Executive Chairman and the Executive Vice-Chairman, as well as the Nomination and Compensation Committee, should be informed about the attendance by videoconference or telecommunication.

Unless decided otherwise jointly by the Executive Chairman and the Executive Vice-Chairman, directors attending meetings by means of videoconference or telecommunication shall not receive any attendance fee in respect of such meetings.

## **5.1 Audit And Risk Committee**

The Audit and Risk Committee is in charge of monitoring issues relating to the compilation and audit of accounts and financial information as well as the efficiency of the internal audit and risk management systems.

### **5.1.1 Composition**

The Audit and Risk Committee consists of four members appointed by the Board from among the members of the Board of Directors; at least two third of its members must be independent Directors.

The Committee shall not include any executive Directors.

The members of the Audit and Risk Committee must have special competency in financial, risk management or accounting matters.

The Chair of the Audit and Risk Committee will be held by an independent Director among the Directors designated by Delfin.

### **5.1.2 Duties**

Pursuant to Article L. 823-19 of the Commercial Code, the Audit and Risk Committee, acting under the responsibility of the Board of Directors, monitors issues relating to the compilation and audit of accounts and financial information.

For any issues relating to the compliance and the efficiency of the internal audit and major risk management systems, the Audit and Risk Committee should work in close coordination with the Corporate Social Responsibility Committee to establish a comprehensive picture of financial as well as non-financial issues.

Without prejudice to the powers of the Board of Directors, this Committee monitors the specific procedures to ensure:

- i. the integrity of the financial statements, in particular, the corporate and consolidated accounts, the scope of the consolidated accounts and the off-balance sheet commitments;
- ii. when preparing the financial information, that the accounting methods employed are relevant and applied consistently, in particular when dealing with major transactions;
- iii. when reviewing the accounts, a focus on major transactions which could have given rise to conflicts of interest;
- iv. the efficiency of the internal control and risk management systems;
- v. when monitoring the effectiveness of the internal control and risk management systems and, where applicable, the internal audit of the procedures relating to the preparation and processing of the accounting and financial information, that it hears the persons responsible for the internal audit and risk control and that it is informed of the internal audit schedule and internal audit reports or a periodical summary of these reports;
- vi. compliance with legal requirements and regulations;

- vii. the review of major risks and off-balance-sheet commitments, assessing the significance of any deficiencies or weaknesses of which it has been informed, and it informs the Board, as the case may be;
- viii. the performance, qualification, independence and control of incompatibilities of the auditors;
- ix. the performance of internal audit.

It issues a recommendation to the Board of Directors on the auditors of the Company which have been proposed to be appointed by the Shareholders' General Meeting.

### 5.1.3 Responsibilities

The Committee will report regularly to the Board of Directors and notify it without delay of any material issue that may arise.

In this context, the Committee is responsible for analyzing the procedures put in place within the Group to ensure:

❖ **The integrity of the financial statements:**

- i. Review of the half-yearly and annual financial statements and any associated reference documents;
- ii. Review of the underlying assumptions affecting the accounting and reporting, and any significant changes made to the accounting principles.

❖ **The efficiency of the internal control and major risk management systems:**

- i. An understanding of the methods of how the Company or the Group identifies, evaluates, anticipates and manages its most important financial, operational and compliance risks. However, the Audit and Risk Committee is not in charge of appraising any issues relating to strategic risks and risks associated with governance unless specifically asked to do so by the Board;
- ii. The evaluation of the competency, availability and positioning of the organization in charge of monitoring the Company or Group's risk management;
- iii. Issuing recommendations, if necessary, on (i) the implementation of corrective measures to address significant weaknesses or anomalies, (ii) improvements to existing procedures or (iii) the adoption of new procedures.
- iv. The Audit and Risk Committee and the Corporate Social Responsibility Committee may also be jointly consulted on the management procedures with regard to any unusual risks, whenever the Board or management deems this useful.
- v. As indicated above, the efficiency of the internal control and major risk management systems should be dealt with in close coordination with the Corporate Social Responsibility Committee which is in charge to identify and monitor the non-financial risks.

❖ **Compliance with legal requirements and regulations:**

- i. Compliance with the accounting rules and the appropriate application of the principles on which the Company's accounts are based;
- ii. Taking note annually of any major litigation and their development. Such information shall be assessed in coordination with the Corporate Social Responsibility Committee;
- iii. Review of risk prevention measures with regard to compliance with applicable regulations (e.g., sanctions, fraud, anti-corruption or money laundering regulations);
- iv. Compliance with stock exchange regulations and, in particular, the appropriate application of the policies in force in the Company.

❖ **The performance, qualification and independence of the auditors:**

- i. Putting forward proposals for the appointment of auditors for entities of the Group;
- ii. During the appointment of auditors, conduct of the selection process by carrying out requests for proposals to various firms (except in the case of a reappointment) and issue a recommendation to the Board of Directors on auditors; the recommendation submitted to the Board of Directors must be based on an analysis of the past terms (including a review of service quality provided and fees) and new proposals requested;
- iii. Review of rotation rules applying to the principal partner and evaluation of the rotation requirements as between auditors of the Company, Luxottica, Essilor International or other companies of the Group;
- iv. Monitoring the achievement by the auditors of their mission, review of their audit program and their findings;
- v. Resolution of any potential disagreements between the auditors and management;
- vi. Authorization, in respect of applicable legal or regulatory provisions, of services other than the certification of the annual accounts which might be entrusted to auditors and their network;
- vii. Review and evaluation of the qualifications, performance, fees, and independence (in particular, by considering the annual statement of independence), as well as compliance with the professional incompatibility rules applying to the auditors, including the principal partner;
- viii. Review of auditors' reports, any information addressed to the Board pursuant to Article L.823-16 of the Commercial Code, and responses from management, including on the quality of internal audit procedures and the processes for producing and dealing with financial information.

