2020

Universal Registration Document

ESSILORLUXOTTICA

Contents

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* Includes the Report on the compensation policy of Executive Corporate Officers subject to the approval of shareholders at the Shareholders' Meeting on May 21, 2021.

The information from the Annual Financial Report is clearly identified in the table of contents by the symbol AFR

2020

Universal Registration Document

Including the Annual Financial Report

This document is a non-certified translation into English of the Universal Registration Document issued in French and filed on March 26, 2021 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said Regulation.

The Universal Registration Document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

Message from the Chairman and Vice-Chairman

LEONARDO DEL VECCHIO

HUBERT SAGNIÈRES

Dear Shareholders,

When we wrote to you last March, the world looked very different for all of us. What makes our 2020 report so meaningful is that it highlights EssilorLuxottica's leadership in an environment that none of us had ever seen before. Fresh off the heels of our combination, we led the industry through a pandemic and did so while staying true to our strategic vision and protecting our people.

Today, we celebrate our success as a combined business, but also as a champion for all global business. It was our distinct dream to create a company deeply rooted in excellence and without geographic boundaries.

We are proud to say that we completed a critical stage of our combination during the interim period of the past three years. While it was not without challenges, we successfully laid the foundation for a new company, bringing us all closer together with a common vision. As we enter into the next stage of integration, our management team will use its strength, experience and determination to bring this vision into reality.

This past year, EssilorLuxottica created value for all stakeholders through its open business model. We achieved our goal to combine lenses and frames, leveraging a powerful supply chain and delivering a complete pair to consumers who want the best of vision and style. We reached great milestones while remaining consistent with our mission to help people "see more, be more and live life to its fullest". Perhaps our proudest achievement has been expanding our Employee Share Ownership in Essilor and Luxottica to reach more than 60,000 employees around the world.

For helping to guide us steadily through these unchartered waters, we offer our most sincere gratitude to the outgoing Board of Directors. Our incoming Board, which includes candidates who stand out for their vast experience, extensive business acumen and established reputations, is ready to continue to serve the Company's mission while leading EssilorLuxottica into an exciting new phase. In order to ensure continuity and steadfast leadership in EssilorLuxottica's amazing journey, we intend to propose to the new Board to confirm Francesco Milleri and Paul du Saillant as CEO and Deputy CEO respectively.

Looking ahead, we have strong ambitions for 2021 and beyond. We are precisely in the right position to lead the reinvention of an entire industry in the age of wearables, artificial intelligence, rapidly changing consumer and patient behaviors, sustainability and other forces of science and nature. Our wonderfully entrepreneurial and people-driven company has all that we need to propel eyewear and eyecare into an exciting new universe.

Celebrating 60 years of business for Luxottica and over a century and a half for Essilor, we will continue to be the company that our people, partners, investors and consumers are proud to work with. With our incredible managers at the helm, the next chapter of EssilorLuxottica's story will be led with great passion and purpose.

Message from the Chief Executive Officer and Deputy Chief Executive Officer

Dear Shareholders,

We are extremely proud to be delivering this report to you, outlining EssilorLuxottica's achievements in 2020. During a difficult year for all our stakeholders, our newly combined Company lived up to its promise as an industry leader by taking care of our 140,000 employees around the world, supporting our customers through hardship and meeting the changing needs of consumers, all while continuing to invest in the future of vision care.

In 2020, we focused on leveraging the assets of both Essilor and Luxottica while preserving cash to not only allow the Company and the industry to push through the pandemic, but to blaze a trail for decades to come. By combining the most advanced lens technology with the most iconic frames and by weaving together a robust supply chain with strong roots in every region, we are just beginning to show the world what EssilorLuxottica can do.

Product innovation and digital transformation remained at the heart of our strategy and of our Mission of helping people "see more, be more and live life to its fullest". We launched new technologies like the Stellest lens, designed to lead the fight against myopia, and announced a partnership with Facebook that will define the next generation of smart glasses. EssilorLuxottica's brands further strengthened their position in the market. Loyalty to our brands is higher than ever and partnerships with cultural icons, star athletes and millennial influencers reinforced this. The relationships we are building with consumers are the kind that will last a lifetime. As part of our digital acceleration, we also continued to enhance the consumer journey online, in-store and in the exam lane with telehealth options.

With future growth in mind, we enhanced our e-commerce platforms and got closer to customers and consumers during the pandemic. Our online business reached a record high in 2020, totaling €1.2 billion in revenues and growing by approximately 40% year over year.

We also made great strides on the integration front, activating many workstreams across the business that are already showing results. Our progress, which gives us confidence that we will meet the synergy targets we promised to the market, has also brought the two teams closer together professionally and culturally. Our employees are more invested in the future of the Company than ever – with the expansion of our employee shareholding, almost one out of every two employees now hold a financial stake in EssilorLuxottica.

In a challenging year, we maintained our philanthropic work in underserved regions around the world through our support of Vision For Life, Essilor Vision Foundation and OneSight. Since 2013, we have created sustainable access to vision care for over 420 million people in developing communities and we have corrected and protected the vision of nearly 40 million people to date.

We continued our efforts to reduce the Group's environmental impact across the value chain, investing in renewable energy and gradually introducing sustainable development criteria for new products. We are now setting long-term, measurable sustainability goals and look forward to sharing those with you.

At all levels of the Company, there is a palpable sense of confidence in where we are today and the direction we are heading, thanks to our highly engaged workforce and a clear roadmap to achieving our goals in 2021.

Thank you for being on this exciting journey with us.

FRANCESCO MILLERI

PAUL DU SAILLANT


BOLON
EYEWEAR
Vittoria Ceretti

CHAPTER

1

PRESENTATION OF ESSILORLUXOTTICA

IN BRIEF

EssilorLuxottica is a global leader in the **design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.**

Formed in 2018, its mission is to **help people around the world to see more, be more and live life to its fullest** by addressing their evolving vision needs and personal style aspirations.

The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and eyewear as well as the consumer experience around it.

Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux and Transitions, and world-class retail brands including Sunglass Hut and LensCrafters are part of the EssilorLuxottica portfolio.

In 2020, EssilorLuxottica had more than 140,000 employees and consolidated revenue of €14.4 billion.

The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices. Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP.

REVENUE
€14.4bn

EMPLOYEES
Over 140,000

COUNTRIES
Over 150

PATENTS AND DESIGNS
Over 11,000

MAJOR BRANDS
Over 100

STORES
Approximately 11,000

1.1 A global leader in the eyecare and eyewear industry

1.1.1 Overview of the Group

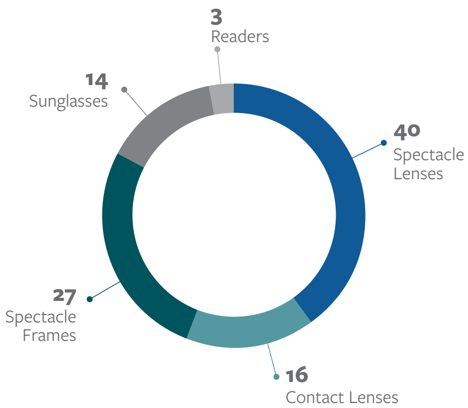
EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear, to create a vertically-integrated business that is uniquely positioned to address the world's evolving vision needs and the global demand of a growing eyecare and eyewear industry.

A growing eyecare and eyewear industry

Across the world, 7.7 billion people are in need of sunglasses, among which 6.2 billion are not equipped yet [1] and 4.7 billion people are in need of vision correction [1], among which 2.7 billion suffer from uncorrected poor vision [1].

The global eyecare and eyewear industry represents a value estimated at over €100 billion [2] in retail price terms, with a long-term growth trend of around 3% per year [2]. The industry is comprised of five segments: spectacle lenses, contact lenses, spectacle frames, sunglasses and readers. The growth patterns of each segment are relatively homogeneous, with the exception of the contact lenses category which is projected to grow faster than the rest.

BREAKDOWN OF THE GLOBAL EYECARE AND EYEWEAR INDUSTRY IN 2020 *(in percentage terms)* [2]



A unique global footprint

With a worldwide presence across all stages of the value chain, EssilorLuxottica has more than 140,000 employees committed to providing vision care and eyewear products that meet the individual needs and style aspirations of each consumer. The unique business model and relentless pursuit of operational excellence ensures that consumers everywhere have access to products that have been rigorously tested to meet internationally recognized standards, from the simplest pair of glasses to the most sophisticated custom-made lenses and branded eyewear.

A deeply rooted commitment to innovative vision care and eyewear solutions

By investing heavily in R&D for cutting edge lens and frame technology, as well as reimagining the design, form and function of eyewear, EssilorLuxottica constantly sets new industry standards for vision care and eyewear and the consumer experience around it. Beyond the products we make, our Company and our people are deeply committed to elevating the importance of vision as both a basic human right and a key lever for global development.

(1) Source: EssilorLuxottica, Vision Impact Institute, Eyelliance: Eyeglasses for Global Development: Bridging the Visual Divide.
(2) Source: EssilorLuxottica, Euromonitor.

1.1.2 Vision care and eyewear brands

EssilorLuxottica is home to some of the most loved and widely recognized vision care and eyewear brands in the world. With a portfolio of proprietary and licensed brands that cover a wide variety of market segments, the Company taps into the needs and desires of consumers, innovates on everything from design to service, and ultimately delivers products and experiences that stand out in the industry.

Lens technologies

EssilorLuxottica's innovation in lens technology has led to the creation of lens brands that rank among the highest in terms of consumer satisfaction.

Today, it has an unparalleled portfolio of proprietary brands, including Varilux, Transitions, Crizal, Ray-Ban, Oakley, Eyezen, Xperio and Barberini. The Company has also successfully partnered with leading companies such as Nikon to distribute specific technologies that enable each consumer's needs to be fully addressed. These brands make an important contribution to educating consumers about the importance of eyecare.

EssilorLuxottica also has a long history of designing equipment and solutions used by opticians, optometrists and ophthalmologists around the world. This includes lens surfacing and coating equipment and instruments for refraction, diagnostic and imaging, measurement, edging and mounting tools as well as sales support services.

Eyewear brands

The vision and inventiveness of EssilorLuxottica has helped eyewear become a category of its own over the past few decades, evolving from a necessary device that improves vision to a desirable fashion accessory which enables self-expression and enhances self-confidence. A relentless pursuit of excellence down to the smallest detail, along with ongoing investment in R&D, new technologies, equipment, materials and processes, has earned us a reputation as a product and branding trailblazer.

The Company has an outstanding portfolio of proprietary eyewear brands, including Ray-Ban, Oakley, Costa, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli, Arnette, and Bolon and prestigious licensed brands including Giorgio Armani, Burberry, Bulgari, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

Alain Mikli
Brooks Brothers
Coach
Ferrari
Michael Kors
Oliver Peoples
Ralph
Starck
A|X Armani Exchange
Burberry
Costa
Foster Grant
Miu Miu
Persol
Ralph Lauren
Tiffany & Co.
Versace
Arnette
Bvlgari
Dolce & Gabbana
Giorgio Armani
Molsion
Polo Ralph Lauren
Ray-Ban
Tory Burch
Vogue Eyewear
Bolon
Chanel
Emporio Armani
Luxottica
Oakley
Prada
Sferoflex
Valentino

Direct to consumer

EssilorLuxottica's retail network counts approximately 11,000 stores that offer high quality vision care and shopping experiences to patients and consumers, from highly digital eye exam technology to the latest eyewear trends curated for every type of consumer. A true omnichannel approach to distribution has enabled the magic of the Company's stores to be replicated in the digital space, enabling visitors to enjoy everything from customization to an endless aisle of frames. This approach enhances the consumer experience by offering a connected experience across all customer touch-points. Developing online activities enables EssilorLuxottica to reach a greater number of consumers while ensuring the distribution of quality optical products and improving the quality of information available for consumers to understand the importance of vision and the solutions available.

The Company has a widespread brick-and-mortar retail network, under banners like LensCrafters, Pearle Vision, Target Optical, Salmoiraghi & Viganò, David Clulow Opticians, OPSM, Óticas Carol, GMO, Ópticas Place Vendôme, Ópticas Visión, Sunglass Hut, Ray-Ban and Oakley, complemented by best-in-class e-commerce platforms like Ray-Ban.com, Oakley.com, SunglassHut.com, EyeBuyDirect.com, FramesDirect.com, Clearly.ca and Vision Direct (in Europe).

As of December 31, 2020 EssilorLuxottica operated 10,739 stores as follows:

	North America	Europe	Asia, Oceania, Africa	Latam	Total Corporate	Franchise and license	Total Stores
Sunglass Hut	1,728	479	442	395	3,044	195	3,239
LensCrafters	1,000		92		1,092	2	1,094
Óticas Carol				24	24	1,378	1,402
Pearle Vision	106				106	442	548
Target Optical	536				536		536
GMO				447	447		447
Salmoiraghi & Viganò		360			360	29	389
Oakley retail locations	190	10	66	15	281	103	384
OPSM			340		340	36	376
Ray-Ban	20	40	159	29	248		248
David Clulow Opticians		122			122	1	123
Luxury House Brands	33	9	7		49	8	57
All Others Luxottica	4		82		86	10	96
LUXOTTICA	**3,617**	**1,020**	**1,188**	**910**	**6,735**	**2,204**	**8,939**
Mujosh			120		120	500	620
Aojo			69		69	327	396
Optical House		196			196		196
Ópticas Visión				156	156		156
Bolon			38		38	116	154
Ópticas Place Vendôme				69	69		69
Optical Center				62	62		62
MJS			9		9	34	43
All Others Essilor	4		64	15	83	21	104
ESSILOR	**4**	**196**	**300**	**302**	**802**	**998**	**1,800**
TOTAL	**3,621**	**1,216**	**1,488**	**1,212**	**7,537**	**3,202**	**10,739**

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1.1.3 Key figures

The table below highlights EssilorLuxottica's performance in 2020 and 2019. The year-on-year comparability of these results is no longer affected by the accounting of the combination between Essilor and Luxottica ("EL Combination"), occurred on October 1, 2018. However, 2020 results are strongly affected by the COVID-19 pandemic.

€ millions	**2020**	**2019**	**Change at current exchange rates**	**Change at constant exchange rates** (1)
Revenue	14,429	17,390	-17.0%	-14.6%
Gross profit	8,476	10,817	-21.6%	-19.3%
Adjusted** (2) **gross profit	**8,493**	***10,887***	**-22.0%**	**-19.6%**
% of revenue	**58.9%**	***62.6%***	**-**	**-**
Operating profit	452	1,678	-73.1%	-69.4%
Adjusted** (2) **operating profit	**1,374**	***2,812***	-51.1%	-48.5%
% of revenue	**9.5%**	***16.2%***	**-**	**-**
Net profit	149	1,185	-87.5%	-84.0%
Adjusted** (2) **net profit	**868**	***2,054***	**-57.7%**	**-55.4%**
% of revenue	**6.0%**	***11.8%***	**-**	**-**

(1) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

(2) Adjusted from income and expenses related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance. Such adjusted measures are reconciled to their most comparable measures reported in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019. The reconciliation tables as well as the list of adjusting items are presented in Section 3.1.1 of this Universal Registration Document.

1.2 Company History

EssilorLuxottica

September 2020
Collaboration with Facebook on smart glasses announced

August 2020
Launch of EssilorLuxottica 360 in the US (first joint commercial program)

June 2020
Launch of Ray-Ban Authentic (first joint product offering)

November 2019
€5 billion bond issuance to finance the proposed acquisition of GrandVision

July 2019
Project to acquire GrandVision announced

March 2019
MTO procedures completed and delisting of Luxottica shares from Milan Stock Exchange

October 2018
Combination completed

March 2018
EU and the US cleared EssilorLuxottica combination without conditions

January 2017
EssilorLuxottica combination announced

Combining more than 200 years of excellence

● Essilor's Events ● Luxottica' Events

2019
- Acquisition of Brille24 (online)
- Acquisition of Barberini

2018
- Acquisition of Fukui Megane

2017
- Acquisition of Óticas Carol

2016
- Acquisition of Vision Direct UK, MyOptique (online) and Photosynthesis Group (Sunglasses)
- Acquisition of Salmoiraghi & Viganò

2015
- Acquisition of Vision Source, PERC/IVA
- Creation of Vision for Life, the largest strategic fund in visual health, to combat poor vision

2014
- Acquisition of Transitions Optical and coastal.com

2013
- Acquisition of Costa and Bolon
- Acquisition of Alain Mikli

2012
- Acquisition of Tecnol

2010
- Acquisition of Shamir Optical, Signet Armorlite and FGX

2008
- Acquisition of Satisloh (Equipment)

2007
- Acquisition of Oakley

2004
- Acquisition of Cole National

2003
- Acquisition of OPSM

2001
- Acquisition of Sunglass Hut

2000
- Essilor and Nikon decided to combine their R&D capabilities in creating a joint-venture
- Listed on Milan Stock Exchange

1999
- Acquisition of Ray-Ban

1998
- Acquisition of EyeMed

1995
- Acquisition of Gentex Optics (polycarbonate plastic lenses)
- Acquisition of Persol
- Acquisition of LensCrafters

1991
- Joint-venture with PPG to launch the first organic photochromic lens

1990
- Acquisition of Vogue Eyewear
- Listing on NYSE

1988
- First license agreement with Giorgio Armani

1975
- Essilor listed on the stock market (Paris)

1972
- Essilor, a merger of two leading names (ESSEL and SILOR)

1961
- Luxottica founded by Leonardo del Vecchio

1959
- Launch of Varilux, the first Essilor's progressive lens

1954
- Launch of the first plastic lens, Orma

1849
- Creation of the Société des Lunetiers, known as SL then ESSEL

EssilorLuxottica has a combined two centuries of innovation and human endeavor behind it. Created in 2018, it is a culmination of two very complementary and inspiring business stories, equally rich in their successes, which have revolutionized an entire industry more than once, changing the very nature of eyewear and how we care for our eyes.

Founded in 1849, Essilor's long history is bound to its mission of improving lives by improving sight. This mission has borne major technological advances such as the invention of the organic lens and the progressive lens. The company has built a strong culture of employee shareholding combined with a unique governance model that associates employees with the company's decision-making process. This model is at the heart of Essilor's ambition to eradicate poor vision worldwide within one generation.

Starting its journey in 1961, Luxottica transformed eyeglasses from a necessary device into a desirable fashion accessory and vehicle for self-expression by building a unique vertically integrated business model that covers the entire value chain from design to final consumers and makes it possible to verify the quality of both products and processes. This revolution has created a growing appetite and demand for premium branded frames with a positive impact on the eyewear industry globally.

Where the stories overlap is in vision and values, including an entrepreneurial spirit and a shared desire to create the very best products for all consumers around the world and to do so responsibly. Yesterday Essilor and Luxottica were two companies using their individual strengths to unlock the potential of eyecare and eyewear around the world; today EssilorLuxottica looks forward to combining those strengths as one Group.

1.2.1 History of Essilor

At Essilor's roots lie two innovative companies

Essilor was formed in 1972 from the merger of two technological and marketing pioneers, ESSEL and SILOR, which at the time dominated the French ophthalmic optics industry.

The first can trace its origins to the *Association Fraternelle des Ouvriers Lunetiers* (renamed *Société des Lunetiers* and then ESSEL), an eyewear makers' cooperative founded in 1849 in Paris. The company quickly became a key player in vision correction and started to grow internationally as early as 1868. In 1953, it filed a patent for its first-ever progressive lens, launched under the Varilux name in 1959. ESSEL's original operating structure, which was inspired by workers' cooperatives and involved employees in corporate governance, is the source of the strong employee shareholding culture that is still present in Essilor today.

The second company dates back to the 1930s and was founded by Georges Lissac. The Industrial Division of the Lissac group, SILOR, was formed in 1969 from the merger of frame-maker SIL (*Société Industrielle de Lunetterie*) and lens-maker LOR (*Lentilles Ophtalmiques Rationnelle*), which had launched the first plastic lens, Orma, in 1954.

The 1970s to 1990s: International expansion

In the early 1970s, Essilor was mainly an exporting group, with its international business accounting for 45% of its revenue. After its successful IPO in 1975, it continued its drive for innovation with the launch of the first-ever progressive plastic lens: Varilux Orma, a powerful symbol of the synergy between the two founding companies. In 1979, the construction of a large plastic lens manufacturing plant in the Philippines was a turning point in Essilor's transformation into a true international group.

In the 1980s, to grow its competitiveness, Essilor set up other mass production sites in Brazil and Thailand. The group also set up and expanded its local distribution networks by buying up distributors in Europe and strengthening its presence in Asia. In 1986, the American subsidiaries were consolidated under Essilor of America. By the end of the 1980s, Essilor had become the world's leading manufacturer of ophthalmic optics.

Essilor, the world's leading manufacturer of ophthalmic optics

In the early 1990s, Essilor consolidated its world-leading position through a global strategy based on three key vectors, the first of which was industrial specialisation in corrective lenses as well as in instruments for opticians. The second was innovation in lens coatings and their combinations. Launched in 1992, the Crizal lens with antireflective, antismudge and antiscratch properties, and the Transitions photochromic lenses launched one year earlier on the back of a new joint venture with PPG, became a major growth segment with high added value. At the same time, Essilor strengthened its positioning in very light and unbreakable lenses with the takeover of Gentex Optics in 1995, which brought it the polycarbonate lens. Last but not least, Essilor, which until the mid-1990s had earned most of its revenue in Europe, began to create a global network. The group put down roots in China and India and also acquired more independent prescription laboratories, mainly in the United States and Europe, to ensure that its network reached local customers. Production was also set up in China with the opening of a plant near Shanghai in 1998.

The 2000s: Genuine globalization of high technology and strategic alliances

Technological innovation accelerated at the turn of the 21st century with a growing number of innovations beneficial to opticians and consumers. New products targeted both optical quality and wearer comfort thanks to: new and increasingly effective designs such as the Varilux X series lenses; UV protection, even in clear lenses, with the launch of the E-SPF index; lenses selectively protecting against harmful blue light, such as the Crizal Prevencia lenses; products intended for new consumer behaviors and habits, such as the new Eyezen lens line for all users of digital devices.

The group continues to grow through acquisitions and strategic partnerships that allow Essilor to assert its leading position in fast-growing countries such as India, China and Brazil.

The 2000-2010 decade was also marked by major strategic partnerships with: Nikon through the joint venture Nikon Essilor Co., Ltd (1999); Samyung Trading Ltd through the joint venture Essilor Korea Ltd (2002); GKB Rx in India (2006); Wanxin Optical in China (2010); Signet Armorlite, which has the worldwide production and distribution license for the Kodak trademark in the United States (2010); and Shamir Optical in Israel (2011). Over the period, Essilor developed its positions in many new countries, particularly in Latin America, Asia and Africa, aided by around twenty new acquisitions and partnerships each year.

A bigger playing field

Essilor broadened its scope of activities in the optics world with the creations of two new divisions. The Equipment Division was created in 2008 following the acquisition of Satisloh, the world leader in prescription laboratory equipment. In 2010, Essilor took over FGX International, the North American leader in non-prescription reading glasses (readers). This acquisition led to the creation of the Sunglasses & Readers Division.

In 2013, the group stepped up the development of its sunglasses offer with the acquisition of new companies specializing in mid-range products and high-tech sunglasses, such as Polycore, Xiamen Yarui Optical (owner of the Bolon, Molsion and Prosun trademarks), Suntech Optics (which distributes Ryders Eyewear) and Costa.

In 2014, Essilor deepened its presence in the photochromic lenses segment by completing the acquisition of the PPG group's 51% stake in Transitions Optical and in the online business, with the acquisition of Coastal, a major online retailer of optical products.

In 2015, the group strengthened its ties with independent eye care professionals in the United States with the acquisition of Vision Source, a network providing services to independent optometrists, and PERC/IVA, a group purchasing organization.

In 2016, the group accelerated the development of its online sales, especially through two major acquisitions in Europe (Vision Direct and MyOptique Group) and expanded in China by taking 50% stake in Photosynthesis Group, which markets sunglasses and corrective lenses under a range of banners including MJS.

1.2.2 History of Luxottica

Incorporation

Luxottica was founded by Leonardo Del Vecchio in 1961. The company started out as a small workshop and operated until the end of the 1960s as a contract producer of dyes, metal components and semi-finished goods for the optical industry.

It gradually widened the range of processes offered until it had an integrated manufacturing structure capable of producing a finished pair of glasses. In 1971, Luxottica's first collection of prescription eyewear was presented at Milan's MIDO (an international optics trade fair), marking Luxottica's definitive transition from contract manufacturer to independent producer.

Expansion in wholesale distribution

In the early 1970s, the company sold its frames exclusively through independent distributors. In 1974, after five years of sustained development of its manufacturing capacity, it started to pursue a strategy of vertical integration, with the goal of distributing frames directly to retailers. The first step was the acquisition of Scarrone S.p.A., which had marketed the company's products since 1971, bringing with it a vital knowledge of the Italian eyewear market.

Luxottica's international expansion began in the 1980s with the acquisition of independent distributors and the formation of subsidiaries and joint ventures in key markets.

Luxottica's wholesale distribution expansion focuses on customer differentiation, customized service and new sales channels, such as large department stores, travel retail and e-commerce, as well as continuous penetration into new markets.

Eyewear, a new frontier of fashion

The 1981 acquisition of La Meccanoptica Leonardo, owner of the Sferoflex brand and developer of an important flexible hinge patent, enabled the company to enhance the design and quality of its products and increase its market share. From the late 1980s, eyeglasses, previously perceived as mere sight-correcting instruments, began to evolve into eyewear.

An aesthetic focus on everyday objects and designers' interest in the emerging accessories market led Luxottica to embark on its first collaboration with the fashion industry in 1988 by entering into a licensing agreement with Giorgio Armani. The company followed that initial collaboration with numerous others and, with the acquisition of new brands, gradually began building its current world-class brand portfolio.

Over the years Luxottica has launched collections from names like Bulgari (1997), Chanel (1999), Prada (2003), Versace (2003), Dolce&Gabbana (2006), Burberry (2006), Ralph Lauren (2007), Tiffany & Co. (2008), Tory Burch (2009), Coach (2012), Starck Eyes (2013), Giorgio Armani (2013), Michael Kors (2015) and Valentino (2017).

Moreover, in 1999 Luxottica acquired Ray-Ban, one of the world's best-known sunglasses brands, along with its crystal sun lens technology.

In 2007, Luxottica acquired California-based Oakley, a leading sport and performance brand, which owned the Oliver Peoples brand. At the time of the acquisition, Oakley had its own retail network of over 160 stores.

In 2013, Luxottica acquired Alain Mikli International, a French luxury and contemporary eyewear company, which owned the Alain Mikli brand and the Starck Eyes license. As a result of the acquisition, Luxottica strengthened both its luxury brand portfolio and prescription offerings.

Expansion in retail distribution

In 1995, Luxottica acquired The United States Shoe Corporation, which owned LensCrafters, one of North America's largest optical retail chains. Luxottica became the world's first significant eyewear manufacturer to enter the retail market, maximizing synergies with its production and wholesale distribution and increasing penetration of its products through LensCrafters stores.

Since 2000, Luxottica has strengthened its retail business by acquiring a number of chains, including Sunglass Hut (2001), a leading retailer of premium sunglasses, OPSM Group (2003), a leading optical retailer in Australia and New Zealand, and Cole National (2004), which brought with it another important optical retail chain in North America, Pearle Vision, and an extensive retail licensed brands store business (Target Optical and Sears Optical). In 2005, the company began its retail expansion into China, where LensCrafters has become a leading brand in the country's high-end market. In the same year, the group also started to expand Sunglass Hut globally in high-potential markets like the Middle East, South Africa, India, Southeast Asia, Mexico, Brazil, Europe and China. In 2011, Luxottica started its optical retail expansion in Latin America by completing the acquisition of GMO, a leading retailer in Chile, Peru, Ecuador and Colombia. In 2016, Luxottica completed the acquisition of Salmoiraghi & Viganò, one of the leading optical retail chains in Italy, in which Luxottica has held a minority stake since 2012. In 2017 the group extended its presence in Brazil through the acquisition of Óticas Carol, one of the largest franchising optical retailers in the country. Eventually, in 2018 the group extended its retail footprint in Southeast Asia acquiring the Spectacle Hut brand.

A step further in the lens business

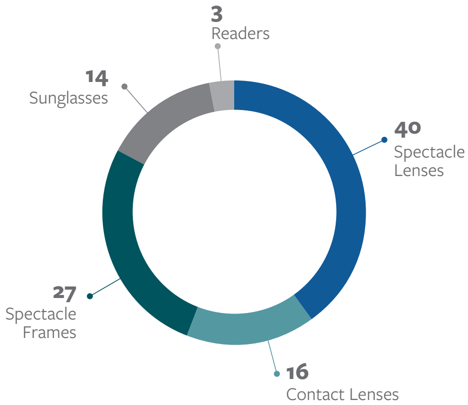
Luxottica is already a global leader in lens manufacturing. Ray-Ban, Oakley and Persol brands all carried a distinctive know-how in sun lenses when Luxottica acquired them and the acquisition of LensCrafters in 1995 brought an expertise in ophthalmic lenses. Since 2016, the company has taken further steps into the lens business developing new state-of-the-art production facilities in Italy, the United States and China to increase its production capacity for both sun and ophthalmic lenses. In August 2019, Luxottica completed the acquisition of Barberini S.p.A., the world's leading optical glass sun lens manufacturer.

1.3 The eyecare and eyewear industry

Solid growth for an industry worth more than €100 billion

The global industry is estimated to be worth over €100 billion [1] (price to the consumer) with a long-term growth trend estimated at 3% [1] a year. The industry comprises five segments: ophthalmic lenses, contact lenses, spectacle frames, sunglasses and readers. The growth patterns of each segment are relatively homogeneous, with the exception of the contact lenses category which is projected to grow faster than the rest.

BREAKDOWN OF THE GLOBAL EYECARE AND EYEWEAR INDUSTRY IN 2020 *(in percentage terms)* [1]



Ophthalmic lenses

The mission of players in the ophthalmic optics industry is to correct and protect vision. Consumers purchase glasses about every three years to correct defects such as myopia, hyperopia, presbyopia and astigmatism.

According to Group estimates, in 2020 the world ophthalmic optics market represents around 1.3 billion lenses a year [2] or approximately 650 million consumers a year [2]. Corrective lenses make up approximately 75% of vision correction solutions worldwide [2].

The value chain in the ophthalmic lens industry includes four phases: production of raw materials, manufacturing of lenses, finishing of lenses in prescription laboratories and edgingmounting facilities, and distribution to consumers.

Manufacturers make lenses using raw materials developed and produced by glass manufacturers for mineral lenses or by chemical companies for the polymerizable thermoset resins and injectable thermoplastic resins used in plastic lenses.

Their plants produce finished lenses for simple eyesight corrections and semi-finished lenses for more complex prescriptions. The plants also apply all types of coatings (tinting, anti-UV, anti-blue light, antiscratch, antireflective, antismudge, antistatic, antifog, etc.) on single-vision lenses that do not require surfacing and polishing in the laboratories.

EssilorLuxottica makes both single-vision finished lenses and semi-finished lenses.

The prescription laboratories transform the semi-finished lenses, only the front surface of which is finished at the plants, into finished lenses meeting the exact specifications of opticians' or optometrists' orders. This customization enables them to deliver the broadest possible array of correction combinations, especially for presbyopia. In the process, the labs also surface and polish lenses and apply the different coatings.

EssilorLuxottica operates a wide network of prescription laboratories and edging facilities around the world.

The Company also designs a range of optical instruments for opticians and eyecare professionals as well as equipment (primarily machines for surfacing and antireflective coatings) and sells consumables to prescription laboratories.

(1) Source: EssilorLuxottica, Euromonitor.
(2) 2020 estimates; Source: Essilor.

Contact lenses

Contact lenses are the main alternative to corrective lenses for treating visual acuity problems, particularly myopia. They make up approximately 10% of vision correction solutions worldwide [2].

Contact lenses are plastic discs made primarily of hydrogel or silicone hydrogel and worn directly on the cornea. They can be disposed of daily or replaced frequently (every two weeks, once a month).

EssilorLuxottica distributes contact lenses through its retail businesses (physical stores and e-commerce) and is a wholesale distributor in some countries, notably the United States.

Readers

Readers are non-prescription reading glasses sold by specialty retailers, notably pharmacies and mass retailers, and by optical retailers. This type of eyewear facilitates close-up viewing, particularly when presbyopia starts to develop, and covers about 10% of vision correction needs [1].

EssilorLuxottica sells readers through major retailers under a wide range of proprietary and licensed brands and has a significant presence in the United States.

Spectacle frames

Spectacle frames are the device which ophthalmic lenses are typically set in (mounted into the frames or rimless mount). In 2020, the global market of spectacle frames is estimated slightly below 600 million units [1].

Frames are typically made of metals or plastic (injected or acetate), which offer a wide variety of design solutions. This is for both spectacle and sunglass frames.

Metal frame production begins with the production of basic components such as rims, temples and bridges using a molding process, then these components are welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finished.

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer-controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled and finished. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated and finished.

EssilorLuxottica manufactures and distributes a huge number of different models of frames, made of all the described materials, under a number of very well-known brands (house frame brands and third party's licensed brands). In the prescription category, those frames need to be complemented by ophthalmic lenses, by the vast majority internally produced by the group's laboratories.

Sunglasses

Sunglasses are typically made of a frame with sun plano lenses (but they can be equipped also with prescription sun lenses, currently representing just a small portion of the market). Plano lenses can be made of plastic, polycarbonate or glass. In 2020, the global market of sunglasses is estimated slightly above 350 million units [2].

EssilorLuxottica manufactures and distributes a great number of different models and brands of sunglasses and is uniquely positioned as a global producer of branded sun prescription lenses.

Retailers and optical chains

Products are marketed through a number of channels, including independent eyecare professionals/optometrists, cooperatives, central purchasing agencies, retail optical chains, specialty stores, duty free (travel retail) chains and online channels.

EssilorLuxottica has a significant presence in physical stores in the United States, Latin America and some Asian and European countries including China, Australia and Italy. The company also has an outstanding e-commerce presence (sunglasses, prescription glasses and contact lenses). Lastly, EssilorLuxottica is a major supplier to third-party distributors operating in all distribution channels and across all geographic markets.

(1) 2020 estimates; Source: Essilor.

(2) Source: EssilorLuxottica, Euromonitor.

1.4 Mission

Mission

EssilorLuxottica's mission is to help people around the world see more, be more and live life to its fullest.

The Company's ground-breaking products correct, protect and frame the beauty of the most precious sensory organ – the eyes. By combining proven expertise in lens technology and eyewear manufacturing, a portfolio of brands that consumers love and global distribution capabilities, EssilorLuxottica enables people everywhere to learn, to work, to express themselves and to fulfill their potential.

Lack of awareness and access has led to a global vision crisis with severe social and economic consequences for billions of people. EssilorLuxottica exists to give vision a voice and to respond to the world's growing vision needs by meeting the evolving needs and changing lifestyles of the 2 billion people [(1)] who are wearing glasses today and inventing new ways to reach the 2.7 billion people [(1)] who suffer from uncorrected poor vision and the 6.2 billion people [(1)] who do not protect their eyes from harmful rays.

With the COVID-19 pandemic, 2020 saw seismic changes affecting the lives and livelihoods of everyone around the world. These changes impacted the vision industry too, disrupting the business of vision care providers and the delivery of vision care philanthropic programs. These changes also gave rise to new vision needs like blue light protection due to more time spent on screens and anti-fog lenses due to mask-wearing.

As a powerful advocate for the vision cause, a passionate campaigner for greater awareness, and a pioneering eyewear innovator with solutions and styles that bring ever greater improvements, EssilorLuxottica is finding new ways in COVID-19's new normal to give vision a voice as well as unlock the potential of eyecare and eyewear to bring good vision to everyone, everywhere in the world.

Driven by its mission and its global ambition of eliminating uncorrected poor vision from the world by 2050, EssilorLuxottica remains focused on:

Powering sight

80% of what people learn is processed through the eyes. But one out of three people around the world still do not have the vision care they need, and billions more are at risk of deteriorating vision. Beyond essential vision correction, EssilorLuxottica will seek to respond to the vast need for vision protection from sunlight and harmful blue light.

Thanks to its portfolio of lens technologies combined with some of the world's most loved eyewear brands, EssilorLuxottica is uniquely positioned to make wearing eyeglasses and sunglasses both a desirable and life-improving experience.

The Company will act on many levels to elevate awareness on the importance of vision correction and vision protection, educating policy makers and consumers with dedicated campaigns but also supporting expert-to-expert knowledge sharing on vision science and patient needs. EssilorLuxottica already supports the Vision Impact Institute, whose mission is to make good vision a global priority, and several other non-profit organisations such as OneSight and Essilor Vision Foundation whose focus is on providing free eye exams and eyeglasses to the people most in need.

Powering style

Combining the best in advanced lens technology with beautifully crafted and branded frames turns a necessary device that improves vision into an accessory that not only fits comfortably in form and function, but also serves as a true expression of personal style. Eyewear is one of the most visible of all fashion accessories and has become part of our cultural fabric. From the moment frame meets face, there is a sense of authenticity, creativity and confidence that consumers have come to love. Because of the power they wield, each pair of frames is considered as a little work of art, from its first sketches to the final handcrafted details. Every frame illustrates the passion, skill and commitment of EssilorLuxottica's people who will be committed to making the best eyewear possible.

(1) Source: Essilor International, Eliminating Uncorrected Poor Vision in a Generation. Essilor International. 2019; 15. https://www.essilorseechange.com/wp-content/uploads/2020/02/Eliminating-Poor-Vision-in-a-Generation-Report.pdf

1.5 Activities

Leveraging over 150 years of innovation, operational excellence, entrepreneurial spirit and international mindset, EssilorLuxottica develops groundbreaking eyecare and eyewear solutions to meet the changing lifestyles of existing consumers, while inventing new ways to reach the 2.7 billion people [(1)] who suffer from uncorrected poor vision and the 6.2 billion people [(1)] who do not protect their eyes from harmful rays. Its vertically integrated business draws on the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear, to offer an unprecedented set of comprehensive solutions to consumers and eyecare professionals.

EssilorLuxottica's operates an open, non-exclusive business model, that benefits all stakeholders, including customers, employees, shareholders, business partners, suppliers and communities in which they reside. This business model respects the characteristics of the various activities of the Company, by providing centralization when required (for global frame brands and retail banners) and more decentralization when appropriate (for prescription lenses, which cater for multiple individual eye defects at local level). It is built around six unique pillars, which contribute to the Company's strength and support its determination to play the role of an accelerator of the industry growth in the coming years.

Global footprint. Operating across more than 150 different countries, the locations of EssilorLuxottica's manufacturing capabilities, distribution network and human capital are geographically balanced and well diversified shielding it from volatility in single economic areas.

World-famous brands. EssilorLuxottica showcases a portfolio of more than 100 renowned brands spanning across various categories, *i.e.* frames, lenses, instruments, distribution, and positioning, *i.e.* entry level to premium segment. Among them feature the most recognized brands in the industry, whose equity is protected by strong investments to fight counterfeit products and the parallel market. The unique assembly of brands allows EssilorLuxottica to address all customer needs at every price point.

Comprehensive go to market. EssilorLuxottica has implemented a comprehensive go to market strategy, comprising retail, wholesale, e-commerce and last-mile inclusive models. Through its direct-to-consumer platforms, the Company gains valuable insight into the behavior and preferences of the end-consumer. Retail and e-commerce play together in synchronization combining a physical "touch and feel", particularly important in the eyecare and eyewear industry, with an immersive digital experience. Wholesale networks complement the distribution footprint in a still fragmented market. Through EyeMed and its US managed vision care business, EssilorLuxottica completes its holistic go to market approach. Finally, innovative inclusive business models make last-mile distribution a reality in emerging markets.

Superior innovation capabilities. A drive for excellence coupled with an innovative spirit stand at the forefront of EssilorLuxottica's aspirations. The Company has built a powerful global R&D network supported by leading scientific, industrial and academic communities and centered around four main initiatives: enhancing vision, powering style, revolutionizing eye exams, making eyewear smart. It owns more than 11,000 patents and produces over 2,000 new products every year.

Powerful supply chain. EssilorLuxottica operates a vertically integrated business model exercising full control over every single step of the value creation process, from product development and manufacturing to the sale to the end consumer. Balancing speed, efficiency and proximity, the Company manages a global supply chain based on centralization for frames and on a capillary network for lens production and prescription laboratories.

Talented people. At the very core of EssilorLuxottica are its people, who bring these assets to life. A team of more than 140,000 skilled and committed employees work together relentlessly to make the Company better every day. Diversity is a key priority with 57% of total employees represented by women and approximately 47% below the age of 35 years. The Company strives to attract the best talent engaging employees with extensive training and development programs, personal wellbeing initiatives, subsidized employee shareholding schemes and the continuous promotion of health and safety in the workplace.

By putting these distinctive assets to play, EssilorLuxottica's is uniquely positioned to drive the evolution and elevation of the entire industry for the benefit of all stakeholders.

1.5.1 Essilor activities

1.5.1.1 Strategy

Essilor International ("Essilor") is the world's leading ophthalmic optics company. Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. Its mission is to improve lives by improving sight. To support this mission, Essilor allocates more than €200 million to research and innovation every year, in a commitment to continuously bring new, more effective products to market. It also develops and markets equipment, instruments and services for eyecare professionals and operates in the readers and sunglasses market segments. Its flagship brands are Varilux, Crizal, Transitions, Eyezen, Xperio, Foster Grant and Bolon.

(1) Source : Essilor International, Eliminating Uncorrected Poor Vision in a Generation. Essilor International. 2019; 15. https://www.essilorseechange.com/wp-content/uploads/2020/02/Eliminating-Poor-Vision-in-a-Generation-Report.pdf

Across its operating activities, the strategy of Essilor rests on four main pillars:

- innovating in products, services and technology, thereby enabling the introduction every year of products delivering improved performance and new wearer benefits to address unresolved vision problems;
- developing solutions tailored to every segment and every geography in order to meet the diverse needs of eyecare professionals and consumers;
- acquiring new companies and forming partnerships with industry stakeholders, to deepen our local presence or enhance our asset portfolio;
- stimulating demand by deploying vision awareness programs, screening campaigns and initiatives to make visual correction more widely accessible.

These four pillars are supported by sustainable manufacturing and operational efficiency along with a deep commitment to corporate social responsibility.

BREAKDOWN OF ESSILOR REVENUE BY OPERATING SEGMENT

Revenue *€ millions*	2020	%
Lenses and Optical Instruments [a]	5,960	88.8%
Sunglasses & Readers [b]	595	8.9%
Equipment [c]	158	2.3%
TOTAL	**6,714**	**100%**

(a) Corrective lenses as well as lens preparation and optometry instruments for eyecare professionals and other institutions.

(b) Reading glasses and non-prescription sunglasses.

(c) Lens manufacturing and prescription laboratory equipment, mainly supplied by Satisloh.

1.5.1.2 Essilor Social Impact

Good vision is a basic human right. Seeing well improves everything in life, from an individual's health, education and work opportunities to the sustainable development of local communities and economies.

At Essilor, good vision is considered to be a basic human right and every day its 74,000 employees work to bring good vision to everyone, everywhere, driven by its mission to improve lives by improving sight. While 2 billion [1] people around the world enjoy vision correction, 2.7 billion [1] or one third of the population suffer from uncorrected poor vision due to the barriers of awareness and access, with 90% living in developing economies at the base of the pyramid. Uncorrected poor vision has become the world's largest unaddressed disability and a public health crisis today. That is why the Company has a global ambition to eliminate uncorrected poor vision from the world by 2050 by breaking down the barriers through four areas of action:

1) Raising awareness of the importance of good vision

Creating awareness of the importance of good vision is an important first step to help those suffering from uncorrected poor vision realize they are facing a health challenge but one that can be easily treated. This will then drive conversations around the topic, increase demand for action and encourage more people to access eye health services. Building awareness is also about consistently making the case for governments and health organizations to prioritize vision care and drive resources towards it.

As a long-term advocate for the cause of vision, Essilor supports the Vision Impact Institute, whose goal is to make good vision a global priority, through research and data driven advocacy. In addition, the Company leads many programs to drive awareness on a local, regional and global level. It collaborated with The Fred Hollows Foundation and other partners to expand the See Now campaign in India in 2020, following a successful pilot in 2019. Headlined by celebrity ambassador Mr. Amitabh Bachchan, the campaign encourages residents of Uttar Pradesh to get their eyes checked. The campaign reached nearly 50 million people with crucial eye health messaging and screened nearly 88,000 people for free before the COVID-19 pandemic halted it. Every year on World Sight Day, the Company launches programs across the world to give vision a louder voice. This year was no different - it deployed numerous initiatives around the world, accelerating its efforts to draw attention to the importance of good vision.

2) Creating sustainable access points through inclusive businesses

Lack of access to vision care and a lack of universal eye health systems impact many countries. Expanding sustainable access must continue to be a priority, particularly since vision correction is a recurring need. The Company's inclusive business 2.5 New Vision Generation (2.5 NVG) continues to find new and sustainable ways to provide vision care to underserved populations without access to conventional distribution channels. Through 2.5 NVG's inclusive business programs like Eye Mitra in India, Eye Mitro in Bangladesh, Mitra Mata in Indonesia and readers access points in Cambodia, it is training unemployed and underemployed people at the base of the pyramid to become primary vision care entrepreneurs for their communities, bringing vision care where it was unavailable before. During the COVID-19 pandemic, the Company's social impact fund, Vision For Life, provided financial aid to those whose livelihoods were at risk, enabling them to continue providing their communities with sustainable access to vision care.

2.5 NVG developed a third pillar of access creation: creating access in small towns by structuring unorganized and informal optical channels, including some without any physical shops, through skills training, marketing support as well as access to the Company's products and supply chain. This strategy has created powerful impact in China with its Eye Partner program and in Indonesia with its Mitra Mata program. The third pillar complements the Company's existing two pillars of access creation: greenfield outlets (like the Eye Mitra program) and philanthropic programs *via* charitable clinics.

(1) Source: Essilor International, Eliminating Uncorrected Poor Vision in a Generation. Essilor International. 2019; 15. https://www.essilorseechange.com/wp-content/uploads/2020/02/Eliminating-Poor-Vision-in-a-Generation-Report.pdf

3) Delivering philanthropic programs to help those most in need

There is a segment of the population, the most vulnerable, who will always need help, be it through subsidized or free vision care services. For this segment, philanthropy will always play a role on a local and global level. Essilor Vision Foundation organizes philanthropic programs around the world to provide free glasses to those most in need. Vision For Life, the Company's €49 million social impact fund, support all programs that address the needs of those with uncorrected poor vision and bring about socio-economic benefits for them and their communities.

Amidst the COVID-19 pandemic, the Company continued to deliver philanthropy to beneficiaries around the world, albeit in a safe and hygienic manner. It launched a vision care program for 300,000 migrant workers living in dormitories in Singapore while establishing a mobile visual health unit in France, enabling it to bring vision care to underserved areas throughout the country. The Company also pledged to support Special Olympics International (SOI) for another three years starting 2021 to continue supplying lenses to SOI's Opening Eyes program for its athletes.

Driving innovation to create affordable products, screening tools and service delivery models, Essilor recognizes the need for innovation across the entire vision care delivery chain from screening tools to products to service delivery models as a major lever to fast-track access to vision care at the base of the pyramid (BoP). To facilitate this, its BoP Innovation Lab works hand in hand with 2.5 New Vision Generation to incubate new inclusive business models and technology solutions to test and scale innovative ways that reach populations with no access to vision care, in partnership with other corporates, local startups, NGOs, foundations or development funds.

To enable the primary vision care entrepreneurs to offer enhanced vision care services to their communities, the BoP Innovation Lab pioneered an on-demand teleconsultation platform for them to connect with optometrists in urban areas to remotely oversee the refraction process in real time. Responding to the COVID-19, the Lab piloted a home delivery model in India where customers can make appointments for at home vision screenings, facilitated by teleconsultation. To provide vision screening at a low cost, the BoP Innovation Lab developed the ClickCheck™, an award-winning screening device which enables primary vision care providers and NGOs to conduct vision screening anytime, anywhere at a fraction of the cost.

4) Eliminating uncorrected poor vision around the world

Since 2013, the Company has created sustainable access to vision care for over 380 million people with over 17,300 inclusive businesses or primary vision care entrepreneurs around the world. It has also corrected and protected the vision of over 39 million people at the base of the pyramid through its inclusive business and philanthropic actions.

In 2020 alone, despite the COVID-19 pandemic impacting lives and livelihoods around the world, the Company continued to drive progress towards its ambition of eliminating uncorrected poor vision - it created sustainable access to vision for over 82 million people in developing communities at the base of the pyramid by establishing nearly 2,000 inclusive businesses or primary vision care entrepreneurs. It also corrected and protected the vision of over 6 million people through both inclusive business and philanthropy.

1.5.1.3 Lenses and Optical Instruments

1.5.1.3.1 Overview

The **Lenses and Optical Instruments** division accounted for 88.8% of Essilor consolidated revenue in 2020, or close to €6.0 billion.

Essilor designs, manufactures and customizes **corrective lenses** to meet each person's unique vision requirements.

Its extensive lens range corrects myopia, hyperopia, astigmatism and presbyopia to enable people to regain better vision, preserve and protect their eyesight and improve their lens wearing experience.

Essilor serves every segment of the ophthalmic lens market with globally recognized brands, the most renowned being:

- Varilux and its progressive lens range, including the Varilux X Series launched in 2017;
- Crizal and its range of antireflective, antismudge and antistatic lenses, including Crizal Sapphire 360°, introduced in 2017;
- Transitions and its photochromic lenses (that darken on exposure to UV light), including the new Transitions Style Colors and Transitions Style Mirrors lines launched in 2018 as well as Transitions Signature GEN 8 in 2019;
- Eyezen, a line of lenses for users of computers, tablets, smartphones and other connected devices, including the latest innovation, Eyezen Start lenses, launched early in 2019;
- Xperio polarized sun lenses;
- The Nikon and Kodak corrective lens brands used under licensing agreements with Nikon Corporation and Eastman Kodak, respectively.

Within this division, Essilor also designs, develops, markets and maintains a range of **optical instruments** in two main specialty segments: (i) lens edging and mounting instruments for opticians and prescription laboratories, and (ii) optometry instruments for eyecare professionals, schools, occupational medicine centers, the military and other institutions. This business unit continued to roll out two major new instruments in 2020: Visioffice X, a tool for personalizing lenses in optical stores, and the Vision-R 800 phoropter. A world first, the latter radically changes the eye exam process and customer experience, allowing measurement up to 0.01 Diopter *versus* 0.25 Diopter with other machines on the market. In addition to revolutionizing optometry, the Vision-R 800 paves the way for ophthalmic lenses with much greater accuracy.

In addition, Essilor has been working for several years to develop solutions for **online sales of optical products** including contact lenses, prescription eyewear and sunglasses to better serve the fast-growing online retail channel. This effort is supported by a number of local websites currently covering countries such as:

- Australia (**clearly.com.au**);
- Brazil (**e-lens.com.br** and **eotica.com.br**);
- Canada (**clearly.ca**);
- The United States (**eyebuydirect.com, framesdirect.com,** and **coastal.com**);
- Europe (**LensWay** websites and **Vision Direct, MyOptique Group, 4Care** and **Brille24**);
- India (**coolwinks.com**);
- New Zealand (**clearly.co.nz**).

Essilor's **customers** are:

- opticians/optometrists for ophthalmic lenses and edging and mounting instruments directly or indirectly through distributors;
- prescription laboratories for lenses and edging and mounting instruments;
- end consumers *via* the company's websites and retail stores that sell optical products.

The ophthalmic optics industry is highly fragmented and served primarily by local competitors. Essilor's main global **competitors** are Hoya (Japan) and Carl Zeiss Vision (Germany).

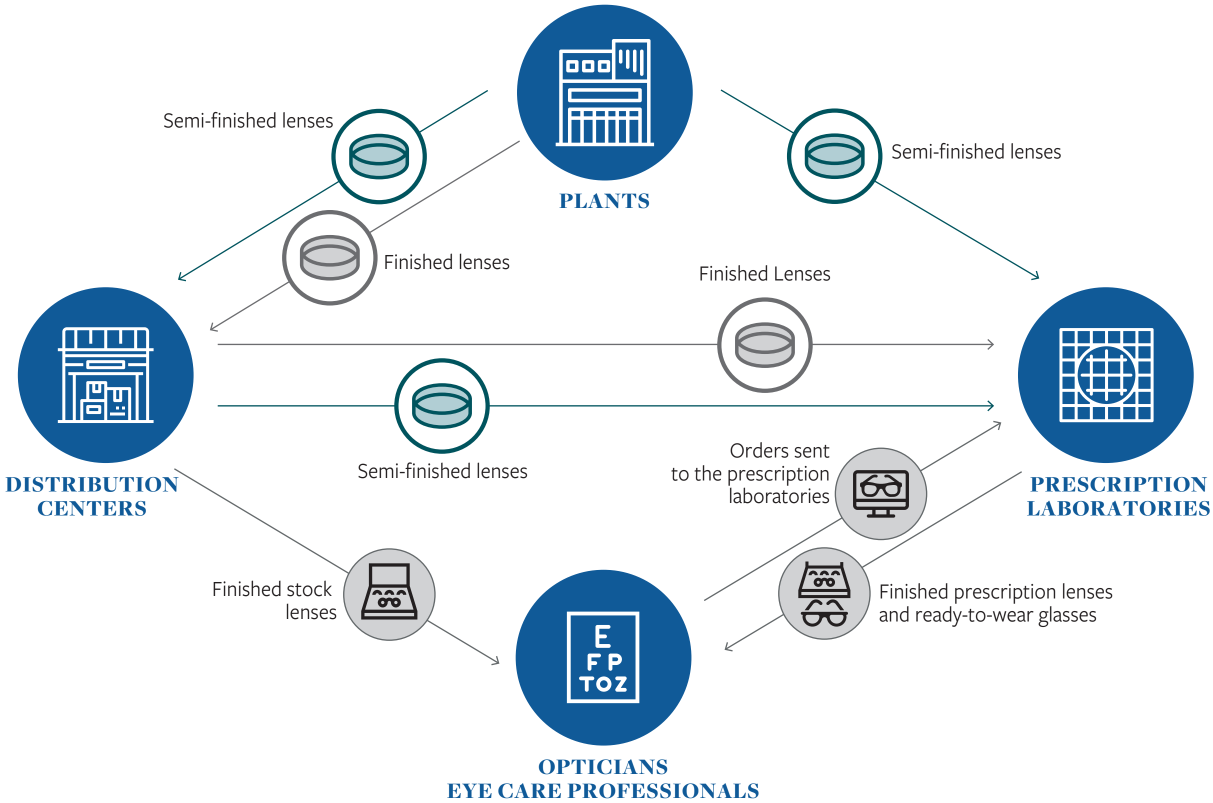
1.5.1.3.2 Production and supply chain

Steps in the lens manufacturing process

Essilor's **production plants** produce lenses that are finished or semi-finished (only the front surface is finished). In general, the finished lenses produced are for simple eyesight correction such as myopia, hyperopia and some astigmatisms. Semi-finished lenses are intended for more complex corrections including presbyopia.

The company's **prescription laboratories** manufacture the semi-finished lenses to the specifications of opticians/optometrists. They handle surfacing, polishing, coatings (multilayer and antireflective) and edging-mounting. This "customization" helps address the very large number of correction combinations possible, particularly for presbyopia. In the latter case, the labs surface multiple correction areas into the lenses for vision at different distances.

Finished and semi-finished lenses manufactured in the production plants are sent to the **distribution centers.** The latter ship the lenses either to company-owned businesses (distribution subsidiaries, prescription laboratories and edging-mounting facilities) or to third parties (certain distributors when the company does not have its own subsidiaries, prescription labs, retailers and optical chains).



Manufacturing and supply chain

Essilor oversees every aspect of its lens businesses, from manufacturing through delivery to stores. It has a network of production plants, prescription laboratories, edging-mounting facilities and distribution centers that serve eyecare professionals across the globe (independent opticians/optometrists, cooperatives, central purchasing agencies and retail optical chains).

A UNIQUE GLOBAL NETWORK

As of December 31, 2020, Essilor and its partners operated **32 production facilities worldwide.** This total takes into account the acquisition of a plant in Danyang, China in 2019. Of these 32 plants, 26 produce prescription lenses, three make photochromic lenses and three specialize in non-prescription sun lenses.

The company has a **network of 490 prescription laboratories and edging-mounting facilities around the world,** including eight large export laboratories that make lenses primarily for the Asian, European and North American markets.

In addition, Essilor has **five integrated lens and frame platforms** in Bangkok (Thailand), Dallas (United States), Shanghai (China) and Warsaw (Poland) as well as in Danyang (China) with a dedicated e-tailing unit. These platforms were developed to support the integrated services offered to key accounts, which include lens production, frame management on behalf of clients and, in some cases, the edging-mounting of lenses in frames.

Lastly, Essilor has **14 distribution centers.**

Essilor's supply chain covers all product and lens flows across the globe, from production plants to central logistics hubs and prescription labs through to retail eyecare outlets. It offers unrivalled ability to simultaneously manage flows both of stock lenses (finished lenses completed in the production plants) and custom prescription lenses (semi-finished lenses produced in plants and then sent to prescription laboratories for surfacing and coating). All in all, Essilor's supply chain handles more than 5,000 lens routes per day and more than 2.5 million SKUs.

	North America	Europe	Asia/Pacific/ Middle East/ Africa	Latin America
32 production plants	3	7	20	2
490 prescription laboratories and edging-mounting facilities (1)	118	50	196	126
• of which 221 prescription laboratories	56	28	96	41
• of which 269 edging-mounting facilities	62	22	100	85
5 integrated lens and frame platforms	1	1	3	
14 distribution centers	2	4	7	1

(1) This number has been restated in 2020 to include all edging and mounting facilities globally.

GEOGRAPHICAL DISTRIBUTION OF THE 32 PLANTS OWNED BY THE ESSILOR AND ITS PARTNERS AT DECEMBER 31, 2020

	North America: 3	Latin America: 2	Europe: 7	Asia/Middle East: 20
14 Essilor plants	• **United States:** – Dudley, Massachusetts (1995) – Salt Lake City, Utah (2003) • **Mexico:** – Chihuahua (1985)	• **Brazil:** – Manaus (1989)	• **France:** – Ligny-en-Barrois, Les Battants (1959) – Dijon (1972) – Sézanne (1974) – Bellegarde-sur-Valserine (2003)* • **Ireland:** – Ennis (1991)	• **China:** – Shanghai (1997) • **Laos:** – Savannakhet (2013) • **Philippines:** – Mariveles (1980) – Laguna (1999) • **Thailand:** – Bangkok (1990)
3 Transitions Optical plants			• **Ireland:** – Tuam (2014)	• **Philippines:** – Laguna (2014) • **Thailand:** – Amphoe Phan Thong (2014)
15 plants operated in partnership or recently acquired by the company		• **Brazil:** – Segment Produtos Oftalmicos, São Paulo (2015)	• **United Kingdom:** – Crossbows Optical (2010)	• **China:** – Essilor Korea *via* its subsidiary Chemilens, JiaXing (2006) – Wanxin Optical, Danyang (2010) – Youli Optics, Danyang (2011) – Seeworld Optical, Danyang (2012) – Jiangsu Creasky Optical, Danyang (2017) – Future Vision, Danyang (2019) • **India:** – GKB Vision, Bardez, Goa (2015) • **Indonesia:** – Polycore, Karawang (2013)* • **Israel:** – Shamir Optical, Kibbutz Shamir (2011) • **Japan:** – Nikon-Essilor, Nasu (2000) • **Malaysia:** – Polycore, Johor Baru (2013)* • **South Korea:** – Essilor Korea *via* its subsidiary Chemiglas, Yangsan (2002) • **Vietnam:** – Essilor Korea *via* its subsidiary Chemiglas, Dai An (2013)

* Plant specialized in sun lens production.

KEY FIGURES

	At December 31, 2019	At December 31, 2020
Output from Essilor plants and partner facilities [(a)]	• c. 562 million prescription lenses • c. 13 million non-prescription sun lenses	• c. 474 million prescription lenses • c. 8 million non-prescription sun lenses
Lenses coated and surfaced in the prescription laboratories	• c. 152 million lenses [(b)]	• c. 135 million lenses [(b)]
Inventory days [(c)]	• 5.1 months	• 4.9 months

(a) Includes photochromic lenses made by Transitions Optical and sold to other lens manufacturers.
(b) Excludes acquisitions and partnerships finalized during the year.
(c) Number of days of consumption current inventory levels can sustain at constant perimeter.

Highlights of the year

Crisis Management due to the COVID-19 pandemic

In 2020, the teams in charge of Operations and Supply Chain were affected by the COVID-19 pandemic from the start of the health crisis in China. The teams reacted swiftly to support the Chinese management in managing this crisis and, as the virus spread, shared the best practices applied in China to all the countries affected by the COVID-19 pandemic. A crisis management operations committee was quickly created. Essilor fully benefited from its experience acquired in particular during recent crises linked to climatic events (such as the floods in Thailand in 2011 or the eruption of the Icelandic volcano Eyjafjallajökull in 2010) and was able to take advantage of the benefits of having implemented BCP's (business continuity plans) to deal with them. To manage the COVID-19 health crisis, Essilor relied on multiple country BCP's to find solutions on a global scale. The effectiveness of Supply Chain teams around the world in handling this crisis while it was working from home has been remarkable. They were fully mobilized to put in place significant resources to allow the group's own activities to continue and customers to restart their activity as quickly as possible.

New products

Teams from Operations and Global Engineering mobilized to support new product launches in 2020. For instance, all photochromic lens production lines had to be adapted to prepare for the launch of the new Transitions Signature Gen 8 photochromic lens. In particular, the new polyurethane-based material to fix the photochromic pigments used specifically with this innovation needed to be tested on all materials and substrates before mass production and marketing could begin in the United States and then in Latin America, with a full rollout to the rest of the world in 2020.

Global Engineering also laid the groundwork for the launch of Crizal Rock, the new Crizal brand lens launched in 2020, working specifically on the production parameters associated with the stacking of layers this innovation involves. The team also worked on the launch of the new Varilux brand lens, the Varilux Comfort Max. It has also successfully contributed to the launch of the new UV rays and harmful blue-violet light protective product, Blue UV Capture. This new technology was deployed across a wide range of materials (notably for polycarbonate lenses as well as lenses made from CR-39 material) as well as on a wide spectrum of lenses ranging from low index (1.5) lenses to UHI (ultra high index) lenses. Finally, the operations and global engineering teams launched Stellest, a lens to curb myopia, first in the Chinese market before embarking on a broader deployment.

Local prescription laboratories network optimisation

In 2020, Operations and Supply Chain teams continued their efforts to continue optimizing Essilor's global network of factories, prescription laboratories, edging-mounting facilities and distribution centers. Consolidation of volumes in industrial laboratories continued to ensure better use of production lines. Some local laboratories were transformed and dedicated to edging and mounting in order to provide a better local service. Essilor also opened a new industrial and integrated laboratory in Columbus, Ohio. The number of prescription laboratories decreased from 248 at the end of 2019 to 221 at the end of 2020. The number of edging and mounting facilities decreased slightly from 273 at the end of 2019 to 269 at the end of 2020.

The Essilor and Luxottica operations teams have also carried out several industrial synergy projects and have started a process of building a unique network of laboratories. This includes the overhaul of demand management and capacity management processes, the introduction of new products, the establishment of a common IT platform in the laboratories as well as the sharing of best practices of operational excellence.

Capital expenditure and integration of new technologies

Capital spending in 2020 notably focused on expanding capacity at certain facilities, in particular:

- increase in production capacity for high-index lenses (1.6 and 1.67) in Vietnam;
- increase in production capacity for semi-finished and polycarbonate lenses in Laos.

Despite the COVID-19 pandemic, the group continued its investment program, prioritizing the deployment of new technologies in high-volume prescription laboratories as well as developing laboratories integrating lenses and frames.

In addition, Essilor's manufacturing technologies were deployed in Luxottica's three main laboratories in the United States, Europe and China.

Minimizing the environmental footprint of the production plants and laboratories

In 2020, the Essilor production plants pursued efforts to reduce their water and energy consumption, in keeping with the company's 2020 objectives of achieving a 20% reduction in water use per lens produced and a 15% cut in energy intensity per lens produced relative to the 2015 levels. During the year, the company notably introduced solutions to reduce water consumption and reuse water in coating machines at its main production facilities, and put into place new energy consumption standards at several production plants, notably for its polymerization ovens and vacuum film deposition equipment. A new program was also launched during the year to develop semi-finished lenses that are smaller in diameter and thickness to reduce organic material waste. In addition, surface chip compression equipment was tested and deployed on certain sites in order to recover the residual water present in this waste and to drastically reduce its volume and weight.

1.5.1.3.3 Research and Development

Innovation a cornerstone of the company's strategy

From its origins, which saw the invention of Orma organic lenses and Varilux progressive lenses, innovation has been a strategic focus and decisive competitive advantage for Essilor.

The company allocates a meaningful portion of its revenue to Research and Innovation every year. In 2020, this investment amounted to €229 million, before the deduction of research tax credits.

Essilor improves upon its products each year, either through internal innovation or by leveraging technologies from other industries through research partnerships.

A consumer-focused approach to innovation

Essilor's R&D focuses on understanding consumers' needs in the three areas of vision care: vision correction, eye protection and the prevention of eye diseases.

The R&D teams develop innovative technical solutions, products, processes and services to meet individual vision needs around the world. Changes in consumer lifestyles, including new visual demands (digital device use, etc.), as well as longer life expectancy, are creating major R&D challenges and opportunities for the vision care sector. As a result, new needs are emerging linked to pathologies such as cataracts and age-related macular degeneration.

The company's R&D activities are organized into five segments: myopia, presbyopia, light management, digital solutions and smart eyewear.

In each of these segments, the new products introduced to the market result from a process of gradually selecting ideas and concepts (Stage Gate Process) involving a large number of cross-company stakeholders within Essilor (marketing, operations, subsidiaries, intellectual property, etc.).

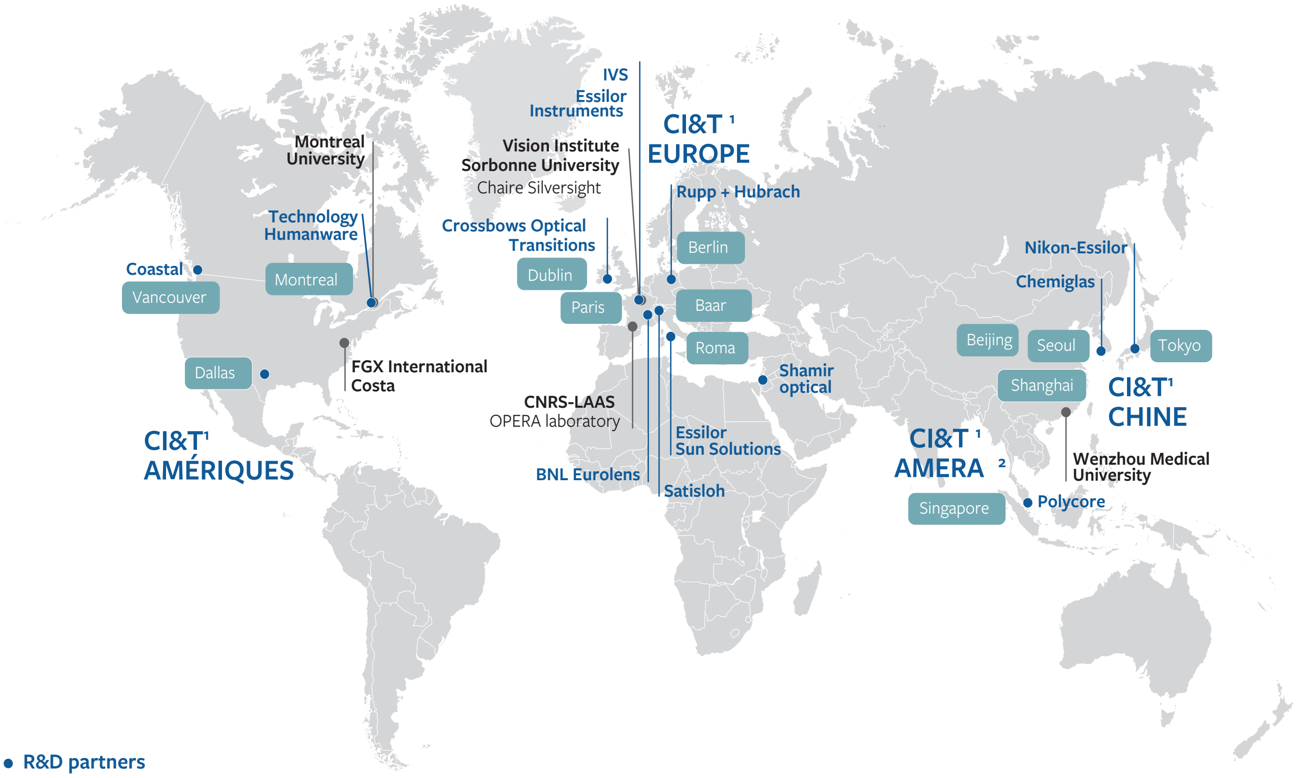
Moreover, the company has developed new methodologies for testing its products with consumers. One example is HouseLab, which makes it possible to observe wearers in real-life situations and learn from their experiences.

A global network built around five R&D centers

Essilor has about 450 researchers working at its five R&D facilities: one R&D Center in Ireland dedicated to photochromic lenses and four Innovation and Technologies Centers in Europe (Créteil, France), the United States (Dallas) and Asia (Singapore and Shanghai). These facilities develop new products and work to identify and forge the best possible research partnerships.

The Innovation and Technologies Center in Shanghai, China focuses on myopia, new technologies for improving the customer experience in China, and the development of products tailored to the needs of Chinese consumers. Essilor also has a development and testing center in Danyang, China, which assesses, compares and improves the performance of products made by its Chinese partners.

A GLOBAL R&D ORGANIZATION CONNECTED TO RENOWNED INDUSTRIAL AND ACADEMIC EXPERTS



● R&D partners

● Universities, joint R&D laboratories

1. CI&T : Essilor Innovation and Technologies Centers.
2. AMERA : Asia, Middle East, Russia, Africa.

R&D partnerships focusing on innovation

To develop its products, Essilor works alongside many universities, public and private research centers and R&D teams from other industrial sectors.

It has forged several partnerships in recent years, including:

- a research chair dedicated to non-pathological vision aging, in partnership with the Vision Institute and Sorbonne Université in Paris, France;
- a laboratory run jointly with Wenzhou University in China to study myopia in children;
- a multisector research chair for coatings and surface engineering with Polytechnique Montréal and three other industrial partners. The chair's work focuses on developing the next generations of innovative surface coatings. These coatings will notably allow Essilor to add new optical and/or mechanical functions to its lens surfaces;
- a research laboratory run jointly with CNRS-LAAS in France, "OPERA", focusing on lenses and eyeglasses with active and connected functions.

New products launched in 2020

The main launches involved, firstly, the rolling out of recent innovations at a global scale and, secondly, the introduction of new products to markets.

After celebrating the 60th anniversary of the **Varilux** brand in 2019, Essilor continued to innovate and reaffirmed its leadership in the field of progressive lenses in 2020 with the launch of a new generation of Varilux® lenses: Varilux® Comfort Max. The newest member in the Varilux family aims to convert new and younger customers to progressive lenses.

During the course of 2020, **Varilux Comfort Max** was successfully launched in 15 key markets globally including the United States, Canada, South Korea and several European countries. Building on the ongoing popularity of the iconic Varilux Comfort brand, the Varilux Comfort Max lens ensures long-lasting visual comfort by making it possible to maintain different natural postures throughout the day. The roll out of Varilux Comfort Max will continue throughout 2021.

In the Varilux progressive lens range, the company also stepped up the global rollout of the **Varilux X Series** lens with the introduction of a new customer claim as well as a new 360° brand campaign, designed to build on every step of the customer journey, which will be fully leveraged in 2021.

The highlight of the year for the **Crizal** antireflective lens range was the launch of the **Crizal Rock** lens. This product offers the best combination against scratches and smudges with better technical qualities than ever before in a Crizal product. They include an improvement in the product's thermal resistance, scratch resistance (Crizal Rock is three times more resistant than previous generations of Crizal coatings) and smudging capabilities. After a successful launch in Canada in 2020, this innovative new antireflective coating will be rolled out in other markets across the globe in 2021.

The range of lenses offering protection from UV and harmful blue-violet light was also expanded during 2020 with the continued roll out of **Blue UV Capture**. In addition to protecting the eyes from UV rays and harmful blue-violet light, this lens also ensures optimal clarity thanks to specific molecules and, in some cases, nanotechnologies integrated directly into the material. As it becomes more important to protect eyes from harmful blue light, Essilor is working to deliver a response that benefits as many people as possible. The **Blue UV Capture** lenses have continued to increase in the overall mix of Essilor's blue cut product portfolio. This confirmed the success of this new solution and, more generally, of the work Essilor teams have done in this area in recent years. It is also worth flagging the success of Essilor's **Eye Protect System,** which is a more premium solution against harmful light with improved scratch resistance capabilities.

In 2020, Essilor continued to reap the benefits of the new technology embedded in the 8th generation of **Transitions** photochromic lens range. After a successful launch in 2019, 2020 was the year during which a large number of new customers fully appreciated the benefits of **Transitions Signature GEN 8** on a global scale. The new generation of this product was successfully rolled out in Europe, Latin America and Asia in 2020, after its launch in North America in 2019. Consumers were particularly appreciative of its new technological features. The lenses are now darker outdoors, return to clear up to 3 minutes [(1)] faster and are fully clear indoors. They block 100% of UVA and UVB rays as well as at least 20% of harmful blue light indoors and more than 87% of harmful blue light outdoors [(2)]. As a result, consumers better manage changes in light than with prior generations of the product.

In the context of a significant increase in demand for anti-fatigue products as people all over the world are spending more and more time in front of digital devices, Essilor continued to grow its Eyezen range of single-vision lenses for connected life. The **Eyezen Start** lens, dedicated to all single vision lens wearers above the age of 18, which relaxes the eye and protects against blue violet light, experienced a fast development in 2020 thanks to a solid momentum in North America and Europe as well as successful launches in Asia including in China. In 2021, Essilor will focus on expanding the success of Eyezen Start across the globe.

A **recent survey** of optical retailers and ECP's in the United States conducted by **Vision Monday** and 20/20 Magazine recently identified Essilor as the best company for spectacle lenses and its key products Varilux, Crizal and Transitions were chosen as the favorite products in their respective categories.

Finally, in the context of the COVID-19 pandemic, Essilor also globally and successfully relaunched its major anti-fog product **Optifog** in 2020, which prevents lens fogging while wearing face masks.

In July 2020, Essilor launched the **Stellest** lens in China as a new generation of spectacle lens solutions to fight against the progression of myopia for children. Stellest was rolled out across hundreds of eye hospitals in China in 2020 and this successful launch will be followed by a gradual and broader rollout in the future.

(1) CR607 products fade back to clear 2 minutes faster. Claim is based on tests across materials on grey lenses, being the most popular color, fading back to 70% transmission @ 23°C.

(2) Transitions Signature lenses style colors block over 75% outdoors. "Harmful blue light" is calculated between 380nm and 460nm.

In 2020, Essilor **Instruments** advanced in the field of refraction with two new innovations: the **Vision-R 800**, an innovative phoropter with continuous power changes that allow refraction to be made with a resolution of 0.01 diopter (*versus* 0.25 diopter accuracy previously); and the new **Vision-R 700** device, which is faster and more accurate. These phoropters make eye exams more precise, more reliable (less risk of human error), more comfortable for patients, and easier for practitioners to perform.

Essilor continued to roll out these new instruments, which combined with the new AVA lenses also providing a new refraction accuracy standard with a resolution of 0.01 diopter, are a central component of the new AVA protocol designed to significantly improve the customer experience. Finally, Essilor also deployed its 1000th **Visioffice X** in Europe, and began the launch of this innovation worldwide. Due to sanitary restrictions, the in-store consumer experience had to be adapted. Respecting social distancing rules by using digital dispensing tools (column or tablet solution) like Visioffice X, a tool for personalizing lenses in optical stores, has been important to allow ECPs to take measurements safely.

1.5.1.4 Equipment

1.5.1.4.1 Overview

The Equipment Division accounted for 2.3% of Essilor consolidated revenue in 2020, or €158 million.

It consists primarily of Satisloh, which manufactures and markets equipment, spares and consumables used by prescription laboratories.

With globally recognized expertise, Satisloh is one of the world's leading manufacturers of surfacing machines and hard-coating and antireflective coating units. The combination of machines and consumables and the ability to offer automation enables Satisloh to provide end-to-end solutions for prescription laboratories.

Satisloh customers are mainly prescription laboratories, integrated optical chains and lens manufacturers.

Its main competitors are OptoTech (Germany) and Schneider (Germany) in surfacing machines, Bühler (Germany) in antireflective coating machines, and Optimal (United Kingdom) in hard-coating surfacing machines.

1.5.1.4.2 Organization and facilities

Satisloh, which is headquartered in Baar, Switzerland, together with its subsidiaries, own production units in China (Zhongshan), France (Archamps and Mantes-la-Jolie), Germany (Wetzlar), Italy (Milan) and the United States (Charlottesville, Concord and Dallas), and have representative offices in many other countries.

1.5.1.5 Sunglasses & Readers

1.5.1.5.1 Overview

The Sunglasses & Readers Division accounted for 8.9% of Essilor consolidated revenue in 2020, or €595 million.

It markets non-prescription sunglasses and reading glasses.

The division comprises several companies, each having a portfolio of well-known brands:

- FGX International, its subsidiaries and managed affiliates, which market readers and sunglasses under proprietary brands such as Foster Grant, Gargoyles, Magnivision, Corinne McCormack, Monkey Monkey, Ryders Eyewear, and SolarShield and licensed brands including Reebok, Steve Madden, Betsey Johnson, Nine West, Dockers, French Connection, Ironman, Rawlings, Bodyglove, Panama Jack, and a variety of Disney and Marvel trademarks;
- Xiamen Yarui Optical, which designs, manufactures and markets mid-tier sunglasses and optical frames in China under the Bolon, Molsion, Prosun and Qina brands;
- Photosynthesis Group, an optical retailer which markets sunglasses and corrective glasses in China and Southeast Asia under two banners Mujosh and Aojo;

Among the companies in the Sunglasses & Readers Division, FGX International is a key player in reading glasses globally and its main competitors are small local producers. Xiamen Yarui Optical is a leading Chinese manufacturer of mid-tier sunglasses and optical frames.

The Sunglasses & Readers Division sells its products to mass retailers, pharmacies and specialty retailers (including travel retail chains) as well as to eyecare professionals and department stores.

1.5.1.5.2 Organization and facilities

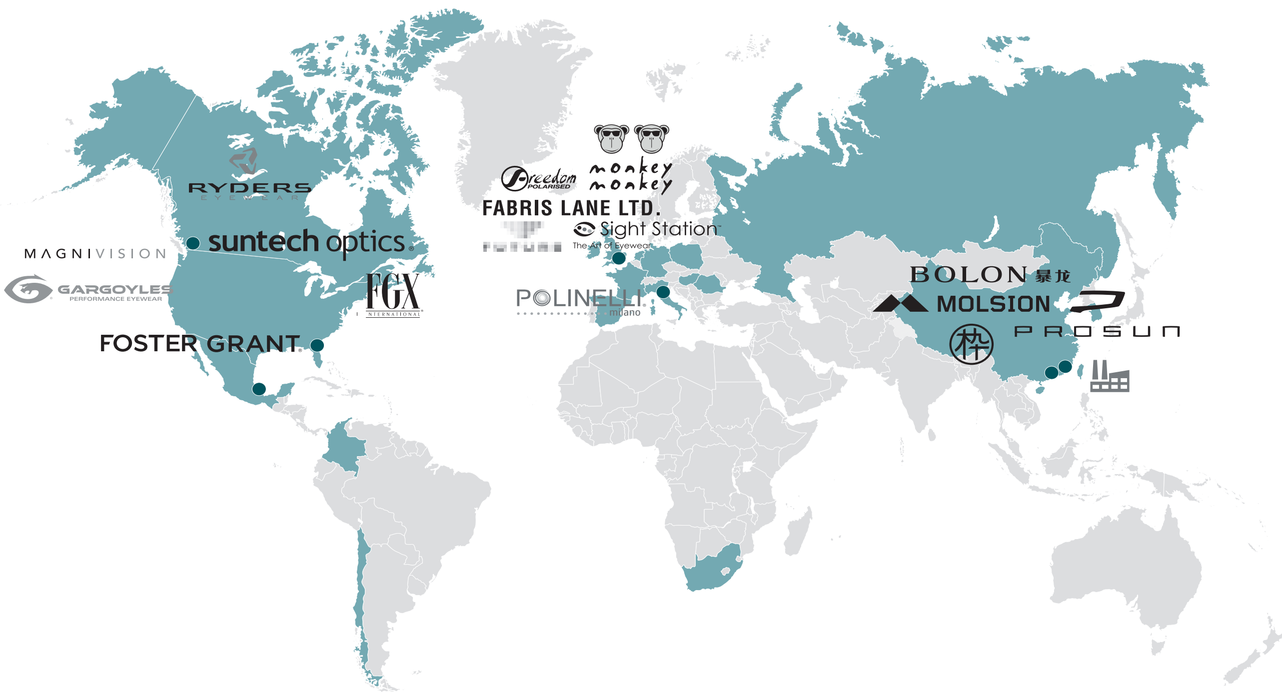
The Sunglasses & Readers Division has subsidiaries and representative offices in Canada, China, Singapore, Great Britain, Italy, Mexico and the United States.

The registered office of:

- FGX International is in Smithfield, Rhode Island, United States;
- Photosynthesis Group is in Hong-Kong;
- Xiamen Yarui Optical is in Xiamen, southeastern China.

Xiamen Yarui Optical (the owner of the Bolon, Molsion and Prosun trademarks) has a production plant in Xiamen.

MAIN COUNTRIES WHERE PRODUCTS ARE DISTRIBUTED



1.5.1.6 Intellectual property

Patents, trademarks and domain names

At the end of 2020, the Essilor group, including all of its subsidiaries, held:

- **2,010** patent families each representing an invention protected in several countries around the world (**9,930** patents pending or granted);
- **2,505** trademark families each representing a trademark protected in several countries around the world (**11,330** trademarks pending or registered);
- **4,715** domain names;
- **778** designs.

During the year 2020, Essilor applied for **173** new patents, **142** new trademarks and **62** new domain names.

Essilor's approach to innovation is supported and strengthened by a proactive intellectual property policy, both upstream, to drive innovation, and downstream, to enhance protections of patents, trademarks, designs and copyrights.

Another priority is to prevent infringement, notably by providing each employee with a best practice guide and infringement reporting tools. The Intellectual Property Department offers IP awareness training courses to many employees to encourage the creation, protection and defense of Essilor's intellectual property across the globe.

1.5.2 Luxottica activities

1.5.2.1 Overview

Luxottica group is a leader in the design, manufacture and distribution of fashion, luxury, sports and performance eyewear. Founded in 1961 by Leonardo Del Vecchio, Luxottica is a vertically integrated organization whose manufacturing of sun and prescription eyewear is backed by a wide-reaching wholesale organization and a retail network located primarily in North America, Latin America, Asia-Pacific and Western Europe.

Product design, development and manufacturing for frames take place in Luxottica's seven production sites in Italy, one factory in Germany, three factories in China, one in Brazil, one facility in the United States devoted to sports and performance eyewear and two plants in Japan and India, the latter serving the local market. In 2020, Luxottica's worldwide production reached approximately 72 million units.

Luxottica also has produced sun and ophthalmic lenses for more than 20 years. The company has increased its manufacturing capacity since the end of 2016 with the addition of three new central laboratories in Europe, North America and Asia-Pacific which are completely integrated with its logistics hubs.

The design and quality of Luxottica's products and strong well-balanced brand portfolio are recognized throughout the world. Proprietary brands include Ray-Ban, one of the world's best-known eyewear brands, Oakley, one of the leading product design and sport performance brands globally, Costa, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli, Arnette and Native. Licensed brands include Giorgio Armani, Burberry, Bulgari, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Eyes, Tiffany & Co., Tory Burch, Valentino and Versace.

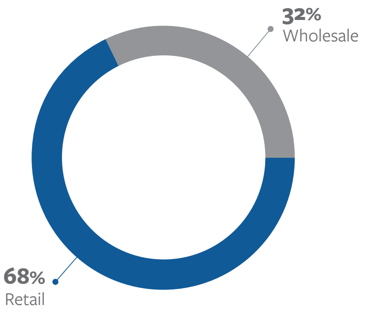
Luxottica's wholesale distribution network covers more than 150 countries across five continents and has approximately 50 commercial subsidiaries providing direct operations in key markets. Direct wholesale operations are complemented by an extensive retail network comprised of approximately 9,000 stores worldwide, including franchising, as of December 31, 2020.

Luxottica is a leader in the optical retail business in North America with its LensCrafters and Pearle Vision brands, in Australia and New Zealand with the OPSM and Laubman & Pank brands, in China with the LensCrafters brand, in Singapore with Spectacle Hut, in Europe with the Salmoiraghi & Viganò and David Clulow brands and in Latin America with the GMO and Óticas Carol brands. Luxottica also operates its licensed optical retail brand Target Optical in North America and one of the fastest growing managed vision care networks in the United States through EyeMed.

Luxottica is home to Sunglass Hut, the largest retailer of premium sunglasses in North America, Latin America, Europe, Asia-Pacific, South Africa and the Middle East. Additionally, Luxottica has developed the Ray-Ban retail concept in China and worldwide, offering an interactive space created for consumers to embrace the unique Ray-Ban experience and culture. The Oakley brand provides a powerful wholesale and retail presence in both the performance optics and sport channels with its "O" stores, offering Oakley-branded eyewear as well as apparel, footwear, backpacks and accessories designed for athletic lifestyles. Finally, retail brands including Oliver Peoples, Alain Mikli and Persol, give Luxottica a foothold in the luxury space.