❖ **The performance of internal audit:**

- i. Review of the internal audit charter, its tasks and its activity scope;
- ii. Review of the budget, resources and means available for the internal audit;
- iii. Review of the audit plan proposed by the Group Internal Audit Officer for the year (and by the heads of internal audit at the levels of Luxottica and Essilor International);
- iv. Review of the most important results presented by the Group Internal Audit Officer (and the heads of internal audit at the levels of Luxottica and Essilor International);
- v. Review of the internal audit departments' efficiency within the Group.

5.1.4 Work organization

The Chairperson of the Audit and Risk Committee organizes the Committees' work every year based on his or her assessment of the importance of certain types of risk, in consultation with the management and the Board, as well as the Chairperson of the Corporate Social Responsibility Committee.

The Chairperson of the Audit and Risk Committee should be regularly liaising with the Chairperson of the other Committees, specifically with the Chairperson of the Corporate Social Responsibility Committee which is in charge to identify and monitor the non-financial risks.

The Chairperson of the Committee or the Board may convene a meeting at any time, whenever it deems it necessary.

The Executive Chairman and the Executive Vice-Chairman may jointly request to the Chairperson of the Committee to arrange a meeting whenever it deems it useful.

The Committee shall meet at least three times per year.

The meeting agenda is determined by the Chairperson of the Committee or agreed with the Board, the Executive Chairman or the Executive Vice-Chairman, if the Board, the Executive Chairman or the

Executive Vice-Chairman has initiated the meeting. The agenda is sent to the Committee members before the meeting together with any information that is useful for the discussions.

Sufficient time must be available for the Accounts to be provided and for their review. In order to perform its duties properly, the Audit and Risk Committee must be given a delay of at least 5 days for considering in advance the documents on which discussions will be based and, in particular, for examining the accounts before their publication.

During the meetings, the Committee hears the auditors and may benefit from presentation from the Corporate Officers of the Company, EssilorLuxottica's Key Executives, (and such other persons as it deems appropriate), who are responsible for the accounts, the risk management system (including compliance) and internal auditing. Management (assisted by a person of its choice) will make a presentation to the Committee on the Group's exposure to risks and significant off-balance sheet commitments.

The Committee may also gather information directly from persons who are able to assist it with fulfilling its duties, in particular certain business and financial managers and those responsible for handling data, whilst keeping management informed. In addition, the Committee may consult external experts, if it deems this necessary, at the Company's expenses, within the limits of the budget approved by the Board for the Audit and Risk Committee.

#### 5.1.5 Activity reporting

The Audit and Risk Committee reports to the Board about its work as many times as necessary and in any case before the final approval of the annual financial statements, outlining its observations.

The minutes of the Board meeting shall include the Audit and Risk activity report which includes primarily its main proposals and/ or conclusions.

The Audit and Risk Committee includes in its report any comments it deems useful on:

- i. the appropriateness of the various procedures as well as the overall system to achieving the stated objectives for managing information and risks;
- ii. the effective application of the procedures in place and, if applicable, of the means used to achieve the aims;
- iii. the financial situation, treasury situation and commitments of the Company or the Group.

The Company or Group's accounts, debt levels as well as share price and capital developments are also discussed by any relevant EssilorLuxottica's Key Executives (and such other persons as it deems appropriate) in regular presentations. During the Board meetings held to approve the half-yearly financial statements of the Company or the Group, the auditors submit their report on the accounts with their comments, including comments on the conditions under which their task was completed.

The auditors also include any recommendations and suggestions they may have on how to improve the effectiveness of the various procedures and the overall system and how to adapt them to any new situation.

If, in the course of its work, the Committee detects a major risk that has apparently not been adequately dealt with, it will promptly alert the Chairman, the Vice-Chairman and the Board of Directors.

The Audit and Risk Committee examines periodically its mode of operation and, taking into account any remarks it may have received from the Board or management, formulates any proposals to enhance the quality of its work within the framework of its duties.

## **5.2 Nomination And Compensation Committee**

### 5.2.1 Composition

The Nomination and Compensation Committee consists of four members; a majority of the members are appointed from among independent Directors (as defined pursuant to the AFEP/ MEDEF Code or,

as the case may be, the governance principles agreed upon between Essilor and Delfin in the Combination Agreement).

The chair of the Committee will be held by an independent (as defined pursuant to the AFEP/ MEDEF Code or, as the case may be, the governance principles agreed upon between Essilor and Delfin in the Combination Agreement) Director designated among the former Essilor directors or their successor directors.