Luxottica's distribution channels are complemented by its e-commerce platforms, including Ray-Ban.com, Oakley.com, OliverPeoples.com, Persol.com, Vogue-Eyewear.com and SunglassHut.com.

NET SALES BY OPERATING SEGMENT



1.5.2.2 Strategy

As a global leader in the design, manufacture and distribution of sun and prescription eyewear with high technical and design standards, Luxottica's mission is multi-fold: to improve the well-being and satisfaction of its customers while simultaneously creating value for its employees and the communities in which it operates.

1.5.2.2.1 Vertical integration

Luxottica delivers on its mission through a vertically integrated business model with manufacturing excellence, focus on service and a geographically diversified footprint. This has led to greater efficiency, flexibility and speed in product design, engineering, manufacturing, supply chain and logistics, and uncompromising quality.

Luxottica's present structure, covering the entire value chain, is the result of a visionary choice made by the company's founder and current Executive Chairman, Leonardo Del Vecchio, who understood the potential of a vertical integration strategy when he decided to make entire frames rather than just components. Vertical integration of manufacturing was gradually accompanied by the expansion of distribution, first with wholesale, then in 1995 with retail and later with e-commerce, and by the creation of a key presence in the high value-added businesses of lens processing.

Direct oversight of the entire production platform makes it possible to verify the quality of both products and processes, introduce innovations, identify synergies and new operating methods and optimize service, quality and costs.

Direct distribution enables Luxottica to offer its products in major developed and emerging markets and achieve a unique understanding of consumer needs and tastes both globally and locally. This capability is viewed as a strength by fashion houses that come to Luxottica to produce their eyewear collections and access Luxottica's global and widespread distribution network.

1.5.2.2.2 Innovation

The future of eyewear with all its untapped opportunities is a source of inspiration that drives Luxottica to create, experiment, refine and implement new ideas, from the research of new materials and product development to manufacturing, distribution and digital platforms.

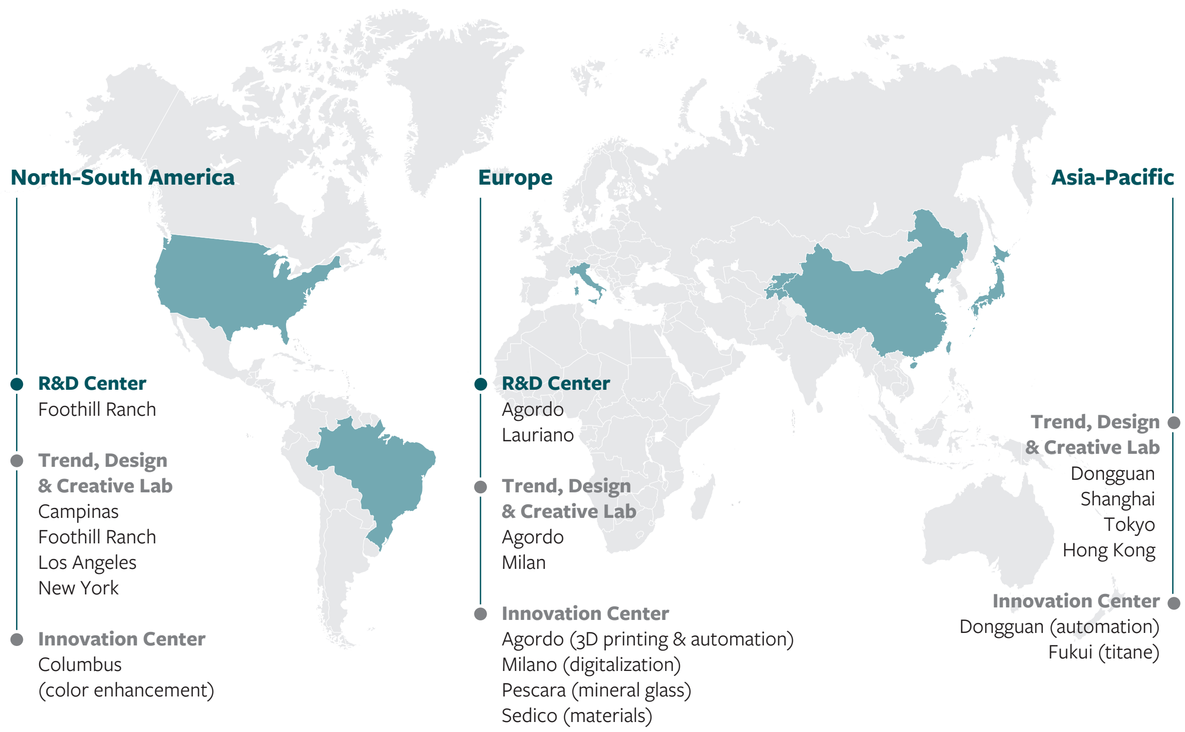
Innovative thinking provided the foundation for Luxottica in its early years, when the founder had a far-sighted vision to boost the growth of the company by vertically integrating the entire value chain. Moreover, the R&D team has brought to life some of the biggest innovations in frames and sun lenses by experimenting with new technologies, techniques and new materials – some of which had never been used in the optical industry before. Luxottica currently maintains over 1,200 utility, technology and design patents across the world.

Design and technological innovation. Every collection and every frame are the result of an ongoing R&D process that anticipates and interprets the needs, desires and aspirations of consumers all over the world. This process has become more valuable as sun and prescription eyewear are increasingly perceived as a desirable and expressive accessory to complete one's personal look. Therefore, Luxottica's designs both reflect and influence emerging fashion trends.

While wearable technology is in its early stages, Luxottica has taken a leading role in exploring and developing smart eyewear through partnerships with leading technology innovators.

Digital transformation. Luxottica invested heavily to digitize the company from the ground up and today utilizes millions of data points to make decisions in real time and plan and execute its strategies. Today, technology is the backbone of every corporate function: production, distribution and sales in all markets and in all channels – wholesale, retail and online. Luxottica has changed the way it speaks with millions of consumers around the world, being today one of the largest private digital broadcasters globally, with over 18,000 digital windows installed in its stores and customers' shops.

Automation and robotics. In order to improve speed, flexibility, quality and productivity, Luxottica has incorporated robotics, automation, computing and big data into its manufacturing processes. Luxottica is tirelessly committed to operational excellence, tapping into new technologies and digital tools to achieve a higher level of factory digitalization and to improve work and personal safety, allowing teams to solve problems faster and more proactively than ever before.



International scientific collaborations

- Stanford University
- Georgia Tech
- Università degli Studi di Padova
- Istituto Italiano di Tecnologia
- Politecnico di Milano

1.5.2.3 Operations

Luxottica's vertically integrated business model and geographically diversified manufacturing footprint have led to greater efficiency and speed in product design, engineering, manufacturing and logistics, while maintaining uncompromising quality.

1.5.2.3.1 Design

Emphasis on product design and the continuous development of new styles are key to Luxottica's success. During 2020, Luxottica added approximately 1,600 new styles to its eyewear collections. Each style is typically produced in two sizes and five colors.

The design of Luxottica's products is the focal point where vision, technology and creativity converge. Each frame expresses Luxottica's core precepts: innovation in style, materials, technologies and processes, and unparalleled craftsmanship. The design process begins with Luxottica's in-house designers who work in an environment that promotes inventiveness, originality and a creative process where eyewear is interpreted as art, as an object to put on display. They draw inspiration from both market trends and their own imagination. In addition, the design team works directly with the marketing and sales departments, which monitor the demand for current models, as well as general style trends in eyewear.

1.5.2.3.2 Product development

Product development is the next stage of execution. The research and development efforts of Luxottica's engineering staff play a crucial role in the development process.

Engineers are continuously looking for new materials, concepts and technology innovations to apply to products and processes in an effort to differentiate them in the eyewear market. During the initial phase of the development process, the prototype makers transform designs into one-off pieces, crafted by hand with meticulous precision. These frame prototypes are then shared with the product department, which analyzes the necessary steps to bring the prototype to mass production.

In the first phase of the cycle, the product department uses visual rendering and 3D software to design new models and the necessary equipment. The mold workshop then assembles the equipment needed to make the components for the new model. The very first samples are assembled and undergo a series of rigorous tests required by internal quality control procedures.

After the quality certification, the sales samples are produced and subjected to a new intensive series of tests to verify the quality of the engineering and production. Finally, Luxottica determines which of its plants is best suited to manufacture the product and large-scale production begins.

By using a launch calendar that focuses on customer and geographic demand, Luxottica has been able to shrink product development timelines in recent years.

1.5.2.3.3 Manufacturing

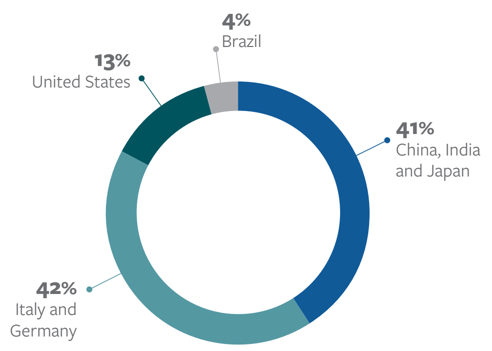
In 2020, Luxottica's manufacturing facilities located in Italy, Germany, China, the United States, Brazil, Japan and India, produced a combined total of approximately 72 million prescription frames and sunglasses.

Luxottica's manufacturing footprint includes seven sites located in Italy, the center of Luxottica's luxury eyewear production, all of which combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation. Five facilities are located in Northeastern Italy, where most of the country's eyewear industry is based, one near Turin and one in Pescara, in Central Italy – where the recently acquired Barberini has its main manufacturing site. These factories, together with the addition of Barberini's lens manufacturing site in Germany, represent 42% of Luxottica's global production output.

Three manufacturing facilities in China and two plants in India and Japan collectively represent another 41% of total production output. From 1997 to 2001, Luxottica operated the Dongguan plant in China's Guangdong province through a 50%-owned joint venture with a Japanese partner. In 2001 the company acquired the remaining 50% interest and, in 2006, it further increased manufacturing capacity in China through the construction of an entirely new facility. In 2010, Luxottica began producing plastic sun lenses to be paired with frames that are manufactured in the same location. Soon after, the company integrated a new state-of-the-art plant, primarily dedicated to frame details and decorations.

The Foothill Ranch facility in California represents approximately 13% of total production output and manufactures high-performance sunglasses, prescription frames and lenses and assembles most of Oakley's eyewear products. Oakley apparel, footwear and certain goggles are produced by third-party manufacturers.

In Brazil, the manufacturing facility in Campinas produces both plastic and metal frames for the local market. Shortly after Luxottica acquired the facility in 2012, they launched the first locally designed and produced Vogue Eyewear collection for Brazilians, followed by select Ray-Ban, Arnette, Oakley and A|X Armani Exchange collections and a few smaller local brands. In 2020, the Campinas plant produced the remaining 4% of total production output and approximately 71% of the eyewear sold by Luxottica in the Brazilian market.

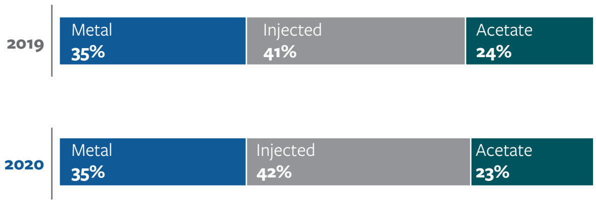


1.5.2.3.4 Products and materials

Frames. Over the years Luxottica has progressively diversified its technology mix from the traditional metal, plastic injection and acetate slabs to include aluminum, wood, die casting and fabric inserts. Consumer needs are continuously changing, which requires quick technological adaptations.

Luxottica's manufacturing process for metal frames has approximately 70 different phases, beginning with the production of basic components such as rims, temples and bridges using a molding process. These components are then welded together to form frames over numerous stages of detailed assembly work. Once assembled, the metal frames are treated with various coatings to improve their resistance and finish, and then prepared for lens fitting and packaging.

Plastic frames are manufactured using either a milling or an injection molding process. In the milling process, a computer-controlled machine carves frames from colored acetate slabs. This process produces rims, temples and bridges that are then assembled, finished and packaged. In the injection molding process, plastic resins are liquefied and injected into molds. The plastic parts are then assembled, coated, finished and packaged.



Lenses. Luxottica has gradually developed an expertise in producing its own lenses in-house, covering the entire range of solutions, from plano to prescription, in clear and sun. Investments in breakthrough technology and processes, rigorous testing and increasing synergies within the company have improved the quality of Luxottica's lenses for sunglasses and eyeglasses over time.

The Lauriano plant in Italy is a benchmark for the world of Luxottica sun lenses with its multiple roles: production plant, research and experimental lab dedicated to the latest innovations, and logistics center delivering sun lenses to the rest of Luxottica. The Foothill Ranch facility also performs a key role in Luxottica's sun lens operations, manufacturing high-performance sunglasses, prescription frames and lenses and assembling most of Oakley's eyewear products.

Between 2016 and 2017, Luxottica expanded the existing ophthalmic lens manufacturing network by investing in three main laboratories co-located with its logistics hubs in Italy (Sedico), the United States (Atlanta) and China (Dongguan), making Luxottica a key player in the high-end ophthalmic lens business. Luxottica also operates two other central labs in North America (Columbus and Dallas), two in Latin America (Lima and São Paulo) and one in Japan (Kawasaki).

In August 2019, Luxottica completed the acquisition of Barberini, the world's leading optical glass lens manufacturer. Barberini features a cutting-edge industrial site in Italy, a plant in Germany for glass melting, and advanced technologies for the production of polarizing films for sun lenses.

1.5.2.3.5 Logistics

The primary distribution centers are in strategic locations serving Luxottica's major markets: Sedico (Italy), Atlanta (United States), Dongguan (China) and Jundiaí (Brazil).

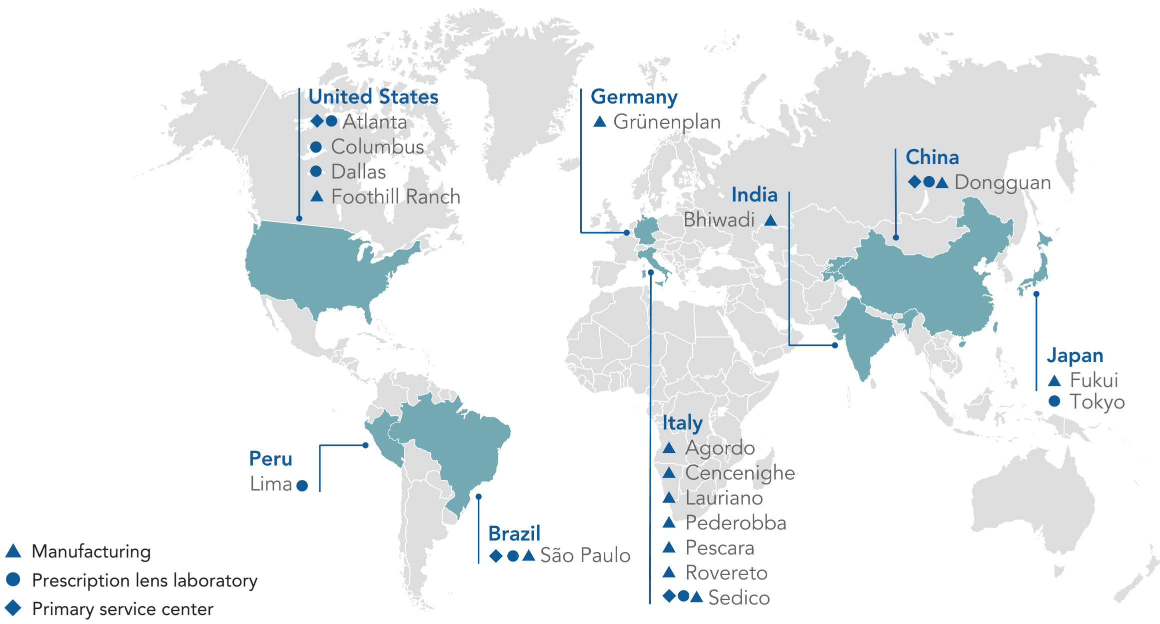
The Sedico hub was opened in 2001 and is one of the most technically advanced in the industry. In 2020, it managed approximately 27,000 orders per day, including eyeglasses and spare parts. The Sedico facility ships an average of approximately 230,000 units daily to customers in Europe, the Middle East, Africa, Mexico, Turkey, select United States markets and Luxottica's distribution centers in the rest of the world, where they are then delivered to local customers. In addition, it manages customized services, such as Ray-Ban Remix, providing direct global deliveries.

The Dongguan hub was opened in 2006 and manages an average of 190,000 units per day. The growth in the Asia-Pacific region has made this hub a strategic part of Luxottica's distribution network.

The Atlanta facility, opened in 1996, has consolidated several North America-based facilities into a single state-of-the-art distribution center located close to one of the major airport hubs of the United States. It serves both Luxottica's retail and wholesale businesses in the North American market. This facility manages an average of 170,000 units per day.

The Jundiaí facility, opened in 2013 in Brazil, offers targeted distribution services to customers and serves the local market. This facility manages an average of 23,000 units per day.

The Sedico, Atlanta and Dongguan service centers include laboratories for the production of ophthalmic lenses to serve the European, North American and Asia-Pacific markets, creating integrated logistics and production hubs for ophthalmic lenses and frames.



1.5.2.4 Brand portfolio

Luxottica's brand portfolio is one of the largest in the industry with leading brands both at a regional level and in particular segments and niche markets.

The portfolio is well-balanced between proprietary and licensed brands and it continues to evolve. The presence of Ray-Ban, one of the world's leading lifestyle eyewear brands, and Oakley, a leader in the sport and performance category, gives the proprietary brand portfolio a strong base, complemented by Persol, Oliver Peoples and Alain Mikli in the high-end of the market, Costa and Native in the sport market, Arnette in the Street-style market, and Vogue Eyewear in the fashion market. Alongside the proprietary brands, the portfolio has over 20 licensed brands, including some of the most well-known and prestigious names in the global fashion and luxury industries.

With its manufacturing and distribution know-how, its experience in international markets and direct retail operations supported by marketing investment, Luxottica is the ideal partner for fashion houses and stylists seeking to translate their style and values into successful premium eyewear collections. Luxottica differentiates each designer's offering to produce a broad range of models that appeal to a diverse group of consumers lifestyles and geographies.

Proprietary brands. In 2020, proprietary brands accounted for approximately 69% of total sales of frames. Ray-Ban and Oakley eyewear, the two largest brands in Luxottica's portfolio, accounted for approximately 25% and 13%, respectively, of Luxottica's 2020 net sales.

Ray-Ban. Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in sun and prescription eyewear for generations. Since the introduction of the iconic Aviator model created for the aviators of the United States Army, Ray-Ban has been at the forefront of cultural change, becoming a symbol of self-expression, worn by celebrities and public figures all around the world.

This year, self-expression, spontaneity, and authenticity are celebrated through the introduction of the new communication platform "You're On", that gives to Ray-Ban's sunglasses and eyeglasses a central role as enablers of this "on-ness": the extra kick of confidence that people need to embrace and express their most authentic selves.

The lifestyle brand joined the Luxottica group in 1999 after which Ray-Ban accelerated its growth and redefined its distribution.

Oakley. Established in 1975 and acquired in 2007, Oakley is one of the leading product design and sport performance brands in the world, chosen by world-class athletes to compete at the highest level possible. The holder of more than 850 patents, Oakley is also known for its innovative lens technologies, including PRIZM. Oakley extended its position as a sports eyewear brand into apparel and accessories, offering men's and women's product lines that appeal to sport performance, active and lifestyle consumers.

Persol. The iconic made in Italy eyewear brand, Persol, made its debut in 1917 and was acquired by Luxottica in 1995. With its evocative name, meaning "for sun", it is the proud heir to a culture of excellence and craftsmanship, a perfect alchemy of aesthetics and technology. The irresistible appeal of timeless design and art-like quality makes the brand a favorite in the world of cinema.

Oliver Peoples. Acquired by Luxottica in 2007, Oliver Peoples was born in the heart of West Hollywood, California on iconic Sunset Boulevard in 1987. The unique culture of Los Angeles, with elements of fashion, film, art and music, continues to inspire the product and vibe of the brand. From the beginning, Oliver Peoples had a passion for superior craftsmanship, a distinctive culture rooted in California, and a chic approach to luxury. Through an authentic and consistent voice, Oliver Peoples has never relied on a logo but instead on fostering relationships with like-minded consumers.

Vogue Eyewear. Launched in 1973 under the same name as the famous fashion magazine, Vogue Eyewear was acquired by Luxottica in 1990. It's now recognized as a truly international and contemporary fashion brand geared for young and dynamic consumers who want to stay up-to-speed with the latest trends. With its inclusive approach and playful personality, Vogue Eyewear is an open door to the world of fashion and welcomes everyone to express and celebrate their individuality. To achieve its mission – become the fast-fashion reference in the eyewear category – Vogue Eyewear partners with international ambassadors shaping the industry.

Arnette. Born in California in 1992 and acquired by Luxottica in 1999, Arnette is an easy-going eyewear brand that talks to young consumers. Moving away from the original surf & skate positioning, the mission of Arnette today is to become a sustainable, streetstyle brand for young Millennials and Gen Zs, looking for an individual style at an affordable price, with a low-impact on the environment. With authenticity and inclusivity as core values, Arnette aims to become the voice of youth culture, collaborating with young creators all over the world.

Alain Mikli. Acquired by Luxottica in 2013, Alain Mikli has always targeted an audience of tastemakers and creative people around the world. Since 1978, the brand has been synonymous with distinctiveness and provocation, thanks to its unique design and exclusive color combinations. A union between a piece of art and a consumer product, frames to see as well as to be seen.

Costa. Over 35 years ago, a group of anglers created Costa Sunglasses to stand up to the harsh light, unforgiving salt and rough conditions of a day at sea. The gear they made was up to the task, and it's been on the water ever since. Today, Costa combines superior 580 lens technology with unparalleled fit and durability to make the highest quality premium sunglasses and prescription sunglasses (Rx) for adventures wherever there's water. While Costa was exploring the watery world, they discovered an ever growing need to protect it. They are dedicated to sustainability and conservation, working hard to protect the waters they call home. From the use of sustainable materials to their Kick Plastic initiative, OneCoast Foundation and strong partnership with shark research organization OCEARCH, Costa inspires its community to help protect the Earth's waterways and #SeeWhatsOutThere.

Native. The Native Eyewear story began in 1998 with a small group of outdoor athletes and an essential challenge: "How do you make technical, durable eyewear cost less?" More than 20 years later, that foundation is still rooted in all that the brand does. Native is a feature-packed Outdoor brand that brings approachable, premium polarized sunglasses to outdoorsmen (and women) during the most active years of their lives.

Licensed brands. Designer lines are produced and distributed through license agreements with major fashion houses. These agreements are exclusive and global contracts which typically have terms of between four and ten years and may contain options for renewal. Under these license agreements, Luxottica is required to pay a royalty ranging from 5% to 13% and a mandatory marketing contribution of between approximately 5% and 12% of net sales of the related collection. Prada is the most significant license in Luxottica's portfolio as measured by total sales. In 2020, sales realized through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 2.5% of Luxottica's sales.

1.5.2.5 Distribution

Luxottica's global distribution network, including retail chains and a wholesale network of third-party stores, is one of its core strengths. It extends to both developed and emerging markets, where Luxottica has made substantial investments over the last few years.

Luxottica's efficient distribution network makes it possible to maintain close contact with customers while maximizing the visibility of its brand portfolio. In addition, Luxottica's expertise in the retail business has given it a unique understanding of consumer needs and tastes in key countries. All of this helps the company achieve strategic optimization of brand diffusion, for both proprietary and licensed brands. Luxottica continues to invest in new channels of distribution, with a current emphasis on e-commerce.

1.5.2.5.1 Wholesale

The wholesale distribution network covers more than 150 countries, with approximately 50 commercial subsidiaries in major markets and approximately 50 independent distributors in other less developed markets. Wholesale customers are mostly retailers of mid to premium-priced eyewear, such as independent opticians, optical retail chains, specialty sun retailers, department stores, duty-free shops and online players. Certain brands, including Oakley, are also distributed to sporting goods stores and specialty sports locations.

In addition to giving wholesale customers access to some of the most popular brands and models, Luxottica provides them with pre- and post-sale services to enhance their business and maintains close contact with distributors in order to monitor sales and the quality of the points of sale.

In 2002, Luxottica introduced the STARS program within its Wholesale division, a true service innovation that leverages Luxottica's knowledge of local markets and brands to deliver fresh, high-turnover products to customers and maintain optimal inventory levels at each point of sale. By strengthening the partnership between Luxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of Luxottica's products in the store, utilizing ad hoc systems, tools and state-of-the-art planning techniques. At the end of 2020, STARS served approximately 17,450 stores in the major European markets, the United States, the Middle East and emerging markets.

1.5.2.5.2 Retail

With a strong portfolio of retail brands, Luxottica is well positioned to serve the most sophisticated consumers with the latest designer and high-performance frames, advanced lens options, advanced eyecare, everyday value and high-quality vision care health benefits. As of December 31, 2020, Luxottica's retail business consisted of 6,735 stores and 2,204 franchised locations.

Luxottica's retail stores sell not only prescription frames and sunglasses that it manufactures but also a range of frames, lenses and ophthalmic products manufactured by other companies.

In 2020, Luxottica's proprietary and licensed brands represented approximately 91% of the total net sales of frames by the Retail division.

Short descriptions of Luxottica's main retail brands follow.

LensCrafters (North America, Greater China). Founded in 1983, LensCrafters pioneered a revolutionary concept to combine eyecare, eyewear and onsite labs to craft glasses in about an hour. Today, LensCrafters is one of the largest optical retail brands in North America in terms of sales.

Most LensCrafters stores are located in high-traffic commercial malls and shopping centers. A wide selection of premium and luxury optical frames, sunglasses and high-quality lenses and optical products made by Luxottica and other suppliers are available in most locations. Each location has an experienced doctor, either an independent or employed Doctor of Optometry, who is focused on building patient relationships. All of the stores have access to the company's state-of-the-art lens processing network with the ability to craft, surface, finish and fit lenses.

As part of its underlying commitment to customer satisfaction and industry innovation, LensCrafters has made significant investments in technology and continued its digital transformation with associate iPads to enhance the customer's omnichannel experience, and a digital eye exam experience, ClarifyeSM, in a growing number of locations.

In 2006, Luxottica began to expand the LensCrafters brand in China by acquiring and then rebranding local retail chains in Beijing, Shanghai, Guangzhou and Hong Kong.

Pearle Vision (North America). Acquired by Luxottica in 2004, Pearle Vision is one of the largest franchised optical retailers in North America. Built around the neighborhood doctor, Pearle Vision allows local business operators to provide trusted eyecare to their patients with the support and resources of the Pearle Vision brand.

Target Optical (North America). With the acquisition of Cole National in 2004, Target Optical, a licensed brand operating within its host stores, became part of the Luxottica retail network. The brand offers consumers the convenience of taking care of their optical needs while shopping at their preferred retailers.

OPSM (Australia and New Zealand). OPSM is a leading eyecare and eyewear retailer in Australia and New Zealand with more than 85 years of history. Through its world-class technology and exceptional service, OPSM's goal is to set a new standard of eye health and eyecare. In addition to its eyecare services, OPSM is renowned for its exclusive range of optical frames and sunglasses from international brands.

GMO (Latin America). GMO is an optical market leader in Latin America, became a part of Luxottica in 2011, following the acquisition of Multiópticas Internacional. Since its beginning in the late 1990s, GMO has developed a reputation for optical retail excellence among consumers in Chile, Peru, Ecuador and Colombia with its strong Ópticas GMO and Econópticas retail brands.

Óticas Carol (Brazil). Óticas Carol, which was founded in 1997 with the goal to satisfy the needs of the Brazilian consumer in the eyewear sector, is one of Brazil's leading optical retail brands. Óticas Carol's mission is to provide the best platform for the sustainable growth of its franchisees, delighting its customers with excellent optical services and products.

David Clulow Opticians (United Kingdom and Ireland). Established in 1962, David Clulow has built a strong reputation for providing the highest standard of optical care and services, including sight tests, contact lens fittings, glasses, sunglasses and prescription sunglasses. In addition to optical stores, David Clulow operates inside some of the most luxurious department stores as a sunglasses concession. These include Harrods, Selfridges & Brown Thomas.

Salmoiraghi & Viganò (Italy). Founded in 1974 by the merger of two brands that were started respectively by Angelo Salmoiraghi and Angelo Viganò in the mid-nineteenth century, Salmoiraghi & Viganò is an Italian premium optical retail brand. The key principles on which the company was founded are relevant today and include innovation, customer experience, service and quality products. Its retail stores operate under the Salmoiraghi & Viganò and VistaSì brands, and stock a wide assortment of optical and sun eyewear by the premier brands available on the international scene.

Spectacle Hut (Singapore). Spectacle Hut, acquired by Luxottica in 2018, has grown to become one of Singapore's largest optical retail chains. Its mission is to become the retailer of choice for the growing group of fashion savvy consumers who have come to expect quality, exceptional service and value.

Sunglass Hut. Founded in 1971 as a small kiosk in a Miami mall, Sunglass Hut has grown into one of the world's leading destinations for the most sought-after high quality and performance sunglass brands. Stores can be found in fashionable shopping districts across the globe, from the Americas, Europe and the Middle East to Australia, South Africa, China and Southeast Asia and beyond, providing consumers with a fun, highly engaging shopping experience.

Sunglass Hut offers a consistent and connected experience across all customer touchpoints including online, in-store, social and mobile, and utilizes in-store digital tools to access to an "endless aisle" assortment in every store location. As part of this strategy, the brand is investing in the digitalization of the in-store shopping experience, particularly in North America, Brazil, the United Kingdom and Australia.

In 2018, Sunglass Hut signed an agreement with Bass Pro to open Sunglass Hut shop-in-shops within Bass Pro and Cabela's 170 locations across North America.

Ray-Ban. In 2020, Ray-Ban reached a worldwide store count of over 240 bringing the unique brand DNA and experience to new consumers in top cities and locations.

Building on an already consolidated global presence, ranging from flagship stores of Milan's San Babila and New York's Soho to the famous shopping street of Huaihai Road in Shanghai, the brand has further expanded is presence with new premium openings including top doors of Firenze, Venezia, Toronto, Dublin, Glasgow. Each store offers a premium, engaging layout, including digital screens, interactive tables and customization tools. The customer offering includes exclusive product, pre-releases and consumer activations that create a totally immersive Ray-Ban experience.

Oakley "O" Stores. Oakley "O" stores worldwide offer a full range of Oakley products including sunglasses, optical, goggles, apparel, footwear and accessories. These stores are designed and merchandised to immerse consumers in the Oakley brand through innovative use of product presentation, athletes' celebration and original audio and visual elements. In the United States, Oakley "O" stores are in major cities and shopping centers. Oakley's retail operations are also located in Latin America, Europe and the Asia-Pacific region.

Oliver Peoples. Luxottica operates luxury retail stores under the Oliver Peoples name, which exclusively sell Oliver Peoples branded products.

EyeMed (North America). EyeMed Vision Care is the second largest vision benefits company in the United States, serving approximately 60 million members in large, medium and small-sized companies, as well as government entities. EyeMed members are enrolled through employer-sponsored benefits sold directly by EyeMed or bundled with benefits offered in partnership with many of the largest and most-respected healthcare organizations in the United States. EyeMed offers the largest network of eyecare providers in the United States, including a diverse range of independent practitioners and retail locations that include Luxottica optical retail locations.

1.5.2.5.3 E-commerce

Luxottica offers consumers around the globe a premium online shopping experience that lives up to the same high standards found at its brick and mortar locations.

Ray-Ban, Oakley, Sunglass Hut, Oliver Peoples, and recently added Persol and Vogue Eyewear e-commerce websites serve as important sales channels that complement Luxottica's retail operations and wholesale distribution. The websites drive brand awareness and allow consumers to purchase products efficiently, extending superior customer service into the digital space.

Ray-Ban.com was launched in the United States in 2009 and is home to the most extensive assortment of premium Ray-Ban, exclusive offerings and a consumer experience that is unique to the brand. Currently, Ray-Ban.com operates in 27 countries. Ray-Ban Remix, the online customization platform first launched in Europe in 2013, is a key driver of the brand's e-commerce expansion and its growing connection with millennials. Its success in allowing customers to personalize the style, material, lens color, engraving and other aspects of their Ray-Ban frames led to Remix launches in the United States, Canada and China in 2014, in Australia, Brazil, Japan and Hong Kong in 2015 and in Mexico in 2016. Recently, Ray-Ban.com introduced in the United States a search-by-image capability, which allows fans to upload a picture of any pair of Ray-Ban frames and then search for them on the extensive Ray-Ban.com catalogue.

Oakley.com is a digital window to the Oakley brand, presenting the most comprehensive assortment of Oakley products globally and an e-commerce channel across multiple markets including the United States, Canada, Australia, Japan, Brazil and 26 countries in Europe. Its unique online custom eyewear experience gives Oakley fans the ability to customize their favorite models from Jawbreaker to Frogskins, selecting frame color, lens tint, personalized etching and other features seamlessly. Moreover, it is a destination for exclusive online offers and collaborations.

Launched in 2008, **SunglassHut.com** has become the digital destination for consumers looking to find the latest trends and hottest premium sunglasses. Over the years, the United Kingdom, Brazil, New Zealand and Mexico, China, Spain, France and Germany joined the United States, Canada and Australia in offering online shopping on their local Sunglass Hut websites. Additionally, Sunglass Hut is developing its mobile and desktop sites across all countries to enhance customer experiences, storytelling and business performance. Specific focus has been given to the implementation of omni-channel experiences that allow the company to seamlessly engage consumers across more than 3,000 Sunglass Hut stores and the website. Sunglass Hut is also appealing to new customers through shop-in-shops and marketplaces online, partnering with many key players in the e-commerce arena.

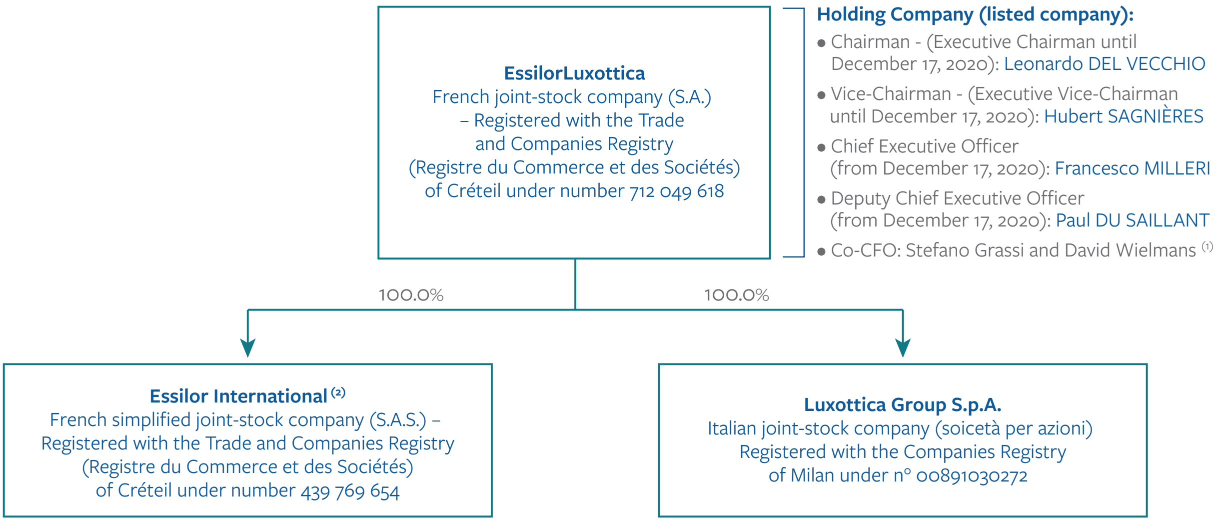
Luxottica introduced the new **Persol** and **Vogue Eyewear** e-commerce platforms at the end of 2017 in Italy, the United Kingdom, France, Germany and Spain, followed by the United States and Canada in 2018. Oliver Peoples is also operating in these same countries.

Luxottica plans to bring its e-commerce strategy to additional markets as the business matures.

Luxottica is also investing in increasing its optical e-commerce footprint, with a wide portfolio of brands and solutions that cover vision correction needs, including clear and sun prescription frames and contact lenses such as Glasses.com, LensCrafters.com, ContactsDirect.com.

1.6 Simplified organizational chart

SIMPLIFIED ORGANIZATIONAL CHART OF THE ESSILORLUXOTTICA GROUP AS OF MARCH 11, 2021



Essilor Operating Company
(set up as from November 1st, 2017)

- Chairman and Chief Executive Officer: Paul DU SAILLANT
- Director and Co-Chief Operating Officer: Norbert GORNY
- Director and Co-Chief Operating Officer: Éric THOREUX
- Director: Juliette FAVRE

- Executive Chairman of the Board of Directors of Luxottica: Leonardo DEL VECCHIO
- Deputy Chairman and CEO: Francesco MILLERI
- Director: Leonardo Maria DEL VECCHIO
- Director: Stefano GRASSI
- Director: Giorgio STRIANO
- Director, until May 15, 2020, then Honorary Chairman (not a Board member): Luigi FRANCAVILLA

(1) On March 5, 2020, David Wielemans was appointed co-CFO of EssilorLuxottica in replacement of Hilary Halper.
(2) All the entities owned by Essilor International (Compagnie Générale d'Optique), renamed EssilorLuxottica on October 1st, 2018, were transferred to Essilor International as part of the Hive Down completed on November 1st, 2017, except for the following entities remaining directly owned by EssilorLuxottica: Essilor India Private Limited (EIPL), Essilor Manufacturing India Private Limited (EMIL), Essilor Korea Co, Ltd., Onbitt Co., Ltd.

EssilorLuxottica S.A.

EssilorLuxottica S.A. functions primarily as a holding company that directly or indirectly owns the companies comprising the Group. EssilorLuxottica is a French *société anonyme* (joint-stock company) whose registered office is located at 147, rue de Paris, 94220 Charenton-le-Pont, France, and which is listed in the Créteil Trade and Companies Register under number 712 049 618. The Company is listed on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices.

Essilor International S.A.S.

Essilor International S.A.S. is a French *société par actions simplifiée* (simplified joint-stock company) whose registered office is located at 147, rue de Paris, 94220 Charenton-le-Pont, France, and which is listed in the Créteil Trade and Companies Register under number 439 769 654.

Luxottica Group S.p.A.

Luxottica Group S.p.A. is an Italian *società per azioni* (joint-stock company) whose registered office is located at 3, Piazzale Cadorna, 20123, Milan, Italy, and which is registered with the Milan Companies Register under number 00891030272.

Consolidated subsidiaries

The list of the main Group companies is shown in Appendix 2 of the Notes to the consolidated financial statements, in Section 3.3 of this Universal Registration Document.

1.7 The Company in 2020

1.7.1 Significant events and COVID-19

COVID-19

While the COVID-19 pandemic weighed on the business environment throughout 2020, it enabled EssilorLuxottica to display in its reaction several key characteristics of its business model and culture:

- **Unwavering commitment to employees and society at large.** The Company's first priority was to invest in the welfare of its people and communities. This included the commitment of a COVID-19 fund of approximately €160 million to protect the Group's human capital with measures such as emergency pay schemes for its most vulnerable employees. In parallel, EssilorLuxottica donated more than two million pieces of personal protective equipment to hospitals, public institutions, employees and partners.
- **Swift adaptability to the business environment.** The Company relied on its diverse and flexible manufacturing, supply chain, optical laboratories and retail footprint to provide business continuity despite closures required by governments. It showed agility at both the global and local levels to adapt to the stop-and-go environments imposed by local lockdowns. It learned to operate its retail stores with new health protocols and reduced opening hours, which resulted in lower traffic but higher conversions. At the end of December, most of its stores around the world had reopened.
- **Customer intimacy.** EssilorLuxottica got even closer to Eye Care Professionals (ECPs) by helping them to restart their business post lockdowns, implement new sales protocols, reorganize their stores and have access to more digital tools. New technology solutions around store locator and appointment booking systems helped steer the consumer journey to Group partners. The Company's social impact fund Vision for Life also supported many primary vision care entrepreneurs financially in the face of COVID-19.
- **Facilitation of new consumer habits.** The pandemic triggered consumer behaviors for which EssilorLuxottica is uniquely suited: enhanced awareness about the need to take care of their eyes, particularly due to increased screen time during COVID-19 pandemic; higher demand for myopia solutions due to screen usage, underpinning the Company's successful move into myopia management with Stellest; growing appetite for value-added eyecare and eyewear solutions; and a new level of comfort around buying eyecare and eyewear solutions online.
- **Strict financial discipline.** Costs were quickly controlled through reductions or deferrals of executive compensation, prioritization of marketing expenses and negotiations with suppliers and landlords. Cash was preserved via the cessation of share buybacks, the deferral of dividend payments and the temporary suspension of all non-essential investments. New acquisitions and partnerships were put on hold.

Overall, the Company leveraged the situation of the COVID-19 pandemic to proactively foster its integration, digitalize its business processes, enhance its e-commerce platforms, get closer to ECPs, and further enrich its innovation pipeline.

Licenses renewal

On March 18, 2020 Luxottica Group and Dolce&Gabbana announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Dolce&Gabbana brand.

On April 10, 2020 Luxottica Group and Versace announced the early renewal of an exclusive license agreement for the development, production and worldwide distribution of sunglasses and prescription frames under the Versace brand.

Share Buyback

On March 17, 2020, the Company announced the launch of a share buyback program. In light of the COVID-19 pandemic EssilorLuxottica decided to stop the execution of its share buyback program on March 27, 2020. In ten days, 1.55 million shares for an average price of €102.54 were repurchased.

Launch of Ray-Ban Authentic

The Company enriched its innovation pipeline including Ray-Ban Authentic, the prescription integrated product fitting for the first time the most loved eyewear brand with Essilor's advanced lens technologies.

EssilorLuxottica's new bond issuances

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%. The order book peaked close to €11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

Updates on GrandVision

The proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica (the "Proposed Acquisition"), announced on July 31, 2019, has been unconditionally cleared so far by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil, and it is currently under review in Chile and Turkey as well as in Europe.

On February 6, 2020, the European Commission has initiated a Phase II review of the Proposed Acquisition. On June 5, 2020, the European Commission issued to EssilorLuxottica a statement of objection which the Company has challenged. The review process is still ongoing. Further information regarding recent developments can be found in Section 3.2.2 of this Universal Registration Document.

On July 18, 2020, EssilorLuxottica initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the Support Agreement.

On July 30, 2020, GrandVision and Hal Optical Investments B.V. ("HAL"), its majority shareholder, have initiated an arbitration process against EssilorLuxottica, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information.

EssilorLuxottica's demands for disclosure of information from both HAL and GrandVision was dismissed by the Dutch District Court. On September 4, 2020 EssilorLuxottica filed an appeal against the judgment dismissing the Company's demands for disclosure of information from GrandVision. Appeal decision is expected on April 6, 2021, and the arbitration proceedings are on-going.

EssilorLuxottica 360

On August 17, 2020, the Company announced EssilorLuxottica 360, a new joint program that will drive growth for independent eyecare professionals across the US. Created at a time when independent ECPs are in need of greater support from the industry, EssilorLuxottica 360 will help increase their traffic, visibility and capture rate, deliver added support around an enhanced patient experience and improve practice profitability.

Partnership with Facebook

On September 16, 2020 EssilorLuxottica and Facebook announced a multiyear collaboration to develop the next generation of smart glasses.

The partnership will combine Facebook apps and technologies, Luxottica's category leadership and iconic brands, and Essilor's advanced lens technology to help people stay better connected to their friends and family. The first product will be branded Ray-Ban and is scheduled to launch in 2021.

Organizational changes

On December 17, 2020, the Board of Directors of EssilorLuxottica decided to adjust EssilorLuxottica's governance in full respect of the equal powers principle of the business combination agreement, in order to accommodate its Executive Vice-Chairman's desire to retire. Hubert Sagnières left all his executive responsibilities at EssilorLuxottica and its subsidiaries and remains as non-executive Vice-Chairman of the Company. In order to preserve the equal powers principle of the business combination agreement currently in place, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities at EssilorLuxottica and remains non-executive Chairman of the Company. The Board granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual General Meeting of Shareholders.

Other organizational changes during the year include the cooptation of Paul du Saillant as a new Director of the Company on March 30, 2020 in place of Laurent Vacherot, former CEO of Essilor International, who elected to retire, and the appointment of David Wielemans as co-CFO of EssilorLuxottica alongside Stefano Grassi, in replacement of Hilary Halper.

Interim dividend

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share. This decision was supported by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of the year.

Update on recovery of funds in Thailand

On December 30, 2019, the Company announced that it had discovered fraudulent financial activities at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact for the Company of €185 million.

As of March 11, 2021, the Company had recovered approximately €79 million. Additional funds are currently being traced and expected to be recovered in the coming quarters.

1.7.2 Fourth quarter and full year 2020 revenue

Notes

1. **Constant exchange rates**: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.
2. **Fast-growing/emerging/developing countries/economies/markets**: China, India, South Asia, South Korea, Hong Kong, Taiwan, Africa, the Middle East, Russia, Eastern Europe and Latin America.
3. **Adjusted comparable store sales**: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. Stores that are or were temporarily closed due to the COVID-19 crisis are excluded from the calculation for the duration of the store closure. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.
4. **Comparable store sales or comps**: reflect, for comparison purposes, the change in sales from one period to another by taking into account in the more recent period only those stores already open during the comparable prior period. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

EssilorLuxottica reported revenue of €14,429 million, down 17.0% at current exchange rates and down 14.6% at constant exchange rates[(1)], compared to 2019 revenue.

Revenue by operating segment

€ millions	2020	2019*	Change at constant exchange rates [(1)]	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	5,960	6,791	-9.5%	-2.7%	-12.2%
Sunglasses & Readers	595	740	-18.0%	-1.6%	-19.6%
Equipment	158	221	-26.9%	-1.6%	-28.5%
Essilor revenue	**6,714**	**7,752**	**-10.8%**	**-2.6%**	**-13.4%**
Wholesale	2,471	3,383	-24.3%	-2.7%	-27.0%
Retail	5,244	6,255	-14.1%	-2.1%	-16.2%
Luxottica revenue	**7,715**	**9,638**	**-17.7%**	**-2.3%**	**-19.9%**
TOTAL	**14,429**	**17,390**	**-14.6%**	**-2.4%**	**-17.0%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

€ millions	H1 2020	H1 2019*	Change at constant exchange rates [(1)]	Change at current exchange rates	H2 2020	H2 2019*	Change at constant exchange rates [(1)]	Change at current exchange rates
Lenses & Optical Instruments	2,592	3,377	-23.1%	-23.2%	3,368	3,414	4.0%	-1.3%
Sunglasses & Readers	268	374	-28.9%	-28.4%	327	366	-6.8%	-10.5%
Equipment	63	99	-36.8%	-36.0%	95	122	-18.9%	-22.3%
Essilor revenue	**2,923**	**3,850**	**-24.0%**	**-24.1%**	**3,790**	**3,902**	**2.3%**	**-2.9%**
Wholesale	1,040	1,829	-42.8%	-43.1%	1,431	1,554	-2.6%	-7.9%
Retail	2,266	3,097	-27.6%	-26.8%	2,978	3,158	-0.8%	-5.7%
Luxottica revenue	**3,307**	**4,926**	**-33.2%**	**-32.9%**	**4,408**	**4,712**	**-1.4%**	**-6.4%**
TOTAL	**6,230**	**8,776**	**-29.2%**	**-29.0%**	**8,199**	**8,614**	**0.3%**	**-4.8%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

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€ millions	4Q 2020	4Q 2019*	Change at constant exchange rates (1)	Currency effect	Change at current exchange rates
Lenses & Optical Instruments	1,685	1,701	5.3%	-6.2%	-0.9%
Sunglasses & Readers	188	214	-8.8%	-3.6%	-12.3%
Equipment	50	70	-24.3%	-3.7%	-27.9%
Essilor revenue	**1,923**	**1,985**	**2.7%**	**-5.8%**	**-3.1%**
Wholesale	692	774	-3.9%	-6.7%	-10.6%
Retail	1,498	1,545	3.2%	-6.2%	-3.0%
Luxottica revenue	**2,190**	**2,319**	**0.8%**	**-6.4%**	**-5.6%**
TOTAL	**4,113**	**4,304**	**1.7%**	**-6.1%**	**-4.4%**

* The breakdown of 2019 revenue has been restated following the integration of Costa into Luxottica's brand portfolio.

Lenses & Optical Instruments

Lenses & Optical Instruments revenue was down by only 0.9% year-on-year in the fourth quarter (up 5.3% at constant exchange rates(1)). The solid performance at constant exchange rates(1) confirmed the resilience of vision needs and the higher awareness about eyecare resulting from the increased screen time brought about by the COVID-19 pandemic. By products, consumers showed a growing appetite for higher value-added branded solutions, notably around blue-cut and anti-fatigue. The new products launched in the past twelve months continued their successful ramp up, especially the latest myopia management lens Stellest, the new photochromic lens Transitions Signature GEN 8, the new progressive lens Varilux Comfort Max, the Advanced Vision Accuracy lens or the VR-800 measuring instrument.

As a result of this continued sequential recovery, revenue in the second half of the year were up by 4.0% year-on-year at constant exchange rates(1). By channels, Eye Care Professionals (ECPs) and e-commerce fared better than shopping malls. As ECPs were considered essential needs, they continued to operate during most lockdowns, albeit by appointment or with reduced opening hours. Although foothold suffered as a result, sale conversions surged. EyeBuyDirect.com, Clearly.ca and VisionDirect.co.uk continued to drive online sales. By countries, developed markets outperformed developing economies(2), which often struggled to contain the COVID-19 pandemic with a few notable exceptions such as Greater China.

For the full-year, divisional revenue was down 12.2% (-9.5% at constant exchange rates(1)). This reflected a steep decline in sales in the second quarter, which was followed by a gradual V-shaped recovery driven by the outperformance of the Group's prescription business.

Sunglasses & Readers

The Sunglasses & Readers division posted revenue down 12.3% in the fourth quarter (-8.8% at constant exchange rates(1)). This performance masked two opposite trends. First, a sequential improvement in underlying growth compared to the previous quarter, driven by the optical business. This was due both to Readers at FGX and to prescription frames at Xiamen Yarui Optical (Bolon). Bolon became the leading optical brand in China. The sunglass business, for its part, stayed under pressure.

By channels, online around the world and dollar stores in North America drove the momentum while travel retail, department stores and mass merchandisers remained difficult. Second, the division's activities were streamlined with a view to improve efficiency; FGX simplified its go-to-market and merchandising organizations and stopped its hats/apparel business while MJS downsized its network of franchises in China.

As a result, the magnitude of year-on-year revenue decline shrank materially in the second half of the year compared to the first. This was driven by strong momentum in optical frames, the success of new collections and solid e-commerce sales.

For the year as a whole, revenue was down 19.6% (-18% at constant exchange rates(1)). The above trends partially offset the earlier impact of COVID-19 related lockdowns in China, Europe and the United States as well as the resulting pressures on department stores and travel retail.

Equipment

The Equipment division saw its fourth quarter revenue decline by 27.9% (-24.3% at constant exchange rates(1)). Consumables proved resilient while sales of machines, spare parts and services continued to suffer from the COVID-19 pandemic, due to the limited access to client facilities. In the meantime, customer interest remained high and translated into a significant increase in the order backlog.

For the year, revenue was down 28.5% (-26.9% at constant exchange rates(1)). Customers reduced their investments early in the year as the COVID-19 pandemic weighed on visibility. Sales of new machines remained subdued from March onwards, despite occasional blips supporting second half revenue. Sales of consumables showed resilience throughout the year.

Wholesale

In the fourth quarter, the Wholesale division posted revenue down 10.6% (-3.9% at constant exchange rates[1]) and continued to benefit from the resilience of the optical category, that was positive in the period. In terms of geographies, North America continued to grow driving the overall division, while Latin America significantly improved compared to previous quarters. Conversely, most of the markets and channels in Europe and Asia, Oceania and Africa suffered renewed impact of COVID-19. In particular, the European business decelerated in the last two months of the year because of new restrictions. Among brands, Oakley stood out again as one of the best performers, thanks to growing prescription eyewear and apparel winter collections.

Over the entire second semester, revenue declined by 7.9% (-2.6% at constant exchange rates[1]), experiencing a sharp improvement compared with the first half performance (-42.8% at constant exchange rates[1]). From a geographical perspective, it is worth underlining that in the North American market Wholesale emerged as the fastest growing business in the second half of the year. Performance in the region was boosted by the resilience of the independents channel, fueling the optical category, as well as by the buoyant growth of third-party e-commerce platforms. The European market kept its revenue substantially stable in the semester at constant exchange rates[1], thanks to the restocking activity of independents and key accounts, whilst business with customers exposed to touristic flows remained subdued. The Wholesale performance lingered into negative territory in both Asia, Oceania and Africa and Latin America, notwithstanding revenue going back to positive growth at constant exchange rates[1] in Mainland China in the semester and the strong recovery seen in Brazil in the last quarter of the year.

In the full year, the divisional revenue decreased by 27% (-24.3% at constant exchange rates[1]), following a trajectory that mirrored the COVID-19 outbreak throughout the year. STARS closed the year nearing 17,500 doors (after almost 900 net additions), posting positive revenue growth at constant exchange rates[1] over the entire second semester and ending the full year at 16% of the Wholesale's total turnover.

Retail

The Retail division was heavily affected by the unprecedented business conditions of last year, with total trading hours in the brick-and-mortar activity materially lower than the year before due to lockdowns and restrictions imposed worldwide, with a different phasing depending on the virus outbreak across the regions. Conversely, the e-commerce business was boosted by consumer confinements, gaining a new audience, and posted a spectacular growth in branded eyewear platforms. Since the second quarter, the division posted sequentially improving revenue as the physical business restarted under strict safety protocols. The number of stores open hit a low in mid-April, with approximately three fourths of the corporate fleet closed, then progressively recovered throughout May and June, since when closed locations remained below 10% of the total network. During the course of the fourth quarter, further restrictions were introduced in Europe in November and December and affected SunglassHut, with one third of the network closed, and Salmoiraghi & Viganò, mainly during weekends.

The entire division finished the year on a sound tone, with revenue up 3.2% at constant exchange rates[1] in the fourth quarter (down 3.0% at current exchange rates, mostly due to the US dollar impact), supported by an overall improvement of in-store execution. Comparable store sales[4] were still overall negative in the period, with optical positive and sun negative due to the different impact of restrictions on the two businesses, since optical locations were allowed to remain open (with limitations) as a necessary service even in those areas and periods where sun stores were shut down, as well as the structurally higher resilience of optical. North American and Australian optical banners were the main drivers, with LensCrafters, Target Optical and OPSM all contributing, plus the addition of GMO in Latam. Sun performance was more troubled than optical in brick-and-mortar, with SunglassHut negative worldwide, dragged by store closures and lack of tourism, harder in Europe than North America. The whole division registered different trends in revenue in the two semesters of the year, down by almost one third in the first and flattish in the second half at constant exchange rates[1].

Direct e-commerce kept a strong pace throughout the entire year, with a marked acceleration started in March. Revenue were up 56% year-on-year at constant exchange rates[1] in the fourth quarter and 74% in the full year, boosted by the top-four house brands' online platforms, Ray-Ban, Oakley, SunglassHut and Costa del Mar, which all together generated €576 million revenue.

In the full year the division recorded a drop in revenue of 16% and 14% at current and constant exchange rates[1]. Business-to-consumer activities, including brick-and-mortar and online revenue of the entire Group, represented in the full year slightly more than 40% of the total turnover.

Revenue by geographical area

€ millions	2020	2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
North America	7,901	9,146	-11.8%	-1.8%	-13.6%
Europe	3,450	4,239	-17.5%	-1.1%	-18.6%
Asia, Oceania and Africa	2,362	2,891	-16.4%	-1.9%	-18.3%
Latin America	715	1,114	-21.9%	-13.8%	-35.8%
TOTAL	**14,429**	**17,390**	**-14.6%**	**-2.4%**	**-17.0%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

€ millions	H1 2020	H1 2019*	Change at constant exchange rates[1]	Change at current exchange rates	H2 2020	H2 2019*	Change at constant exchange rates[1]	Change at current exchange rates
North America	3,426	4,580	-26.9%	-25.2%	4,475	4,566	3.3%	-2.0%
Europe	1,506	2,232	-32.1%	-32.5%	1,944	2,007	-1.2%	-3.1%
Asia, Oceania and Africa	1,016	1,435	-28.5%	-29.2%	1,346	1,457	-4.5%	-7.6%
Latin America	282	530	-38.5%	-46.8%	433	584	-6.9%	-25.8%
TOTAL	**6,230**	**8,776**	**-29.2%**	**-29.0%**	**8,199**	**8,614**	**0.3%**	**-4.8%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

€ millions	4Q 2020	4Q 2019*	Change at constant exchange rates[1]	Currency effect	Change at current exchange rates
North America	2,213	2,270	4.2%	-6.6%	-2.5%
Europe	911	971	-3.7%	-2.5%	-6.3%
Asia, Oceania and Africa	727	757	-1.0%	-3.0%	-4.0%
Latin America	263	305	7.1%	-21.1%	-14.0%
TOTAL	**4,113**	**4,304**	**1.7%**	**-6.1%**	**-4.4%**

* The geographical breakdown of 2019 revenue has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

North America

In the fourth quarter, Group revenue in North America decreased by 2.5% but were up 4.2% at constant exchange rates[1]. For the full year 2020, revenue decreased by 13.6% (and by 11.8% at constant exchange rates[1]) thanks to a strong rebound during the second half of the year after a significant decline in revenue in the second quarter.

In Lenses and Optical instruments, the business continued its rebound throughout the fourth quarter. This solid recovery was driven by independent ECPs, with an outperformance of the alliances supported by the Group, as well as retail chains, which improved materially after relative weakness in the third quarter. The business with independent ECPs was boosted by the success of the Essilor Experts program, which reached 7,800 doors by the end of 2020, and yielded stronger traffic, better mix of Essilor branded products as well as capture and patient retention rates above market average. The EssilorLuxottica 360 program was deployed to approximately 1,000 doors in the second half of 2020, driving overall value for lenses and complete pairs. Both independent ECPs and retail chains benefitted from a positive product mix driven by Crizal in anti-reflective lenses, Transitions GEN 8 in photochromic lenses and Varilux in progressive lenses. Instrument sales were up double digits as optometrists sought to continue to improve the eye exam experience and the overall level of service. Online sales were again up double digits in the fourth quarter, reflecting growing demand and premiumization. In the second half, divisional revenue was flat in the region and up mid-single digits at constant exchange rates[1]. This was driven by the United States as well as Canada, which performed well despite a stricter lockdown environment than in the neighboring country. Overall, on a full year basis, divisional revenue in the region were down less than 10% at constant exchange rates[1]. Independent ECPs were instrumental in offsetting the negative effect of the first-half lockdowns. They were first to implement new safety protocols to leverage patient interactions, improve conversion rates and support the product mix. Sales were also boosted by the strong e-commerce performance throughout the year, especially at EyeBuyDirect.com in the US and Clearly.ca in Canada.

In Sunglasses & Readers, regional sales were down double digits in the fourth quarter. This was mainly due to a decline of sunglass shipments in December, as customers remained cautious about the upcoming sun season in a persistent COVID-19 environment. Sales of readers were back to year-on-year growth. In the second half of the year, the magnitude of revenue decline more than halved compared to the first half of the year, thanks to the performance of the online channel and dollar stores, which offset weakness in other channels. For the full year, revenue was down double-digits in the region.

Equipment sales in North America were still down double-digits in the fourth quarter as new machine sales continued to suffer from a customer focus on cash preservation. Although revenue fared better in the second half than in the first, it was still significantly down for the year as a whole.

The Wholesale division finished the year on a sound tone, with positive revenue in constant exchange rates[1] in the fourth quarter (then posting 10% growth in the second half at constant exchange rates[1]), as a consequence of the strong rebound of independents and booming third-party e-commerce (+85% in the fourth quarter), while department stores and boutiques were confirmed exceptions. Oakley was the top performer among house brands, up in the high-teens in eyewear in the fourth quarter at constant exchange rates[1], and with growth in both eyewear and AFA businesses still fueled by the successful NFL partnership. In the full year, the entire Wholesale division registered a 15% drop in sales at constant exchange rates[1], dragged by the higher-than-one-third drop in the first half.

The Retail division showed stronger acceleration in the fourth quarter, with revenue up mid-single digit at constant exchange rates[1], leading the second half to positive performance at constant exchange rates[1] following a drop of one fourth in the first. Optical banners drove the recovery, with LensCrafters, Target Optical and Pearle Vision recording positive revenue in the second half and fourth quarter at constant exchange rates[1]. They all regained their sound pre-COVID-19 pace, with LensCrafters in the low-to-mid single digit, and both Target Optical and Pearle Vision in double-digit areas. The Company's optical retail business model proved to be working well, supported by digitalization as well as more focused assortment. Conversely SunglassHut was negative in the fourth quarter and the second half, heavily impacted by dropping in-store domestic traffic as well as dried up tourism flows, which hit hard on locations more depending on travelers' demand. E-commerce on proprietary mono-brand platforms generated sales of half a billion euros in the region on a full year basis, up 76% year-on-year at constant exchange rates[1]. All in all, in the full year, the entire Retail division recorded a 12% decline at constant exchange rates[1].

Europe

In the fourth quarter, revenue in Europe decreased by 6.3% (-3.7% at constant exchange rates[1]). For the full year 2020, revenue in the region declined by 18.6% (-17.5% at constant exchange rates[1]).

In Lenses and Optical instruments, the business confirmed its rebound in the fourth quarter, delivering year-on-year growth at constant exchange rates[1]. This was particularly the case in France, thanks to the success of the multi-network distribution strategy, the restart of marketing campaigns and the desire of consumers to trade up. The Nordics and the UK also fared well. Spain, Portugal and Poland delivered a weaker performance as they were penalized by a challenging COVID-19 business environment. In terms of products, blue-cut lenses continued to benefit from intense screen usage in the new COVID-19 environment. Varilux in progressives, Crizal in anti-reflectives, Transitions GEN 8 in photochromics, Eyezen in anti-fatigue and the VR-800 precision instrument all fared well during the quarter. In the second half of the year, the Lenses and Optical instruments division displayed material year-on-year growth at constant exchange rates[1]. ECPs across the region showed a very strong ability to leverage the new business environment in order to generate better conversion rates as well as an improvement in product sales mix. In addition, e-commerce continued to drive divisional revenue, especially thanks to double-digit growth in sales of eyeglasses. As a result of these trends, for the year as a whole, the division delivered the most resilient performance of the group in Europe, although revenue was still down year-on-year.

The Sunglasses & Readers division experienced double-digit sales declines in the region in the fourth quarter, as its customers were reluctant to update their displays or prepare the upcoming sun season. Despite a sequential recovery in the second half of the year compared to the first, its revenue ended the year materially down, mainly due to the impact of the lockdowns in the UK and Italy.

The Equipment division experienced double-digit revenue declines in the region, both in the fourth quarter and the full year, as its customers were reluctant to buy new machines.

In the fourth quarter, the Wholesale division was once again impacted by COVID-19 in most European countries, with softness persisting in Spain and the UK and partially resurfacing in France, Germany and Italy, while STARS gave some relief to the overall performance of the area on the back of the optical business. Revenue for the division remained roughly stable at constant exchange rates[1] in the second half of the year, benefiting from the restocking activity of independents and key accounts started in July and August, while channels more exposed to tourism continued to be troubled. On a full year basis, the division registered a decline in revenue by approximately one fourth at constant exchange rates[1], dragged by the business drop of the first semester.

In Retail, Europe was the only region remaining into negative territory at constant exchange rates[1] in the fourth quarter, after three negative quarters, due to new waves of virus outbreak and consequent new restrictions. Sunglass Hut had to shut down stores in various important countries, like France, the UK, Germany and the Netherlands. In addition, the locations heavily dependent on travelers' demand were severely hit and had a material adverse impact on the overall banner's performance. After a nice start to the fourth quarter, in November and December Salmoiraghi & Viganò was impacted by new restrictions. Over the entire year, Retail registered a decline in revenue of approximately one third at constant exchange rates[1].

Asia, Oceania and Africa

Revenue in Asia, Oceania, Africa declined by 4% in the fourth quarter (-1.0% at constant exchange rates[1]). For the full year, the revenue decline was 18.3% (-16.4% at constant exchange rates[1]).

The Lenses & Optical Instruments division returned to revenue growth at constant exchange rates[1] in the fourth quarter and was driven by continued momentum in Greater China, Japan and Australia. In Mainland China, sales accelerated further with a good product mix around flagship brands and a good channel mix as high-end distribution networks outperformed mid-tier ones, while e-commerce remained solid. Transitions Signature GEN 8 was launched during the quarter. Stellest continued its successful ramp-up in myopia management and was deployed in both hospitals and traditional networks. In Japan, the division improved its positions thanks to strong innovation and a good level of activity with optical chains. Sales in Australia were driven by branded lenses at both optical chains and independent ECPs. Revenue in the rest of the region remained slow as the countries struggled to contain the COVID-19 pandemic. This was especially the case in India, Indonesia and Malaysia. These trends confirmed the sequential recovery gathering momentum since April and allowed second-half revenue to be flat year-on-year at constant exchange rates[1]. As a result, the division ended the year with a revenue decline in the region of less than 10% at constant exchange rates[1].

The Sunglasses & Readers division enjoyed another quarter of revenue growth in the region, thanks to a very strong performance of the optical business at Xiamen Yarui Optical (Bolon), both in wholesale and own retail, partly driven by new store openings. Online revenue growth remained strong, especially at MJS, which also saw a return to sales growth of its own stores. These trends more than offset the persistent headwinds in the sunglass business (travel and vacation restrictions, homeworking) and the closure of underperforming franchise stores at MJS. As a result, for the second half of the year, the division posted year-on-year revenue growth in the region at constant exchange rates[1]. Although this represented a significant swing compared to the revenue decline of the first half caused by country lockdowns, the division still ended the year with a revenue decline of slightly more than 10% at constant exchange rates[1].

In the fourth quarter the Wholesale division remained under pressure, with most of the countries still impacted by COVID-19. Mainland China was the bright spot, further consolidating the revenue rebound started in the third quarter. At the opposite, Hong Kong and South-East Asia remained into double-digit negative trend in revenue at constant exchange rates[1]. Japan suffered mostly from lower tourism flows, but improved its Oakley apparel, footwear and accessories business. Revenue performance overall lingered into negative territory in the entire second half of the year, despite positive trends in Mainland China and Australia. On a full year basis, the division registered a decline in revenue by more than one third at constant exchange rates[1].

The Retail division turned positive in revenue at constant exchange rates[1] in the fourth quarter. The business pace accelerated further in optical retail in Australia, despite few localized lockdowns as a consequence of COVID-19 new outbreaks. Excellent in-store execution and lens upselling translated into double-digit comparable store sales[4] at OPSM. Retail business progressively improved in Mainland China, with optical and sun including e-commerce moving into positive territory at constant exchange rates[1], while Hong Kong was impacted by a new wave of COVID-19 cases at the end of the year. After a decrease in revenue by almost one third at constant exchange rates[1] in the first half of the year, the second semester was only slightly negative, sustained by the top-performing Australian optical business, leading the division to mid-teen decline in the full year.

Latin America

In the fourth quarter, Group revenue in Latin America decreased by 14.0% but were actually up 7.1% at constant exchange rates[1]. For the full year 2020, revenue in Latin America decreased by 35.8% (-21.9% at constant exchange rates[1]).

The Lenses & Optical instruments division recorded high single-digit revenue growth at constant exchange rates[1] in the fourth quarter. This solid performance was driven by strong momentum in Brazil, Mexico, Chile and Argentina, which all benefitted from the limited level of store closures for most of the quarter. Revenue in Brazil was supported by positive sales momentum of blue-cut products and Kodak lenses in the mid-tier as well as Transitions GEN 8 photochromic lenses and Varilux progressive lenses in the high end. Mexico experienced a good dynamic with key accounts and progressive lenses. Argentina also benefited from a good product mix. Instruments also delivered a strong rebound in the fourth quarter as opticians were eager to invest more into an improved customer experience and the division expanded its business with ophthalmologists in Brazil. In the second half, revenue was down only slightly at constant exchange rates[1] in the region, a very material improvement compared to the first half. This was driven by strong consumer demand for established retailers and innovative brands.

The Sunglasses & Readers division continued to be penalized in the fourth quarter by the caution of its customers about the upcoming sun season in a challenging and uncertain health environment. In 2020, its overall negative performance was significantly impacted by store closures during the second quarter of the year.

Sales in the Equipment division rebounded strongly during the fourth quarter in the region, after reaching a low point in the second quarter. As a result, second half and full year revenue was up year-on-year at constant exchange rates[1].

The Wholesale business rapidly normalized in the fourth quarter, registering slightly negative sales at constant exchange rates[1] on the back of the reopening and restocking of independent retailers and bigger chains. The key market of Brazil bounced back nicely in the period, up high single digit in revenue at constant exchange rates[1], with optical and sun frames both contributing. Óticas Carol stores restarted supporting the business from the lowest level of activity due to restrictions at the end of the third quarter, reflecting the seasonal phasing of the virus outbreak in the country and the region. Mexico was a laggard, still negative in sales in the last quarter of the year.

The Retail activity evolved according to a shifted timeframe compared to other areas, with the store open count at one fifth of the regional fleet at the end of March, slightly above half of the total at the end of June and above 90% during the second half of the year, with the footfall recovery more visible in the last months of the year. Divisional sales were up 20% at constant exchange rates[1] in the fourth quarter, with adjusted comparable store sales[3] at +10%. Both the optical and sun businesses contributed, with GMO up double digit led by Chile (easy comparison base), outpacing Sunglass Hut (stable in Brazil).

In the full year, the Wholesale and Retail divisions posted a decline in revenue of one third and one fifth respectively, at constant exchange rates[1]. Price increases were selectively adopted throughout the year as a result of the sharp devaluation of key markets' currencies, impacting especially the performance of the second semester.

1.7.3 Acquisitions and partnerships

EssilorLuxottica completed six transactions in 2020, representing full-year revenue of around €95 million. The major transactions are indicated in the table below.

Company	Country	Business	Full-year revenue	% held	Consolidated from
Optical House Limted	Ukraine	Optical retailer and wholesaler	€69 million	51%	January 2020
Miraflex SAS	Colombia	Designer and manufacturer of ophthalmic frames for children	€4 million	75%	March 2020
Premier Ophthalmic Services LLC	United States	Distribution of ophthalmic instruments	€23 million	80%	March 2020

1.7.4 Investments made in 2020 and planned for 2021

	2020	2019	2018	
€ millions	EssilorLuxottica	EssilorLuxottica	Essilor	Luxottica
Property, plant and equipment and intangible assets (*gross of disposals*)	650	903	334	593
Depreciation and amortization	2,136	2,121	361	515
Financial investments net of cash acquired	133	370	270	19
Purchase of treasury shares	159	0	0	0

Capital expenditure

In 2020, EssilorLuxottica cash-out related to capital expenditures amounted to €650 million (4.5% on revenue) and decreased by approximately €250 million compared to 2019, due to the actions implemented after the COVID-19 spread in the first quarter of 2020. Capital expenditures restarted during the last quarter of 2020, driven by operations and IT investments.

Year-on-year, investments in retail decreased by approximately €120 million, while investments in operations and IT decreased by approximately €70 million.

Financial investments

Financial investments net of cash acquired amounted to €133 million in 2020 compared to €370 million in 2019. These amounts represent the net cash-out related to business combinations completed during the year and, to a less extent, price supplements and/or deferred payments on acquisitions completed in prior years. In 2020, the amount included the net cash-out related to the acquisition of Optical House, the leader in the optical market in Ukraine, Premier Ophthalmic Services LLC in US and Miraflex SAS in Colombia, while in 2019 it included the effects of the acquisition of Barberini S.p.A., the world's leading optical glass sun lens manufacturer, as well as the acquisitions of Brille 24 in the online business, Devlyn in Mexico, Future in Sweden, and Optimed in the instrument division.

In 2020, the Company acquired 1.55 million EssilorLuxottica shares in the context of the share buyback program announced on March 17, 2020 (see Section 1.7.1) for an average price per share of €102.54 and a total cash-out amounting to €159 million. The shares acquired are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and its subsidiaries, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and employee share ownership plan.

Main future investments

In 2021, the Group will re-start investing strongly in the evolution of its retail network and manufacturing capacities, IT and Technology platforms to facilitate the integration, as well as in M&A and partnership projects.

1.8 Risk factors

1.8.1 Introduction

As of the date of this Universal Registration Document, the significant risks to which EssilorLuxottica is exposed are those described below. In this section only the main risks that may affect EssilorLuxottica in its course of business and that may have a material impact on the Group financial or operational result, reputation and/or prospects are reported.

The risk identification and assessment process used is described in Section 1.9.1. *The Company risk management process.*

Within each category, risk factors are presented in decreasing order of severity as determined by the relative weight of impact and likelihood of occurrence on the date of this Universal Registration Document, taking into account the mitigation measures ("net impact").

In order to allow a better appropriation of the risks presented in this document, the velocity (*i.e.* the speed at which the impact will be felt if the risk crystallizes) of each of the outlined risks has been estimated.

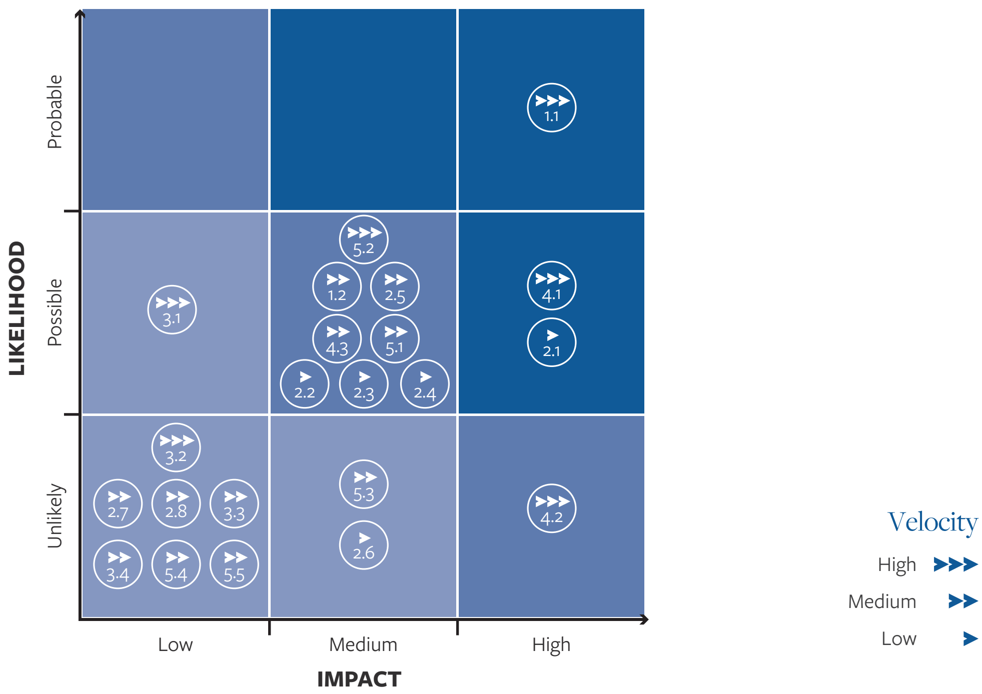
1.8.2 Risk factors summary

	Risk Category	Risk Factor	Severity	Impact	Likelihood	Velocity
1.1	External risks	Pandemic	▲▲▲	●●●	■■■	➤➤➤
1.2		Political & social environment	▲▲	●●	■■	➤➤
2.1	Strategic risk	Industry and market	▲▲▲	●●●	■■	➤
2.2		Governance & organizational framework	▲▲	●●	■■	➤
2.3		People management	▲▲	●●	■■	➤
2.4		Business model	▲▲	●●	■■	➤
2.5		Strategic innovation and product development	▲▲	●●	■■	➤➤
2.6		M&A and joint ventures	▲	●●	■	➤
2.7		Intellectual property	▲	●	■	➤➤
2.8		Licensing	▲	●	■	➤➤
3.1	Financial risk	Currency risk	▲	●	■■	➤➤➤
3.2		Financial market	▲	●	■	➤➤➤
3.3		Credit	▲	●	■	➤➤
3.4		Liquidity	▲	●	■	➤➤
4.1	Operational risk	Cyber Security	▲▲▲	●●●	■■	➤➤➤
4.2		Business interruption	▲▲▲	●●●	■	➤➤➤
4.3		IT system and data management	▲▲	●●	■■	➤➤
5.1	Compliance & Litigation risk	Antitrust	▲▲	●●	■■	➤➤
5.2		Data privacy	▲▲	●●	■■	➤➤➤
5.3		Corporate compliance & reporting	▲	●●	■	➤➤
5.4		Material claims and litigation, proceedings arbitration	▲	●	■	➤➤
5.5		Taxation	▲	●	■	➤➤

Legend:

	Severity		Impact		Likelihood		Velocity
High	▲▲▲	High	●●●	High	■■■	High	➤➤➤
Medium	▲▲	Medium	●●	Medium	■■	Medium	➤➤
Low	▲	Low	●	Low	■	Low	➤

The heatmap below reflects the exposure of EssilorLuxottica, after taking into account the mitigation measures implemented to limit the likelihood and impact of each described risk.



External risks

Pandemic

Risk Factors	Risk Details	Mitigation measures
Pandemic Severity: ▲▲▲ Impact: ●●● Likelihood: ■■■ Velocity: ▶▶▶	In December 2019, the outbreak of a new coronavirus, COVID-19, emerged in China. Despite significant containment efforts, it spread globally beyond China's borders and continues to hit many geographies. EssilorLuxottica, with its global lenses and frames manufacturing footprint and worldwide distribution and retail networks, may be negatively affected by this pandemic outbreak which is currently impacting its production and distribution worldwide. More specifically, following health and governmental authorities' obligations and guidance as well as travel restrictions, EssilorLuxottica production and distribution had to be temporarily suspended in several locations. Prolonged restrictive measures and shop closures due to the various COVID-19 waves have on-going severe consequences: • Reduction of sales in retail, sun and travel sectors (see Section 1.7.2 of this Universal Registration Document for a more detailed overview); • Reduction in the purchasing power of customer, who may be less inclined to spend significant amounts on eyewear; • Decrease in stakeholders budgets (including CAPEX), resulting in reduced sales of equipment; • Shift of the market to a more price sensitive one;	EssilorLuxottica has been monitoring the outbreak of COVID-19 since the very beginning with utmost care and putting the health and safety of its employees, partners and customers as a first priority. In line with the historical values of Essilor and Luxottica, the Board of Directors approved the launch of a Euro 100 million COVID-19 fund, which was expanded to Euro 160 million at printing date, to protect the Group's human capital, including: • Relief fund for individual measures to help employees facing great hardships (housing, food, medical, etc.); • Global support to the employees and their families (masks, swab testing); • Securing working coverage during lockdown; • Salary support. From an operational perspective, EssilorLuxottica has organized its response around geographically and centrally structured crisis teams, in charge of maintaining coordination, communication and implementing contingency plans to keep business activities running while respecting individual national responses to the crisis.

Risk Factors	Risk Details	Mitigation measures
	• Increase in shipping delays and costs due to over-reliance on certain carriers (example UPS in the United States) and rise of air fares operated by the different airline companies Many contracts also had to be renegotiated according to the regulations applied in response to restrictive measures implemented by each country (*e.g.* rental contracts to be reviewed due to department store closure; sponsorship agreements to be renegotiated because of the event cancellation, etc.). The new terms enforced in these contracts could be less favourable for EssilorLuxottica. The COVID-19 pandemic may also have an impact on the ability of staff and new talent to engage (especially due to forced remote work). In addition, any epidemic that takes place among the workforce, including in production plants, logistics, retail network and support staff, can result in delays or business disruptions	These multi-specialty teams gather internal experts from Manufacturing, Supply, IT, Finance, HR and Distribution to ensure that holistic actions at the local and global levels are put in place such as: • deploying stringent safety measures and rightsizing global capacity to meet current demand levels (*e.g.* remote work, partial stoppage of activities); • managing national lockdowns efficiently; • establishing cost and cash control measures, including, but not limited to, putting on hold non-crucial investment initiatives; • defining alternative supply roads and leveraging its network of production sites (having production sites / laboratories located all over the world has been a natural hedge against business disruptions, allowing the Group to show agility in its efforts to adapt to this extraordinary situation); • strengthening the Group's e-commerce activities and networks; • increasing the inventory of critical components in order to anticipate new potential lockdowns. On top of all these global initiatives, the Group was also able to minimize the impact by taking the right measures to limit the labs' closure: • Production keeps running with the necessary security measures; • Redirection of flows; • Rotations of teams - up to triple shifts. In light of the COVID-19 pandemic situation, in 2020 EssilorLuxottica performed an assessment to ensure that: • Group's procedures were well-cascaded, received, known and applied; • Appropriate mitigation measures (in accordance with Group's guidelines and requirements) were implemented in order to limit the virus impact and to protect the health of its/our employees and its/our retail customers. This analysis highlighted that the actions/measures locally implemented adequately manage this risk and that global communication and information related to COVID-19 management were widely received and deemed appropriate across the organization.

Political and Social Environment

Risk Factors	Risk Details	Mitigation measures
Political and Social Environment Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ▶▶	EssilorLuxottica business may be adversely affected by political, governmental or social instabilities in countries where: • it has invested or plans to invest; • it carries on a substantial share of revenues; • it has signed agreements with local counterparties. EssilorLuxottica currently operates worldwide, including fast growing countries in Latin America, Middle East, Asia and Africa. Therefore, the Group is subject to various risks inherent in conducting business internationally. They may result in loss of market share, loss of sales or increased costs of doing business. Below are some examples of risks related to the social and political environment: • EssilorLuxottica activities may be impacted by events such as the COVID-19 (see Pandemic risk), that could intensify social and economic instabilities already existing and create new inequalities. • Commercial relations between China and the US remain unstable and complex (mainly concerning custom fees); • As two of EssilorLuxottica largest labs are located in Thailand, the Group could face severe consequences in case of civil unrest in Thailand. A political and social crisis in this country could jeopardize the significant investments made for the labs. • Socio-political events are currently impacting certain geographies (*e.g.* LATAM) • After Brexit EU and UK signed a new Trade and Cooperation Agreement which became effective as of January 1, 2021, impacting all companies having business relationships with the UK. EssilorLuxottica may be impacted by the new agreement requirements on different levels: – Goods trade: a free trade area has been established between the EU and the UK. Nonetheless, distribution of products may be subject to extended delays and higher operational costs due the increase of administrative burden and custom controls. Moreover, in order to benefit of such free trade area, the group will have to be compliant to the EU "Rules of Origin" requirements. – Human resources: restrictions on free movement will be put in place with, for example, the need for each European citizen employed in the UK to have a work permit. This responsibility will likely be borne by the employer, which could increase its operational costs; – Taxation: VAT and withholding tax compliance increase – Some countries where the Group operates (*e.g.* US, Indonesia, Thailand, Malaysia - 2020 total revenues: Euro 7.5 billion) are applying protectionist laws, with relevant impact on imports and exports.	EssilorLuxottica's international presence (more than 80 countries) represents a "natural hedge" to risks related to the political and social environment. The Group, when entering new countries, conducts in-depth due diligences (including risk analysis and legal analysis) in order to consider beforehand any peculiarities relating to the local context that may impact the conduct of the business. This approach allows EssilorLuxottica to decide whether to remain in or leave high-risk areas, as well as to identify development opportunities in countries whose socio-economic stability has improved. The Group has defined a methodology to prioritize monitoring activities in the regions where the Group operates based on the exposure in terms of political and economic risks. Operations and business activities in fragile countries are closely monitored, and mitigation actions can lead to outright withdrawal from certain countries. Revenues generated in "at risk countries" (based on Group's internal definition, such as Mexico, Chile, Colombia and Brazil) represent only 3,90% of global sales. EssilorLuxottica's higher share of revenues derive from stable geographies such as North America and Europe (€7,901 million and €3,450 million respectively). EssilorLuxottica implements and periodically revises its planning strategy to ensure efficiency of its operations and logistics, especially towards countries where custom procedures can be more complex, in order to avoid delays that may lead to loss of business opportunities. Sensitivity analyses are also performed at the local level to better support decision-making processes. Analyses are performed in order to anticipate consequences resulting from any crisis related event (*e.g.* Brexit, pandemic outbreaks…) and thus assess and mitigate potential risks.