### 5.2.2 Duties

The main duties of the Nomination and Compensation Committee within the work of the Board of Directors are the following:

#### ❖ **Nomination:**

- i. it recommends the appointment of Directors and of the Committees' members, as well as the Chairperson of each special Committee, in accordance with the provisions of the Combination Agreement and the governance principles agreed upon between Essilor and Delfin in the Combination Agreement. The Nomination and Compensation Committee shall strive to ensure that at least (i) one-half of the Directors, (ii) two-thirds of the members of the Audit and Risk Committee and (iii) a majority of the members of the Nomination and Compensation Committee are independent Directors, determined as specified in the AFEP/ MEDEF Code (and/ or, in the case of the Nomination and Compensation Committee, pursuant to the governance principles agreed upon between Essilor and Delfin in the Combination Agreement);
- ii. it expresses its own prior recommendation to the Board in respect of any joint proposal regarding the designation of EssilorLuxottica's Key Executives which the Executive Chairman and the Executive Vice-Chairman intend to present to the Board ;
- iii. it recommends to the Board (or in the first place to the Executive Chairman and the Executive Vice-Chairman as regards the appointment of the Deputy CEO (if applicable)) for the selection of the executive corporate officers of the Company (the Executive Chairman, the Executive Vice-Chairman and the Deputy CEO) (the "**Corporate Officers**") in line with the governance principles agreed upon between Essilor and Delfin in the Combination Agreement;
- iv. it is responsible to develop a succession plan for the Corporate Officers in line with the governance principles agreed upon between Essilor and Delfin in the Combination Agreement;
- v. it is responsible to study any major developments in the organization.

#### ❖ **Assessment:**

- i. it assists the Board in its periodic assessments;
- ii. it prepares the Board's annual assessment of its membership, organization and operation (which involves a corresponding review of the Board's Committees), and leads the self-assessment of the Board in compliance with the provisions of the AFEP/ MEDEF Code and Section 7 of these Board Rules of Procedure;
- iii. it is responsible for the assessment of the possible candidates to fill any vacancy within the Board of Directors of the Company, in particular for unforeseen vacancies or in the case of appointment of additional Board's members;
- iv. it puts forward proposals to improve the functioning of the Board (i.e., organization of meetings, evaluation of the performance of each Director and managing the evolution process of the Board); in particular, it proposes to the Board improvements to these Board Rules of Procedure, if the procedures for disclosing, dealing with, and monitoring of, conflicts of interest situations turn out to be inappropriate or insufficient;

- v. it puts forward proposals for creation of Committees and assignment for each of them;
- vi. it monitors changes in the Company's shareholdings structure and Company's awareness of such changes with a view to monitor the representation of shareholders (including employee shareholders) in the governance;
- vii. it gives its prior approval before any Corporate Officer or Director accepts a new directorship or a management position in another Third Party Company, before any Corporate Officer or Director accepts a consulting agreement with a Competitor or with a company operating in a sector raising reputational issues, and before any Corporate Officer or any EssilorLuxottica's Key Executive or any Director take a direct or indirect significant interest giving them control or a significant influence in a Competitor of the Group (it being specified that such prior approval cannot be refused, conditioned or delayed without reasonable legitimate reason relating to a potential conflict of interests, overboarding situation or reputational issues); if no prior approval could be given as a result of a confidential process undertaken by a Director, such Director shall immediately upon his/ her appointment inform the Nomination and Compensation Committee for it to determine whether the new directorship, management position in, or consulting engagement with, the other company is compatible with the role of such independent Director with the Company. For the purposes of this clause, "**Third Party Company**" shall be defined as any company other than companies consolidated by the Company and "**Competitor**" shall refer to any Third Party Company having an activity in the ophthalmic optics business or the design, manufacture and distribution of eyewear, which represents a significant part of its business or which is significant on the market;
- viii. it conducts yearly a case-by-case assessment of each Director with regard to the independence criteria set forth in the AFEP/ MEDEF Code and these Board Rules of Procedure;
- ix. it is informed by the Executive Chairman and/ or the Executive Vice-Chairman or the Chairperson of the concerned committee, each time a Director cannot attend nor vote as the result of a Conflict of Interest situation, it also reviews the Directors' periodic statements relating to their respective Conflict of Interest situations (if any), prepares a list of the issues likely to give rise to Conflicts of Interest, and it reports to the Board accordingly;
- x. it provides every year the Board of Directors with a report assessing the roles of the Executive Chairman, the Executive Vice-Chairman and of the Directors, as well as the actions of Deputy CEO (if applicable) and EssilorLuxottica's Key Executives, notably with a view to determine their compensation.

Each year, EssilorLuxottica's Key Executives shall meet with the Committee.

❖ **Compensation:**

- i. putting forward proposals on the compensation policy and the compensation of the Corporate Officers of the Company and Deputy CEO (if applicable) (including all components of the compensation and its structure and, if applicable, EssilorLuxottica's Key Executives);
- ii. ensuring compliance of the compensation policy, its structure and components with legal requirements and the AFEP/ MEDEF Code;
- iii. considering termination provisions and financial conditions of departure for any Corporate Officers of the Company and EssilorLuxottica's Key Executives;
- iv. putting forward proposals to the Board of Directors on the general policy and terms and conditions for granting stock-options and/ or free performance shares, the allocation of free shares and the setting-up of employee share ownership plans, profit-sharing measures as well as any other incentive schemes for the Company's or Group's employees;
- v. putting forward proposals on the allocation of stock options and/ or free performance shares for Corporate Officers of the Company, EssilorLuxottica's Key Executives (and such other

persons as it deems appropriate, including the main manager of Luxottica and Essilor International, after having considered the recommendations of the board of directors of these two latter) as well as the number of shares resulting from the exercise of stock options or performance shares that they will be required to retain until the termination of their office;

- vi. putting forward proposal on Directors' fees amount and their allocation taking into account Directors' attendance rate;
- vii. reviewing the terms and conditions of any service agreement to be entered into with any member of the Board of Directors or any Corporate Officers of the Company or EssilorLuxottica's Key Executives prior to their entering into;
- viii. informing itself on general compensation policies in the Company or the Group;
- ix. submit annually to the Board of Directors the draft report on compensation policy and on awarded compensation and give an opinion on the related draft resolutions on which the Shareholders' General Meeting is called upon to decide in accordance with French regulations.