Strategic Risks

Industry & Market

Risk Factors	Risk Details	Mitigation measures
Industry and Market Severity: ▲▲▲ Impact: ●●● Likelihood: ■■ Velocity: ➤	EssilorLuxottica is subject to possible changes in the market and industry, which may adversely affect demand for products and margins. The market is evolving at a sustained pace that EssilorLuxottica must face to maintain its competitive advantage. **Change in customer preferences and market commoditization** Customer preferences are continuously changing, with different trends all over the world (*e.g.* request for product personalization in Asian market), and progressive shifting towards less premium lenses (in US and China), which could represent a risk in the medium term. Inability to timely detect and anticipate such trends may lead to loss of market share or margins reduction. Such risk is exacerbated by technological innovations in lenses becoming more and more frequent (*e.g.* polarized lenses), requiring greater flexibility within the Group's production capabilities. The current partnership with Facebook responds, among other things, to this willingness to anticipate new trends. Associating one of the most emblematic brands of the Group (Ray-Ban) to a disruptive project is however not trivial. This unprecedented partnership with a big tech company can indeed redefine new frontiers: distribution, data management, fee management, etc. This could also lead to a serious reputational issue. **Competitors** New competitors characterized by strong products differentiation, strong e-commerce business and retail customer experience may enter the market with both front-line products and innovative products. In addition, these new competitors could be better positioned to take advantage of the market shift to a low-cost market due to the decline in the purchasing power of consumers following the COVID-19 pandemic. **Online channel** The online channel registered a further increase due to the COVID-19 pandemic which may expose EL's aftersales management. EssilorLuxottica may fail to adopt a mature and structured process for handling such negative events leading to erosion of its brand and reputation. The Group may not be able to compete successfully with online players that focus their business on competitive pricing strategies (8% of the Group turnover is generated by the online channel). **Market consolidation** Major private equity players are increasingly present in eye care business, particularly in the United States. The resulting consolidation could change partnerships in the industry or even disrupt the market (Some players started aggressively marketing healthcare in the US in 2020).	EssilorLuxottica monitors customers' preferences in order to anticipate trends and to develop new competitive products. EssilorLuxottica is proactive and tries to develop partnerships or identify targets in order to develop product innovation (*e.g.* the current partnership with Facebook). EssilorLuxottica is continuously strengthening relations and agreements with insurance companies in order to broaden its customer base. In the US, EssilorLuxottica is competing in the managed vision care area with its subsidiary (EyeMed). EyeMed is committed in building, maintaining and strengthening long term business relations with key clients, including those subjects to acquisition from other parties. EssilorLuxottica develops and implements continuous professional training programs to its in-store personnel to ensure a best in class customer experience and promote better quality products helping to preserve the Group's profitability. EssilorLuxottica continues to develop its e-commerce channel where it is making significant progress (the crisis having been a driving force for the development of e-commerce) and is progressively expanding its portfolio through new entry price products. This expansion allows EssilorLuxottica to meet online customer expectations, hence growing its customer base. The Group is also developing an omnichannel business model, allowing customers to have a combined online and in store sales experience. Globally, EssilorLuxottica tries to strategically anticipate the future of the market by allocating adequate resources, by being agile and by investing in major technological transformation in the medium to long term in order to stay competitive. Links have been strengthened during the crisis with customers and partners (mutual support in terms of communication, equipment and budget), enabling EssilorLuxottica to maintain its significant market share.

Risk Factors	Risk Details	Mitigation measures
	Managed Vision Care US optical retail and managed vision care markets are experiencing increased competition with the mergers or acquisitions of several players. This may lead EssilorLuxottica to suffer from a decrease in customer or product demand. **Health Care Reimbursement Policies** In some regions where EssilorLuxottica operates, the cost of certain products is reimbursed by health insurance funds, insurance companies or government schemes (*e.g.* the US and some European countries including Italy and France). Adverse changes in the health care reimbursement (such as reduced reimbursements) may lead consumers to other vision care players, hence reducing demand for products supported by third party insurance carriers. For more information, see Chapter 1.	

Governance & Organisational Framework

Risk Factors	Risk Details	Mitigation measures
Governance & Organisational Framework Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ➤	EssilorLuxottica is the result of the combination of two groups with different cultural and organizational operating models. This accounts for the complex governance system that the Group currently has, which includes several co-heads at key corporate functions at parent company level and different organizational structures at its two main operating subsidiaries. Pursuant to the combination agreement entered into between Delfin and Essilor, the Chairman and the Vice-Chairman of EssilorLuxottica have equal powers and neither of them will have a casting vote. The equal power structure is also reflected at Board of Directors level, where Directors will have been designated in equal numbers by Delfin and by Essilor. Additionally, following the separation of executive and non-executive functions on December 17, 2020, the CEO and Deputy CEO of EssilorLuxottica also have equal powers. This complex structure is expected to be simplified at both central and local level following the Annual General Meeting planned for May 2021. In order to successfully complete this integration phase, many large-scale internal projects are (or will be) deployed. They expose the Group to the following inherent risks: budget overruns, delivery delays, non-compliance with initial specifications. The complexity of the EssilorLuxottica governance and the possible disagreements between co-heads may cause inefficiencies and delays in the decision-making process and, therefore, in achieving the expected synergies. Several potential situations may negatively affect the Group's business, operating results, financial position and prospects: • The new governance put in place by general management could have an impact on the managerial culture, due to the different models currently embodied respectively by Essilor and Luxottica; • The Group is now positioned in retail (including e-commerce) and in wholesale. Their relative growth could pose several risks including *e.g.* cannibalization from other channels and retaliation from third parties; • A more centralized organization could create tensions with local joint venture partners; • The uncertainty that can be associated with any organizational overhaul may have a significant impact on employees' retention and people engagement (which has been exacerbated by the COVID-19 pandemic).	Since the combination implementation in October 2018, EssilorLuxottica has shown its willingness to enforce a clear and simple governance model with limited or no duplication of key positions and a clear definition of roles and responsibilities. The Group has appointed an Integration Committee in order to facilitate the post-merger integration process and manage possible deadlocks. Thanks to this organization, all the blocking points identified within significant business decisions have been managed without creating delays or dead ends. Currently, the two companies still carry on 28 integration workstreams, including their joint projects (*i.e.* the Ray-Ban Authentic). Several collaborations are underway on different subjects such as: • Unified HR processes; • Retail strategy; • Launch of managed care in China; • Relocation of offices in Beijing; • Insourcing of certain lenses; • Joint discussion on the laboratory network, technology and automation. The Group will make an ongoing effort to adjust the organization to the business needs. To date, strategic decisions have been managed in a timely manner by reaching the necessary consensus and the Group's share price and overall profitability do not appear to have been negatively impacted by the current governance structure For more information, see Chapter 2 of this Universal Registration Document.

People management

Risk Factors	Risk Details	Mitigation measures
People management Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ➤	Like many large international companies, EssilorLuxottica is exposed to human capital risk. Large caps have indeed suffered for several years from a potential interest deficit in favour of other less traditional players. This risk was first exacerbated by the announcement of the merger between Essilor and Luxottica. The COVID-19 pandemic that occurred in 2020 also had a considerable impact on the Group's exposure to this type of risk. As a consequence, EssilorLuxottica may be exposed to high turnover and difficulties to attract new employees. Some key roles such as salesforce and top managers (both at corporate and regional level), may experience higher turnover than others. In addition, labour markets in several regions (*e.g.* US and China) are experiencing a shortage of optometrists. The topics below could have an aggravating influence on the level of risk: • worsening of the COVID-19 pandemic (both in terms of impact and duration) which could undermine the engagement of personnel and new talent; • high expectations regarding the May 2021 Annual General Meeting where potential announcements concerning organizational changes could be made; • perceived insufficient stress on diversity and inclusion. For more information, see Section 4.2.4 of this Universal Registration Document.	The Group has always built its growth around very strong societal values, today represented by the "See More – Be More and live life to its fullest" claim and by the publication of its first Code of Ethics in 2019. These actions are aimed at promoting the ethical commitment of all employees, which contributes to the strengthening of retention rates. During the combination, to meet employees' expectations, the Group developed and implemented effective actions to foster loyalty and improve retention in Key talents such as an ambitious employee shares program, reinforced by competitive welfare, flexible benefits favouring the work-life balance. EssilorLuxottica has also defined a communication plan which is being rolled out to facilitate the internal change management process and also identified a succession plan for the Group key positions. EssilorLuxottica thrives on a strong local management and a high level of trust within the teams. EssilorLuxottica has put in place and developed through the years strong training policies and talent development and retention programs. For example, for the post May 2021 period, a specific program has been put in place, including positioning of individuals, internal mobility, recognition actions, etc. to ensure Group capabilities to attract, retain and develop talents. A common high-flying employee value proposition will also be communicated jointly by Essilor and Luxottica in the coming years, in particular to large universities. The Group is starting to develop training centres in key areas (*e.g.* China). Attraction and retention strategies are country specific and customized. As an example, in countries where there is shortage of optometrists, the Group is developing specific strategies such as collaboration with universities or Teleoptometry. For more information on COVID-19 related mitigating measures, please see "Pandemic" risk in this section.

1

Business model

Risk Factors	Risk Details	Mitigation measures
Business model Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ➤	EssilorLuxottica may undertake strategic initiatives that may lead to changes in its business model, affecting current key success factors and its ability to deliver on its Mission (for more information, see Section 4.1 of this Universal Registration Document). Inability to evaluate and anticipate consequences of these initiatives may lead to the loss of existing competitive advantage. A lasting continuation of the COVID-19 pandemic could have severe consequences on the Group's business model: • Sales optimization: the Group is now present in three main sales channels: retail, wholesale and e-commerce. Optimizing sales requires a fine balance between these three channels, which could be undermined by the instability and uncertainty generated by the COVID-19 pandemic. This risk is exacerbated by the Group's current large footprint and may be impacted by the future Group's retail footprint that will increase after the possible acquisition of GrandVision. • Activities digitization: online sales activity has grown strongly for two reasons: sharp reduction of physical shopping due to the COVID-19 pandemic and strong development of tech giants (GAFA[1], BATX[2], etc.) in this segment. Should the Group be unable to efficiently digitize its business model (*e.g.* digitize stores and service as online prescription), it could lose significant market share.	The Group is carefully managing relations with both wholesalers and retailers in order to ensure maintenance of successful long-term partnership with wholesalers and avoiding intra-channel competition (channel cannibalization). The current business model of EssilorLuxottica has integrated omni-channel and digital into the consumer experience (new means of payment, virtual try-on, microscopic data processing). Thanks to a fully integrated business model (powerful brands, vision care model, retail footprint, proximity to services), EssilorLuxottica is able to capture all market trends and weak signals, allowing it to adjust accordingly and thus be able to perfectly meet the clients' expectations. This capacity is reinforced by the open culture characteristic of the Group, which allows some of its competitors to benefit from its technology thus creating a fertile ground for innovation.

(1) This acronym refers to the four main US companies in the Internet sector (Google, Amazon, Facebook, Apple).
(2) This acronym designates the four main Chinese Internet companies (Baidu, Alibaba, Tencent, Xiaomi).

Strategic innovation and product development

Risk Factors	Risk Details	Mitigation measures
Strategic innovation and product development Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ▶▶	EssilorLuxottica operates in a rapidly evolving industry affected by product innovation, new developments in vision correction therapies and changing consumer preferences, including changes in fashion and retail product trends. Failure to adapt to such changes and to continually improve product offering to meet societal trends could limit Group's growth and negatively affect its competitive advantage, sales and profitability. If EssilorLuxottica is unable to successfully introduce innovative and sustainable products (for more information, see Section 4.1.3 of this Universal Registration Document), future sales could decline, inventory levels could rise, and production capacity could be underutilized. **Technological innovation, vision correction alternatives and trends** The demand for prescription glasses and lenses (growth of 13.4% in 5 years in the Lenses and Optical Instruments segment) could be negatively affected by: • the availability and acceptance of vision correction alternatives, such as refractive optical surgery; • the increased usage of contact lenses due to changing consumer preferences or improvements in contact lens technology. The development of new and innovative products, alone or in partnership, can go hand in hand with the appearance of new types of risks: • for wearable devices: data confidentiality, intellectual property infringement, malfunctioning products, replacement/obsolescence and disposal; • dependency situation towards "big tech" partners owning all or part of the know how Litigation relating to data confidentiality breach and intellectual property infringement. **Competitors** Current competitors may have greater resources than EssilorLuxottica and may be able to devote significant funds to research and development efforts. Actors of change as tech giants (GAFA[1], BATX[2]), small innovative companies and investment companies (private equity funds) are now present in optics (through augmented reality for instance). Their investment & innovation capacities being incomparable with those of traditional actors therefore their actions could unbalance EssilorLuxottica's footprint. Companies operating in other industries (such as e-commerce and online services) may become competitors of EssilorLuxottica by leveraging on innovation capabilities.	EssilorLuxottica invests significant funds in R&D (€287 million, for more information see Sections 1.5.1.3.3 and 1.5.2.2.2, as well as Section 3.3.1 *Consolidated statement of profit or loss*) and develops valuable partnerships with top innovation players (Universities and research institutions, industrial companies, tech giants) to detect technological/ digital opportunities and threats, anticipate product innovation and their potential issues and monitor new trends (*e.g.* smart wearables) or customer consumption patterns (for more information, see Section 4.1.3 of this Universal Registration Document, paragraph *Improving lives by improving sight*). It has also put in place an internal Digital Acceleration team (DITAC), dedicated to the development of new and innovative products and services. EssilorLuxottica is recognized as a primary counterpart in innovation initiatives by players operating in other businesses. Furthermore, the EssilorLuxottica combination, acquisition and partnership strategy of new or existing players (*e.g.* Johnson and Johnson Vision Care Inc.' Spectacle Lens Group, Transitions Optical) may create new significant synergies in R&D projects (*e.g.* contact lens using photochromic technology).

(1) This acronym refers to the four main US companies in the Internet sector (Google, Amazon, Facebook, Apple).
(2) This acronym designates the four main Chinese Internet companies (Baidu, Alibaba, Tencent, Xiaomi).

M&A and joint ventures

Risk Factors	Risk Details	Mitigation measures
M&A and joint ventures Severity: ▲ Impact: ●● Likelihood: ■ Velocity: ➤	EssilorLuxottica external growth strategy, in addition to organic growth, is based both on performing acquisitions and on developing strategic Joint Ventures with local partners, leveraging on their expertise and knowledge of the local market (6 transactions in 2020). Group failure to successfully identify M&A targets or partners in JVs, together with inappropriate management of alliances (*e.g.* failure in operating JVs or in performing post-merger integrations) may adversely impact the Group's growth and its ability to compete in the market. Failure to maximize potential synergies could impact employee retention and business capabilities. Carrying out M&A transactions (full acquisitions and JVs), involves the following possible risks, inter alia, for the Group: • inadequate due diligence (financial, IT, legal, tax, labour, environmental, intellectual property, compliance, data privacy, etc.) on the targets; • low contractual protections; • purchase price adjustments. Concerning JVs, a risk may result, *inter alia*, from possible: • inadequate monitoring and control of partners; • deadlock situations; • inadequate growth of the relevant local markets. Furthermore, different partners have a high degree of autonomy and their behaviour can negatively affect EssilorLuxottica. Third parties (including but not limited to JVs and partners) may not be able to satisfy CSR requirements impacting the Group's credibility towards its counterparties. As a result of the combination of Essilor and Luxottica and its potential impact on the JV management structure, there is a risk that EssilorLuxottica JV partners may sell their financial interest in the Joint Ventures. This could determine change management issues in the JVs, adversely affecting their operational performance and financial results, ultimately having a negative impact on the cash flow of the combined Group. EssilorLuxottica has achieved a significant size after the combination. Its visibility in the market has increased, leading to a potential amplification of compliance and reputational risks with a higher scrutiny from different stakeholders, including regulators and competitors, which may negatively affect the possibility to successfully complete a new acquisitions' strategy.	EssilorLuxottica has established a strict M&A process to evaluate possible targets based on internal guidelines and the execution of due diligences (including but not limited to financial, tax, compliance). The process ensures an adequate assessment of the targets and therefore minimizes the risk of a suboptimal acquisition. This risk can be minimized by the implementation of specific contractual conditions (such as warranties, indemnifications…). The evaluation of a potential acquisition is usually supported by external advisors through due diligence processes. In order to reinforce worldwide business relationships between EssilorLuxottica and its partners, the Group has: • designated representatives in the boards of its partners; • implemented corporate internal controls; • performed internal audit activities. Due to the complex economic conditions prevailing today, the Group closely monitors the market and carefully analyses each potential opportunity.

Intellectual property

Risk Factors	Risk Details	Mitigation measures
Intellectual property Severity: ▲ Impact: ● Likelihood: ■ Velocity: ▶▶	EssilorLuxottica relies on trade secret, competition, trade dress, trademark, patent, design and copyright laws to protect its assets, including non-exhaustively product designs, services, brand names, know-how, proprietary manufacturing processes and technologies, product research, innovation and goodwill. In this area, EssilorLuxottica could face different types of exposure: • Trademarks and patents may not always be successfully granted during the official examinations, or registered trademarks and patents may be invalidated in the event of third-parties action; • EssilorLuxottica's proprietary and confidential information could become known to competitors, and be used in a misappropriate way and the Group may not be able to efficiently protect its know how; • The emergence of new players (such as tech giants), characterized by very strong innovative capacities and their ability to file many patents potentially more rapidly than EssilorLuxottica, could prevent EssilorLuxottica from adequately protecting and/or exploiting its assets; • The actions EssilorLuxottica takes to protect its intellectual property may be insufficient to prevent counterfeiting of its products and services, especially in countries where IP litigations are not a current practice (especially in certain Asian countries and the Middle East). Additionally, EssilorLuxottica operates and sells products in countries where counterfeiting market is pervasive. Widespread of counterfeit products on the market may be a barrier to sales growth in these countries and ultimately may lead to changes in customer habits. It also hurts the value of EssilorLuxottica brands; • Third parties may independently develop alternative products or services that do not infringe the Group's intellectual property rights; • Third parties may assert intellectual property rights against EssilorLuxottica, leading to litigations and other legal processes with potential negative outcomes for the Group. For more information, see Chapter 1.	A global framework has been put in place to protect intellectual property. It includes awareness, trainings and strategic monitoring. Dedicated resources are devoted to the enforcement of patents and trademarks, to the protection of trade secrets or other intellectual property rights, to the determination of the appropriate scope of protection of EssilorLuxottica assets, to the assessment of the intellectual proprietary rights of others that might be relevant in EssilorLuxottica's domain and the implementation of mitigation actions. EssilorLuxottica actively collaborates with Governmental Agencies around the world aiming at enhancing intellectual property protection. EssilorLuxottica is continuing to implement a structured and strong worldwide program to guarantee reliability of Group products' genuineness at worldwide level. Through this program, the Group local entities cooperate with central corporate functions in assessing local risk related to IP protection (counterfeiting and parallel market), performing and supporting both in-store and online audits to timely identify possible infringements, define and implement related operational and legal countermeasures. EssilorLuxottica aims to mitigate the risk also through contractual protection, ensuring contracts (*e.g.* with franchisee) can be terminated in case of unauthorized use of Group intellectual property rights or sale of counterfeited products within stores where EssilorLuxottica products are sold.

Licensing

Risk Factors	Risk Details	Mitigation measures
Licensing Severity: ▲ Impact: ● Likelihood: ■ Velocity: ►►	EssilorLuxottica through its subsidiaries has entered into trademarks license agreements related to manufacturing and distribution of prescription frames, lenses and sunglasses under designer brands, including Chanel, Prada, Armani, Versace, Valentino, etc. These license agreements typically have terms of between four and ten years and may contain options for renewal for additional periods and require the Group to make guaranteed and contingent royalty payments to the licensor. When these licenses expire, it is essential for the Group to maintain and negotiate favourable new agreements with leading designers in the fashion and luxury goods industries. The loss of licensing contracts or our inability to negotiate new agreements at favourable terms may have a major material impact on growth prospects and financial results due to consequences such as reduction in sales or an increase in advertising costs and royalty payments to licensors. EssilorLuxottica is also facing an increasing trend related to the internalization of manufacturing and distribution of prescription frames and sunglasses by some large luxury groups. EssilorLuxottica license partners regularly carry out sustainability audits to ensure that the Group meets their CSR requirements. For more information, see Sections 4.1.3 and 4.3.3.2 of this Universal Registration Document.	EssilorLuxottica manages licensed brands with several licensors and partners, creating a long-term relation with them and avoiding concentration on few licenses. The Group attractiveness may allow it to expand its clients' portfolio to pursue continuous growth and to compensate possible loss of licensors/license agreements. The impacts of the risk deriving from the internalization trend is limited by virtue of the differentiation in the licensed brands portfolio: as of December 2020, no single license agreement represented more than 5% of total sales. EssilorLuxottica has a strict policy of managing CSR topics (for more information, see Sections 4.1.3 and 4.3.3.2 of this Universal Registration Document) and has various means to enforce these rules: Code of Ethics, internal code of conducts, internal audits, specific programs for the responsible management of the supply chain, etc.

Financial Risks

Currency Risk

Risk Factors	Risk Details	Mitigation measures
Currency Risk Severity: ▲ Impact: ● Likelihood: ■■ Velocity: ▶▶▶	As EssilorLuxottica operates all over the world, conducting business in several currencies, the Group results may be materially affected by foreign exchange fluctuations. • The primary exchange rate to which the Group is exposed is the EUR/USD parity, as 50% of sales are in USD and 70% of the EBITDA is USD dependent. • Around 80% of EssilorLuxottica sales are performed in foreign currencies (mostly USD, AUD, BRL, GBP, CNY, etc.), impacting significantly the volatility of sales of the Group. 2020 has been characterized by strong currency volatility in the markets in which the Group operates, such as Latin America (Argentina, Colombia, Brazil, Mexico, etc.), Turkey and Russia. The Group has been subsequently exposed to variations in its earnings. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.	EssilorLuxottica seeks to limit currency risk exposure with natural hedges and will only use financial derivatives to offset its residual transactional exposure. These financial derivatives are entered into solely to hedge currency risks arising on business and financing operations translating into balance sheet exposure. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document

Financial Markets

Risk Factors	Risk Details	Mitigation measures
Financial Markets Severity: ▲ Impact: ● Likelihood: ■ Velocity: ▶▶▶	Fluctuations in market interest rates, inflation rates and long-term overall economy growth rates in countries where the Group operates, may negatively impact EssilorLuxottica operational capabilities and market value. The future execution of external growth strategy through M&A operations, including ongoing acquisitions, may require borrowings which would increase EssilorLuxottica exposure to interest rate fluctuation. In the particular context of GrandVision acquisition pre-financing, the Group is currently exposed to the risk of fluctuation in interest rates on cash and cash equivalent (net exposure amounts to €7,689 million, merely in EUR and USD) which may impact its net financial expenses. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.	The impact of interest rate fluctuations is limited due to the high percentage of gross indebtedness at a fixed rate (88%). To hedge interest rate risk on gross debt or optimize its cost of funding, EssilorLuxottica may use interest rate swaps from time to time. In this case, financial income and expenses relating to interest rate derivatives are recognized in the income statement in the same period as the hedged item. The short-term investment maintained by the Group to ensure its liquidity are floating rate denominated. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.

Credit

Risk Factors	Risk Details	Mitigation measures
Credit Severity: ▲ Impact: ● Likelihood: ■ Velocity: ►►	**Financial counterparties:** The Group is exposed to financial counterpart risk, *i.e.*, the risk that a bank defaults on its contractual obligations (short term investment, hedge or credit facility), which would result in a financial loss for the Group. Default by a counterpart may result in loss in value (the case of non-payment of a financial asset) or liquidity (the case of inability to draw on an unused line of credit). **Commercial counterparties:** The Group is exposed to late payments or even default from some of its clients. Exposure to credit risk is greater in some regions where the Group operates, such as India, META (Middle-East, Turkey & Africa) or LATAM. In order to support some of its customers, EssilorLuxottica has implemented specific solutions during the COVID-19 pandemic. Certain payment terms have thus been extended while short-term loans have been granted. The Group does not have a significant concentration of credit risk. As of December 31, 2020, non-provisioned past due trade receivables amount to €395 million. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.	**Financial counterparties:** In order to limit the risk, the Group mainly deals with top-tier banks, while pursuing diversification. Available cash is mainly invested with the purpose of meeting the criteria of Cash and Cash Equivalent classification as per the strategy of the Group. To mitigate this risk, EssilorLuxottica diversifies its banking counterparties, in order to limit individual exposure depending on the rating of the counterparty. In addition, 90% or more of excess cash must be invested in products complying with the cash-cash equivalent definition under IFRS. The Group enters into derivatives transactions under various master agreements, which contain clauses for the offsetting of amounts payable and receivable only on the occurrence of future events such as a default or other credit event by one of the contracting parties. Since the Group does not have any currently legally enforceable right to offset recognized amounts, the mentioned agreements do not meet the criteria of offsetting in the statements of financial position. **Commercial counterparties:** The credit risk is managed locally and monitored centrally by the Group. There are proper procedures in place to ensure that the sales of products and services are made to reliable customers based on their financial position as well as past experience. Credit limits are defined according to thresholds that take into consideration internal and external evaluation of the customer's reliability. The utilization of credit limits is regularly monitored through automated controls. The Group's exposure to non-provisioned trade receivables is naturally limited by the high number of countries in which it operates (hence mitigating the consequences of a national economy collapsing) and the number of customers served (hence avoiding any significant stand-alone exposures to individual customers). Concerning loans allocated to private customers, these operations are carried out in a documented framework. In addition, EssilorLuxottica never intervenes alone in this type of arrangement and systematically requires the presence of the client in the financial arrangement. The economic circumstances this year have been complex, along with an increased risk of non-payment from customers (as the cash collection has sometimes been delayed). Provisions for default have therefore been increased accordingly. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.

Liquidity

Risk Factors	Risk Details	Mitigation measures
Liquidity Severity: ▲ Impact: ● Likelihood: ■ Velocity: ►►	The Group may be exposed to the risk that its liquidity sources may be insufficient to cover its financing needs to support its growth target (*e.g.* external growth related to acquisition). However, the risk is limited given the high cash flow generation level and the solid credit ratings of the Group. In the event of a significant prolongation of the COVID-19 pandemic, the consequences in terms of cash flow generation could be significant. EssilorLuxottica's activities are based on the ability of customers to access stores, which remained heavily closed during the COVID-19 health crisis in 2020. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.	EssilorLuxottica operates to have continuous high liquidity to ensure its independence and growth. The funding policy is based on the diversification of funding sources, the use of medium- and long-term financing, the distribution of debt maturities over time and the establishment of committed credit facilities. To ensure consistent management and success in obtaining optimal conditions on the market from the most robust financial institutions, the funding for the whole Group is ensured by the central Treasury department, which subsequently takes on the responsibility of the various entities refinancing. In specific situations, due to local regulations, some entities may be required to realize their own refinancing. As of December 2020, the Group has €5,128 million of committed credit facilities with leading banks. For more information, see Note 28 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.

Operational Risks

Cyber Security

Risk Factors	Risk Details	Mitigation measures
Cyber Security Severity: ▲▲▲ Impact: ●●● Likelihood: ■■ Velocity: ▶▶▶	The concomitance of the causes below explains the increased exposure of the Group to cyber risk in 2020: • the surge in use of portable devices and increased access to home-office (hence remote connections) due to the COVID-19 pandemic; • the development of the Group's online activities (due to the pandemic and the digitization of many services, *e.g.* online prescription); • the current complexity of the Group's IT organization. The Group has been negatively affected by multiple attacks in 2020. These can have significant and multiple effects: leak, loss, theft of personal or strategic data, systems failures; incapacity to perform daily operations as well as claims and litigations from third parties and financial impacts. The risk of non-compliance with security standards applicable to health data (*e.g.* HITRUST certification in the United States) could be amplified by the fact that the implementation of a global IT security approach is still on-going. In the event of this risk occurring, the Group's image and reputation could be impacted.	Following the 2020 cyber-attacks, the Group accelerated a comprehensive roadmap to improve resilience capacities. Complementary action plans have thus been put in place and the dedicated teams have seen their staff increased to ensure the security of the systems. • The CISO team (within which a cybersecurity entity has been housed) has been thoroughly redesigned, with the arrival of new profiles. • The Security Operations Centre (SOC) has been reinforced with a reallocation of staff and new hires. • Many new tools and solutions have been reinforced or deployed in all the Group's entities: antivirus, firewalls, ERD, SEM. • An external firm was tasked with diagnosing the security functions and remedies are being rolled out. • Communications are regularly sent out to raise employees' awareness, in particular about phishing.

Business Interruption

Risk Factors	Risk Details	Mitigation measures
Business Interruption Severity: ▲▲▲ Impact: ●●● Likelihood: ■ Velocity: ▶▶▶	EssilorLuxottica relies on a complex production and logistics network (spread across Northern America, Latin America, Europe, Africa, and Asia) designed to manufacture and handle flows between mass production plants (c. 40), suppliers (c. 40,000), laboratories (c. 450), transporters, distribution centres (c. 20), retail stores (c. 10,000) and an extremely large number of possible product combinations. EssilorLuxottica's business model is progressively changing to enhance vertical integration and interconnection. While insourcing and increasing interconnectivity makes material flow management more efficient, it also implies a wider scope to be taken in consideration within the Business Continuity Plans (BCPs). As the level of the production has been relatively stable for a long time, any fluctuation may require reviewing and adapting current BCPs. Delays or interruptions could occur due to both internal and external factors, including but not limited to: • Pandemic risk: due to the strong disruptions caused by the COVID-19 pandemic and the Group's international footprint, EssilorLuxottica's production and distribution capacities could be significantly impacted;	EssilorLuxottica flexible supply chain is crucial to mitigate business continuity risks. The Group is progressively improving its Business Continuity Plans, by implementing: • Specific pandemic related measures (deployment of safety measures, adaptation of cost base and working capital requirements, definition of alternative supply roads, leveraging of the network of production sites, strengthening of its ecommerce activities and networks); • An assessment of risks and resilience to possible natural disaster the most relevant production sites are exposed to; • Projections and continuous monitoring earthquake-resistance of facilities located in regions at risk of earthquake (*e.g.* Japan, Thailand, Philippines and New Zealand); • Local loss prevention plans at its facilities (including monitoring of fire extinguishing systems and back-up power generators); • External audits performed by insurance companies; • Periodic simulations of IT systems failure to test efficiency and effectiveness of Disaster Recovery Plan;

Risk Factors	Risk Details	Mitigation measures
	• Political/geopolitical risks in some exposed areas. EssilorLuxottica operates in countries where political, governmental or social instabilities may affect its business. As mentioned in the "political & social environment" risk: instabilities in countries such as Brazil or Chile may disrupt the normal business flow; • Extreme weather events. EssilorLuxottica has to face and quickly adapt to physical risks or radical systemic changes linked to climate change (for more information, see Section 4.3.2.2 of this Universal Registration Document). EssilorLuxottica operates in countries that are exposed to adverse natural events (*e.g.* factories in the Philippines are in an area affected by typhoons every year, which can force the factories to stop operating for a few days); • Water scarcity: EssilorLuxottica might not have enough access to good quality & quantity of water and thus could be vulnerable to production decrease, interruptions and price increase (for more information, see Section 4.4.2.4 of this Universal Registration Document); • Facility incidents/issues. EssilorLuxottica may be affected by events (*e.g.* such as fire, explosions, pandemic outbreaks...) affecting, among others, its facilities; • Single-sourced suppliers. EssilorLuxottica relies, for few specific products and material, on single-sourced suppliers. Possible issues experienced by such counterparties, also related to COVID-19 crisis, may lead to business interruption; • IT systems failure. EssilorLuxottica is exposed to the risk of IT system failure due to relevant complexity of the Group's IT framework. Refer to "IT system and data management" risk as well as "cyber security" risk for further details. The failure to maintain an efficient distribution and production network or a significant interruption in company business may adversely affect the Group business, operating results and financial condition.	• An increased availability of back up warehouses; • Shifts of production from one site to another through the standardization of production processes. EssilorLuxottica is continuously working to reduce dependency on critical single sources and strengthening business partnerships and control over critical suppliers.

IT System & Data Management

Risk Factors	Risk Details	Mitigation measures
IT System & Data Management Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ►►	EssilorLuxottica's IT framework organization is composed of multiple systems as a result of the complexity of the governance and the organization. The vulnerability and obsolescence of IT systems (hardware and software) could have significant consequences for the Group in terms of business continuity and efforts to ensure compliance with constantly evolving security and privacy law requirements, especially in times when cyber security threats are high. The multiplicity and partial integration of IT systems within the combined Group could increase the complexity of business processes (*e.g.* possible difficulties in accessing, collecting and managing available data) and related internal controls in the subsidiaries (*e.g.* thereby increasing the Group's exposure to various risks, including internal and external fraud). The transition phase towards a more united and centralized IT system will require the implementation of a structured and complex process, which could lead to additional risks in terms of data security, availability and integrity.	• EssilorLuxottica is developing a multiyear IT system rationalization and integration plan aimed at integrating all IT systems across the Group. Investments are thus regularly made (implementation of a new CRM for instance), allowing the Group to benefit from the latest innovations. A pilot project for migration on a single IT platform is in progress in certain geographies. • IT Disaster Recovery Plans are in place. The Group has defined and is progressively implementing a minimum-security baseline for all IT systems.

Compliance & Litigation Risks

Antitrust

Risk Factors	Risk Details	Mitigation measures
Antitrust Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ▶▶	EssilorLuxottica can be exposed to potential antitrust issues. The Group is currently exposed to ongoing assessment regarding compliance with the remedies imposed by China in connection with the approval of the combination between Essilor and Luxottica. EssilorLuxottica's market position exposes the Group to greater scrutiny by relevant stakeholders and antitrust authorities, limiting possible commercial initiatives and M&A transactions. For instance, the Group announced in July 2019 the acquisition of the Dutch company GrandVision: this transaction is facing an antitrust review in eight jurisdictions, among which three are still pending including the European Union. The deadline for obtaining these regulatory green lights has been set for July 30, 2021. Should EssilorLuxottica not succeed or decides not going further with the acquisition, it will have to repay €400 million to HAL Investments as compensation. Any sanctions, fines or restrictions for violations of antitrust regulations or non-compliance with applicable remedies, whether actual or alleged, may materially adversely affect EssilorLuxottica's business, reputation, operating results, financial conditions and cash flow.	In accordance with antitrust or competition laws and regulations, EssilorLuxottica promotes integrity and fair competition among all parties, including competitors. EssilorLuxottica has defined (and is progressively updating in different regions, including EU and US) a global antitrust policy stating principles for conducting business in compliance with antitrust regulations. In order to ensure that M&A operations are compliant with antitrust laws and regulations, EssilorLuxottica performs preventive antitrust related investigations with the support of multiple specialized international advisors.

Data Privacy

Risk Factors	Risk Details	Mitigation measures
Data Privacy Severity: ▲▲ Impact: ●● Likelihood: ■■ Velocity: ▶▶▶	Relying on a complex information technology systems framework, EssilorLuxottica operates in countries with various and continuously evolving regulations on data protection. The risk of exposure is enhanced by the variety and complexity of the personal data managed by EssilorLuxottica and the data sharing process within the Group. As the Group's value chain is very internationalized, customer, optician and HR data therefore moves very quickly from one country to another, sometimes within the same process, creating a high exposure to data risk. Unintentional disclosure or unauthorized use of customer personal data may be caused by: • IT system failures; • Network disruptions; • Sophisticated cyber attacks; • Inadequate storage and management of personal data and related authorization of use (*e.g.* as a consequence of extra system collection of authorizations for personal data processing provided by customers in some regions such as Latin America and South-East Asia); • Insufficient security and organizational measures protecting health data; • International Data Exchanges that might sometime include Personal Data (*e.g.* employees, customers). During the COVID-19 pandemic circumstances causing emergency laws, EssilorLuxottica devoted resources to protect people safety that implies personal data processing that shall always be compliant with those laws. Despite the Group's effort be compliant with the different data privacy regulations (including but not limited to GDPR), it is not precluded that the Group may be subject to complaints from data subjects and/or inspections by the competent authorities, possibly leading to penalties and interruption of activities violating data privacy requirements. In addition, the complexity and difference in data protection regulations in a significant number of countries where the Group operates creates a compliance and reputational risk, in particular when a new solution (*e.g.* wearable devices) is launched on a global scale or processes personal sensitive data.	The Group regularly devotes resources to the protection of its clients and employee's data privacy to ensure it complies with all the applicable Data Protection and Privacy acts and regulations around the world (Europe, US, China, Brazil, etc.) EssilorLuxottica is working on a Data Protection organization at each operating company level with central monitoring of the evolving data protection regulations to integrate the compliance by design approach. The Group is constantly implementing global privacy and security data programs, including (depending on the activities of the affiliates): • definition of policies, standards and procedures; • definition of intercompany data sharing agreements; • application of data masking and encryption; • application of data pseudonymization and anonymization; • data mapping and privacy risk assessments; • third parties' management (through definition of data protection contractual clauses, appointment of data processors and definition of agreements between the Group and foreign affiliates); • security and response measures; • training programs.

Corporate compliance & Reporting (including sustainability)

Risk Factors	Risk Details	Mitigation measures
Corporate compliance & reporting (including sustainability) Severity: ▲ Impact: ●● Likelihood: ■ Velocity: >>	EssilorLuxottica is subject to a significant number of local, national and international laws and regulations, at a time when the global regulatory environment is becoming increasingly complex. These laws and regulations, including but not limited to labor laws, anti-corruption laws, sourcing restrictions on materials, and health, safety and environmental regulations may vary from country to country and are continuously evolving. This risk is exacerbated by the small size of some of the Group's structures in countries whose regulations change regularly, without adequate resources to adapt and without a dedicated compliance team in all regions. Due to the Group's complex governance system and international footprint, EssilorLuxottica may encounter several difficulties, such as the day-to-day monitoring of local laws and regulations or the organization of relevant training for its staff. The changing regulatory scenarios that may have an impact on the Group business include: trade compliance, anti-corruption (Sapin 2 Act on transparency, fight against corruption and modernization of economic life), duty of vigilance, human rights regulations (*e.g.* Duty of Care, UK Modern Slavery Act), environmental regulations (*e.g.* hazardous waste management regulation in China), and healthcare regulations (US Patient Protection and Affordable Care Act). Failure to comply with such laws and regulations could result in criminal and/or civil liabilities being imposed on responsible individuals and, in certain cases, on the Group. The scope of applicable laws and regulations is also evolving, implying an increasing responsibility of EssilorLuxottica over its value chain and third parties including joint venture partners, suppliers and distributors. Additionally, violations of such laws and regulations by some of the Group's suppliers or distributors may expose EssilorLuxottica to relevant reputational damages. The international footprint of the combined Group, its complex governance system, evolving regulations and its reliance on partners and JVs may render it increasingly difficult to manage, update and monitor a strong and effective internal control system, thereby increasing the Group's exposure to various risks, including *e.g.* internal and external fraud, process inefficiencies, IT security risks and data breaches. For more information on corruption, human rights, health and safety and environmental subjects, see Section 4.3.3.3 of this Universal Registration Document.	EssilorLuxottica has implemented a framework designed to facilitate compliance with applicable laws and regulations. The framework includes, among other features: • Regulatory monitoring central and local level; • Compliance awareness and training programs (GDPR, corruption, ethics, human rights); • Policies and procedures (*e.g.* the publication of bribery and compliance guidelines containing the standard requirements); • Regular controls and audits. EssilorLuxottica is committed to continuously develop and strengthen its internal control system worldwide (for instance by continuously improving its anti-corruption internal controls, reviewing its operational and approval workflows, and identifying high-risk processes to prioritize action plans). Additionally, EssilorLuxottica has established an Ethics Committee at Board of Directors level and implemented a whistleblowing system. In order to comply with international standards and local employment laws, EssilorLuxottica requires its suppliers to operate in compliance with the principles defined in its Code of Ethics. Besides, the Group relies on the standards that each Essilor and Luxottica has defined and requests suppliers to adhere in the areas of ethics, labor, health, safety and the environment. In each Company, supplier's compliance with these ethical principles and environmental and social responsibilities is audited by a qualified third party. There are training initiatives at different levels to ensure there is alignment among suppliers on the standards. For more information, see Section 4.3.3.3 of this Universal Registration Document.

Material claims and litigation, proceedings, arbitration

Risk Factors	Risk Details	Mitigation measures
Material claims and litigation, proceedings, arbitration Severity: ▲ Impact: ● Likelihood: ■ Velocity: ►►	In the ordinary course of its business, the Group is regularly a party to legal proceedings, claims, lawsuits, arbitrations, investigations and governmental and administrative proceedings and litigation, some of which are or may be material. Any current or future material litigation may have significantly negative consequences on the financial situation and reputation of the Group. **HAL/GrandVision** EssilorLuxottica is currently involved in legal disputes with HAL and GrandVision. On the one hand, EssilorLuxottica is requesting in summary proceedings disclosure on GrandVision conduct of business during the COVID-19 crisis. Since this request was denied by the Court, the Group has decided on September 4, 2020 to appeal against this judgment. On the other hand, HAL and GrandVision each initiated on July 30, 2020 an arbitral proceeding against EssilorLuxottica, asking the Tribunal to determine that they have not breached their contractual obligations and to order EssilorLuxottica to implement its obligations. EssilorLuxottica is of the opinion that it does implement its obligations, and vigorously defends its contractual rights. **Fraud** • Civil and criminal actions are pending in many jurisdictions following the fraud that took place in 2019 at Essilor Manufacturing Thailand Co. (EMTC). As of March 11, 2021, the Company had recovered approximately €79 million. Additional funds are currently being traced and expected to be recovered in the coming quarters. • Although many fraud attempts were thwarted, the economic recession caused by the COVID-19 pandemic creates risk of additional frauds. **Alleged anti-competitive practices** In July 2014, the French Competition Authority's investigation department made unannounced visits to selected Essilor entities in France and other actors in the ophthalmic lens industry involved in the online sale of ophthalmic lenses. The proceedings are ongoing, with the Authority having notified its statement of objections on January 5, 2021 alleging certain anti-competitive practices, and EssilorLuxottica defending its rights. At this stage, there is no basis to develop an estimate of the potential exposure, if any. In 2015, the French Competition Authority's investigation department issued a statement of objections ("First SoO") against Luxottica, its subsidiary Alain Mikli, other major competitors and other market players alleging certain anti-competitive practices. In 2017, the French Competition Authority determined that preliminary investigation was insufficient and sent the case back to the investigative department. On April 19, 2019, Luxottica and certain subsidiaries received a new statement of objection ("Second SoO") as a supplement to the First SoO. On March 2, 2020, a *Rapport* has been served taking position on the observations submitted by Luxottica in response to the SoOs. Written response to the *Rapport* has been filed on June 29, 2020, where Luxottica has challenged the conclusions of the	EssilorLuxottica addresses all claims, arbitrations and litigation proceedings through specialized resources (internal and external). EssilorLuxottica evaluates risks related to actual lawsuits, arbitrations, investigations and governmental and administrative proceedings and litigation and books provisions in accordance with applicable accounting standards. Such provisions amounted for EssilorLuxottica to €158 million as of December 31, 2020, compared to €172 million as of December 31, 2019. For more information, see Note 29 to the Consolidated Financial Statements, in Section 3.3 of this Universal Registration Document.

Risk Factors	Risk Details	Mitigation measures
	Rapport. The final oral hearing took place on January 13, 2021. Luxottica is waiting for the decision. As of the date of this document, management determined the risk of a negative outcome as not probable, with no basis to develop an estimate of the potential exposure. The evaluation of the risk profile for the Group may be updated, as necessary, based on the decision that the French Competition Authority may issue in the next few months and the availability of further appeal proceedings, if applicable. **Investigations** In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America regarding certain promotional activities. Essilor of America continues to work with the authorities in connection with this ongoing investigation. **Class actions** Certain US and Canadian subsidiaries of EssilorLuxottica are defendants in class actions and putative class actions brought before Federal, State and Provincial courts alleging suppression of competition, false and misleading advertising, misleading representations, warranty claims and unlawful control of optometrists and data security breaches. The relevant subsidiaries dispute the merits of all these actions. **Patent** The Group is one of the largest medical device companies in the world and is therefore regularly subject to patent trolls and lawsuits by its competitors.	

Taxation

Risk Factors	Risk Details	Mitigation measures
Taxation Severity: ▲ Impact: ● Likelihood: ■ Velocity: ►►	Due to its international footprint, EssilorLuxottica is exposed to various local tax regulations. Its future effective tax rate could be affected by changes in the mix of earnings in countries with different statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Any of these changes and/or failure to observe applicable regulations may result in need for tax adjustments, fines and penalties, with possible material adverse effect on the Group profitability. Relevant tax authorities in countries where EssilorLuxottica operates are regularly reviewing its income tax returns (with Europe and United States being the most relevant jurisdictions in terms of revenues). There can be no assurance that possible future examinations will not materially adversely affect the Group business, results of operations, financial condition and prospects. Due to COVID-19 crisis, EssilorLuxottica was exposed to various new tax regulations regarding the requirements to obtain certain potential tax benefits like tax payments postponements, tax credits and others.	The EssilorLuxottica Group Tax Teams oversees compliance with applicable tax laws and regulations. Group Tax Department is also in charge of: • advising subsidiaries on tax matters; • providing guidance on the transfer pricing approach; • maintaining Group tax policies. EssilorLuxottica is continuously improving its internal control system, including financial controls on tax management processes. Routine assessment of the likelihood of adverse outcomes are also performed to determine the adequacy of EssilorLuxottica's provision for tax risks. Finally, Luxottica Group Spa has been admitted to the Cooperative Compliance program with the Italian Revenue Agency. For the next fiscal year, EssilorLuxottica could join a similar program with the French Revenue Agency.

1.9 Main characteristics of the risk management and internal control systems implemented by the Company for the preparation and processing of accounting and financial information

EssilorLuxottica relies on the combination of the existing internal control systems of Essilor and Luxottica which are consistent with international best practices such as the COSO (Committee Of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework and in line with the requirements imposed on companies listed on the French Stock exchange. The integration of the internal control systems is currently ongoing, considering the specific nature of risks of the combined Group (see information on the risk factors in Section 1.8).

1.9.1 The Company risk management process

EssilorLuxottica has developed and adopted a revised Risk Model. The Model, which clusters risks into five categories (external, strategic, operational, financial and compliance/litigation), defines an assessment methodology based on the impact the likelihood and the velocity of each risk and includes the assessment of risks related to sustainability performance (so called "CSR risks") discussed in Chapter 4 of this Universal Registration Document.

In 2020, EssilorLuxottica has performed a risk assessment, based on the revised Risk Model:

- identification and analysis of risks through interviews and questionnaires;
- assessment of impact, likelihood and velocity, on a residual basis, considering all mitigating measures adopted by EssilorLuxottica;
- prioritization aimed at identifying risks and implementing action plans to minimize those risks.

The risk assessment has been performed globally, incorporating all geographical areas, legal entities and activities of the Group. EssilorLuxottica identified 22 relevant risk factors to which the Company may be exposed. For each risk factor, the overall severity has been calculated considering the likelihood and the potential impact (operational, financial and reputational) as well as velocity of occurrence. Risks presented are clustered by risk categories.

1.9.2 The Company's internal control objectives

The risk management of EssilorLuxottica and the internal control frameworks implemented in Essilor and Luxottica are designed to:

- ensure that management actions, execution of transactions, and staff behavior fall within the scope defined by the guidelines applicable to activities undertaken by the relevant corporate bodies. This includes compliance with applicable laws and regulations, as well as values, standards and internal rules of the Group;
- verify the quality and accuracy of all accounting, financial, legal and management information reported to the relevant corporate bodies, regulatory or supervisory authorities, shareholders or the public;
- cover all the policies and procedures implemented by the Group that provide reasonable assurance that business is managed efficiently and effectively;
- limit the risk of error or fraud, particularly of an economic, financial or legal nature, to which the Group may be exposed. However, no control system can provide an absolute guarantee that all such risks have been completely avoided, eliminated.

1.9.3 Organization of internal controls

The internal control system of EssilorLuxottica, leveraging the ones implemented at Essilor and Luxottica levels, is based on:

- clear definitions of responsibilities, backed by the necessary resources and skills, appropriate information systems, procedures and processes, tools and practices;
- internal communication of all the information needed for each individual to fulfill his or her responsibilities;
- systems that aim to identify and analyze the main identifiable risks and to ensure the implementation of procedures to manage these risks;
- control procedures that are proportionate to the risks associated with each process and are designed to provide assurance that measures are taken to limit and, to the extent possible, manage the risks that could prevent them from fulfilling their respective objectives;
- supervision of the internal control and risk management systems and regular reviews of their operations.

Following the fraud that took place at an Essilor plant in Thailand in December 2019, several initiatives have been implemented in 2020 such as: reinforcement of the second line of defense as defined below, enhancement of the governance of the internal control framework at the region and group level, continuous monitoring of the key controls related to payment and cash management processes to further strengthen the internal control system at Essilor and Luxottica levels.

1.9.3.1 Main finance control activities and players

Various internal control activities help to ensure that the application of Finance standards and procedures defined at the corporate level are consistent with Senior Management's guidelines.

The risk management and control framework in place at EssilorLuxottica can be described as follows:

- First line of defense: the operational people responsible for transactions at the entity level;
- Second line of defense: the functional departments in charge of specific areas of activities (such as Internal Control, Treasury, Accounting and Consolidation, Forecasting, Tax…); and
- Third line of defense: the Internal Audit department, which independently checks the effectiveness of controls and reports on them to the relevant functions and bodies.

Essilor and Luxottica periodically conduct self-assessment campaigns of the risk management and internal control system, also aimed at the continuous improvement of the systems themselves.

Specifically:

- Essilor's internal control department, has the responsibility over the self-assessment process of Essilor internal control (iCare). The self-assessment performed by Essilor entities relies on the "Minimum Control Standards" (MCS) guide which documents the main controls that all Essilor entities must have in place. In 2020, Group Internal Control has initiated a global review and updates, as necessary, of the Group rules and MCS starting with Procure to Payment process, which has been subject to self-testing by management in 2020. These actions will continue in 2021. In addition, as part of the Year End closing process, the Internal Control Department is responsible for the Internal Representation Letter process, which discloses the compliance of all the Essilor consolidated entities with the accounting principles of Essilor group in the context of preparation and production of financial statements.
- Luxottica has defined the objectives of its internal control system over financial reporting consistently with the obligations set forth in the laws and regulations of the financial markets where Luxottica has been listed in the past years. With respect to Luxottica and its main subsidiaries, controls were designed and their effectiveness was assessed through both specific "risk and control matrices" and specific audit projects on controls/processes with direct impact on financial reporting. In addition, all Luxottica subsidiaries must compile a Director's Attestation over the preparation of the reporting package in accordance with the International Financial Reporting Standards and the Luxottica Group Accounting policies.

A set of corporate policies and procedures have been implemented at EssilorLuxottica level. Other policies and procedures are also implemented at Essilor and Luxottica levels for various business areas and processes, including purchasing, communication, finance, tax reporting, legal affairs, operations, R&D and human resources.

The following departments are under the responsibility of the Co-Chief Financial Officers of EssilorLuxottica:

Group Internal Control

Essilor's Internal Control department has been set up 4 years ago to focus on controls on the finance area. These finance internal control activities were present in Luxottica under the responsibilities of different finance functions and during the second half of 2020 have been reorganized in Luxottica under the responsibility of a dedicated function to strengthen the cooperation between Essilor and Luxottica departments to share methodologies and best practices. These Internal Control departments are increasingly focusing on strengthening controls and suggesting remedies in the finance area in order to prevent and detect potential fraud and also to contribute to the continuous enhancement of the quality of the financial information reported.

Group Accounting and Consolidation

A consolidation team has been put in place for the preparation of the consolidated financial statements of EssilorLuxottica (the "Group consolidation team"). Additionally, both Essilor and Luxottica Finance Departments have their own consolidation teams responsible for the consolidation of the results of the entities pertaining to their respective perimeters (the "Sub consolidation teams") and to support regional Finance Departments. The Group consolidation team issues instructions to the Sub consolidation teams in order to ensure a consistent and reliable consolidation process; in addition there is an open communication line among the consolidation teams and the local Finance Departments which allows the understanding and analysis of the financial data and enables consistency in the accounting approaches with respect to complex transactions and/or implementation of new accounting standards.

Subsidiaries adopt the accounting and management policies communicated by the Group consolidation team and submit their financial information through a consolidation software that, in turn, enables the consolidation process at the sub – consolidation level and at the Group level.

EssilorLuxottica consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, based on reporting packages of each subsidiary in the two sub groups (Essilor and Luxottica). The statutory financial statements of EssilorLuxottica are prepared by a dedicated team in accordance with the French accounting standards.

The yearly consolidated and statutory financial statements are audited by the Statutory Auditors who apply the standards of the profession.

Group Treasury

Group Treasury department handles at parent company level the strategic funding and liquidity management, including asset management. Short, medium and long-term financing is achieved through bonds, private placements, medium-term credit facilities and commercial paper. Cash Surpluses are invested in short-term instruments (such as bank deposits and money market funds), mainly concentrated at EssilorLuxottica.

The interest rate risk management is centralized and aims at balancing the cost of financing and protecting the Group against adverse changes in interest rates.

Treasury Departments of both Essilor and Luxottica oversee the funding, risk hedging and local asset management of the affiliates, also providing general advice and assistance services to Group subsidiaries for these duties and cash management. Whenever possible, the financing needs of subsidiaries are funded intercompany. Exposures to currency risk are routinely hedged by the Treasury Departments through customary market instruments. Invoicing in local currency of importing or exporting companies allows the bulk of foreign exchange risk to be concentrated on a small number of entities.

Group Forecasting

The Group Forecasting function (i) defines and monitors the indicators for checking that the Group is operating in accordance with its targets, (ii) measures the contribution of the Group's various operating divisions, (iii) performs consistency tests on management reporting data to check the overall reliability of the applicable information, working in cooperation with the business analysis units embedded in each operating division. The Group Forecasting function identifies differences compared with targets set, risks and opportunities, provides decision-making guidance, coordinates projection phases (forecasts and budget). The Group Forecasting function is supported by business analysis departments at both Essilor and Luxottica levels.

Group Tax

The EssilorLuxottica Group Tax Department is in charge of monitoring and ensuring compliance with applicable tax laws and regulations, consistently with the values of honesty and fairness of EssilorLuxottica's Code of Ethics. It commits local subsidiaries to endorse a transparent, accurate and proactive policy of direct and constant interaction with tax authorities of the countries in which they operate. It also guides subsidiaries on tax matters, provides guidance on the transfer pricing approach, defines Group tax policies and suggests adequate tax solutions to the Group's business requirements.

1.9.3.2 Internal control procedures relating to the production and processing of accounting and financial information

The production of the accounting and financial information is ensured at the EssilorLuxottica Group level by the following processes:

(i) quarterly accounting closing processes performed at Group level, based on the closing processes implemented at each sub group level in accordance with the instructions and timelines communicated by the Group consolidation team;

(ii) the implementation of general Group procedures to guarantee compliance with the applicable rules (e.g. IFRS and AMF guidelines);

(iii) the existence of specific guidelines and procedures followed at Group level;

(iv) the presentation of financial information, at each period-end preceding the publication, to the Audit and Risk Committee.

Data related to the income statement, the balance sheet and the cash-flow statement are prepared quarterly. The Group consolidation team quarterly checks the figures entered by the Sub consolidation teams and ensures that they comply with applicable policies.

Even though they are not an integral part of the internal control procedures, the Statutory Auditors take into consideration the accounting and internal control systems to plan their audits and design their audit strategies. The financial statements of the vast majority of Group subsidiaries are audited by local Auditors who are members of the networks of Statutory Auditors that audit the Group's consolidated financial statements.

1.9.4 Internal Audit department

The goal of the Internal Audit department in EssilorLuxottica is to provide independent, risk-based and objective assurance and consulting services designed to add value to Group's operations and improve the effectiveness of its governance, risk management, and control processes, with a geographical organization counting a total combined staff of 55 people at December 31, 2020.

The Head of Internal Audit regularly reports to the Audit and Risk Committee on the status of the audits, the most significant issues and the implementation of the related action plans. Additionally, the Audit and Risk Committee reviewed and subsequently the Board of Directors approved the 2021 Internal Audit Plan for EssilorLuxottica.

The Internal Audit department is not responsible for any operational area and has full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement. If the Head of Internal Audit determines that independence or objectivity of the Internal Audit department may be impaired, the details of impairment will be disclosed to appropriate parties.

The Internal Audit department has a specific budget, assigned in accordance with the activities it is required to perform in order to achieve the objectives defined in the approved Internal Audit Plan.

Internal Audit activities are carried out according to the approved plan and applying common methodologies in all geographies. For each audit, a report is prepared and distributed to the relevant stakeholders.

COVID-19 has significantly impacted the execution of the Audit Plan during 2020. Consequently, the plan has been reviewed and updated accordingly, considering the different risks scenarios, the new priorities from Management and also the resource availability in order to ensure an adequate and balanced coverage. The adjustments to the 2020 initial audit plan have been reviewed by the Audit and Risk Committee and subsequently approved by the Board of Directors in July 2020.

The results of the Internal Audit activities are periodically reported to the Audit and Risk Committee and to senior management, allowing the companies to identify areas for improvement of the internal control system for which specific action plans are agreed to further strengthen the foundation of the system itself. The implementation of the recommendations formulated by the Internal Audit activities is the responsibility of the entity being audited and it is periodically monitored to ensure that the action plans agreed upon are carried out within the specified time frame.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CHAPTER

2

REPORT ON CORPORATE GOVERNANCE

IN BRIEF

COMPOSITION OF THE BOARD OF DIRECTORS

January 1, 2020 to March 11, 2021

Leonardo DEL VECCHIO, Chairman (Executive Chairman until December 17, 2020), Non-Independent Director
Hubert SAGNIÈRES, Vice-Chairman (Executive Vice-Chairman until December 17, 2020), Non-Independent Director
Francesco MILLERI, Chief Executive Officer (from December 17, 2020), Non-Independent Director
Paul DU SAILLANT, Deputy Chief Executive Officer (from December 17, 2020), Non-independent Director (from March 30, 2020)
Romolo BARDIN, Non-Independent Director
Juliette FAVRE, Director representative of Valoptec(1), association of shareholders employees and former employees, Non-Independent Director
Giovanni GIALLOMBARDO, Non-Independent Director
Annette MESSEMER*, Independent Director
Lucia MORSELLI*, Independent Director
Gianni MION*, Independent Director
Léonel PEREIRA ASCENCAO, Director representing employees
Olivier PÉCOUX, Non-Independent Director (within the meaning of the Combination Agreement – see table on Section 2.4)
Sabrina PUCCI*, Independent Director
Cristina SCOCCHIA*, Independent Director
Laurent VACHEROT, Non-Independent Director (until March 30, 2020)
Jeanette WONG*, Independent Director
Delphine ZABLOCKI, Director representing employees

* For a summary table detailing each Director's compliance or non-compliance with the independence criteria of the AFEP- MEDEF Code for the fiscal year 2020 refer to Section 2.1.1.3.

(1) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

Pursuant to the Combination Agreement, EssilorLuxottica's governance structure was established once the Contribution was completed, namely October 1, 2018, based on the principles described in Section 2.1.1. This governance structure will apply until the date of the annual Shareholders'Meeting called in 2021 to approve the EssilorLuxottica's financial statements for the 2020 fiscal year (the "**Initial term**").

The EssilorLuxottica bylaws approved by the Shareholders'Meeting of May 11, 2017 entered into force on October 1, 2018, along with the Board of Directors' Internal Rules as amended from time to time, a full version of which is available on the Company's website under Governance.

The parties to the Combination Agreement have confirmed that the employee shareholding culture will remain a core feature of EssilorLuxottica group. Recognizing its long-term commitment towards promoting employee shareholding, EssilorLuxottica has been awarded with the "Grand Prix FAS 2020" by the French Federation of Employee Shareholder Associations (FAS).

SPECIAL COMMITTEES

Audit and Risk Committee	Chairman: Lucia Morselli Members: Romolo Bardin, Annette Messemer, Olivier Pécoux
Nominations and Compensation Committee	Chairman: Olivier Pécoux Members: Romolo Bardin, Annette Messemer, Gianni Mion
Corporate Social Responsibility (CSR) Committee	Chairman: Jeanette Wong Members: Giovanni Giallombardo, Hubert Sagnières (until December 17, 2020), Juliette Favre (from January 28, 2021), Cristina Scocchia
Strategy Committee	Chairman: Francesco Milleri Members: Juliette Favre, Gianni Mion (until January 28, 2021), Hubert Sagnières (until December 17, 2020), Cristina Scocchia, Laurent Vacherot (until March 30, 2020), Paul du Saillant (from March 30, 2020)

The Report on Corporate Governance reported in the following sections has been reviewed by the Board of Directors of EssilorLuxottica on March 11, 2021.

2.1 Information on Corporate Governance

In accordance with the provisions of Article L.225-37 and L.22-10-11 of the French Commercial Code, this report includes notably the following information:

- the composition of the Board of Directors and the description of the diversity policy applied to the members of the Board of Directors, as well as a description of the aims of this policy, its implementation and the results obtained during the financial year;
- the agreements signed between Directors or significant share-holders and a subsidiary;
- the conditions governing the preparation and organization of the work of the Board of Directors during the fiscal year ended December 31, 2020;
- the AFEP-MEDEF Code [1] recommendations to which the Company has referred since 2009 and the application that have been disregarded (Section 2.4);
- the restrictions on the powers of the Chief Executive Officer decided by the Board of Directors (Section 2.1.3);
- the specific procedures for shareholder participation in Shareholders'Meetings (Section 2.2);
- the summary table of current authorizations granted by the Shareholders'Meeting in respect of increases in share capital, and the use made of these authorizations during the financial year (Section 2.2.3);
- the information that may have an impact in the event of a public offering (Section 2.2.4);
- the compensation for Corporate Officers and specifically the compensation policy applicable to the Chairman, the Vice-Chairman and the Executive Corporate Officers (Chief Executive Officer and Deputy Chief Executive Officer) and the corresponding resolution submitted for approval by the Shareholders'Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020 (Section 2.3).

This report was presented to the Nominations and Compensation Committee at its meeting of March 8, 2021 before being submitted to the Board of Directors for approval on March 11, 2021.

This report reflects the governance principles as described in the Combination Agreement. These principles apply up to the date of the annual Shareholders'Meeting called in 2021 to approve EssilorLuxottica's financial statements for the 2020 fiscal year (the "**Initial Term**"). On March 11, 2021 the Board of Directors decided to submit to the Shareholder's Meeting to be held in 2021 the appointment of new directors (see Section 3.2.2 of this Universal Registration Document).

2.1.1 Composition of the Board of Directors

Principles relating to the composition of the Board of Directors of EssilorLuxottica

The Board of Directors of EssilorLuxottica is composed as follows:

(i) Since December 17, 2020, Leonardo Del Vecchio is Chairman of the Board of Directors (the "**EssilorLuxottica Chairman**"). He is also Executive Chairman of the Board of Directors of Luxottica. He was appointed Executive Chairman (*Président-Directeur Général*) of EssilorLuxottica on October 1, 2018 pursuant to the Combination Agreement. On December 17, 2020, following the resignation of Mr. Hubert Sagnières from his executive responsibilities in EssilorLuxottica, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities in EssilorLuxottica in order to preserve the equal powers principle;

(ii) Since December 17, 2020, Hubert Sagnières is Vice-Chairman (the "**EssilorLuxottica Vice-Chairman**"). He was appointed Executive Vice-Chairman (*Vice-Président-Directeur Général Délégué*) of EssilorLuxottica on October 1, 2018 pursuant to the Combination Agreement. On December 17, 2020, Hubert Sagnières decided to resign from his executive responsibilities in EssilorLuxottica;

(iii) On December 17, 2020 the Board of Directors approved the separation of the functions of Chairman and Chief Executive Officer on the one hand and of Vice-Chairman and Deputy Chief Executive Officer on the other hand. The same day Francesco Milleri was appointed Chief Executive Officer and Paul du Saillant was appointed Deputy Chief Executive Officer;

(iv) the EssilorLuxottica Board of Directors is composed of sixteen members;

(v) eight members nominated by Essilor, comprising the EssilorLuxottica Vice-Chairman and the Deputy Chief Executive Officer of EssilorLuxottica, two employee representatives, one representative of Valoptec Association, three independent members from Essilor International (Compagnie Générale d'Optique)' s Board of Directors before October 1, 2018 and one non-independent member from Essilor International (SAS) Board of Directors (for more information on the independent qualification for the purpose of the Combination Agreement, please refer to the table included in the Section "Compliance with AFEP-MEDEF Code"); and

(vi) eight members nominated by Delfin, comprising the EssilorLuxottica Chairman, the Chief Executive Officer, three representatives of Delfin and four independent members designated by Delfin after consultation with Essilor (unless these Directors are chosen from among the current members of Luxottica Board of Directors, in which case no consultation is required).

Executive and non-Executive Corporate Officers with the same powers

The EssilorLuxottica Chairman has the same powers as the EssilorLuxottica Vice-Chairman.

The EssilorLuxottica Chief Executive Officer has the same powers as the EssilorLuxottica Deputy Chief Executive Officer.

Impediments of executives or Directors during the Initial Term

If the EssilorLuxottica Chairman and/or the EssilorLuxottica Vice-Chairman is impeded or incapacitated, the Vice-Chairman of Luxottica shall act as the replacement of the Chairman and the CEO of Essilor International (SAS) shall act as the replacement of the Vice-Chairman of EssilorLuxottica

Should the Chief Executive Officer cease to or be prevented from holding office, the Deputy Chief Executive Officer(s) shall retain his position and functions until a new Chief Executive Officer is appointed, unless otherwise decided by the Board of Directors (Article 19 of the EssilorLuxottica's bylaws).

If any Director of EssilorLuxottica is impeded or incapacitated, a meeting of the EssilorLuxottica Board of Directors shall be held as promptly as possible in order to appoint a successor (decided by the majority of the Directors appointed by Delfin or by Essilor, as the case may be, depending on the party to the Combination Agreement that had originally appointed the incapacitated

(1) This Code can be viewed online at http://www.medef.com.

Director). If the replacement is not possible without an EssilorLuxottica Shareholders'Meeting, the EssilorLuxottica Board of Directors so convened will decide on the rules to apply in order to appoint the replacement as swiftly as possible in accordance with the provisions set forth in the Combination Agreement, in order to comply with the balanced governance framework specified in the Combination Agreement.

The composition of the EssilorLuxottica Board of Directors and Committees shall comply with applicable laws and regulations and the AFEP-MEDEF Code (subject to limited exceptions). As at the date of this document, the deviations from the AFEP-MEDEF Code are described in Section 2.4

2.1.1.1 Composition at December 31, 2020

Article 11 of EssilorLuxottica's bylaws stipulates that "the Company shall be governed by a Board of Directors, the minimum and maximum number of members of which is defined by the legal provisions in force, currently a minimum of three (3) members and no more than eighteen (18) members", it being specified that the Directors representing employees shall not be taken into account when determining the minimum and maximum number of members stipulated in paragraph 1 of this article.

As at December 31, 2020, EssilorLuxottica's Board of Directors had 16 members, including one member representing Valoptec[1] and two members representing employees. [2]

As required by law, the complete list of the positions of Directors in office is provided in Section 2.5.

The principles relating to the composition of the EssilorLuxottica Board of Directors reflect the governance principles set forth in the aforementioned Combination Agreement. This governance structure of EssilorLuxottica, implemented as from October 1, 2018, *i.e.* the Contribution Completion Date, will apply during the Initial Term, which is until the 2021 Shareholders'Meeting convened to approve the financial statements for the fiscal year ending December 31, 2020.

At the end of the Initial Term, (i) EssilorLuxottica Board of Directors' members will have a three-year term of office; and (ii) any new member of the EssilorLuxottica Board of Directors will be nominated for election at EssilorLuxottica's Shareholders'Meeting by the EssilorLuxottica Board of Directors based on the recommendation of the EssilorLuxottica Nominations and Compensation Committee or any EssilorLuxottica shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

(1) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.
(2) Effective composition since the Closing Date of the Contribution, i.e. October 1, 2018.

COMPOSITION OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2020

16 Directors

6 Independent Directors

2 Directors representing employee

1 Director representing employee shareholders

7 Female Directors

7 Nationalities

Leonardo Del Vecchio

Chairman of EssilorLuxottica
(Executive Chairman until December 17, 2020)
Non-Independent Director

Hubert Sagnières

Vice-Chairman of EssilorLuxottica
(Executive Vice-Chairman until December 17, 2020)
Non-Independent Director

Francesco Milleri

Non-Independent Director – Chief Executive Officer (since December 17, 2020)

Paul du Saillant

Non-Independent Director – Deputy Chief Executive Officer
(since December 17, 2020)

Romolo Bardin

Non-Independent Director

Juliette Favre

Director representative of Valoptec[(2)], association of shareholders employees and former employees
Non-Independent Director

Giovanni Giallombardo

Non-Independent Director

Annette Messemer

Independent Director

Gianni Mion

Independent Director

Lucia Morselli

Independent Director

Olivier Pécoux

Non-Independent Director[(1)]

Léonel Pereira Ascencao

Director representing employees

Sabrina Pucci

Independent Director

Cristina Scocchia

Independent Director

Jeanette Wong

Independent Director

Delphine Zablocki

Director representing employees

(1) Qualified as Independant Director by the parties to the Combination Agreement notwithstanding the criteria defined by the AFEP MEDEF Code, see Section 2.4.
(2) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

2.1.1.2 Changes in the composition of the Company's Board of Directors from January 1' 2020

In line with the governance principles set forth in the Combination Agreement referred to in Section 2.1.1 above, the composition of the EssilorLuxottica Board of Directors is as follows:

1. Leonardo Del Vecchio, EssilorLuxottica Chairman (1);
2. Hubert Sagnières, EssilorLuxottica Vice-Chairman (2);
3. Francesco Milleri, qualified as non-independent Director, Chief Executive Officer (3);
4. Paul du Saillant, qualified as non-independent Director (4), Deputy Chief Executive Officer (5);
5. Romolo Bardin, qualified as non-independent Director;
6. Juliette Favre, representative of Valoptec(6), association of shareholders employees and former employees, qualified as non-independent Director;
7. Giovanni Giallombardo, qualified as non-independent Director;
8. Annette Messemer, qualified as independent Director;
9. Gianni Mion, qualified as independent Director;
10. Lucia Morselli, qualified as independent Director;
11. Olivier Pécoux, qualified as independent Director by the parties to the Combination Agreement, notwithstanding the criteria defined by the AFEP-MEDEF Code (see table regarding the deviations from the AFEP-MEDEF Code in Section 2.4);
12. Léonel Pereira Ascencao, employee representative (7), qualified as non-independent Director;
13. Sabrina Pucci, qualified as independent Director;
14. Cristina Scocchia, qualified as independent Director;
15. Jeanette Wong, qualified as independent Director;
16. Delphine Zablocki, employee representative (8), qualified as non-independent Director;
17. Laurent Vacherot, qualified as non-independent Director (9).

The composition of the EssilorLuxottica Board of Directors is six Directors qualified as independent (46% of the members of the EssilorLuxottica Board of Directors (10)) and seven women (six women not taking into account the Directors representing employees, which is more than 40% of the members of the EssilorLuxottica Board of Directors) in compliance with applicable laws and regulations and the recommendations of the AFEP-MEDEF Code.

For a summary table detailing each EssilorLuxottica Director's compliance or non-compliance with the independence criteria of the AFEP-MEDEF Code, please refer to Section 2.1.1.3.

2.1.1.3 Diversity policy

a) Applied to the members of the EssilorLuxottica Board of Directors

Under the Combination Agreement, Essilor and Delfin agreed on the composition of the EssilorLuxottica Board of Directors in compliance with prevailing laws and regulations and the recommendations of the AFEP-MEDEF Code. As such, the Board of Directors comprises:

- six independent Directors within the meaning of the AFEP-MEDEF Code;
- seven women; more than 40% of the EssilorLuxottica Board of Directors, as required under Articles L.225-18-1 and L.22-10-3 of the French Commercial Code are women (the female Director representing employees was not taken into account when calculating the aforementioned 40% minimum requirement);
- seven nationalities (French, Italian, Canadian, Luxembourgish, German, Singaporean and Portuguese).

In accordance with Article L.22-10-10 of the French Commercial Code, the two summary tables below detailing the main criteria (gender, age, nationality, qualifications and professional experience) illustrate the Company's efforts to promote diversity.

(1) Executive Chairman until December 17, 2020.
(2) Executive Vice-Chairman until December 17, 2020.
(3) Since December 17, 2020.
(4) Since March 30, 2020.
(5) Since December 17, 2020.
(6) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.
(7) Appointed prior to the Closing Date of the Contribution for a four-year term.
(8) Appointed prior to the Closing Date of the Contribution for a four-year term.
(9) Until March 30, 2020.
(10) In accordance with the AFEP-MEDEF Code, Directors representing employees and the Director representing Valoptec are not taken into account for the calculation of this percentage. Valoptec is the association of shareholders employees and former employees; it is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code. If the Director representing Valoptec were taken into account, 42% of the Directors would be qualified as independent.

COMPOSITION OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2020

Director	Gender	Age	Nationality	Major positions	Term of office: Start date	Term of office: End date [a]
Leonardo DEL VECCHIO, Non-independent Director Chairman of EssilorLuxottica [(1)]	M	85	Italian	Chairman of EssilorLuxottica Executive Chairman of Luxottica	10/01/2018	2021
Hubert SAGNIÈRES, Non-independent Director Vice-Chairman of EssilorLuxottica [(2)]	M	65	French and Canadian	Vice-Chairman of EssilorLuxottica	10/01/2018	2021
Francesco MILLERI, Non-independent Director, Chief Executive Officer [(3)]	M	61	Italian	Vice-Chairman and CEO of Luxottica Group S.p.A. (Italy)	10/01/2018	2021
Paul DU SAILLANT, Non-independent Director, Deputy Chief Executive Officer [(3)]	M	62	French	Deputy Chief Executive Officer of EssilorLuxottica Executive Chairman of Essilor International (SAS)	30/03/2020[(d)]	2021
Romolo BARDIN, Non-independent Director	M	42	Italian	CEO of Delfin SARL (Luxembourg)	10/01/2018	2021
Juliette FAVRE, Non-Independent Director Representative of Valoptec[(4)], association of shareholders employees and former employees.	F	48	French	Strategic Projects Executive, Global Operations Support, Essilor International (SAS) Representative of Valoptec Association	10/01/2018	2021
Giovanni GIALLOMBARDO, Non-independent Director	M	65	Italian and Luxembourguish	Vice-President-Managing Director of the Luxembourg branch of Unicredit Bank AG	10/01/2018	2021
Annette MESSEMER*, Independent Director	F	56	German	Former Divisional Director, Corporate Clients, Commerzbank AG	10/01/2018	2021
Lucia MORSELLI*, Independent Director	F	64	Italian	Board member, Telecom Italia	10/01/2018	2021
Gianni MION*, Independent Director	M	77	Italian	F.I.L.A. Fabbrica Italiana Lapis ed Affina S.p.A. (Italy)	10/01/2018	2021
Léonel PEREIRA ASCENCAO, Director representing employees	M	48	French and Portuguese	Workshop Manager, Surfacing and Lenses, Essilor International (SAS)	10/01/2018	2021 [(b)]
Olivier PÉCOUX, Non-independent Director [(c)]	M	61	French	Chief Executive Officer – Managing Partner at Rothschild & Co and Rothschild et Cie Banque	10/01/2018	2021
Sabrina PUCCI*, Independent Director	F	53	Italian	Professor of accounting and financial reporting at Roma Tre University and member of the EFFRAG (European Financial Reporting Advisory Group) Insurance Accounting Working Group.	10/01/2018	2021
Cristina SCOCCHIA*, Independent Director	F	47	Italian	Chief Executive Officer, Kiko S.p.A. (Italy)	10/01/2018	2021
Jeanette WONG*, Independent Director	F	60	Singaporean	Director	10/01/2018	2021
Delphine ZABLOCKI, Director representing employees	F	44	French	Qualified manufacturing agent, Essilor International (SAS)	10/01/2018	2021 [(b)]

* Independent Director.
(1) Executive Chairman until December 17, 2020.
(2) Executive Vice-Chairman until December 17, 2020.
(3) Since December 17, 2020.
(4) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

(a) Date of Shareholders'annual Meeting.
(b) Appointed by the Central Works Council on September 20, 2017, for a four-year term.
(c) Qualified as Independant by the parties to the Combinaison Agreement for the purpose of this agreement which is a deviation to the AFEP-MEDEF Code.
(d) On March 30, 2020, the Board of Directors of EssilorLuxottica co-opted Paul du Saillant as new Director of the Company in place of Laurent Vacherot, former CEO of Essilor International, who retired.

Gender balance

EssilorLuxottica ensures that it complies with the principle of balanced gender representation on its Board of Directors. Seven of the Board of Directors'16 members are women, six excluding Directors representing employees, which is over 40% of its membership.

Two of its four special Committees are chaired by women, the Audit and Risk Committee, chaired by Lucia Morselli, and the Corporate Social Responsibility Committee, chaired by Jeanette Wong.

Average age of Directors

As at December 31, 2020, the Board of Directors had 16 Directors with an average age of 58,6 years.

Expertise and skills

Director	Contribution to the Board of Directors'work
Leonardo DEL VECCHIO, Chairman of EssilorLuxottica [1] Non-Independent Director	A visionary business approach and experience as a lifelong entrepreneur and innovator.
Hubert SAGNIÈRES Vice-Chairman of EssilorLuxottica [2] Non-Independent Director	Experience as head of a leading global group and ophthalmic industry expertise acquired over the past 30 years.
Francesco MILLERI, Chief Executive Officer [3] Non-Independent Director	Solid experience in strategic consulting for global corporations and knowledge of digital technology and infrastructure.
Paul DU SAILLANT, Deputy Chief Executive Officer [3] Non-Independent Director	35 years of international experience in world-class groups with successful long-term strategy, values and global/local presence. He contributes detailed knowledge of the optical business, markets and human strength.
Romolo BARDIN, Non-independent Director	High level of expertise in strategy, management and finance.
Juliette FAVRE, Non-Independent Director representative of Valoptec[4], association of shareholders employees and former employees	In-depth knowledge of Essilor through its manufacturing and sales operations. Nominated by Valoptec Association. Her membership is a strong indication of the importance EssilorLuxottica attaches to employee share ownership.
Giovanni GIALLOMBARDO, Non-independent Director	High level of expertise in finance gained through his positions in international financial institutions.
Annette MESSEMER*, Independent Director	Extensive experience in strategy, finance, accounting and risk management having worked for over 20 years with leading multinational corporations and financial institutions, including regulators.
Gianni MION*, Independent Director	Business leadership experience and involvement in the development of successful international organizations.
Lucia MORSELLI*, Independent Director	Solid experience in business management and turnaround.
Olivier PÉCOUX, Non-independent Director [a]	Experience in finance and banking, in-depth knowledge of the optics sector and familiarity with Essilor, having worked with the group since 2001.
Léonel PEREIRA ASCENCAO, Director representing employees	Knowledge of the optics industry and Essilor.
Sabrina PUCCI*, Independent Director	Accounting and financial expertise.
Cristina SCOCCHIA*, Independent Director	Extensive experience in strategy and management.
Jeanette WONG*, Independent Director	Financial expertise and in-depth knowledge of corporate social responsibility, global markets, and especially the Asian markets.
Delphine ZABLOCKI, Director representing employees	Knowledge of the optics industry and Essilor.

* Independent Director.
(a) Qualified as independent by the Parties to the Combination Agreement for the purpose of this agreement which is a deviation to the AFEP-MEDEF Code.

(1) Executive Chairman until December 17, 2020.
(2) Executive Vice-Chairman until December 17, 2020.
(3) Since December 17, 2020.
(4) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code

Directors'terms of office

Pursuant to Article 11 of the bylaws, "directors shall serve for a three-year term. On an exceptional basis, the term of office of the Directors representing employees appointed between May 11, 2017 and June 30, 2018 shall be four years. The role of a Director representing employees shall automatically end on the anniversary of the appointment date, without any need to issue specific information. The Company shall take all necessary action to arrange a new appointment no later than one (1) month after the term of office has expired."

Consequently:

- the terms of office of the current Directors appointed by the various Shareholders'Meetings shall expire at the end of the Initial Term, namely the date of the Shareholders'Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020;
- pursuant to Article 11 of the bylaws, the term of office of the two Directors representing employees appointed on September 20, 2017 shall be four (4) years so that their terms of office cover the terms of office of the other EssilorLuxottica Directors.

Notwithstanding Recommendation 13.2 of the AFEP-MEDEF Code, the terms of office of EssilorLuxottica Directors shall not be staggered during the Initial Term. This is in order to ensure a smooth transition and seamless integration of the two companies in the context of the Combination (see Section 2.4 Summary table of recommendations of the AFEP-MEDEF Code that have not been applied).

Obligation of Directors appointed by Shareholders'Meeting to hold shares

In accordance with Article 12 of the prevailing bylaws, each Director appointed by a Shareholders'Meeting must own at least 1,000 shares of the Company. Notwithstanding the foregoing, the Director representing employees is not required to hold shares, pursuant to Article L.225-25 of the French Commercial Code.

The records relating to each Director state the number of shares held by each of them (see Section 2.5).

Independence of the members of the Board of Directors

The criteria for determining Board of Directors' members'independence are set out in the Company's Internal Rules as adopted by the Board of Directors on October 1, 2018 as updated on May 12, 2019 and January 28, 2021. These criteria, which comply with the AFEP-MEDEF Corporate Governance Code, are as follows:

"A Board of Directors' member is independent when they have no relationship of any kind whatsoever with the Company, the Group or the management thereof which may color their judgment. The criteria for a member to qualify as independent are as follows:

1. not to be and not to have been during the course of the previous five years:
   - an employee or Executive Officer [1] 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 (SAS) or Luxottica Group S.p.A.);
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;
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 12 years. Loss of the status of independent Director occurs on the date at which this period of 12 years is reached.

Given the EssilorLuxottica group's structure, the fact that a Company Director has a seat on the Board of Directors of one of its two operating subsidiaries, Essilor International (SAS) or Luxottica Group S.p.A., does not affect his or her independence.

Board of Directors' members representing shareholders who do not have a controlling interest in the Company are considered independent Directors.

However, if a Board of Directors' member represents a shareholder holding more than 10% of the share capital or voting rights, the Board of Directors determines whether that Board of Directors' member is an "independent Director," based on the written opinion of the Nominations and Compensation Committee. This opinion takes into account:

- the composition of the Company's share capital;
- whether there exists a potential conflict of interest."

Each year, the Board of Directors reviews the situation of each Director with regard to the independence criteria set out in the AFEP-MEDEF Code in force.

As at March 11, 2021, six Directors could be considered independent under the independence criteria of the AFEP-MEDEF Code, namely Annette Messemer, Lucia Morselli, Gianni Mion, Sabrina Pucci, Cristina Scocchia and Jeanette Wong.

On that date, the Board of Directors'independence ratio was 46%, pursuant to the recommendations of the AFEP-MEDEF Code (*i.e.*, not including the Director representing employee shareholders and the two Directors representing employees).

The Board of Directors is of the opinion that none of these Directors who qualified as independent had any material business relationships with the Company and its Group.

Of note, Olivier Pécoux, non-independent directors as per the AFEP-MEDEF Code, was qualified as independent by the parties to the Combination Agreement, Essilor and Delfin, notwithstanding the recommendations of the AFEP-MEDEF Code (see Section 2.4 Summary table of recommendations of the AFEP-MEDEF Code that have not been applied).

However, the following Directors did not qualify as independent according to the AFEP-MEDEF Code:

- Leonardo Del Vecchio, Chairman of EssilorLuxottica (Executive Chairman until December 17, 2020);
- Hubert Sagnières, Vice-Chairman of EssilorLuxottica (Executive Vice-Chairman until December 17, 2020);
- Directors nominated by Delfin: Romolo Bardin, Giovanni Giallombardo, Francesco Milleri (Chief Executive Officer since December 17, 2020);
- Directors nominated by Essilor: Paul du Saillant (Deputy Chief Executive Officer since December 17, 2020 Olivier Pécoux (qualified as independent by the Parties to the Combination Agreement notwithstanding the AFEP-MEDEF Code criteria), Juliette Favre (Director representative of Valoptec[2], association of shareholders employees and former employees), Delphine Zablocki and Léonel Pereira Ascencao (the two Directors representing employees appointed for a four-year term by the Central Works Council following deliberation on September 20, 2017).

(1) In these Internal Rules, "Executive Officer" refers to any CEO and Deputy CEO of the Company; "Non-Executive Officer" designates any Non-Executive Chairman and Vice-Chairman of the Board of Directors (if any); "company officers" includes both the Executive Officers and Non-Executive Officers.

(2) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

SUMMARY TABLE DETAILING THE COMPLIANCE OR NON-COMPLIANCE OF EACH DIRECTOR IN OFFICE AT DECEMBER 31, 2020 WITH THE INDEPENDENCE CRITERIA OF THE AFEP-MEDEF CODE

In the table below, √ indicates an independence criterion has been satisfied, *X* indicates that it has not.

	AFEP-MEDEF independence criteria							
	Employee or Executive Director within the past five years	Employee, Executive Director or Director within the past five years						
Director	Of the Company	Of the Company or a Group company	Cross-directorships	Is a client, supplier, investment banker or financing banker (significant business relationships)	Has a close family tie with a corporate officer	Has been a statutory auditor within the past five years	Has been a Director for more than 12 years	Has been a major shareholder
Leonardo DEL VECCHIO	X	X	√	√	√	√	√	X (2)
Hubert SAGNIÈRES	X	X	√	√	√	√	√	√
Francesco MILLERI	X	X	√	√	√	√	√	X (2)
Paul DU SAILLANT	X	X	√	√	√	√	√	√
Romolo BARDIN	√	√	X	√	√	√	√	X (2)
Juliette FAVRE	X	X	√	√	√	√	√	√
Giovanni GIALLOMBARDO	√	√	√	√	√	√	√	X (2)
Annette MESSEMER (1)	√	√	√	√	√	√	√	√
Gianni MION (1)	√	√	√	√	√	√	√	√
Lucia MORSELLI (1)	√	√	√	√	√	√	√	√
Olivier PÉCOUX	√	√	√	√	√	√	X	√
Léonel PEREIRA ASCENCAO	√	X	√	√	√	√	√	√
Sabrina PUCCI (1)	√	√	√	√	√	√	√	√
Cristina SCOCCHIA (1)	√	√	√	√	√	√	√	√
Jeanette WONG (1)	√	√	√	√	√	√	√	√
Delphine ZABLOCKI	√	X	√	√	√	√	√	√

(1) Independent Director within the meaning of the AFEP-MEDEF Code. (Given the EssilorLuxottica group's structure, the fact that a Company Director has, or has had, a seat on the Board of Directors of one of its two operating subsidiaries, Essilor International or Luxottica, does not affect his or her independence).

(2) Director representing Delfin within the meaning of the Combination Agreement.

b) Applied to the members of any given committee set up, as appropriate, by senior management to assist it on a regular basis in the performance of its general duties and in connection with the results in terms of gender balance in the 10% of positions with the most responsibility. If the Company does not apply such a policy, the report must include an explanation of the reasons for this

Out of the 50 top executives of the EssilorLuxottica group 16% are women (8/50). As at the date of this Universal Registration Document, EssilorLuxottica had not set up any Executive Committee or collective body to assist Leonardo Del Vecchio and Hubert Sagnières as Executive Officers until December 17, 2020 or Francesco Milleri and Paul du Saillant starting from December 17, 2020 within the meaning of the regulation.

The organisation of EssilorLuxottica is the following:

- Non-executive corporate officers having the same powers:
  Chairman: Leonardo Del Vecchio
  Vice-Chairman: Hubert Sagnières
- Executive Corporate officers having the same powers:
  Chief Executive Officer: Francesco Milleri
  Deputy Chief Executive Officer: Paul du Saillant
- Integration Committee: Co-chaired by the Chief Executive Officer and the Deputy Chief Executive Officer
- In charge of the integration: Éric Léonard et Pierluigi Longo

c) Applied to the members of the Board of Directors of the operating companies, Essilor International (SAS) and Luxottica Group S.p.A.

Management of Luxottica and Essilor International (SAS)

The EssilorLuxottica CEO will act as CEO of Luxottica for as long as he is the EssilorLuxottica CEO and may designate any other person to act as CEO of Luxottica, provided that, for as long as the EssilorLuxottica Chairman remains Executive Chairman of Luxottica, the EssilorLuxottica Chairman is entitled to make such designation.

The EssilorLuxottica Deputy CEO will act as CEO of Essilor International for as long as he is the EssilorLuxottica Deputy CEO and may designate any other person to act as CEO of Essilor International.

COMPOSITION OF THE ESSILOR INTERNATIONAL (SAS) AND LUXOTTICA GROUP S.P.A. BOARDS OF DIRECTORS AS AT DECEMBER 31, 2020

Essilor International (SAS) (unlisted operating company)	Luxottica Group S.p.A.
Paul DU SAILLANT, Chairman and Chief Executive Officer	Leonardo DEL VECCHIO, Executive Chairman of the Board of Directors
Norbert GORNY, Director and Co-Chief Operating Officer	Francesco MILLERI, Deputy Chairman and CEO
Éric THOREUX, Director and Co-Chief Operating Officer	Leonardo Maria DEL VECCHIO, Non-independent Director
Juliette FAVRE, Director	Stefano GRASSI, Director
	Giorgio STRIANO, Director

Directors serving on the EssilorLuxottica Board of Directors (for more information, please visit the Essilor International website at https://www.essilor.com/en/the-group/governance/board-of-directors/).

Directors serving on the EssilorLuxottica Board of Directors (for more information, please visit the Luxottica website at https://www.luxottica.com/en/governance/board-directors/).

Mr. Luigi Francavilla, former Director, has been appointed as Honorary Chairman on May 15, 2020 (not a Board member).

This governance structure means that the Company has the full benefit of the expertise and experience of the Directors of Essilor International (SAS) and Luxottica Group S.p.A., particularly:

- their knowledge and practical experience of both operating companies;
- their expertise in specific business segments of Essilor International (SAS) and Luxottica Group S.p.A.;
- several years'experience in managing international companies, so providing management expertise and/or experience to the Company;
- expertise in finance, logistics, marketing, and e-commerce, among others.

2.1.1.4 Directors'ethical awareness and conflicts of interest management

No potential conflicts of interest

In accordance with the Board of Directors' Internal Rules and with the Directors'Charter (see Section 1.3 of this Universal Registration Document), Directors have an obligation to inform the Board of Directors of any conflict of interest, even potential, as provided for in the rules defined by the Board of Directors' Internal Rules, an extract from which is provided in the box below and pursuant to the criteria of the AFEP MEDEF Code to which the Company refers (throughout the different versions and henceforth in the latest version as of January 2020).

Participation of the Director in a transaction in which the Company, or any other Group company, is directly involved is brought to the attention of the Board of Directors prior to the completion of that transaction.

As part of an annual declaration, the Director informs the Board of Directors of the terms of office and positions he or she holds in other companies and must request the opinion of the Nominations and Compensation Committee prior to accepting any new Directorship.

The Director must, more specifically, make an annual declaration of any conflicts of interest, even potential, he or she has detected. On the basis of these declarations, the Board of Directors has not identified any conflict of interest. The information referred to in Appendix 1 of European Commission Regulation (EU) 2019/980 below contains additional information.

Based on the information above, to the best of the Company's knowledge:

- there are no potential conflicts of interest between the duties, with regard to the issuer, and the private interests and/or other duties with regard to third parties, of any of the members of the Company's Board of Directors, except as disclosed below. To this end, the Directors'Charter stipulates that Directors have an obligation to inform the Board of Directors of any conflict of interest, even potential, and must refrain from participating in the deliberations related thereto;
- none of the Executive or non-Executive Directors has a service contract with EssilorLuxottica or any of its subsidiaries providing for the award of benefits at the end of such contract;
- none of the Executive or non-Executive Directors has been convicted of a fraudulent offense in the past five years;
- none of the Executive or non-Executive Directors has been associated with bankruptcy, receivership or liquidation as a member of an administrative, management or supervisory body or as Chief Executive Officer within the past five years, with the exception of Gianni Mion, who has been Independent Chairman of the Italian bank Banca Popolare di Vicenza since July 13, 2016, when it was the subject of a special liquidation procedure under Italian law pronounced by a statutory order of June 25, 2017;
- none of the Executive or non-Executive Directors has been publicly charged and/or sanctioned by statutory or regulatory bodies (including designated professional bodies);
- there are no family ties between the members of the Board of Directors.

Extract from Board of Directors' Internal Rules on the management of conflicts of interest (as modified on January 28, 2021 to take into account the change in governance)

"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 and 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 Chairman and the 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 Chairman, the 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 Chairman and/ or the 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 Chairman and the Vice-Chairman, with a copy to secretariat 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 Chairman or the 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 Chairman or the 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 Chairman, the chair of the Board shall be conferred to the 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 Chairman and the 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*".

Agreements between one of the Executive Corporate Officers or shareholders with more than 10% of voting rights with a subsidiary of EssilorLuxottica group (with the exception of agreements concerning day-to-day operations entered into under normal conditions)

Agreement between M. Hubert Sagnières (Executive Vice-Chairman until December 17, 2020) and Essilor International (SAS)

Note that the hive down of Essilor's businesses led to the automatic transfer of Hubert Sagnières'suspended employment contract to the subsidiary Essilor International (SAS) effective November 1, 2017.

The mechanism set up for the termination of his employment contract prior to the date of the combination with Luxottica was maintained. An addendum was signed in 2018 to bring the basis for calculating the package into line with the compensation policy applicable to Executive Corporate Officers. That policy was approved by the Company's Shareholders'Meeting on November 29, 2018 and tailored to fit the context of the new EssilorLuxottica group. The addendum was authorized by the Essilor International (SAS) Board of Directors in 2018. The employment contract, currently suspended and as amended by the addendum dated July 26, 2018, provides that the package is capped at two years'monetary compensation (corresponding to the average fixed and variable annual compensation paid in the last three years preceding departure) (see Section 2.3). In accordance with the procedure regarding related-party agreements and commitments, this benefit obligation was authorized by the Board of Directors on March 4, 2009, reiterated on March 3, 2010 and ratified at the Shareholders'Meeting of May 5, 2011 (4th resolution) and was submitted to the vote at the Shareholders'Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018.

This contract was terminated due to his retirement on December 17, 2020.

Agreements between a subsidiary of EssilorLuxottica group and a company in which an Executive Corporate Officer has a direct or indirect interest (with the exception of agreements concerning day-to-day operations entered into under normal conditions)

Agreement between the entities controlled by M. Francesco Milleri and Luxottica

On January 30, 2019, Luxottica Group S.p.A.'s Board of Directors authorized the entering into a two-year master service agreement with MEA S.r.l., now Abstract S.r.l. ("MEA" or "Abstract") for IT services for an aggregate cost estimated to be €46 million (the "Agreement"). Francesco Milleri ceased to be a quotaholder of Abstract as of August 6, 2020.

Agreement between Luxottica and Brooks Brothers, in which Delfin S.a.r.l. holds a minority interest

Messrs. Del Vecchio and Bardin are respectively controlling shareholder and CEO of Delfin S.a.r.l.

Brooks Brothers, a renowned clothing retailer in the U.S., had for years an agreement with Luxottica to produce and distribute sunglasses and optical frames.

On November 28, 2019, the Board of Directors of EssilorLuxottica approved the renewal of this 10-year agreement with Luxottica, pursuant to Section 4.2(o) of the Company's Internal Rules, whereby the acquisition or the granting by any entity of the EssilorLuxottica group of any license with respect to the right to use a trademark or patent for a value exceeding €3 million requires the approval of the Board of Directors.

The new agreement also had a term of 10 years, starting from January 1, 2020.

In 2020 pursuant to the new agreement, Luxottica paid royalties equal to a percentage of net sales, with a minimum royalty per year, an advertising contribution and a trade marketing investment equal to a percentage of net sales.

In July 2020, Brooks Brothers Group, Inc. ("BBGI") filed for Chapter 11 restructuring proceedings in the U.S. Bankruptcy Court for the District of Delaware. As a result of these proceedings, effective as of August 31, 2020, a party that is not related to EssilorLuxottica purchased the intellectual property assets related to the Brooks Brothers brand, including the above-mentioned license agreement between Luxottica and BBGI.

As a result, Luxottica no longer has any agreement in place with Brooks Brothers as the license agreement is now between Luxottica and the unrelated purchaser of the intellectual property assets.

Procedure set up to regularly evaluate if the agreements relating to ordinary transactions concluded under normal terms still fulfil those conditions

Pursuant to article L.22-10-12 of the Commercial Code, the Charter regarding related-party agreements includes a procedure set up to regularly evaluate if the agreements relating to ordinary transactions concluded under normal terms still fulfil those conditions. The person directly or indirectly involved in the agreement does not take part to the evaluation.

Insider dealing

On October 1, 2018, the Board of Directors approved the EssilorLuxottica Directors'Charter, which includes the stipulation that any holder of inside information shall refrain from engaging in any transaction involving the Company's securities or from causing or allowing others to engage in such transactions based on such information for as long as such information has not yet been made public (Articles 8, 10 and 14 of European Regulation No. 596/2014 of April 16, 2014 on market abuse – the Market Abuse Regulation [MAR]). The Charter states that Directors must, in addition to the period preceding the publication of any inside information of which they are aware, refrain from engaging in any transaction in the Company's securities during the blackout periods set in accordance with Article 19.11 of the MAR and the AMF guide to ongoing disclosure and management of inside information of October 26, 2016.

Lastly, Directors must inform the AMF, on an annual basis, of any transactions involving EssilorLuxottica securities performed by themselves or by individuals with whom they are closely associated. These individual reporting obligations regarding securities transactions are covered in the Directors'Charter, the full version of which is available on the Company's website.

The summary statement of transactions involving EssilorLuxottica securities carried out in 2020 by the corporate officers is included in Section 2.3.6.

2.1.2 Preparation and organization of the work of the Board of Directors

The operating procedures of the Board of Directors and special Committees are governed by Board of Directors' Internal Rules adopted by the Board of Directors at its meeting of October 1, 2018, and as updated on May 12, 2019 and on January 28, 2021 and by a Directors'Charter. These documents are periodically reviewed by the Board of Directors. The documents reflect the main principles regarding the decision-making process in the EssilorLuxottica group. The key points of both documents are reproduced or summarized below. The full version of these documents, along with the bylaws, is available on the Company's website.

2.1.2.1 Board of Directors' Internal Rules and the Directors'Charter

The Board of Directors'Internal Rules and the Directors'Charter, both of which were approved by the Board of Directors of May 12, 2019, the Board of Directors Internal Rules being amended on January 28, 2021, reflect the basic principles regarding the decision-making process in the EssilorLuxottica group. These principles are outlined below.

Powers of the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer

Both the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer are vested with full and equal powers to act in all circumstances in the name of EssilorLuxottica. They shall exercise those powers within the limits of the corporate purpose and subject to the powers expressly granted to the EssilorLuxottica Shareholders'Meeting and to the EssilorLuxottica Board of Directors by law as well as to the limitations set forth by the bylaws of EssilorLuxottica and by the Board of Directors' Internal Rules.

Decisions relating to the management of EssilorLuxottica shall be made jointly by, or with the approval of, the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer, failing which, by the EssilorLuxottica Board of Directors, except for certain decisions or specific matters: (a) which are listed in Annex 2 of the Directors'Charter – except as otherwise jointly decided by the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer – can be made either by the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer acting individually, or by the person to whom such power or authority is delegated; (b) for which the EssilorLuxottica Chief Executive Officer and Deputy Chief Executive Officer subsequently (i) agree in writing that they can act individually or (ii) jointly delegate powers or authority to a manager of EssilorLuxottica or to another person; or (c) which fall within the scope of the powers, or require the approval, of the EssilorLuxottica Board of Directors pursuant to the Board of Directors' Internal Rules.

Powers of the Board of Directors of EssilorLuxottica

The Board of Directors of EssilorLuxottica directs EssilorLuxottica's business and oversees its implementation. Subject to the powers expressly granted to the Shareholders'Meeting, the limitations set forth by the bylaws of EssilorLuxottica and within the limits of the corporate purpose, the Board of Directors deals with all matters concerning the proper running of EssilorLuxottica and the EssilorLuxottica group, in accordance with the Board of Directors' Internal Rules.

A set of material decisions relating to EssilorLuxottica and/or the EssilorLuxottica group are subject to prior approval by the EssilorLuxottica Board of Directors (see Section 2.1.2.2).

The Board of Directors' Internal Rules are supplemented by a Directors'Charter which stipulates a certain number of rights and obligations, including the commitment to regularly attend meetings of the Board of Directors and Shareholders'Meetings, to inform the Board of Directors of any potential or actual conflict of interest, and to refrain from participating in the corresponding proceedings, including the work of special Committees. Board of Directors' members must also keep the Board of Directors informed of directorships held in other French and foreign companies and, in the case of Executive Board Directors, seek the approval of the Board of Directors before accepting a new corporate office in a company (other than a consolidated company by the Company). Directors must consider themselves subject to an obligation of professional secrecy as regards information which is not public and which they have come to know in the course of their duties; this goes further than the obligation of discretion provided for in article L.225-37 paragraph 4 of the French Commercial Code.

2.1.2.2 Roles and responsibilities of the Board of Directors

The EssilorLuxottica group's internal governance rules stipulate that 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, related to:

a) review and approval of the statutory financial statements and consolidated financial statements of the Company as well as the statutory financial statements and consolidated financial statements of Luxottica Group S.p.A. or Essilor International (SAS), as the case may be;
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 €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 Group S.p.A. or Essilor International (SAS), 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 Group S.p.A. or Essilor International (SAS) (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) any decision relating to the admission to trading on any regulated stock exchange of securities in any Group 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) on the recommendation of the Strategy Committee, decisions on material capital expenditures, acquisitions, purchases, leases or divestments with a value exceeding €150 million pursuant to the relevant provisions in Sections 2.3.1 and 2.3.2 of the Board of Directors' Internal Rules, as applicable;

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 present 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, on the recommendation of the Strategy Committee;

l) without prejudice to the financing policy as set forth in Section 2.3.2 of the Board of Directors' Internal Rules or unless decided otherwise by the Board of Directors, (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 €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 €300 million individually and €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, 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 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 or other similar collective incentive schemes in favor of the management and/or employees of the Group (on the recommendation of the Nominations 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.

2.1.2.3 Self-assessment of the Board of Directors' operating procedures

A self-assessment of the Board of Directors was launched in 2019, based on a quantitative and qualitative approach.

Two independent directors conducted the self-assessment exercise based on questionnaires and interviews of all the Directors. The issues covered included 1) composition of the Board of Directors and Committees, 2) Board of Directors process, 3) Board of Directors information and accountability, 4) Board of Directors and strategy, 5) Communication with shareholders and the markets and 6) the standards of conduct.

The initial results of this exercise were presented to the Board of Directors on November 28, 2019 and a follow-up was presented to the Board of Directors on March 5, 2020. A follow-up self-assessment of the Board of Directors was done in 2020 and the results were presented to the Board of Directors on March 11, 2021.

In the context of the Combination with Luxottica, effective as from October 1, 2018, and given the complete overhaul of the governance structure and composition of the Board of Directors, it was not considered opportune for the Company's Board of Directors to conduct a self-assessment of its operating procedures in 2018. However, a formal assessment of the operation of the Board of Directors was performed on an annual basis from 2004 to 2017.

2.1.2.4 Information and training for the Board of Directors

Information

Any documentation required to ensure that the Directors are informed about the agenda and any items to be discussed by the Board of Directors 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 of Directors' 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 Chairman and the 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.

Training

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 receive information on the Company's accounting, financial and operational affairs. The Chair of the EssilorLuxottica Audit and Risk Committee and the Chair of the Essilor International (SAS) Audit and Risk Committee attended information sessions arranged by legal teams as well as exchange forums on best governance practices. In November 2020, most of the Directors attended a technical training session organized by the External Auditors Mazars and PricewaterhouseCoopers on the following generic topics: *General update on IFRS technical matters, Update on compliance matters, Cyber risk.*

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. In 2020, the two Directors representing employees attended an external course on communication techniques (*"Techniques de Communication"*). The two Directors representing the employees and the Director representing the employee shareholders also attended an external course on dialectic techniques (*"Techniques de dialectique"*).

2.1.2.5 Meetings of the Board of Directors in 2020

The Board of Directors is convened by its Chairman and/or Vice-Chairman, in accordance with the terms and conditions set forth in Sections 4.1 and 4.3 of the Board of Directors' Internal Rules. The author of the convening notice sets the agenda of the meeting. The Chairman or the Vice-Chairman, as applicable, 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 of Directors shall meet as often as necessary in the interests of the Company, but at least five times per year.

The Board of Directors' Meeting dates and places for the following year shall be set at the latest by March 1 of each year, with the exception of extraordinary meetings.

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 of Directors' Meeting.

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).

In 2020, the Board of Directors of EssilorLuxottica met 11 times.

Attendance of the members of the Board of Directors

As allowed by the Company's bylaws, the Board of Directors' Internal Rules state that Directors may participate in exceptional circumstances by using videoconferencing or other forms of telecommunications, with the exception of those cases explicitly stipulated, such as the approval of the financial statements and preparation of the Management Report. The Board of Directors' Internal Rules state that Directors who participate in this way are considered to be present when calculating the quorum and voting majority for the meeting.

Pursuant to the Board of Directors' Internal Rules, Directors using videoconferencing or telecommunication during one of their meetings do not receive Directors'fees, unless decided otherwise by a joint decision of the Chairman and the Vice-Chairman.

In the context of the COVID-19 pandemic and in accordance with government's measures, the Shareholders'Meeting of EssilorLuxottica of June 25, 2020 was held behind closed doors and was presided by Mrs. Juliette Favre.

The table below shows the number of Board of Directors and Committee meetings held during fiscal year 2020, as well as their members as at December 31, 2020 and the individual attendance at each of those meetings. The average attendance of the Directors at Board of Directors' Meetings was close to 94% for all meetings of the Board of Directors and the Committees.

	Board of Directors	Audit and Risk Committee Meeting	Nominations and Compensation Committee	Strategy Committee	CSR Committee
NUMBER OF MEETINGS IN 2020	**11**	**19**	**8**	**1**	**3**
PARTICIPATION (*in %*)					
Leonardo DEL VECCHIO	100%				
Hubert SAGNIÈRES	91%			100%	100%
Francesco MILLERI	100%			100%	
Paul DU SAILLANT [(a)]	100%			100%	
Romolo BARDIN	100%	100%	100%		
Giovanni GIALLOMBARDO	100%				100%
Juliette FAVRE	100%			100%	
Annette MESSEMER	91%	95%	100%		
Lucia MORSELLI	100%	100%			
Gianni MION	91%		100%	100%	
Olivier PÉCOUX	100%	89%	100%		
Léonel PEREIRA ASCENCAO	91%				
Sabrina PUCCI	100%				
Cristina SCOCCHIA	100%			100%	100%
Jeanette WONG	91%				100%
Delphine ZABLOCKI	100%				

(a) Director whose term of office started on March 30, 2020.

Major accomplishments of the Board of Directors in 2020

For the period from January 1, 2020 through December 31, 2020, the EssilorLuxottica Board of Directors was informed about, reviewed, or discussed matters that included the following:

- **Corporate Governance:**
  - co-optation of Mr. Paul du Saillant as Director on March 30, 2020, following the resignation of Mr. Laurent Vacherot,
  - self-assessment of the Board of Directors on its functioning,
  - appointment of key executives of EssilorLuxottica, including a Co-CFO following the resignation of Ms. Hilary Halper,
  - acknowledgment of the retirement of Mr. Hubert Sagnières and his consequential resignation as Deputy Chief Executive Officer of the Company and from other executive positions within the Group and from membership in the CSR and Strategy Committees,
  - acknowledgment of the subsequent voluntary resignation of Mr. Leonardo Del Vecchio as Chief Executive Officer of the Company,
  - separation of the functions of Chairman and Chief Executive Officer and of the functions of Vice-Chairman and Deputy Chief Executive Officer (the "Dissociations"),
  - modification of the Combination Agreement following the Dissociations,
  - appointment of Mr. Francesco Milleri as Chief Executive Officer,
  - appointment of Mr. Paul du Saillant as Deputy Chief Executive Officer;
- **2020 Budget:** the 2020 budget was reviewed during the Board of Directors' Meeting at the beginning of the fiscal year;
- **Financial statements:** the Board of Directors reviewed and/or approved the annual and consolidated financial statements for fiscal year 2019, the interim financial statements, and the provisional financial statements after hearing the reports and summaries relating to the work of the Audit and Risk Committee and the Statutory Auditors. The financial position and cash flow situation of the Company were also reviewed by the Board of Directors;
- **Shareholders'Meeting of June 25, 2020:** the Board of directors organised a shareholder's meeting behind closed doors in accordance with the temporary legislation related to the organisation of shareholder's meetings in the context of the COVID-19 crisis.
- **Interim dividend:** On December 17, the Board of Directors approved the distribution of an interim dividend in the amount of €1.15 per ordinary share constituting the Company's capital and carrying dividend rights;
- **Business performance:** at each meeting that is scheduled as part of the annual calendar (excluding exceptional meetings called to deliberate on the governance of the Company or a strategic transaction), the Executive Corporate Officers presented the general position of the Company during the preceding period, changes in key financial indicators, key events in the commercial and technical fields, the competitive environment, etc.;
- **Major commercial agreements:** renewal and/or signing of license agreements, co-branding, sponsorship and franchise agreements;
- **Acquisition of GrandVision:** monitoring of the judicial proceedings and of the antitrust process;

- **COVID-19:** during several meetings the Board of directors monitored the consequences of the COVID-19 pandemic for the employees and the business of the Group and took several actions to help them. The Board resolved to set up a fund aimed at mitigating the impact of COVID-19 on the Company employees and their families. This fund had an initial allocation of €100 million, subsequently increased to approximately €160 million, and is directed by the Co-Heads of Human Resources, acting jointly, to establish rules, terms and conditions for the formation, functioning and operations of such fund. Different measures put in place to fight the COVID-19 pandemic were reported to and discussed by the Board of Directors, including the development of specific materials and physical tests to sanitize the materials for the frames, the creation of a cleaning solution and the production of face masks;
- **Financial authorizations:**
  - in order to ensure the operational financing of the Company and of its Group and, in particular, the financing of its acquisitions, decision to renew for a period of one year (from May 26, 2020 to May 25, 2021) its authorization to issue notes and/or bonds under the EMTN programme and/or outside the EMTN programme:
    a) up to a nominal amount equal to four (4) billion euro or its equivalent in any other currencies for the purpose of (i) the financing of the potential acquisition of GrandVision, (ii) the full or partial refinancing of any of GrandVision group's company's debt(s) in the context of the transaction, and (iii) the financing of any related fees, costs and expenses,
    b) up to a nominal amount equal to four (4) billion euro or its equivalent in any other currencies for general corporate purposes, including but not limited to the potential refinancing of any of the group's companies'existing and/or maturing indebtedness,
  - renewal for a period of one (1) year, from May 26, 2020 to May 25, 2021 included, its authorization to renew and update the EMTN programme insofar as necessary from time to time,
  - delegation of powers, with the power of subdelegation, to Mr. Leonardo Del Vecchio, in his capacity as Executive Chairman, and to Mr. Hubert Sagnières, in his capacity as Executive Vice-Chairman, acting jointly, for a period of one (1) year (from May 26, 2020 to May 25, 2021) to:
    1. renew, update and implement the EMTN programme,
    2. make one or more issuances, under the EMTN programme and/or outside the EMTN programme, subject to the limits defined in this authorization,
    3. set the terms and conditions of the Issuances.

    Following the decision of the Board of Directors dated December 17, 2020, these powers are now delegated to Mrs Milleri and du Saillant in their capacity as Chief Executive Officer and Deputy Chief Executive Officer, respectively;
- **Employee shareholding:**
  - awarding a total of 2,138,851 performance shares, of which 20,000 performance shares to the Company's Executive Chairman and 20,000 performance shares to the Executive Vice-Chairman (see below),
  - adoption of the 2020 performance share award plan,
  - awarding of a total number of 113,536 performance-based options to purchase existing shares, subject to the terms and conditions of the stock option plan regulations,
  - adoption of the stock option plan;
- **Compensation of Corporate Officers:**
  - the Board of Directors reviewed the performance of the Executive Corporate Officers with regard to fiscal year 2019 and determined the variable portion of the compensation due to them for fiscal year 2019, the payment of which was submitted to the Shareholders'Meeting of June 25, 2020 for approval,
  - upon recommendation of the Nominations and Compensation Committee, the Board of Directors adopted the following changes in the compensation policy for executive corporate officers in order to take into account the expectations expressed by investors and proxy advisors:
    - regarding the variable compensation, introduction of a clawback clause and of a performance clause linked to the group's CSR objectives,
    - regarding the long-term incentive compensation (performance shares), elimination of retesting on the performance condition linked to the annualized growth of the share price,
    - obligation to hold 400% of the fixed compensation in the form of shares,
    - removal of the possibility to pay an exceptional bonus to an executive corporate officer,
  - the Board of Directors granted 20,000 performance shares to each of the Executive Chairman and the Executive Vice-Chairman, subject to the ceilings defined in the compensation policy; These performance shares will be awarded at the end of a vesting period starting on October 1, 2020 and expiring on the third anniversary date,
  - on December 17, 2020, the Board of Directors decided that Messrs. Leonardo Del Vecchio, Hubert Sagnières, Francesco Milleri and Paul du Saillant would not receive any remuneration for their respective duties as Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer for the period from December 17, 2020 until December 31, 2020.
- **Financial fraud in Thailand:** the Board of Directors reviewed the situation arising from the financial fraud that occurred at a Group entity in Thailand in 2019 and the measures taken to recover the misappropriated funds and to strengthen existing security measures;
- **Briefing on cyber-attacks:** update on cyber-attacks recently suffered by Company subsidiaries;
- **Committee Reports:** in preparation for its discussions, the Board of Directors heard reports from the Audit and Risk, Nominations and Compensation, and Strategy and Corporate Social Responsibility Committees on their respective areas.

Minutes

During the 2020 fiscal year, the draft minutes of each Board of Directors' Meeting were sent to all Directors no later than the date of notice of the next meeting.

2.1.2.6 Committees of the Board of Directors

On the recommendation of the Nominations and Remuneration Committee, the Board of Directors may create special Committees and set the rules governing their duties and composition. The Company has four permanent Directors Committees:

- Audit and Risk Committee;
- Nominations and Compensation Committee;
- Strategy Committee; and
- Corporate Social Responsibility (CSR) Committee.

These Committees act on the authority delegated to them by the Board of Directors and make recommendations and proposals to the Board of Directors. The Committees do not act in the place of the Board of Directors, but rather as an extension of the Board of Directors, facilitating its work.

In accordance with the specific governance rules that have been set up, each Committee shall comprise an equal number of Directors between those designated by Delfin and Board of Directors' members of the former Essilor (prior to the implementation of the combination between Essilor and Luxottica (hereafter the "Former Essilor")). Committee members 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 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.

Audit and Risk Committee

Composition

The Board of Directors'Internal Rules stipulate that the Audit and Risk Committee shall consist of four members appointed by the Board of Directors from among its members. 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.

The Audit and Risk Committee is chaired by Lucia Morselli. The other members are Romolo Bardin, Annette Messemer and Olivier Pécoux.

Role

Under the Board of Directors'Internal Rules and in accordance with Article L.823-19 of the French Commercial Code, the Audit and Risk Committee, acting under the responsibility of the Board of Directors, follows up on issues related to the preparation and audit of the financial statements 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 must work closely with the Corporate Social Responsibility Committee to establish a comprehensive picture of any financial or non-financial issues.

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

- 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;
- when preparing the financial information, that the accounting methods employed are relevant and applied consistently, in particular when dealing with major transactions;
- when reviewing the accounts, a focus on major transactions which could have given rise to conflicts of interest;
- the efficiency of the internal control and risk management systems;
- 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;
- compliance with legal requirements and regulations;
- 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 of Directors, as the case may be;
- the performance, qualification, independence and control of incompatibilities of the auditors;
- 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.

The responsibilities incumbent on the Audit and Risk Committee are set out in Article 5.1.3 of the Board of Directors'Internal Rules, available on the Company's website.

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 of Directors, as well as the Chairperson of the CSR Committee.

The Chairperson of the Audit and Risk Committee must regularly coordinate with the Chairperson of the other Committees, and in particular with the Chairperson of the CSR Committee which is in charge of identifying and monitoring the non-financial risks.

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

The Chairman and the Vice-Chairman may jointly request the Chairperson of the Committee to arrange a meeting whenever they deem 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 of Directors, the Chairman or the Vice-Chairman, if the Board of Directors, the Chairman or the 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 five 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 statutory auditors and may receive presentations from the Company's corporate officers and 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 of Directors for the Audit and Risk Committee.

Major accomplishments in 2020

The work of this Committee is based on the recommendations made in the AMF working group report on audit committees of July 22, 2010.

The Audit and Risk Committee met nineteen times with an attendance rate of 96% for the year, and heard mainly the Co-Chief Financial Officers, the Chief Compliance Officer, the Chief of Internal Audit, the Legal Director, the Co-Secretaries of the Board of Directors and the Statutory Auditors.

Between January 1 and December 31, 2020, the Audit and Risk Committee reviewed the following:

- **Financial statements:** review of the consolidated and statutory 2019 financial statements; review of part of the management report in respect mainly of the risks factors and the internal control procedure; review of the consolidated and statutory 2020 first-half financial statements, of the forecast management documents and the 2020 forecast;
- **Statutory Auditors:** presentation of the reports of the Statutory Auditors for the 2019 financial year; review of the Statutory Auditors'2020 external audit plan and of the key audit matters to be disclosed in the Statutory Auditors'report; review of the 2020 first half draft report of the Statutory Auditors;
- **Extra-financial performance declaration;** presentation of the non-financial reporting; preparation of the 2020 extra-financial performance declaration (Chapter 4 of the Universal Registration Document);
- **Internal audit:** presentation of the 2020 internal audit plan and its geographical distribution, the Committee recommended the approval by the Board of Directors of such plan; Management report for 2019, including notably the main characteristics of internal control systems; review of the 2020 internal audit plan following notably the COVID-19 crisis; the Committee approved the proposed methodology supporting risk assessment for the preparation of the 2021 internal audit plan; review of the proposed Group Internal Audit organization and initiatives;
- **Finance:** review of the financing structure of the Company and of liquidity levels; review of the goodwill; review and approval of the invoices'payment procedure; review of EssilorLuxottica, Essilor International and Luxottica 2020 Budgets;
- **Governance:** review of the key executive positions to be filled; follow up of the delegations of authority/signature put in place after October 1, 2018 with dual signature principles;
- **Acquisition of GrandVision:** follow-up of the acquisition and the anti-trust process;
- **Compliance and risk management:** Management report for 2019, including notably: the main characteristics of the risk management systems; Compliance Group structure and initiatives; assessment on risk factors; Review of the related parties transactions (including the contract with MEA now named Abstract);
- **Fraud at the manufacturing Thailand Group company:** investigation about the fraud, its discovery, monitoring the investigation, recovery measures and responsibilities; instructions and review of reports from internal and external resources allocated to this task, review of the report of the internal audit department; review of the recovery plan and the remediation actions put in place following the investigation;
- **Cyberattacks:** presentation on the cyberattacks that occurred in 2020 on Luxottica, Essilor International, Essilor US and EyeMed; review of the proposed improvement of the group's cyber security;
- **Litigation:** presentation of the report on litigations;
- **Synergies resulting from the Combination:** review of the financial results from integration efforts; regular updates on synergies;
- **Non-executive sessions** attended by all members of the Audit and Risk Committee (but not the management teams) took place in February 2020 and in March 2020;
- **COVID-19:** impact of COVID-19 on business and on the employees working conditions.

Nominations and Compensation Committee

Composition

The Board of Directors'Internal Rules as amended by the Board of Directors on May 12, 2019 and January 28, 2021 stipulate that the Nominations and Compensation Committee shall comprise four members, the majority of whom shall be appointed from among the Board of Directors'independent Directors (as defined by the AFEP-MEDEF Code or, if applicable, the governance principles agreed by Essilor and Delfin in the Combination Agreement).

The Committee shall be chaired by an independent Director (as defined by the AFEP-MEDEF Code or, if applicable, the governance principles agreed by Essilor and Delfin in the Combination Agreement) appointed among the Directors designated by the Former Essilor or their successors.

As from March 18, 2019 the Nominations and Compensation Committee is chaired by Olivier Pécoux, qualified in the Combination Agreement as an independent Director (please note that he is not an Independent Director pursuant to the criteria of the AFEP MEDEF Code, see Section 2.4). The other Committee members were Romolo Bardin, Gianni Mion, and Annette Messemer (appointed by the Board of Directors as member of the Nominations and Compensation Committee in replacement of Mr Bernard Hours as from May 12, 2019).

Role

As described in the Board of Directors' Internal Rules, the main duties of the Nominations and Compensation Committee within the work of the Board of Directors are as follows:

Nominations:

- 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 of the Agreement entered into on May 12, 2019 by and between Former Essilor and Delfin (hereinafter the "May 12, 2019 Agreement") and the governance principles agreed upon between Former Essilor and Delfin in the Combination Agreement and in the May 12, 2019 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);

- it expresses its own prior recommendation to the Board of Directors in respect of any joint proposal regarding the designation of EssilorLuxottica's Key Executives, which the Chief Executive Officer and Deputy Chief Executive Officer intend to present to the Board of Directors;
- it issues recommendations to the Board of Directors for the selection of the Company's Executive Corporate Officers (Chief Executive Officer and Deputy Chief Executive Officer) in line with the governance principles agreed by Former Essilor and Delfin in the Combination Agreement, as amended and supplemented;
- 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;
- it is responsible to study any major developments in the organization.

Assessment:

- it assists the Board of Directors in its periodic assessments;
- it prepares the Board of Directors' annual assessment of its membership, organization and operation (which involves a corresponding review of the Board of Directors'Committees), and leads the self-assessment of the Board of Directors in compliance with the provisions of the AFEP/MEDEF Code and Section 7 of the Board of Directors' Internal Rules;
- 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 of Directors'members;
- it puts forward proposals to improve the functioning of the Board of Directors (*i.e.*, organization of meetings, evaluation of the performance of each Director and managing the evolution process of the Board of Directors); in particular, it proposes to the Board of Directors improvements to these Board of Directors' Internal Rules, if the procedures for disclosing, dealing with, and monitoring of, conflicts of interest situations turn out to be inappropriate or insufficient;
- it puts forward proposals for creation of Committees and assignment for each of them;
- 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;
- 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 with reputation issues, and before any corporate officer or any EssilorLuxottica Key Executive or any Director takes a direct or indirect significant interest giving them control or a significant influence over 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 interest, an overboarding situation, or reputation issues); if no prior approval can be given as a result of a confidential process undertaken by a Director, such Director shall immediately upon his/her appointment inform the Nominations and Compensation Committee so that it may determine whether the new directorship, management position in, or consulting engagement with such other Third Party Company is compatible with the role of such independent Director with the Company. "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 or 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;
- 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 of Directors' Internal Rules;
- it is informed by the Chairman and/or the 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), it prepares a list of the issues likely to give rise to Conflicts of Interest, and reports to the Board of Directors accordingly;
- it provides every year the Board of Directors with a report assessing the roles of the Chairman, the Vice-Chairman, and of the Directors, as well as the actions of the Chief Executive Officer, the Deputy Chief Executive Officer, 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:

- putting forward proposals on the compensation policy and the compensation of the corporate officers of the Company, (including all components of their compensation and its structure) and, if applicable, of the EssilorLuxottica's Key Executives;
- ensuring compliance of the compensation policy, its structure and components with legal requirements and the AFEP/MEDEF Code;
- considering termination provisions and financial conditions of departure for any corporate officers of the Company and EssilorLuxottica's Key Executives;
- 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;
- 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 managers of Luxottica and Essilor International, after considering the recommendations of the Boards of Directors of those two companies) 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;
- putting forward proposal on Directors'fees amount and their allocation taking into account Directors'attendance rate;
- 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;
- informing itself on general compensation policies in the Company or the Group;
- 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:

- putting forward recommendation on best corporate governance practices;
- 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;
- 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.

Major accomplishments in 2020 achieved by the Nomination and Compensation Committee

Between January 1 and December 31, 2020, the Committee met seven times (with an attendance rate of 100% for the year).

It reviewed the following matters:

- **Nomination:**
  - update on CEO search;
- **Compensation:**
  - determination of the achievement rate and of the variable compensation component of Mr. Leonardo del Vecchio and Mr. Hubert Sagnières for the 2019 fiscal year,
  - for each of the executive corporate officers: determination of their respective fixed compensation and of the structure and targets for their variable compensation components for the 2020 fiscal year,
  - review of the executive corporate officers'draft compensation policy for 2020,
  - review of the resolutions regarding executive corporate officers compensation submitted to the Shareholders' Meeting for approval at the general meeting held on June 25, 2020 and of the approval rate of these resolutions after the Shareholders' Meeting,
  - discussion on the harmonization of compensation practices between the two operating companies (Essilor and Luxottica),
  - discussion on the 2021 compensation policy;
- **Solidarity measures related to the COVID-19 crisis:**
  - discussion on the launch of a Euro 100 million COVID-19 fund (then brought to approximately €160 million) to protect the Group's human capital and the adoption of an emergency pay plan to help the most vulnerable employees and their families,
  - discussion on the reduction or deferral of the compensation of the Group's managers;
- **Employee share ownership:** the Committee approved the main following measures to be submitted to the Board of Directors: renewal of the Company Savings Plan for the employees of the Company and of Essilor's French subsidiaries; extension of the international Employee Shareholding Plan to almost all Group countries including Italy, Greater China and India for Luxottica; granting performance shares and stock options for the benefit of Group's employees after review of the proposals made by Essilor and Luxottica management;
- **Key executives' compensation:** review of the 2020 fixed compensation, and 2019 and 2020 variable compensation;
- **Organization of the Committee:** setting of a schedule for the next Committee's Meetings during the first semester of 2021.

Strategy Committee

Composition

The Board of Directors'Internal Rules, as amended on May 12, 2019 and on January 28, 2021, stipulate that the Strategy Committee shall be composed of four members appointed by the Board of Directors from among its members. Unless otherwise determined by a joint decision of the Chairman and the Vice-Chairman, the chairman of the Strategy Committee must 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 meets four times per year, unless otherwise jointly decided by the Chairman and the Vice-Chairman.

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

Francesco Milleri (Non Independent Director) chaired the Strategy Committee. The other Committee members were Hubert Sagnières (until December 17, 2020), Gianni Mion (until January 28, 2021), Paul du Saillant (from March 30, 2020), Juliette Favre (from May 15, 2019) and Cristina Scocchia (from May 15, 2019).

Role

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

The Chief Executive Officer and the Deputy Chief Executive Officer, assisted as needed by members of their choice, are responsible for making presentations on these matters on a regular basis. The Chief Executive Officer and the Deputy Chief Executive Officer personally give a presentation on the Group's strategy to the Strategy Committee annually.

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

The activities of this Committee should be coordinated with those of the Corporate Social Responsibility Committee, which is in charge of monitoring the sustainable development and corporate social responsibility of the Company, which are fully integrated in its strategy.

Major accomplishments in 2020

The Strategy Committee met once in 2020 (with an attendance rate of 100%).

The Committee discussed the protection and reaction strategy adopted by the Company in respect of the COVID-19 pandemic and received an update on the GrandVision acquisition.

Corporate Social Responsibility (CSR) Committee

Composition

The Board of Directors' Internal Rules stipulate that the CSR Committee shall comprise four members, two of whom must be Independent Directors.

The CSR Committee is chaired by an Independent Director, appointed from among the Directors of the Former Essilor or their successors directors.

Jeanette Wong (Independent Director) chaired the CSR Committee. The other Committee members were Giovanni Giallombardo, Hubert Sagnières (until December 17, 2020) and Cristina Scocchia. On January 28, 2021, Hubert Sagnières was replaced by Juliette Favre.

Role

The main role of the CSR Committee, within the duties of the Board of Directors, is to ensure that the Group effectively addresses the deployment of the Group mission "to help people see more, be more and live life to its fullest", which is fully integrated in the Group strategy. Accordingly, the Company operates to give vision a voice and respond to the world's growing vision needs by meeting the changing lifestyles of existing consumers and finding 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 role of the CSR Committee goes beyond the philanthropy, including business and compliance, and also focuses on how the Company manages its economic, social and environmental impacts and the relationships with its stakeholders (including the workplace, the community, the public policy, etc.). Its missions encompass all areas of the corporate social responsibility relating to the Group's mission, which consists of improving visual health in the world by manufacturing the best possible lenses, to protect and correct the vision of each individual whilst meeting their personal tastes and expectations.

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 [(1)] 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 assess the Company's strategy, policies and procedures on corporate responsibility issues and sustainable development, such as those described below, and provides insight to the Board of Directors about the Group's long-term development, including economic development through its CSR initiatives in the areas of vision and its improvement.

  In fulfilling its role, the Committee is responsible for the following:

  - review the Group's environmental policies and management systems,
  - review the policies with respect to relationships with stakeholders (customers, suppliers, local communities),
  - review the rollout of inclusive business,
  - review of the Group's not-for-profit policies and philanthropy initiatives carried out directly or *via* entities or partnerships with not-for-profit organizations,
  - review the human resources policies and the risk management in relation to the following areas: health and safety, diversity, equal employment, employee relations and related matters,
  - review the social impacts of the main restructuring and/or reorganizational projects,
  - review the Group's human rights policy,
  - receive, on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development; the Committee reviews the risks and the opportunities thus identified and is kept informed of their evolution and of the characteristics of their management systems,
  - review and assess the reporting and control procedures for non-financial indicators (environment, health and safety, social reporting and indicators),
  - review the rankings and assessments made on the Group by rating and non-financial agencies,
  - review the reporting, assessment and control systems, in order to enable the Company to provide reliable non-financial information and issue an opinion on the non-financial performance disclosure that must be published under legal requirements (article L.225-102-1 and L.22-10-36 of the French Commercial Code);

- **The Ethics and Compliance matters:**

  The Committee reviews and monitors the Company's policies on compliance and ethics matters as well as the procedures and systems in place to implement these policies and provides the Board of Directors with its views on these subjects.

  In fulfilling its role, the Committee is responsible for the following:

  - review the definition of the Group's core values, ethics and compliance policy,
  - review and make recommendations in order to promote corporate culture and employee shareholdings,
  - promote ethics and ensure the harmonization of ethics rules within the Group entities, and monitor their compliance thereto,
  - review the organization of the compliance function and makes recommendations, if required,
  - review the Group's Code of ethics, its rules and procedures,
  - 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 work with:

- the Audit and Risk Committee for all matters related to the CSR Committee's areas of intervention, in particular concerning internal control, compliance, management and review of risks of non-financial information and major litigation. 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 of Directors 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 should be involved in the drafting of all reports (including the Universal Registration Document) for the sections related to its expertise and remit, and specifically the non-financial performance disclosure.

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

(1) Working Together, Innovation, Respect and Trust, Entrepreneurial Spirit and Diversity.

Major accomplishments in 2020

Between January 1 and December 31, 2020, the Committee met three times with an attendance rate of 100%, and reviewed the following:

- non-financial reporting for the 2019 financial year (Chapter 4 of the Universal Registration Document); identification of five blocs: business model, CSR risks, reporting, shared story and human rights, on-site audits;
- PWC verification report;
- EssilorLuxottica purpose/mission: update on various actions and plans;
- update on the COVID-19 fund utilization;
- update on the French regulation regarding Duty of Care, *Loi Pacte* and their implications for the Group;
- OneSight project: overview and plans on building sustainable access to good vision for people with economic difficulties;
- update on Sustainability: presentation of the Sustainability report, presentation of the 2020 plan to advance on sustainability and on the risks Identified.

2.1.3 Organization of the powers of management and control of the Company and powers of the Chief Executive Officer

At its meeting of December 17, 2020, the Board of Directors decided to appoint:

- Francesco Milleri as EssilorLuxottica Chief Executive Officer; and
- Paul du Saillant as EssilorLuxottica Deputy Chief Executive Officer.

Léonardo Del Vecchio remains Chairman and Hubert Sagnières remains Vice-Chairman.

Pursuant to the Combination Agreement entered into by Delfin and Essilor, the Chief Executive Officer and the Deputy Chief Executive Officer of EssilorLuxottica have equal powers. Consequently, both the EssilorLuxottica Chief Executive Officer and the EssilorLuxottica Deputy Chief Executive Officer are vested with full and equal powers to act in all circumstances in the name of EssilorLuxottica. They shall exercise these powers within the limits of the corporate purpose and subject to the powers expressly granted to the EssilorLuxottica Shareholders'Meeting and to the EssilorLuxottica Board of Directors by law, as well as to the limitations set forth by the bylaws of EssilorLuxottica and by the proposed Internal Rules of the EssilorLuxottica Board of Directors.

Decisions relating to the management of EssilorLuxottica shall be made jointly by, or with the approval of, the EssilorLuxottica Chief Executive Officer and the EssilorLuxottica Deputy Chief Executive Officer, failing which, by the EssilorLuxottica Board of Directors, except for certain decisions or specific matters: a) which – except as otherwise jointly decided by the EssilorLuxottica Chief Executive Officer and the EssilorLuxottica Deputy Chief Executive Officer – may be made either by the EssilorLuxottica Chief Executive Officer or the EssilorLuxottica Deputy Chief Executive Officer, acting individually, or by the person to whom such power or authority is delegated; (b) for which the EssilorLuxottica Chief Executive Officer and the EssilorLuxottica Deputy Chief Executive Officer subsequently (i) agree in writing that they can act individually, or (ii) jointly delegate powers or authority to a manager of EssilorLuxottica or to another person; or (c) which fall within the scope of the powers, or require the approval, of the EssilorLuxottica Board of Directors pursuant to the Board of Directors' Internal Rules.

However, in application of Article 4.2 of the Board of Directors'Internal Rules, a certain number of decisions require prior approval from the Board of Directors, after review by the competent Committee if required (see Section 2.1.2.2).

2.2 Special procedures for shareholder participation in Shareholders' Meetings

All holders of ordinary shares are entitled to participate in Shareholders'Meetings, regardless of the number of shares they own, provided all payments due for such shares have been met.

The rights of shareholders to be represented by proxy at Shareholders'Meetings and to participate in the vote are exercised in accordance with the relevant laws and regulations.

EssilorLuxottica's bylaws (Section V – Shareholders'Meetings) include the following provisions concerning the organization of Shareholders'Meetings, the meetings'main powers and the rights of shareholders, which are in compliance with the law.

As an exemption to the provisions of the last paragraph of Article L.22-10-46 of the French Commercial Code, no double voting rights are conferred on the shares of the Company.

2.2.1 Ordinary Shareholders'Meetings (Article 24)

The Ordinary Shareholders'Meeting has the powers defined by law and the bylaws of the Company.

The Ordinary Shareholders'Meeting votes under the rules of quorum and majority required by law. It is reminded that provision 23 of the bylaws, which provides for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws.

2.2.2 Extraordinary Shareholders'Meetings (Article 25)

The Extraordinary Shareholders'Meeting has the powers defined by law and these bylaws. Under no circumstances may it increase the commitments of the shareholders or undermine the equality of their rights unless the shareholders unanimously approve such a decision, subject to the obligation imposed on shareholders to buy or sell fractional shares, in the event of a consolidation of shares, capital increase or reduction, merger or demerger.

The Extraordinary Shareholders'Meeting votes under the rules of quorum and majority required by law. Notwithstanding the foregoing, an Extraordinary Shareholders'Meeting that decides to carry out a capital increase through the capitalization of reserves, profits or issue premiums, votes under the rules of quorum and majority required for Ordinary Shareholders'Meetings. It is reminded that provision 23 of the bylaws, which provides for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws.

The Extraordinary Shareholders'Meeting may also, if applicable, amend the rights of various classes of shares. However, in the event that a decision by the Extraordinary Shareholders'Meeting would affect the rights attached to a class of shares, this decision will only become final after it has been ratified by a Special Shareholders'Meeting for the relevant class. Regarding the specific capital that it represents, said Special Meeting will be subject to the legal and regulatory provisions governing Extraordinary Shareholders'Meetings. If none of the Company's Directors holds shares in the class giving rise to said Special Meeting, that Special Meeting elects its own Chairman.

2.2.3 Delegations and authorizations granted by the Shareholders'Meeting to the Board of Directors

Share capital issued and non-issued authorized share capital [1]: the table below summarizes the current delegations granted by the Shareholders'Meetings of November 29, 2018, May 16, 2019 and June 25, 2020 to the Board of Directors in respect of share capital and the use made of these delegations.

Type of delegation	Date of Shareholders' Meeting (resolution no.)	Duration (Date of expiration)	Maximum authorized amount	Use as of 12/31/2020
INCREASE IN SHARE CAPITAL FOR THE BENEFIT OF EMPLOYEES AND EXECUTIVE CORPORATE OFFICERS				
Increase in share capital reserved to employees (members of a Company savings plan) [(a)]	May 16, 2019 (15th)	26 months (July 15, 2021) This delegation was terminated early on June 25, 2020.	0.5% of the share capital (at the date of issue)	0.06%
Increase in share capital reserved to employees (members of a Company savings plan) [(a)]	June 25, 2020 (12th)	26 months (August 24, 2022)	0.5% of the share capital (at the date of issue)	0.07%
AUTHORIZATIONS RELATED TO THE EMPLOYEE SHARE OWNERSHIP POLICY TO ALLOT EXISTING SHARES (USE OF VESTED SHARES UNDER THE SHARE BUYBACK PROGRAM – NO INCREASE IN SHARE CAPITAL)				
Bonus share award (performance shares) for the benefit of employees and executive corporate officers	November 29, 2018 (7th)	38 months (January 28, 2022)	2.5% of the share capital (at the award date)	1.42% (1.60% including shares granted as a replacement of Luxottica cash retention plan)
Award of stock options for the benefit of employees	November 29, 2018 (8th)	38 months (January 28, 2022)	0.5% of the share capital (at the award date)	0.09%
Authorization to award existing bonus shares to certain Luxottica employees as a replacement for the cash retention plan granted by Luxottica	November 29, 2018 (9th)	38 months (January 28, 2022)	Within the authorized limit on bonus shares that may be awarded (2.5% in the aggregate)	0.18%
INCREASE IN THE SHARE CAPITAL				
Delegation of authority to issue shares and securities entailing a share capital increase with preferential subscription rights	May 16, 2019 (16th)	26 months (July 15, 2021)	5% of the share capital at the date of the General Meeting, i.e. May 16, 2019	None
Delegation of authority to increase the share capital by capitalization of premiums, reserves, profits or other rights	May 16, 2019 (17th)	26 months (July 15, 2021)	€500 million	None
BUYBACK BY THE COMPANY OF ITS OWN SHARES				
Purchase by the Company of its own shares	November 29, 2018 (4th)	18 months (Mai 28, 2020)	10% of the share capital at the date of purchase	0,35%
Purchase by the Company of its own shares	June 25, 2020 (11th)	18 months (December 24, 2021)	10% of the share capital at the date of purchase	None
REDUCTION IN THE SHARE CAPITAL BY CANCELLATION OF SHARES				
Cancellation of shares acquired by the Company under Article L.225-109 of the French Commercial Code	November 29, 2018 (5th)	26 months (January 28, 2021) This delegation was terminated early on June 25, 2020.	10% of the share capital at the date of cancellation by 24-month periods	None
Cancellation of shares acquired by the Company under Article L.225-109 (now Article L.22-10-62) of the French Commercial Code	June 25, 2020 (13th)	26 months (August 24, 2022)	10% of the share capital at the date of cancellation by 24-month periods	None

(a) For the record, under the employee share ownership policy, employees based abroad are also entitled to an international "Boost" offer; this annual program, launched in 2018, did not result in an increase in share capital as existing treasury shares were used to deliver shares to employees.

(1) Articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

2.2.4 Factors that may have an impact in the event of a public offering

In accordance with Article L.22-10-11 of the French Commercial Code, the factors that may have an impact in the event of a public offering are presented below:

2.2.4.1 Structure of the Company's share capital

The structure of the Company's share capital is detailed in Section 5.2.1.

Pursuant to the terms of the Combination Agreement, Delfin has agreed not to file a tender offer for shares of EssilorLuxottica for a period of ten (10) years as from the signature date of the Combination Agreement, provided that no third party (acting alone or in concert) comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica, or announces its intention to file a tender offer for all of the shares of EssilorLuxottica (the "**Standstill Undertaking**").

2.2.4.2 Statutory restrictions in the exercise of voting rights

- **Obligation to disclose threshold crossings**

The Company's bylaws stipulate a disclosure requirement for any person who acquires directly or indirectly a fraction equal to 1% of the voting rights. The crossing of any additional threshold of 2% must be brought to the attention of the Company under the same conditions. This information must also be provided to the Company under the same conditions if the percentage of voting rights held falls below the above-mentioned thresholds.

If this disclosure requirement is not complied with, at the request of one or several shareholders owning at least 5% of the share capital, the shares exceeding the fraction that should have been declared shall be denied voting rights under the conditions stipulated by law. This mechanism is described in Section 5.1 of this Universal Registration Document.

- **Article 23 of the Company's bylaws sets forth a 31% cap on voting rights, applicable to any shareholder based on a formula described therein.**

Consequently, no shareholder may exercise, either personally or through a proxy holder, voting rights of shares that they hold, directly or indirectly, representing more than 31% of the total number of voting rights of the Company, calculated as indicated above.

Given the share capital structure as of December 31, 2020, this cap is applicable to Delfin (see Section 5.2.1 of this Universal Registration Document).

Reminder of the statutory calculation formula (Article 23 of the bylaws)

"If no more than one natural person or corporate entity, acting alone or in concert with one or more other natural persons or corporate entities, directly or indirectly holds more than ten percent (10%) of the share capital or voting rights of the Company as of the Shareholder Listing Date for the relevant General Shareholders' Meeting or exercises more than ten percent (10%) of the voting rights of the Company for itself or as a proxy holder, the number of voting rights that any shareholder may express, personally or through a proxy holder, with respect to the voting rights attached to the shares or to the divisions of share ownership (for the rights he or she is authorized to exercise, as the case may be) that he or she holds, directly and indirectly, alone or in concert, cannot exceed the number resulting from the following formula:

$$31 * (N-P-D) / 100$$

where

(N) the total number of voting rights of the Company existing on the Shareholder Listing Date for the relevant General Shareholders' Meeting and reported to the shareholders on the date of the General Shareholders' Meeting,

(P) the total number of voting rights attached to the treasury shares within the limits of a maximum amount of treasury shares corresponding to 1% of the Company's share capital,

(D) the total number of voting rights of the concerned shareholder which are neutralized by this statutory clause limiting voting rights for the fraction of voting rights attached to the shares that he or she holds exceeding 34% of the Company's share capital.

If at least two (2) natural persons or corporate entities, each acting alone or in concert with one or more natural persons or corporate entities, each hold more than ten percent (10%) of the share capital or voting rights of the Company on the Shareholder Listing Date for the relevant General Shareholders' Meeting or each exercise more than ten percent (10%) of the voting rights of the Company for themselves or as proxy holders on the Shareholder Listing Date for the relevant General Shareholders' Meeting, the above-mentioned voting right limitation shall apply with the exception of elements (P) and (D), which will not be deducted."

As at the date of this Universal Registration Document, the Company has no knowledge of any agreement clauses that provide for preferential disposal or acquisition rights concerning at least 1% of the Company's share capital or voting rights.

2.2.4.3 Direct or indirect investment in the Company's share capital, to the Company's knowledge

The Company's shareholder structure is presented in detail in Section 5.2.1 of this Universal Registration Document.

The crossing of legal thresholds occurred in 2020, which are listed in Section 5.3 of this Universal Registration Document, are also reproduced below:

Crossing of legal and statutory thresholds in 2020

See Section 5.3 of this Universal Registration Document.

2.2.4.4 Rules applicable to the appointment and replacement of members of the Board of Directors or Management Board and to amendments to the Company's bylaws

Pursuant to the Combination Agreement and to the decisions of the Board of Directors of December 17, 2020, the members of EssilorLuxottica's Board of Directors during the Initial Term (until the Shareholders'Meeting that will meet in 2021 to approve the financial statements for the year ended December 31, 2020) are as follows:

(i) Luxottica's current Executive Chairman, Leonardo Del Vecchio, is Chairman (*Président du Conseil d'Administration*) of EssilorLuxottica. On December 17, 2020, following the resignation of Mr. Hubert Sagnières from his executive responsibilities in EssilorLuxottica (the "**EssilorLuxottica Chairman**"), Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities in EssilorLuxottica in order to preserve the equal powers principle;

(ii) Hubert Sagnières, is Vice-Chairman (*Vice-Président du Conseil d'Administration*) of EssilorLuxottica (the "**EssilorLuxottica Vice-Chairman**"). On December 17, 2020, Hubert Sagnières decided to resign from his executive responsibilities in EssilorLuxottica;

(iii) The Board of Directors of EssilorLuxottica is composed of **16 members**;

(iv) **eight members nominated by Essilor,** comprising the EssilorLuxottica Vice-Chairman, the Deputy Chief Executive Officer, two employee representatives, one representative of Valoptec Association, three independent members from Essilor International (Compagnie Générale d'Optique)' s Board of Directors before October 1, 2018 and one non independent member from Essilor International SAS Board of Directors (for more information on the independent qualification for the purpose of the Combination Agreement, please refer to the summary on deviations from the recommendations of the AFEP-MEDEF Code); and

(v) **eight members nominated by Delfin,** comprising the EssilorLuxottica Chairman, the Chief Executive Officer, three representatives of Delfin and four independent members appointed by Delfin after consultation with Essilor.

Following the Initial Term, (i) the members of the Board of Directors of EssilorLuxottica will be appointed for a term of office of three years; and (ii) any new member of the Board of Directors of EssilorLuxottica will be proposed for election at EssilorLuxottica's Shareholders'Meeting by the Board of Directors of EssilorLuxottica on the recommendation of the EssilorLuxottica Nominations and Compensation Committee or any EssilorLuxottica shareholder in accordance with applicable law, without any regard to the provenance of the nominees from Luxottica or Essilor.

Please refer to Section 2.1.1.2 for a description of the expected composition of the EssilorLuxottica Board of Directors effective as from the Contribution Completion Date.

2.2.4.5 Powers of the Board of Directors

The Company's current authorization to buy back its own shares excludes any buyback during a public offering on the Company's shares. In addition, the delegations set out above in Section 2.2.3, granted to the Board of Directors, stipulate that they may not be used during public offerings.

2.2.4.6 Control mechanisms provided for by any staff shareholding system, when control rights are not exercised by the latter

Internal shareholders and partners own 4.27% of the share capital and 4.34% of the voting rights. They may exercise voting rights individually, with the possibility of delegating this power to representatives of the Actionnariat EssilorLuxottica FCPE and EssilorLuxottica FCPE; they may also give power to the Chairman of Valoptec Association who will issue a vote in accordance with the vote by the Shareholders'Meeting of Valoptec Association held prior to the Shareholders'Meeting of the Company.

2.2.4.7 Significant agreements that may be amended or ended if the Company has a change in control

- The joint venture contract with Nikon Corporation includes a clause allowing Nikon Corporation, under certain conditions, to purchase the Company's 50% stake in the Nikon-Essilor joint venture or to request the liquidation of the joint venture in the event of a change in the Company's control.
- Certain licensing agreements for the production and distribution of eyewear products include clauses allowing the relevant licensor, under certain conditions, to terminate the respective agreement in the event of a direct or indirect change of Luxottica's control.
- Financing agreements entered into by the Company (or some of its subsidiaries) include acceleration clauses in the event of a change in the Company's control.

To the Company's knowledge, there is no other significant agreement which may, if implemented at a future date, lead to a change in control.

2.3 Compensation of corporate officers

2.3.1 Compensation policy for corporate officers

Pursuant to Articles L.22-10-8 and R.22-10-14 of the French Commercial Code (*Code de commerce*), the compensation policy for EssilorLuxottica corporate officers is presented in this corporate governance report and subject to the approval of the Annual Shareholders'Meeting of May 21, 2021, in the eighth and the ninth resolutions.

Reminder

On October 1, 2018, Delfin S.à.r.l., majority shareholder of Luxottica Group S.p.A., and Essilor announced the combination of Essilor and Luxottica to create EssilorLuxottica. On the same date, Leonardo Del Vecchio became the EssilorLuxottica Executive Chairman and Hubert Sagnières the Executive Vice-Chairman, with equal powers to those of the Executive Chairman.

In May 2019, Leonardo Del Vecchio and Hubert Sagnières delegated the responsibility of developing and implementing the strategy and integration process at EssilorLuxottica to Francesco Milleri and Laurent Vacherot (replaced by Paul du Saillant on March 30, 2020).

On December 17, 2020, the Board of Directors decided to make changes to the Group's governance structure in a manner that strictly respects the principle of equal powers set out in the combination agreement, following Hubert Sagnières'decision to retire. As of the same date, Hubert Sagnières ceased all executive duties within EssilorLuxottica and its subsidiaries, retaining only the role of Vice-Chairman of the Board of Directors, a non-executive position. In order to respect the principle of equal powers set out in the combination agreement, Leonardo Del Vecchio decided to voluntarily step back from his executive duties within EssilorLuxottica, retaining the role of Chairman of the Board of Directors, a non-executive position, since the same date. Leonardo Del Vecchio remains in his role as Executive Chairman of Luxottica Group S.p.A.

The Board of Directors then entrusted Francesco Milleri and Paul du Saillant with executive duties, appointing them as Chief Executive Officer and Deputy Chief Executive Officer of EssilorLuxottica, respectively, until a new Board of Directors is appointed at the Annual Shareholders'Meeting to be held on May 21, 2021. Paul du Saillant also became Chairman of Essilor International SAS.

Accordingly, the Group's governance structure will be divided into two distinct periods in 2021:

- from January 1, 2021 until the Annual Shareholders'Meeting of May 21, 2021, the Company's governance structure will follow the principles set out in the combination agreement, which are summarized below:
  - the Chairman of the Board of Directors (Leonardo Del Vecchio) and the Vice-Chairman of the Board of Directors (Hubert Sagnières) have equal powers,
  - the Chief Executive Officer (Francesco Milleri) and the Deputy Chief Executive Officer (Paul du Saillant) have equal powers,
  - EssilorLuxottica's Board of Directors has sixteen members: eight proposed by Delfin (including the Chairman of the Board and the Chief Executive Officer of EssilorLuxottica) and eight proposed by Essilor (including the Vice-Chairman of the Board and the Deputy Chief Executive Officer);
- from May 21, 2021, the governance structure set out in the combination agreement will no longer be applicable and, subject to the shareholders'approval of the corresponding resolutions, the newly-appointed Board of Directors will appoint a Chairman, Chief Executive Officer and Deputy Chief Executive Officer at its meeting to be held after the Annual Shareholders'Meeting. Subject to the decision of the Board of Directors' meeting to be held just after the Annual Shareholders' Meeting, it is envisaged that Leonardo Del Vecchio, Francesco Milleri and Paul du Saillant will be reappointed as Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer, respectively.

For reasons of clarity and transparency toward the shareholders, two resolutions concerning the 2021 compensation policy for EssilorLuxottica corporate officers will be proposed at the Annual Shareholders'Meeting, covering each of the above-mentioned periods: the eighth resolution for the compensation policy applicable from January 1 until the date of the Annual Shareholders'Meeting and the ninth resolution for the compensation policy applicable as from the Annual Shareholders'Meeting.

In view of the changes to the governance structure as described above, the compensation policy for corporate officers is broken down below, where applicable, with a distinction made between the period from January 1, 2021 until the Annual Shareholders'Meeting (May 21, 2021) and the period after the Annual Shareholders'Meeting.

2.3.1.1 General principles

2.3.1.1.1 Main aims of the policy

EssilorLuxottica, an integrated, world-leading provider of optical services, intends to transform and accelerate its industry in order to meet the growing vision needs of the global population and the aspirations of each consumer.

Inventing solutions that correct, protect and enhance the sight of each consumer requires operational excellence and the relentless commitment of the Group's 140,000 employees.

The compensation policy is a key driver of employee engagement. Compensation must reward performance in relation to the Company's business strategy and should be aligned with the interests of the Company and its shareholders and reflect the Group's long-term development objectives, by:

- promoting the recruitment and long-term retention of the talent required for the Group's growth;
- encouraging and rewarding long-term value creation for all stakeholders;
- developing a culture of sustainable performance, excellence and innovation by setting ambitious long-term objectives that are correlated with EssilorLuxottica's business strategy;
- sharing the shareholder value generated with the widest number of employees through a proactive employee shareholding policy;
- supporting employee well-being thanks to a groundbreaking social well-being policy.

a) For members of the Board of Directors

The aim of the compensation policy for members of the Board of Directors is to set competitive compensation from an international perspective, in order to promote diversity on the Board and the presence of members with a wide range of complementary skills.

It is specified that the Executive Corporate Officers and Directors performing duties within the Group receive compensation for their office as Director or Committee member.

b) For non-executive corporate officers (Chairman and Vice-Chairman of the Board of Directors)

The Chairman of the Board (together with the Vice-Chairman for the period until the Annual Shareholders'Meeting of May 21, 2021) organizes and leads the work and meetings of the Board of Directors and reports thereupon at the Annual Shareholders'Meeting. The Chairman ensures that the Board works efficiently and that the Directors are able to carry out their duties.

The compensation of the Chairman of the Board of Directors is solely composed of a fixed component. This fixed compensation takes into account:

- the responsibilities and duties entrusted to the Chairman, as described in the bylaws and the Board's Internal Rules;
- the Chairman's skills, experience and knowledge of the Group;
- the compensation levels for the same position within companies comparable to EssilorLuxottica.

The Vice-Chairman will not receive any specific compensation for his position as Vice-Chairman.

c) For Executive Corporate Officers (Chief Executive Officer and Deputy Chief Executive Officer)

The compensation policy for Executive Corporate Officers is determined on the basis of the following objectives:

- compensation must be strictly aligned with the performance of EssilorLuxottica, in connection with the Company's business strategy;
- compensation must be considered as a whole: all components (cash compensation, long-term incentive, employee benefits and supplementary pension) and the balance between those components must be taken into account;
- compensation must be competitive with regard to the practices of comparable European and international companies;
- compensation must take account of Group employees'compensation and employment conditions: it must be consistent with that of the other senior executives and employees of EssilorLuxottica in terms of structure and progression;
- compensation must be governed by simple, clear, transparent rules.

2.3.1.1.2 Process used to determine, revise and implement the compensation policy

The compensation policy for corporate officers is set by the Board of Directors on the recommendation of the Nominations and Compensation Committee.

a) For members of the Board of Directors

In accordance with Article 14 of the bylaws, the Annual Shareholders'Meeting determines the total amount allocated to members of the Board of Directors each year as compensation for their duties as Director.

On November 29, 2018, the Board of Directors approved the rules for allocating this total annual amount between the Directors, pursuant to the aforementioned principles. These rules will apply until a further decision is made by the Board of Directors.

b) For non-executive corporate officers (Chairman and Vice-Chairman of the Board of Directors) and Executive Corporate Officers (Chief Executive Officer and Deputy Chief Executive Officer)

Role of the Nominations and Compensation Committee

When drafting the compensation policy for the Company's corporate officers, the Nominations and Compensation Committee considers any changes to be made to the policy in the spirit of continuous improvement.

In order to prepare the compensation policy for the Company's corporate officers, the Nominations and Compensation Committee:

- relies in particular on the AFEP-MEDEF Code, the report of the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*), and the AMF report on corporate governance and executive compensation at listed companies;
- analyzes the applicable governance rules and reviews any changes that have occurred or that are planned;
- takes note of the expectations expressed by all stakeholders (investors and proxy advisors, notably through reports drawn up in conjunction with governance roadshows);
- analyzes the approval rates for resolutions on compensation for the Company's corporate officers.

The Committee also carefully considers the compensation and employment conditions for the Group's employees with a view to ensuring consistency and fairness between employees and corporate officers. For this reason, the Committee devoted an entire meeting to harmonizing compensation between the two companies (Essilor International SAS and Luxottica Group S.p.A.). An independent consulting firm, Willis Towers Watson, took part in the meeting to present an overview of their study of the compensation awarded to people in the 150 most senior roles within each company. The Committee was therefore able to recommend a unified system for setting annual variable compensation in 2021.

The Committee also monitored the salary review process for EssilorLuxottica Key Executives and was kept informed about the deployment of the Boost 2020 global employee shareholding operation, through which more than 49,000 employees were able to invest in their company. The Committee welcomed the global 62% subscription rate, which is an even greater achievement given the current unprecedented COVID-19 health crisis.

In light of this information, which is gathered and reviewed throughout the year, at the start of the year the Nominations and Compensation Committee examines the non-executive corporate officers'fixed compensation, the Executive Corporate Officers'compensation structure, the balance between the various compensation components, the competitiveness of the compensation, and the practices of comparable companies, and suggests any changes it feels are appropriate.

In particular, the Nominations and Compensation Committee determines the various components of the compensation policy with regard to the following principles:

- **Fixed compensation**

  Fixed compensation must help attract talented individuals from within EssilorLuxottica, or from outside the Group if necessary, to the most senior management positions. Any changes to fixed compensation must be substantiated, mainly in terms of the change in responsibilities and positioning relative to the market.

- **Annual variable compensation**

  Annual variable compensation must be linked to the achievement of strategic financial and non-financial objectives for the year to come. The structure of the variable component and the nature of the objectives are established at the start of each fiscal year.

  The objectives must be demanding but remain achievable and be selected from those that allow the best possible implementation of EssilorLuxottica's strategy.

  The annual variable component must be based predominantly on quantifiable indicators (financial and non-financial). The weighting of each indicator is reviewed annually according to the fiscal year's priorities.

  As sustainable development is at the heart of EssilorLuxottica's operations, the annual variable compensation must include an objective in this respect. Sustainable development includes environmentally responsible practices, charitable initiatives and employee shareholding.

  The Nominations and Compensation Committee assesses whether said objectives have been achieved at the start of the following fiscal year (February/March). The financial objectives are assessed on the basis of information provided by the Audit and Risk Committee.

  The variable component for year Y is payable during year Y+1 once it has been approved by a vote taken at the Shareholders'Meeting.

- **Long-term incentive**

  Long-term incentive plans are designed to encourage the creation of lasting value for shareholders and to align the interests of the Executive Corporate Officers with those of shareholders.

  Long-term incentive plans take the form of performance share awards pursuant to Articles L.225-197-1 *et seq.* of the French Commercial Code and the authorizations approved by the Shareholders'Meeting.

  On the basis of ambitious objectives, the Nominations and Compensation Committee suggests the performance criteria that will determine the number of performance shares awarded within the Group and any additional performance criteria specific to Executive Corporate Officers.

  The Nominations and Compensation Committee suggests the number of performance shares to award to Executive Corporate Officers. Share awards are made during the same calendar periods (September/October). In exceptional circumstances, the Board of Directors may, on the recommendation of the Nominations and Compensation Committee, revise the award schedule. In this case, these changes are made public after the Board of Directors' meeting that approved them and are disclosed in the summary table of the AFEP-MEDEF recommendations not applied (see Section 2.4).

Role of the Board of Directors

On the basis of the work and the recommendations of the Nominations and Compensation Committee, the Board of Directors:

- defines the compensation policy for corporate officers for the year in progress;
- approves the Executive Corporate Officers'annual variable compensation for the previous year after assessing their performance;
- defines the employee shareholding policy for the year in progress;
- approves the terms and conditions of the long-term incentive plans, records the performance levels achieved with respect to plans that have expired and awards performance shares with respect to the year in progress.

All decisions taken by the Board of Directors concerning the compensation of Executive Corporate Officers must be published on the Company's website.

The decision-making process used to determine the compensation policy is also applicable in the event of any revisions of this policy.

2.3.1.1.3 Managing conflicts of interest

In order to prevent conflicts of interest, the corporate officers do not attend Nominations and Compensation Committee meetings that pertain to them personally and do not take part or vote in deliberations of the Board of Directors concerning their compensation and benefits in kind.

Pursuant to the Board of Directors'Internal Rules of procedure and the Directors'Charter (see Section 2.1.2.1), the Directors are required to notify the Board of Directors of any conflicts of interest or potential conflicts of interest in accordance with the rules set out in the Board of Directors'Internal Rules of procedure, an excerpt of which is presented in Section 2.1.1.4.

2.3.1.2 Criteria for determining, allocating and awarding the components of corporate officers'compensation

Pursuant to the aforementioned principles, the criteria for determining, allocating and awarding the components of EssilorLuxottica corporate officers'compensation are described below.

2.3.1.2.1 Members of the Board of Directors of EssilorLuxottica

Directors'compensation includes a fixed component and a predominant variable component, which take into account (i) the type of offices held on the Board of Directors and its Committees and (ii) the actual presence of the members at Board and Committee meetings.

a) For the period from January 1, 2021 until the Annual Shareholders'Meeting (May 21, 2021)

The total annual maximum amount approved by the Combined Shareholders'Meeting of November 29, 2018 was €2,000,000.

The compensation policy for the members of the Board of Directors is unchanged from 2020.

In accordance with the Board of Directors'Internal Rules of procedure, Directors who attend meetings by videoconferencing or other telecommunication means do not receive any compensation for the meetings concerned, unless otherwise decided by the Chairman of the Board and Vice-Chairman of the Board. This policy encourages Directors to be physically present at meetings, thus ensuring that they have fully grasped the issues facing the Company and that discussions are effective, in the interests of the Company.

Consequently, for the period from January 1, 2021 to May 21, 2021, a maximum amount of €779,570 (or €2,000,000 on a full-year basis, approved by the Combined Shareholders'Meeting of November 29, 2018) will be awarded and allocated by the Board of Directors among the various members, giving priority to the variable component in accordance with the AFEP-MEDEF Code recommendations, based on the type of offices held on the Board and its Committees and the actual presence of the members at Board and Committee meetings, as follows:

Compensation*	Fixed component (full year basis)	Variable component (full-year basis) based on attendance
All Board of Directors'members	€40,000	€60,000
Chairman of the Audit and Risk Committee	€20,000	€15,000
Member of the Audit and Risk Committee	€10,000	€15,000
Chairman of the Nominations and Compensation Committee	€15,000	€15,000
Member of the Nominations and Compensation Committee	€5,000	€15,000
Chairman of the CSR Committee	€15,000	€10,000
Member of the CSR Committee	€5,000	€10,000
Chairman of the Strategy Committee	€15,000	€10,000
Member of the Strategy Committee	€5,000	€10,000
Guest of the Strategy Committee	No fees	€5,000

* Only compensation granted for the role of member of the Board of Directors of EssilorLuxottica is described above.

The amounts shown above are determined on a full-year basis. The amounts paid for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting will be calculated pro rata.

Pursuant to Article 6 of the Board of Directors'Internal Rules of procedure, the Directors may seek reimbursement of the reasonable costs required to exercise their corporate office, on presentation of supporting documents and under the Group's standard travel conditions set out in the Director expenses policy.

Directors'terms of office

The terms of office of serving Directors will expire on the date of the Annual Shareholders'Meeting to be held on May 21, 2021 to approve the financial statements for the year ended December 31, 2020, except the terms of office of the two directors representing employees that will expire on September 20, 2021.

This applies solely to the duration of the terms of office of Board members in their capacity as Directors of EssilorLuxottica. Any offices, employment contracts or service agreements signed between the Directors and the different Group subsidiaries are described in Section 2.1.1.4.

b) For the period after the Annual Shareholders'Meeting (May 21, 2021)

For the period after the Annual Shareholders'Meeting, the total annual maximum amount of €2,000,000 approved by the Combined Shareholders'Meeting of November 29, 2018 will remain unchanged until a further decision is made by the Board of Directors.

Consequently, for the period after May 21, 2021, a maximum amount of €1,220,430 (or €2,000,000 on a full-year basis) will be awarded and allocated by the Board of Directors among the various members, giving priority to the variable component in accordance with the AFEP-MEDEF Code recommendations, based on the type of offices held on the Board and its Committees and the actual presence of the members at Board and Committee meetings, as follows:

Compensation*	Fixed component (full year basis)	Variable component (full-year basis) based on attendance
All Board of Directors'members	€40,000	€60,000
Chairman of the Audit and Risk Committee	€20,000	€15,000
Member of the Audit and Risk Committee	€10,000	€15,000
Chairman of the Nominations and Compensation Committee	€15,000	€15,000
Member of the Nominations and Compensation Committee	€5,000	€15,000
Chairman of the CSR Committee	€15,000	€10,000
Member of the CSR Committee	€5,000	€10,000
Chairman of the Strategy Committee	€15,000	€10,000
Member of the Strategy Committee	€5,000	€10,000
Guest of the Strategy Committee	No fees	€5,000

* Only compensation granted for the role of member of the Board of Directors of EssilorLuxottica is described above.

The amounts shown above are determined on a full-year basis. The amounts paid for the period after the Annual Shareholders'Meeting will be calculated pro rata.

Pursuant to Article 6 of the Board of Directors'Internal Rules of procedure, the Directors may seek reimbursement of the reasonable costs required to exercise their corporate office, on presentation of supporting documents and under the Group's standard travel conditions set out in the Director expenses policy.

In accordance with the Board of Directors'Internal Rules of procedure, Directors who attend meetings by videoconferencing or other telecommunication means do not receive any compensation for the meetings concerned, unless otherwise decided by the Chairman of the Board. This policy encourages Directors to be physically present at meetings, thus ensuring that they have fully grasped the issues facing the Company and that discussions are effective, in the interests of the Company.

2.3.1.2.2 Chairman and Vice-Chairman of the Board of Directors

In accordance with the recommendations of the AFEP-MEDEF Code, the compensation of the Chairman of the Board of Directors is composed solely of a fixed component. The Chairman of the Board of Directors does not receive any variable compensation (annual variable compensation or long-term incentive), supplementary pension, death/disability, health insurance or post-termination benefits (termination benefits, non-compete payment).

Accordingly and on the recommendation of the Nominations and Compensation Committee, the Board of Directors decided to set the fixed annual compensation of the Chairman, subject to approval by the Annual Shareholders'Meeting, as follows:

- for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting: €500,000, payable after and subject to approval by the Annual Shareholders'Meeting on a pro rata basis with retroactive effect from January 1, 2021;
- for the period after the Annual Shareholders'Meeting: €500,000, payable monthly on a pro rata basis.

This compensation constitutes the entire compensation to be paid to him by EssilorLuxottica or one of its subsidiaries.

When reaching its decision, the Board of Directors took into account the specific role that the Chairman of the Board of Directors will play in the management succession process. The Board of Directors decided to ramp up the Chairman's role in order to enhance dialog between the Chief Executive Officer and the Chairman and give him the opportunity to provide insight in areas of strategic importance for the Company, promote the Group's culture and values and simplify the management team transition. Accordingly, the Chairman of the Board of Directors may, at the request of the Chief Executive Officer, represent the Company in high-level, national and international dealings with public authorities, suppliers, customers and other stakeholders. He may also, without prejudice to the prerogatives of the Board of Directors and its committees, be regularly consulted by the Chief Executive Officer on all significant events concerning the Company's strategy in accordance with the guidelines set by the Board of Directors, external growth projects, major financial transactions, and the appointment of the Company's key officers. For all of these specific assignments, the Chairman will work closely with the Chief Executive Officer, who is responsible for the leadership and operational management of EssilorLuxottica.

The Chairman of the Board of Directors is eligible for compensation for his position as Director, as set out in Section 2.3.1.2.1.

The Vice-Chairman is not eligible for any compensation other than that for his position as Director, as set out in Section 2.3.1.2.1. He does not receive any supplementary pension, death/disability, health insurance or post-termination benefits (termination benefits, non-compete payment) for his duties as Vice-Chairman.

2.3.1.2.3 Chief Executive Officer and Deputy Chief Executive Officer

The Nominations and Compensation Committee noted that the shareholders had welcomed the improvements made to the compensation policy in 2020, as shown by the sharp increase in the policy's approval rate (from 67% in 2019 to 95% in 2020).

The Committee nevertheless analyzed the reasons why certain shareholders voted against the resolutions on the compensation paid or awarded to the Executive Corporate Officers for 2019 (approval rate of approximately 85%). It turned out that their main concern regarding these resolutions related to the possibility to retest performance for the purposes of the long-term incentive plans. As the compensation policy proposed in 2020 had already removed the possibility of retesting, the Committee thought it had addressed this concern.

The Nominations and Compensation Committee recommended that the Board of Directors confirm the decisions taken in 2020 for the fiscal year 2021, i.e.:

- presence of a "clawback" clause relating to annual variable compensation;
- presence of a performance condition in connection with the Group's sustainable development targets;
- for the long-term incentive plans: removal of retesting, presence of a relative performance condition (comparison with the EuroStoxx 50 index) and a more demanding vesting scale for performance shares;
- removal of the possibility to pay Executive Corporate Officers exceptional bonuses.

Benchmarking

The Nominations and Compensation Committee uses independent specialist firms to measure the competitiveness of its compensation for Executive Corporate Officers.

Their surveys provide the Nominations and Compensation Committee with external insight into the competitive positioning of the compensation paid to the Executive Corporate Officers and market trends. They are one of the elements used to determine their compensation.

The panel used in 2020 was similar to those used in previous years and comprises multinational companies comparable to EssilorLuxottica in terms of:

- size (revenue, workforce, market capitalization);
- business sector (fast moving consumer goods, luxury goods, retail and healthcare).

The panel comprises 23 companies, of which 19 are European and four American.
The composition and characteristics of the 2020 panel are as follows:

	Business sector
EUROPE	
ADIDAS	Retail
ASSOCIATED BRITISH FOODS	FMCG
ASTRAZENECA	Healthcare
BARRY CALLEBAULT	FMCG
DANONE	FMCG
DIAGEO	FMCG
FRESENIUS MEDICAL CARE	Healthcare
HEINEKEN	FMCG
HENKEL	FMCG
H&M	Retail
INDITEX	Retail
KERING	Luxury
MERCK	Healthcare
NOVO NORDISK	Healthcare
PERNOD RICARD	FMCG
PHILIPS	Healthcare
RECKITT BENCKISER	FMCG
RICHEMONT	Luxury
SANOFI	Healthcare
UNITED STATES	
COLGATE PALMOLIVE	FMCG
ESTÉE LAUDER	Luxury
MONDELEZ INTERNATIONAL	FMCG
STARBUCKS	Retail

Median	Panel	EssilorLuxottica
Revenue	€18 billion	€17 billion
Market cap.	€54 billion	€53 billion
Number of employees	60,000	140,000

The compensation levels for the role of Chief Executive Officer are shown below:

	1st quartile	Median	3rd quartile
Fixed compensation	€1,100,000	€1,270,000	€1,475,000
Cash compensation (fixed + target bonus)	€2,640,000	€2,945,000	€3,735,000
Total compensation (fixed + target bonus + long-term incentive valued with IFRS)	€4,885,000	€6,100,000	€8,515,000

a) Compensation components for the period from January 1, 2021 until the Annual Shareholders'Meeting (May 21, 2021)

For the period from January 1, 2021 to the date of the Annual Shareholders'Meeting, the compensation policy for Executive Corporate Officers is determined with regard to the specific situation of EssilorLuxottica, which has been led since December 17, 2020 by a Chief Executive Officer and a Deputy Chief Executive Officer with equal powers, in accordance with the principles set out in the combination agreement applicable until the Annual Shareholders'Meeting of May 21, 2021.

Summary of the compensation policy for Executive Corporate Officers

At its meeting on January 28, 2021, on the recommendation of the Nominations and Compensation Committee, the Board of Directors set the following compensation for Francesco Milleri and Paul du Saillant for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting:

- fixed annual gross compensation of €1,250,000;
- target annual variable compensation equal to 100% of fixed compensation;
- maximum annual variable compensation equal to 200% of fixed compensation;
- no performance shares awarded for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting.

The compensation presented above for Francesco Milleri and Paul du Saillant constitutes the entire compensation paid to them by EssilorLuxottica or one of its subsidiaries, including under any employment contract.

The compensation policy for Executive Corporate Officers provides for the possibility to award performance shares. In accordance with the recommendations of the AFEP-MEDEF Code, these awards are made at the same calendar periods, between September and October. Consequently, no performance shares will be awarded between January 1, 2021 and the Annual Shareholders'Meeting.