❖ **Governance:**

- i. putting forward recommendation on best corporate governance practices;
- ii. assessing whether corporate governance practices within the Group comply with the AFEP/ MEDEF Code and recommendations of the AMF and proxy agencies and monitoring of their compliance thereto;
- iii. pointing out deviations from the AFEP/ MEDEF Code and preparing explanations for reasons for doing so;

The Nomination and Compensation Committee shall be associated in the preparation of any report (including the annual report) for the sections pertaining to its areas of expertise and duties.

It may consult external advisors, consultants, counsels or experts at the Company's expenses if necessary for the completion of its duties (including to identify directorship's candidates or to assess the membership and functioning of the Board of Directors), within the limits of the budget approved by the Board of Directors for the Nomination and Compensation Committee.

### 5.2.3 Work organization

The Chairperson of the Committee may convene a meeting at any time, whenever it deems a meeting necessary, for example, to evaluate the performance of Company's management. The Committee shall meet at least three times per year.

The Executive Chairman and the Executive Vice-Chairman, jointly, or the Board may request to the Chairperson of the Committee to arrange a meeting whenever it deems a meeting useful.

The meeting agenda is determined by the Chairperson of the Committee or agreed with the Board, the Executive Chairman or the Executive Vice-Chairman, if the Board, the Executive Chairman or the Executive Vice-Chairman has initiated the notice of meeting. The Chairperson of the Committee may add any items on the agenda of such meetings. The agenda is sent to the Committee's members before the meeting together with any information that is useful for the discussions.

The Executive Chairman, the Executive Vice-Chairman and the Deputy CEO (if applicable) may contribute to the work of the Committee or may be consulted by it. If required, the Committee may request the assistance of the EssilorLuxottica's Key Executives (and such other persons as it deems appropriate).

#### 5.2.4 Activity reporting

The Committee must report to the Board on its work on a regular basis and submit proposals. In particular, it shall report to the Board on the proposals made as regards the designation of EssilorLuxottica's Key Executive.

### 5.3 Strategy Committee

#### 5.3.1 Composition

The Strategy Committee consists of four members appointed by the Board from among the members of the Board of Directors; it being specified that, unless otherwise determined by a joint decision of the Executive Chairman and the Executive Vice-Chairman, the chairman of the Strategy Committee shall invite all members of the Board of Directors to attend (but not to vote at) the meetings of the Strategy Committee, except for meetings convened to discuss sensitive and significant acquisition projects.

The Strategy Committee shall meet four times per year, except otherwise jointly decided by the Executive Chairman and the Executive Vice-Chairman.

The chair of the Committee will be held by a Director chosen among the Directors designated by Delfin.

#### 5.3.2 Duties

The main duty of the Strategy Committee within the work of the Board of Directors consists of regularly reviewing the overall Group's strategy, including, but not limited to, acquisition, divestment and M&A matters, products and technology, growth and financial strategy as well as its geographical and marketing strategies, including the decisions set forth in paragraphs d) and j) to n) of Article 4.2 of these Board Rules of Procedure, and making recommendations to the Board of Directors in this respect.

The Executive Chairman, the Executive Vice Chairman and the Deputy CEO (if any), assisted by members of their choice, as far as necessary, are responsible for making presentations on these matters on a regular basis. The Executive Chairman, the Executive Vice Chairman and the Deputy CEO (if any) personally give a presentation on the Group's strategy to the Strategy Committee annually.

This Committee submits proposals to the Board, which approves any major strategic decisions.

This Committee should be coordinated with the Corporate Social Responsibility Committee which is in charge of monitoring the sustainable development and corporate social responsibility, fully integrated in the strategy.

#### 5.3.3 Work organization

The Chairperson of the Committee may convene a meeting at any time, whenever it deems a meeting necessary. The Committee shall meet at least three times per year.

The Executive Chairman and the Executive Vice-Chairman, jointly, or the Board may request to the Chairperson of the Committee to arrange a meeting whenever it deems a meeting useful.

The Executive Chairman and the Executive Vice-Chairman set jointly the agenda, together with the Chairperson of the Committee.

Supporting information and documentation for the discussions will be available on a secure platform.

Whenever the agenda includes some items in relation to the corporate social responsibility and the Group's mission to improve vision across the world, the Chairperson of the Committee liaises with the Chairperson of the Corporate Social Responsibility to ensure a coordination (including as regards any acquisitions or restructuring or any other projects which may incur some consequences in the following policies or risks: human resources, environment, compliance, human rights).

The Committee may hear or benefit from presentations from the Corporate Officers of the Company, EssilorLuxottica's Key Executives (and such other persons as it deems appropriate).

#### 5.3.4 Activity reporting

The Committee must report to the Board about its work on a regular basis.

### 5.4 Corporate Social Responsibility (CSR) Committee

#### 5.4.1 Composition

The CSR Committee consists of four members, at least two of whom must be independent Directors.

The CSR Committee is chaired by an independent Director, designated among the former Essilor Directors or their successor Directors.

#### 5.4.2 Duties

The main duty of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Group effectively addresses the deployment Group mission “*to help people see more, be more and live life to its fullest*”, which is fully integrated in the strategy. Accordingly, the Company will exist to give vision a voice and to respond to the world’s growing vision needs by meeting the changing lifestyles of existing consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

The CSR Committee’s duties go beyond the philanthropy, inclusive business and compliance to address the manner the Company manages its economic, social and environmental impacts and the stakeholders’ relationships (the workplace, the community, the public policy, etc.).