Fixed annual compensation

Fixed compensation reflects the incumbent's level of responsibility, performance and development in the position. It must be consistent with market practices.

The fixed annual gross compensation (full-year basis) of Francesco Milleri and Paul du Saillant for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting amounts to €1,250,000 and will be paid on a pro rata basis.

This amount was set by the Board of Directors taking into account the fixed compensation paid to Francesco Milleri and Paul du Saillant in respect of the management positions they held respectively at Luxottica Group S.p.A. and Essilor International SAS, and the delegation of powers relating to the operational management of EssilorLuxottica that had been granted to them in order to accelerate the simplification of the Group. Prior to their appointment as Executive Corporate Officers of EssilorLuxottica, Francesco Milleri received a fixed compensation of €1,200,000 and Paul du Saillant received a fixed compensation of €1,250,000.

In the context of the change in governance decided in December 2020, pursuant to which Francesco Milleri and Paul du Saillant were appointed Chief Executive Officer and Deputy Chief Executive Officer, respectively, it is therefore proposed to the Shareholders' Meeting that they retain a level of compensation equivalent to that from which they benefited, while aligning the amount of the fixed compensation received by Francesco Milleri to take into account the principle of equal of powers that applies until the end of the Initial Period.

Until the Annual Shareholders'Meeting, the amounts actually paid to Francesco Milleri and Paul du Saillant will be strictly in line with the compensation policy approved in 2020. Consequently, until the Annual Shareholders'Meeting, Francesco Milleri and Paul du Saillant will receive fixed monthly gross compensation corresponding to fixed annual gross compensation of €1,000,000. Subject to the shareholders'approval of the 2021 compensation policy, an additional payment will be made after the Annual Shareholders'Meeting, to reach the gross annual amount of €1,250,000 for the reference period which runs from January 1, 2021 to the date of the Annual Shareholders'Meeting.

Annual variable compensation

Payment of the annual variable compensation is subject to the achievement of specific objectives, in line with the Group's strategy.

Target: The annual variable component is equal to 100% of the fixed compensation if targets are achieved in full.

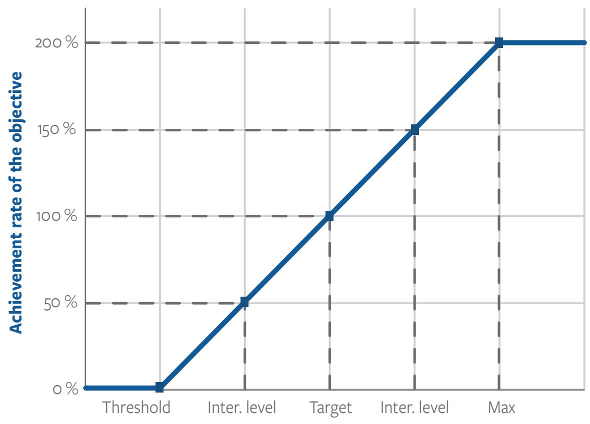
Ceiling: The annual variable component payable may not exceed 200% of the fixed compensation.

The annual variable compensation due for 2021 will be paid in 2022, subject to approval by shareholders at the Annual Shareholders'Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021.

The annual variable compensation for 2021 is based on four criteria:

Objectives	Rationale/Link with strategy	Weighting	Nature of objective
Growth in restated net EPS (earnings per share)	This indicator reflects the Company's overall performance and value created for the shareholders.	50%	Quantifiable financial
Growth in revenue (at constant exchange rates, excluding strategic acquisitions)	EssilorLuxottica has devised a growth strategy to meet the needs of billions of consumers seeking to both improve their vision and express their style. This strategy aims to contribute to the transformation and accelerated development of the eyecare industry.	20%	Quantifiable financial
Unlocking of synergies	In 2019, EssilorLuxottica deployed a structured process to complete its integration project and unlock synergies over the 2019-2023 period.	20%	Quantifiable financial
Corporate Social Responsibility	This indicator reflects the fight against climate change (reduction in greenhouse gas emissions)	10%	Quantifiable non-financial

For each objective, an assessment scale has been devised, as follows (by way of illustration, curve not necessarily linear):



Calibration of the objective

The level of performance required to achieve these objectives has been established in a precise, demanding and rigorous manner but cannot be disclosed for confidentiality reasons. For the financial objectives, the target corresponds to the budget approved by the Board of Directors at the beginning of the year.

The calculation method and the definition of the assessment scale are reviewed by the Board of Directors at the beginning of the year. They may change from one year to the next to take into account the priorities and specific focuses of the coming year.

To assess the achievement of quantifiable objectives, indicators are calculated by neutralizing factors beyond the Executive Corporate Officer's control (such as exchange rate fluctuations).

The Board of Directors will have discretionary powers to adapt and/or modify the calculation grid, upwards or downwards, on the recommendation of the Nominations and Compensation Committee, in the event of exceptional, external circumstances that could not have been anticipated at the date on which the objectives were set. The Board will ensure that any adaptations or modifications that are made remain aligned with the general principles described in Section 2.3.1.1. Any such adaptations may not, under any circumstances, lead to a modification in the respective weighting of each objective, or an increase in the ceiling represented by the variable annual compensation compared to the fixed compensation. If it uses its discretionary powers, the Board of Directors will provide a detailed explanation of the adjustments or changes made.

Clawback clause

The Board of Directors has introduced a clawback clause providing for the return of all or part of the annual variable compensation paid to the Executive Corporate Officers in exceptional and serious circumstances. Consequently, if during the five years following the payment of the annual variable compensation it turns out that:

- the financial, accounting or quantitative data used to measure performance has been clearly and intentionally misstated; or
- the Executive Corporate Officer has been guilty of gross negligence or willful misconduct,

the Board of Directors may ask the Executive Corporate Officer to return all or part of the variable compensation paid.

Long-term incentive

No long-term incentive compensation will be awarded to Francesco Milleri and Paul du Saillant for the period from January 1, 2021 to the date of the Annual Shareholders'Meeting.

Supplementary defined benefit pension plan

Francesco Milleri is not eligible for this plan.

Paul du Saillant is eligible for the plan under the same conditions as those that apply for beneficiaries that are not Executive Corporate Officers. Pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019 implementing certain provisions of this law, the supplementary defined benefit pension plan has been closed and the amount of the beneficiaries'pension will be calculated taking into account their length of service at December 31, 2019 (*i.e.*, 11 years and two months for Paul du Saillant). Paul du Saillant has not accrued any additional rights since that date.

The supplementary defined benefit pension plan was designed to reward the loyalty of executives who have spent a significant portion of their careers with the EssilorLuxottica group by entitling them to a pension in line with market practices.

The supplementary pension plan was built around the following principles:

- a minimum length of service condition of ten years with the EssilorLuxottica group must be met in order to benefit from the plan;
- potential beneficiaries must end their careers working with the EssilorLuxottica group;
- the pension benefit is proportional to the length of service with the EssilorLuxottica group;
- the reference compensation on which the calculation of the final pension is based is calculated according to the gross compensation (annual fixed + annual variable component) paid over the last three years;
- the potential annual entitlement is below the statutory maximum of 3% and is subject to performance conditions;
- the final pension benefit is capped.

Employment contract and severance payment

When an employee is promoted to an Executive Corporate Officer position, the Board of Directors may, in light of the employee's specific situation, and in particular his or her seniority, ask for the employment contract to be terminated without compensation or provide for the maintaining of the employment contract (suspended as the case may be). This allows avoiding to ask for the resignation of an employee or to initiate a procedure for an amicable termination with respect to an employee who has successfully worked for the EssilorLuxottica Group.

As from the Annual Shareholders' Meeting of May 21, 2021, any employee who is promoted to Chief Executive Officer will have to terminate their employment contract. The Deputy Chief Executive Officer will be permitted to maintain an employment contract.

Francesco Milleri is hired under a permanent employment contract. He started his functions with Luxottica Group S.p.A. in March 2016. In accordance with the AFEP-MEDEF Code, which recommends that a Chief Executive Officer's employment contract is terminated when he/she becomes a corporate officer, Francesco Milleri will terminate his employment contract when he is appointed as Chief Executive Officer by the Board of Directors' meeting to be held after the Annual Shareholders' Meeting on May 21, 2021.

Paul du Saillant has been employed under a permanent employment contract with Essilor International SAS since November 1, 2008, which was suspended on March 30, 2020. He will maintain his suspended employment contract when he is appointed as Deputy Chief Executive Officer.

Under their respective employment contracts, Francesco Milleri and Paul du Saillant are eligible for a severance payment which amounts to:

- €3,000,000 for Francesco Milleri;
- two years of cash compensation for Paul du Saillant.

These commitments will be canceled as regards Francesco Milleri (when his employment contract is terminated), and amended as regards the suspended employment contract of Paul du Saillant to be replaced by the measures described in section b) Compensation components for the period after the Annual Shareholders'Meeting, paragraph *Employment contract and severance payment* once the new governance structure has been put in place after the Annual Shareholders' Meeting.

Non-compete payment

Under their respective employment contracts, Francesco Milleri and Paul du Saillant are eligible for a non-compete payment for respecting a non-compete obligation of 12 to 24 months from the termination date of their employment contract.

The non-compete payment will be paid in installments over the period of application of the clause in an amount of €500,000 for Francesco Milleri and in an amount equal to 60% of his gross compensation (fixed + variable) for Paul du Saillant.

These commitments will be canceled as regards Francesco Milleri (when his employment contract is terminated), and amended as regards the suspended employment contract of Paul du Saillant to be replaced by the measures described in section b) Compensation components for the period after the Annual Shareholders'Meeting, paragraph *Employment contract and severance payment* once the new governance structure has been put in place after the Annual Shareholders' Meeting.

Group plans and benefits in kind

Francesco Milleri and Paul du Saillant are eligible for the same death/disability, health insurance and defined contribution pension plans in force within EssilorLuxottica group as managers and executives.

The defined contribution pension plan is based on a flat employer contribution rate, currently set at 1% of gross compensation paid over the year.

Francesco Milleri and Paul du Saillant are eligible for a company car, in accordance with EssilorLuxottica's internal rules.

Compensation policy for Executive Corporate Officers appointed before the Annual Shareholders'Meeting of May 21, 2021

Developing an effective long-term strategy means not only having a thorough knowledge of the market, customers, competitors and technologies, but also of EssilorLuxottica's culture. For that reason, EssilorLuxottica prioritizes internal talent development as much as possible. However, the ability to attract talented individuals from all over the world is also a key driver of EssilorLuxottica's future success.

The principles and criteria of the compensation policy will apply, where appropriate, to any successor to the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the Chief Executive Officer or the Deputy Chief Executive Officer, until the Annual Shareholders'Meeting of May 21, 2021. Similarly, these principles and criteria will apply, where appropriate, to any additional Executive Corporate Officer appointed before May 21, 2021.

Based on the recommendation of the Nominations and Compensation Committee, the Board of Directors would adapt these principles and criteria of the compensation policy to the specific situation of the appointed Executive Corporate Officer (fixed compensation, amount and targets underlying the variable compensation, etc.).

In each of these situations, the total compensation offered to hire an Executive Corporate Officer from a company outside the Group should correspond to the "fair market price" in consideration of the position and the candidate's profile. This compensation would be in accordance with the general principles set out above (section 2.3.1.1) and would be calculated taking into account, where applicable, any difference in the level of responsibility and in line with previous practices within the Company. The various compensation components of the Executive Corporate Officer may not exceed the framework set out in the compensation policy.

For the purpose of recruiting the Executive Corporate Officer, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, reserves the right to compensate them for items of compensation or benefits which they enjoyed in their previous position. This compensation may take the form of a sign-on premium and/or a one-off performance share award.

In any event:

- the effective payment of a sign-on premium may only take place following approval by the Shareholders'Meeting;
- the aggregate amount of the sign-on premium and, if applicable, the one-off performance share award would be equivalent to no more than the amount of compensation lost by the candidate, and would be duly communicated by the Company along with an explanation of the amount.

For Executive Corporate Officers appointed during the year, annual variable compensation objectives may be set during the year given the exceptional circumstances. In such cases, the variable component of their compensation will be calculated on a pro rata basis.

b) Compensation components for the period after the Annual Shareholders'Meeting (May 21, 2021)

For the period after the Annual Shareholders'Meeting, from which date the principles set out in the combination agreement will no longer apply, the compensation policy for Executive Corporate Officers is determined based on the Company's governance structure, which will comprise a Chief Executive Officer assisted by a Deputy Chief Executive Officer.

The compensation presented below for the Chief Executive Officer and the Deputy Chief Executive Officer constitutes the entire compensation that will be paid to them by EssilorLuxottica or one of its subsidiaries.

Fixed annual compensation

Fixed compensation reflects the incumbent's level of responsibility, performance and development in the position. It must be consistent with market practices.

The Board of Directors decided to adapt the fixed compensation amount to reflect the new governance structure that will be implemented after the Annual Shareholders'Meeting.

This compensation was set in keeping with the practices of companies with a similar size and activity to EssilorLuxottica (see Section 2.3.1.2.3, paragraph *Benchmarking* for the panel used) in order to ensure that the Executive Corporate Officers' compensation was appropriate in terms of their experience and the size of the Group, and competitive compared with the compensation proposed by comparable companies. In particular, the Board of Directors considered that the quality of the management team and its commitment to the Company's development were key factors in ensuring the Group's transition and success.

The fixed annual gross compensation (full-year basis) for the period after the Annual Shareholders'Meeting will represent:

- Francesco Milleri, Chief Executive Officer, €1,500,000;
- Paul du Saillant, Deputy Chief Executive Officer, €1,250,000;

This compensation will be paid monthly on a pro rata basis.

Annual variable compensation

Payment of the annual variable compensation is subject to the achievement of specific objectives, in line with the Group's strategy.

Target: The annual variable component is equal to 100% of the fixed compensation if targets are achieved in full.

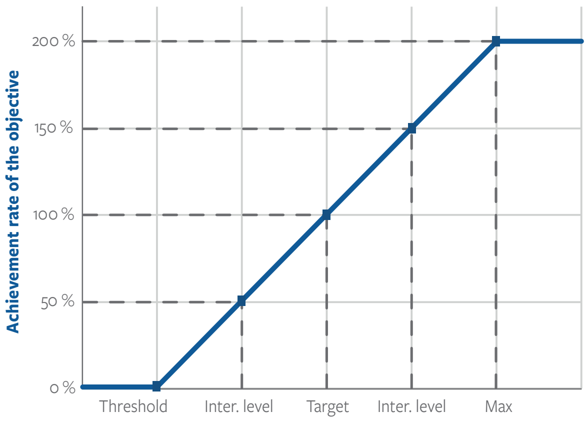
Ceiling: The annual variable component payable may not exceed 200% of the fixed compensation.

The annual variable compensation due for 2021 will be paid in 2022, subject to approval by shareholders at the Annual Shareholders'Meeting to be held in 2022 to approve the financial statements for the year ending December 31, 2021.

The annual variable compensation for 2021 is based on four criteria:

Objectives	Rationale/Link with strategy	Weighting	Nature of objective
Growth in restated net EPS (earnings per share)	This indicator reflects the Company's overall performance and the value created for the shareholders.	50%	Quantifiable financial
Growth in revenue (at constant exchange rates, excluding strategic acquisitions)	EssilorLuxottica has devised a growth strategy to meet the needs of billions of consumers seeking to both improve their vision and express their style. This strategy aims to contribute to the transformation and accelerated development of the eyecare industry.	20%	Quantifiable financial
Unlocking of synergies	In 2019, EssilorLuxottica deployed a structured process to complete its integration project and unlock synergies over the 2019-2023 period.	20%	Quantifiable financial
Corporate social responsibility	This indicator reflects the fight against climate change (reduction in greenhouse gas emissions)	10%	Quantifiable non-financial

For each objective, an assessment scale has been devised, as follows (by way of illustration, curve not necessarily linear):



Calibration of the objective

The level of performance required to achieve these objectives has been established in a precise, demanding and rigorous manner but cannot be disclosed for confidentiality reasons. For the financial objectives, the target corresponds to the budget approved by the Board of Directors at the beginning of the year.

The calculation method and the definition of the assessment scale are reviewed by the Board of Directors at the beginning of the year. They may change from one year to the next to take into account the priorities and specific focuses of the coming year.

To assess the achievement of quantifiable objectives, indicators are calculated by neutralizing factors beyond the Executive Corporate Officer's control (such as exchange rate fluctuations).

The Board of Directors will have discretionary powers to adapt and/or modify the calculation grid, upwards or downwards, on the recommendation of the Nominations and Compensation Committee, in the event of exceptional, external circumstances that could not have been anticipated at the date on which the objectives were set. The Board will ensure that any adaptations or modifications that are made remain aligned with the general principles described in Section 2.3.1.1. Any such adaptations may not, under any circumstances, lead to a modification in the respective weighting of each objective, or an increase in the ceiling represented by the variable annual compensation compared to the fixed compensation. If it uses its discretionary powers, the Board of Directors will provide a detailed explanation of the adjustments or changes made.

Clawback clause

The Board of Directors has introduced a clawback clause providing for the return of all or part of the annual variable compensation paid to the Executive Corporate Officers in exceptional and serious circumstances. Consequently, if during the five years following the payment of the annual variable compensation it turns out that:

- the financial, accounting or quantitative data used to measure performance has been clearly and intentionally misstated; or
- the Executive Corporate Officer has been guilty of gross negligence or willful misconduct;

the Board of Directors may ask the Executive Corporate Officer to return all or part of the variable compensation paid.

Long-term incentive

Performance shares mean that a predominant portion of Executive Corporate Officers'compensation is subject to the achievement of the Group's long-term performance objectives.

The Board of Directors approved, on the recommendation of the Nominations and Compensation Committee, an award in October 2021 of:

- 50,000 performance shares to the Chief Executive Officer;
- 35,000 performance shares to the Deputy Chief Executive Officer.

Performance conditions

The vesting of performance shares is wholly subject to the achievement of two performance conditions, each measured over a period of three years.

Objectives	Rationale
Main criterion: annualized growth in the share price	EssilorLuxottica's growth strategy must create shareholder value in the medium to long term. Performance shares must therefore vest in direct proportion to the growth in the share price and the gain that this represents for shareholders.
Penalty in the event of underperformance compared with the EuroStoxx 50 index	If the EssilorLuxottica share under performs the EuroStoxx 50 index, a penalty is applied with respect to the number of shares that actually vest.

The assessment scales are set out in the following table:

	Number of shares vested *(as a % of initial grant)*	
Annualized growth in the EssilorLuxottica share price*	**If the EssilorLuxottica share outperforms the EuroStoxx 50 index**	**If the EssilorLuxottica share underperforms the EuroStoxx 50 index**
<2% per year (*i.e.* <6.1% after three years**)	0%	0%
between 2% and 3% per year (*i.e.* between 6.1% and 9.3% after three years)	50%	
between 3% and 4% per year (*i.e.* between 9.3% and 12.5% after three years)	60%	
between 4% and 5% per year (*i.e.* between 12.5% and 15.8% after three years)	70%	50%
between 5% and 6% per year (*i.e.* between 15.8% and 19.1% after three years)	80%	
between 6% and 7% per year (*i.e.* between 19.1% and 22.5% after three years)	90%	
>=7% per year (i.e. >=22.5% after three years)	100%	

* Annualized growth in relation to the Initial Reference Share Price. The Initial Reference Share Price corresponds to the average of the 20 opening prices of the EssilorLuxottica share preceding the award date.

** Growth as an absolute value (and not annualized) in relation to the Initial Reference Share Price.

Both performance conditions contribute directly to the compensation policy objectives described in Section 2.3.1.1.1, as they are both linked to the creation of shareholder value:

- the annualized growth in the EssilorLuxottica share price reflects the gains realized by shareholders and investors during the performance measurement period;
- the penalty in the event of under-performance in relation to the EuroStoxx 50 index reflects, if applicable, the insufficient returns obtained by shareholders and investors who chose to invest in EssilorLuxottica at the start of the performance measurement period, compared to the returns they would have obtained by investing in a basket of EuroStoxx 50 shares.

The annual variable compensation and the long-term incentive are based on complementary performance criteria, making it possible to assess the Group's performance from different perspectives.

Employment condition

In order to vest, the shares will be subject to a three-year employment condition as from the award date.

In the event of retirement, disability or death during the vesting period of the performance shares, this employment condition will be deemed satisfied.

In the event of non-renewal of office for a reason other than misconduct during the vesting period of the performance shares, the Board of Directors may decide that the employment condition will be deemed satisfied, and provides a valid reason for its decision. The Board of Directors' decision is announced at the time of departure.

Award limits

For Executive Corporate Officers, the following award limits apply:

- performance share awards valued in accordance with IFRS as applied for the preparation of the consolidated financial statements, may not represent more than 60% of total target compensation (corresponding to the sum of fixed annual compensation, the target annual variable component and the long-term incentive valued in accordance with IFRS);
- an Executive Corporate Officer may not receive an award exceeding 3.5% of the total stock options and performance shares granted each year.

Mandatory shareholding policy and rules applicable to Executive Corporate Officers

The Executive Corporate Officers must hold the equivalent of at least 400% of their fixed annual compensation in EssilorLuxottica shares. Once they are appointed, they must acquire these shares within five years.

Executive Corporate Officers are also required to keep one-third of their vested performance shares throughout their term of office. This requirement to hold shares no longer applies when Executive Corporate Officers hold a number of EssilorLuxottica shares representing an amount equivalent to 400% of their fixed annual compensation. The fixed compensation used is that for the year during which an Executive Corporate Officer intends to sell performance shares.

In accordance with the AFEP-MEDEF Code, the Executive Corporate Officers have pledged, until the expiration of their term of office, not to use any hedging strategies to manage the risk related to the shares awarded under long-term incentive plans.

Pursuant to the Directors'Charter, the Executive Corporate Officers are required, inter alia, to refrain from trading in EssilorLuxottica securities during:

- the period prior to the publication of any inside information of which they are aware;
- the 30 calendar days preceding the publication of the annual consolidated financial statements, half-yearly consolidated financial statements and, where applicable, quarterly consolidated financial statements, and the 15 calendar days preceding the publication of quarterly financial information. The Executive Corporate Officers are permitted to trade in EssilorLuxottica securities only from the day after the publication of the information concerned, provided they do not use any inside information. The Executive Corporate Officers are given the dates of blackout periods at the start of each year.

Supplementary defined benefit pension plan

Francesco Milleri is not eligible for this plan.

Paul du Saillant is eligible for the plan under the same conditions as those that apply for beneficiaries that are not Executive Corporate Officers. Pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019 implementing certain provisions of this law, the supplementary defined benefit pension plan has been closed and the amount of the beneficiaries'pension will be calculated taking into account their length of service at December 31, 2019 (*i.e.*, 11 years and two months for Paul du Saillant). Paul du Saillant has not accrued any additional rights since that date.

The supplementary defined benefit pension plan was designed to reward the loyalty of executives who have spent a significant portion of their careers with the EssilorLuxottica group by entitling them to a pension in line with market practices.

The supplementary pension plan was built around the following principles:

- a minimum length of service condition of ten years with the EssilorLuxottica group must be met in order to benefit from the plan;
- potential beneficiaries must end their careers working with the EssilorLuxottica group;
- the pension benefit is proportional to the length of service with the EssilorLuxottica group;
- the reference compensation on which the calculation of the final pension is based is calculated according to the gross compensation (annual fixed + annual variable component) paid over the last three years;
- the potential annual entitlement is below the statutory maximum of 3% and is subject to performance conditions;
- the final pension benefit is capped.

Employment contract and severance payment

Up to now, EssilorLuxottica's policy was that if an employee was promoted to an Executive Corporate Officer position, the Board of Directors may, in light of the employee's specific situation, and in particular his or her seniority, ask for the employment contract to be terminated without compensation or provide for the maintaining of the employment contract (suspended as the case may be). This allows avoiding to ask for the resignation of an employee or to initiate a procedure for an amicable termination with respect to an employee who has successfully worked for the EssilorLuxottica Group.

As from the Annual Shareholders' Meeting of May 21, 2021, any employee who is promoted to Chief Executive Officer will have to terminate their employment contract. The Deputy Chief Executive Officer will be permitted to maintain an employment contract.

Francesco Milleri is hired under a permanent employment contract. He started his functions with Luxottica Group S.p.A. in March 2016. In accordance with the AFEP-MEDEF Code, which recommends that a Chief Executive Officer's employment contract is terminated when he/she becomes a corporate officer, Francesco Milleri will terminate his employment contract when he is appointed as Chief Executive Officer by the Board of Directors' meeting to be held after the Annual Shareholders' Meeting on May 21, 2021.

Paul du Saillant has been employed under a permanent employment contract with Essilor International SAS since November 1, 2008, which was suspended on March 30, 2020. He will maintain his suspended employment contract when he is appointed as Deputy Chief Executive Officer.

Case of an Executive Corporate Officer without an employment contract (situation of the Chief Executive Officer, Francesco Milleri)

EssilorLuxottica's policy is to adhere strictly to the law and the recommendations of the AFEP-MEDEF Code.

Thus, in the case of an Executive Corporate Officer eligible for a termination benefit on the termination of their corporate office:

- this termination benefit is capped at two years of cash compensation (calculated with reference to the average monthly amount corresponding to the fixed compensation received over the last full twelve months of service prior to notice of termination of the corporate office, plus one-twelfth of the last short-term variable compensation due or received)[1];
- this termination benefit is only payable in the event of forced departure and is fully subject to the fulfillment of a performance condition assessed based on the average achievement rate of the objectives underlying the annual variable component for Executive Corporate Officers for the three years prior to departure.

The annual objectives are those set by the Board of Directors for Executive Corporate Officers and used to calculate their annual variable compensation. If the term of the corporate office is shorter than the three-year reference period, their performance with respect to the annual objectives set for their duties at Essilor International SAS or Luxottica Group S.p.A. may be taken into account to calculate the annual variable compensation.

For an average performance rate of at least 50%, the termination benefit is calculated on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the termination benefit will be paid). If the average performance rate is less than 50%, no termination benefit will be paid.

This condition is directly related to the fulfillment of the objectives underlying the short-term compensation of the Executive Corporate Officers and is therefore in keeping with the fundamental principles of the compensation policy applicable to them, in that it takes into account the achievement of performance targets that are aligned with the Group's strategy.

Cases of forced departure giving rise to the payment of the severance payment means all cases of forced departure, irrespective of the type of departure (removal, resignation request, non-renewal…), except in the case of serious or gross misconduct. In compliance with the AFEP-MEDEF Code, no termination benefit will be payable if the beneficiary has the possibility to retire on a full pension.

At its meeting on March 11, 2021, on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the grant of a severance payment equal to two years' cash compensation to Francesco Milleri, the Chief Executive Officer, in the event of forced departure, in accordance with the above terms and conditions.

(1) After taking into account the compensation waived by the Executive Corporate Officers, due, in particular, to the COVID-19 health crisis.

Case of an Executive Corporate Officer with a suspended employment contract (situation of the Deputy Chief Executive Officer, Paul du Saillant)

If the employment contract is maintained, the severance payment comprises an amount payable by law or under the collective bargaining agreement (not subject to performance conditions) and a supra-legal severance payment that is wholly subject to performance conditions.

The aggregate of these two payments may not exceed two years of cash compensation (calculated with reference to the average monthly amount corresponding to the fixed compensation received over the last full twelve months of service prior to notice of termination, plus one-twelfth of the last short-term variable compensation due or received)[1].

As a reminder, the severance payment for which Paul du Saillant may be eligible by law or under the collective bargaining agreement in the event of dismissal represents 4.94 months of the average monthly salary and of any contractual benefits received by Paul du Saillant during the 12 or three (whichever is more favorable) months immediately preceding the notice of his dismissal.

Cases of forced departure giving rise to the payment of the supra-legal severance payment means all cases of forced departure, irrespective of the type of departure (removal, resignation request, non-renewal...), except in the case of serious or gross misconduct, followed by dismissal under the employment contract within one year of the end of the corporate office.

In compliance with the AFEP-MEDEF Code, no supra-legal severance payment will be payable if the beneficiary has the possibility to retire on a full pension.

In the event of the termination of the employment contract, the notice period is set in accordance with the applicable legal provisions and the collective bargaining agreement and must be complied with by both Parties.

The supra-legal severance payment is subject to the fulfillment of a performance condition assessed by determining the average achievement rate of the objectives underlying the annual variable component for the three years prior to departure.

The annual objectives are those set by the Board of Directors for Executive Corporate Officers and used to calculate their annual variable compensation. If the term of the corporate office is shorter than the three-year reference period, their performance with respect to the annual objectives set for their duties at Essilor International SAS or Luxottica Group S.p.A. may be taken into account to calculate the annual variable compensation.

For an average performance rate of at least 50%, the severance payment is calculated on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the severance payment will be paid). If the average performance rate is less than 50%, no severance payment will be paid.

The performance condition attached to the severance payment is directly related to the fulfillment of the objectives underlying the short-term compensation of the Executive Corporate Officers and is therefore in keeping with the fundamental principles of the compensation policy applicable to them, in that it takes into account the achievement of performance targets that are aligned with the Group's strategy.

At its meeting on March 11, 2021, on the recommendation of the Nominations and Compensation Committee, the Board of Directors authorized the grant of a severance payment equal to two years' cash compensation (aggregate of the severance payment provided for by law and the supra-legal severance payment) to Paul du Saillant, the Deputy Chief Executive Officer, in the event of forced departure, in accordance with the above terms and conditions.

Non-compete payment

The Chief Executive Officer is eligible for a non-compete payment for respecting a non-compete obligation of 20 months from the date his corporate office ends. The non-compete payment would be paid in installments over the application period of the clause in an amount equal to 60% of his gross compensation (fixed + variable due or received). In accordance with the AFEP-MEDEF Code,

- the non-compete payment may not be paid if the officer retires or is over 65 at the time his duties terminate;
- the aggregate amount of the non-compete payment and the termination benefit (including, if applicable, the amount due by law or under the collective bargaining agreement) may not exceed the two-year cash compensation cap.

The non-compete undertaking entered into with Francesco Milleri does not provide for the possibility for the Board of Directors to waive the clause upon his departure. This is because, in view of the highly competitive environment in which the Company operates, the Board of Directors considered that it was essential that there was no uncertainty as to the application of the non-compete clause. In this respect, the Board of Directors considered it crucial for the Company to be headed up during this transition period by someone who knows the company and the business sector well and is capable not only of reflecting the Group's values, strategy and ambition, but also of transforming its organization to anticipate changes on the market in which it operates. The Board of Directors therefore considered it primordial to safeguard the Group's strategic information and interests during the agreed period. For this reason, it deemed it appropriate to maintain the same system regarding the potential waiver of the non-compete clause as that applied to Francesco Milleri under his employment contract. Maintaining this system allows the Executive Corporate Officer to commit to respecting clear, pre-defined rules, and contributes to building momentum and trust in relations with the officer, in the best interests of all stakeholders. It should also be noted that the amount of the non-compete payment, which may not exceed one year of fixed and variable compensation, is much lower than the various amounts for which Francesco Milleri was eligible on the termination of his employment contract with Luxottica Group S.p.A., which is set to be terminated under the conditions set out above.

The Deputy Chief Executive Officer is eligible for a non-compete payment for respecting a non-compete obligation of 12 months renewable 12 months from the date his corporate office ends. The non-compete payment would be paid in installments over the application period of the clause in an amount equal to 60% of his gross compensation (fixed + variable due or received). In accordance with the AFEP-MEDEF Code,

- the Board of Directors may waive the application of the non-compete clause when the officer leaves the company;
- the non-compete payment may not be paid if the officer retires or is over 65 at the time his duties terminate;
- the aggregate amount of the non-compete payment and the termination benefit (including, if applicable, the amount due by law or under the collective bargaining agreement) may not exceed the two-year cash compensation cap.

Group plans and benefits in kind

The Executive Corporate Officers are eligible for the same death/disability, health insurance and defined contribution pension plans in force within EssilorLuxottica group as managers and executives.

The defined contribution pension plan is based on a flat employer contribution rate, currently set at 1% of gross compensation paid over the year.

Executive Corporate Officers are eligible for a company car, in accordance with EssilorLuxottica's internal rules.

(1) After taking into account the compensation waived by the Executive Corporate Officers, due, in particular, to the COVID-19 health crisis.

Compensation policy for Executive Corporate Officers appointed after the Annual Shareholders'Meeting of May 21, 2021

Developing an effective long-term strategy means not only having a thorough knowledge of the market, customers, competitors and technologies, but also of EssilorLuxottica's culture. For that reason, EssilorLuxottica prioritizes internal talent development as much as possible. However, the ability to attract talented individuals from all over the world is also a key driver of EssilorLuxottica's future success.

The principles and criteria of the compensation policy will apply, where appropriate, to any successor to the Chairman of the Board of Directors, the Chief Executive Officer or the Deputy Chief Executive Officer, after the Annual Shareholders'Meeting of May 21, 2021. Similarly, these principles and criteria will apply, where appropriate, to any additional Executive Corporate Officer appointed after that date.

Based on the recommendation of the Nominations and Compensation Committee, the Board of Directors would adapt these principles and criteria of the compensation policy to the specific situation of the appointed Executive Corporate Officer (fixed compensation, amount and objectives underlying the variable compensation, etc.).

In each of these situations, the total compensation offered to hire an Executive Corporate Officer from a company outside the Group should correspond to the "fair market price" in consideration of the position and the candidate's profile. This compensation would be in accordance with the general principles set out above (section 2.3.1.1) and would be calculated taking into account, where applicable, any difference in the level of responsibility and in line with previous practices within the Company. The various compensation components of the Executive Corporate Officer may not exceed the framework set out in the compensation policy.

For the purpose of recruiting the Executive Corporate Officer, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, reserves the right to compensate them for items of compensation or benefits which they enjoyed in their previous position. This compensation may take the form of a sign-on premium and/or a one-off performance share award.

In any event:

- the effective payment of a sign-on premium may only take place following approval by the Shareholders'Meeting;
- the aggregate amount of the sign-on premium and, if applicable, the one-off performance share award would be equivalent to no more than the amount of compensation lost by the candidate, and would be duly communicated by the Company along with an explanation of the amount.

For Executive Corporate Officers appointed during the year, annual variable compensation objectives may be set during the year given the exceptional circumstances. In such cases, the variable component of their compensation will be calculated on a pro rata basis.

2.3.2 2020 compensation of corporate officers

Exceptional measures linked to the COVID-19 crisis

In light of the unprecedented COVID-19 crisis, at its meeting on April 18, 2020, the Board of Directors asked the management team to implement measures to reduce the Group's operating expenses and cash outflows, including the reduction or deferral of a portion of the compensation of senior executives.

Accordingly:

- the Board of Directors decided to apply these measures to its members by reducing their compensation for 2020 by 50% for the entire year;
- Leonardo Del Vecchio, Executive Chairman until December 17, 2020 and Chairman of the Board of Directors from December 18, 2020, asked for a 50% reduction in his fixed compensation for the period from April to June 2020 inclusive;
- Hubert Sagnières, Executive Vice-Chairman until December 17, 2020 and Vice-Chairman of the Board of Directors from December 18, 2020, asked for the payment of 30% of his fixed compensation for the period May-August 2020 to be deferred until September-December 2020;
- Francesco Milleri, Deputy Chairman and Chief Executive Officer of Luxottica Group S.p.A. and Chief Executive Officer of EssilorLuxottica from December 18, 2020, asked for a 50% reduction in his fixed compensation for the period from April to June 2020 inclusive and not to receive any compensation for his role as Deputy Chairman of Luxottica Group S.p.A. from May 2020 onwards;
- Paul du Saillant, Chief Executive Officer of Essilor International SAS from March 30, 2020 and Deputy Chief Executive Officer of EssilorLuxottica from December 18, 2020, asked to continue receiving his compensation as Deputy Chief Executive Officer of Essilor International SAS until the end of June, and as a result, to waive the increase in his fixed compensation for his duties as Chief Executive Officer of Essilor International SAS for the period from April to June 2020 inclusive, which corresponds to a 35% reduction in compensation.

Finally, in keeping with the historical values of Essilor and Luxottica, the Board of Directors approved the creation of a COVID-19 fund, initially of €100 million and subsequently increased to approximately €160 million, to protect the Group's human capital and the adoption of an emergency compensation plan to support the most vulnerable employees and their families.

Variable compensation for 2020

The objectives and scales used to determine the variable compensation of Leonardo Del Vecchio and Hubert Sagnières for 2020 were approved by the Board of Directors on March 5, 2020. The scales for the financial performance indicators were consistent with the Group's outlook published on March 6, 2020. In light of the evolution of the COVID-19 epidemic, the Company announced on March 27, 2020 that the Group's outlook for 2020, published on March 6, was no longer valid.

The Board of Directors has decided not to revise the objectives or scales used to determine the variable portion of Leonardo Del Vecchio and Hubert Sagnières' compensation for 2020. The achievement rates reflect the extent of the COVID-19 health crisis and its impact on the Company's results.

Change of governance structure

On December 17, 2020, Hubert Sagnières decided to retire and to cease all executive duties within EssilorLuxottica and its subsidiaries, but to retain the role of Vice-Chairman of the Board of Directors.

In order to respect the principle of equal powers set out in the combination agreement, Leonardo Del Vecchio decided to voluntarily cease his duties as Chief Executive Officer of EssilorLuxottica, but to retain the role of Chairman of the Board of Directors.

As a result, the Board of Directors decided to appoint Francesco Milleri and Paul du Saillant as Chief Executive Officer and Deputy Chief Executive Officer of EssilorLuxottica, respectively, until the Board of Directors'meeting to be held after the Annual Shareholders'Meeting of May 21, 2021. Paul du Saillant also became Chairman of Essilor International SAS.

2.3.2.1 2020 compensation of members of the Board of Directors

The components of compensation for members of the Board of Directors presented below were set by the Board of Directors on the recommendation of the Nominations and Compensation Committee.

In accordance with the allocation rules for Directors’compensation described in Section 2.3.1.2.1, and the Board of Directors’ decision of April 18, 2020 to reduce its members’compensation by 50% for fiscal year 2020, the total compensation due to members of the Board of Directors in 2020 amounted to €951,219.

The compensation paid to members of the Board of Directors is summarized in the table below:

	Gross amount paid in 2020 in respect of 2019				Gross amount due or paid in respect of 2020							
	EL Director comp [(a)]	Essilor Intern./ Luxottica Director comp. [(a)]	Variable compensation	Total compensation in 2020 *	EL Director comp.	Essilor Intern./ Luxottica Director comp. [(g)]	Fixed compensation	Variable compensation	Other compensation	Number of performance shares granted	Perf. shares granted [(m)]	Perf. shares vested in 2020
R. Bardin	€72,500			€72,500	€72,500							
P. du Saillant	N/A		€0 [(b)]	€2,863,271	€40,804		€824,998 [(i)]	€858,033	€231,905 [(j)]	35,000	€1,723,750	€907,531 [(n)]
L. Del Vecchio	€50,000		€0 [(c)]	€1,107,747	€50,000		€837,365 [(i)]	€220,382		20,000	€928,200	€0
G. Giallombardo	€57,500			€57,500	€57,500							
J. Favre	€57,500	€24,100		€75,509	€55,000	€20,509						
A. Messemer	€72,500	€56,200		€139,987	€68,500	€71,487						
F. Milleri	€57,500		€0 [(d)]	€2,825,969	€60,000	€400,000 [(h)]	€1,061,539 [(i)]	€1,304,430		35,000	€1,723,750	€0
G. Mion	€35,000			€62,857	€62,857							
L. Morselli	€65,625			€67,500	€67,500							
O. Pécoux	€77,500	€32,600		€108,542	€76,313	€32,229						
L. Pereira	€50,000			€46,250	€46,250							
S. Pucci	€50,000			€50,000	€50,000							
H. Sagnières	€62,500		€0 [(e)]	€3,847,864	€58,549		€962,366	€220,382	€403,667 [(k)]	20,000	€928,200	€2,202,900 [(o)]
C. Scocchia	€50,000			€62,500	€62,500							
L. Vacherot	€57,500		€0 [(f)]	€1,845,553	€14,196		€238,636	€238,636	€384,852 [(l)]			€969,233 [(p)]
J. Wong	€62,500	€46,300		€111,150	€58,750	€52,400						
D. Zablocki	€50,000	€24,100		€70,509	€50,000	€20,509						

* Including compensation for their directorship, fixed compensation, variable compensation, other compensation and vested performance shares.

(a) Directors’ compensation in respect of the second half of 2019 paid in 2020.

(b) On its meeting of March 3, 2020, the Board of Directors of Essilor International SAS unanimously decided to pay a variable compensation of €388,875 to Paul du Saillant for 2019, *i.e.*, 61% achievement against target. Paul du Saillant announced after the Board of Directors that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand.

(c) At the Board of Directors’meeting of March 5, 2020, Leonardo Del Vecchio announced that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Leonardo Del Vecchio for 2019.

(d) Francesco Milleri announced that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand. Therefore, the Board of Directors of Luxottica Group S.p.A. unanimously decided not to pay any variable compensation to Francesco Milleri for 2019.

(e) In view of the fraud that took place at an Essilor plant in Thailand, the Nominations and Compensation Committee recommended that the Board of Directors should not pay any variable compensation to Hubert Sagnières in his capacity as Chairman of Essilor International SAS for 2019. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Hubert Sagnières for 2019.

(f) In view of the fraud that took place at an Essilor plant in Thailand, the Nominations and Compensation Committee of Essilor International SAS recommended that the Board of Directors should not pay any variable compensation to Laurent Vacherot in his capacity as Chief Executive Officer of Essilor International SAS for 2019. Therefore, the Board of Directors of Essilor International SAS unanimously decided not to pay any variable compensation to Laurent Vacherot for 2019.

(g) Compensation for the role of Director of Essilor International SAS or Luxottica Group S.p.A.

(h) Compensation for the role of Deputy Chairman of Luxottica Group S.p.A. from January to April 2020 inclusive. Francesco Milleri renounced to his compensation for the role of Deputy Chairman of Luxottica Group S.p.A. from May 2020 onwards.

(i) It is specified that in light of the COVID-19 health crisis, Leonardo Del Vecchio and Francesco Milleri asked for a 50% reduction in their fixed compensation for the period from April to June 2020. Paul du Saillant asked to continue receiving his compensation as Deputy Chief Executive Officer of Essilor International SAS until the end of June, and as a result, to waive the increase in his fixed compensation for his duties as Chief Executive Officer of Essilor International SAS for the period from April to June 2020, which corresponds to a 35% reduction in compensation.

(j) €228,125 of temporary cash pension allowance and €3,780 of car allowance.

(k) Hubert Sagnières’employment contract has terminated due to his retirement. He received in January 2021 a retirement benefit as defined in the collective bargaining agreement applicable within Essilor International SAS. The amount of the retirement benefit is equal to four months of his contractual compensation, i.e., €403,667.

(l) €263,215 of retirement benefit related to the collective bargaining agreement and €121,637 of paid leave.

(m) The amounts shown correspond to the number of shares awarded multiplied by the accounting fair value per share in accordance with IFRS: €46.41 per share for Executive Corporate Officers at grant date (Leonardo Del Vecchio and Hubert Sagnières), €49.25 per share for other beneficiaries.

(n) Performance shares granted in 2017 and vested in 2020: 18,003 shares (valued with the accounting fair value per share at grant date).

(o) Performance shares granted in 2016 and vested in 2020: 35,000 shares (valued with the accounting fair value per share at grant date).

(p) Performance shares granted in 2017 and vested in 2020: 19,227 shares (valued with the accounting fair value per share at grant date).

2.3.2.2 2020 compensation of the Executive Corporate Officers (Executive Chairman and Executive Vice-Chairman)

On December 17, 2020, Hubert Sagnières decided to retire and to cease all executive duties within EssilorLuxottica and its subsidiaries, but to retain the role of Vice-Chairman of the Board of Directors.

In order to respect the principle of equal powers set out in the combination agreement, Leonardo Del Vecchio also decided to voluntarily cease his duties as Chief Executive Officer of EssilorLuxottica, but to retain the role of Chairman of the Board of Directors. At the same date, Francesco Milleri and Paul du Saillant were appointed Chief Executive Officer and Deputy Chief Executive Officer, respectively, until the Board of Directors'meeting to be held after the Annual Shareholders'Meeting of May 21, 2021.

The components of Leonardo Del Vecchio and Hubert Sagnières'compensation set out below concern the period from January 1, 2020 through December 17, 2020. For the period from December 18 through December 31, 2020, Leonardo Del Vecchio, Hubert Sagnières, Francesco Milleri and Paul du Saillant did not receive any compensation for the performance of their duties as Chairman of the Board of Directors, Vice-Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer, respectively.

2.3.2.2.1 Structure of the 2020 compensation of the Executive Corporate Officers

Reminder: On October 1, 2018, Delfin S.à.r.l., majority shareholder of Luxottica Group S.p.A., and Essilor announced the combination of Essilor and Luxottica to create EssilorLuxottica.

On the same day, in light of the governance of EssilorLuxottica with an Executive Chairman, Leonardo Del Vecchio, and an Executive Vice-Chairman, Hubert Sagnières, with equal powers, the Board of Directors approved the principle of strictly identical compensation for the Executive Chairman and the Executive Vice-Chairman, on the recommendation of the Nominations and Compensation Committee:

- fixed annual gross compensation of €1,150,000;
- target annual variable compensation equal to 100% of fixed compensation;
- maximum annual variable compensation equal to 200% of fixed compensation;
- award of 50,000 performance shares in November 2018.

Following the signing of the agreement by EssilorLuxottica and Delfin, whereby Leonardo Del Vecchio and Hubert Sagnières delegated responsibility for developing and implementing the integration and strategy process at EssilorLuxottica to Francesco Milleri and Laurent Vacherot (replaced by Paul du Saillant on March 30, 2020), on May 16, 2019, the Board of Directors of EssilorLuxottica decided on the following changes to the compensation of Leonardo Del Vecchio and Hubert Sagnières, with effect from June 1, 2019:

- fixed annual gross compensation of €1,000,000;
- target annual variable compensation equal to 100% of fixed compensation;
- maximum annual variable compensation equal to 200% of fixed compensation;
- award of 40,000 performance shares in October 2019.

At its meeting on March 5, 2020, the Board of Directors decided to maintain the monetary compensation of Leonardo Del Vecchio and Hubert Sagnières in 2020. The Board also recommended granting them 20,000 performance shares, compared with 40,000 in 2019, pursuant to the 2020 compensation policy:

- fixed annual gross compensation of €1,000,000;
- target annual variable compensation equal to 100% of fixed compensation;
- maximum annual variable compensation equal to 200% of fixed compensation;
- award of 20,000 performance shares in October 2020.

The compensation shown above for Leonardo Del Vecchio and Hubert Sagnières constitutes the entire compensation paid to them by the Group, *i.e.*, by EssilorLuxottica or one of its subsidiaries.

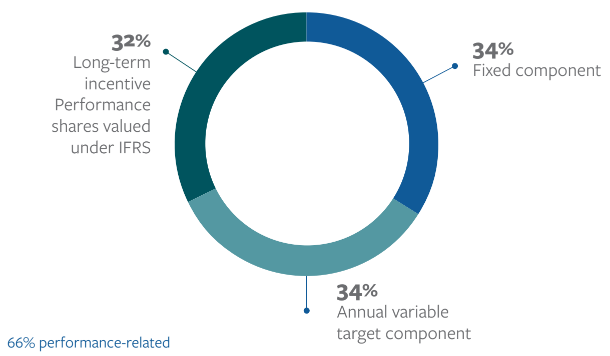
Leonardo Del Vecchio maintained his role as Executive Chairman of Luxottica Group S.p.A. in 2020. Hubert Sagnières maintained his role as Chairman of Essilor International SAS until December 17, 2020.

The graphs below illustrate the structure of Leonardo Del Vecchio and Hubert Sagnières'compensation for 2020. These graphs reflect the fixed annual compensation approved by the shareholders for fiscal year 2020, *i.e.*, €1,000,000.

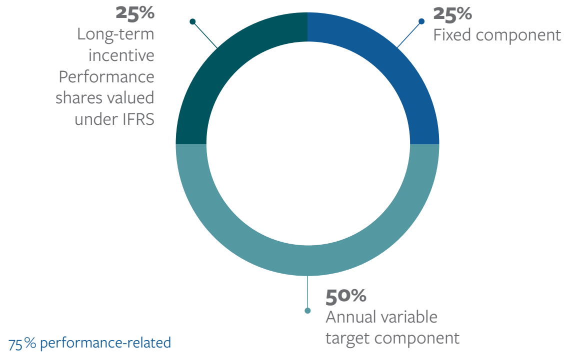
The first graph is based on the target annual variable compensation and the second on the maximum annual variable compensation.

Structure of 2020 compensation of Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice-Chairman

TARGET COMPENSATION



MAXIMUM COMPENSATION



2.3.2.2.2 Summary of 2020 compensation of the Executive Corporate Officers

	Leonardo Del Vecchio Executive Chairman				Hubert Sagnières Executive Vice-Chairman				
	2018 (from October 1) [(a)]	2019 [(b)]	2020 [(c)]	Change 2020/ 2019	2018 [(d)]	2019 [(b)]	2020 [(e)]	Change 2019/ 2018	Change 2020/ 2019
ANNUAL CASH COMPENSATION									
Fixed	€287,500	€1,062,500	€837,365	-21.2%	€887,500	€1,062,500	€962,366	+19.7%	-9.4%
Target variable component	€287,500	€1,062,500	€962,366		€887,500	€1,062,500	€962,366		
Target cash compensation	**€575,000**	**€2,125,000**	**€1,799,731**	**-15.3%**	**€1,775,000**	**€2,125,000**	**€1,924,732**	**+19.7%**	**-9.4%**
Variable component due	€215,625 [(a)]	€0 [(f)]	€220,382		€1,184,625 [(d)]	€0 [(f)]	€220,382		
% achievement against target	75%	n/a	23%		133%	n/a	23%		
Maximum % (for reference)	200%	200%	200%		200%	200%	200%		
Cash compensation due	**€503,125**	**€1,062,500**	**€1,057,747**	**-0.4%**	**€2,072,125**	**€1,062,500**	**€1,182,748**	**-48.7%**	**+11.3%**
LONG-TERM INCENTIVE PLAN									
Performance shares awarded (number)	50,000	40,000	**20,000**		50,000	40,000	**20,000**		
As a % of total number of shares awarded [(g)]	2.8%	1.2%	0.9%		2.8%	1.2%	0.9%		
As a % of share capital at December 31 for the year	0.012%	0.009%	0.005%		0.012%	0.009%	0.005%		
IFRS valuation of performance shares	€2,282,500	€1,945,200	€928,200		€2,282,500	€1,945,200	€928,200		
OTHER COMPENSATION									
Directors' compensation	€25,000	€97,000	€50,000 [(h)]		€33,000	€124,500	€58,549 [(h)]		

	Leonardo Del Vecchio Executive Chairman				Hubert Sagnières Executive Vice-Chairman				
	2018 (from October 1) (a)	2019 (b)	2020 (c)	Change 2020/ 2019	2018 (d)	2019 (b)	2020 (e)	Change 2019/ 2018	Change 2020/ 2019
EMPLOYEE BENEFITS									
Benefits in kind	€0	€0	€0		€7,731	€7,885	€8,004		
Type					Un-employment insurance	Un-employment insurance	Un-employment insurance		
Employer contributions to Group plans (health insurance, death/disability insurance, defined contribution pension plan)	€2,455	€10,803	€10,253		€16,958	€18,433	€12,833		
DEFERRED BENEFIT OBLIGATIONS									
Supplementary defined benefit "loyalty-based" pension plan	No	No	No		Yes	Yes	Yes		
Termination benefits (i)	With respect to the corporate office	With respect to the corporate office	With respect to the corporate office		With respect to the suspended employment contract	With respect to the suspended employment contract	With respect to the suspended employment contract		

(a) Leonardo Del Vecchio was appointed as Executive Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000. The amounts shown in the table above for fiscal year 2018 correspond to compensation due pro rata for the period of executive corporate office, i.e., from October 1 to December 31, 2018. The variable component due in respect of his term of office as Executive Chairman of EssilorLuxottica amounted to €215,625, i.e., 75% achievement against the target.

(b) Leonardo Del Vecchio and Hubert Sagnières'gross fixed compensation was €1,150,000 (full year basis) from January 1, 2019 to May 30, 2019 and €1,000,000 (full year basis) with effect from June 1, 2019. The amounts shown in the table above for fiscal year 2019 correspond to compensation due pro rata for 2019. The target variable gross compensation of Leonardo Del Vecchio and Hubert Sagnières was €1,150,000 (full year basis) from January 1, 2019 to May 30, 2019 and €1,000,000 (full year basis) with effect from June 1, 2019. The amounts shown in the table above for fiscal year 2019 correspond to compensation due pro rata for 2019.

(c) The fixed annual compensation approved by the shareholders at the Shareholders'Meeting of June 25, 2020 is €1,000,000. In light of the unprecedented COVID-19 crisis, Leonardo Del Vecchio requested a 50% reduction in his fixed compensation for the period from April to June 2020 inclusive. The amount of fixed compensation reported in the above table takes into account this reduction in fixed compensation and corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Chief Executive Officer ended. Without the voluntary 50% reduction, Leonardo Del Vecchio's fixed compensation would have amounted to €962,366. Leonardo Del Vecchio did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Chairman of the Board of Directors.

(d) Hubert Sagnières was Chairman and Chief Executive Officer of Essilor from January 1 until October 1, 2018, with fixed annual gross compensation of €800,000 and target variable annual gross compensation of €800,000. He was appointed as Executive Vice-Chairman of EssilorLuxottica on October 1, 2018 with fixed annual gross compensation of €1,150,000 and target variable annual gross compensation of €1,150,000. The amounts shown for fiscal year 2018 in the table above correspond to the pro rata compensation due in respect of the two executive corporate offices held (Chairman and CEO of Essilor until October 1, 2018 and Executive Vice-Chairman of EssilorLuxottica with effect from October 1, 2018). The variable component due for the term of office as Chairman and Chief Executive Officer of Essilor amounted to €900,000, i.e., 150% achievement against target and the variable component due for the period as Executive Vice-Chairman of EssilorLuxottica amounted to €284,625, i.e., 99% achievement against target.

(e) The fixed annual compensation approved by the shareholders at the Shareholders'Meeting of June 25, 2020 is €1,000,000. The amount of fixed compensation reported in the above table corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Executive Vice-Chairman ended. Hubert Sagnières did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Vice-Chairman of the Board of Directors.

(f) At the Board of Directors'meeting of March 5, 2020, Leonardo Del Vecchio announced that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Leonardo Del Vecchio for 2019.

In view of the fraud that took place at an Essilor plant in Thailand, the Nominations and Compensation Committee recommended that the Board of Directors should not pay any variable compensation to Hubert Sagnières in his capacity as Chairman of Essilor International SAS for 2019. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Hubert Sagnières for 2019.

(g) As a % of the total number of shares awarded, including the collective award of performance shares.

(h) In light of the unprecedented COVID-19 crisis, pursuant to Article 14 of the bylaws and as a gesture of solidarity with all of the Company's employees, at its meeting on April 18, 2020, the Board of Directors decided that the total amount allocated to the members of the Board of Directors for the year 2020 as compensation for their duties as Directors would be reduced by 50%. The amounts reported for 2020 include the 50% reduction in Directors'compensation.

(i) Leonardo Del Vecchio did not receive any termination benefits for the termination of his term of office as Chief Executive Officer of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Chairman of the Board of Directors. Hubert Sagnières did not receive any termination benefits for the termination of his term of office as Executive Vice-Chairman of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Vice-Chairman of the Board of Directors.

2.3.2.2.3 2020 compensation appendices

Four explanatory appendices are provided in addition to this summary table on 2020 compensation. They pertain to:

1. the 2020 variable component;
2. the 2020 performance share plan;
3. the supplementary defined benefit pension plan;
4. corporate office or suspended employment contract-related severance payment.

Appendix 1: 2020 variable component

Leonardo Del Vecchio and Hubert Sagnières

Respectively as Executive Chairman of EssilorLuxottica and Executive Vice-Chairman of EssilorLuxottica from January 1 to December 17, 2020.

Reminder: The objectives and scales used to determine the variable compensation of Leonardo Del Vecchio and Hubert Sagnières for 2020 were approved by the Board of Directors on March 5, 2020. The scales for the financial performance indicators were consistent with the Group's outlook published on March 6, 2020. In light of the evolution of the COVID-19 epidemic, the Company announced on March 27, 2020 that the Group's outlook for 2020, published on March 6, was no longer valid.

The Board of Directors has decided not to revise the objectives or scales used to determine the variable portion of Leonardo Del Vecchio and Hubert Sagnières' compensation for 2020. The achievement rates reflect the extent of the COVID-19 health crisis and its impact on the Company's results.

Leonardo Del Vecchio and Hubert Sagnières' target bonus from January 1 to December 17, 2020 was €962,366 (or €1,000,000 on a full-year basis, approved by the Shareholders'Meeting of June 25, 2020).

Weighting	Description	% achievement from 0% to 200% of the target	Weighted % achievement	Achievement in €
W		A	W x A	W x A x target (*in €*)
85%	**Financial objectives**			
50%	Growth in adjusted/restated net EPS (earnings per share)*	0%	0%	€0
25%	Growth in revenue (at constant exchange rates, excluding strategic acquisitions)	0%	0%	€0
10%	Unlocking of synergies	72%	7.2%	€69,290
15%	**Specific objectives**			
10%	Strategic alignment	150%	15%	€144,355
5%	Corporate social responsibility	14%	0.7%	€6,737
100%			**22.9%**	**€220,382**

* Adjusted for the exchange rate impact.

The strategic alignment objective comprised the following five sub-objectives:

- Present the future organization of EssilorLuxottica to the Board of Directors before the end of 2020;
- Present a joint reinforcement plan to the Board of Directors in July;
- Monitor the implementation of the employee shareholding plans (Boost operation, long-term incentive plans, etc.);
- Build a talent pool of senior executives by evaluating the Group's Top 50. Presentation to the Nominations and Compensation Committee in October meeting;
- Harmonize the Essilor and Luxottica compensation policies. Presentation to the Board in July.

The assessment scale was as follows:

- none or one sub-objective met, 0% achievement;
- two sub-objectives met, 50% achievement;
- three sub-objectives met, 100% achievement;
- four sub-objectives met, 150% achievement;
- five sub-objectives met, 200% achievement.

The Nominations and Compensation Committee considered that four sub-objectives had been met, *i.e.* 150% achievement against target for the strategic alignment objective.

The corporate social responsibility objective comprised the following two sub-objectives:

- Create +10.7 million wearers at the Base of the Pyramid in 2020 through inclusive business and philanthropic actions;
- Create sustainable access to vision care for over 500 million people in developing communities by 2020.

The assessment scale was as follows:

- less than 80% achievement against target (10.7 million or 500 million), 0% achievement;
- 100% achievement against target, 100% achievement;
- more than 120% achievement against target, 200% achievement;
- Linear interpolation between limits.

The Nominations and Compensation Committee noted that the COVID-19 pandemic has had a considerable impact on the speed of scale-up of actions.

Appendix 2: Performance share plan

The approval of Resolutions 6, 7, 8 and 9 at the Shareholders'Meeting on November 29, 2018 authorized the Board of Directors of EssilorLuxottica to instigate a culture of employee shareholding throughout the EssilorLuxottica group. Performance share awards are a key aspect of the Group's culture and enable employees to be fully involved in the Group's value creation and success. The significant level of employee shareholding contributes to the Group's competitiveness and is a source of pride among all EssilorLuxottica employees.

In 2020, performance shares were awarded to 15,029 EssilorLuxottica group employees. The 2020 award is the second long-term incentive plan common to employees of Essilor, Luxottica and the holding company EssilorLuxottica.

In accordance with the 2020 compensation policy approved at the Shareholders'Meeting of June 25, 2020, the following changes have been made to the performance measurement rules in relation to the 2019 award:

- performance is now only assessed once, three years after the grant date; retesting has been removed;
- the vesting scale is stricter;
- the additional performance condition applicable only to Executive Corporate Officers is now a relative performance condition (performance relative to the EuroStoxx 50 index), it is no longer linked to the average achievement rate for the annual variable compensation.

Performance condition applicable to all beneficiaries

The performance condition applicable to all beneficiaries is based on annualized growth in the EssilorLuxottica share price, calculated as follows:

- on October 1, 2020, the date of the award by the Board of Directors, the Initial Reference Share Price was set at €110.79 (corresponding to the average of the 20 opening prices of the EssilorLuxottica share preceding the award date);
- on October 1, 2023, *i.e.*, three years after the award date, the Average Share Price will be calculated, corresponding to the average of the opening share prices between July 1 and October 1, 2023.

Annualized growth in the EssilorLuxottica share price*	Average Price three years after the award date	Number of shares vested *(as a % of initial grant)*
<2%	Lower than €117.58	0%
between 2% and 3%	Between €117.58 and €121.06	50%
between 3% and 4%	Between €121.07 and €124.62	60%
between 4% and 5%	Between €124.63 and €128.25	70%
between 5% and 6%	Between €128.26 and €131.95	80%
between 6% and 7%	Between €131.96 and €135.72	90%
>=7%	Higher than or equal to €135.73	100%

* Annualized growth in relation to the Initial Reference Share Price of €110.79.

Additional performance conditions applicable to Leonardo Del Vecchio and Hubert Sagnières

In addition to the performance condition applicable to all beneficiaries, there is a second performance condition for Leonardo Del Vecchio and Hubert Sagnières, based on a comparison between the performance of the EssilorLuxottica share in relation to the EuroStoxx 50 index.

<table>
<tr><th rowspan="2">Annualized growth in the EssilorLuxottica share price*</th><th rowspan="2">Average Price three years after the award date</th><th colspan="2">Number of shares vested (as a % of initial grant)</th></tr>
<tr><th>If the EssilorLuxottica share outperforms the EuroStoxx 50 index</th><th>If the EssilorLuxottica share underperforms the EuroStoxx 50 index</th></tr>
<tr><td><2%</td><td>Lower than €117.58</td><td>0%</td><td>0%</td></tr>
<tr><td>between 2% and 3%</td><td>Between €117.58 and €121.06</td><td>50%</td><td rowspan="6">50%</td></tr>
<tr><td>between 3% and 4%</td><td>Between €121.07 and €124.62</td><td>60%</td></tr>
<tr><td>between 4% and 5%</td><td>Between €124.63 and €128.25</td><td>70%</td></tr>
<tr><td>between 5% and 6%</td><td>Between €128.26 and €131.95</td><td>80%</td></tr>
<tr><td>between 6% and 7%</td><td>Between €131.96 and €135.72</td><td>90%</td></tr>
<tr><td>>=7%</td><td>Higher than or equal to €135.73</td><td>100%</td></tr>
</table>

The penalty in the event of underperformance in relation to the EuroStoxx 50 index reflects, where applicable, the insufficient returns obtained by shareholders and investors who chose to invest in EssilorLuxottica at the start of the performance measurement period, compared to the returns they would have obtained by investing in a basket of EuroStoxx 50 shares.

Employment condition

The vesting of shares is subject to the grantee still being employed in the Group on the third anniversary of the award date.

This employment condition is waived in the event of the grantee's death, disability or retirement.

In view of his retirement on December 17, 2020, Hubert Sagnières ceased all executive duties within the Company and its subsidiaries. In compliance with the 2020 performance share plan regulations and the 2020 compensation policy, the employment condition is deemed met (in the event that the grantee retires). The performance conditions will continue to apply.

In order to respect the principle of equal powers set out in the combination agreement, Leonardo Del Vecchio decided to voluntarily cease his duties as Chief Executive Officer of EssilorLuxottica, but to retain the role of Chairman of the Board of Directors. Since Leonardo Del Vecchio is continuing his duties as Director, Chairman of the Board of Directors and Executive Chairman of Luxottica, he will continue to satisfy the employment condition provided for in the 2020 plan. The performance conditions will continue to apply.

Appendix 3: Supplementary defined benefit "loyalty-based" pension plan

Pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019 implementing certain provisions of this law, the supplementary defined benefit pension plan was closed on that date.

The supplementary defined benefit pension plan (Article 39 of the French Tax Code) was open to Group senior executives in categories IIIC and HC within the meaning of the Metalworking Industry collective bargaining agreement.

At least 10 years'service (*versus* the two years recommended by the AFEP-MEDEF Code) with the EssilorLuxottica group is required in order to receive supplementary defined pension plan benefits. Grantees also have to be employees of EssilorLuxottica (or a member company) at the time they cease their professional activity. In accordance with the applicable regulations, an executive whose employment is terminated after reaching the age of 55 and who does not accept any other paid position is considered as having retired from the Company.

The supplementary pension is based on length of service within the Group and the average gross compensation (annual fixed and variable) paid for the three years preceding the last day worked (reference compensation).

More specifically, if the eligibility conditions are met, the supplementary pension is determined as follows:

- 10% of the reference compensation;
- plus, for each year of service in excess of 10 years and up to and including 20 years:
  - 1% of the reference compensation,
  - 1.5% of the portion of the reference compensation that exceeds the "tranche C" ceiling for Social Security contributions or 5% of the reference compensation, whichever is lower.

Accordingly, category IIIC and HC executives with at least 20 years'service with the Group are eligible for a maximum pension benefit of up to 25% of their reference compensation (*versus* a maximum of 45% provided for in the AFEP-MEDEF Code). The increase in potential rights is therefore a maximum of 1.25% per year (*versus* a maximum of 3% provided by law).

NB: The benefit obligation is accrued in the balance sheet during the vesting period (*i.e.*, the period during which the Executive Corporate Officer remains in office) and, upon the grantee's retirement, the liability is fully outsourced to an insurance company which is responsible for paying the benefits.

Leonardo Del Vecchio, Executive Chairman until December 17, 2020 and Chairman of the Board of Directors from December 18, 2020

Leonardo Del Vecchio is not eligible for the Company's defined benefit pension plan.

As a reminder, at its meeting on November 29, 2018, the Board of Directors of EssilorLuxottica decided, on the recommendation of the Nominations and Compensation Committee and in accordance with Articles L.225-38 and L.225-42-1 of the French Commercial Code as in force at the time, to make Leonardo Del Vecchio eligible for the supplementary defined benefit pension plan set up by the Company for senior executives, effective as of January 1, 2019. His pension rights for 2019 were strictly proportional to the achievement rate of his variable annual compensation objectives for that year. As Leonardo Del Vecchio has waived his variable component for 2019 in full, the Board of Directors decided that he would not accrue any supplementary pension rights for that year. Pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019, the defined benefit pension plan was closed on December 31, 2019. Consequently, Leonardo Del Vecchio will not receive any pension benefits under this plan.

Hubert Sagnières, Executive Vice-Chairman until December 17, 2020 and Vice-Chairman of the Board of Directors from December 18, 2020

Hubert Sagnières recorded 20 years of service on January 1, 2009. Each year of service after this date does not generate any additional entitlements under the plan rules. Therefore, the pension benefit obligations that are applicable to him were not subject to the procedure provided for in Article L.22542-1 of the French Commercial Code (now rescinded), in compliance with the provisions of the Macron law dated August 6, 2015.

Following his decision to retire, Hubert Sagnières will receive a supplementary pension equal to 25% of his average compensation received between December 17, 2017 and December 17, 2020. The gross annual amount of this supplementary payment is at €446,332.

Appendix 4: Termination benefits

Leonardo Del Vecchio, Executive Chairman until December 17, 2020 and Chairman of the Board of Directors from December 18, 2020

Leonardo Del Vecchio did not receive any termination benefits for the termination of his term of office as Chief Executive Officer of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Chairman of the Board of Directors.

Reminder

At its meeting on November 29, 2018, the Board of Directors of EssilorLuxottica decided, on the recommendation of the Nominations and Compensation Committee and in accordance with Articles L.225-38 and L.225-42-1 of the French Commercial Code as in force at the time, to make Leonardo Del Vecchio eligible for a termination benefit in the event of his forced departure.

Performance conditions

The potential payment of this benefit was subject to the following performance condition.

Performance would have been measured using Leonardo Del Vecchio's average achievement rate of his target annual variable component over the three years prior to his departure. These annual targets were set by the Board of Directors in respect of Leonardo Del Vecchio's role as an Executive Corporate Officer and were used to calculate his annual variable compensation. For an average performance rate of at least 50%, the termination benefit would have been determined on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the termination benefit would have been paid).

If the average performance rate is less than 50%, no benefit would have been paid.

In the event of Leonardo Del Vecchio's departure before the end of the period envisaged for the assessment of the performance criteria, the termination benefit would have been paid at the reasonable discretion of the Board of Directors and would have been substantiated.

This benefit was capped at two years'cash compensation (corresponding to the average annual fixed and variable compensation received in the last three years prior to departure).

In accordance with the procedure relating to related-party agreements and commitments referred to in Article L.225-42-1 of the French Commercial Code (now rescinded), the terms and conditions for granting and calculating the termination benefit for Leonardo Del Vecchio were submitted to the vote of the Shareholders'Meeting of May 16, 2019 (9th resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018.

The conditions for granting the termination benefit, its maximum amount as well as the calculation methods were defined in accordance with the recommendations contained in the AFEP-MEDEF Code.

Hubert Sagnières, Executive Vice-Chairman until December 17, 2020 and Vice-Chairman of the Board of Directors from December 18, 2020

Hubert Sagnières did not receive any termination benefits for the termination of his term of office as Executive Vice-Chairman of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Vice-Chairman of the Board of Directors.

Reminder

Hubert Sagnières' employment contract was suspended on January 1, 2010, when he became Chief Executive Officer of Essilor. The hive-down of Essilor's businesses prior to the combination with Luxottica led to the automatic transfer of Hubert Sagnières' suspended employment contract to its subsidiary, Essilor International SAS, with effect from November 1, 2017.

A severance payment could have been made to Hubert Sagnières if, following the termination of his corporate office, his employment contract was terminated within a year of its reactivation at the initiative of the employer, except for serious or gross misconduct, subject to the following conditions:

- his severance payment was in any event capped at two years'cash compensation (annual fixed + variable) effectively received during the three years preceding the date of notification of departure; and
- the portion of the severance payment that exceeded the legal or collective bargaining agreement limits was subject to the performance conditions described below.

Performance conditions

The potential payment of this supplementary benefit was subject to the following performance condition.

Performance would have been measured using Hubert Sagnières'average achievement rate of his target annual variable component over the three years prior to his departure. These annual targets were set by the Board of Directors in respect of Hubert Sagnières'role as an Executive Corporate Officer and were used to calculate his annual variable compensation. For an average performance rate of at least 50%, the severance payment would have been determined on a strictly proportionate basis up to a maximum of 100% (for example, if the average performance rate reaches 90% of the target, 90% of the severance payment would have been paid).

If the average performance rate had been less than 50%, no benefit would have been paid.

In accordance with the procedure relating to related-party agreements and commitments referred to in Article L.225-42-1 of the French Commercial Code (now rescinded), the terms and conditions for granting and calculating the severance payment for Hubert Sagnières were submitted to the vote of the Shareholders'Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018.

The conditions for granting the severance payment, its maximum amount as well as the calculation methods were defined in accordance with the recommendations contained in the AFEP-MEDEF Code.

2.3.2.2.4 Maturity of the performance share award plan of September 22, 2016

On September 22, 2016, the Board of Directors granted 35,000 performance shares to Hubert Sagnières, Chairman and Chief Executive Officer of Essilor until September 30, 2018, Executive Vice-Chairman of EssilorLuxottica from October 1, 2018 to December 17, 2020, and Vice-Chairman of the Board of Directors of EssilorLuxottica since December 18, 2020, under the following terms and conditions:

The vesting of these shares was initially linked to an employment condition and the achievement of a double performance condition:

1. the first performance condition related to annualized growth in the share price, which had to be equal to or greater than 7% for all the shares to vest;
2. the second performance condition, applicable only to Executive Corporate Officers, was based on the average achievement rate of the annual variable compensation objectives during the performance measurement period (the Average Ratio).

When the Average Ratio was greater than 100%, it did not change the number of shares obtained under the first performance condition. When it was less than 100%, the number of shares obtained was reduced proportionally.

Considering the importance that the planned combination between Essilor and Luxottica represented for the Company's future, the Board of Directors'meeting of January 15, 2017 decided to amend this double performance condition on the recommendation of Executive Officers and Compensation Committee. The performance condition became the successful completion of the proposed combination, *i.e.*, the completion of Delfin's contribution to the Company of its stake in Luxottica (approximately 62%).

On October 1, 2018, Delfin contributed its 62.42% interest in Luxottica to Essilor, which became the parent company of Luxottica and was renamed EssilorLuxottica.

As a result, the performance condition was deemed to be met. As the employment condition was also met, on September 22, 2020 Hubert Sagnières received 35,000 EssilorLuxottica shares [1], registered in his name.

Additional lock-up period for Executive Corporate Officers

One-third of Hubert Sagnières'shares that vested on September 22, 2020, (11,667 shares) continued to be subject to a lock-up period for as long as he remained in office. This requirement lapsed on the date on which Hubert Sagnières ceased to hold the position of Executive Vice-Chairman.

(1) The corporate name "Essilor International" was changed to "EssilorLuxottica" following the completion of the combination with Luxottica on October 1, 2018.

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2.3.3 AFEP-MEDEF compensation and benefits tables

Table 2 – Summary of compensation, options and shares awarded to each Executive Corporate Officer

In euro (gross amount)	2020	2019
Leonardo Del Vecchio	**Executive Chairman until December 17, 2020, Chairman of the Board of Directors from December 18, 2020**	**Executive Chairman**
Compensation due for the year (detailed in Table 3) [(a)]	€1,232,748	€1,159,500
Value of options granted during the year		
Value of performance shares awarded during the year [(b)]	€928,200	€1,945,200
Hubert Sagnières	**Executive Vice-Chairman until December 17, 2020, Vice-Chairman of the Board of Directors from December 18, 2020**	**Executive Vice-Chairman**
Compensation due for the year (detailed in Table 3) [(a)]	€1,249,301	€1,194,885
Value of options granted during the year		
Value of performance shares awarded during the year [(b)]	€928,200	€1,945,200

(a) Amount of compensation due for the period from January 1 through December 17, 2020, subject to approval by the Annual Shareholders' Meeting. Leonardo Del Vecchio and Hubert Sagnières did not receive any compensation for the period from December 18 to December 31, 2020 for their duties as Chairman of the Board of Directors and Vice-Chairman of the Board of Directors, respectively.

(b) The amounts shown correspond to the accounting fair value of the shares in accordance with IFRS. Accordingly, they are not the actual amounts that may be received if and when the shares vest. In addition, share awards are contingent on employment and performance conditions.

Table 3 – Summary of compensation paid to each Executive Corporate Officer

	2020		2019	
Leonardo Del Vecchio	**Executive Chairman until December 17, 2020, Chairman of the Board of Directors from December 18, 2020**		**Executive Chairman**	
In euro (gross amount)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation [(a)] [(b)]	€962,366	€837,365	€1,062,500	€1,062,500
Variable compensation [(c)] [(d)]	€220,382	€0	€0	€215,625
Exceptional compensation				
Directors' compensation [(e)] [(f)]	€50,000	€50,000	€97,000	€97,000
Benefits in kind:				
• car				
• unemployment insurance				
• other				
TOTAL	**€1,232,748**	**€887,365**	**€1,159,500**	**€1,375,125**

	2020		2019	
Hubert Sagnières	Executive Vice-Chairman until December 17, 2020, Vice-Chairman of the Board of Directors from December 18, 2020		Executive Vice-Chairman	
In euro (gross amount)	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation [g] [h]	€962,366	€962,366	€1,062,500	€1,062,500
Variable compensation [i] [j]	€220,382	€0	€0	€1,184,625
Exceptional compensation				
Directors'compensation [e] [f]	€58,549	€58,549	€124,500	€124,500
Benefits in kind:				
• car				
• unemployment insurance	€8,004	€8,004	€7,885	€7,885
• other				
TOTAL	**€1,249,301**	**€1,028,919**	**€1,194,885**	**€2,379,510**

(a) Leonardo Del Vecchio's fixed compensation was €1,000,000 (full-year basis) from January 1, 2020 to December 31, 2020. In light of the unprecedented COVID-19 crisis, Leonardo Del Vecchio requested a 50% reduction in his fixed compensation for the period from April to June 2020 inclusive. The amount of fixed compensation for 2020 reported in the above table takes into account this reduction in fixed compensation and corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Chief Executive Officer ended. Without the voluntary 50% reduction, Leonardo Del Vecchio's fixed compensation would have amounted to €962,366. Leonardo Del Vecchio did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Chairman of the Board of Directors.

(b) Leonardo Del Vecchio's fixed compensation was €1,150,000 (full year basis) from January 1, 2019 to May 30, 2019 and €1,000,000 (full year basis) with effect from June 1, 2019. The amounts shown in the table above for fiscal year 2019 correspond to compensation due pro rata for 2019.

(c) Leonardo Del Vecchio's variable compensation for fiscal year 2020: 23% target achievement. Variable component due subject to approval by the Shareholders'Meeting.

(d) At the Board of Directors'meeting of March 5, 2020, Leonardo Del Vecchio announced that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Leonardo Del Vecchio for 2019.

(e) Directors' compensation for the second half of year Y can be paid in January Y+1.

(f) In light of the unprecedented COVID-19 crisis, pursuant to Article 14 of the bylaws and as a gesture of solidarity with all of the Company's employees, at its meeting on April 18, 2020, the Board of Directors decided that the total amount allocated to the members of the Board of Directors for the year 2020 as compensation for their duties as Directors would be reduced by 50%. The amounts reported for 2020 include the 50% reduction.

(g) Hubert Sagnières'fixed compensation was €1,000,000 (full-year basis) for the period from January 1, 2020 through December 31, 2020. The amount of fixed compensation reported for 2020 corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Executive Vice-Chairman ended. Hubert Sagnières did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Vice-Chairman of the Board of Directors.

(h) Hubert Sagnières'gross fixed compensation was €1,150,000 (full year basis) from January 1, 2019 to May 30, 2019 and €1,000,000 (full year basis) with effect from June 1, 2019. The amounts shown in the table above for fiscal year 2019 correspond to compensation due pro rata for 2019.

(i) Hubert Sagnières'variable compensation for fiscal year 2020: 23% target achievement. Variable component due subject to approval by the Shareholders'Meeting.

(j) In view of the fraud that took place at an Essilor plant in Thailand, the Nominations and Compensation Committee recommended that the Board of Directors should not pay any variable compensation to Hubert Sagnières in his capacity as Chairman of Essilor International SAS for 2019. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Hubert Sagnières for 2019.

Table 4 – Performance shares awarded to each corporate officer during the fiscal year

Rights to performance shares granted	Total number	Valuation (method applied in the consolidated financial statements) *(in euro)*	Vesting date	End of lock-up period	Plan	Performance conditions
Leonardo Del Vecchio	20,000	46.41	10/01/2023	10/01/2023	10/01/2020	Share price + special relative performance condition for Executive Corporate Officers [(a)]
Hubert Sagnières	20,000	46.41	10/01/2023	10/01/2023	10/01/2020	Share price + special relative performance condition for Executive Corporate Officers [(a)]
Paul du Saillant	35,000	49.25	10/01/2023	10/01/2023	10/01/2020	Share price [(b)]
Francesco Milleri	35,000	49.25	10/01/2023	10/01/2023	10/01/2020	Share price [(b)]

(a) In addition to the employment condition, the number of shares that vest is contingent on a performance condition based on the annualized growth in the EssilorLuxottica share price. A second performance condition applies specifically to Executive Corporate Officers: the number of shares that vest may be reduced in the event of underperformance in relation to the EuroStoxx 50 index during the performance measurement period.

(b) As Francesco Milleri and Paul du Saillant were appointed as Executive Corporate Officers of the Company on December 18, 2020 (after the grant date of the performance shares), the performance condition specific to Executive Corporate Officers does not apply.

Table 5 – Performance shares that became available during the year for each corporate officer

Performance shares awarded that became available	Total number	Plan	Performance conditions
Hubert Sagnières	20,000 [(a)]	11/25/2014	Share price + special performance condition for Executive Corporate Officers [(c)]
Hubert Sagnières	35,000 [(b)]	09/22/2016	Share price + special performance condition for Executive Corporate Officers [(c)]
Paul du Saillant	35,000 [(d)]	11/25/2014	Share price
Paul du Saillant	30,000 [(e)]	12/02/2015	Share price

(a) 20,000 performance shares out of the 40,000 vested under the November 25, 2014 plan became available on November 25, 2020, subject to the specific lock-up condition applicable to Executive Corporate Officers. The other 20,000 performance shares vested under the November 25, 2014 plan became available on November 25, 2018.

(b) 35,000 performance shares under the September 22, 2016 plan became available on September 22, 2020, subject to the specific lock-up condition applicable to Executive Corporate Officers.

(c) In addition to the employment condition, the vesting of shares and their number are subject to a performance condition based on the annualized growth in the EssilorLuxottica share price. The November 25, 2014 plan provided for a second performance condition specifically applicable to Executive Corporate Officers: the number of shares that vest could be reduced if the average rate of target achievement for the annual variable component of compensation was less than 100% during the performance measurement period. The September 22, 2016 plan initially provided for the same condition. In view of the major importance of the planned combination between Essilor and Luxottica for the future, on a recommendation of the Executive Officers and Compensation Committee, the Board of Directors'meeting of January 15, 2017 decided to replace the performance condition based on the annualized growth in the share price and the specific performance condition by the successful completion of the planned combination, i.e., the completion of Delfin's contribution to the Company of its stake in Luxottica (approximately 62%).

(d) 35,000 performance shares under the November 25, 2014 plan became available on November 25, 2020.

(e) 30,000 performance shares under the December 2, 2015 plan became available on December 2, 2020.

Table 6 – Stock subscription or purchase options granted during the year to each corporate officer

No stock subscription or purchase options were granted in fiscal year 2020.

Table 7 – Stock subscription or purchase options exercised by each corporate officer during the fiscal year

Leonardo Del Vecchio, Executive Chairman until December 17, 2020, Chairman of the Board of Directors from December 18, 2020

Leonardo Del Vecchio has no stock subscription options to exercise. Consequently, no options were exercised in fiscal year 2020.

Hubert Sagnières, Executive Vice-Chairman until December 17, 2020, Vice-Chairman of the Board of Directors from December 18, 2020

Hubert Sagnières has not had any stock subscription options to exercise since 2014. Consequently, no options were exercised in fiscal year 2020.

Table 8 – History of capped performance stock subscription option awards (until 2017 inclusive) and capped performance stock purchase option awards (from 2018)

Plan	2013	2014	2015	2016	2017	2018	2019	2020
Date of Shareholders'Meeting	05/11/2012	05/11/2012	05/05/2015	05/05/2015	05/05/2015	11/29/2018	11/29/2018	11/29/2018
Date of Board of Directors'meeting	11/25/2013	11/25/2014	12/02/2015	09/22/2016	10/03/2017	11/29/2018	10/03/2019	10/01/2020
Total number of shares that can be subscribed/purchased	87,880	121,505	100,023	119,392	132,016	133,203	127,117	113,536
Number of shares that can be subscribed/purchased by the corporate officers:								
Starting point for the exercise of options	11/25/2015	11/25/2016	12/02/2018	09/22/2019	10/03/2020	Not yet known, depends on performance	Not yet known, depends on performance	10/01/2023
Expiration date	11/25/2020	11/25/2021	12/02/2022	09/22/2023	10/03/2024	11/29/2025	10/03/2026	10/01/2027
Subscription/purchase price (average of the 20 opening prices prior to the Board of Directors'meeting)	€77.29	€87.16	€121.32	€114.88	€105.80	€116.74	€131.52	€110.79
Exercise procedures [(a)]	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 50% after two years, 100% one year later	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years	Subject to conditions: 100% after three years
Number of shares subscribed/purchased at Dec. 31, 2020	81,942	85,077	17,495	19,123	8,661	-	-	-
Cumulative number of options canceled or expired	5,938	16,448	29,428	47,658	44,482	16,068	4,863	-
Options remaining at Dec. 31, 2020	-	19,980	53,100	52,611	78,873	117,135	122,254	113,536

(a) The vesting of subscription options is subject to an employment condition and to a performance condition based on the annualized growth in the EssilorLuxottica share price. Within the framework of the proposed combination between Essilor and Luxottica, at its meeting of January 15, 2017 the Board of Directors decided to remove the performance conditions for the employee grantees of the 2015 and 2016 plans in advance.

Table 9 – History of performance share awards (excluding collective awards)

Plan	2014	2015	2016	2017	2018	2019	2020
Date of Shareholders'Meeting	05/11/2012	05/05/2015	05/05/2015	05/05/2015	11/29/2018	11/29/2018	11/29/2018
Date of Board of Directors'meeting	11/25/2014	12/02/2015	09/22/2016	10/03/2017	11/29/2018	10/03/2019	10/01/2020
Total number of shares awarded	1,448,464	1,251,533	1,372,233	1,481,219	1,565,862	2,228,446 [(b)]	2,138,851
Number of shares awarded to the corporate officers:							
• Leonardo Del Vecchio					50,000	40,000	20,000
• Hubert Sagnières	40,000	35,000	35,000	50,000	50,000	40,000	20,000
• Paul du Saillant	35,000	30,000	30,005	30,005	30,005	30,005	35,045
• Francesco Milleri						35,000	35,000
Vesting date of shares	Resident on 11/25/2016	Resident on 12/02/2018	Resident on 09/22/2019	Resident on 10/03/2020	Not yet vested	Not yet vested	Not yet vested
	Non-resident on 11/25/2018	Non-resident on 12/02/2019	Non-resident on 09/22/2020	Non-resident on 10/03/2021			
Date of end of lock-up period	Resident on 11/25/2020	Resident on 12/02/2020	Resident on 09/22/2021	Resident on 10/03/2022	Not applicable	Not applicable	Not applicable
	Non-resident 50% on 11/25/2018 and 50% on 11/25/2020	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Number of shares vested [(a)] at Dec. 31, 2020	1,337,985	1,110,580	1,175,993	276,559	2,707	2,610	-
Cumulative number of shares cancelled or expired	110,479	140,953	196,240	431,349	191,448	123,138	20,583
Shares remaining at Dec. 31, 2020	-	-	-	773,311	1,371,707	2,102,698	2,118,268

(a) In addition to the employment condition, the vesting of shares and their number are subject to a performance condition based on the annualized growth in the EssilorLuxottica share price. Within the framework of the proposed combination between Essilor and Luxottica, at its meeting of January 15, 2017, the Board of Directors decided to waive the performance conditions for the employee grantees of the 2015 and 2016 plans in advance. With regard to Executive Corporate Officers, at its meeting of January 15, 2017, the Board of Directors decided to modify the performance conditions of the 2015 and 2016 plans. The performance condition in respect of the 2015 and 2016 plans became the successful completion of the proposed combination, i.e., the completion of Delfin's contribution to the company of its stake in Luxottica (approximately 62%).

Starting from the 2010 award and up to and including the 2019 plan, a second performance condition applies specifically to Executive Corporate Officers: the number of shares that vest may be reduced when the average rate of achievement of variable compensation targets is less than 100%. As from the 2020 award, the number of shares that vest may be reduced in the event of underperformance in relation to the EuroStoxx 50 index during the performance measurement period.

(b) This total does not include the 801,400 free shares granted to 122 beneficiaries on March 7, 2019 to convert the Luxottica cash retention plan.

Table 10 – Executive Corporate Officers – Detailed table

Leonardo Del Vecchio

Executive Chairman from October 1, 2018, Chairman of the Board of Directors from December 18, 2020	
Start of term	2018
End of term	2021 (a)
Employment contract	No
Compensation relating to a non-compete clause	No
Supplementary pension plan	No (b)
Compensation or benefits that are or may be owed due to termination or change of functions	No (c)

(a) The term of office of Leonardo Del Vecchio as Chief Executive Officer ended on December 17, 2020. The term of office of Leonardo Del Vecchio as Chairman of the Board of Directors will expire on May 21, 2021, the date of the Annual Shareholders'Meeting.

(b) Since January 1, 2019, Leonardo Del Vecchio had been eligible for the defined benefit pension plan. His pension rights for 2019 were strictly proportional to the achievement rate of his variable annual compensation objectives for that year. As Leonardo Del Vecchio has waived his variable component for 2019 in full, the Board of Directors decided that he would not accrue any supplementary pension rights for that year. Pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019, the defined benefit pension plan was closed on December 31, 2019. Consequently, Leonardo Del Vecchio will not receive any pension benefits under this plan.

(c) Leonardo Del Vecchio did not receive any termination benefits for the termination of his term of office as Chief Executive Officer of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Chairman of the Board of Directors.

Hubert Sagnières

Chief Operating Officer from September 1, 2008, Chief Executive Officer from January 1, 2010, Chairman and Chief Executive Officer from January 2, 2012, Executive Vice-Chairman from October 1, 2018, Vice-Chairman of the Board of Directors from December 18, 2020	
Start of term	2018
End of term	2021 (a)
Employment contract	No (b)
Compensation relating to a non-compete clause	No
Supplementary pension plan	Yes (c)
Compensation or benefits that are or may be owed due to termination or change of functions	No (d)

(a) The term of office of Hubert Sagnières as Executive Vice-Chairman ended on December 17, 2020. The term of office of Hubert Sagnières as Vice-Chairman of the Board of Directors will expire on May 21, 2021, the date of the Annual Shareholders'Meeting.

(b) Hubert Sagnières'employment contract, which has been suspended since January 1, 2020, terminated on account of his retirement.

(c) Hubert Sagnières announced his intention to retire and resigned from his position as Executive Vice-Chairman on December 17, 2020. His supplementary pension will therefore be equal to 25% of his average compensation over the period from December 17, 2017 to December 17, 2020. The gross annual amount of this supplementary payment is at €446,332. A provision has been set aside to cover the plan, which is financed by an insurance company.

(d) Hubert Sagnières did not receive any termination benefits for the termination of his term of office as Executive Vice-Chairman of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Vice-Chairman of the Board of Directors.

Ratio between the compensation of Executive Corporate Officers and the average and median compensation of the Company's employees

The following information is presented in accordance with the provisions of the PACTE Law (no. 2019-486 of May 22, 2019) and Government Order no. 2019-1234 of November 27, 2019 to ensure transparency in terms of executive compensation. It shows the ratios between the compensation of each Executive Corporate Officer and the average and median compensation of the Company's employees.

Methodology

- EssilorLuxottica refers to the AFEP-MEDEF guidelines (updated in February 2021) for the comparative analysis of the total compensation of the Executive Corporate Officers and that of the Group's employees.
- The listed holding company EssilorLuxottica SA has a very small number of employees compared to the total number of Group's employees in France. Therefore, the ratios have been calculated on a broader scope, namely Essilor International SAS and BBGR, the two largest French entities in terms of headcount with around 3,700 employees (i.e., approximately 70% of the employees of the Group's French entities). Luxottica France (470 employees) was included as of the 2019 and 2020 ratios, which made it possible to calculate the 2019 and 2020 ratios based on approximately 80% of the employees of the Group's French entities.
- Compensation taken into account to calculate the ratios includes:
  - For Executive Corporate Officers: base salary, annual variable compensation paid during the year in respect of the previous year, long-term incentive award for the year valued in accordance with IFRS (accounting standards), pursuant to the AFEP-MEDEF guidelines, benefits in kind, Directors'compensation due in respect of the year.
  - For employees (full-time equivalent): fixed compensation, annual variable compensation paid during the year in respect of the previous year, profit-sharing and collective incentive plans paid in the year, long-term incentive award for the year valued in accordance with IFRS (accounting standards), pursuant to the AFEP-MEDEF guidelines, individual premiums paid during the year.

The compensation taken into account for the executive corporate officers and the employees is gross and does not include the employer's contributions.

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For comparison purposes, the following table presents the annual change in the Executive Corporate Officers'and employees'compensation compared to the Group's performance.

	2015	2016	2017	2018	2019	2020
THE COMPANY'S PERFORMANCE						
Final share price for the year	€115.05	€107.35	€114.95	€110.45	€135.80	€127.55
Attributable net profit for the year	€757 M	€813 M	€833 M	€1,774 M [(a)]	€1,938 M [(a)]	€788 M [(a) (c)]
Change in attributable net profit *versus* the previous year	-	+7%	+2%	+113% [(b)]	+9%	-59% [(c)]
EMPLOYEES'COMPENSATION						
Average compensation of employees during the year	€67,566	€72,402	€72,995	€73,905	€74,564	€74,919
Change in average compensation *versus* the previous year	-	+7%	+1%	+1%	+1%	+0%
Median compensation of employees during the year	€50,281	€53,089	€56,506	€57,142	€57,800	€57,625
Change in median compensation *versus* the previous year	-	+6%	+6%	+1%	+1%	-0%

(a) Adjusted pro forma net profit for 2018 and adjusted net profit for 2019 and 2020.
(b) Impact of the combination with Luxottica.
(c) Impact of the COVID-19 epidemic.

Corporate officers'compensation

	2015	2016	2017	2018	2019	2020
Chairman and Chief Executive Officer (position existing until December 17, 2020) **Hubert Sagnières until September 30, 2018, Leonardo Del Vecchio (with the title of Executive Chairman) from October 1, 2018 to December 17, 2020**						
Hubert Sagnières	**€3,961,201**	**€4,360,814**	**€4,470,633**	**€1,820,198** [(a)]	**-**	**-**
Change in compensation *versus* the previous year	-	+10%	+3%	- [(b)]	-	-
Leonardo Del Vecchio	**-**	**-**	**-**	**€2,595,000** [(c)]	**€3,320,325**	**€1,815,565**
Change in compensation *versus* the previous year	-	-	-	-	- [(d)]	-45%
Ratio in relation to average compensation	**59**	**60**	**61**	**60** [(e)]	**45**	**24**
Ratio in relation to median compensation	**79**	**82**	**79**	**77** [(e)]	**57**	**32**
Executive Vice-Chairman (position created on October 1, 2018 and eliminated on December 17, 2020) **Hubert Sagnières from October 1, 2018 to December 17, 2020**						
Hubert Sagnières	**-**	**-**	**-**	**€2,604,933** [(f)]	**€4,324,710**	**€1,956,919**
Change in compensation *versus* the previous year	-	-	-	-	- [(g)]	-55%
Ratio in relation to average compensation	**-**	**-**	**-**	**-** [(g)]	**58**	**26**
Ratio in relation to median compensation	**-**	**-**	**-**	**-** [(g)]	**75**	**34**

(a) Compensation until October 1, 2018: €600,000 of fixed compensation, €1,214,400 of bonus paid, €5,798 of benefits in kind.
(b) 2018 was an incomplete year for Hubert Sagnières. 2018 compensation for the position of Chairman and Chief Executive Officer is €4,415,198 corresponding to the sum of compensation of Hubert Sagnières and Leonardo Del Vecchio. 2018 compensation for the position of Chairman and Chief Executive Officer is 1% lower than in 2017.
(c) Compensation from October 1, 2018: €287,500 of fixed compensation, €25,000 of compensation for his position as Director, €2,282,500 of performance shares (fair value at grant date).
(d) 2018 was an incomplete year for Leonardo Del Vecchio. 2018 compensation for the position of Chairman and Chief Executive Officer is €4,415,198 corresponding to the sum of compensation of Hubert Sagnières and Leonardo Del Vecchio. 2019 compensation for the position of Chairman and Chief Executive Officer is 25% lower than in 2018.
(e) Ratio calculated with the 2018 compensation for the position of Chairman and Chief Executive Officer (€4,415,198), corresponding to the sum of compensation of Hubert Sagnières and Leonardo Del Vecchio.
(f) Compensation from October 1, 2018: €287,500 of fixed compensation, €33,000 of compensation for his position as Director, €2,282,500 of performance shares (fair value at grant date), €1,933 of benefits in kind.
(g) 2018 was an incomplete year for the position of Executive Vice-Chairman.

2.3.4 Compensation paid in 2020 or awarded in respect of 2020 to corporate officers ("Say on Pay" or "Ex post" vote)

The purpose of the fifth resolution is to submit for shareholder approval the information referred to in Article L.22-10-9 I of the French Commercial Code, which includes total compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to corporate officers, including those whose term of office ended during 2020 and those newly appointed during 2020.

The purpose of the sixth resolution is to submit for shareholder approval the compensation components paid in 2020 or awarded in respect of 2020 to Leonardo Del Vecchio, Executive Chairman of the Company until December 17, 2020 and Chairman of the Company's Board of Directors from December 18 to 31, 2020.

The purpose of the seventh resolution is to submit for shareholder approval the compensation components paid in 2020 or awarded in respect of 2020 to Hubert Sagnières, Executive Vice-Chairman of the Company until December 17, 2020 and Vice-Chairman of the Company's Board of Directors from December 18 to 31, 2020.

These votes are required in accordance with Article L.22-10-34 of the French Commercial Code as amended by Law no. 2016-1691 of December 9, 2016 (the "Sapin II Law"), Law no. 2019-486 of May 22, 2019 (the "PACTE Law"), and Government Order no. 2019-1234 of November 27, 2019.

These components are presented in the form of a table prepared in accordance with the recommendations contained in the AFEP-MEDEF Code Application Guide issued by the High Committee for Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*).

Fifth resolution

Approval of the report on the compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to corporate officers

The Shareholders' Meeting, voting under the quorum and majority conditions required for Ordinary Shareholders'Meetings, and having reviewed the Report on Corporate Governance referred to in Article L.225-37 of the French Commercial Code, approves, pursuant to Article L.22-10-34 I. of the French Commercial Code, the information referred to in Article L.22-10-9 of the French Commercial Code mentioned in this Universal Registration Document, as shown in Section 2.3, paragraph *Compensation of corporate officers*.

Sixth resolution

Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to Leonardo Del Vecchio, Executive Chairman until December 17, 2020 and Chairman of the Board of Directors from this date

The Shareholders'Meeting, voting under the quorum and majority conditions required for Ordinary Shareholders'Meetings, pursuant to Article L.22-10-34 II of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to Leonardo Del Vecchio, in respect of his office as Chairman of the Board of Directors and Chief Executive Officer, as shown in this Universal Registration Document, Section 2.3, paragraph *Compensation of corporate officers*, and reproduced below.

Compensation components paid in 2020 or awarded in respect of 2020	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€837,365	Gross fixed annual compensation of €1,000,000 approved by the Board of Directors on March 5, 2020 on the recommendation of the Nominations and Compensation Committee. In light of the unprecedented COVID-19 crisis, Leonardo Del Vecchio requested a 50% reduction in his fixed compensation for the period from April to June 2020 inclusive. The amount of fixed compensation reported for 2020 (€837,365) takes into account this reduction in fixed compensation and corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Executive Chairman ended. Leonardo Del Vecchio did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Chairman of the Board of Directors.
Variable compensation	€220,382	**Annual variable compensation awarded in respect of 2020** The Board of Directors has decided not to revise the objectives or scales used to determine the variable portion of the Executive Corporate Officers' compensation for 2020. The achievement rates presented below therefore reflect the extent of the COVID-19 crisis and its impact on the Company's results. At its meeting of March 11, 2021, acting on the recommendation of the Nominations and Compensation Committee and after the approval of the financial items by the Audit and Risk Committee, the Board of Directors assessed the variable compensation payable to Leonardo Del Vecchio in respect of fiscal year 2020. In light of the financial and specific objectives approved by the Board at its meeting of March 5, 2020 and the achievements recorded as at December 31, 2020, the amount of the variable component was assessed as follows: • growth in adjusted/restated net EPS, 0% of objective achieved, • growth in revenue, 0% of objective achieved, • unlocking of synergies, 72% of objective achieved, • strategic alignment, 150% of objective achieved, • corporate social responsibility, 14% of objective achieved. Consequently, the amount of Leonardo Del Vecchio's variable compensation for 2020 was set at €220,382, *i.e.*, 22.9% of his 2020 target bonus. Details of these criteria, their respective weighting and their assessment scales are provided in Section 2.3.2, *2020 compensation of Corporate Officers*. **Reminder: Annual variable compensation paid in 2020 (in respect of 2019)** At the Board of Directors'meeting of March 5, 2020, Leonardo Del Vecchio announced that he intended to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Leonardo Del Vecchio for 2019.
Deferred variable compensation	N/A	Leonardo Del Vecchio does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Leonardo Del Vecchio does not benefit from any multi-year variable compensation.
Directors'compensation	€50,000	Leonardo Del Vecchio received €50,000 in respect of his directorship of EssilorLuxottica. In light of the unprecedented COVID-19 crisis, pursuant to Article 14 of the bylaws and as a gesture of solidarity with all of the Company's employees, at its meeting on April 18, 2020, the Board of Directors decided that the total amount allocated to the members of the Board of Directors for the year 2020 as compensation for their duties as Directors would be reduced by 50%. The reported amount of €50,000 includes this 50% reduction.
Exceptional compensation	N/A	Leonardo Del Vecchio did not benefit from any exceptional compensation.
Award of stock subscription and purchase options	N/A	Leonardo Del Vecchio does not benefit from stock options.
Award of performance shares	Number: 20,000 and accounting	At its October 1, 2020 meeting, in accordance with the authorization granted by the 7th resolution of the Shareholders'Meeting of November 29, 2018, and acting on the

Compensation components paid in 2020 or awarded in respect of 2020	Amount or accounting valuation submitted to the vote	Comments
	valuation: €928,200	recommendation of the Nominations and Compensation Committee, the Board of Directors awarded 20,000 performance shares to Leonardo Del Vecchio, valued at €928,200 according to the method used for the consolidated financial statements, *i.e.*, 0.9% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.005% of share capital at December 31, 2020. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in Section 2.3.2, paragraph *2020 compensation of corporate officers*.
Sign-on premium	N/A	Leonardo Del Vecchio did not benefit from any sign-on premium.
Termination benefits	No payment	Leonardo Del Vecchio did not receive any termination benefits for the termination of his term of office as Executive Chairman of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Chairman of the Board of Directors. **Reminder:** At its meeting of November 29, 2018, and acting on the recommendation of the Nominations and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Leonardo Del Vecchio regarding termination benefits. In accordance with the procedure regarding related-party agreements and commitments, this commitment was submitted to the vote at the Shareholders'Meeting held on May 16, 2019 (9^{th} resolution) due to his appointment as the Company's Executive Chairman by the Board of Directors on October 1, 2018. Leonardo Del Vecchio was eligible for a termination benefit in respect of his corporate office, in the event of forced departure, in an amount of two years'cash compensation (corresponding to the average annual fixed and variable compensation received in the last three years prior to departure). The termination benefit was wholly subject to performance conditions. Details of the award criteria for this benefit are provided in Section 2.3.2, paragraph *2020 compensation of corporate officers*.
Non-compete payment	N/A	Leonardo Del Vecchio did not receive a non-compete payment on the termination of his term of office as Executive Chairman of the Company on December 17, 2020 and is not eligible for a non-compete payment for his term of office as Chairman of the Board of Directors.
Supplementary pension plan	No payment	Leonardo Del Vecchio is not eligible for the Company's defined benefit pension plan.
Employee death/disability and health insurance plans and defined contribution pension plan		Until December 17, 2020, Leonardo Del Vecchio was eligible for the Group death/disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belonged for the purpose of determining employee benefits and other ancillary items of his compensation. Since December 18, 2020, Leonardo Del Vecchio has no longer been eligible for the employee death/disability and health insurance plans or the defined contribution pension plan set up by the Company.
Benefits in kind	No payment	Leonardo Del Vecchio did not receive any benefits in kind in 2020.

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Seventh resolution

Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to Hubert Sagnières, Executive Vice-Chairman until December 17, 2020 and Vice-Chairman of the Board of Directors from this date

The Shareholders'Meeting, voting under the quorum and majority conditions required for Ordinary Shareholders'Meetings, pursuant to Article L.22-10-34 of the French Commercial Code, approves the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2020 or awarded in respect of 2020 to Hubert Sagnières, in respect of his office as Vice-Chairman of the Board of Directors and Deputy Chief Executive Officer, as shown in this Universal Registration Document, Section 2.3, paragraph *Compensation of corporate officers*, and reproduced below.

Compensation components paid in 2020 or awarded in respect of 2020	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€962,366	Gross fixed annual compensation of €1,000,000 approved by the Board of Directors on March 5, 2020 on the recommendation of the Nominations and Compensation Committee. The amount of fixed compensation reported for 2020 (€962,366) corresponds to the pro rata fixed compensation for the period from January 1, 2020 through December 17, 2020, when his term of office as Executive Vice-Chairman ended. Hubert Sagnières did not receive any compensation for the period from December 18 to 31, 2020 for his term of office as Vice-Chairman of the Board of Directors.
Variable compensation	€220,382	**Annual variable compensation awarded in respect of 2020** The Board of Directors has decided not to revise the objectives or scales used to determine the variable portion of the Executive Corporate Officers' compensation for 2020. The achievement rates presented below therefore reflect the extent of the COVID-19 crisis and its impact on the Company's results. At its meeting of March 11, 2021, acting on the recommendation of the Nominations and Compensation Committee and after the approval of the financial items by the Audit and Risk Committee, the Board of Directors assessed the variable compensation payable to Hubert Sagnières in respect of fiscal year 2020. In light of the financial and specific objectives approved by the Board at its meeting of March 5, 2020 and the achievements recorded as at December 31, 2020, the amount of the variable component was assessed as follows: • growth in adjusted/restated net EPS, 0% of objective achieved, • growth in revenue, 0% of objective achieved, • unlocking of synergies, 72% of objective achieved, • strategic alignment, 150% of objective achieved, • corporate social responsibility, 14% of objective achieved. Consequently, the amount of Hubert Sagnières' variable compensation for 2020 was set at €220,382, *i.e.*, 22.9% of his 2020 target bonus. Details of these criteria, their respective weighting and their assessment scales are provided in Section 2.3.2, *2020 compensation of Corporate Officers*. **Reminder: Annual variable compensation paid in 2020 (in respect of 2019)** In view of the fraud that took place at an Essilor plant in Thailand, the Nominations and Compensation Committee recommended that the Board of Directors should not pay any variable compensation to Hubert Sagnières in his capacity as Chairman of Essilor International SAS for 2019. Therefore, the Board of Directors unanimously decided not to pay any variable compensation to Hubert Sagnières for 2019.
Deferred variable compensation	N/A	Hubert Sagnières does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Hubert Sagnières does not benefit from any multi-year variable compensation.
Directors'compensation	€58,549	Hubert Sagnières received €58,549 in respect of his directorship with the Company, and as a member of the Corporate Social Responsibility Committee and Strategy Committee. In light of the unprecedented COVID-19 crisis, pursuant to Article 14 of the bylaws and as a gesture of solidarity with all of the Company's employees, at its meeting on April 18,

Compensation components paid in 2020 or awarded in respect of 2020	Amount or accounting valuation submitted to the vote	Comments
		2020, the Board of Directors decided that the total amount allocated to the members of the Board of Directors for the year 2020 as compensation for their duties as Directors would be reduced by 50%. The reported amount of €58,549 includes this 50% reduction.
Exceptional compensation	N/A	Hubert Sagnières did not benefit from any exceptional compensation.
Award of stock subscription and purchase options	N/A	Hubert Sagnières does not benefit from stock options.
Award of performance shares	Number: 20,000 and accounting valuation: €928,200	At its October 1, 2020 meeting, in accordance with the authorization granted by the 7th resolution of the Shareholders'Meeting of November 29, 2018, and acting on the recommendation of the Nominations and Compensation Committee, the Board of Directors awarded 20,000 performance shares to Hubert Sagnières, valued at €928,200 according to the method used for the consolidated financial statements, i.e., 0.9% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.005% of the share capital at December 31, 2020. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in Section 2.3.2, paragraph 2020 compensation of corporate officers.
Sign-on premium	N/A	Hubert Sagnières did not benefit from any sign-on premium.
Termination benefits	No payment	Hubert Sagnières did not receive any termination benefits for the termination of his term of office as Executive Vice-Chairman of the Company on December 17, 2020 and is not eligible for any termination benefits for his term of office as Vice-Chairman of the Board of Directors. For information, Hubert Sagnières'employment contract has terminated due to his retirement. He received a retirement benefit as defined in the collective bargaining agreement applicable within Essilor International SAS. The amount of the retirement benefit is equal to four months of his contractual compensation, i.e., €403,667. **Reminder:** At its meeting of November 29, 2018, and acting on the recommendation of the Nominations and Compensation Committee, EssilorLuxottica's Board of Directors approved the commitments made by the Company to Hubert Sagnières regarding termination benefits. In accordance with the procedure regarding related-party agreements and commitments, this benefit obligation was authorized by the Board of Directors on March 4, 2009, reiterated on March 3, 2010 and ratified at the Shareholders'Meeting of May 5, 2011 (4th resolution) and was submitted to the vote at the Shareholders'Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018. Details of the award criteria for this benefit are provided in Section 2.3.2, paragraph 2020 compensation of corporate officers.
Non-compete payment	N/A	Hubert Sagnières did not receive a non-compete payment on the termination of his term of office as Executive Vice-Chairman of the Company on December 17, 2020 and is not eligible for a non-compete payment for his term of office as Vice-Chairman of the Board of Directors.
Supplementary pension plan	No payment	Hubert Sagnières announced his intention to retire and resigned from his position as Executive Vice-Chairman on December 17, 2020. His supplementary pension will therefore be equal to 25% of his average compensation over the period from December 17, 2017 to December 17, 2020. The gross annual amount of this supplementary payment is at €446,332. A provision has been set aside to cover the plan, which is financed by an insurance company. **Reminder:** At its meeting of November 29, 2018, and acting on the recommendation of the Nominations and Compensation Committee, EssilorLuxottica's Board of Directors

Compensation components paid in 2020 or awarded in respect of 2020	Amount or accounting valuation submitted to the vote	Comments
		approved the commitments made by the Company to Hubert Sagnières regarding the supplementary defined benefit pension plan. In accordance with the procedure regarding related-party agreements and commitments, this benefit obligation was authorized by the Board of Directors on November 26, 2009 and ratified at the Shareholders'Meetings of May 11, 2010 (5th resolution) and May 11, 2017 (4th resolution), and was submitted to vote at the Shareholders'Meeting of May 16, 2019 (10th resolution) due to his appointment as the Company's Executive Vice-Chairman by the Board of Directors on October 1, 2018.
Employee death/disability and health insurance plans and defined contribution pension plan		Until December 17, 2020, Hubert Sagnières was eligible for the employee death/disability and health insurance plans and the defined contribution pension plan set up by the Company under the same terms and conditions as those applicable to the category of employees to which he belonged for the purpose of determining employee benefits and other ancillary items of his compensation. Since December 18, 2020, Hubert Sagnières has no longer been eligible for the employee death/disability and health insurance plans or the defined contribution pension plan set up by the Company.
Benefits in kind	€8,004	Hubert Sagnières was covered by an unemployment insurance plan for which the Company paid a lump-sum annual premium of €8,004 in February 2020.

2.3.5 2021 compensation policy for corporate officers (“Say on Pay” or “Ex-ante” vote)

Pursuant to Article L.22-10-8 of the French Commercial Code, the Board of Directors submits for the approval of the Shareholders’Meeting the principles and criteria for the determination, distribution and award of the fixed, variable and exceptional components making up total compensation and benefits in kind attributable to the corporate officers for the performance of their duties for the 2021 fiscal year, representing the compensation policy applicable to them.

These principles and criteria approved by the Board of Directors on the recommendation of the Nominations and Compensation Committee are set out in the report under the above article and appear in Section 2.3.

It is hereby specified that the compensation policy for Executive Corporate Officers, which is subject to an annual vote, is set by the Board of Directors, acting on the recommendation of the Nominations and Compensation Committee, based on the following key principles:

- compensation must be strictly aligned with the performance of EssilorLuxottica, in connection with the Company’s business strategy;
- compensation must be considered as a whole: all components (cash compensation, long-term incentive, employee benefits and supplementary pension) and the balance between those components must be taken into account;
- compensation must be competitive with regard to the practices of comparable European and international companies;
- compensation must take account of Group employees’compensation and employment conditions: it must be consistent with that of the other senior executives and employees of EssilorLuxottica in terms of structure and progression;
- compensation must be governed by simple, clear, transparent rules.

1. Compensation policy for members of the Board of Directors

The compensation for members of the Board of Directors includes only cash compensation, whose maximum amount is voted on by the Shareholders’Meeting and whose allocation rules are set by the Board of Directors.

Directors’compensation includes a fixed component and a predominant variable component, which take into account (i) the type of offices held on the Board of Directors and its committees and (ii) the actual presence of the members at Board of Directors’ and committee Meetings.

In accordance with Article 14 of the bylaws, the Shareholders’Meeting determines the total maximum amount allocated to members of the Board of Directors each year as compensation for their duties as Director. The total annual amount voted by the Combined Shareholders’Meeting of November 29, 2018 was €2,000,000. Details of the compensation policy for members of the Board of Directors are provided in Section 2.3.

2. Compensation policy of the Executive Corporate Officers

The compensation of the Executive Corporate Officers includes three main components:

- a fixed component, which should attract and retain top talents;
- a short-term variable component, linked to the achievement of strategic financial and non-financial objectives established at the start of each fiscal year;
- a long-term incentive component, which is designed to encourage the creation of lasting value for shareholders and to align the interests of the Executive Corporate Officers with those of shareholders.

Fixed compensation	**Short-term compensation** *(Can represent 100% of fixed compensation if objectives are achieved in full without exceeding 200%)*	**Long-term compensation** *(performance conditions measured over a period of three years)*
	90% of financial criteria: • Growth in adjusted net EPS, • Revenue growth, • Unlocking of synergies.	Main criterion: annualized growth in share price
	10% of non-financial criteria linked to a CSR objective	Penalty in the event of underperformance in relation to the EuroStoxx 50 index

The purpose of the **eighth resolution** is to submit for shareholder approval the compensation policy that applies to all corporate officers for the period from January 1, 2021 to the date of the Annual Shareholders’ Meeting, *i.e.*, Leonardo Del Vecchio (Chairman of the Board of Directors), Hubert Sagnières (Vice-Chairman of the Board of Directors), Francesco Milleri (Chief Executive Officer), Paul du Saillant (Deputy Chief Executive Officer) and the members of the Board of Directors.

The purpose of the **ninth resolution** is to submit for shareholder approval the compensation policy that applies to all corporate officers for the period after the Annual Shareholders’ Meeting.

Details of all compensation can be found in the *Report on Corporate Governance* in Section 2.3.

Eighth resolution

Approval of the compensation policy applicable to corporate officers for the period from January 1, 2021 to the date of the Annual Shareholders' Meeting

The Shareholders'Meeting, voting under the quorum and majority conditions for Ordinary Shareholders'Meetings, and having reviewed the report of the Board of Directors on corporate governance, pursuant to Article L.22-10-8 II of the French Commercial Code, approves the compensation policy applicable to corporate officers for the period from January 1, 2021 to the date of the Annual Shareholders' Meeting, presented in this Universal Registration Document, Section 2.3, paragraph *Compensation of corporate officers*.

Ninth resolution

Approval of the compensation policy applicable to corporate officers for the period after the Annual Shareholders' Meeting

The Shareholders'Meeting, voting under the quorum and majority conditions for Ordinary Shareholders'Meetings, and having reviewed the report of the Board of Directors on corporate governance, pursuant to Article L.22-10-8 II of the French Commercial Code, approves the compensation policy applicable to corporate officers for the period after the Annual Shareholders' Meeting presented in this Universal Registration Document, Section 2.3, paragraph *Compensation of corporate officers*.

2.3.6 Summary statement of transactions in Company securities carried out by corporate officers (or persons closely related to them) in 2020

(Article 223-26 of the AMF General Regulations)

First name	Last name	Title	Description of the financial instrument	Transaction type	Transaction date	Transaction amount	Shares
Leonardo	Del Vecchio	Chairman	Shares	Purchase [(a)]	11/10/2020	€488,560.40	4,000
Hubert	Sagnières	Vice-Chairman	Shares	Disposal	03/19/2020	€1,847,321.00	17,500
				Disposal	03/24/2020	€ 1,615,575.00	15,000
				Vesting of 2016 free shares plan award	09/22/2020	-	35,000
Paul	du Saillant	Deputy Chief Executive Officer Director	Shares	Vesting of 2017 free shares plan award	10/03/2020	-	18,003
				Vesting of 2017 free shares plan award	12/21/2020	-	14
				Purchase (Stock Options Plan)	12/21/2020	€240,612.79	2,658
Romolo	Bardin	Director representing Delfin	Shares	Purchase	01/02/2020	€141,973.13	1,036
				Purchase	11/04/2020	€108,600.00	1,000
Juliette	Favre	Director representing Valoptec [(b)] Association	Shares	Vesting of 2017 free shares plan awards	10/03/2020	-	588
				Vesting of 2017 free shares plan award	10/03/2020	-	27
				Vesting of 2017 free shares plan award	12/21/2020	-	14
				Purchase (Stock Options Plan)	12/21/2020	€21,725.76	240
Giovanni	Giallombardo	Director representing Delfin	Shares	Purchase	11/06/2020	€112,559.60	1,000
Leonel	Pereira	Director representing employees	Shares	Vesting of 2017 free shares plan award	10/03/2020	-	27
				Vesting of 2017 free shares plan award	12/21/2020	-	14
				Purchase (Stock Options Plan)	12/21/2020	€6,246.16	69
Delphine	Zablocki	Director representing employees	Shares	Vesting of 2017 free shares plan awards	10/03/2020	-	19
				Vesting of 2017 free shares plan awards	12/21/2020	-	14
				Purchase (Stock Options Plan)	12/21/2020	€6,970.35	77

(a) Transaction made by Ms. Zampillo who is closely linked to Mr. DEL VECCHIO.
(b) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

2.4 Appendix: Summary table of recommendations of the AFEP-MEDEF Code that have not been applied

Reminder of the corporate governance code of reference

The Board of Directors of the Group declared that, as of March 4, 2009, the AFEP and MEDEF Corporate Governance Code for listed companies of December 2008, (hereinafter the "AFEP-MEDEF Code") available on the AFEP and MEDEF websites, will be the Code to which EssilorLuxottica refers, especially for the preparation of the report provided for in article L.225-37 and L.22-10-11 of the French Commercial Code.

In 2020, the Company referred to the AFEP-MEDEF Code as revised in January 2020.

In 2021, the Company refers to the AFEP-MEDEF Code as revised in January 2020.

Pursuant to the Combination Agreement, the parties confirmed that the composition of the Board of Directors and Committees of EssilorLuxottica shall comply with applicable laws and regulations and with the AFEP-MEDEF Code (subject to limited exceptions).

Implementation of the "comply or explain" rule

With regard to the "Comply or Explain" rule provided for in article L.225-37 and L.22-10-11 of the French Commercial Code and referred to in article 27.1 of the AFEP-MEDEF Code, the Company considers that its practices comply with the recommendations of the AFEP-MEDEF Code.

However, certain provisions have been disregarded for the reasons explained in the table below:

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
9.3	**Annual self-assessment of the Board of Directors'operating procedures**	A self-assessment of the Board of Directors was launched in 2019, based on a quantitative and qualitative approach (see Section 2.1.2.3 regarding the self-assessment of the Board of Directors'operating procedures). A first presentation of the results of this exercise was presented to the Board of Directors on November 28, 2019 and a follow-up was presented to the Board of Directors on March 5, 2020 and on March 11, 2021. In the context of the Combination with Luxottica, effective as from October 1, 2018, and given the complete overhaul of the governance structure and composition of the Board of Directors, it was not considered opportune for the Company's Board of Directors to conduct a self-assessment of its operating procedures in 2018. A formal assessment of the operation of the Board of Directors was performed on an annual basis from 2004 to 2017
13.2	**Directors'terms of office** *"Terms of office are staggered to avoid all reappointments happening at once and to make the reappointment process smoother."*	During the Initial Term, the terms of office of the Directors of EssilorLuxottica will not be staggered, to ensure a smooth transition and seamless integration of the two companies in the context of the Combination. The Board of Directors held on March 11, 2021 decided to propose to the Shareholders' Meeting to be held on May 21, 2021 to amend article 13 of the bylaws so that the staggered term of office of directors only starts to apply in 2024. This would allow Directors renewed and newly appointed in 2021 to have 3 full years of stability to work more efficiently.
15.1	**Composition of Audit and Risk Committee** *"The proportion of independent Directors on the Audit Committee must be at least equal to two-thirds, and the Committee should not include any Executive Corporate Officers."*	The combination of Luxottica and Essilor, two major international groups, constitutes a transaction on an exceptional scale and entails the implementation of a particular governance structure requiring certain committees to comprise a majority of non-independent members with extensive, precise and in-depth knowledge of the combination, of the new governance structure of the Company, and of Luxottica, Essilor International and their respective groups. For these reasons, the Combination Agreement provides that the Audit and Risk Committee will not comprise at least two-thirds of independent Directors.

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
17.1	**Composition of the Nominations and Compensation Committee** *"It is recommended that the Chairman of the Nominations and Compensation Committee be independent and that one of its members be an employee Director."*	Pursuant to the Combination Agreement, Mr. Olivier Pécoux, Chairman of the Nomination and Compensation Committee, was appointed as a Board of Directors' member of EssilorLuxottica nominated by Essilor; the latter was considered by the parties as independent for the purpose of the Combination Agreement, this constitute a deviation with regard to this recommendation of the AFEP-MEDEF Code because he has been a Director for more than 12 years. The Directors considered that despite this fact, he has always displayed great independence in his judgements. The Combination Agreement provides for an equal number of members from Delfin and Essilor in each Committee. AFEP-MEDEF recommends that at least one employee Director be a member of the Compensation Committee. Since the Nominations Committee and the Compensation Committee have been combined into one committee and both of the two employee Directors are included in the number of Directors appointed by Essilor, EssilorLuxottica deviates from this recommendation in order to respect the intention underlying the rule of a balanced number of Committee's members, namely the freedom of Delfin and Essilor to choose their respective Committee's members. Continuing the policy of Essilor, EssilorLuxottica gives considerable voice to employee Directors (Directors representing employees and Directors representing employee shareholders), particularly regarding decisions taken by the EssilorLuxottica Board of Directors, which includes two Directors representing employees and one Director representing employee shareholders. The EssilorLuxottica group submitted a three-year employee share ownership plan (consistent with Essilor's prior practice) to the first EssilorLuxottica Shareholders'Meeting held on November 29, 2018 The presence of a strong internal share ownership structure, which is independently represented and managed worldwide by the French non-profit association "Valoptec Association," is a major factor in the Group's long-term performance, strategic alignment and excellence. The Association brings together a significant proportion of employee shareholders who can express their views and vote once a year on the Human Resources strategy, compensation and decisions such as the appointment and reappointment of Executive Corporate Officers.
18.1	**Composition of the Nominations and Compensation Committee** The Compensation Committee must mostly consist of independent directors	Despite the fact that Olivier Pecoux has been a Director for more than 12 years, the Directors considered that he has always displayed great independence in his judgements and qualified him as "independent". Pursuant to the AFEP-MEDEF criteria, he would not qualify as "independent" and thus the Nomination and Compensation Committee would consist of half independent directors as opposed to mostly independent directors.

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
21	**Suspension of the employment contract of the Executive Corporate Officer** *It is recommended that, when an employee becomes an Executive Corporate Officer of the Company, the employment contract between them and the Company or a Group company be terminated, either by means of contractual termination by mutual consent or by means of resignation.*	On the recommendation of the Executive Officers Committee, the Board of Directors' Meeting of November 27, 2008 expressed reservations on the "requirement" for an Executive Corporate Officer to terminate their employment contract on appointment as Chairman and Chief Executive Officer or Chief Executive Officer. While this provision would make sense for a Director hired externally or newly arrived within the Group, it is difficult to justify it for a manager who has had a long and successful career within the Company and is called to higher responsibilities. By reducing the protection afforded to Executive Corporate Officers at a time when they are taking on increased risks by virtue of their new responsibilities, this could lead internal candidates to turn down the promotion or to ask for a bigger increase in their compensation, which is obviously not in line with the spirit of the AFEP-MEDEF recommendations. This measure would detach the Executive Corporate Officers from the Company and would be out of line with the policies of internal promotion and "sustainable management" that are, for the Company, the key to building strong and stable groups. Consequently, when an employee is promoted to the position of Chief Executive Officer, the Board of Directors may, in light of the employee's specific situation, and in particular his or her seniority, ask for the employment contract to be terminated without compensation or decide that the Chief Executive Officer may continue to hold an employment contract during its term of office. This option allows to avoid having to ask for the resignation of an employee or to initiate a procedure for an amicable termination with respect to an employee who has successfully worked for the EssilorLuxottica Group. Also, as from the Annual Shareholders' Meeting of May 21, 2021, any employee who is promoted to Chairman and Chief Executive Officer or Chief Executive Officer must terminate their employment contract.
24.3 and 25.5.1	**Non-compete payment** *When the agreement is concluded, the Board must incorporate a provision that authorises it to waive the application of this agreement when the officer leaves.*	The non-compete undertaking entered into with Francesco Milleri does not provide for the possibility for the Board of Directors to waive the clause upon his departure. This is because, in view of the highly competitive environment in which the Company operates, the Board of Directors considered that it was essential that there was no uncertainty as to the application of the non-compete clause. In this respect, the Board of Directors considered it crucial for the Company to be headed up during this transition period by someone who knows the company and the business sector well and is capable not only of reflecting the Group's values, strategy and ambition, but also of transforming its organization to anticipate changes on the market in which it operates. The Board of Directors therefore considered it primordial to safeguard the Group's strategic information and interests during the agreed period. For this reason, it deemed it appropriate to maintain the same system regarding the potential waiver of the non-compete clause as that applied to Francesco Milleri under his employment contract. Maintaining this system allows the Executive Corporate Officer to commit to respecting clear, pre-defined rules, and contributes to building momentum and trust in relations with the officer, in the best interests of all stakeholders. It should also be noted that the amount of the non-compete payment, which may not exceed one year of fixed and variable compensation, is much lower than the various amounts for which Francesco Milleri was eligible on the termination of his employment contract with Luxottica Group S.p.A., which is set to be terminated under the conditions set out above.

2.5 Appendix: List of offices and responsibilities

Leonardo Del Vecchio

Chairman [a] - Non-Independent Director

85 years old (Country of citizenship: Italy)

Number of shares:

376,000

Main position held within the Company:

Chairman

(since December 17, 2020)

Business address:

EssilorLuxottica – 147, rue de Paris

94220 Charenton-Le-Pont

France

First appointment as Director: October 1, 2018 [1]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Leonardo Del Vecchio is the Chairman of EssilorLuxottica. He was Executive Chairman of EssilorLuxottica between October 2018 and December 2020.

Leonardo Del Vecchio is the founder of Luxottica Group and he has been appointed Chairman of the Board since it was formed in 1961.

In 1986, he was awarded the honor of "Cavaliere del Lavoro" by the President of the Italian Republic.

In May 1995, he received an honorary degree in Business Administration from the Venice Cà Foscari University. In 1999, he received a Master *honoris causa* in International Business from MIB- Management School in Trieste, and in 2002 he received an honorary degree in Managerial Engineering from the University of Udine. In March 2006, Leonardo Del Vecchio received another honorary degree in Materials Engineering from Politecnico of Milan.

In December 2012 the Foundation CUOA awarded him an honorary master's degree in Business Administration.

In 2017, he established the Del Vecchio Foundation to support charitable and non-profit initiative.

Leonardo Del Vecchio is Chairman of Delfin S.à r.l. and Aterno S.à r.l., Chairman of the Leonardo Del Vecchio Foundation, Vice-Chairman of Covivio S.A. and Chairman of the Strategic and Investment Committee of the same company.

Mr. Del Vecchio brings his visionary business approach to the industry and his experience as a lifelong entrepreneur and innovator to the Board of Directors.

Positions and terms of office held as of December 31, 2020

Main position

Chairman of EssilorLuxottica [a]*

Other EssilorLuxottica group companies

Executive Chairman

- Luxottica Group S.p.A. (Italy)

External companies (non EssilorLuxottica group)

Vice-Chairman

- Covivio (France)*

President

- Delfin Sàrl (Luxembourg)
- Aterno Sàrl (Luxembourg)
- Leonardo Del Vecchio Fondation (Italy)

Past positions and terms of office held over the past five years

EssilorLuxottica group

Executive Chairman of EssilorLuxottica [b]*

External companies (non EssilorLuxottica group)

Director

- Gianni Versace S.p.A. (Italy)
- Istituto Europeo di Oncologia srl (Italy)
- Givi Holding S.p.A. (Italy)

(a) Since December 17, 2020.
(b) Until December 17, 2020.
(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Hubert Sagnières

Vice-Chairman [(a)] - Non-Independent Director

65 years old (Countries of citizenship: Canada and France)

Number of shares:
381,886

Main position held within the Company:
Vice-Chairman (since December 17, 2020)

Business address:
EssilorLuxottica – 147, rue de Paris
94220 Charenton-Le-Pont
France

First appointment as Director: October 1, 2018 [(1)]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Hubert Sagnières is the Vice-Chairman of EssilorLuxottica. He was Executive Vice-Chairman of EssilorLuxottica between October 2018 and December 2020.

He joined Essilor in 1989 as President of International Marketing. He served as President of Essilor Canada from 1991 to 1996, then President of Essilor Laboratories of America in 1996 and President of Essilor of America, a position he held until 2005.

From 2006 to 2009, Hubert Sagnières was President of Essilor Europe and North America before being named Chief Operating Officer in August 2008, then Chief Executive Officer from January 1, 2010 to January 2, 2012.

He was Chairman and Chief Executive Officer of Essilor between 2012 and 2019 then Chairman between May 2019 and December 2020.

Hubert Sagnières brings to the Board of Directors his experience as a top Executive Officer of a world leading company as well as his expertise of the ophthalmic industry acquired for 30 years.

Positions and terms of office held as of December 31, 2020

Main position

Vice-Chairman of EssilorLuxottica [(a)]*

Past positions and terms of office held over the past five years

EssilorLuxottica group

Executive Vice-Chairman of EssilorLuxottica [(b)]*

Essilor group companies

President

- Essilor International (SAS)**

Chairman of the Board of Directors

- Essilor International (SAS)**

Director

- Essilor AMERA Pte Ltd (Singapore)
- Transitions Optical Inc. (USA)
- Frames for America, Inc. (USA)
- Transitions Optical Holdings B.V. (Netherlands)

(a) Since December 17, 2020.
(b) Until December 17, 2020.
(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of his term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.
* Listed company.
** Non-listed company 100% controlled by EssilorLuxottica.

Francesco Milleri

Chief Executive Officer [(a)] - Director representing Delfin [(1)]

61 years old (Country of citizenship: Italy)

Number of shares:
1,000

Main positions:
CEO of EssilorLuxottica*
Deputy Chairman and CEO of Luxottica Group S.p.A.

Business address:
EssilorLuxottica – 147, rue de Paris
94220 Charenton-Le-Pont
France

First appointment as Director: October 1, 2018 [(2)]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Francesco Milleri is Chief Executive Officer (CEO) of EssilorLuxottica and Deputy Chairman and CEO of Luxottica Group.

He graduated with honors in Law at the University of Florence, where he worked as Assistant Professor of political economy, from 1984 until 1986. He later earned in 1987 an MBA in Business Administration with high merit at the school of management at the Bocconi University in Milan, followed by two years of specialization in Corporate Finance at the Stern School of Business at New York University as the assignee of the "Donato Menichella" scholarship from Banca d'Italia.

Francesco Milleri began his career as a business consultant for Italian groups and multinationals in 1988. He gained international experience working in a variety of industries, from mechanics to consumer goods, from financial institutions to pharmaceuticals.

Alongside business consulting activities, he founded in 1996 and developed for about 20 years a group of companies focused on technology and digital automation platforms.

He is also Director of the Leonardo Del Vecchio Foundation and of IEO European Institute of Oncology.

While maintaining his responsibilities at Luxottica, Francesco Milleri has been involved in the business combination between Essilor and Luxottica since January 2017. In close collaboration with Paul du Saillant and his teams, he has been actively working on advancing the integration and synergy plans of the two companies, most recently as co-executive delegate and currently as CEO of the Company.

Francesco Milleri brings to the Board of Directors his extensive expertise as a strategist for global companies and his proven ability to futurize business through digital technology and infrastructure.

He is Chairman of the Strategy Committee.

Positions and terms of office held as of December 31, 2020

Main position

Chief Executive Officer (CEO) of EssilorLuxottica [(a)]*

EssilorLuxottica group companies

Deputy Chairman and CEO of Luxottica Group S.p.A.

Director

- EssilorLuxottica*
- Luxottica of America Inc. (USA)

External companies (non EssilorLuxottica group)

Director

- Instituto Europeo di Oncologia S.r.l. (Italy)
- Fondazione Leonardo Del Vecchio (Italy)

Past positions and terms of office held over the past five years

EssilorLuxottica group companies

President

- Salmoiraghi & Viganò S.p.A. (Italy)

External companies (non EssilorLuxottica group)

Sole Director

- Fast Immobiliare di Milleri Stefano e Francesco s.n.c. (Italy)

Director

- SO.GE.DI S.r.l. (Italy)

(a) Since December 17, 2020.
(1) Director representing Delfin within the meaning of the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

2

Paul du Saillant

Deputy Chief Executive Officer [a] - Non-Independent Director [b]

62 years old
(Country of citizenship: France)

Number of shares:
306,519

Main positions:
Deputy Chief Executive Officer of EssilorLuxottica (since December 17, 2020)
Chairman and Chief Executive Officer of Essilor International (since December 17, 2020)

Business address:
EssilorLuxottica – 147, rue de Paris
94220 Charenton-Le-Pont
France

First appointment as Director: March 30, 2020

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Paul du Saillant is Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica and Chairman and CEO of Essilor.

He joined Essilor in 2008, after 20 years spent at Air Liquide, where he held operational and strategic leadership roles in the United States and Europe, across a wide range of fields including R&D and engineering. Prior to that, Paul du Saillant served for 5 years as Managing Director of Belgian Group Lhoist.

Over 12 years at Essilor, he has been responsible for managing key corporate functions of the Group. In July 2010, when Hubert Sagnières became CEO, he was appointed Chief Operating Officer alongside Laurent Vacherot. He was responsible for both large geographic zones (Europe, Asia and Latin America) and cross-functional global functions (Human Resources, R&D, industrial activities, transformation program, IT, etc.), then of Essilor's Lens business since 2017.

While maintaining his responsibilities at Essilor, Paul du Saillant has been involved in the business combination between Essilor and Luxottica since January 2017. In close collaboration with Francesco Milleri and his teams, he has been actively working on advancing the integration and synergy plans of the two companies, most recently as co-executive delegate and currently as Deputy CEO of the Company. He was appointed as Deputy CEO of EssilorLuxottica in December 2020.

Paul du Saillant brings to the Board 35 years of international experience in world-class groups with successful long-term strategy, values and global/local presence. He contributes detailed knowledge of optical industry, markets and technology as well as human and sustainability aspects. He is member of the EssilorLuxottica Strategy Committtee.

Positions and terms of office held as of December 31, 2020

Main position

Deputy Chief Executive Officer of EssilorLuxottica [a]*

EssilorLuxottica group :

Chairman and Chief Executive Officer of Essilor International**

Director

- Nikon Essilor Corporation (Japan)**

Past positions and terms of office held over the past five years

Essilor International

Deputy Chief Executive Officer

Chief Operating Officer

Chief Strategy Officer

(a) Since December 17, 2020.
(b) Starting from March 30, 2020.
* Listed company.
** Non-listed company.

Romolo Bardin

Director representing Delfin [1]

42 years old (Country of citizenship: Italy)

Number of shares:
6,000

Main position:
Chief Executive Officer of Delfin Sàrl (Luxembourg)

Business address:
7, rue de la Chapelle
1325 Luxembourg

First appointment as Director: October 1, 2018 [2]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Romolo Bardin is member of the Board of Directors and Chief Executive Officer of Delfin. He began his career in Luxottica in 2002.

Romolo Bardin also holds positions in the following organizations:

- Assicurazioni Generali S.p.A. as Independent Director, member of the Risk and Control Committee and member of the Related Party Transactions Committee;
- Covivio S.A. as member of the Board of Directors, member of the Audit Committee and the Strategic and Investment Committee;
- Member of the following Boards of Directors: Aterno S.à r.l., DFR investment S.à r.l., Fondazione Leonardo del Vecchio, Vast Gain Limited Ltd S.à r.l., Immochapelle S.A., Luxair S.A..

Romolo Bardin brings to the Board of Directors his high-level expertise in terms of strategy, management and finance, acquired during these years.

Romolo Bardin is member of the Audit and Risk Committee and member of the Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Chief Executive Officer of Delfin Sarl (Luxembourg)

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Assicurazioni Generali S.p.A. (Italy)*
- Covivio S.A. (France)*
- Delfin Sàrl (Luxembourg)
- Luxair S.A (Luxembourg)

External companies (Delfin Sarl group)

Director

- Aterno S.à r.l. (Luxembourg)
- DFR Investment S.à r.l. (Luxembourg)
- Fondazione Leonardo Del Vecchio
- Vast Gain Limited Ltd S.à r.l. (Luxembourg)
- Immochapelle S.A. (Luxembourg)

Past positions and terms of office held over the past five years

External companies (Covivio SA group)

Director

- Batisica S.A.
- Immeo Berlin I
- Immeo Berlin V
- Immeo Lux S.à r.l.
- Immeo Berlin Prime S.à r.l.
- Berlin Prime Commercial S.à r.l.
- Immeo Valore 4 S.à r.l.
- Immeo Valore 6 S.à r.l.
- Delfin Finance S.A.

(1) Director representing Delfin in the meaning of the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

2

Juliette Favre

Director representing Valoptec Association [1]

48 years old (Country of citizenship: France)

Number of shares:
6,270

Main position:
Strategic projects Executive, Global Operation Support at Essilor International

Business address:
81, boulevard Jean-Baptiste Oudry
94000 Créteil
France

First appointment as Director: October 1, 2018 [2]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Juliette Favre is Strategic projects executive, Global Operation Support at Essilor, after having launched the Lab 4.0 program at Satisloh (Essilor's Equipment division) and President of Valoptec Association. She began her career at SEITA as engineer in the industrial sector. She joined Essilor in 2000 on Europe distribution sector to manage organization and support projects. In 2005, she joined the Research and Development Department as project manager in charge of New Products. In 2007, she was sent to Singapore to provide technological advisory to Asia-Pacific zone, then to Bangkok in 2009 in charge of Asia industrial engineering teams. In 2012, she is appointed as Industrial Director and comes back to France to ensure industrial development of the Instruments Division and implement new service activities with high added value by developing the customer service and the supply chain.

Juliette Favre contributes to the Board of Directors her deep familiarity with Essilor and its manufacturing and sales operations. She has been proposed as a candidate by Valoptec Association. Her membership of the Board of Directors is a strong signal of the importance EssilorLuxottica attaches to employee share ownership. She is member of the Strategy Committee and, since January 28, 2021 she is also member of the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Strategic projects Executive, Global Operation Support at Essilor International (SAS)**

EssilorLuxottica group companies

Director

- EssilorLuxottica*
- Essilor International (SAS)**

President of the Board of Directors

- Valoptec Association

President of the Supervisory Board

- Fonds Valoptec International

Past positions and terms of office held over the past five years

EssilorLuxottica group companies

Director

- Essilor International (Compagnie Générale d'Optique) [2]

(1) Valoptec is not an employees' representative body within the meaning of article L. 225-23 of the French Commercial Code.

(2) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Giovanni Giallombardo

Director representing Delfin [(1)]

65 years old (Country of citizenship: Italy and Luxembourg)

Number of shares:
2,000

Main position:
Chairman of Luxair S.A.

Business address:
25, rue Gabriel Lippmann
L-5365 Munsbach Luxembourg

First appointment as Director: October 1, 2018 [(2)]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Giovanni Giallombardo is Chairman of Luxair S.A.. He is member of the Board of Directors of Cargolux Airlines International S.A. of Delfin, Immochapelle S.A. and member of the Management and Finance Committee of the MUDAM Foundation.

In 2011, Giovanni Giallombardo has been nominated as Insurance Broker by the Luxembourg Ministry of Finance.

Previously Giovanni Giallombardo has been Senior Vice-President-Managing Director of the Luxembourg, branch of Unicredit bank AG (until December, 21 2020) and member of the Management Board of Unicredit Luxembourg S.A. (until July 1, 2018) after being member of the Committee (2009-2012), Chairman of the Board of Directors and CEO of Unicredit Luxembourg Finance S.A. (2005-2009), General Manager of Unicredit International Bank S.A. (2004-2009), General Manager of the Luxembourg Branch of Unicredito Italiano S.p.A. (2001-2004), General Manager of the Luxembourg Branch of Rolo Banca 1473 S.p.A. (1991-2001), Chairman of the Board of Directors of Rolo Pioneer Luxembourg S.A. (1998-2001), Deputy-Managing Director of the Luxembourg Branch Rolo Banca 1473 S.p.A. (1988-1999) and Manager at Citicorp Investment Bank S.A. (1984-1988).

From 1998 to 2001 Giovanni Giallombardo has also been Chairman of the Commission for Financial Market at ABBL and member of the Group "Security Market" at *Commission de Surveillance du Secteur Financier*.

Giovanni Giallombardo graduated in Economics at the European School of Luxembourg and he completed a PhD in Economics and Commerce at the University of Florence.

Giovanni Giallombardo brings to the Board of Directors his high-level expertise in terms of finance gained through his functions within international financial institutions.

Giovanni Giallombardo is member of the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Chairman of Luxair S.A. (Luxembourg)

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Delfin Sàrl (Luxembourg)
- Immochapelle S.A. (Luxembourg)
- Cargolux Airlines International S.A. (Luxembourg)

Member of the Management and Finance Committee

- MUDAM (Luxembourg)

Past positions and terms of office held over the past five years

External companies (non EssilorLuxottica group)

Senior Vice-President-Managing Director

- UniCredit Bank AG Luxembourg Branch

Member of the Management Board

- UniCredit Luxembourg S.A.

Member of the Supervisory Board

- Luxair S.A. (Luxembourg)

(1) Director representing Delfin as per the Combination Agreement.
(2) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

2

Annette Messemer

Independent Director

56 years old (Country of citizenship: Germany)

Number of shares:
1,000

Business address:
EssilorLuxottica – 147 rue de Paris
94220 Charenton-le-Pont
France

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Annette Messemer is a finance and banking executive who serves on international boards in banking as well as consumer and manufacturing industries. Other than EssilorLuxottica, she is a member of the board of directors of Société Générale, Savencia and Imérys. She held the position of Group Executive/Divisional Board member, Corporate Clients until June 2018 at Commerzbank AG in Frankfurt am Main (Germany).

Furthermore, Annette Messemer was a member of the Supervisory Board of K+S AG until May 2018 (Kassel, Germany) and served on the Supervisory Board of Commerzreal (Wiesbaden, Germany) until 2016 and of WestLB AG until 2011 (Düsseldorf, Germany).

She started her career in investment banking at J.P. Morgan in New York in 1994 to continue her career in Frankfurt and London. During the 12 years of her career at J.P. Morgan she gained extensive experience in finance, leading strategic M&A and financing transactions as well as risk management transactions. She left J.P. Morgan as Senior Banker in 2006 to join Merrill Lynch as Managing Director and member of the German Executive Committee. In 2010, she accepted the nomination to the Supervisory Board of WestLB by the German ministry of finance, to support one of the most significant bank restructurings in Germany during the financial crisis before joining Commerzbank in February 2013.

Annette Messemer brings to the Board of Directors her extensive experience in strategy, finance, accounting and risk management having worked for over 20 years with leading multinational corporations and financial institutions, including regulators, and currently serving on other boards of multinational companies.

Annette Messemer is member of the Audit and Risk Committee and member of Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

EssilorLuxottica group companies

Director

- EssilorLuxottica*
- Société Générale*
- Imérys*
- Savencia*

Past positions and terms of office held over the past five years

Commerzbank group companies

Divisional Director, "Corporate Clients"

- Commerzbank AG (Germany)

Member of the Supervisory Board

- Commerzreal AG (Germany)

External companies (non-Commerzbank group)

Member of the Supervisory Board

- K+S Aktiengesellschaft (Germany)

Director

- Essilor International (Compagnie Générale d'Optique) (1)
- Essilor International**

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Gianni Mion

Independent Director

77 years old (Country of citizenship: Italy)

Number of shares:
4,761

Main position:
Director of Prelios S.p.A.

Business address:
EssilorLuxottica – 147 rue de Paris,
94220, Charenton-le-Pont
France

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Mr. Mion was Chairman of Edizione S.r. l. until November 2020.

He started his career in Peat Marwick Mitchell (now KPMG), where he worked from 1966 to 1973 as auditor in the offices of Rome and Chicago.

In 1973 he entered in McQuay Europa S.p.A. with a role of controller and after one year he moved in Gepi S.p.A., where he held various managerial positions until 1983 when he joined the Board of Directors of Fintermica S.p.A. In 1985, he started to work for the Marzotto S.p.A. as Chief Financial Officer.

From 1986 to December 2016 was CEO and Executive Deputy Chairman of Edizione Holding (Holding of the Benetton family).

Gianni Mion has been in the Board of Directors of several companies: Edizione, Atlantia, Autogrill, Telecom Italia, Benetton Group, among them.

Gianni Mion brings to the Board of Directors his business leadership experiences as well his commitment to the development of successful international organizations.

Gianni Mion is member of the Nomination and Compensation Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Director of Prelios S.p.A.

Other EssilorLuxottica group companies

Director

- EssilorLuxottica*

Past positions and terms of office held over the past five years

External companies (non EssilorLuxottica group companies)

Director

- Edizione Holding
- Autogrill S.p.A.*
- Benetton Group

President

- Banca Popolare Vicenza S.p.A.

Chairman of the Board of Directors

- Venezia Terminal Passeggeri S.p.A.

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Lucia Morselli

Independent Director

64 years old (Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Telecom Italia Board Director

Business address:
Via Gaetano Negri 1 Milan, MI 20123
Italy

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Lucia Morselli is Chairman and CEO of AMinvestco S.p.A. and AMitalia S.p.A. Lucia Morselli is member of the Board of Directors of Fondazione Snam, Sisal S.p.A., Telecom Italia S.p.A., STMicroelectronics SA, Atlantia S.p.A.; BLU Sgr S.p.A. and she is member of the Advisory Board of «Veneranda Fabbrica del Duomo di Milano».

Lucia Morselli is member of the World Economic Forum for Climate Change.

Lucia Morselli is also Chief of Economic Degree Studies of University Link Campus in Rome. After graduating with the highest grades in Mathematics at the University of Pisa, Lucia Morselli completed a PhD in Mathematical Physics at the University of Rome and she earned two master degrees, the first one in Business Administration at the University of Torino and the second one in European Public Administration at the University of Milan.

She started her career at Olivetti S.p.A. as collaborator of the CFO in 1982; from 1985 to 1990 she has been Senior Manager of the Strategic and Manufacturing Service at Accenture; from 1990 to 1995 she has been CFO of the Aircraft Division Department at Finmeccanica S.p.A. Subsequently she has been Chief Executive Officer of Telepiù Group (1995-1998), of News Corporate Europe and Stream (Sky) S.p.A. (1998-2003), of Tecnosistemi S.p.A. (2004), of Mikado S.p.A. and Compagnia Finanziaria S.p.A. (2009), of Bioera S.p.A. (2010-2011), of Berco Group (2013-2014), of Acciai Speciali Terni S.p.A. (2014-2016) and of Acciaitalia S.p.A. (2016-2018).

She also served as Chairman of the Board of Directors and Chief Executive Officer of Magiste International S.A. and Scorpio Shipping Group Ltd.

Lucia Morselli has been also a member of the Board of Directors of NDS and IPI S.p.A. In 2003 she founded the consulting firm Franco Tatò & Partner.

Lucia Morselli brings to the Board of Directors her extensive expertise in terms of management and business turnaround acquired during these years. Lucia Morselli chairs the Audit and Risks Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Chairman and CEO of AMInvestco and AMItalia

Director, Chairwoman of the "Related Parties" Committee, member of the Audit Committee of Telecom Italia

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Atlantia S.p.A.
- BLU Sgr S.p.A.
- Telecom Italia,
- STMicroelectronics
- Fondazione Snam
- Sisal S.p.A. (Italy)

Past positions and terms of office held over the past five years

External companies (non EssilorLuxottica group companies)

Managing Director

- Acciaitalia S.p.A. (Italia)
- Berco S.p.A. (Italia)
- Acciai Speciali Terni S.p.A. (Italia)

Chairwoman and Managing Director

- Scorpio Shipping Group Ltd. (United Kingdom)

Director

- Sisal Group S.p.A.
- Dharamthar Harbour - Mumbai (India)
- Italbrokers S.p.A. (Italia)

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Olivier Pécoux

Non-Independent Director (Independent pursuant the Combination agreement)

62 years old (Country of citizenship: France)

Number of shares:
1,000

Main position:
Group Vice Chairman Rothschild & Co

Business address:
ROTHSCHILD & Co
23 bis, avenue de Messine
75008 Paris
France

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Olivier Pécoux is Vice Chairman of the Rothschild & Co group after holding positions as Chief Executive Officer – Managing Partner of the Rothschild group, which he joined in 1991.

Since June 2012, he has been Executive Director of Rothschild & Co Gestion and General Partner of Rothschild & Co SCA. He began his career at Peat Marwick then at Schlumberger as a financial advisor in Paris and New York. In 1986, he joined Lazard Frères in Paris and was named Vice-President of the investment bank's New York office in 1988.

Olivier Pécoux brings to the Board of Directors his experience as a senior leader and manager of a global service company as well as his extensive knowledge of the optical industry and of Essilor that he has accompanied since 2001.

Olivier Pécoux chairs the Nomination & Compensation Committee and is member of the Audit and Risk Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Group Vice Chairman Rothschild & Co*

EssilorLuxottica group companies

Director

- EssilorLuxottica*

Rothshild Group companies

Director

- Rothschild España (Spain)
- Rothschild Italia (Italy)
- Rothschild GmbH (Germany)

External companies (non- Rothschild Group) companies

Director

- Extend Capital

Past positions and terms of office held over the past five years

EssilorLuxottica group companies

Director

- Essilor International**

Rothshild Group companies

Chief Executive Officer – Managing Partner Rothschild & Co

Member of the Executive Board

- Paris-Orléans

Member of the Supervisory Board

- Financière Rabelais

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica. The expiration of his term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Léonel Pereira Ascencao

Director representing employees

48 years old (Country of citizenship: France and Portugal)

Number of shares:
942

Main position:
Workshop Manager for surfacing and lenses at Essilor International

Business address:
Usine Les Battants
55500 Ligny-en-Barrois
France

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Léonel Pereira Ascencao is head of surfacing and glasses workshop at Essilor "Les Battants" plant in Ligny-en-Barrois (France), he began working at Essilor on May 22, 1996.

With 25 years of seniority at Essilor, Mr. Léonel Pereira Ascencao started as an operator at the Essilor laboratory based in Lyon (France), where he had the opportunity to work on the production at many different positions, both surfacing and coating. He kept progressing and was appointed as Team Leader. In 2007, he applied to an offer for a surfacing workshop manager position in Ligny-en-Barrois (France) and was selected. Léonel Pereira Ascencao has been in this position since then. In 2010, his scope was extended to Special Lenses, an activity that has experienced a strong growth over the past four years at Essilor.

Positions and terms of office held as of December 31, 2020

Main position

Skilled operator at Essilor International**

EssilorLuxottica group companies

Director representing employees

- EssilorLuxottica*

Past positions and terms of office held over the past five years

None.

(1) Appointement by the Central Work Council of Essilor International on September 20, 2017 effective from the of the Contribution between Essilor International (Compagnie Générale d'Optique) and Luxottica on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Sabrina Pucci

Independent Director

53 years old (Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Professor of Accounting and Financial Reporting at Roma Tre University (Italy)

Business address:
Roma Tre University,
Via Silvio d'Amico 77, 00154 Rome
Italy

First appointment as Director: October 1, 2018 [(1)]

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Sabrina Pucci is an independent Board of Directors' member of Assicurazioni Generali S.p.A.

Sabrina Pucci embarked on an academic career after graduating in Economics and Business from La Sapienza University in Rome. Her fields of research include international accounting standards, risk, insurance, banks, financial instruments, intangible assets and pension funds. She has published extensively in these fields of expertise.

From 1990 to 1998, she was employed with ISVAP (today IVASS), first as accountant in the life office and then as manager of the actuarial non-life office.

Consultant for courts as accounting expert, she is a Full Professor of Accounting and Financial Reporting in the Department of Business Studies (Roma Tre University). Since 2006, she is member, and later Chairman, of the Insurance Commission constituted by the OIC (the Italian Accounting Standard Setter) in Rome.

Since November 2008, she has been a member of the Insurance Accounting Working Group of EFRAG (European Financial Reporting Advisory Group).

From May 2013, she has been an independent non-executive Board of Directors' member of Assicurazioni Generali S.p.A., member of the Audit and Risk Committee (from 2013) and member of the Appointing Committee (from 2016).

Sabrina Pucci brings to the Board of Directors her accounting and financial expertise acquired during these years.

Positions and terms of office held as of December 31, 2020

Main position

Professor of Accounting and Financial Reporting at Roma Tre University

Member of the Insurance Accounting Working Group of EFRAG (European Financial Reporting Advisory Group)

EssilorLuxottica group companies

Director

- EssilorLuxottica*

Member of the Human Resources Committee

- Luxottica Group S.p.A. (Italy)*

External companies (non EssilorLuxottica group)

Director

Member of the Risk and Control Committee

Member of the Nomination Committee

- Assicurazioni Generali S.p.A. (Italy)*

Past positions and terms of office held over the past five years

EssilorLuxottica group companies

Director

- Luxottica Group S.p.A. (Italy) - (until April 2019)

Member of the Human Resources Committee

- Luxottica Group S.p.A. (Italy) - (until April 2019)

External companies (non EssilorLuxottica group)

Member of the Related Party Transactions Committee

Member of Risk and Control Committee

Member of Nomination Committee

- Assicurazioni Generali S.p.A. (Italy)*

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Cristina Scocchia

Independent Director

47 years old (Country of citizenship: Italy)

Number of shares:
1,000

Main position:
Chief Executive Officer of Kiko S.p.A. (Italy)

Business address:
Via Paleocapa 20
24122 Bergamo
Italy

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Cristina Scocchia is member of the Board of Directors of EssilorLuxottica S.A., and Illycaffè S.p.A.

After graduating with full marks in Management of International Firms at Luigi Bocconi University, she completed a PhD in Business Administration at the University of Torino.

She started her career at Procter&Gamble, where since 1997 she held positions of increasing responsibility working on mature and emerging markets until she was appointed in September 2012 as Cosmetics International Operations Division leader, with the responsibility of supervising the brands in her portfolio in over 70 countries throughout the world. From 2014 to 2017, she served as Chief Executive Officer of L'Oréal Italia S.p.A. and she led the return to growth of the company in a challenging economic environment. From 2016 to 2017, she also acted as Chairwoman of the same company. Since July 2017 she has acted as Chief Executive Officer of Kiko S.p.A. In June 2019 she was awarded the *Légion d'honneur*.

Cristina Scocchia brings to the Board of Directors her extensive expertise in terms of strategy and management acquired during these years.

Cristina Scocchia is member of the CSR Committee of EssilorLuxottica and, since May 15, 2019, of the Strategy Committee.

Positions and terms of office held as of December 31, 2020

Main position

Chief Executive Officer of Kiko S.p.A. (Italy)

EssilorLuxottica Group companies

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Illycaffè (Not listed Company)

Past positions and terms of office held over the past five years

Chairwoman and Chief Executive Officer

- L'Oréal Italia S.p.A. (Italy)*

Director

- Valtur S.p.A. (Italy) - resignation January 2018
- Elica S.p.A. (Italy)
- Luxottica Group S.p.A. (Italy) – expiry April 2019
- Pirelli S.p.A. (Italy)* - expiry June 2020

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

Jeanette Wong

Independent Director

60 years old (Country of citizenship: Singapore)

Number of shares:
1,000

Main position:
Director

Business address:
EssilorLuxottica – 147 rue de Paris,
94220 Charenton-le-Pont
France

First appointment as Director: October 1, 2018 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Jeanette Wong was, before her retirement in March 2019, DBS Group Executive, responsible for Institutional Banking, which encompasses Corporate Banking, Global Transaction Services, Strategic Advisory and Mergers & Acquisitions.

Previously, she was Chief Financial Officer of DBS Group from 2003 to 2008. Prior to joining DBS Bank, Jeanette Wong was at JP Morgan for 16 years (1986-2002). During her tenure at JP Morgan, she had regional responsibilities for the Global Markets and Emerging Markets Sales and Trading business in Asia and was also JP Morgan's head for Singapore from 1997 to 2002. Beforehand Jeanette Wong worked at Citibank from 1984 to 1986 and began her career in 1982 at Banque Paribas.

Jeanette Wong brings to the Board of Directors her extensive expertise in terms of finance as well as her knowledge on corporate social responsibility, on global markets and primarily on Asian markets.

Jeanette Wong chairs the CSR Committee of EssilorLuxottica.

Positions and terms of office held as of December 31, 2020

Main position

Board directorship

EssilorLuxottica group companies

Director

- EssilorLuxottica*

External companies (non-DBS group)

Director

- UBS Group AG
- Jurong Town Corporation (Singapore)
- Fullerton Fund Management Company Ltd. (Singapore)
- FFMC Holdings Pte. Ltd. (Singapore)
- PSA International Pte. Ltd. (Singapore)

Member of the Advisory Board

- Board of Trustees, National University of Singapore
- Asia Cabinet, University of Chicago Booth School of Business

Member

- Securities Industry Council of the Monetary Authority of Singapore

Past positions and terms of office held over the past five years

DBS Group

Group Executive

External companies (non-DBS group)

Director

- Singapore International Arbitration Centre (Singapore)
- Neptune Orient Lines Limited
- Essilor International (Compagnie Générale d'Optique)
- Essilor International (SAS)**

Advisory Council member

- Singapore's Alternate APEC Business Advisory Council (ABAC) (Singapore)

(1) Term of office as Director of EssilorLuxottica entered into force as of October 1, 2018, date of completion of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica; it is specified that the Essilor's general shareholders' meeting of April 24, 2018 appointed Ms. Jeanette Wong as Director of EssilorLuxottica in replacement of Ms. Henrietta Fore. The expiration of her term of office as Director of Essilor International (Compagnie Générale d'Optique) was previously acknowledged by the Board of Directors of the Company on October 1, 2018.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

Delphine Zablocki

Director representing employees

45 years old (Country of citizenship: France)

Number of shares:
449

Main position:
Skilled operator at Essilor International

Business address:
1, rue Fernand-Holweck
21000 Dijon
France

First appointment as Director: October 28, 2017 (1)

Current term ends: Shareholders' Meeting 2021

Personal information – Experience and expertise

Delphine Zablocki is a skilled operator at the Dijon factory (France) of Essilor, she began working at Essilor on June 1, 2004.

Delphine Zablocki started working at Essilor in Dijon (France) as an interim worker in 2003 and she was hired in 2004. Her career at Essilor has allowed her to experience several workshops. She worked as a verifier at the Polycarbonate workshop, where she spent six years and then at the Orma workshop for one year. Later, Delphine Zablocki left the production and worked, still as a verifier, on the "lamination" project, a glass polarization technology. She continued for five years before being transferred to the TSV (vacuum treatment) center in Dijon (France), in 2016.

Positions and terms of office held as of December 31, 2020

Main position

Skilled operator at Essilor International**

EssilorLuxottica group companies

Director representing employees

- EssilorLuxottica*

Past positions and terms of office held over the past five years

EssilorLuxottica Group companies

Director representing employees

- Essilor International**

(1) Delphine Zablocki has been appointed by the Central Work Council of Essilor International on September 20, 2017, *i.e.* prior to the Closing date of the Contribution between Essilor International (Compagnie Générale d'Optique) and Luxottica on October 1, 2018, for a four-year term as of October 28, 2017.

* Listed company.

** Non listed company wholly owned by EssilorLuxottica.

2.6 Statutory Auditors' report on related-party agreements

This is a free translation into English of the statutory auditors' report on related-party agreements issued in French and it is provided solely for the convenience of English speaking users.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Shareholders' Meeting for the approval of the financial statements for the year ended December 31, 2020

To the shareholders,

In our capacity as your company's statutory auditors, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms, conditions and reasons underlying company's interest of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of article R. 225-31 of the French commercial code, it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-31 of the French commercial code in relation to the implementation during the year of agreements already approved by the Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements submitted to the approval of the shareholders' meeting

Agreements authorized and signed in 2020

We hereby inform you that we have not been advised of any agreements authorized and signed during the year that should be submitted for approval to the shareholders' meeting in accordance with article L. 225-38 of the French commercial code.

Agreements previously approved by the shareholders' meeting

Agreements which have been already approved in prior years and which have been pursued during the current year

In accordance with article R. 225-30 of the French commercial code, we have been informed of the following agreements approved in prior years and which remained current during the current year.

Letters of adherence by which certain directors adhere to the governance agreement of EssilorLuxottica during the initial period

Corporate officer involved:

- Mr. Hubert Sagnières, member of the Board of Directors
- Mr. Olivier Pécoux, member of the Board of Directors
- Mr. Leonel Pereira Ascencao, member of the Board of Directors
- Ms. Juliette Favre, member of the Board of Directors
- Ms. Annette Messemer, member of the Board of Directors
- Ms. Jeanette Wong, member of the Board of Directors
- Ms. Delphine Zablocki, member of the Board of Directors

Nature and purpose:

On May 12, 2019, your Board of Directors authorized the conclusion of letters of adherence between certain directors and the company EssilorLuxottica by which these directors adhere to the agreement ending the dispute relating to the governance of the company EssilorLuxottica. This authorization was decided subject to the condition precedent to the authorization of the final version of the said agreement, which took place at the Board of Directors meeting on May 15, 2019.

Agreements concluded between your company and Mr. Leonardo Del Vecchio, Chairman since October 1st, 2018 and Chief Executive Officer from October 1st, 2018 to December 17th, 2020

As part of the appointment of Mr. Leonardo Del Vecchio as Chairman and Chief Executive Officer of the company from October 1, 2018, your Board of Directors on November 29, 2018 authorized the implementation of the benefits detailed below, for the benefit of Mr. Leonardo Del Vecchio, namely:

- Defined contribution retirement plan
- Insurance scheme
- Reimbursement plan for health expenses

Following his decision to leave his function of Chief Executive Officer on December 17, 2020, Mr. Leonardo Del Vecchio, since December 18, 2020, has no longer been eligible for those benefits.

Nature and purpose:

1. Defined contribution retirement plan

   As the entire college of executives, Mr. Leonardo Del Vecchio benefits from the defined contribution pension plan applied within the Company.

   The defined contribution pension is based on a single employer contribution rate currently set at 1% of the gross remuneration received.

2. Insurance Scheme

   As the entire college of executives, Mr. Leonardo Del Vecchio benefits from the insurance scheme applied within the Company.

   This plan offers guarantees of full or partial salary maintenance in the event of a work stoppage or disability. For example, the guarantee in case of temporary incapacity for work is equal to 30% of salary Tranche A and 80% of salary Tranches B and C.

   In addition, it provides for the payment of increased death capital or, at the option of the beneficiary, lower death benefits and spouse's or education annuities. For example, the guarantee in the event of death without annuities is equal to 350% of the salary for a married employee without dependent children.

   The contributions are equal to 1.50% of Tranche A and 1.56% of Tranche B of salary limited to 8 ceilings of the Social Security and financed at 100% by the employer.

3. Reimbursement plan for health expenses

   As the entire college of executives, Mr. Leonardo Del Vecchio benefits from the reimbursement system for health expenses applied within the Company.

   This scheme offers a reimbursement of health expenses complementary to those of the Social Security, in particular for hospitalization, optics or dental expenses.

   The contributions are equal to 2.62% of Tranches A and B, Tranche B being limited to 1 annual Social security ceiling. Employer financing is equal to 78% on Tranche A and 60% on Tranche B.

Agreements concluded between your company and Mr. Hubert Sagnières, Vice-Chairman since October 1st, 2018 and Deputy Chief Executive Officer from October 1st, 2018 to December 17th, 2020

As part of his change of function effective on October 1, 2018, date at which Mr. Hubert Sagnières was appointed Vice-Chairman and Chief Executive Officer of the Company, the Board of Directors decided, on November 29, 2018, to continue to benefit Mr. Hubert Sagnières, the following benefits which he already benefited from as Chairman and Chief Executive Officer of Essilor:

- Defined contribution retirement plan
- Insurance scheme
- Reimbursement plan for health expenses
- Social guarantee for executives

Following his decision to leave his function of Deputy Chief Executive Officer on December 17, 2020, Hubert Sagnières since December 18, 2020, has no longer been eligible for those benefits.

Nature and purpose:

1. Defined contribution retirement plan

   As the entire college of executives, Mr. Hubert Sagnières benefits from the defined contribution pension plan applied within the Company.

   The defined contribution pension is based on a single employer contribution rate currently set at 1% of the gross remuneration received.

2. Insurance Scheme

   As the entire college of executives, Mr. Hubert Sagnières benefits from the insurance scheme applied within the Company.

   This plan offers guarantees of full or partial salary maintenance in the event of a work stoppage or disability. For example, the guarantee in case of temporary incapacity for work is equal to 30% of salary Tranche A and 80% of salary Tranches B and C.

   In addition, it provides for the payment of increased death capital or, at the option of the beneficiary, lower death benefits and spouse's or education annuities. For example, the guarantee in the event of death without annuities is equal to 350% of the salary for a married employee without dependent children.

   The contributions are equal to 1.50% of Tranche A and 1.56% of Tranche B of salary limited to 8 ceilings of the Social Security and financed at 100% by the employer.

3. Reimbursement plan for health expenses

   As the entire college of executives, Mr. Hubert Sagnières benefits from the reimbursement system for health expenses applied within the Company.

   This scheme offers a reimbursement of health expenses complementary to those of the Social Security, in particular for hospitalization, optics or dental expenses.

   The contributions are equal to 2.62% of Tranches A and B, Tranche B being limited to 1 annual Social security ceiling. Employer financing is equal to 78% on Tranche A and 60% on Tranche B.

4. Social guarantee for executives

   Mr. Hubert Sagnières continues to benefit from the social guarantee for executives ("Garantie Sociale des Chefs et des dirigeants d'entreprise" (GSC)).

Paris-La Défense and Neuilly-sur-Seine, March 22, 2021

The Statutory Auditors

French original signed by

Mazars		PricewaterhouseCoopers Audit	
Jean-Luc Barlet	Guillaume Devaux	Olivier Lotz	Cédric Le Gal


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CHAPTER

3

FINANCIAL STATEMENTS

IN BRIEF

2020 Results

The table below highlights EssilorLuxottica's performance in 2020 and 2019. The year-on-year comparability of these results is no longer affected by the accounting of the combination between Essilor and Luxottica ("EL Combination"), occurred on October 1, 2018. However, 2020 results are strongly affected by the COVID-19 pandemic.

€ millions	2020	2019	Change at current exchange rate	Change at constant exchange rate (1)
Revenue	14,429	17,390	-17.0%	-14.6%
Gross profit	8,476	10,817	-21.6%	-19.3%
Adjusted (2) gross profit	***8,493***	***10,887***	***-22.0%***	***-19.6%***
% of revenue	***58.9%***	***62.6%***	-	-
Operating profit	452	1,678	-73.1%	-69.4%
Adjusted (2) operating profit	***1,374***	***2,812***	***-51.1%***	***-48.5%***
% of revenue	***9.5%***	***16.2%***	-	-
Net profit	149	1,185	-87.5%	-84.0%
Adjusted (2) net profit	***868***	***2,054***	***-57.7%***	***-55.4%***
% of revenue	***6.0%***	***11.8%***	-	-

(1) Figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.

(2) Adjusted from income and expenses related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance. Such adjusted measures are reconciled to their most comparable measures reported in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019. The reconciliation tables as well as the list of adjusting items are presented in Section 3.1.1, paragraph "Adjusted measures".

Date of the latest financial information

The latest audited financial information corresponds to fiscal years 2020 and 2019 (periods from January 1 to December 31).

Selected financial information for interim periods

The Company has elected not to disclose financial information for interim periods in this Universal Registration Document.

Documents incorporated by reference

Pursuant to Article 19 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, the following information is incorporated by reference in this Universal Registration Document:

- the consolidated financial statements for the year ended December 31, 2018 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 169-246 and 247-251 of the 2018 Registration Document filed with the AMF on Tuesday, April 9, 2019 under number D.19-0297;
- the consolidated financial statements for the year ended December 31, 2019 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 176-250 and 251-255 of the 2019 Universal Registration Document filed with the AMF on Tuesday, April 21, 2020 under number D.20-0324.

3.1 Comments on the Group's earnings and financial position

3.1.1 Statement of profit or loss and Alternative Performance Measures

EssilorLuxottica condensed consolidated statement of profit or loss

€ millions	2020	2019	Change
Revenue	14,429	17,390	-17.0%
Cost of sales	(5,953)	(6,573)	-9.4%
GROSS PROFIT	**8,476**	**10,817**	**-21.6%**
% of revenue	*58.7%*	*62.2%*	
Total operating expenses	**(8,024)**	**(9,138)**	**-12.2%**
OPERATING PROFIT	**452**	**1,678**	**-73.1%**
% of revenue	*3.1%*	*9.7%*	
PROFIT BEFORE TAXES	**313**	**1,534**	**-79.6%**
% of revenue	*2.2%*	*8.8%*	
Income taxes	(164)	(350)	-53.1%
Effective tax rate	*52.4%*	*22.8%*	
NET PROFIT	**149**	**1,185**	**-87.5%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**85**	**1,077**	**-92.2%**

The table above shows the performance of EssilorLuxottica activities in 2020 and 2019. The comparability in 2020 consolidated financial statements is no longer affected by the accounting of the combination between Essilor and Luxottica occurred on October 1, 2018 (the "EL Combination"), which was considered a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations.*

The 2020 financial results were heavily affected by the COVID-19 pandemic.

- *Revenue* decreased by 17.0%; detailed comments on the net sales performance over the year as well as their breakdown by segment and geographical area are reported in paragraphs "Revenue by operating segment" and "Revenue by geographical area" (Section 1.7.2 of this Universal Registration Document).
- *Operating expenses* are still materially affected by the depreciation and amortization resulting from the recognition of tangible and intangible assets following the purchase price allocation related to the EL Combination (approximately €740 million in 2020 *versus* approximately €747 million recorded in the same period of last year). Moreover, in 2020 the Company recognized the costs incurred in connection with the COVID-19 fund, implemented, in line with the historical values of Essilor and Luxottica, to support the Company's employees and their families in need with a number of initiatives launched all over the world, for approximately €160 million. Furthermore, increased accruals to bad debt provision and inventory obsolescence reserve (€71 million and €192 million respectively) were recorded compared to those recognized in 2019 (€9 million and €117 million respectively). Additionally, significant restructuring costs were accrued over the year, mainly link to restructuring plans relating to the North American Lenses and Sun & Readers businesses, as well as the enhancement of the Group's regional organization in Asia (see comments in the paragraph "Adjusted measures"). Finally, the Group has benefited, in some jurisdictions, from governmental grants and other forms of governmental assistance for approximately €137 million. Those subsidies refer to various governmental schemes on labour costs granted following the periods of reduced operating activity and do not include amounts directly paid to employees through those governmental support schemes.
- *Net profit* decreased to €149 million from €1,185 million reported in 2019, reflecting the contraction of the Company's activities caused by the COVID-19 pandemic.