This covers all areas of the corporate social responsibility relating to the Group's mission, which is to improve vision around the world by creating the best possible eyewear that protects and corrects each individual’s eyesight while addressing their personal tastes and aspirations.

Such corporate social responsibility policy encompasses all of the Group’s stakeholders: customers, shareholders, suppliers, employees, community associations, government authorities and institutions, multi-lateral agencies, financial analysts and ratings agencies, consumers and the media. This policy is anchored in the common principles and values of the Group<sup>4</sup> that form the basis of the corporate culture and are shared across the Group. For example, they are reflected in the way the Group works as a community of entrepreneurs, in the importance given by the Group to employee shareholding as well as in the emphasis put on the health and social significant roles of vision correction and vision protection that allow people to learn and work to the best of their ability and to fully interact with the world around them.

The Committee shall notably be responsible under the authority of the Board of Directors for:

#### ❖ **The sustainable development matters:**

The Committee reviews and assesses the Company’s strategy, policies and procedures on issues related to corporate responsibility and sustainable development as described below and provides the Board of Directors with its views on the Group's long-term development, including its economic development, through its CSR initiatives in matters of sight and its improvement. In fulfilling its role, the Committee is responsible for the following:

- i. to review the Group’s environmental policies and management systems;
- ii. to review policies with respect to relationships with stakeholders (customers, suppliers, local communities);
- iii. to review the inclusive business roll out;

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<sup>4</sup> (*Working Together, Innovation and Operational Excellence, Respect and Trust, Quality, Entrepreneurial Spirit and International Mindset*)

- iv. to review the charitable policies of the Group and any philanthropic initiatives performed directly or via dedicated entities or in partnership with non-profit organizations;
- v. to review the human resources policies and the risk management in relation with the following areas: health and safety, diversity, equal employment, employee relations and related matters;
- vi. to review the social impacts of the main restructuring and/ or reorganizational projects;
- vii. to review the Group's human rights policy;
- viii. to receive, on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development; it reviews the risks and the opportunities thus identified and is kept informed of their evolution and of the characteristics of their management systems;
- ix. to review and assess the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators);
- x. to review the rankings and assessments made on the Group by ranking agencies and non-financial agencies;
- xi. to review the reporting, evaluation and control systems to enable the Company to produce reliable non-financial information and primarily give an opinion on the CSR report to be published in accordance with the French legal obligations (Article L. 225-102-1 of the French Commercial Code).

❖ **Ethics & Compliance matters:**

The Committee reviews and monitors the Company's policies on compliance and ethics matters and the systems and procedures in place to effectuate these policies and provides the Board of Directors with its views. In fulfilling its role, the Committee is responsible for the following:

- i. to review the definition of the Group's core values and ethics and compliance policy;
- ii. to review and put forward some proposal to promote the corporate culture and employee shareholdings;
- iii. to promote ethics and ensure harmonization of ethical rules within the Group's entities and monitor their compliance thereto; it reviews the organization of the Compliance function and make recommendations if any;
- iv. to review the Group's code of ethics, rules and procedures;
- v. to receive, on an annual basis, the presentation of the Group's risk map concerning ethics and compliance; it reviews the risks thus identified and is kept informed of their evolution and of the characteristics of their management systems.

The CSR Committee shall coordinate its works with:

- the Audit and Risk Committee for all matters related to CSR Committee's areas of intervention, in particular concerning the internal control, compliance, management and review of risks of non-financial information and major litigations. The CSR Committee may also be consulted, jointly with the Audit and Risk Committee, on the management procedures with regard to any unusual risks, whenever the Board or management deems this useful.
- the Strategy Committee for all matters related to the CSR Committee's areas of intervention, in particular CSR policy and sustainable development matters.

The CSR Committee shall be associated in the preparation of any report (including the annual report) for the sections pertaining to its areas of expertise and duties.

It may consult external advisors, consultants, counsels or experts at the Company's expenses if necessary for the completion of its duties, within the limits of the budget approved by the Board for the CSR Committee.

#### 5.4.3 Work organization

The Chairperson of the Committee may convene a meeting at any time, whenever it deems a meeting necessary. The Committee shall meet at least three times per year.

The Executive Chairman and the Executive Vice-Chairman, jointly, or the Board may request to the Chairperson of the Committee to arrange a meeting whenever it deems a meeting useful.

The meeting agenda is determined by the Chairperson of the Committee or agreed with the Board, the Executive Chairman or the Executive Vice-Chairman, if the Board, the Executive Chairman or the Executive Vice-Chairman has initiated the notice of meeting. The Chairperson of the Committee may add any items on the agenda of such meetings. The agenda is sent to the Committee members before the meeting together with any information that is useful for the discussions.

The Executive Chairman, the Executive Vice-Chairman and the Deputy CEO (if applicable) may contribute to the work of the Committee or may be consulted if there are not members. The Committee may request the assistance of the Chief Mission Officer and if required any EssilorLuxottica's Key Executives (and such other persons as it deems appropriate).

#### 5.4.4 Activity reporting

The Committee must report to the Board about its work on a regular basis.