EssilorLuxottica Alternative Performance Measures (APM)

Condensed consolidated statement of profit or loss: reconciliation with adjusted [2] figures

Year ended December 31, 2020

€ millions	2020	Adjustments related to PPA impacts	Other non-GAAP adjustments	2020 Adjusted [2]
Revenue	14,429	—	—	14,429
Cost of sales	(5,953)	—	17	(5,936)
GROSS PROFIT	**8,476**	**—**	**17**	**8,493**
% of revenue	*58.7%*			*58.9%*
Total operating expenses	**(8,024)**	**666**	**239**	**(7,118)**
OPERATING PROFIT	**452**	**666**	**256**	**1,374**
% of revenue	*3.1%*			*9.5%*
Cost of net debt	(119)	(6)	—	(125)
Other financial income/(expenses)*	(21)	—	—	(21)
PROFIT BEFORE TAXES	**313**	**660**	**256**	**1,229**
% of revenue	*2.2%*			*8.5%*
Income taxes	(164)	(123)	(73)	(360)
NET PROFIT	**149**	**537**	**183**	**868**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**85**	**528**	**176**	**788**

* Including *Share of profit of associates.*

Year ended December 31, 2019

€ millions	2019	Adjustments related to PPA impacts	Other non-GAAP adjustments	2019 Adjusted [2]
Revenue	17,390	—	—	17,390
Cost of sales	(6,573)	61	8	(6,503)
GROSS PROFIT	**10,817**	**61**	**8**	**10,887**
% of revenue	*62.2%*			*62.6%*
Total operating expenses	**(9,138)**	**669**	**395**	**(8,074)**
OPERATING PROFIT	**1,678**	**730**	**404**	**2,812**
% of revenue	*9.7%*			*16.2%*
Cost of net debt	(117)	(7)	9	(115)
Other financial income/(expenses)*	(27)	—	1	(26)
PROFIT BEFORE TAXES	**1,534**	**723**	**414**	**2,672**
% of revenue	*8.8%*			*15.4%*
Income taxes	(350)	(142)	(126)	(618)
NET PROFIT	**1,185**	**581**	**288**	**2,054**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,077**	**574**	**287**	**1,938**

* Including *Share of profit of associates.*

Notes

1. **Constant exchange rates:** figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the previous year.
2. **Adjusted measures or figures:** adjusted from the expenses or income related to the combination between Essilor and Luxottica and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance. A description of the adjusting items is reported in the following paragraph "Adjusted measures".

Adjusted measures

In this document, management presented certain performance indicators that are not envisioned by the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Such measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica consolidated financial statements prepared in accordance with IFRS. Rather, these non-IFRS measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group and should be read in conjunction with EssilorLuxottica consolidated financial statements. Such measures are not defined terms under IFRS and their definitions should be carefully reviewed and understood by investors.

The combination of Essilor and Luxottica (the "EL Combination"), as well as events that are unusual, infrequent or unrelated to normal operations, have a significant impact on the consolidated results. Accordingly, in order to provide additional comparative information on the results for the period under review compared to previous periods, to reflect the EssilorLuxottica actual economic performance and enable it to be monitored and benchmarked against competitors, some measures have been adjusted ("adjusted measures"). In particular, management adjusted the following measures: *Cost of sales, Gross profit, Operating expenses, Operating profit, Profit before taxes* and *Net profit*. Such adjusted measures are reconciled to their most comparable measures reported in the consolidated statements of profit or loss for the years ended December 31, 2020 and 2019.

In 2020 and 2019, adjusted measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination; and (ii) other adjustments related to transactions that are unusual, infrequent or unrelated to normal operations, as the impact of these events might affect the understanding of the Group's performance. These adjustments are described below.

Year ended December 31, 2020

- Non-recurring *Cost of sales* for €17 million related to restructuring and reorganization expenses incurred with respect to the optimization of the Group's distribution centers (in US and Italy), the integration of Costa operation within Luxottica perimeter, as well as the costs of Luxottica's restricted shares plan (LTI) for employees working for operations activities.
- Non-recurring *Selling* expenses for €42 million associated with restructuring projects in US (closing of LensCrafters corners at Macy's) and Europe, and with the impairment of some stores' assets in the global retail network.
- Non-recurring *General and administrative expenses* for €198 million associated with the following impacts:
  - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group's operational and organizational efficiency for €103 million especially in the North America region for the Lenses and Sun & Readers businesses; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
  - non-recurring costs related to the accelerated amortization of software resulting from the decision to progressively converge toward a unified IT platform for approximately €25 million;
  - expenses related to share-based payments for about €28 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans and to Luxottica's restricted shares plan (LTI);
  - non-recurring expenses related to M&A projects for €22 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019;
  - other one-off costs incurred by the Group of which approximately €10 million of external consulting fees linked to the fraudulent financial activities discovered at the end of 2019 at an Essilor's plant in Thailand (the "EMTC fraud"), both for investigation procedures and recovery work streams (net of the insurance reimbursement received by the Group) and approximately €10 million of other one-off costs linked to integration streams.
- *Other income/(expenses)* are adjusted for a net positive effect of €4 million mainly associated with:
  - the positive effect recorded following the recovery of misappropriated funds from the EMTC fraud for approximately €24 million;
  - the costs linked to early termination of the lease related to Costa facilities and the wind-down of the local activities for about €10 million; and
  - a net negative effect of approximately €11 million related to significant claims and litigations.
- *Income taxes* are adjusted for an amount of €(73) million corresponding to:
  - the tax effects of the above-mentioned adjustments for approximately €(73) million, including the recognition of deferred tax assets on the probable future cash recovery from EMTC fraud; and
  - neutral effect of non-recurring tax impacts, including the negative effect related to the tax strategy on deferred tax valuation in France (€22 million), partially compensated by positive tax effects recorded in North America.

3

Year ended December 31, 2019

- Non-recurring *Cost of sales* for €8 million mainly associated with restructuring and reorganization expenses incurred with respect to projects aimed at the optimization of the central warehouses of the Group and the costs of Luxottica's restricted shares plan (LTI) for employees working for operations activities.
- Non-recurring *Selling* expenses for €30 million mainly associated with the closing of the US retail chain Sears Optical, announced by the Group in December 2019.
- Non-recurring *General and administrative expenses* for €199 million associated with the following impacts:
  - non-recurring costs related to restructuring and reorganization projects aiming at increasing the Group's operational and organizational efficiency for €71 million; the non-recurring costs mainly refer to severance, accelerated depreciation and write-off;
  - non-recurring expenses related to M&A projects for €21 million mainly linked to the transaction costs incurred in connection with GrandVision N.V. proposed acquisition announced on July 31, 2019, and to the acquisition of Barberini S.p.A. completed in August 2019;
  - one-off costs incurred by the Group for €36 million, including transaction costs linked to the finalization of the Mandatory Tender Offer (MTO) and the delisting of Luxottica shares in the context of the EL Combination and to other one-off integration costs;
  - expenses related to share-based payments for about €65 million linked to the removal of the performance conditions from the 2015 and 2016 Essilor's share-based plans, the international employee shareholding plan extended to Luxottica Group employees in late 2019 and to Luxottica's restricted shares plan (LTI); and
  - non-recurring expenses for €6 million incurred in connection with the settlement of a commercial litigation.
- Non-recurring *Other income/(expenses)* are adjusted for €166 million corresponding to the following impacts:
  - non-recurring loss related to the fraudulent financial activities in a plant in Thailand for an amount of €185 million (including foreign exchanges impacts);
  - non-recurring costs related to M&A and divestment transactions for €22 million mainly related the loss resulting from the sale of Merve as a condition required by the Turkish antitrust authorities to approve the combination of Essilor and Luxottica for €14 million, as well as a non-recurring impact on final deferred payments paid on various past acquisitions;
  - net negative impact of €5 million related to other non-recurring transactions linked to significant claims and litigations; and
  - the elimination of a non-recurring net gain for €46 million mainly related to the profit recorded from the sale of the Group's 25% ownership in a US based entity and the sale of another investment.
- *Cost of net debt* is adjusted for €9 million mainly corresponding to non-recurring financial expenses linked to early repayment of debt at Luxottica Group level in the context of the restructuring and centralization of financial debt at EssilorLuxottica level.
- *Income taxes* are adjusted for an amount of €(126) million corresponding to the tax effects of the above-mentioned adjustments for €(56) million and to the elimination of non-recurring net tax gains for €(70) million mainly due to i) the one-off recognition of deferred tax assets on tax losses carry forward in a Canadian entity following the merger of the Essilor and Luxottica entities in Canada into one tax group and to ii) the reimbursement granted from the Italian tax authorities on IRAP tax related to fiscal years 2014 to 2016.

Adjusted (2) consolidated statement of profit or loss

€ millions	2020	2019	Change at current exchange rates	Change at constant exchange rates (1)
Revenue	14,429	17,390	-17.0%	-14.6%
Cost of sales	(5,936)	(6,503)	-8.7%	-6.2%
GROSS PROFIT	**8,493**	**10,887**	**-22.0%**	**-19.6%**
% of revenue	*58.9%*	*62.6%*		
Research and development	(287)	(291)	-1.1%	-0.3%
Selling	(3,981)	(4,595)	-13.4%	-11.0%
Royalties	(134)	(168)	-20.1%	-17.9%
Advertising and marketing	(1,058)	(1,236)	-14.4%	-12.3%
General and administrative	(1,644)	(1,777)	-7.4%	-5.1%
Other income/(expenses)	(14)	(8)	70.6%	80.1%
Total operating expenses	**(7,118)**	**(8,074)**	**-11.8%**	**-9.5%**
OPERATING PROFIT	**1,374**	**2,812**	**-51.1%**	**-48.5%**
% of revenue	*9.5%*	*16.2%*		
Cost of net debt	(125)	(115)	8.9%	10.3%
Other financial income/(expenses)	(22)	(24)	-7.7%	8.0%
Share of profits of associates	1	(2)	-151.7%	-149.7%
PROFIT BEFORE TAXES	**1,229**	**2,672**	**-54.0%**	**-51.5%**
% of revenue	*8.5%*	*15.4%*		
Income taxes	(360)	(618)	-41.7%	-38.5%
Effective tax rate	*29.3%*	*23.1%*		
NET PROFIT	**868**	**2,054**	**-57.7%**	**-55.4%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**788**	**1,938**	**-59.3%**	**-57.0%**

Revenue for the year totaled €14,429 million, a decline of 17.0% at current exchange rates and 14.6% at constant exchange rate (1).

Adjusted (2) *Gross profit*: -22.0% at current exchange rates and -19.6% at constant exchange rates (1)

Adjusted(2) *Gross profit* in 2020 ended at €8,493 million, representing 58.9% of revenue *versus* 62.6% in 2019. The gross margin was mostly affected by the lower cost absorption of the manufacturing footprint, particularly in the first half of the year, and by higher logistics costs. Gross margin was also affected by a lower insurance margin in the second half of the year due to an increased level of claims. However, this impact was partly offset by efficiency programs focusing on the Group's manufacturing footprint in North America and Latin America. The Group also managed to limit the gross margin erosion in 2020 thanks to the good progress on the procurement synergies linked to the integration.

Adjusted (2) *Operating expenses*: -11.8% at current exchange rates and -9.5% at constant exchange rates (1)

Adjusted(2) *Operating expenses* amounted to €7,118 million for 2020, translating to 49.3% of revenue, and decreased by 11.8% (-9.5% at constant exchange rates(1)). The Company put in place material cost containment measures to offset the decline in revenue triggered by the COVID-19 crisis, ranging from employee furloughs to reductions or deferrals of manager compensation, reduction of marketing expenses and negotiations with suppliers and landlords.

Operating expenses include:

- *Research and development* costs of €287 million, as the Group put on hold few non-critical investments and benefited from the reorganization of its Lenses R&D footprint in North America.
- *Selling* costs of €3,981 million, a decrease of €615 million compared to the prior year, mainly driven by a decline in labour and occupancy costs starting from the second quarter of 2020.
- *Royalties* of €134 million, a decrease of €34 million compared to 2019, mainly related to the decline in sales of the Group's licensed eyewear brands.
- *Advertising and marketing* costs of €1,058 million, a reduction of approwimately €180 million compared to the prior year, due to the re-prioritization of non-crucial marketing activities at the peak of the COVID-19 crisis, during the first half of the year, while during the second half of 2020 the Group unlocked some key investments.
- *General and administrative* costs of €1,644 million, a decrease of more than €130 million compared to the prior year, thanks to savings on discretionary spending, simplification of the organization structure and reductions in managers' compensation.

Adjusted [2] *Operating profit*: -51.1% at current exchange rates and -48.5% at constant exchange rates [1]

The Group posted an adjusted [2] *Operating profit* of €1,374, representing 9.5% of revenue compared to 16.2% in the prior year.

Adjusted [2] *Cost of net debt*, *Other financial income/(expenses)* and *Share of profits of associates*

The adjusted [2] *Cost of net debt* increased to €125 million in 2020 following the bonds issuance occurred in November 2019 (€5 billion) as well as in May 2020 (€3 billion). *Other financial expenses* amounted to €22 million and *Share of profits of associates* showed a profit of €1 million.

Adjusted [2] *Income taxes*

EssilorLuxottica reported adjusted [2] *Income taxes* of €360 million, reflecting an adjusted[2] tax rate of 29.3% for 2020 compared to an adjusted [2] tax rate of 23.1% in the prior year, resulting from a more negative geographical mix of earnings and from a negative impact of losses in certain countries.

Adjusted [2] *Net profit attributable to owners of the parent*: -59.3% at current exchange rates and -57.0% at constant exchange rates [1]

Other non-GAAP measures

Other non-GAAP measures such as EBITDA, Free Cash Flows, Net debt and the ratio Net debt to EBITDA are also included in this document in order to:

- improve transparency for investors;
- assist investors in their assessment of the Group's operating performance and its ability to refinance its debt as it matures and incur additional indebtedness to invest in new business opportunities;
- assist investors in their assessment of the Group's cost of debt;
- ensure that these measures are fully understood in light of how the Group evaluates its operating results and leverage;
- properly define the metrics used and confirm their calculation; and
- share these measures with all investors at the same time.

Those other non-GAAP measures are not meant to be considered in isolation or as a substitute for items appearing in EssilorLuxottica consolidated financial statements prepared in accordance with IFRS. Rather, these other non-GAAP measures should be used as a supplement to IFRS results to assist the reader in better understanding the operating performance of the Group. Moreover, investors should be aware that the Group's method of calculating those non-GAAP measures may differ from that used by other companies.

The following table provides a reconciliation of those non-GAAP measures to the most directly comparable IFRS financial measures.

€ millions	**2020**	**2019**
Net cash flow provided by operating activities [a]	2,953	3,299
Purchase of property, plant and equipment and intangible assets [a]	(650)	(903)
Cash payments for the principal portion of lease liabilities [a]	(461)	(571)
FREE CASH FLOW	**1,842**	**1,825**
Operating profit [b]	452	1,678
Depreciation and amortization [a]	2,136	2,121
EBITDA	**2,588**	**3,800**
NET DEBT [c]	**2,975**	**4,046**
NET DEBT/EBITDA	**1.1**	**1.1**

(a) As presented in the consolidated statement of cash flows.
(b) As presented in the consolidated statement of profit or loss.
(c) Net debt is presented in Note 21 – *Financial debt, including lease liabilities* of the Notes to the consolidated financial statements (Section 3.3). Its components are also reported in Section 3.1.2.

3.1.2 Statement of financial position, net debt and cash flow

EssilorLuxottica reclassified consolidated statement of financial position

The reclassified consolidated statement of financial position aggregates the amount of assets and liabilities from the consolidated statement of financial position in accordance with functional criteria which considers the Group conventionally divided into the three fundamental areas focusing on resources investments, operations and financing.

€ millions	**December 31, 2020**	**December 31, 2019**
Goodwill	22,658	24,074
Intangible assets	10,031	11,300
Property, plant and equipment	3,348	3,620
Right-of-use assets	1,753	2,014
Investments in associates	17	18
Other non-current assets	374	378
Fixed Assets	**38,181**	**41,404**
Trade working capital	**2,131**	**2,808**
Employees benefits and provisions	**(924)**	**(960)**
Tax receivables/(payables)	(336)	(362)
Deferred tax assets/(liabilities)	(1,470)	(1,708)
Tax assets/(liabilities)	**(1,805)**	**(2,069)**
Other operating assets/(liabilities)	**(1,809)**	**(1,805)**
NET INVESTED CAPITAL	35,774	39,378
EQUITY	**32,798**	**35,332**
NET DEBT	**2,975**	**4,046**

Fixed assets decreased by €3,223 million compared to December 31, 2019 mainly due to foreign currency fluctuations (approximately €1.5 billion on *Goodwill*, €0.4 billion on *Intangible assets* and €0.2 billion on *Property, plant and equipment*) and depreciations and amortization of the period (€2,136 million). These decreases were partially offset by the capital expenditures of the period (additions for €682 million), the recognition of new *Right-of use assets* in connection with lease contracts signed in 2020 (€442 million) and new acquisitions performed by the Group in the first semester of the year resulting in a €155 million *Fixed assets* increase.

Trade working capital (*i.e.* the sum of inventories, trade receivables and trade payables) decreased by €677 million compared to December 31, 2019 thanks to the measures the Group undertook to monitor its exposure towards commercial counterparties and manage inventory stock levels, as well as for the effects of foreign currency fluctuations.

Equity decreased as a result of foreign currency fluctuations (for approximately €2 billion) and due to the dividend distribution of the year: €503 million distributed to EssilorLuxottica's shareholders in December 2020, as interim dividend for the year 2020, and €59 million distributed to minorities shareholders of the Group's subsidiaries throughout the course of the year.

Net debt decreased by €1,071 million compared to December 31, 2019 as illustrated in the following paragraph.

Net debt

Group *Net debt* (*excluding Lease liabilities*) amounted to €1,038 million at the end of December 2020, decreasing by €860 million compared to the position at the end of December 2019.

The measures implemented by the Company to face the COVID-19 pandemic allowed the decrease in Net debt. Moreover, at the end of May 2020, the Company successfully issued €3 billion bonds whose proceeds can be used for general corporate purposes.

€ millions	December 31, 2020	December 31, 2019
Non-current borrowings	9,324	6,864
Current borrowings	633	403
Total liabilities	**9,957**	**7,268**
Short-term investments	(200)	(500)
Cash and cash equivalents	(8,683)	(4,836)
Total asset	**(8,883)**	**(5,336)**
Interest Rate Swap measured at fair value	(36)	(34)
NET DEBT EXCLUDING LEASE LIABILITIES	**1,038**	**1,898**
Lease liabilities (current and non-current)	1,938	2,148
NET DEBT	**2,975**	**4,046**

Reclassified consolidated statement of cash flows

The reclassified consolidated statement of cash flows reconciles the EBITDA to the net cash flow generated by the Group highlighting the cash flow derived from its operations (Free Cash Flow).

In 2020, cost containment and cash preservation measures were swiftly implemented following the spread of the COVID-19 pandemic. The Company stopped the execution of its share buyback program (announced on March 17, 2020) and thoughtfully controlled its capital expenditure and acquisition projects throughout the year. Only at the end of 2020, in light of the sound business recovery observed during the second half of the year, the Company decided to pay to its shareholders an interim dividend for the 2020 financial year for a total cash-out amounting to €503 million.

€ millions	2020	2019
EBITDA	**2,588**	**3,800**
Changes in trade working capital [(a)]	432	(82)
Capital expenditure	(650)	(903)
Lease payments (excluding interests) [(b)]	(461)	(571)
Other cash flow from operations	(67)	(419)
FREE CASH FLOW	**1,842**	**1,825**
Dividends paid	(561)	(959)
Acquisitions net of cash acquired	(133)	(370)
Other changes in equity	(217)	(596)
Other changes in financial and non-financial assets	302	(421)
Changes in borrowings (excluding FX)	2,737	3,506
NET CASH FLOW	**3,970**	**2,985**

(a) *Trade working capital* comprises inventories, trade receivables and trade payables.
(b) *Cash payments for the principal portion of lease liabilities* as presented in the consolidated statement of cash flows.

In 2020, *Capital expenditure* amounted to €650 million, representing approximately 5% of the Group's revenue. Capital expenditure were put on hold mainly in retail, manufacturing and IT.

Despite COVID-19 pandemic, the Group's Free Cash Flow increased to €1,842 million from €1,825 generated in 2019.

The line *Other changes in equity* includes the effects of transactions with non-controlling interest (€94 million in 2020; €628 million in 2019 when the cash-out related to the final phases of the Mandatory Tender Offer over Luxottica's shares occurred), the cash-out related to the share buyback program (€159 million on 2020) and the proceeds from share capital increases (€36 million in 2020; €32 million in 2019).

The flows reported in the line *Other changes in financial and non-financial assets* mainly refers to the investment in 2019 of a portion of the proceeds from the issuance of the €5 billion bonds (€500 million) in cash deposits with a maturity of less than 12 months (short-term investments) that were partially re-invested in cash equivalent instruments at the end of 2020 (€300 million).

3.2 Trend information

3.2.1 Recent trends

Several of the trends that emerged during the COVID-19 outbreak are continuing to shape the eyecare and eyewear industry and the Company's performance. Demand for vision care confirms its resilience, while the Company's leading position in value-added solutions (like progressive lenses, blue-cut solutions or myopia management) supports its performance. In sunglasses, the secular shift towards the online channel was dramatically accelerated by the pandemic and its multiple consumer lockdowns, in particular for the Company's worldwide leading proprietary brands.

Once restrictions are lifted, both the optical and sun categories are expected to bounce back, like they did in the summer and autumn of 2020. As the vaccination campaigns make substantial progress globally, the Company is confident to be able to fully leverage a more normal business environment.

3.2.2 Subsequent events

Ray-Ban Authentic launch in the US

On January 12, 2021, EssilorLuxottica announced the launch in the US of the first commercial product leveraging the strength of the new Group by strategically combining the expertise of Essilor and Luxottica.

The latest edition of Ray-Ban Authentic represents the perfect match of Ray-Ban's legendary style and Essilor's expertise in sight and will capitalize on the assets of both to meet consumer needs with the aim of diversifying the single vision category as well as growing the prescription sun category for private practices. This latest edition was launched on January 19, 2021.

Ray-Ban's history in the field of prescription lenses has witnessed many ground-breaking developments, but the combination of iconic frames and the latest generation of clear, gradient and sun lenses is a significant revolution made possible by the integration of Essilor and Luxottica. The key innovation is the ability to offer premium and lightweight lenses that perfectly adapt to the shape and curvature of the Ray-Ban frame, making the most of the latest optical technologies.

With prescription glasses being an important part of every look, there will be over 1,400 lens-frame combinations available to consumers, including those featuring Transitions technology with photochromic lenses and blue light filtering. The new range also includes a Special Edition, enhanced with Essilor's best-known and most innovative lens solutions such as Varilux, Eyezen and Crizal.

Ray-Ban's complete experience with its tailored optical solutions by Essilor creates a new innovative category for a future of fully customized products for both customers and consumers.

Crossing of legal and statutory thresholds by BPI

On January 25, 2021, BPI Investissement SAS notified the Company that LAC 1 SLP had exceeded the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. LAC 1 SLP held at that date 4,500,688 shares and voting rights in EssilorLuxottica representing 1.02% of the Company's share capital and voting rights.

Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

EssilorLuxottica and CooperCompanies will leverage their shared expertise and global leadership in myopia management to accelerate the commercialization of SightGlass Vision spectacle lenses. Through this partnership, they will further strengthen innovation opportunities and go-to-market capabilities to grow the myopia control category. SightGlass Vision's technology will complement both companies' existing solutions, including Essilor's Stellest lens and CooperVision's MiSight and Orthokeratology contact lenses.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

EssilorLuxottica expands employee shareholding reaching a record high

On February 4, 2021, EssilorLuxottica announced the results of its 2020 international employee share ownership campaign ("Boost 2020"), increasing its employee shareholding to a record high of 44% at Company level. Recognizing its long-term commitment towards promoting employee shareholding, EssilorLuxottica has also been awarded with the "Grand Prix FAS 2020" by the French Federation of Employee Shareholder Associations (FAS).

Following the success of Boost 2020, a total of approximately 63,000 EssilorLuxottica employees in 81 countries now hold a financial stake in the Company, up from near 56,000 employees in 2019, representing an increase of approximately 13%. In addition, more than 10,000 EssilorLuxottica employee retirees are also shareholders showing their engagement and confidence in the Group.

Despite the challenging context of the past year, the subscription rate in Boost 2020 reached over 62% of eligible employees, which is considerably above the 2019 market average of 20% and well in line with the previous Boost initiatives. Specific plans rolled-out at local level complemented the global initiative and contributed to its overall success, in particular the French *Plan d'Épargne d'Entreprise* (P.E.E. or employee savings plan), with a record amount invested.

These results illustrate both EssilorLuxottica employees' desire to contribute to the Company's long-term development and value creation and their dedication to the Company's mission to help people see more, be more and live life to its fullest.

The continued expansion of employee shareholding across EssilorLuxottica represents another major step in the integration of the combined Company and was recognized by the "Grand Prix FAS 2020" at the 16th edition of the French Grand Prix FAS Employee Shareholding Awards on February 2, 2021. This award acknowledges the Company's leadership and continued commitment in the area of employee shareholding, a cornerstone of EssilorLuxottica's governance model and long-term strategy.

Update on the proposed acquisition of GrandVision by EssilorLuxottica

On February 9, 2021, the European Commission has initiated a new market test in connection with possible remedies submitted by the Company aiming at finalizing the Phase II review relating to the proposed acquisition of GrandVision by EssilorLuxottica.

On March 23, 2021, the European Commission granted its final approval, subject to the divestment of optical retail businesses in Belgium (35 stores from the "GrandOptical" chain, without the banner), the Netherlands (142 stores from the "EyeWish" chain, including the banner) and Italy (174 stores from the "VistaSì" chain, including the banner, and the "GrandVision by" chain, without the banner).

The outcome of the proposed transaction is still depending on the approval by the competition authorities in Chile and Turkey, as well as the decisions regarding on-going litigations.

Update on fraud at Essilor Manufacturing Thailand Co.

On December 30, 2019, the Company announced that it had discovered fraudulent financial activities at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact of €185 million.

Approximately €24 million were recovered during the course of 2020. Moreover, following a Court's decision issued at the end of January 2021, additional USD 67 million were recovered in 2021 as of the date of this Universal Registration Document. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Nominees to the new Board

On February 24, 2021, EssilorLuxottica Board of Directors decided to propose the nomination of the following individuals to compose the future Board:

- Mr. Leonardo Del Vecchio, as non-independent director
- Mr. Francesco Milleri, as non-independent director
- Mr. Paul du Saillant, as non-independent director
- Mr. Romolo Bardin, as non-independent director
- Ms. Juliette Favre, as non-independent director
- Mr. Jean-Luc Biamonti, as independent director
- Ms. Marie-Christine Coisne, as independent director
- Mr. José Gonzalo, as independent director
- Ms. Swati Piramal, as independent director
- Ms. Cristina Scocchia, as independent director
- Ms. Nathalie von Siemens, as independent director
- Mr. Andrea Zappia, as independent director

Resolutions will be submitted to shareholders' vote at the Company's 2021 Annual General Shareholders' Meeting.

The mandates of the directors representing employees, Ms. Delphine Zablocki and Mr. Léonel Pereira Ascencao, will expire on September 20, 2021 and are not up for immediate renewal.

3.2.3 Outlook

EssilorLuxottica is starting 2021 with confidence in its ability to outperform the eyecare and eyewear industry, thanks to continued innovation in products and processes and ongoing evolution of the consumer journey.

Taking into account the uncertainties around COVID-19, the positive momentum already visible in Asia-Pacific and the hopes that vaccinations will start to normalize the business environment in other regions in the course of the second quarter, the Company has the ambition to deliver a performance comparable to pre-pandemic levels (on an adjusted [2] basis and at constant exchange rates [1]).

Furthermore, the Company believes that some current trends are likely to continue: strong e-commerce, sound prescription sales, optical retail outperforming sun retail.

Notes

1. **Constant exchange rates:** figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the comparative year (pre-pandemic).
2. **Adjusted measures or figures:** for a definition of adjusted measures or figures, please refer to paragraph "Adjusted measures" in Section 3.1.1.

3.3 Consolidated Financial Statements

3.3.1 Consolidated statement of profit or loss

€ millions	Notes	2020	2019
Revenue	5	14,429	17,390
Cost of sales		(5,953)	(6,573)
GROSS PROFIT		**8,476**	**10,817**
Research and development		(544)	(548)
Selling		(4,320)	(4,918)
Royalties		(134)	(168)
Advertising and marketing		(1,149)	(1,331)
General and administrative		(1,867)	(2,000)
Other income/(expenses)	6	(10)	(174)
Total operating expenses		**(8,024)**	**(9,138)**
OPERATING PROFIT		**452**	**1,678**
Cost of net debt	7	(119)	(117)
Other financial income/(expenses)	7	(22)	(25)
Share of profits of associates	12	1	(2)
PROFIT BEFORE TAXES		**313**	**1,534**
Income taxes	8	(164)	(350)
NET PROFIT		**149**	**1,185**
of which attributable to:			
• owners of the parent		85	1,077
• non-controlling interest		64	108
Weighted average number of shares outstanding:	9		
• basic		435,868,811	434,084,752
• diluted		439,003,665	441,137,525
Earnings per share (EPS) for net profit attributable to owners of the parent (in euro):	9		
• basic		0.19	2.48
• diluted		0.19	2.44

3.3.2 Consolidated statement of comprehensive income

€ millions	Notes	2020	2019
NET PROFIT		**149**	**1,185**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		(1)	1
Net investment hedges		(5)	1
Foreign currency translation differences		(2,169)	521
Related tax effect	8	2	(1)
Total items that may be reclassified subsequently to profit or loss		**(2,173)**	**522**
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on employee benefits	22	9	(50)
Equity investments at FVOCI – net change in fair value		(4)	—
Related tax effect	8	(1)	13
Total items that will not be reclassified to profit or loss		**4**	**(36)**
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**(2,169)**	**485**
TOTAL COMPREHENSIVE INCOME		**(2,020)**	**1,670**
Total comprehensive income attributable to:			
• owners of the parent		(2,059)	1,554
• non-controlling interests		39	116

3.3.3 Consolidated statement of financial position

Assets

€ millions	Notes	December 31, 2020	December 31, 2019
Goodwill	10	22,658	24,074
Intangible assets	10	10,031	11,300
Property, plant and equipment	11	3,348	3,620
Right-of-use assets	11	1,753	2,014
Investments in associates	12	17	18
Other non-current assets	13	374	378
Deferred tax assets	14	418	429
TOTAL NON-CURRENT ASSETS		**38,598**	**41,833**
Inventories	15	1,930	2,166
Trade receivables	16	2,066	2,411
Tax receivables	17	195	94
Other current assets	18	847	1,243
Cash and cash equivalents	19	8,683	4,836
TOTAL CURRENT ASSETS		**13,720**	**10,750**
TOTAL ASSETS		**52,318**	**52,583**

Equity and liabilities

€ millions	Notes	December 31, 2020	December 31, 2019
Share capital	20	79	79
Share premium reserve	20	22,012	21,979
Treasury shares reserve	20	(201)	(68)
Other reserves	20	10,294	11,730
Net profit attributable to owners of the parent		85	1,077
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**32,268**	**34,796**
Equity attributable to non-controlling interests	20	530	536
TOTAL EQUITY		**32,798**	**35,332**
Non-current borrowings	21	9,324	6,864
Non-current lease liabilities	21	1,411	1,619
Employee benefits	22	484	556
Non-current provisions	24	170	265
Other non-current liabilities	25	73	193
Deferred tax liabilities	14	1,887	2,137
TOTAL NON-CURRENT LIABILITIES		**13,349**	**11,634**
Current borrowings	21	633	403
Current lease liabilities	21	527	529
Trade payables	26	1,864	1,770
Tax payables	17	530	455
Current provisions	24	271	139
Other current liabilities	27	2,346	2,320
TOTAL CURRENT LIABILITIES		**6,171**	**5,617**
TOTAL EQUITY AND LIABILITIES		**52,318**	**52,583**

3.3.4 Consolidated statement of changes in equity

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT DECEMBER 31, 2018 (a)	**77**	**20,931**	**(92)**	**53**	**10,848**	**1,083**	**32,899**	**504**	**33,403**
Impact from the application of IFRIC 23 (b)	—	—	—	—	(10)	—	(10)	—	(10)
EQUITY AT JANUARY 1, 2019 RESTATED	**77**	**20,931**	**(92)**	**53**	**10,838**	**1,083**	**32,889**	**504**	**33,393**
Total comprehensive income for the period	—	—	—	511	(34)	1,077	1,554	116	1,670
Issue of ordinary shares and changes in ownership interests	2	1,017	—	—	16	—	1,035	—	1,035
Changes in consolidation scope and NCI	—	—	—	—	(4)	—	(4)	(12)	(16)
Acquisition of subsidiary with NCI	—	—	—	—	—	—	—	3	3
Acquisition of NCI without a change in control	—	—	—	—	(3)	—	(3)	3	(1)
Other changes related to NCI	—	—	—	—	(0)	—	(0)	(18)	(18)
Employee share issues and exercise of stock options	0	31	—	—	—	—	31	—	31
Share-based payments	—	—	—	—	154	—	154	—	154
Net sale/(net purchase) of treasury shares	—	—	24	—	—	—	24	—	24
Allocation of net profit	—	—	—	—	1,083	(1,083)	—	—	—
Dividends paid	—	—	—	—	(887)	—	(887)	(72)	(959)
EQUITY AT DECEMBER 31, 2019	**79**	**21,979**	**(68)**	**564**	**11,166**	**1,077**	**34,796**	**536**	**35,332**

(a) Balances as of December 31, 2018 as presented in the consolidated statement of changes in equity in EssilorLuxottica's consolidated financial statements as of and for the year ended December 31, 2019.

(b) The impact of the application of IFRIC 23 – Uncertainty over Income Tax Treatments is described in Note 2 – New accounting standards of EssilorLuxottica's consolidated financial statements as of and for the year ended December 31, 2019.

€ millions	Share capital	Share premium reserve	Treasury shares reserve	Translation reserve	Retained earnings and other reserves	Net profit attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
EQUITY AT JANUARY 1, 2020	**79**	**21,979**	**(68)**	**564**	**11,166**	**1,077**	**34,796**	**536**	**35,332**
Total comprehensive income for the period	**—**	**—**	**—**	**(2,141)**	**(2)**	**85**	**(2,059)**	**39**	**(2,020)**
Issue of ordinary shares and changes in ownership interests	—	—	—	—	—	—	—	—	—
Changes in consolidation scope and NCI	—	—	—	—	(17)	—	(17)	14	(3)
Acquisition of subsidiary with NCI	—	—	—	—	—	—	—	16	16
Acquisition of NCI without a change in control	—	—	—	—	—	—	—	—	—
Other changes related to NCI	—	—	—	—	(17)	—	(17)	(1)	(19)
Employee share issues and exercise of stock options	0	33	—	—	—	—	33	—	33
Share-based payments	—	—	—	—	150	—	150	—	150
Net sale/(net purchase) of treasury shares	—	—	(133)	—	—	—	(133)	—	(133)
Allocation of net profit	—	—	—	—	1,077	(1,077)	—	—	—
Dividends paid	—	—	—	—	(503)	—	(503)	(59)	(561)
EQUITY AT DECEMBER 31, 2020	**79**	**22,012**	**(201)**	**(1,576)**	**11,870**	**85**	**32,268**	**530**	**32,798**

3.3.5 Consolidated statement of cash flows

€ millions	Notes	2020	2019
NET PROFIT		**149**	**1,185**
Depreciation and amortization		2,136	2,121
(Gains)/losses from disposal of assets		6	(43)
Expense arising from share-based payments		156	154
Income taxes	8	164	350
Finance result, net	7	140	142
Other non-cash items		(4)	29
Changes in provisions		63	(13)
Changes in trade working capital		432	(82)
Changes in other operating receivables and payables		178	75
Taxes paid, net		(356)	(502)
Interest paid, net		(112)	(116)
Net cash flows provided by/(used in) operating activities		**2,953**	**3,299**
Purchase of property, plant and equipment and intangible assets	10, 11	(650)	(903)
Disposal of property, plant and equipment and intangible assets		8	30
Acquisitions of businesses, net of cash acquired	3	(133)	(370)
Changes in other non-financial assets		8	(13)
Changes in other financial assets		287	(437)
Net cash flows provided by/(used in) investing activities		**(480)**	**(1,692)**
Share capital increase		36	32
(Purchase)/sale of treasury shares		(159)	—
Dividends paid:			
to the owners of the parent	20	(503)	(887)
to non-controlling interests	20	(59)	(72)
Transactions with non-controlling interests		(94)	(628)
Cash payments for principal portion of lease liabilities	21	(461)	(571)
Issuance of bonds, private placements and other long-term debts	21	2,981	4,954
Repayment of bonds, private placements and other long-term debts	21	—	(1,324)
Changes in other current and non-current borrowings	21	(244)	(125)
Net cash flows provided by/(used in) financing activities		**1,498**	**1,379**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,970**	**2,985**
Cash and cash equivalents at the beginning of the financial year	19	4,836	1,829
Effects of exchange rate changes on cash and cash equivalents		(123)	22
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**19**	**8,683**	**4,836**

3.3.6 Notes to the Consolidated Financial Statements

General information

EssilorLuxottica SA (hereinafter the "Company", "EssilorLuxottica" or, together with its subsidiaries, the "Group") is a public limited company ("Société Anonyme") with a Board of Directors and is governed by the laws of France. The Company is headquartered in Paris, 1-5 rue Paul Cézanne, while its registered office is located in Charenton-le-Pont, 147 rue de Paris.

The Company originates from the combination that occurred between Essilor International (Compagnie Générale d'Optique) SA ("Essilor" or, together with its subsidiaries, "Essilor Group") and Luxottica Group S.p.A. ("Luxottica" or, together with its subsidiaries, "Luxottica Group") on October 1, 2018 (referred hereinafter as the "EL Combination").

The Group is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses.

These consolidated financial statements are prepared under the responsibility of the Board of Directors and are presented to the Shareholders' Meeting for approval. They were approved and authorized for issue by the Board of Directors on March 11, 2021.

Basis of preparation of the financial statements

Pursuant to the European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter also "IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

The principles and standards utilized in preparing these consolidated financial statements have been consistently applied through all periods presented, with the exception of the new standards and interpretations that are effective for reporting periods beginning on January 1, 2020 (described in Note 2 – New accounting standards). Some reclassifications in the presentation of the comparative information could have been realized to ensure consistency with current period presentation.

These consolidated financial statements are composed of a consolidated statement of profit or loss, a consolidated statement of comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity, a consolidated statement of cash flows and related notes to the consolidated financial statements.

The Group presents its consolidated statement of profit or loss using the function of expense method. The Group presents current and non-current assets and liabilities as separate classifications in its consolidated statements of financial position. This presentation of the consolidated statement of profit or loss and of the consolidated statement of financial position is believed to provide the most relevant information. The consolidated statement of cash flows was prepared utilizing the indirect method, in view of the presentation of the cash flows arising from operating activities.

The Group's reporting currency is the euro. All amounts are expressed in millions of euro, unless otherwise specified. Certain numerical figures contained in this document, including financial information and certain operating data, have been subject to rounding adjustments.

These consolidated financial statements are prepared on a going concern basis. The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty (see paragraph "Significant events of the year"). However, the Group has proven effective in its reaction to the crisis as demonstrated by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of 2020. Management has therefore assessed the potential future cash generation of the Group, its liquidity, existing funding available to the Group and mitigating actions which may be taken to further preserve cash resources and has concluded that there are no financial or other indicators presenting material uncertainties that may cast significant doubt upon the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months. On the basis of this assessment management considered it appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The comparability in 2020 consolidated financial statements is no longer affected by the EL Combination which occurred on October 1, 2018 and was accounted for as a reverse acquisition according to the requirements of IFRS 3 – *Business Combinations* in 2018 consolidated financial statements.

Significant events of the year

COVID-19

The COVID-19 pandemic had significant negative impacts on EssilorLuxottica's results affecting the business activities and revenues reported in all geographies and business segments, in particular in the first semester of 2020. As a result, the Group reported total revenue of €14,429 million in 2020 compared to €17,390 million in 2019 representing a 17.0% decrease (-29.0% in the first semester and -4.8% in the second semester). Breakdown per segments and geographical area is presented in Note 4 – Segment information and Note 5 – Revenue.

On April 18, 2020, the Board of Directors approved the implementation of a COVID-19 fund to protect the Group's human capital. The Group supported its employees and their families in need with a number of initiatives launched all over the world. The related costs were recognized in the statement of profit or loss for approximately €160 million, of which the majority was incurred over the first semester of 2020, (see Note 6 – Operating income and expenses) and relate to:

- salary support (*i.e.* voluntary supplementary compensation granted to employees in addition to furlough and/or any comparable measures such as the Italian *Cassa Integrazione Guadagni* or the French *Chômage Partiel*);
- support to employees at work during lockdown (*e.g.* welfare package and/or additional compensation for employees who came to work during the lockdown period);
- global support to the employees and their family (*e.g.* masks, tests, etc.);
- preservation of medical insurance for employees in furlough (especially in the US); and
- relief funds for individual measures (*e.g.* recall of employees from abroad).

Over the same period, the Group benefited from governmental grants and other forms of governmental assistance (also mentioned in Note 6 – Operating income and expenses) for approximately €137 million. Those subsidies refer to various governmental schemes on labor costs and do not include wages directly paid to employees through those governmental support schemes. Subsidies were presented in the statement of profit or loss as a deduction of the related expenses.

Management tracked the key initiatives implemented by the Group in order to provide appropriate disclosures of the impacts of the COVID-19 pandemic on EssilorLuxottica consolidated financial statements, and related considerations, which can be found in the following notes:

- Note 4 – Segment information and Note 5 – Revenue;
- Note 6 – Operating income and expenses;
- Note 10 – Goodwill and other intangible assets;
- Note 11 – Property, plant and equipment and right-of-use assets;
- Note 15 – Inventories;
- Note 16 – Trade receivables;
- Note 28 – Financial instruments and management of risks.

3

Changes in management and in the composition of the Board of Directors

On March 30, 2020, the Board of Directors of EssilorLuxottica co-opted Paul du Saillant as a new Director of the Company in place of Laurent Vacherot, former CEO of Essilor International, who retired. Effective from March 30, 2020, Paul du Saillant took over Laurent Vacherot's responsibilities, including the role of CEO for Essilor International and the co-executive delegate powers previously granted to Laurent Vacherot on May 13, 2019 by Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice-Chairman. In this capacity, he works directly with Francesco Milleri, Deputy Chairman and CEO of Luxottica, to develop and implement the EssilorLuxottica strategy and integration process.

On December 17, 2020, the Board of Directors of EssilorLuxottica decided to adjust the governance of the Company in full respect of the equal powers principle outlined in Combination Agreement signed in the context of the EL Combination, in order to accommodate its Executive Vice-Chairman's desire to retire. Hubert Sagnières left all his executive responsibilities at EssilorLuxottica and its subsidiaries and remains as non-executive Vice-Chairman of the Company.

In order to preserve the equal powers principle of the Combination Agreement currently in place, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities at EssilorLuxottica and remains non-executive Chairman of the Company.

The Board of Directors granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual Shareholders' Meeting. Mr. du Saillant became Chairman and CEO of Essilor International.

Share buyback program

On March 17, 2020, with a view to implementing its share buyback program, EssilorLuxottica announced that a mandate had been granted to an investment services provider for the purchase of up to 3,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from March 17, 2020 up until May 27, 2020 (see Note 20 – Equity).

On March 27, 2020, the Company has decided to stop the implementation of the share buyback program announced on March 17, 2020. Since March 17, 2020, 1.55 million shares for an average price of €102.54 have been repurchased. The shares so acquired are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and affiliated companies, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and employee share ownership plan (see Note 22 – Employee benefits and Note 23 – Share-based payments).

EssilorLuxottica €3 billion bond issuance in May 2020

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% (the "3BIL Bonds") with an average yield of 0.46%.

The order book peaked close to €11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

On June 5, 2020, the 3BIL Bonds were settled and admitted to trading on Euronext Paris (see Note 21 – Financial debt, including lease liabilities).

The proceeds of this issuance will be used for general corporate purposes.

Dividend distribution

On April 18, 2020, in light of the COVID-19 outbreak, EssilorLuxottica's Board of Directors decided not to submit the distribution of a dividend for the 2019 financial year to the 2020 Annual Shareholders' Meeting.

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share (payment date: December 28, 2020, ex-date: December 23, 2020). This decision was supported by the efficacy of the measures taken to rein in costs and preserve cash and by the sound business recovery observed in the second half of the year.

The interim dividend distributed to EssilorLuxottica's shareholders amounted to €503 million (see Note 20 – Equity).

Update on the proposed acquisition of GrandVision by EssilorLuxottica

The proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica (the "Proposed Acquisition"), announced on July 31, 2019, has been unconditionally cleared so far by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil, and it is currently under review in Chile and Turkey as well as in Europe.

On February 6, 2020, the European Commission has initiated a Phase II review of the Proposed Acquisition. On June 5, 2020, the European Commission issued to EssilorLuxottica a statement of objection which the Company has challenged. The review process is still ongoing. Further information regarding recent developments can be found in Note 33 – Subsequent events.

In July 2020, EssilorLuxottica first, and GrandVision and Hal Optical Investments B.V. ("HAL"), its majority shareholder, right after, initiated, respectively, legal proceedings and an arbitration process against each other. Further information can be found in Note 29 – Contingencies and commitments (paragraph 29.2 "Litigation and contingent liabilities"). Those proceedings do not affect the review of the Proposed Acquisition by the competition authorities in the remaining jurisdictions.

As disclosed in July 2019, the agreement signed by the parties provides that the transaction price, amounting to €28.00 per GrandVision's share, has increased by 1.5% to €28.42 since the closing of the transaction has not occurred prior to July 30, 2020.

The total transaction costs incurred until December 31, 2020 amount to €32 million, of which €21 million recorded in 2020 under *General and administrative* expenses in the consolidated statement of profit or loss.

NOTE 1 Significant accounting principles

1.1. Use of estimates

The preparation of financial statements requires management's use of estimates and assumptions that may affect the reported amounts of assets, liabilities, income and expenses in the financial statements, as well as the disclosures in the notes concerning contingent assets and liabilities at the balance sheet date.

Estimates are based on historical experience and other factors. The resulting accounting estimates could differ from the related actual results. Estimates are periodically reviewed and the effects of each change are reflected in the consolidated statement of profit or loss or in the consolidated statement of comprehensive income in the period in which the change occurs.

The most significant estimates and assumptions concern, in particular:

- fair values of assets and liabilities acquired in business combinations;
- the recoverable amount of goodwill and intangible assets;
- depreciation period for intangible assets with a definite useful life;
- put options over non-controlling interests;
- provisions for risks;
- pension and other employee-benefit obligations;
- various assumptions related to lessee accounting under IFRS 16 such as assessment of the lease terms for contracts with renewal options, or as the determination of discount rates;
- the recoverability of receivables and inventories.

The Group is subject to different tax jurisdictions. The determination of tax liabilities for the Group requires the use of assumptions with respect to transactions whose fiscal consequences are not yet certain at the end of the reporting period. Calculation of taxes on a global scale requires the use of estimates and assumptions based on the information available at the balance sheet date.

1.2. Consolidation principles

1.2.1. Subsidiaries

Subsidiaries are any entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is generally presumed with an ownership of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in the consolidated statement of profit or loss.

The accounting policies and methods applied by subsidiaries comply with IFRS and are consistent with the policies adopted by the Group.

Intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized losses are eliminated to the extent that there is no evidence of impairment.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

1.2.2. Associates

Associates are any entities over which the Group has significant influence, generally with ownership of between 20% and 50% of the voting rights. Equity investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Goodwill arising on acquisitions of associates is included in the carrying amount of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's equity investment in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cumulative post-acquisition movements are adjusted against the carrying amount of the equity investment. When the Group's share of losses in an associate equals or exceeds its equity investment in the associate, the Group does not recognize further losses, unless it has incurred obligations to make payments on behalf of the associate.

1.2.3. Other companies

Equity investments in entities in which the Group does not have either control or significant influence, generally with ownership of less than 20%, are originally recorded at fair value. Any ancillary costs incurred on initial recognition of the investments are immediately recognized through consolidated profit or loss. After initial recognition, the investments are measured at fair value. Gains and losses deriving from changes in fair value are recognized through other comprehensive income in the period in which they occur. Amounts presented in other comprehensive income will not subsequently transferred to the statement of profit or loss.

1.2.4. Transactions with equity owners

Transactions such as contributions from equity owners are recorded in equity.

Transactions with non-controlling interests in controlled entities are treated as transactions with equity owners of the Group. For purchases from non-controlling interests, any difference between the consideration paid and the relevant share acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1.2.5. Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in the subsidiary's functional currency. The functional currency is defined as the currency of the primary economic environment in which the subsidiary operates.

The results and financial position of all the Group subsidiaries that have a functional currency different from the presentation currency (*i.e.* euro) are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);

- all resulting exchange differences are recognized in other comprehensive income within the line item *Foreign currency translation differences;*
- accumulated translation differences are reclassified to the statement of profit or loss when the foreign investments to which they relate are sold or wound up.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The main exchange rates used in translating the results and financial position of foreign operations are reported in Appendix 1.

1.3. Consolidated statement of cash flows

The statement of cash flows has been prepared applying the indirect method for reporting cash flows from operating activities, whereby net profit is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments. Items of income or expense associated with investing or financing activities have then been reported under their respective categories.

Trade working capital comprises inventories, trade receivables and trade payables. Changes in trade working capital are stated before the effect of changes in the scope of consolidation.

Cash flows of foreign subsidiaries are translated at the average exchange rate for the period, except for significant transactions if difference is material.

The effect of changes in exchange rates on net cash and cash equivalents corresponds to the effect of: (i) changes in exchange rates between the beginning and end of the period on cash at the opening; and (ii) the difference between the closing exchange rate and the average rate on movements over the period.

Interest paid, including interest payments on lease liabilities under IFRS 16, and received are classified as *operating* cash flows.

The amounts reported in *Acquisitions of businesses, net of cash acquired* represents the consideration transferred adjusted by the net cash and cash equivalents of the acquired business at the acquisition date.

1.4. Revenue

The Group's revenue includes:

- considerations for the sales of goods to customers;
- considerations for the rendering of services;
- considerations for the sales of goods to franchisees along with other revenue from franchisees, such as royalties based on sales and initial franchise fee revenue; and
- sub-lease income (accounted for in accordance with IFRS 16).

In accordance with IFRS 15, the Group recognizes revenue after identifying the contracts with its customers and the relevant performance obligations (transfer of goods and/or services), determining the consideration to which it expects to be entitled in exchange for performing each of said obligations, and assessing how to perform these obligations (at a specific point in time *versus* over time).

The Group recognizes revenue only if the following requirements are met (so-called requirements for identifying the "contract" with the customer):

- the parties have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance; and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for goods or services transferred to the customer.

If the above requirements are not met, the relevant revenue is recognized when the Group has already transferred goods and/or rendered services to the customer and all, or substantially all, of the consideration promised by the customer has been received by the Group and is non-refundable or the contract has been terminated and the consideration received from the customer is non-refundable.

If the above requirements are met, the main recognition rules by nature of revenue are as follows.

1.4.1. Sale of goods

Revenue from the sale of goods is recognized when control of the asset is transferred to the buyer, *i.e.* when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset.

If the sales contract includes retrospective volume-related discounts, the Group estimates the relevant impact and treat it as variable consideration. In addition, the Group estimates the impact of potential returns from customers based on the Group's right of return policies and practices along with historical data on returns. There are no post-delivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation and are accounted for applying IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Any advance payments or deposits from customers are not recognized as revenue until the control of the relevant good is transferred to the customer, as described above.

1.4.2. Rendering of services

Revenue is recognized when the service is rendered to the customer.

The *Retail* segment's revenue includes the consideration arising from vision care services (such as eye exams, contact lens fitting fees, etc.) which is also recognized when the service is rendered to the customer.

As for the *fixed-fee insurance plans* offered to customers, the Group acts through a *reseller*. The *reseller* contracts with the actual end-client (referred to as the plan *sponsor*), while the Group contracts with the *reseller* but acting as the *principal* in the transaction. The Group receives a predetermined amount of revenue, so called *premium* (typically equal to a fixed fee per plan member/subscriber per month) and bears the risk for all claim payments. Premium revenue is recognized as earned during the benefit coverage period. Any unearned premium revenue is recognized as deferred revenue in the consolidated statement of financial position.

For plans with fees varying according to the service (so called *fee-for-service* arrangements), the end-client (or *sponsor*) pays the Group a fee for processing claims and providing administrative services. For these plans, the end-client is responsible for the cost associated with claims. The Group considers the end-client as the entity primarily responsible for managing the plan and acts as an *agent* in the transaction.

The Group makes provisions for the receivables accrued under these agreements as per IFRS 9 (see paragraph "Trade receivables and other receivables").

As part of the provision of administrative services related to the vision care business, the Group bears costs for the acquisition and performance of long-term contracts, which typically have a term of four years. These costs, which can be specifically referred to new individually identifiable contracts, generate resources used to comply with the contract and will be recovered by means of revenue deriving from the contracts. Therefore, these costs are recognized as a contractual asset and amortized over the term of the relevant contracts, on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates.

1.4.3. Franchising and licensing agreements

Within the *Retail* segment, revenue from franchising agreements is recognized based on the sales accrued and accounted for by unconsolidated franchisees.

Upfront franchise fees may refer to: (i) fees paid for the franchising agreement and/or the improvement of retail premises which are recognized along with license fees throughout the term of the franchising agreement; and (ii) franchising fees associated with the sale of tangible assets necessary for business operations (*e.g.* furniture) recognized as revenue when control of the asset is transferred to the buyer.

The franchising agreement may also include: (i) fees associated with the ongoing rendering of services to the franchisee throughout the term of the franchising agreement, recognized at the time the service is rendered; and (ii) fees associated with the management and implementation of advertising and marketing initiatives, recognized upon realization of the related separate performance obligations.

The Group licenses the rights to certain intellectual property to third parties and recognizes royalty revenue based on the characteristics of the agreements with customers.

1.4.4. Financing components

The payment terms offered to the Group's customers normally do not exceed 12 months; in that case, the Group applies the practical expedient provided by IFRS 15 that enables not to adjust the transaction price of the contract for the effects of any significant financing component.

In case of payment terms that lead the Group to expect the delay between the revenue recognition for the transfer of a promised good or service and the payment collection from the customer will exceed 12 months the Group recognizes adjustments to the transaction price of the contract to account for significant financing components.

1.4.5. Sub-lease income (accounted for in accordance with IFRS 16)

Some entities in the Group's *Retail* segment, in particular in North America and Australia, sublease space in the retail optical stores to third party doctors who perform eye exam services, while retaining the primary obligation under the original lease (so-called "head lease"). Those entities continue to account for the head lease as a lessee and account for the sublease as the lessor (so-called "intermediate lessor").

These entities classify the sub-lease as an operating lease (*i.e.* continue to account for the lease liability and right-of-use asset on the head lease, like any other lease) and recognize all income earned under the sublease contracts with doctors on a straight-line basis as revenue in the Group's consolidated statement of profit or loss. This classification is made by reference to the right-of-use asset arising from the head lease.

1.5. Research and development costs

Research costs are recognized as an expense for the year in which they are incurred.

Research and development costs that are recognized in operating expenses include the operating costs of the Group's research centers and engineering costs for the development of new production processes.

Development costs are recognized as an intangible asset if the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the Group's intention to complete the intangible asset and use or sell it;
- the Group's ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the intangible asset; and
- the reliable measurement of development expenditures.

For ophthalmic lens development projects, due to the risks and uncertainties concerning market developments and the large number of projects undertaken, the above criteria are considered as not being fulfilled; consequently, the related development costs are recognized as an expense.

For instrument and laboratory equipment projects, development costs are capitalized when the above criteria are fulfilled.

1.6. Share-based payments

Share-based payments are classified as equity-settled or cash-settled depending on the terms of the arrangements. The classification determines the accounting for the arrangement.

1.6.1. Stock subscription options and share awards

The fair value of stock options and share awards, which are accounted for as equity-settled share-based payments, is determined based on methods adapted to their characteristics. Both performance-based stock subscription options and performance shares, which are subject to vesting conditions based on the change in the share price compared with the reference price on the grant date, are valued using the Monte Carlo model; whereas for share award without performance conditions, the valuation reflects the face value of the awards as at the date of grant discounted by the estimated value of dividends to be paid during the course of the vesting period.

The fair value of stock subscription options on the grant date is recognized as an expense over the vesting period of the awards, taking into account the probability of such options being exercised earlier, with a corresponding increase in consolidated reserves.

For performance share awards, the vesting period is considered as being the most probable period over which the performance conditions will be fulfilled, determined using the Monte Carlo model.

The model parameters are determined at the grant date:

- share price volatility is determined by reference to historical volatilities;
- the risk-free interest rate corresponds to the government bond rate;
- the impact of dividends is taken into account in the model by applying a yield assumption, determined by reference to the dividends distributed in the previous year; and
- the options' expected life is determined based on the vesting period and the exercise period.

At the end of each reporting period, the probability of options or performance shares being forfeited is assessed by the Group. The impact of any adjustments to these estimates is recognized in the statement of profit or loss, with a corresponding adjustment to consolidated reserves.

1.6.2. Employee share issues

For employee share issues, the difference between the market price of the shares on the transaction date and the price at which the shares are offered to employees is recognized directly as an expense when the shares are issued.

1.6.3. Cash-settled share-based payments

The fair value of the amount payable to the employee in respect to cash-settled share-based payments is recognized as an expense with a corresponding increase in liabilities, within *Employee benefits,* over the period during which the employee becomes unconditionally entitled to payments. The liability is remeasured at each reporting date and at settlement date based on the fair value of the awards. Any change in the recognized liability is recognized in the consolidated statement of profit or loss.

1.7. Other income/(expenses)

Income and expenses that, because of their nature, cannot be classified in any of the functions detailed in the operating expenses, are recognized under *Other income/(expenses*). They might include, among others, changes in price supplements for acquisitions (*e.g.* earn-out), net income on disposals of a business, as well as net income realized on business combination achieved in stages (*i.e.* step acquisition), impairment losses on goodwill and investments and net gain/losses on disposal of fixed assets.

1.8. Financial results

Interest receivable or payable is recognized on an accrual basis in the period in which it is earned or due, using the effective interest method.

Dividend income is recognized in the statement of profit or loss on the date on which the Group's right to receive payment is established.

The *Cost of net debt* consists of interest on debt, borrowings and leases, net of income from cash and cash equivalents. The *Cost of net debt* also includes interest on derivatives related to financing operations. Income from cash and cash equivalents includes interest received and accrued on investments made by Group companies (bank deposits) and gain or loss on money market funds.

1.9. Foreign currency transactions

On initial recognition of foreign currency transactions, the assets and liabilities are translated into the entity's functional currency using the exchange rate on the transaction date. At the period-end, monetary items mainly including receivables and payables are re-translated using the closing date rate. The resulting gains and losses are recognized in *Other financial income/(expenses*).

1.10. Current and deferred income taxes

Income taxes for the period comprise current and deferred income taxes. They are recognized in the statement of profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current taxes are calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Group operates and generates taxable income. Current tax receivables and payables are measured at the amount expected to be recovered or paid to the tax authorities.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, based on tax rates (and tax laws) that have been enacted (or substantively enacted) at the reporting date, and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax liability is recognized for all taxable temporary differences, whereas a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred tax assets and liabilities are not accounted for if they arise from: (i) the initial recognition of goodwill; and (ii) the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Adjustments to deferred taxes resulting from changes in tax rates are recognized in the statement of profit or loss. However, when the deferred tax relates to items recognized in equity, the adjustment is also recognized in equity.

Deferred taxes are provided on temporary differences arising on equity investments in subsidiaries and associates, except for deferred taxes where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. No provision is made for deferred taxes on tax-suspended reserves subject to taxation in the event of distribution and/or use, where distribution or use is not envisioned.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.11. Earnings per share

1.11.1. Basics earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period excluding treasury shares.

Awards of performance shares are taken into account in the weighted average number of shares outstanding over the fiscal year on the basis of the number of shares granted, as soon as the performance criteria have been met before the period-end.

1.11.2. Diluted earnings per share

Diluted earnings per share are calculated by taking into account dilutive potential ordinary shares, as follows:

- stock subscription options: the dilution arising from stock subscription options is calculated based on the average number of shares plus the number of shares that would be issued or sold if the options were issued at market price instead of at the adjusted exercise price. The exercise price of the stock subscription options is adjusted for the cost to be recognized in future periods for options that have not yet vested at the period-end;
- performance share grants: the number of shares used for the calculation is determined based on the number of shares that would have been granted if the performance criterion had been applied at the balance sheet date;
- share grants without performance condition: the number of shares used for the calculation is determined based on the number of shares that will be granted at the end of the vesting period.

Potential ordinary shares are considered as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Therefore, potential ordinary shares are excluded from the calculation of the diluted earnings per share when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

1.12. Business combination and goodwill

In accordance with the IFRS 3 – *Business Combinations,* the Group applies the acquisition method of accounting to account for business combinations.

The acquired company's identifiable assets, liabilities and contingent liabilities meeting the recognition criteria of the IFRS 3 are recognized at fair value determined at the acquisition date, with the exception of non-current assets held-for-sale which are recognized at fair value less costs to sell. A restructuring liability is not recognized as a liability if the acquired company is not obligated, at the acquisition date, to undertake such restructuring.

The fair values for the acquired assets and liabilities can be determined on a provisional basis. After the acquisition, the Group may adjust the provisional amounts recognized. However, the measurement period shall not exceed one year from the acquisition date. Any differences compared to the provisional amounts are recognized as a retrospective adjustment against goodwill if recorded within 12 months of the acquisition date and related to facts existing before the acquisition date.

During the measurement period, the Group recognizes adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the Group revises comparative information for prior periods presented in financial statements as needed, including making any change in depreciation, amortization or other profit and losses effects recognized in completing the initial accounting.

Any adjustments made more than 12 months after the acquisition date are recognized directly in the consolidated statement of profit or loss, unless they correspond to corrections of errors.

The consideration transferred for the acquisition of a subsidiary is measured at the fair value of the assets transferred, the liabilities assumed or the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Goodwill represents the excess of (i) the consideration transferred and the amount of any non-controlling interest in the acquiree, over (ii) the fair value of the identifiable net assets acquired.

When a put option is granted to non-controlling shareholders of a subsidiary, if the option provides for settlement in cash, a liability is recognized for the present value of the exercise price of the option. This liability is classified as *Other non-current liabilities* or *Other current liabilities* in the consolidated statement of financial position based on its due date. Subsequent changes in the liability's fair value are recognized through Group equity. When the put option provides the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, profit or loss and changes in other comprehensive income are still allocated to the non-controlling interests. However, in the statement of financial position, the non-controlling interests are derecognized as if they were acquired at the closing date. When the put option does not provide the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, the Group derecognizes the non-controlling interests accounted for at the acquisition date.

The Group can measure non-controlling interests acquired in a business combination either at the fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets (partial goodwill method). This option applies on an individual transaction basis.

Acquisitions of non-controlling interests or sales without loss of control are considered to be transactions between shareholders and are recognized directly in equity without impacting goodwill.

For acquisition in which the Group obtains control in stages (step acquisitions), the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in the statement of profit or loss.

Costs that are directly attributable to the acquisition are recognized as expenses for the period.

1.12.1. Impairment of goodwill

Goodwill is not subject to amortization but is tested at least annually for impairment.

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs corresponding to the analytical focus and return on investment followed by the Group's management. If the initial accounting for a business combination can be determined only provisionally by the end of the reporting period, it might not be possible for the Group to complete the initial allocation of the goodwill before the end of the annual period in which the combination occurred. When this is the case, the Group disclosed the amount of the unallocated goodwill together with the reasons why that amount remains unallocated.

Impairment test consists in the comparison of the recoverable amount of each group of CGUs with their corresponding carrying amount of net assets including goodwill. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the price that would be received from the sale of an asset or group of assets in an orderly transaction between market participants at the measurement date, less costs to sell. These values are determined on the basis of market data (stock market prices or comparison with similar listed companies, with the value attributed to similar assets or companies in recent transactions) or, in the absence of such data, on the basis of discontinued cash flows as determined by a market participant.

The value in use is based on discounted future cash flows net of income taxes, calculated as follows:

- future cash flows are estimated based on actual cash flows for the current year, the annual budget presented to the Board of Directors for the following year and mid-term projections based on previous years' cash flows, management expectations and plans, and past experience; subsequent years are extrapolated with a perpetuity growth rate;
- the Group discount rate is determined on the basis of market information on the cost of capital and the specific risk of the industry (Weighted Average Cost of Capital, WACC).

Moreover, following the implementation of IFRS 16 (effective from annual period beginning on January 1, 2019), the value in use of each group of CGUs is calculated as follows:

- future cash flows exclude the payments for both principal portion of lease liabilities and related interests, while include cash outflows for expected future variable rents, short-term leases and low-value-asset leases;
- future cash flows also include cash outflows needed to replace leased assets at the end of the lease-term which are essential to the ongoing operation of the Group; and
- the Group discount rate (weighted average cost of capital, WACC) reflects a market assessment of the capital structure after IFRS 16 implementation (*i.e.* lease liabilities are considered as part of the capital structure of the Group's peer companies).

Furthermore, the carrying amount tested against the groups of CGUs value in use includes *Right-of-use assets* and excludes *Lease liabilities*.

An impairment loss is recognized if the recoverable amount is lower than the carrying amount. An impairment loss recognized for goodwill cannot be reversed in a subsequent period.

1.13. Other intangible assets

Separately acquired intangible assets are accounted for at cost.

Trademarks, tradenames, brands, licenses, contractual customer relationships, technologies and other intangible assets acquired in a business combination are recognized at their fair value at the acquisition date.

The directly attributable costs of producing identifiable and separable intangible assets are recognized as an intangible asset when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. They are reported under *Other intangible assets*.

All intangible assets have a finite useful life and are amortized on a straight-line basis over the assets' useful lives:

- trademarks, tradenames and brands are amortized on a straight-line basis over periods ranging from 15 to 25 years;
- technologies are amortized on a straight-line basis over periods ranging from 6 to 10 years;
- distributor network, contractual customer relationships and franchise agreements are amortized on a straight-line basis over periods ranging between from 8 to 25 years;
- patents are amortized on a straight-line basis over the period of legal protection;
- other intangible assets are amortized on a straight-line basis over periods ranging between 1 and 7 years.

The useful life and residual value of intangible assets are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

All intangible assets with a finite useful life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount.

A review is carried out at each period-end to determine whether there is an indication that an impairment loss recognized in prior periods may no longer exist or has decreased. If such an indication exists, the loss is reversed and the carrying amount of the asset is increased to its recoverable amount, which may not exceed the carrying amount that would have been determined if no impairment loss had been recorded.

1.14. Property, plant and equipment

Property, plant and equipment are reported on the statement of financial position at their acquisition price, net of accumulated depreciation and impairment losses.

The directly attributable costs of producing identifiable and separable items of property, plant and equipment are recognized as property, plant and equipment when they are controlled by the Group and it is probable that they will generate future economic benefits in excess of their cost over a period of more than one year.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The depreciable amount of the items of property, plant and equipment, measured as the difference between their historical cost and their residual value, is allocated on a straight-line basis over their estimated useful lives as follows:

Category	Useful life
Buildings	From 3 to 40 years
Machinery and equipment	From 3 to 20 years
Other equipment	From 2 to 20 years
Leasehold improvements	According to the economic life of the leasehold improvement, unless the Group does not expect to use the leasehold improvements beyond the lease term of the related lease (if this is the case the useful life of the leasehold improvements is the same as the lease term)

Land is not subject to depreciation.

Depreciation ceases when property, plant and equipment is classified as held for sale, in compliance with IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations*.

The useful life and residual value of property, plant and equipment are reviewed at each period-end. As necessary, the occurrence of changes to the useful life or residual value is recognized prospectively as a change in accounting estimates.

Where an item of property, plant and equipment comprises several parts with different useful lives, each part is recognized as a separate item and depreciated over its useful life.

Where there are any internal or external indications that the value of an item of property, plant and equipment may be impaired, the Group assesses its recoverable amount and records an impairment loss if the carrying amount is more than the recoverable amount. A review is carried out at each period-end to determine whether such indications exist.

Upon disposal or when no future economic benefits are expected from the use of an item of property, plant and equipment, its carrying amount is derecognized. The gain or loss arising from derecognition is included in the consolidated statement of profit or loss.

1.15. Right-of use assets and lease liabilities

The recognition, measurement, presentation and disclosure of right-of-use assets and lease liabilities are governed by IFRS 16 – *Leases* (effective from January 1, 2019).

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the *right to control the use* of an *identified asset* for a period of time in *exchange for consideration*. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the leased asset is explicitly or implicitly specified in the contract and is physically distinct or represent substantially all of the capacity of a physical distinct asset. If the supplier of the asset has a substantive substitution right (*e.g.* when suppliers rent selling spaces within department stores, so called *"shop-in-shop"* agreements, they have substantive right to substitute the assigned selling space during the lease term) the asset is not identified and IFRS 16 accounting does not apply;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

As a lessee, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease (*i.e.* the date on which the lessor makes the underlying asset available for use by the Group).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment (IAS 36 – *Impairment of Assets* requirements do apply).

Lease liabilities are initially measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate (such as those depending on the performance of the leased store) are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (*i.e.* the interest rate that a lessee would have to pay to borrow an equivalent amount to the right-of-use asset and with similar characteristics) at the lease commencement date if the interest rate implicit in the lease is not readily determinable (in most of the cases, the incremental borrowing rate is elected by the Group). The Group defines the incremental borrowing rate considering, among the other, the term of the arrangement (notably the length of the lease term), the economic environment in which the lease is concluded as well as the currency and the date at which the lease is entered into. The Group decided not to reflect in the determination of the incremental borrowing rate the payment profile of the lease payments.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments, a change in the assessment to purchase the underlying asset or a lease modification that does not constitute a separate lease.

In particular, the Group considers as separate leases those modifications that increase the scope of the lease by adding the right to use one or more underlying assets with a commensurate increase in the consideration.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Termination options held only by the lessor are not considered when determining the lease term. In assessing the length of the non-cancellable period of a lease, the Group refers to the period for which the contract is *enforceable* and considers the broader economics of the contract (*e.g.* the existence of contractual termination penalties as well as the cost of abandoning or dismantling leasehold improvements), as clarified by the IFRS Interpretation Committee in its November 2019 Agenda Decision.

The Group has the option, under some of its leases (especially stores), to lease the assets for additional terms without any ability of opposition for the lessor. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (*e.g.*, a change in business strategy).

The Group applies the short-term lease recognition exemption to all of its short-term leases (*i.e.*, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Leases corresponding to short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

1.16. Financial assets

The Group's financial assets are classified based on the business model for managing them and the contractual cash flow characteristics of the financial assets. The Group has identified the following categories.

1.16.1. Financial assets measured at amortized cost

This category includes financial assets that meet the following requirements: (i) the financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows; and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. These are mainly trade receivable, cash deposits with a maturity of less than 12 months (*i.e. Short-term investments* classified under *Other current assets*), loans, and other receivables (as described in the paragraph "Trade receivable and other receivables"). Loans and receivables are included in current assets, except for those with contractual maturities greater than 12 months compared to the reporting date, which are classified as non-current assets. Except for trade receivables that do not contain a significant financing component, other loans and receivables are initially recognized at fair value plus directly attributable transaction costs. Trade receivables that do not contain a significant financing component are recognized at the transaction price (determined in accordance with IFRS 15 – *Revenue from Contract with Customers*). After initial recognition, the assets included in this category are measured at amortized cost, using the effective interest method. The effects of this measurement are recognized within the financial result. These assets are subject to the impairment model introduced by IFRS 9 – *Financial Instruments.*

1.16.2. Equity investments that the Group designates as FVOCI on initial recognition

These are mainly investments in non-consolidated companies over which the Group does not have significant influence. These assets are recognized under *Other non-current assets.* The Group made an irrevocable election to present in other comprehensive income changes in the fair value of those investments. Amounts presented in other comprehensive income will not subsequently transferred to the statement of profit or loss. Moreover, investments included in this category are not subject to the impairment model required by IFRS 9.

1.16.3. Financial assets at fair value through consolidated profit or loss (FVPL)

This category includes financial assets not classified in any of the previous categories (*i.e.* residual category). These are mainly derivative instruments and money market funds. Assets in this category are classified as current or non-current assets based on their maturity and are initially recognized at fair value. Any ancillary costs incurred on initial recognition of the assets are immediately recognized through consolidated profit or loss. After initial recognition, financial assets at FVPL are measured at fair value. Gains and losses deriving from changes in fair value are recognized through consolidated profit or loss in the period in which they occur, within financial result.

1.16.4. Applicable to all financial assets

Purchases and sales of financial assets are recognized at the settlement date.

Financial assets are derecognized when the rights to receive cash flows from the instrument have expired and the Group has transferred substantially all risks and rewards of ownership.

The fair value of listed financial instruments is based on the current bid price. If the market for a financial asset is not active (or if it refers to unlisted securities), the Group defines the fair value by utilizing valuation techniques such as recent arms' length market transactions between knowledgeable willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flows analysis and pricing models based on observable market inputs.

1.17. Assets held for sale

Non-current assets and disposal groups of assets are classified as held for sale if their carrying amounts will be recovered principally through a disposal rather than through continuing use.

When they are being classified, non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell, with an impairment recorded where applicable. Assets held for sale are not amortized.

1.18. Inventories

Inventories are accounted for at the lower of the weighted-average cost and the net realizable value. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

The net realizable value represents the estimated sales price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Write-downs for raw materials, work in process and finished goods which are considered obsolete or slow moving are computed taking into account their expected future utilization and their net realizable value. The Group also considers other reasons that the cost of inventories may not be recoverable such as damage, obsolescence, declines in selling price. The cost of inventories may not be recoverable if the estimated costs of completion or the estimated costs incurred to make the sale exceed that cost.

1.19. Trade receivable and other receivables

Trade receivables and other receivables are recognized at amortized cost and measured on the basis of the impairment model introduced by IFRS 9 – *Financial instruments* (see the paragraph "Financial assets" for the measurement on initial recognition).

In the case of trade receivables, the Group adopts the *simplified approach* that does not require assessing changes in credit risk on a regular basis, allowing instead to recognize an Expected Credit Loss (ECL) calculated over the entire *lifetime* of the receivables. Specifically, trade receivables are analyzed based on the number of days past due and the counterparty's solvency. The Group applies different impairment percentages that reflect the relevant expectations for recovery. Trade receivables are fully written down in the absence of a reasonable expectation of recovery.

The other receivables, for which the Group estimates a low credit risk, are measured using the *general approach* which requires to monitor at each reporting date changes in credit risk compared to the initial measurement and adjust the loss allowance accordingly.

The amount of receivables is reported in the statement of financial position net of the relevant bad debt provisions. The impairment losses reported pursuant to IFRS 9 – *Financial instruments* (including reversals of impairment losses or impairment gains) are recognized in the consolidated income statement within the line item *Selling* expenses.

1.20. Cash and cash equivalent

Cash comprises cash on hand and at bank, carried at nominal amount, equal to fair value.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Investments qualify for cash equivalents only when they have a maturity of three months or less from the date of the acquisition, or when the Group has the right to redeem the investment at any time, subject to a notice period not exceeding three months.

1.21. Equity

1.21.1. Share premium reserve

Share premium reserve represents the excess of the capital increases price over the *par value* of the shares issued.

1.21.2. Treasury shares reserve

Treasury shares are deducted from equity at cost, including directly attributable transaction expenses. Capital gains and losses on sales of treasury shares are recorded directly in equity, for their amount net of tax.

1.21.3. Translation reserve

Translation differences are generated by the translation into euro of consolidated entities' financial statements prepared in currency other than euro.

1.21.4. Retained earnings and other reserves

This includes undistributed earnings of the Group, the cumulated amount of items recognized in other comprehensive income (such as actuarial gains and losses, cash-flow hedge reserves, etc.), equity-settled share-based payments and other reserves.

Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity. Income taxes relating to transaction costs of an equity transaction are accounted in accordance with IAS 12 – *Income Taxes*.

1.21.5. Dividends

Dividends are deducted from equity when they are approved by the Shareholders' Meeting.

1.21.6. Negative equity

Where a consolidated company has negative equity, non-controlling interests are treated as being attributable to the non-controlling shareholders unless they are not liable for their share of the losses or are not capable of fulfilling this obligation.

1.21.7. Non-controlling interests

Non-controlling interests represent the portion of the net assets and net profit of a consolidated entity that is not attributable to the Group, directly or indirectly.

When a put option is granted to non-controlling shareholders of a subsidiary, if the option provides for settlement in cash, a liability is recognized for the present value of the exercise price of the option. This liability is classified as *Other non-current liabilities* or *Other current liabilities* in the consolidated statement of financial position based on its due date. Subsequent changes in the liability's fair value are recognized through Group equity. When the put option provides the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, profit or loss and changes in other comprehensive income are still allocated to the non-controlling interests. However, in the statement of financial position, the non-controlling interests are derecognized as if they were acquired at the closing date. When the put option does not provide the non-controlling shareholders with present access to the returns associated with the underlying ownership interest, then, the Group derecognizes the non-controlling interests accounted for at the acquisition date.

1.22. Borrowings

Borrowings are initially recorded at fair value, less directly attributable transaction costs, and subsequently measured at their amortized cost by applying the effective interest method.

If there is a change in expected cash flows, the carrying amount of the liability is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate.

Borrowings are classified among current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reporting date.

Borrowings are removed from the statement of financial position when they are extinguished, *i.e.* when the obligation specified in the contract is discharged, canceled or expires.

1.23. Employee benefits

Short-term employee benefits are expensed as the related services is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group has both defined benefit and defined contribution plans.

Where obligations are payable under defined contribution plans, the Group has no further payment obligations once the contributions have been paid. These contributions are recognized as expenses when they are due.

A defined benefit plan is a pension plan or an incentive plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually based on one or more factors such as age, years of service and compensation. The Group also has long-term incentive plans (LTI) in place with its employees, which, depending on their characteristics, are included in the category of other long-term benefits.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, if any, together with adjustments for unrecognized past-service costs.

The defined benefit obligation is calculated annually based on actuarial valuations performed by independent actuaries using the "projected unit credit method".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

The actuarial assumptions used differ depending on the country (discount rate, inflation rate) and the company concerned (staff turnover rates, rate of future salary increases).

Actuarial gains and losses due to changes in actuarial assumptions or to changes in the plan's conditions are recognized as incurred in other comprehensive income.

If the Group introduces a defined benefit plan or changes the benefit formula under an existing defined benefit plan, the related change in the Group's obligation (*past service cost*) is immediately recognized in the statement of profit or loss.

Other long-term benefits are discounted to determine their present value. Remeasurements are recognized in the statement of profit or loss in the period in which they arise.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

1.24. Provision for risks

Provisions for risks are recognized when:

- the Group has a present obligation, legal or constructive, as a result of a past event;
- it is probable that the outflow of resources will be required; and
- the amount of the obligation can be reliably estimated.

Provisions are determined by the Group based on facts and circumstances, historical risk data and the information available at the balance sheet date.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time value of money is recognized as a financial expense.

Contingent liabilities are not recognized in the statement of financial position – except in connection with business combinations – but are disclosed in the notes to the financial statements unless the probability of an outflow of resources embodying economic benefits is remote.

Restructuring provisions are recognized when the Group has a detailed formal plan for the restructuring and has announced its main features to those affected by the plan.

Provisions for warranty costs are recognized when the products are sold. The corresponding expense is recognized in *Cost of sales*.

1.25. Trade payables and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the reporting date. If not, they are presented as non-current liabilities.

Trade payables are initially recognized at fair value and subsequently measured at amortized cost.

1.26. Tax payables

Liabilities for current taxes are separately presented in the statement of financial position.

Following the implementation of IFRC 23 – Uncertainty over Income Tax Treatments (an interpretation effective for annual periods beginning on January 1, 2019 which the Group applied retrospectively in its 2019 consolidated financial statements) liabilities arising from 'uncertain tax treatments' (*i.e.* tax treatments for which there is uncertainty over whether the relevant taxation authority will accept the tax treatments under tax law) are classified within the line *Tax payables*.

1.27. Other current and non-current liabilities

Other current and non-current liabilities include, among the others, liabilities related to put options over non-controlling interests and other liabilities related to financial investments (*e.g.* earn out).

For the accounting of put options over non-controlling interests of subsidiaries, refer to paragraph "Business combination and goodwill".

Earn out are recognized as a liability from the acquisition date at their fair value. Subsequent changes in price supplements are recognized in *Other income/(expenses)*.

1.28. Derivative financial instruments

Derivative financial instruments are accounted for in accordance with IFRS 9 – *Financial instruments*. At the inception of the contract, derivative instruments are initially recognized at fair value as financial assets at FVPL when the fair value is positive, or financial liabilities at FVPL when the fair value is negative.

The Group designates certain derivatives as instruments for hedging to cover specific risks associated with highly probable transactions (hedge accounting). For each derivative financial instrument designated as a hedging instrument, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objectives, the hedging strategy and the methodology to measure the hedging effectiveness. The hedging effectiveness of the instruments is assessed both at the hedge inception date and on an ongoing basis.

Changes in the fair value of derivative instruments are accounted for as follows:

1.28.1. Cash flow hedges

When a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows or highly probable forecasted transactions, the effective portion of the changes in fair value of the derivative financial instrument is recognized directly in the statement of other comprehensive income, whereas the gain or loss related to the ineffective portion of the derivative instrument is recognized in the consolidated statement of profit or loss. The amount that has been accumulated in the cash flow hedge reserve is recycled into the statement of profit or loss in the period when the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of profit or loss.

1.28.2. Hedge of the net investment in a foreign operation

The Group might hedge the amount of its interest in the net assets of a foreign operation. In that case, the effective portion of the changes in the fair value of the instrument is recognized directly in the statement of other comprehensive income in the line *Foreign currency translation differences*. The amount recognized in the *Translation reserve* is reclassified to the statement of profit or loss when the investment in the foreign operation is sold or the entity is wound up. The ineffective portion of the changes in the fair value is recognized in the statement of profit or loss.

1.28.3. Fair value hedge

When a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability, both the changes in fair value of the derivative instrument as well as changes in the hedged item are recorded in the consolidated statement of profit or loss.

1.28.4. Financial instruments not qualifying for hedge accounting

Certain derivatives financial instruments that in substance are used for hedging purposes do not qualify for hedge accounting under IFRS 9 – *Financial instruments*. Gains and losses resulting from the changes in the fair value of these financial instruments are recognized directly in the statement of profit or loss.

1.29. Fair value

In accordance with IFRS 13 – *Fair Value Measurement,* the fair value of financial instruments accounted for in the Group's financial statements is determined using different valuation techniques. The Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (*i.e.* as a prices) or indirectly (*i.e.* derived from prices);
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTE 2 New accounting standards

2.1. New endorsed standards, amendments and interpretations that are effective for annual periods beginning on January 1, 2020 or early applied by the Group

2.1.1. Amendments and interpretations effective from January 1, 2020

The Group adopted the following amendments and interpretations endorsed by the European Union and effective for annual periods beginning on January 1, 2020. The adoption of these amendments and interpretations by the Group did not require changes to accounting policies or retrospective adjustments.

- Amendments to IAS 1 – *Presentation of Financial Statements* and IAS 8 – *Accounting policies, Changes in accounting estimates and Errors* – Definition of Material.
- Amendments to IFRS 3 – *Business Combinations* – Definition of a Business.
- Amendments to References to the *Conceptual Framework* in IFRS standards.
- Amendments to IFRS 9 – *Financial Instruments*, IAS 39 – *Financial Instruments: Recognition and Measurement* and IFRS 7 – *Financial Instruments: Disclosures* – Interest Rate Benchmark Reform.

2.1.2. Amendment to IFRS 16 – COVID-19-Related Rent Concessions

The Group decided to apply in its 2020 consolidated financial statements the Amendment to IFRS 16 – *Leases* – Covid-19-Related Rent Concessions (issued on May 28, 2020, endorsed on October 9, 2020 and effective from annual periods beginning on or after June 1, 2020), as permitted by paragraph C1A of the amended standard.

This Amendment (so called *practical expedient*) exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It has been applied by the Group to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021, provided that there were no substantive changes to other terms and conditions of the lease.

As required by the Amendment, the Group has disclosed the amount recognized in profit or loss to reflect changes in lease payments that resulted from those rent concessions to which the Group applied the practical expedient (see Note 6 – Operating income and expenses).

2.2. New endorsed standards, amendments and interpretations effective for annual periods beginning after January 1, 2020 and not yet adopted by the Group

The following amendments, that are effective for periods beginning after January 1, 2020 have already been endorsed by the European Union.

- Amendments to IFRS 4 – *Insurance Contracts* – Deferral of IFRS 9 (issued on June 25, 2020, endorsed on December 15, 2020 and effective from periods beginning on January 1, 2021).
- Amendments to IFRS 9 – *Financial Instruments,* IAS 39 – *Financial Instruments: Recognition and Measurement*, IFRS 7 – *Financial Instruments: Disclosures*, IFRS 4 – *Insurance Contracts* and IFRS 16 – *Leases* – Interest Rate Benchmark Reform – Phase 2 (issued on August 27, 2020, endorsed on January 13, 2021 and effective from periods beginning on January 1, 2021).

Their potential impacts on the Group consolidated financial statements are currently being analyzed. No significant impacts are expected.

NOTE 3 Business combinations

The main business combinations that occurred during the year are listed in the table below.