### **6. DIRECTORS' REMUNERATION**

The Directors receive attendance fees, the amount of which is fixed by a vote at the Ordinary Shareholders' General Meeting. The distribution of these fees is decided by the Board. Any Director may waive his or her claim to receiving attendance fees. Attendance to any Board's or Committee's meeting by videoconference or telecommunications means shall not result in the payment of fees for the concerned Director (for the concerned meeting), unless decided otherwise by the Executive Chairman and the Executive Vice-Chairman.

The total amount of attendance fees is distributed between Directors based on the following principles:

- a fixed part and a variable part based on regular attendance at Board meetings;
- for the Committees, a fixed part for the Chairpersons as well as for the non-employee members and a variable part for the non-employees members based on regular attendance at the meetings of the Committees.

If the term of office begins or ends during the year, the fixed portion is paid *pro rata*.

Directors can be reimbursed for reasonable expenses and necessary for the performance of their term of office on presentation of justifications and under the terms and conditions of normal group travel as detailed in Directors' expense reimbursement policy.

### **7. ANNUAL EVALUATION OF THE BOARD'S OPERATION**

The Board, under the auspices of the Nomination and Compensation Committee, proceeds with a formal evaluation of its ability to meet shareholder expectations by reviewing periodically, and at least once a year, its composition, its organization and its own operations. It must think about the desired balance of its membership and that of its Committees, periodically reflect on the adequacy of its tasks to its organization and functioning and, if necessary, takes measures required to improve it. In order to render the self-assessment process useful for the efficiency of the Board, Directors may submit qualitative assessments and suggestions for improvements.

The Board informs the Company's shareholders on this evaluation in its annual report. This evaluation must meet the three objectives set out by the provisions of the AFEP/ MEDEF Code relating to the assessment of the Board of Directors.

Non-executive Board members will meet without the presence of executive and internal Directors at least once a year, in particular, to evaluate the performance of the Executive Chairman, the Executive Vice-Chairman and the Deputy CEO (if applicable).

No formal action within the Board competency or of the missions of the Nomination and Compensation Committee shall be taken during these meetings.

## **8. AMENDMENTS TO THESE BOARD RULES OF PROCEDURE**

These Board Rules of Procedure may be amended by a decision of the Board.

## 9. ANNEX 1: DIRECTOR'S CHARTER

### **EssilorLuxottica**

*Société anonyme*

Registered office: 147, rue de Paris, 94220 Charenton-le-Pont, France  
712 049 618 R.C.S. Créteil  
(the “**Company**”)

### **CHARTER OF THE DIRECTORS\***

(Established by the Board of Directors on 18 November 2003 and amended by the respective Boards of Directors on 27 January 2005, 26 November 2009, 25 November 2010, 24 November 2011, 27 November 2012, 25 November 2013, 25 November 2014, 2 December 2015, 6 December 2017 and October 1, 2018)

(the “**Directors’ Charter**”)

The Directors’ Charter sets out the rights and obligations of the current members of the board of directors of the Company (the “**Board**” or the “**Board of Directors**”) (each, a “**Director**”). First of all, it is reminded that the Directors have the same powers, are subject to the same obligations and incur the same responsibilities, save for specific provisions applicable to Directors representing employees (see hereafter).

Each Director shall comply with this Directors’ Charter.

### ***KNOWING AND RESPECTING STATUTORY DOCUMENTS***

Each member of the Board confirms that he or she has acquainted himself or herself with:

- the articles of association of the Company (the “**Articles of Association**”);
- the rules of procedure of the Board of Directors (the “**Board Rules**”);
- the legal regulatory and statutory provisions applicable to French limited liability companies (*société anonymes*) with a Board of Directors and, in particular:
  - ◆ the provisions limiting the plurality of offices;
  - ◆ the provisions applicable to related-party agreements (*conventions réglementées*);
  - ◆ the provisions defining the powers of the Board of Directors;
- the Corporate Governance Code of Listed Companies (*Code de Gouvernement d’Entreprise des Sociétés Cotées*) (the “**AFEP /MEDEF Code**”) dated of June 2018.
- as well as the rules on the possession and use of inside information, presented in more details below (Section “Stock Exchange Ethics Rules”) and in the memorandum on stock trade restrictions that will be made available to them.

### ***RESPECTING THE COMPANY'S INTERESTS AND DUTY OF LOYALTY***

Directors are mandated by all the shareholders and shall act in the interests of the Company in all situations.

Any Director who is directly or indirectly exposed to an actual or potential conflict between his/ her interests (or those of the legal entity holding directorship he/ she represents) and those of the Company

(or any company of the Group<sup>5</sup>) because of the positions that he/ she holds, and/ or any interests that he/ she has elsewhere (a “**Conflict of Interest**”), shall (i) prior to the concerned meeting, inform in due time the executive chairman of the Board of Directors (*Président-Directeur Général*) (the “**Executive Chairman**”) and the executive vice-chairman of the Board of Directors (*Vice-Président-Directeur Général Délégué*) (the “**Executive Vice-Chairman**”), with a copy to the Secretary of the Board, and (ii) shall not attend the Board (or Committee) meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations. It is specified that if the concerned Director is the Chairperson of a Committee and the concerned meeting is one of such Committee, then, such Director shall notify his/ her Conflict of Interest situation to the other Committee’s members and shall not attend the meeting during the discussions and debates on the concerned items of the agenda and shall not vote on the concerned deliberations.

### ***DUTY OF DILIGENCE***

Directors shall devote the necessary time and attention to their duties.

Directors shall limit the number of offices they hold to ensure their availability and shall keep the Board informed of offices they hold in other French or foreign companies, including their participation in committees of the board of directors of such companies. Executive Directors shall also have the Board of Directors’ approval before accepting any new mandate in a listed company which is a Third Party Company, as such term is defined by the Board Rules of Procedure.

Each Director undertakes to:

- ◆ attend Board meetings in accordance with Article R. 225-21 of the French Commercial Code and the relevant provisions of the Board Rules;
- ◆ diligently attend, as far as possible, all Shareholders’ General Meeting;
- ◆ diligently attend the meetings of any Committee of the Board of Directors he/ she is a member of;
- ◆ resign when he/ she is no longer able to fulfil his/ her duties with the necessary diligence.

### ***DIRECTORS' INFORMATION RIGHTS***

Each Director is entitled to:

- ◆ receive any supplementary training that appears necessary for the performance of a Director's duties, from his/ her appointment until the end of the Director's term. This right is especially applicable to a Director representing employees who should be provided with suitable training enabling them to perform their duties, in accordance with applicable regulations. Such training sessions will be organised, proposed and paid for by the Company. As part of the process for making information available to Directors, members of special Committees can be put in contact with members of special Committees of other listed companies. Site visits will also be arranged for Directors and members of the executive or management committee will make special presentations to them.
- ◆ receive any relevant information about the Group;

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<sup>5</sup> In this Directors’ Chart, “Group” means the Company and any and all entities which the Company controls, “control” having the meaning set forth in Paragraphs I and II of Article L. 233-3 of the French Commercial Code.

- ◆ meet with the Group's managers without the Executive Chairman and the Executive Vice-Chairman being present, although the Executive Chairman and the Executive Vice-Chairman shall be informed prior to such meetings;
- ◆ attend meetings to allow for more in-depth study of matters at hand.

#### ***DUTIES OF DISCRETION AND CONFIDENTIALITY***

Directors undertake not to speak individually about matters discussed by the Board, outside internal Board meeting discussions. Outside the Company, only a collective expression is permitted, in particular, in the form of press releases for the purpose of informing the markets.

With regard to non-public information acquired in the exercise of their duties, Directors shall consider themselves bound by a strict professional confidentiality duty, beyond the simple duty of discretion provided in Article L. 225-37, indent 5, of the French Commercial Code.

The duty of discretion shall also apply to all persons requested to attend Board meetings, and extends to any confidential information, for example information made available by the Executive Chairman or the Executive Vice-Chairman. Beyond their legal obligations and to ensure the quality of the discussions of the Board, all information provided by the Directors to the Board and the opinions they expressed should remain strictly confidential.

This obligation, which concerns the debates, the deliberations of the Board and of its Committees as well as the information and documents disclosed or communicated, applies as a principle, regardless whether the Executive Chairman or the Executive Vice-Chairman has explicitly stated or not that they constitute confidential information.

Board members are not entitled to use such information, including for the benefit of a third party for any reason whatsoever. They shall take all appropriate measures to ensure that confidentiality is maintained.

#### ***STOCK EXCHANGE ETHICS RULES***

The following stock exchange ethics rules are applicable with respect to financial instruments issued by the Company or by its subsidiary, Luxottica Group S.p.A. (“**Luxottica**”), as long as Luxottica has issued listed financial instruments.

##### ***Principles***

Directors may use inside information as defined in Article 7 of the MAR<sup>6</sup> regulation only in the performance of their duties. Under no circumstances such information may be disclosed to third parties outside the exercise of the Director's mandate or for purposes or activities other than those for which they were obtained.

Directors may not carry out any transactions, or cause or allow others to make any transactions, in connection with financial instruments of the Company and/or Luxottica based on inside information, so long as the information has not been made public.

Directors are personally responsible for ascertaining the sensitive nature of any information they hold and consequently allow or disallow any use or transmission of such information to carry out a transaction relating to financial instruments of the Company and/or Luxottica or to cause such transaction to be effected.

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<sup>6</sup> Regulation (EU) 596/2014 of 16 April 2014 on the market abuses (“**MAR**”)

The Board members are invited to refer to the memorandum on stock trade restrictions that any insider shall comply with.

***Transactions with the Company shares***

Each Director, appointed by the Shareholders' General Meeting<sup>7</sup>, shall own a minimum of 1,000 Company shares in accordance with Article 12 of the Articles of Association.

It is the Director's own decision whether or not to register these shares in his/ her own name. However, such shares shall not be purchased during a black-out period or in connection with an inside information.

Any transaction with the Company shares, debt instruments or derivatives, or other financial instruments linked thereto, carried out by a Director shall be disclosed to the French financial markets authority (*Autorité des Marchés Financiers* – AMF) within three (3) business days as from the relevant transaction.

A summary of the transactions referred to in Article L. 621-18-2 of the French Monetary and Financial Code carried out over the last financial year shall be published on an annual basis by the Company.

Pursuant to Article L. 225-109 of the French Commercial Code, the Directors of the Company shall be registered or deposited with an intermediary referred to by Article L. 211-3 of the French Monetary and Financial Code (for example, a financial institution or an investment company):

- any shares belonging to themselves or their minor children, as well as their respective spouses, provided they are not legally separated,
- issued by the Company itself, any of its subsidiaries, the parent company or any other subsidiaries of the parent company, when such shares are listed.

In case of non-compliance with such rule, the voting rights and dividend rights attached to such shares will be suspended automatically until the situation is regularised.

***Black-out periods***

In addition to the period before the publication of any inside information known to them, during which insiders shall abstain from carrying out any transaction on the Company financial instruments, and without prejudice to applicable rules restricting or prohibiting transactions on Luxottica shares, Directors shall also abstain from carrying out any transaction on the Company financial instruments, as appropriate, during the periods of:

- 30 calendar days before the publication dates by the Company of its consolidated annual financial statements, consolidated half-yearly financial statements and, if applicable, the consolidated quarterly financial statements; and
- 15 calendar days before the publication dates by the Company of its quarterly financial results,

in accordance with the black-out period calendar Directors will receive at the beginning of each year together with the memorandum on stock trading restrictions applicable to the Company containing up to date information on any new legislation or relevant new recommendations or suggestions. Any person, subject to these trading black-out periods, are permitted to trade on the Company securities only as from the day following the publication of the information concerned, provided that they don't use any inside information.

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<sup>7</sup> A Director representing employees is not required to hold shares (Article L. 225-25, indent 3, of the French Commercial Code).

***Prohibition of insider trading***

Directors have been informed of the current provisions on the holding of inside information and prohibited insider trading.

Please refer to the memorandum on stock trading restrictions for any further information.

***Restrictions on the sale of stock options or performance shares for executive officers***

In accordance with Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the number of shares resulting from the stock options or performance shares that executive officers (for instance, the Executive Chairman and Executive Vice-Chairman) shall hold until the end of their mandates has been set by the Company as set out in the compensation policy applicable to the executive officers.

Executive Directors are also required to comply with the black-out period under the aforementioned conditions.

***Individual trading of the shares of the Company by officers and persons closely connected with them***

Pursuant to Article 19.1 of the MAR, any person submitted to this legal obligation shall disclose to the Company every transaction conducted on their own account relating to the shares or debt instruments of the Company, or to derivatives or other financial instruments linked thereto. Thus, fall within this scope, equity, debt securities and derivative or financial instruments linked thereto (herein referred to as the “**Transactions**”).

This disclosure is required notably from the Board members as well as the persons closely associated with them (as defined by articles L. 621-18-2 and R. 621-43-1 of the French Monetary and Financial Code) once a total amount of EUR 20,000 has been reached within a calendar year.

Each Director recognizes that he/ she has been informed of his/ her obligations pursuant to MAR and undertakes to:

- disclose any of the Transactions to the Company and the AMF within 3 business days after the date of such transaction,
- notify the persons closely associated with them of their obligations under the Article 19 of MAR in writing and keep a copy of this notification.

A person closely connected with the Director (Articles 19 and 3.1(26) of MAR as well as articles L. 621-18-2 and R. 621-43-1 of the French Monetary and Financial Code) is understood to be:

- a) the spouse, not legally separated, or de facto spouse under national legislation (*i.e., in French law, the spouse of the Director not judicially separated or person linked by a civil solidarity pact (PACS)*),
- b) dependent children (*i.e., in French law, children over whom the Director exercises the parental authority or residing at his/ her domicile, usually or alternatively, or of whom he/ she has a continuous responsibility*),
- c) any other relative having lived in the Director’s household for at least one year on the transaction date; or
- d) any legal person, fiduciary, trust or partnership managed by either the Director personally, or by a person closely connected with him/ her or directly or indirectly controlled by that person or set up for the benefit of that person or the economic interests of which are substantially equivalent to those of that person.

Those notified transactions shall include (not exhaustive) the following (article 10 of the Commission Delegated Regulation (EU) 2016/522 of 17 December 2015) :

- a) acquisition disposal, short sale, subscription or exchange;

- b) acceptance or exercise of a stock option, including of a stock option granted to managers or employees as part of their remuneration package, and the disposal of shares resulting from the exercise of a stock option;
- c) entering into or exercise of equity swaps;
- d) transactions in or related to derivatives, including cash-settled transaction;
- e) entering into a contract for difference on a financial instrument of the concerned issuer or on emission allowances or auction products based thereon;
- f) acquisition, disposal or exercise of rights, including put and call options, and warrants;
- g) subscription to a capital increase or debt instrument issuance;
- h) transactions in derivatives and financial instruments linked to a debt instrument of the concerned issuer, including credit default swaps;
- i) conditional transactions upon the occurrence of the conditions and actual execution of the transactions;
- j) automatic or non-automatic conversion of a financial instrument into another financial instrument, including the exchange of convertible bonds to shares;
- k) gifts and donations made or received, and inheritance received;
- l) transactions executed in index-related products, baskets and derivatives, insofar as required by Article 19 of MAR;
- m) transactions executed in shares or units of investment funds, including alternative investment funds (AIFs) referred to in Article 1 of Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011, insofar as required by Article 19 of MAR;
- n) transactions executed by manager of an AIF in which the person discharging managerial responsibilities or a person closely associated with such a person has invested, insofar as required by Article 19 of MAR;
- o) transactions executed by a third party under an individual portfolio or asset management mandate on behalf or for the benefit of a person discharging managerial responsibilities or a person closely associated with such a person;
- p) borrowing or lending of shares or debt instruments of the issuer or derivatives or other financial instruments linked thereto.

**10. ANNEX 2: DECISIONS OF THE EXECUTIVE CHAIRMAN AND THE EXECUTIVE VICE-CHAIRMAN**

List of decisions (as of October 1, 2018 that can be completed by subsequent decision of the Board of Directors):

- Power for the Executive Chairman and the Executive Vice-Chairman, acting individually or jointly, to acknowledge capital increases resulting from the exercise of stock options or the grant of new performance shares pursuant to existing or new stock options plans or performance shares plans.