Name	Country	Acquisition month	Consolidation method	% interest	% consolidated
Optical House Limited	Ukraine	January 2020	Fully consolidated	51%	100%
Premier Ophthalmic Services LLC	United States	March 2020	Fully consolidated	80%	100%
Miraflex SAS	Colombia	Mach 2020	Fully consolidated	75%	100%

The impact of these business combinations on the consolidated statement of financial position as of December 31, 2020, as well as on the consolidated statement of profit or loss and the consolidated statement of cash flows for the year 2020 is presented in the table below.

€ millions	Total
Intangible assets	40
Property, plant and equipment	9
Right-of-use assets	8
Other non-current assets	0
Current assets	23
Cash and cash equivalents	3
Total assets acquired at fair value (A)	**83**
Non-current borrowings	4
Other non-current liabilities	7
Non-current and current lease liabilities	8
Current borrowings	4
Other current liabilities	21
Total liabilities assumed at fair value (B)	**43**
NET ASSETS ACQUIRED (C=A-B)	**39**
Consideration for the acquisitions (D)	115
Equity attributable to non-controlling interests (E)	16
Fair value of net assets acquired (C)	39
GOODWILL RECOGNIZED (F=D+E-C)	**91**
Consideration for the acquisition (D)	(115)
Deferred payments (G)	33
Acquired cash (H)	3
CASH FLOW FROM THE ACQUISITIONS, NET OF CASH ACQUIRED (I=D+G+H)	**(79)**

€ millions	Total
CONTRIBUTION TO 2020 CONSOLIDATED REVENUE	**86**
CONTRIBUTION TO 2020 NET PROFIT	**12**

The fair value of the acquired assets and assumed liabilities is calculated on a provisional basis and may be reviewed at a later date. Material differences resulting from the final valuation will be recognized as a retrospective adjustment against goodwill if they are identified within twelve months from the acquisition date and relate to facts and circumstances that existed as of the acquisition date. No material differences arose from business combinations occurred in 2019.

The amount recognized as *Goodwill* is not tax deductible and primarily reflects the expected synergies and growth outlook of the acquired companies within the Group.

If the combination agreements provided for obligation to purchase, or put options on, any remaining non-controlling interest in the acquired companies, the Group applied the accounting policy described in Note 1 – Significant accounting principles and recognized a corresponding liability in *Other current liabilities* or *Other non-current liabilities* based on its due date.

The amount reported above in the line *Cash flow from the acquisitions, net of cash acquired* does not include cash flows related to earn-out on business combinations occurred in previous periods nor cash flows linked to the exercise of put options over non-controlling interests.

The closing of these business combinations did not cause the Group to incur any significant acquisition costs towards third parties.

On an unaudited *pro forma* basis, had those business combinations occurred at the beginning of the year, revenue and net profit contributed by the acquisitions to the consolidated statement of profit or loss for the year ended December 31, 2020 would have been, respectively, €92 and €13 million.

NOTE 4 Segment information

4.1. Information by segment

On December 17, 2020, Leonardo Del Vecchio and Hubert Sagnières decided to leave all their executive responsibilities at EssilorLuxottica and remain as non-executive Chairman and non-executive Vice-Chairman of the Company, respectively. The Board of Directors granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual Shareholders' Meeting (see paragraph "Significant events of the year").

In accordance with IFRS 8 – *Operating Segments*, the Group's segment information is presented in line with the information provided internally to the CEO Francesco Milleri and the Deputy CEO Paul du Saillant in their role of Chief Operating Decision Makers (CODMs), for the purpose of managing operations, taking decisions and analyzing operational performance.

Such information is prepared in accordance with the IFRS used by the Group in its consolidated financial statements.

The criteria applied to identify the operating segments are consistent with the way the Group is currently managed. The operating segments for the year ended December 31, 2020 have been identified accordingly.

The Group operates in five segments:

- *Wholesale:* manufacturing and wholesale distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- *Retail:* retail distribution of high-end luxury and sports eyewear operated by Luxottica Group entities;
- *Lenses and Optical Instruments:* production, prescription, distribution and trading of lenses and small equipment used by opticians and relating to the sale of lenses, operated by Essilor Group entities;
- *Equipment:* production, distribution and sale of high capacity equipment, such as digital surfacing machines and lens coating machines, operated by Essilor Group entities; and
- *Sunglasses and Readers:* production, distribution and sale of both non-prescription sunglasses and non-prescription reading glasses, operated by Essilor Group entities.

With the ultimate objective of building a unified company, EssilorLuxottica has launched numerous integration work streams and business initiatives that are being implemented globally. As part of this integration process Costa business, the US leader in the high-quality premium sunglasses and prescription sunglasses for water adventures, has been fully integrated into Luxottica's brand portfolio starting from January 1, 2020.

The breakdown of 2019 financial information by segments has been restated accordingly. Costa business (2019 revenue amounting to €145 million) has been transferred from the *Sunglasses and Readers* segment to the *Wholesale* and *Retail* –for the e-commerce activities– segments (for €123 million and €22 million respectively).

Moreover, starting from 2020, to improve the illustration of the actual performance of each segment (in line with the information reviewed by the CODMs), Group's corporate costs have been isolated into the column *"Corporate costs and other adjustments"*. The breakdown of 2019 financial information by segments has been restated accordingly.

Information by operating segment for year ended December 31, 2020 as well as restated information by operating segment for the year ended December 31, 2019 is as follows.

Year ended December 31, 2020

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses and Readers	Corporate costs and other adjustments	Total 2020
Revenue	**2,471**	**5,244**	**5,960**	**158**	**595**	**—**	**14,429**
Operating profit before depreciation of intangible assets acquired in business combinations [(a)]	200	534	718	31	42	(285)	1,240
Depreciation of intangible assets acquired in business combinations							(788)
OPERATING PROFIT							**452**
Cost of net debt							(119)
Other financial income/(expenses)							(22)
Share of profits (loss) of associates							1
Income taxes							(164)
NET PROFIT							**149**
Acquisitions of property, plant and equipment and intangible assets	312	137	206	6	20	—	682
Amortization and depreciation of property, plant and equipment, intangible assets and right-of-use assets	(244)	(683)	(1,040)	(15)	(83)	(72)	(2,136)

(a) Operating profit from the *Wholesale* segment is related to the revenue generated with third-party customers only, excluding the 'manufacturing profit' generated on the intercompany revenue with the *Retail* segment. Operating profit from operations of the *Retail* segment is related to retail revenue, considering the cost of goods acquired from the *Wholesale* segment at manufacturing cost, thus including the relevant 'manufacturing profit' attributable to this revenue.

Year ended December 31, 2019

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses and Readers	Corporate costs and other adjustments	Total 2019
Revenue [(a)]	**3,383**	**6,255**	**6,791**	**221**	**740**	**—**	**17,390**
Operating profit before depreciation of intangible assets acquired in business combinations [(a) (b)]	749	928	982	55	112	(320)	2,505
Depreciation of intangible assets acquired in business combinations							(827)
OPERATING PROFIT							**1,678**
Cost of net debt							(117)
Other financial income/(expenses)							(25)
Share of profits (loss) of associates							(2)
Income taxes							(350)
NET PROFIT							**1,185**
Acquisitions of property, plant and equipment and intangible assets [(a)]	296	264	289	7	48	—	905
Amortization and depreciation of property, plant and equipment, intangible assets and right-of-use assets [(a)]	(223)	(710)	(962)	(15)	(115)	(95)	(2,121)

(a) The breakdown of 2019 information by operating segments has been restated following the full integration of Costa into Luxottica's brand portfolio, effective January 1, 2020, mainly affecting *Wholesale*, *Retail* (for e-commerce activities) and *Sunglasses and Readers* segments and the reclassification of corporate costs previously reported into the *Lenses and Optical Instruments* segment to the Corporate costs and other elimination column.

(b) Operating profit from the *Wholesale* segment is related to the revenue generated with third-party customers only, excluding the 'manufacturing profit' generated on the intercompany revenue with the *Retail* segment. Operating profit from operations of the *Retail* segment is related to retail revenue, considering the cost of goods acquired from the *Wholesale* segment at manufacturing cost, thus including the relevant 'manufacturing profit' attributable to this revenue.

4.2. Information by geographical area

The geographic segments include North America, Europe (including Turkey and Russia), Asia, Oceania, Africa (including Middle East) and Latin America.

Revenue is attributed to geographical area based on customers' location, whereas non-current assets are based on geographical area where the legal entities are located.

Information by geographical area is as follows:

	Revenue		Non-current assets [a]	
€ millions	2020	2019 [b]	2020	2019
North America	7,901	9,146	5,505	6,581
Europe	3,450	4,239	7,931	8,355
Asia, Oceania, Africa	2,362	2,891	2,063	2,236
Latin America	715	1,114	441	587
TOTAL	**14,429**	**17,390**	**15,940**	**17,759**

(a) Non-current assets excluding goodwill.
(b) The geographical breakdown of revenue for the year ended December 31, 2019 has been revised to reflect a reclassification of certain geographic markets, which the Group considers immaterial.

The main countries in which the Group operated are the United States for North America (revenue amounting to €7,379 million for the period ended December 31, 2020) and France, Italy, United Kingdom and Ireland for Europe (cumulated revenue amounting to €1,881 million for the period ended December 31, 2020).

NOTE 5 Revenue

The breakdown of revenue by category is as follows:

€ millions	2020	2019
Sales of products	13,257	16,236
Vision care business	987	916
Eye-exam and related professional fees	103	123
Income from franchisee royalties	58	80
Sub-lease income	25	36
REVENUE	**14,429**	**17,390**

For 2020, the reconciliation between the breakdown by category of the Group's revenue and its five operating segments is as follows:

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses and Readers	Total 2020
Sales of products	2,463	4,080	5,960	158	595	13,257
Vision care business	—	987	—	—	—	987
Eye-exam and related professional fees	—	103	—	—	—	103
Income from franchisee royalties	8	50	—	—	—	58
Sub-lease income	—	25	—	—	—	25
REVENUE	**2,471**	**5,244**	**5,960**	**158**	**595**	**14,429**

For 2019, the reconciliation between the breakdown by category of the Group's revenue and its five operating segments is as follows:

€ millions	Wholesale	Retail	Lenses and Optical Instruments	Equipment	Sunglasses and Readers	Total 2019 [(a)]
Sales of products	3,370	5,114	6,791	221	740	16,236
Vision care business	—	916	—	—	—	916
Eye-exam and related professional fees	—	123	—	—	—	123
Income from franchisee royalties	13	67	—	—	—	80
Sub-lease income	—	36	—	—	—	36
REVENUE	**3,383**	**6,255**	**6,791**	**221**	**740**	**17,390**

(a) The breakdown of 2019 information by operating segments has been restated following the full integration of Costa into Luxottica's brand portfolio, effective January 1, 2020, mainly affecting *Wholesale*, *Retail* (for e-commerce activities) and *Sunglasses and Readers* segments.

For information on contractual assets and contractual liabilities, see Notes 13 – Other non-current assets, 18 – Other current assets, 25 – Other non-current liabilities and 27 – Other current liabilities.

NOTE 6 Operating income and expenses

6.1. Depreciation, amortization and impairment loss

For the period ended December 31, 2020, the depreciation, amortization and impairment loss of property, plant and equipment, intangible assets and right-of-use assets amount to €2,155 million (€2,148 million for 2019).

6.2. Leases

Depreciation and rent expenses related to leases recognized within the *Operating profit* are as follows:

€ millions	2020	2019
Depreciation expenses on right-of-use assets	(561)	(568)
Rent expenses – short term leases	(8)	(7)
Rent expenses – low value leases	(21)	(22)
Rent expenses – variable leases payments [(a)]	(284)	(368)
TOTAL AMOUNTS RECOGNIZED IN OPERATING PROFIT	**(874)**	**(965)**

(a) Including negative variable payments resulting from COVID-19 rent concessions.

To respond to the COVID-19 pandemic, the Group has negotiated with its landlords, especially in the retail business, temporary rent concessions; those rent concessions include rent holidays or rent reductions for a period of time, which might or might not be followed by increased rent payments in future periods. The prevalent form of rent concession agreed throughout the Group consisted in a total of partial forgiveness of lease payments which the Group accounted for as negative variable payments decreasing the related lease liabilities accordingly. The overall impact resulting from COVID-19 rent concessions accounted for in 2020 is a decrease in *Rent expenses – variable leases payments* amounting to €55 million.

6.3. Personnel costs

Personnel costs amount to €4,838 million (€5,344 million for 2019) including €168 million related to share-based payment expenses (€169 million for 2019). In the consolidated statement of profit or loss, share-based payment expenses are mainly included into the *General and administrative* line item.

As mentioned in the paragraph "Significant events of the year", the Group benefited by governmental grants and other forms of governmental assistance for approximately €137 million. Those subsidies refer to various governmental schemes on labor costs and do not include wages directly paid to employees through those governmental support schemes. Subsidies were recognized when the Group had reasonable assurance that it complied with the conditions attaching to the subsidy, and that the subsidy will be received (when it has not been received yet). Subsidies meeting the above assessment were presented in the statement of profit or loss as a deduction of the related expenses.

Personnel costs were nonetheless affected by the implementation of the COVID-19 fund (also described in the paragraph "Significant events of the year"), in particular for the initiatives related to salary support (*i.e.* voluntary supplementary compensation granted to employees in addition to furlough and/or any comparable measures such as the Italian *Cassa Integrazione Guadagni* or the French *Chômage Partiel*) and support to employees at work during lockdown (*e.g.* welfare package and/or additional compensation for employees who came to work during the lockdown period).

The number of employees is as follows:

Number of employees at closing date	2020	2019
Wholesale	32,884	32,924
Retail	42,481	48,712
Lenses and Optical Instruments	64,270	64,202
Equipment	843	907
Sunglasses & Readers	4,034	4,497
TOTAL NUMBER OF EMPLOYEES	**144,512**	**151,242**

6.4. Other income and expenses

Other operating income and expenses are as follows:

€ millions	2020	2019
Capital gains/(losses) on disposals of operations and assets	(6)	25
Other	(4)	(199)
OTHER INCOME/(EXPENSES)	**(10)**	**(174)**

The line *Other* reported in the table above mainly includes:

- an income of approximately €24 million representing the funds recovered in 2020 on Group's bank accounts related to the fraudulent financial activities discovered in December 2019 in one of the Group's plants in Thailand;
- restructuring costs following Costa's integration into Luxottica brand portfolio for €10 million; and
- additional €18 million arising from other income and expenses that, because of their nature, could not be classified in any of the functions detailed in the operating expenses (*e.g.* mainly earn-out and legal costs).

The impact of the fraudulent financial activities at an Essilor plant in Thailand has been recorded in the 2019 consolidated statement of profit or loss in the *Operating profit* within the line *Other incomes/(expenses)* for an amount of €185 million after taking into account foreign exchanges effects and is reported in the line *Other* in the above table.

The line *Capital gains/(losses) on disposals of operations and assets* included, in 2019, a significant gain related to the disposal of the Group's minority stake into an associate in the US.

NOTE 7 Financial income and expenses

Financial income and expenses are as follows:

€ millions	2020	2019
Interest on debt and borrowings and related derivatives	(91)	(113)
Interest on leases liabilities	(50)	(58)
Interest income	22	53
Cost of net debt	**(119)**	**(117)**
Dividend income	2	1
Foreign exchange gains or losses	(19)	(20)
Other	(4)	(5)
Other financial income/(expenses)	**(22)**	**(25)**
FINANCIAL RESULT	**(140)**	**(142)**

NOTE 8 Income taxes

The amount of income taxes recognized in the statement of profit or loss is as follows:

€ millions	2020	2019
Current year tax (expense) benefit	(341)	(604)
Deferred taxes	177	254
INCOME TAXES	**(164)**	**(350)**

The amount of income taxs recognized in other comprehensive income is as follows:

	2020			2019		
€ millions	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that may be reclassified subsequently to profit or loss						
Cash flow hedges	(1)	0	(0)	1	(1)	0
Net investment hedges	(5)	1	(4)	1	(0)	0
Foreign currency translation differences	(2,169)	—	(2,169)	521	—	521
Total (A)	**(2,175)**	**2**	**(2,173)**	**523**	**(1)**	**522**
Items that will not be reclassified to profit or loss						
Actuarial gain/(loss) on employee benefits	9	(2)	7	(50)	13	(36)
Equity investments at FVOCI – net change in fair value	(4)	1	(3)	—	—	—
Total (B)	**6**	**(1)**	**4**	**(50)**	**13**	**(36)**
TOTAL (A+B)	**(2,169)**	**0**	**(2,169)**	**473**	**12**	**485**

The reconciliation between the statutory tax rate and the effective rate is as follows:

As a % of profit before tax	2020	2019
Statutory income tax rate in %	32.02%	34.43%
Non-taxable income and tax incentives[(a)]	-29.39%	-8.04%
Withholding and other taxes	4.35%	0.89%
Tax rate changes	7.48%	—
Net effect of unrecognized tax losses	2.74%	2.01%
Prior year tax adjustments	9.54%	-1.71%
Aggregate effect of different tax rates in foreign jurisdictions	-4.73%	-10.94%
Others (net)[(a)]	30.44%	6.15%
EFFECTIVE INCOME TAX RATE	**52.44%**	**22.79%**

(a) Includes the effects of the *worthless stock deductions* described below.

In 2020, following reorganization in the US, the Group had to assess the value of certain subsidiaries acquired in past years in the US and to account for *worthless stock deductions* in respect of them, applying IFRIC 23 guidance.

NOTE 9 Earnings per share

The net profit used for the calculation of earnings per share is €85 million (a net profit of €1,077 million in 2019), while the 2020 average number of ordinary shares outstanding used for the calculation of basic earnings per share is 435,868,811.

€ millions	2020	2019
Net profit (loss) used for the calculation	85	1,077
Weighted average number of ordinary shares	435,868,811	434,084,752
BASIC EARNINGS PER SHARE (*in euro*)	**0.19**	**2.48**

The average number of ordinary shares outstanding used to calculate diluted earnings per share is as follows:

	2020	2019
Weighted average number of ordinary shares	435,868,811	434,084,752
Dilutive effect of stock subscription options	23,606	27,446
Dilutive effect of share grants	3,111,248	7,025,327
Diluted weighted average number of ordinary shares	439,003,665	441,137,525
DILUTED EARNINGS PER SHARE (*in euro*)	**0.19**	**2.44**

As of December 31, 2020:

- 5,354,440 performance shares were excluded from the diluted weighted-average number of ordinary shares calculation as the related performance conditions were not met at the end of the reporting period;
- 533,883 stock subscription options were excluded from the diluted weighted-average number of ordinary shares calculation as their average value was greater than the average price during the respective period, *i.e.* anti-dilutive effect.

NOTE 10 Goodwill and other intangible assets

Changes in goodwill and intangible assets for the year ended December 31, 2020 and 2019 are as follows:

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2020						
Historical cost	24,074	4,683	2,870	5,384	1,654	38,665
Accumulated amortization and impairment	—	(1,329)	(345)	(602)	(1,015)	(3,291)
Net book value as of January 1, 2020	**24,074**	**3,353**	**2,525**	**4,782**	**639**	**35,374**
Additions	—	0	0	—	164	164
Business combinations	91	33	—	10	2	135
Amortization and impairment losses	—	(175)	(280)	(346)	(222)	(1,023)
Divestments and assets classified as held for sale	—	—	(1)	(1)	(7)	(9)
Translation differences and other	(1,507)	(150)	59	(267)	(87)	(1,951)
Total changes	**(1,416)**	**(292)**	**(222)**	**(605)**	**(150)**	**(2,685)**
Balance as of December 31, 2020						
Historical Cost	22,658	4,499	2,869	5,063	1,595	36,684
Accumulated amortization and impairment	—	(1,438)	(566)	(885)	(1,107)	(3,995)
NET BOOK VALUE AS OF DECEMBER 31, 2020	**22,658**	**3,061**	**2,303**	**4,178**	**489**	**32,689**

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2019						
Historical cost	23,486	4,723	2,834	5,272	1,488	37,803
Accumulated amortization and impairment	—	(1,192)	(67)	(259)	(825)	(2,342)
Net book value as of January 1, 2019	**23,486**	**3,532**	**2,767**	**5,013**	**663**	**35,461**
Additions	—	—	—	—	175	175
Business combinations	206	2	23	44	8	283
Amortization and impairment losses	—	(218)	(280)	(354)	(195)	(1,046)
Divestments and assets classified as held for sale	—	—	—	—	(3)	(3)
Translation differences and other	382	38	15	78	(10)	504
Total changes	**588**	**(178)**	**(242)**	**(231)**	**(24)**	**(87)**
Balance as of December 31, 2019						
Historical Cost	24,074	4,683	2,870	5,384	1,654	38,665
Accumulated amortization and impairment	—	(1,329)	(345)	(602)	(1,015)	(3,291)
NET BOOK VALUE AS OF DECEMBER 31, 2019	**24,074**	**3,353**	**2,525**	**4,782**	**639**	**35,374**

Most significant intangible assets of the Group are related to:

- the Group's brands, with a total carrying amount of €3,061 million as of December 31, 2020 (€3,353 million as of December 31, 2019), including those recognized as a result of the EL Combination with a carrying amount of €2,566 million as of December 31, 2020 (€2,785 million as of December 31, 2019);
- the technologies recognized in 2018 as a result of the EL Combination, with a carrying amount of €2,230 million as of December 31, 2020 (€2,503 million as of December 31, 2019);
- the customer relationship recognized in 2018 as a result of the EL Combination, with a carrying amount of €4,054 million as of December 31, 2020 (€4,633 million as of December 31, 2019).

In 2020, *Goodwill* decreased by €1,416 million, of which:

- €1,507 million decrease resulting from foreign currency fluctuations (including foreign currency fluctuations on the goodwill arising from the EL Combination, amounting to €1,227 million);
- €91 million increase resulting from acquisitions of the year (see Note 3 – Business combinations).

The main increases in *Intangible assets* resulted from business combinations occurred in 2020 (€44 million) as well as from investment in the IT infrastructure of the Group (€139 million).

During 2019, the main increase in *Goodwill* and *Intangible* assets resulted from business combinations occurred during the year, as well as from foreign currency fluctuations (including foreign currency fluctuations on the goodwill arising from the EL Combination, amounting to €333 million).

10.1. Impairment tests

According to IAS 36 – *Impairment of Assets,* entities are required to conduct impairment tests on goodwill and certain intangible assets annually, as well as whenever there is an indication that those assets may be impaired.

The annual impairment test on goodwill was performed as part of the year end closing.

Moreover, as required by IAS 36, the Group assessed whether any impairment indicator existed at the closing date. The effects of the COVID-19 outbreak were considered by the Group in concluding that *external* indicators of impairment had been triggered (*i.e.* significant changes with an adverse effect on the entity have taken place during the period in the economic environment in which the Group operates). Accordingly, the Group performed impairment tests on goodwill and other impacted intangible assets with finite useful life as of December 31, 2020.

10.1.1. Impairment test of goodwill

As of December 31, 2020, the carrying amount of the *Goodwill* is allocated to the following groups of cash generating units (CGUs):

€ millions	December 31, 2019	Changes	December 31, 2020
Wholesale [(a)]	1,709	(155)	1,554
Retail Optical	1,169	(36)	1,133
Retail Sun [(a)]	1,224	(77)	1,147
Lenses and Optical Instruments – North America	9,772	(784)	8,987
Lenses and Optical Instruments – Europe	3,759	(44)	3,715
Lenses and Optical Instruments – Amera	3,880	(158)	3,723
Lenses and Optical Instruments – Latam	480	(68)	412
Equipment	718	(33)	685
Sunglasses and Readers [(a)]	1,361	(60)	1,302
TOTAL	**24,074**	**(1,416)**	**22,658**

(a) Restated following the integration of Costa into Luxottica's brand portfolio.

Changes occurred in 2020 are substantially linked to the foreign currency fluctuations (except for €91 million increase resulting from business combinations).

Impairment tests are performed using the methodology described in Note 1 – Significant accounting principles.

The recoverable amount for each group of CGUs has been determined by reference to the value in use, based on a discounted cash flow methodology using the parameters described below.

The business plan used to perform the impairment test as of December 31, 2020 relies on:

- 2021 budget estimate (as approved by Company Board of Directors on January 28, 2021) prepared taking into account the recovery trends observed during the second half of 2020 on the various group of CGUs and reflecting management expectation about a recovery of the business continuing in 2021;
- medium-long term projections, as per the growth drivers communicated to the markets during the EssilorLuxottica Capital Market Day in September 2019, updated to take into account the economic and financial effects deriving from the COVID-19 pandemic, as well as certain additional sustainable costs efficiencies; and
- long-term strategic pillars that remained substantially unchanged.

The weighted average cost of capital (WACC) applied to each group of CGUs are reported below, leading to a Group WACC of 6.6% (6.3% for 2019).

In %	December 31, 2020	2019 annual impairment test
Wholesale	6.9%	6.5%
Retail Optical	6.2%	6.1%
Retail Sun	6.4%	6.3%
Lenses and Optical Instruments – North America	6.5%	6.0%
Lenses and Optical Instruments – Europe	6.1%	5.8%
Lenses and Optical Instruments – Amera	7.0%	6.6%
Lenses and Optical Instruments – Latam	9.6%	8.8%
Equipment	6.1%	5.7%
Sunglasses and Readers	7.2%	6.5%

The growth rates used to determine terminal values were set between 1.5% and 2.9% (2019: between 1.8% and 3.4%), with the highest rates applying to emerging markets. The growth rates used to determine terminal values are in line with the long-term expected inflation in the countries where the Group operates.

No impairment loss has been recognized in the consolidated statement of profit or loss in 2020 nor in 2019.

The table below shows, for each group of CGUs, the percentage of the *headroom* over the tested net carrying amount (column: *Surplus of recoverable amount over the net carrying amount*) as well as the WACC increase which would lead the difference between recoverable amount and net carrying amount equal to zero (column: *Break-even WACC*).

In % / Bps	Surplus of recoverable amount over the net carrying amount	Break-even WACC
Wholesale	303%	> 100 bps
Retail Optical	118%	> 100 bps
Retail Sun	218%	> 100 bps
Lenses and Optical Instruments – North America	22%	90 bps
Lenses and Optical Instruments – Europe	6%	25 bps
Lenses and Optical Instruments – Amera	7%	30 bps
Lenses and Optical Instruments – Latam	18%	> 100 bps
Equipment	24%	> 100 bps
Sunglasses and Readers	39%	> 100 bps

A 25 basis points decrease in the long-term growth rate would not generate any impairment loss on the net amount of goodwill as of December 31, 2020.

Moreover, a 100 basis points reduction in operating margin reflecting the current context of uncertainty would not generate any impairment loss on the net amount of goodwill as of December 31, 2020.

Finally, management has also assessed that in case of a slow-down of the business in 2021, not affecting the medium and long-term projections of the Group, no impairment loss would need to be recognized as of December 31, 2020.

10.1.2. Impairment test of other intangible assets

The net book values as of December 31, 2020 of the other intangible assets resulting from the EL Combination amount to respectively €2.6 billion for *Trade names, trademarks and brands,* €2.2 billion for *Technologies* and €4.1 billion for *Customer relationships* (out of a total amount of respectively €3.1 billion for *Trade names, trademarks and brands,* €2.3 billion for *Technologies* and €4.2 billion for *Customer relationships*). Their initial fair value was measured based on relief-from-royalty or multi-period excess earnings methodologies.

As of December 31, 2020, when testing these assets for impairment, the Group updated revenue projections, discount rates, and other assumptions when necessary (for example royalty rates), to reflect the economic and financial effects of the COVID-19 outbreak, in line with the business plan used for the impairment tests of goodwill.

No impairment loss has been recorded as a result of the impairment tests performed, both in 2020 and 2019.

The table below shows, for each category of intangible asset arising from the EL Combination, the range of headroom expressed in percentage over the tested net carrying amount (column: *Surplus of recoverable amount over the net carrying amount*) as well as the long-term growth rate decrease which would lead the difference between recoverable amount and net carrying amount equal to zero (column: *Break-even PGR*).

In % / Bps	Range of surplus of recoverable amount over the net carrying amount	Break-even PGR
Trade names, trademarks and brands	1.1% – 52.1%	20 bps - >100 bps
Technologies	5.7% – 76.3%	>100 bps
Customer relationship	27.4% – > 100%	>100 bps

The other significant intangible assets relate to the Luxottica Group and their net book value totaled approximately €0.6 billion as of December 31, 2020. No impairment loss has been recorded as a result of the impairment tests performed. Considering the significant positive difference between the value in use and the carrying value of these assets, no reasonably possible changes in key assumptions would result in an impairment.

NOTE 11 Property, plant and equipment and right-of-use assets

11.1. Property, plant and equipment

Changes in items of property, plant and equipment in 2020 are as follows:

€ millions	Land, Buildings and related leasehold improvements	Plant, equipment, machinery	Other	Total
Balance as of January 1, 2020				
Historical cost	2,358	2,829	1,570	6,757
Accumulated depreciation and impairment	(898)	(1,571)	(668)	(3,137)
Net book value as of January 1, 2020	**1,460**	**1,258**	**902**	**3,620**
Additions	72	148	298	518
Business combinations	6	(1)	5	9
Depreciation and impairment losses	(129)	(258)	(170)	(558)
Disposals and assets classified as held for sale	(13)	(14)	(11)	(38)
Translation differences and other	(54)	78	(227)	(203)
TOTAL CHANGES	**(118)**	**(48)**	**(105)**	**(272)**
Balance as of December 31, 2020				
Historical cost	2,230	2,786	1,528	6,545
Accumulated depreciation and impairment	(888)	(1,577)	(732)	(3,197)
NET BOOK VALUE AS OF DECEMBER 31, 2020	**1,342**	**1,210**	**796**	**3,348**

Changes in items of property, plant and equipment in 2019 are as follows:

€ millions	Land, Buildings and related leasehold improvements	Plant, equipment, machinery	Other	Total
Balance as of January 1, 2019				
Historical cost	2,128	2,335	1,376	5,839
Accumulated depreciation and impairment	(727)	(1,197)	(576)	(2,500)
Net book value as of January 1, 2019	**1,401**	**1,139**	**800**	**3,339**
Additions	125	219	385	729
Business combinations	32	39	6	76
Depreciation and impairment losses	(128)	(263)	(143)	(534)
Disposals and assets classified as held for sale	(11)	(12)	(14)	(37)
Translation differences and other	41	136	(131)	45
TOTAL CHANGES	**59**	**119**	**102**	**280**
Balance as of December 31, 2019				
Historical cost	2,358	2,829	1,570	6,757
Accumulated depreciation and impairment	(898)	(1,571)	(668)	(3,137)
NET BOOK VALUE AS OF DECEMBER 31, 2019	**1,460**	**1,258**	**902**	**3,620**

The Group's property, plant and equipment mainly include:

- buildings consisting mainly of plants, prescription laboratories and administrative offices. Their locations reflect the Group's broad international presence;
- production plants and equipment including machines and equipment for producing semi-finished and finished lenses as well as frames.

The prescription laboratories also have machines and equipment for surfacing, coating, edging and mounting lenses.

The column "Other" mainly includes assets under construction with a corresponding carrying amount of €395 million as of December 31, 2020 (€388 million as of December 31, 2019).

New investments in 2020 mainly relate to:

- building and related leasehold improvements, of which approximately €36 million of leasehold improvements in North America and Italy; and
- the enlargement of the manufacturing and distribution infrastructure of the Group as well as investments in plants automation.

Investments in 2019 mainly concerned:

- technology upgrades and enlargement of the manufacturing infrastructure of Group as well as investments in plants automation (€129 million);
- opening of new stores and the remodelling of older stores (€142 million).

Considering the business trend, confirmed by supply volumes and plants running at normal capacity based on regular expectation, management did not identify any impairment indicators. Therefore, no specific impairment tests were performed in 2020 on property plant and equipment, except on some store-related assets not resulting in the recognition of material impairment losses.

11.2. Right-of-use assets

The following tables summarize the amounts recognized in the Group consolidated statement of financial position as a result of the application of IFRS 16. In particular, the tables show the carrying amounts of the Group's right-of-use assets as well as their movements during the periods ended December 31, 2020 and 2019.

€ millions	Store and other buildings	Equipment and machinery	Other	Total
Net book value January 1, 2020	**1,955**	**24**	**35**	**2,014**
Additions	431	2	9	442
Business combination	11	—	0	11
Depreciation and impairment losses	(548)	(11)	(16)	(575)
Translation differences and other	(126)	(1)	(13)	(140)
NET BOOK VALUE DECEMBER 31, 2020	**1,723**	**14**	**16**	**1,753**

€ millions	Store and other buildings	Equipment and machinery	Other	Total
Net book value January 1, 2019	**1,759**	**35**	**34**	**1,828**
Additions	683	5	16	704
Business combination	8	—	—	8
Depreciation and impairment losses	(538)	(12)	(18)	(568)
Translation differences and other	41	(4)	3	41
NET BOOK VALUE DECEMBER 31, 2019	**1,955**	**24**	**35**	**2,014**

As a result of the lockdowns imposed in some jurisdictions following the outbreak of the COVID-19 pandemic, the majority of the Group stores were forced to observe a temporarily closure period. Management thus performed impairment tests (see Note 1 – Significant accounting principles) on the carrying values of the right-of-use assets related to its stores which resulted in the recognition of an impairment loss of approximately €13 million.

NOTE 12 Investments in associates

Investments in associates amount to €17 million as of December 31, 2020 (€18 million as of December 31, 2019).

For the period ended December 31, 2020, the Group's share of profits in associates amounts to €1 million (€(2) million for 2019).

NOTE 13 Other non-current assets

Other non-current assets are described as follows:

€ millions	December 31, 2020	December 31, 2019
Other non-financial assets	262	249
Other financial assets	112	129
OTHER NON-CURRENT ASSETS	**374**	**378**

Other non-current non-financial assets mainly include security deposits with a corresponding carrying amount of €72 million (€78 million as of December 31, 2019), non-current advance payments related to royalties for €49 million, the long-term portion of the upfront payment related to a distribution agreement signed by Luxottica in 2018 (Bass Pro agreement) for €28 million and non-current trade receivables for €34 million.

Contractual assets included in other non-financial assets amount to €15 million (€13 million as of December 31, 2019).

Other non-current financial assets mainly include loans and non-consolidated companies.

NOTE 14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

€ millions	December 31, 2020	December 31, 2019
Deferred tax assets	418	429
Deferred tax liabilities	(1,887)	(2,137)
DEFERRED TAX ASSETS/LIABILITIES (NET)	**(1,470)**	**(1,708)**

Changes in deferred taxes are as follows:

€ millions	2020	2019
Position as of January 1	**(1,708)**	**(1,925)**
Tax charged/credited to profit or loss	177	254
Tax charged/credited to other comprehensive income	6	12
Tax charged/credited to equity	(13)	1
Business combinations	—	(5)
Exchange rate difference and other movements	68	(45)
POSITION AS OF DECEMBER 31	**(1,470)**	**(1,708)**

Deferred taxes by nature are as follows:

€ millions	December 31, 2020	December 31, 2019
Elimination of inter-company profits	56	63
Differences in depreciation periods	(574)	(637)
Temporarily non-deductible provisions	170	160
Actuarial gains and losses	91	71
Assets and liabilities recognized on an acquisition	(1,741)	(1,980)
Assets recognized on tax loss carryforward	112	129
Other	417	486
TOTAL	**(1,470)**	**(1,708)**

Deferred tax assets are recognized for tax losses carried forward and other temporary differences to the extent that the realization of the related tax benefit through future profit is probable. The COVID-19 pandemic did not significantly affected the tax projections used to support the recognition of those assets. As of December 31, 2020, the Group did not recognize deferred tax assets of €155 million (€163 million as of December 31, 2019) in respect of losses and other temporary differences.

The Group does not recognize deferred tax liabilities on undistributed earnings of its subsidiaries to the related parent company that are intended to be permanently invested.

NOTE 15 Inventories

The composition of inventories is as follows:

€ millions	December 31, 2020	December 31, 2019
Raw material, supplies and packaging	555	503
Work in progress	82	75
Finished Goods	1,681	1,816
Inventories – gross	**2,318**	**2,395**
Inventory obsolescence reserve	(388)	(228)
INVENTORIES (NET)	**1,930**	**2,166**

Obsolescence refers to products that are expected to have low sale ability due to a number of factors including, but not limited to, the fact that: they have been discontinued, the related quality standards have changed, the related technology has been superseded and/or they have been withdrawn from the catalogue.

Management applied the same methodology applied in its 2019 annual financial statement to assess its inventory obsolescence reserve as of December 31, 2020. Sales expectations, among other factors, were applied in the assessment, taking into consideration the current situation and the effects caused by the COVID-19 pandemic. In the year ended December 31, 2020, a provision on inventories has been booked for €192 million (€117 million for 2019).

NOTE 16 Trade receivables

Trade receivables are as follows:

€ millions	December 31, 2020	December 31, 2019
Trade receivables – gross	2,200	2,498
Bad debt provision	(134)	(86)
TRADE RECEIVABLES (NET)	**2,066**	**2,411**

Trade receivables balance as of December 31, 2020 is affected by the significant decrease in revenue faced during the year following the COVID-19 outbreak, as well as by an increase in the bad debt provision.

For the period ended December 31, 2020 the impairment loss of trade receivables recorded in accordance with IFRS 9 amounted to €71 million (€9 million for 2019). As mentioned above the increase is mainly due to the increased risk profile of the Group's customers resulting from the COVID-19 pandemic.

NOTE 17 Tax receivables and tax payables

Tax receivables and tax payables are as follows:

€ millions	December 31, 2020	December 31, 2019
Tax receivables	195	94
Tax payables	(530)	(455)

Following the adoption of IFRIC 23 – *Uncertainty over Income Tax Treatments,* from January 1, 2019, any liability related to tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law is recognized within the line *Tax payables* (as described in Note 1 – Significant accounting principles).

As of December 31, 2020 and 2019, *Tax payables* include liabilities related to fiscal litigation in various countries in which the Group operates.

NOTE 18 Other current assets

Other current assets are as follows:

€ millions	December 31, 2020	December 31, 2019
Social and sales tax receivable	227	247
Advances to suppliers	62	78
Prepaid expenses	132	153
Other	182	211
Total other current non-financial assets	**603**	**690**
Derivative financial instruments	43	42
Short-term investments	200	500
Other	0	11
Total other current financial assets	**244**	**553**
OTHER CURRENT ASSETS	**847**	**1,243**

The decrease in Other current financial assets compared to the balance as of December 31, 2019 is due to a transfer of fund from a short-term investment to cash equivalents for approximately €300 million.

As of December 31, 2020, contractual assets included in other current assets amount to €19 million (€21 million as of December 31, 2019).

NOTE 19 Cash and cash equivalents

Cash and cash equivalents are as follows:

€ millions	December 31, 2020	December 31, 2019
Cash in hand and at bank	4,182	1,895
Time deposits	3,999	1,623
Money market funds	502	1,319
CASH AND CASH EQUIVALENTS	**8,683**	**4,836**

The Group is operating in some countries where cash and cash equivalents are subject to legal restrictions. The respect of preliminary formalities in these countries is mandatory before transferring these funds with some delay and eventually some tax payment. Cash and cash equivalents can also be held by some subsidiaries where the initial approval of our partners is required to transfer any funds.

The overall increase in *Cash and cash equivalents* is mainly linked to the proceeds from the issuance of the 3BIL Bonds occurred in May 2020 (settlement date June 5, 2020).

The decrease in money market funds compared to the balance as of December 31, 2019 is mainly due to cash reallocation among highly liquid cash equivalent investments.

NOTE 20 Equity

20.1. Number of shares

The changes in number of shares between January 1 and December 31 for the years 2020 and 2019 are as follows:

In number of shares	2020	2019
Number of shares as of January 1	**437,564,431**	**426,777,218**
Issue of ordinary shares related to mandatory tender offer	—	9,259,224
Delivery of performance shares	1,078,950	1,206,509
Employee stock ownership plan	316,961	249,635
Exercise of stock options [(a)]	45,552	71,845
NUMBER OF SHARES AS OF DECEMBER 31	**439,005,894**	**437,564,431**

(a) In 2020 the amount includes 5,246 shares which were delivered but not yet registered as of December 31, 2020; in 2019 the amount included 30,915 shares delivered but not yet registered as of December 31, 2019.

20.2. Share capital and Share premium reserve

The share capital of the Company amounted to €79 million as of December 31, 2020 and was comprised of 439,005,894 ordinary shares with a par value of €0.18 each.

The share capital of the Company amounted to €79 million as of December 31, 2019 and was comprised of 437,564,431 ordinary shares with a par value of €0.18 each.

The changes in share capital and share premium reserve (issue of ordinary shares) are described below.

- *Delivery of performance shares*: refer to the issuance of 1,078,950 shares in the context of the Group's performance share plans with no effect on share premium reserve;
- *Employee stock ownership plan*: refers to the issuance of 316,961 shares reserved for participants in the EssilorLuxottica's employee stock ownership plans, resulting in an increase of the share premium reserve of €29 million;
- *Exercise of stock options*: refers to 45,552 shares issued following the exercise of stock options granted to employees, resulting in an increase of the share premium reserve of €4 million.

20.3. Treasury shares reserve

The changes in number of treasury shares for the year ended December 31, 2020 are as follows:

In number of shares	December 31, 2019	Cancellations	Options excercised	Performance Shares vested	Boost plan (Share sale)	Share Purchase (Sale)	December 31, 2020
Treasury shares	787,310	—	—	(7,517)	(343,334)	1,550,000	1,986,459

The reserve for the Company's treasury shares corresponds to the cost of the Company's shares held by the Group.

As of December 31, 2020, the Group held 1,986,459 of the Company's shares valued at €201 million.

As of December 31, 2019, the Group held 787,310 of the Company's shares valued at €68 million.

From March 17, 2020 to March 26, 2020 1.55 million shares for an average price of €102.54 and for a total amount of €159 million have been repurchased in the context of the share buyback program announced on March 17, 2020 (see paragraph "Significant events of the year").

During the period from January 1, 2020 to December 31, 2020 the Group accounted for a decrease of €246 million in the treasury shares reserve mainly due to a sale of 343,334 treasury shares to EssilorLuxottica employees as part of employee shares plans (so called "Boost").

20.4. Retained earnings and other reserves

Retained earnings and other reserves amount to €11,870 million as of December 31, 2020 (€11,166 as of December 31, 2019).

The main changes accounted in the period are as follows:

- *Allocation of net profit:* net profit attributable to owners of the parent of EssilorLuxottica accounted as of December 31, 2019 increased the amount of *Retained earnings and other* reserves for an amount of €1,077 million;
- *Share-based payments: Retained earnings and other reserves* increased by €150 million as a result of the share-based payments costs recorded in 2020;
- *Dividends paid:* the dividend distribution described below decreased *Retained earnings and other reserves* for €503 million.

20.5. Dividends

On April 18, 2020, in light of the COVID-19 outbreak, EssilorLuxottica's Board of Directors decided not to submit the distribution of a dividend for the 2019 financial year to the 2020 Annual Shareholders' Meeting. Therefore, no dividends on 2019 results were distributed to Group shareholders in 2020.

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share (payment date: December 28, 2020, ex-date: December 23, 2020), as mentioned in paragraph "Significant events of the year".

This interim dividend will be applied against the dividend to be distributed for the current 2020 financial year.

Interim dividend distributed to EssilorLuxottica shareholders in December 2020 amounted to €503 million, while the amount of dividend distributed to non-controlling interests in 2020 totaled €59 million.

20.6. Non-controlling interests

Equity attributable to non-controlling interests amounted to €530 million as of December 31, 2020 and €536 million as of December 31, 2019. The following table provides a reconciliation of the changes in non-controlling interests over the year:

€ millions	2020	2019
Position as of January 1	**536**	**504**
Total comprehensive income of the period	39	116
Changes in consolidation scope and NCI	14	(12)
Acquisition of subsidiaries with NCI	*16*	*3*
Acquisition of NCI without a change in control	—	*3*
Other changes related to NCI	*(1)*	*(18)*
Dividends paid	(59)	(72)
POSITION AS OF DECEMBER 31	**530**	**536**

NOTE 21 Financial debt, including lease liabilities

Total financial debt is €11,895 million and €9,416 million as of December 31, 2020 and 2019, respectively. The changes in financial debt during the years ended December 31, 2020 and 2019 are as follows:

€ millions	Balance as of January 1, 2020	Change in financing flows [(a)]	Scope effects	Translation differences	Other [(b)]	Balance as of December 31, 2020
Non-current borrowings	6,864	2,993	4	(51)	(486)	9,324
Non-current lease liabilities	1,619	(0)	7	(89)	(126)	1,411
Total non-current financial debt	**8,484**	**2,993**	**11**	**(140)**	**(612)**	**10,735**
Current borrowings	403	(256)	3	(7)	489	633
Current lease liabilities	529	(460)	5	(36)	491	527
Total current financial debt	**932**	**716**	**8**	**(43)**	**980**	**1,160**
TOTAL FINANCIAL DEBT	**9,416**	**2,276**	**19**	**(184)**	**367**	**11,895**

(a) The total change in financing flow corresponds to the *Issuance of bonds, private placements and other long-term debts*, the *Repayment of bonds, private placements and other long-term debts*, the *Changes in other current and non-current borrowings* and the *Cash payments for principal portion of lease liabilities* lines as reported in the consolidated statement of cash flows.

(b) The column "Other" includes, among others, interests paid, reported within the *Net cash flows provided by/(used in) operating activities* subtotal in the consolidated statement of cash flows, as well as the decrease in lease liabilities resulting from COVID-19 rent concessions accounted for as negative variable lease payments in the consolidated statement of profit or loss (see Note 6 – Operating income and expense).

€ millions	Balance as of January 1, 2019	Change in financing flows [(a)]	Scope effects	Translation differences	Other [(b)]	Balance as of December 31, 2019
Non-current borrowings	2,564	4,386	6	12	(103)	6,864
Non-current lease liabilities	1,481	(3)	8	25	109	1,619
Total non-current financial debt	**4,045**	**4,383**	**13**	**36**	**6**	**8,484**
Current borrowings	1,176	(881)	(3)	10	101	403
Current lease liabilities	481	(568)	1	7	607	529
Total current financial debt	**1,657**	**(1,448)**	**(2)**	**18**	**708**	**932**
TOTAL FINANCIAL DEBT	**5,702**	**2,934**	**11**	**54**	**714**	**9,416**

(a) The total change in financing flow corresponds to the *Issuance of bonds, private placements and other long-term debts*, the *Repayment of bonds, private placements and other long-term debts*, the *Changes in other current and non-current borrowings* and the *Cash payments for principal portion of lease liabilities* lines as reported in the consolidated statement of cash flows.

(b) The column "Other" includes, among others, interests paid, reported within the *Net cash flows provided by/(used in) operating activities* subtotal in the consolidated statement of cash flows.

The Group uses debt financing to raise financial resources for medium/long-term business operations and to finance acquisitions.

The overall increase in total financial debt is mainly linked to the proceeds from the issuance of the 3BIL Bonds occurred in May 2020 (settlement date June 5, 2020).

21.1. Non-current borrowings

The table below summarizes the Group's non-current borrowings as of December 31, 2020.

€ millions	December 31, 2020	December 31, 2019	Face value	Currency	Nominal interest rate	Issue date	Maturity
Eurobond [(b)]	985	983	1,000	EUR	0.75%	11/27/2019	11/27/2031
Eurobond [(a), (c)]	1,241	—	1,250	EUR	0.50%	06/05/2020	06/05/2028
Eurobond [(b)]	1,485	1,482	1,500	EUR	0.38%	11/27/2019	11/27/2027
US private placement	76	83	100	USD	2.65%	01/05/2017	01/05/2027
Eurobond [(a), (c)]	1,243	—	1,250	EUR	0.38%	06/05/2020	01/05/2026
Eurobond [(b)]	1,489	1,486	1,500	EUR	0.13%	11/27/2019	05/27/2025
Eurobond	335	341	300	EUR	2.375%	04/09/2014	04/09/2024
Eurobond	498	498	500	EUR	2.625%	02/10/2014	02/10/2024
Eurobond [(a), (c)]	499	—	500	EUR	0.25%	06/05/2020	01/05/2024
US private placement	25	27	30	USD	3.40%	11/05/2013	11/04/2023
Eurobond [(b)]	1,000	998	1,000	EUR	0.00%	11/27/2019	05/27/2023
Eurodollar bond	247	261	300	USD	2.50%	06/30/2017	06/30/2022
US private placement	161	173	200	USD	2.05%	01/05/2017	01/05/2022
Eurobond	—	509	500	EUR	1.75%	04/09/2014	04/09/2021
Other	42	23					
NON-CURRENT BORROWINGS	**9,324**	**6,864**					

(a) Changes compared to December 31, 2019 balances are reported within the line *Issuance of bonds, private placements and other long-term debts* in the consolidated statement of cash flows for the year ended December 31, 2020.

(b) Those lines refer to the 5BIL Bonds issued on November 27, 2019.

(c) Those lines refer to the 3BIL Bonds issued on June 5, 2020.

As of December 31, 2020, non-current borrowings increased by €2,460 million compared to December 2019, mainly due to the issuance of the 3BIL Bonds already mentioned in the paragraph "Significant events of the year" partially compensated by the reclassification of €500 million Eurobond (nominal value) into current borrowings.

The Group's debt agreements contain certain financial covenants (for more details see Note 28 – Financial instruments and management of market risks). As of December 31, 2020, the Company was in compliance with these financial covenants.

21.2. Current borrowings

As of December 31, 2020, the Group's short-term funding structure was as follows:

€ millions	December 31, 2020	December 31, 2019	Face value	Currency	Nominal interest rate	Issue date	Maturity
Eurobond	502	—	500	EUR	1.75%	04/09/2014	04/09/2021
US private placement [(a)]	—	62	70	USD	2.79%	11/05/2013	11/04/2020
US private placement [(a)]	—	58	65	USD	3.07%	11/05/2013	11/04/2020
US Commercial Paper [(a)]	—	125	140	USD	1.96%	Q3-2019	Q1-2020
Other	131	158					
CURRENT BORROWINGS	**633**	**403**					

(a) Changes compared to December 31, 2019 balances are reported within the line *Changes in other current and non-current borrowings* in the consolidated statement of cash flows for the year ended December 31, 2020.

The other current borrowings correspond to short term bank borrowings, overdraft and accrued interest, and amount to €131 million as of December 31, 2020 (€158 million as of December 31, 2019).

The main changes in the Group's current borrowings correspond to the reclassification from non-current borrowings to current borrowings of €500 million Eurobond (nominal value) with maturity date April 9, 2021 and to the repayment of the US commercial paper and private placements for approximately USD 275 million.

21.3. Lease liabilities

The table below provides the maturity of the Group's lease liabilities as of December 31, 2020.

€ millions	2021 (1Y)	2022 (2Y)	2023 (3Y)	2024 (4Y)	2025 (5Y)	>2025 (>5Y)	Total
LEASE LIABILITIES	527	379	283	206	152	390	**1,938**

21.4. Net debt

The table below summarizes the Group's Net debt as of December 31, 2020 and 2019.

€ millions	December 31, 2020	December 31, 2019
Non-current borrowings	9,324	6,864
Current borrowings	633	403
Total liabilities	**9,957**	**7,268**
Short-term investments [(a)]	(200)	(500)
Cash and cash equivalents	(8,683)	(4,836)
Total asset	**(8,883)**	**(5,336)**
Interest Rate Swap measured at fair value	(36)	(34)
NET DEBT EXCLUDING LEASE LIABILITIES	**1,038**	**1,898**
Lease liabilities (current and non-current)	1,938	2,148
NET DEBT	**2,975**	**4,046**

(a) As reported in Note 18 – Other current assets.

NOTE 22 Employee benefits

As of December 31, 2020, net recognized employee benefit obligations amount to €484 million (€555 million as of December 31, 2019).

In accordance with laws and regulations in each country in which it operates, the Group has legal obligation with regard to employee post-employment benefits.

The main post-employment plans granted by Luxottica Group are the followings:

TFR (post-employment benefits of the Italian companies' employees):

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from January 1, 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to National Social Insurance Agency (INPS). Liabilities related to severance pay pre-dating January 1, 2007 remain a defined-benefit plan to be valued using actuarial methods.

US Pension plan:

- **Lux Pension Plan** — Oakley, Inc. sponsors a qualified non-contributory defined benefit pension plan, the Luxottica Group Pension Plan ("Lux Pension Plan"), which provides for the payment of benefits to eligible past and present employees of Luxottica US Holdings Corp and its subsidiaries (herein after "US Holdings") upon retirement. Pension benefits are gradually accrued based on length of service and annual compensation excluding non-cash components. Participants become vested in the Lux Pension Plan after three years of vesting service as defined by the Lux Pension Plan. In 2013, the Lux Pension Plan was amended so that employees hired on or after January 1, 2014 would not be eligible to participate.
- **Lux SERP** — US Holdings also maintains a non-qualified, unfunded supplemental executive retirement plan ("Lux SERP") for participants of its qualified pension plan to provide benefits in excess of amounts permitted under the provisions of prevailing US tax law. This plan's liability mirrors the actuarial methods and assumptions used for the Lux Pension Plan.
- All plans operate under the US regulatory framework. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Luxottica Group ERISA Plans Compliance and Investment Committee controls and manages the operation and administration of the plans. The plans expose the Group to actuarial risks, such as longevity risk, exchange rate risk, and interest rate risk.

Other:

In Australia, Germany and Hong Kong, the Group makes mandatory contributions to retirement funds. The plans provide benefits on a defined contribution basis for employees upon retirement, resignation, injury or death. Contributions to defined contribution superannuation plans are recognized as an expense as the contributions are paid or become payable to the fund. Contributions are accrued based on legal rates and annual compensation.

The major post-employment plans granted by Essilor Group are the followings:

France:

- **Article 39:** Since its inception in December 1997, the Essilor Group provides to its senior management teams (category IIIC and HC in accordance with the definition of the French metallurgy collective agreement) the opportunity to reward seniority to remain with the group through a supplementary pension scheme (Article 39 of the French tax code) in addition to the general requirements applicable to all other employees.

  Eligible personnel needed to demonstrate at least 10 years of service within the group to benefit from the scheme. In addition, they were required to still be working for the group at their retirement date. The additional pension was calculated based on the number of years of service within the group as well as an average of the yearly gross salary (fixed and variable) based on the three highest years of compensation throughout their employment history with the group.

  On July 4, 2019, the "Loi Pacte" amended the treatment of the Art. 39 pension. Since then, these plans are no more authorized according to this law. This constitutes a plan amendment that generated a past service costs in 2019 which led to a change in the present value of the defined benefit obligation. This plan is closed to new members and rights are currently frozen. 25 senior team members are part of this plan.
- **Jubilee and termination benefits:** Jubilee and termination benefits schemes are regulatory and compulsory schemes applicable to all companies incorporated in France.

  Upon retirement, employees are eligible to receive a lump sum payment depending on the number of years of service within the group. Rights are acquired based on legal requirements (French labor law), general collective agreements, as well as company specific agreements in place when the employee first joined the group.

  A provision is recorded in the consolidated financial statements to cover for the defined benefit obligation. The most significant plan is carried by Essilor International (SAS). For this entity, rights are calculated based on the metallurgy collective agreement (in additional salary). No assets are associated to this liability and represent the defined benefit obligation for the 2,876 French permanent contract employees working for the Essilor International (SAS) as of December 31, 2020.

Germany:

There are several different types of defined benefit plans in Germany. The most significant plan is carried by Essilor GmbH. As of December 31, 2020, this plan had 237 active members and 743 non active members (including 322 retired members). This plan is closed to new members and rights are currently frozen. Before its change of status, to join the plan, employees were required to hold a permanent contract, be younger than 55 years old and have a specified number of years of service. Rights offered by this plan are based on a final salary type of scheme. Payouts are based on 0.4% of the base salary for each eligible year of service, plus an additional 12%. No assets are currently associated to this defined benefit plan.

USA:

There are several types of defined benefit plans in the U.S. The most significant plan is carried by Essilor USA.

- **Essilor USA: supplementary retirement plans for Executives:** Essilor USA provides the opportunity to reward seniority to remain with the group for Executives through a supplementary pension plan. As of December 31, 2020, there are 4 active members and 9 non active members to this defined benefit plan.

To be eligible to join the plan, Executives need to be at least 62 years old, have held for at least five years an executive position, and have at least 10 years of service within the group. Additionally, they are required to still be working for the group at their retirement date. The additional payout represents 40% of the base salary received over the last three years preceding retirement.

Additionally, other post-employment benefits are paid out in case of early retirement, death, or end of employment resulting in lower accessibility conditions and a lower payout.

There are no assets associated to this defined benefit plan.

Changes in the defined benefit obligation are as follows:

	2020			2019		
€ millions	Defined benefit obligation	Fair value of plan assets	Net liability (asset)	Defined benefit obligation	Fair value of plan assets	Net liability (asset)
BALANCE AS OF JANUARY 1	**1,709**	**1,154**	**555**	**1,456**	**997**	**459**
Included in profit or loss						
Cost of services rendered in the period	36	—	36	62	—	62
Cost of past services	4	—	4	(12)	—	(12)
Interest cost (income)	21	19	2	44	32	13
Total movements in profit or loss	**61**	**19**	**42**	**94**	**32**	**63**
Included in OCI						
Actuarial loss (gain) arising from:	91	—	91	191	—	191
demographic assumptions	*1*	—	*1*	*1*	—	*1*
financial assumptions	*90*	—	*90*	*178*	—	*178*
experience adjustment	*(0)*	—	*(0)*	*13*	—	*13*
Return on plan assets excluding interest income	—	100	(100)	—	141	(141)
Translation differences and other movements	(158)	(86)	(72)	35	19	17
Total movements in OCI	**(67)**	**14**	**(81)**	**227**	**160**	**66**
Other						
Contributions to plan assets	—	14	(14)	—	16	(16)
Benefits paid	(134)	(115)	(18)	(67)	(50)	(17)
Business combinations	(61)	(60)	(1)	—	—	—
Total other movements	**(194)**	**(162)**	**(33)**	**(67)**	**(34)**	**(33)**
BALANCE AS OF DECEMBER 31	**1,509**	**1,025**	**484**	**1,709**	**1,154**	**555**

A major assumption taken into account in the valuation of pension and other post-employment benefit obligations is the discount rate. In accordance with IAS 19 – *Employee Benefits*, the rates were determined by currency areas and by reference to the return on high-quality private bonds with a maturity equal to the term of the plans or the return on government bonds when the private market has insufficient liquidity.

The return on plan assets is determined based on the allocation of the assets and the discount rates used.

The main rates used by the Group are as follows:

In %	2020			2019		
	Eurozone	United States	United Kingdom	Eurozone	United States	United Kingdom
Discount rate	0.3%-0.5%	2.0%-2.6%	1.4%	0.6%-0.9%	2.9%-3.3%	2.1%
Inflation rate	1.0%-1.8%	n.a.	3.1%	1.0%-1.8%	3.0%	3.1%
Weighted average rate of return on plan assets	0.7%	1.8%	6.4%	12.0%	10.4%	14.6%
Weighted average rate of salary increases	2.0%-2.2%	1.4%-5.2%	0.0%	2%-2.3%	1.5%-4.8%	0.0%

The composition by type of plan assets is as follows:

In %	December 31, 2020	December 31, 2019
Shares and equity funds	36%	33%
Bonds and fixed income funds	51%	53%
General insurance funds	3%	3%
Real estate/property	4%	4%
Other	6%	6%
TOTAL	**100%**	**100%**

The Plan's long-term investment objectives are to generate investment returns that provide adequate assets to meet the Plan's benefit obligations and to maintain sufficient liquidity to pay benefits and administrative expenses.

Plan assets are invested in pension funds or insurance companies for which invested assets are managed directly by pension fund managers or insurance companies. They determine appropriate investment strategies and funding allocations.

Plan assets are also invested in diversified portfolios across various asset classes based on the targets envisioned for the allocation of resources, using a mix of active management strategies, for which various consultants have been employed. Risk management is ensured by investment diversification across various asset classes, managers, strategies, market capitalizations (equity investments) and individual securities. Certain transactions and securities are not authorized to be conducted or held in the pension funds, such as purchase or sale of commodity contracts, real estate investments, excluding in trust funds, and American Depositary Receipts (ADR) or treasury shares of the Company. Risk is further controlled both at the asset class and manager level by assigning benchmarks and performance objectives. The investment managers are monitored on an ongoing basis to evaluate performance against these benchmarks and performance objectives.

Investments comply with local regulations in the countries in question.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would increase/decrease the total defined benefit obligation as shown below:

€ millions	Discount rate		Compensation increase	
	-50 bps	+50 bps	-100 bps	+100 bps
DBO at year end	1,578	1,400	1,483	1,536

NOTE 23 Share-based payments

Compensation costs on share-based payments are measured by the methods described in Note 1 – Significant accounting principles. The breakdown of the expenses recorded into the consolidated statement of profit or loss is as follows:

€ millions	2020	2019
Performance shares	(105)	(110)
Restricted shares	(26)	(25)
Stock options subscriptions	(2)	(2)
Employee share issues	(36)	(31)
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**(168)**	**(169)**

23.1. Performance shares

The Group has launched performance-based bonus share allotment plans (performance shares). In particular, these plans allow the beneficiaries to be awarded a certain amount of performance shares based on the annualized growth in the average share price of the Company, depending on the performance of the Company's share price compared with the price on the grant date (corresponding to the average of the prices quoted over the 20 trading days preceding the Board of Directors' Meeting at which the grant is decided).

The maximum number of performance shares that would vest assuming that the vesting conditions were met is 2,231,651 shares for the 2020 awards.

The following table analyzes the changes in the number of performance shares in 2020 and 2019:

In number of shares	2020	2019
Performance shares as of January 1	6,241,727	5,510,385
Performance shares vested	(1,086,467)	(1,198,509)
Performance shares canceled	(509,350)	(393,115)
Awards for the fiscal year	2,231,651	2,322,966
PERFORMANCE SHARES AS OF DECEMBER 31	**6,877,561**	**6,241,727**

The main assumptions used to measure costs related to performance shares granted in 2020 (individual and collective grants) are as follows:

- share volatility: 21.2% – 21.6%;
- risk-free interest rate: -0.7%;
- dividend yield: 1.4%.

Based on these assumptions, the weighted average fair value of the shares awarded in 2020 was €49.39 per share (€49.13 per share for the shares awarded in 2019).

23.2. Restricted shares

At the end of December 2017, Luxottica Board of Directors approved a long-term cash retention plan (Long-Term Incentive plan or LTI) vesting on March 30, 2021. The term of the arrangement provided Luxottica with the choice of whether to settle in cash or by issuing Luxottica or EssilorLuxottica shares, subject to the approval of the relevant governance bodies.

On March 6, 2019 Luxottica's Board of Directors proceeded with the awards of existing shares to Luxottica Group's employees, which were then granted by EssilorLuxottica's Board of Directors on March 7, 2019, without affecting the classification of the LTI (the plan was already accounted for as an equity-settled share-based payment as of December 31, 2018).

The vesting of shares is dependent on a presence condition in the Group on March 7, 2021. After vesting, the shares will not be subject to any lock-up obligation. The number of shares that would vest assuming that the presence condition is met by the beneficiaries in force as of December 31, 2020 is 782,650.

23.3. Stock subscription option

During 2020, 45,552 options vested, 20,484 options were cancelled, and 113,536 options were awarded. As such, the total number of options outstanding as of December 31, 2020 amounts to 557,489 (509,989 as of December 31, 2019).

With regards to the options exercised during the course of 2020, the weighted average share price of EssilorLuxottica shares was equal to €118.21 (€92.25 in 2019). The total cost accounted during the period amounted to €2 million (€2 million in 2019).

23.4. Employee share issues

In 2020, total expense incurred for employee share issues amounted to €36 million, including €20 million related to the Boost plan (the possibility to obtain existing shares of EssilorLuxottica offered to employees of foreign subsidiaries of the Group). In 2019, total expense incurred for employee share issues amounted to €31 million, including €18 million related to the Boost plan.

During 2020 the Group issued 316,961 shares to its employees (249,635 in 2019). The subscription price has been set at €90.52 per share (€109.63 in 2019), this being the average of the opening prices over the 20 trading days preceding November 24, 2020, to which a 20% discount has been applied.

In addition, the Group transferred 343,334 treasury shares to its employees as part of the Boost plan (312,447 in 2019).

NOTE 24 Provisions (current and non-current)

The balances as of December 31, 2020 and 2019 are detailed below:

€ millions	December 31, 2020	December 31, 2019
Warranty and returns	119	110
Litigations	158	172
Self-insurance	28	32
Restructuring and other	135	90
TOTAL PROVISIONS	**441**	**404**
of which current provisions	*271*	*139*
of which non-current provisions	*170*	*265*

The changes in provision for the years ended December 31, 2020 and 2019, are as follows:

€ millions	Warranty and returns	Litigations	Self-insurance	Restructuring and other	Total
Balance as of January 1, 2020	**110**	**172**	**32**	**90**	**404**
Provisions for the period	39	12	11	89	151
Utilization and releases	(25)	(14)	(12)	(40)	(91)
Translation differences	(8)	(12)	(3)	(5)	(28)
Business combinations	0	—	—	0	0
Other movements	4	(0)	—	0	4
Total changes	**9**	**(13)**	**(4)**	**45**	**37**
BALANCE AS OF DECEMBER 31, 2020	**119**	**158**	**28**	**135**	**441**
of which current provisions	*105*	*61*	*7*	*97*	*271*
of which non-current provisions	*14*	*97*	*21*	*38*	*170*

€ millions	Warranty and returns	Litigations	Self-insurance	Restructuring and other	Total
Balance as of January 1, 2019	**108**	**174**	**32**	**87**	**401**
Provisions for the period	27	17	12	36	92
Utilization and releases	(29)	(20)	(13)	(36)	(99)
Translation differences	2	2	1	7	11
Business combinations	—	—	—	—	—
Other movements	3	(0)	—	(4)	(1)
Total changes	**2**	**(2)**	**—**	**3**	**3**
BALANCE AS OF DECEMBER 31, 2019	**110**	**172**	**32**	**90**	**404**
of which current provisions	*100*	*2*	*7*	*30*	*139*
of which non-current provisions	*10*	*170*	*25*	*60*	*265*

Litigations include provisions for various legal disputes that have occurred in the course of business of the Group.

The item self-insurance includes provisions made since the Group insures itself against certain risks. The Group is self-insured for certain losses relating to workers' compensation, general liability, own risk, and employee medical benefits for claims incurred but not reported. The Group's liability is estimated using historical claims experience and industry averages.

Restructuring and other provisions include accruals for sale agent termination indemnity (*Fondo Indennità Suppletiva di Clientela*) of certain Italian companies. The main changes on the restructuring provisions is related to restructuring plan implemented in the Lenses business in North America aiming mainly at rationalizing the prescription laboratories network, in Asia aiming at enhancing the regional organization, and in the Sun & Readers business in North America.

NOTE 25 Other non-current liabilities

Other non-current liabilities as of December 31, 2020 and 2019 are detailed below:

€ millions	December 31, 2020	December 31, 2019
Liabilities related to long-term put options over non-controlling interests	40	159
Trade payables and liabilities related to long-term financial investments	11	8
Derivative financial instruments	—	—
Other	22	27
OTHER NON-CURRENT LIABILITIES	**73**	**193**

Other non-current liabilities include contract liabilities for a total amount of €2 million (€2 million as of December 31, 2019).

NOTE 26 Trade payables

Trade payables amount to €1,864 million (€1,770 million as of December 31, 2019).

€ millions	December 31, 2020	December 31, 2019
TRADE PAYABLES	**1,864**	**1,770**

The book value of trade payables is approximately equal to their fair value.

NOTE 27 Other current liabilities

Other current liabilities as of December 31, 2020 and 2019 are detailed below:

€ millions	December 31, 2020	December 31, 2019
Liabilities related to short-term put options over non-controlling interests	266	267
Liabilities related to short-term financial investments	39	49
Personnel expenses, social contribution, VAT and other indirect tax payables	1,000	1,005
Premium and discount	364	329
Payables with extended payment terms	41	—
Derivative financial instruments	14	6
Other	621	665
OTHER CURRENT LIABILITIES	**2,346**	**2,320**

Some subsidiaries of the Group have worked with their suppliers to revisit terms and conditions of supply, including payment terms. In 2020, this activity allowed them to extend payment terms agreed with a limited number of suppliers beyond the terms usually applied by the Group. In addition, financial institutions offered a voluntary supply chain finance ("SCF") program which enabled the Group's suppliers, at their sole discretion, to sell their receivables due by the Group, on a non-recourse basis and at a rate that leverages the Group's credit rating. No guarantees are provided by the Group or any of its subsidiaries under the SCF program and the Group has neither an economic interest in a supplier's decision to participate in the SCF program nor a direct financial relationship with the financial institution, as it relates to the SCF program.

Management has not identified additional liquidity risks deriving from the SCF program.

As of December 31, 2020, the amounts due to suppliers that agreed to the extended payment terms described above and that elected to participate in the SCF program is included in *Other current liabilities* for €41 million (line *Payables with extended payment terms* in the table above), notwithstanding those payables have a similar nature and function to trade payables, being related to the Group's normal operating cycle. Cash flows related to those payables are classified as arising from operating activities (line *Changes in other operating receivables and payables* of the consolidated statement of cash flows).

The other current liabilities include contract liabilities for a total amount of €49 million (€60 million as of December 31, 2019).

NOTE 28 Financial instruments and management of market risks

28.1. Financial instruments recognized in the consolidated statement of financial position

€ millions	Notes	Total December 31, 2020	Financial assets/ (liabilities) at fair value through profit or loss	Equity investments at fair value through other comprehensive income	Financial assets/ (liabilities) at amortized cost	Other financial liabilities	Derivatives documented in hedging relationships
Other non-current financial assets (*excluding derivatives*)	13	112	—	44	67	—	—
Trade receivables	16	2,066	—	—	2,066	—	—
Other current financial assets (*excluding derivatives*)	18	200	200	—	0	—	—
Derivative financial instruments	13-18	43	3	—	—	—	40
Cash and cash equivalents	19	8,683	4,501	—	4,182	—	—
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS		**11,104**	**4,704**	**44**	**6,315**	**—**	**40**
Non-current borrowings	21	9,324	—	—	9,324	—	—
Other non-current financial liabilities (*excluding derivatives*) [(a)]	25	71	4	—	27	40	—
Current borrowings	21	633	—	—	633	—	—
Trade payables	26	1,864	—	—	1,864	—	—
Other current financial liabilities (*excluding derivatives*) [(b)]	27	306	39	—	0	266	—
Derivative financial instruments	25-27	14	4	—	—	—	10
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES		**12,211**	**47**	**—**	**11,848**	**307**	**10**

(a) Excluding IFRS 15 contract liabilities.
(b) Excluding personnel expenses, social contribution, VAT and other indirect tax payables, premium and discount, other current liabilities and IFRS 15 contract liabilities.

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€ millions	Notes	Total December 31, 2019	Financial assets/ (liabilities) at fair value through profit or loss	Equity investments at fair value through other comprehensive income	Financial assets/ (liabilities) at amortized cost	Other financial liabilities	Derivatives documented in hedging relationships
Other non-current financial assets (*excluding derivatives*)	13	129	—	33	97	—	—
Trade receivables	16	2,411	—	—	2,411	—	—
Other current financial assets (*excluding derivatives*)	18	511	500	—	11	—	—
Derivative financial instruments	13-18	42	5	—	—	—	37
Cash and cash equivalents	19	4,836	2,942	—	1,895	—	—
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS		**7,930**	**3,447**	**33**	**4,414**	**—**	**37**
Non-current borrowings	21	6,864	—	—	6,864	—	—
Other non-current financial liabilities (*excluding derivatives*) [(a)]	25	192	3	—	30	159	—
Current borrowings	21	403	—	—	403	—	—
Trade payables	26	1,770	—	—	1,770	—	—
Other current financial liabilities (*excluding derivatives*) [(b)]	27	316	48	—	1	267	—
Derivative financial instruments	25-27	6	3	—	—	—	4
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES		**9,551**	**53**	**—**	**9,068**	**426**	**4**

(a) Excluding IFRS 15 contract liabilities.
(b) Excluding personnel expenses, social contribution, VAT and other indirect tax payables, premium and discount, other current liabilities and IFRS 15 contract liabilities.

The carrying value of assets and liabilities recorded at amortized cost is close to its fair value, except for long-term borrowings for which fair value is €9,602 million (€6,973 million as of December 31, 2019).

The fair value hierarchy of the relevant financial assets and liabilities is as follows:

- borrowings: the fair value of listed debt is equal to their market price. The level of the hierarchy used for determining this fair value is Level 1. The fair value of the non-listed debt equals the present value of future cash flows, calculated by utilizing the market rate currently available for similar debt and adjusted in order to take into account the Company's current credit rating. The level of the hierarchy used for determining this fair value is Level 2;
- cash, cash equivalent and short-term investments: the level of the hierarchy used for determining the fair value of money market mutual funds is Level 1;
- derivatives financial instruments: the fair value of the derivatives financial instruments equals the present value of future cash flows, calculated by utilizing the market inputs currently available. The level of the hierarchy used for determining this fair value is Level 2;
- equity investments at fair value through other comprehensive income: the level of the hierarchy used for determining this fair value is Level 3.

Other financial liabilities include the put liabilities and liabilities related to earn-out clauses. Changes in put liability's fair value are recognized through Group equity.

28.2. Counterparty risk

28.2.1. Credit risk related to financial counterparties

The Group is exposed to counterparty risk, *i.e.*, the risk that a bank defaults on its contractual obligations (short term investment, hedge or credit facility), which would result in a financial loss for the Group.

Default by a counterparty may result in loss in value (the case of non-payment of a financial asset) or liquidity (the case of inability to draw on an unused line of credit). To mitigate the risk, the Group mainly deals with top-tier banks and diversifies its banking counterparties, in order to limit its individual exposure, depending on the rating of the counterparty. Moreover, available cash is mainly invested with the purpose of meeting the criteria of *Cash and cash equivalents* classification as per the strategy of the Group (*i.e.* at least 90% of excess cash must be invested in products complying with the *Cash and cash equivalents* definition under IFRS).

The Group enters into derivative transactions under various master agreements, which contain clauses for the offsetting of amounts payable and receivable only on the occurrence of future events, such as a default or other credit event by one of the contracting parties. Since the Group does not have any currently legally enforceable right to offset recognized amounts, the mentioned agreements do not meet the criteria of offsetting in the statements of financial position.

Based on the information available to the Group, during the course of the year, there were no potential losses deriving from the inability of the above-mentioned counterparties to meet their contractual obligations.

28.2.2. Credit risk related to commercial counterparties

The credit risk is managed locally and monitored centrally by the Group. Nevertheless, a portion of the Group's revenue is realized directly with the end customer and those revenue do not expose the Group to any credit risk.

The Group does not have a significant concentration of credit risk. In any case, there are proper procedures in place to ensure that the sales of products and services are made to reliable customers on the basis of their financial position as well as past experience. Credit limits are defined according to thresholds that take into consideration internal and external evaluation of the customer's reliability. The utilization of credit limits is regularly monitored through automated controls.

As of December 31, 2020, non-provisioned past due trade receivables amount to €395 million (€363 million at the end of 2019). As mentioned in Note 16 – Trade receivables the COVID-19 pandemic increased the risk profile of the Group's customers. The bad debt provision as of December 31, 2020 increased accordingly.

€ millions	December 31, 2020	December 31, 2019
Trade receivables due within one year [(a)]	2,066	2,411
Trade receivables beyond one year [(b)]	34	38
of which:		
trade receivables not yet due	*1,704*	*2,086*
past due trade receivables	*395*	*363*

(a) In line item *Trade receivables* in the consolidated statement of financial position.
(b) In line item *Other non-current assets* in the consolidated statement of financial position.

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28.3. Liquidity risk

The Group's activities expose it to the risk that its sources of liquidity may be insufficient to cover its financing needs. The Group aims to maintain a permanent source of liquidity in order to ensure its independence and growth. The funding policy is based on the diversification of funding sources, the use of medium- and long-term financing, the distribution of debt maturities over time and the establishment of committed credit facilities.

As of December 31, 2020, most of the Group's long-term financing and credit facilities are concentrated on EssilorLuxottica which then refinances its subsidiaries. Some companies may, however, need to arrange their own local financing when local regulations hamper intra-Group arrangements.

As of December 31, 2020, the Group had €5,128 million of committed credit facilities with leading banks. Drawing down these lines is not subject to any covenant. As of December 31, 2020, none of these lines had been used.

Primary rating agencies have assigned to the Group the following rating:

	Long term	Short term	Outlook	Effective date
Moody's	A2	P-1	Stable	August 1, 2019
Standard & Poor's	A	A-1	Stable	July 31, 2019

The distribution of the Group's Net debt (excluding lease liabilities) and available credit facilities by contractual maturity at the end of 2020 was as follows:

€ millions	2021 (1Y)	2022 (2Y)	2023 (3Y)	2024 (4Y)	2025 (5Y)	>2025 (>5Y)	Total
Bonds	502	247	1,000	1,332	1,489	4,954	9,523
Commercial Paper	—	—	—	—	—	—	—
Bank loans	68	9	3	2	23	—	106
Private Placement	—	161	25	—	—	76	261
Overdraft	5	—	—	—	—	—	5
Others debt	57	4	0	—	—	—	61
Gross debt	**633**	**420**	**1,027**	**1,334**	**1,512**	**5,030**	**9,957**
Short-term investments	(200)	—	—	—	—	—	(200)
Cash & cash equivalents	(8,683)	—	—	—	—	—	(8,683)
Interest Rate Swap measured at fair value							(36)
NET DEBT (EXCLUDING LEASE LIABILITIES)	**(8,250)**	**420**	**1,027**	**1,334**	**1,512**	**5,030**	**1,038**
Available committed syndicated credit facilities	—	900	—	—	—	—	900
Available committed bilateral bank facilities	304	700	224	—	—	—	1,228
Available committed bridge facilities	—	3,000	—	—	—	—	3,000

Please also refer to Note 21 – Financial debt, including lease liabilities.

28.3.1. Negative pledges and financial covenants

Some of the financing agreements of the Group (see Note 21 – Financial debt, including lease liabilities) require compliance with negative pledges and financial covenants, as set forth in the respective agreements.

Financial covenants require the Group to comply with specific levels of financial ratios. The most significant covenants establish a threshold for the ratio of EBITDA to financial expenses and priority debt to consolidated total assets.

In the case of a failure to comply with the above-mentioned ratios, the Group may be called upon to pay the outstanding debt if it does not correct such default within the period indicated in the applicable agreement.

Compliance with these covenants is monitored by the Group at the end of each semester and, as of December 31, 2020, the Group was fully in compliance with these covenants.

28.4. Currency risk

Due to its international presence, the Group is naturally exposed to risks related to fluctuations in foreign currencies. This international presence impacts its operations, its financing, and the conversion into euro of the financial statements of foreign subsidiaries denominated in other currencies.

In particular, the Group operations and sales are disseminated in several countries with multiple currencies. As a consequence, Group results could be materially affected by foreign exchange rate fluctuations.

The primary exchange rate to which the Group is exposed is the EUR/USD parity.

As of December 31, 2020, most of the currency hedging is managed by EssilorLuxottica and by Luxottica. The Group seeks to limit currency risk with natural hedges, by hedging residual transactional exposure through currency forwards or options. Foreign exchange derivatives are entered into solely to hedge currency risks arising on business and financing operations. The Group does not carry out any currency trading transactions without any underlying transaction.

28.5. Interest rate risk

The purpose of the interest rate management policy is to minimize the cost of financing while limiting the volatility of financial expenses linked to changes in interest rates. The major part of financing is therefore kept at fixed rates, either in the initial agreement or *via* hedging.

As almost all of the Group's financing is now concentrated on EssilorLuxottica, interest rate risk management is therefore centralized.

The interest rate position before and after hedging is as follows:

	Net debt		Derivatives		Net IR position	
€ millions	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**
Gross debt	9,307	650	(581)	544	8,726	1,195
Short-term investments	—	(200)	—	—	—	(200)
Cash and cash equivalents	—	(8,683)	—	—	—	(8,683)
NET DEBT (EXCLUDING LEASE LIABILITIES)	**9,307**	**(8,233)**	**(581)**	**544**	**8,726**	**(7,689)**

The interest rate position, by currency, before and after hedging is as follows:

	Net debt		Derivatives		Net IR position	
€ millions	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**	**Fixed rate**	**Floating rate**
EUR	8,775	(6,421)	(327)	391	8,448	(6,031)
USD	517	(1,123)	(254)	170	264	(953)
Other	15	(689)	—	(16)	15	(705)
NET DEBT (EXCLUDING LEASE LIABILITIES)	**9,307**	**(8,233)**	**(581)**	**544**	**8,726**	**(7,689)**

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28.6. Derivatives financial instruments

28.6.1. Market value by nature

	December 31, 2020		December 31, 2019	
€ millions	**Fair value**	**Nominal**	**Fair value**	**Nominal**
Forward contracts	(6)	1,713	2	1,357
Interest rate swaps	36	544	34	567
TOTAL DERIVATIVES	**30**	**2,258**	**36**	**1,924**

28.6.2. Market value by hedge strategy

€ millions	**December 31, 2020**	**December 31, 2019**
Cash flow hedge		
Interest rate swaps	—	—
Forward contracts	(1)	(1)
Fair value hedge		
Interest rate swap	36	34
Not allocated to a hedging relationship		
Forward contracts	(5)	3
MARKET VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	**30**	**36**
of which derivative financial instruments (assets)	*43*	*42*
of which derivative financial instruments (liabilities)	*(14)*	*(6)*

28.6.3. Foreign exchange derivatives hedging commercial and financing exposures as of December 31, 2020 (nominal amount)

	Currency purchased																		
€ millions	EUR	USD	CNY	GBP	HKD	AUD	JPY	THB	SEK	CAD	CHF	NOK	NZD	KRW	MXN	INR	AED	Others	Total
Currency sold																			
EUR		104	121	119	26	79	45	4	18	12	23	18	15		10	10	11	38	653
USD	106		4	0	2	1	20	36		14				13	5	3		6	209
GBP	173	4							9			3						0	189
HKD	35	11	50			10	5	1						4				3	118
JPY	71	13	1		14														98
THB	5	66			5														76
AUD	13	0			45								1						60
CAD	3	53																	57
SEK	34			0															34
CNY	13	11			3	0	2												30
INR	9	18																	27
NOK	22	1		0															23
MXN	20	2																	21
BRL	10	7																	17
NZD	7					7													15
DKK	12			2															14
ZAR	10																		10
Others	47	13			4														64
TOTAL	**590**	**304**	**175**	**121**	**98**	**97**	**71**	**42**	**28**	**25**	**23**	**21**	**16**	**16**	**15**	**14**	**11**	**47**	**1,713**

NOTE 29 Contingencies and commitments

29.1. Commitments

As of December 31, 2020, the Group's contractual obligations and commitments were as follows:

€ millions	December 31, 2020	December 31, 2019
Guarantees and endorsements	126	160
Licenses	638	721
Other	88	136
TOTAL COMMITMENTS GIVEN	**852**	**1,017**

29.1.1. Guarantees and endorsements

Guarantees and endorsements mainly consist of the Company guarantees over Group subsidiaries.

29.1.2. Licenses

The Group has entered into license agreements with certain designers for the production, design and distribution of sunglasses and prescription frames. Under these license agreements, which typically have terms ranging from 4 to 10 years, the Group is also required to pay a royalty generally ranging from 5% to 13% of net sales of the related collection. Certain agreements also provide for the payment of minimum annual guaranteed amounts and a mandatory marketing contribution (the latter typically amounts to between 4% and 12% of net sales of the related collection). These agreements can typically be terminated early by either party for several reasons, including but not limited to non-payment of royalties, failure to reach minimum sales thresholds, and unauthorized changes to products.

The minimum payments related to these agreements are, as follows:

€ millions	December 31, 2020	December 31, 2019
Due within 1 year	120	141
Due in 1 to 5 years	372	453
Due in more than 5 years	146	127
TOTAL	**638**	**721**

29.2. Litigation and contingent liabilities

29.2.1. Fraud at Essilor Manufacturing Thailand Co.

During the second half of 2019, very significant fraudulent financial activities occurred at Essilor Manufacturing Thailand Co. (EMTC). The impact recorded in the 2019 consolidated profit and loss amounted to €185 million before insurance, pending litigation and anticipated recovery. Many civil and criminal actions have been, and many will be, taken in Thailand and in many other jurisdictions in order to maximize the recovery of misappropriate funds. The overall recovery amounted to €79 million as of the date of the approval of these consolidated financial statements (refer to Note 33 – Subsequent events for information regarding recovery occurred after the end of the financial year).

29.2.2. Legal proceeding towards GrandVision

On July 18, 2020, EssilorLuxottica announced that it initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision N.V. ("GrandVision"). This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the support agreement signed by the parties. Despite repeated requests, GrandVision has not provided this information on a voluntary basis, leaving EssilorLuxottica with no other option but to resort to legal proceedings.

On July 30, 2020, GrandVision and Hal Optical Investments B.V. ("HAL"), its majority shareholder, have initiated an arbitration process, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information.

On August 24, 2020, EssilorLuxottica's demands for disclosure of information from both HAL and GrandVision was dismissed by the Dutch District Court. On September 4, 2020 EssilorLuxottica filed an appeal against the judgment dismissing the Company's demands for disclosure of information from GrandVision.

The Court of Appeal decision is expected on 6 April 2021, and the arbitration proceedings are on-going.

29.2.3. Alleged anti-competitive practices

French Competition Authority Investigation

In July 2014, the French Competition Authority's investigation department made unannounced visits to selected Essilor entities in France and other actors in the ophthalmic lens industry involved in the online sale of ophthalmic lenses. The proceedings are ongoing, with the Authority having notified its statement of objections on January 5, 2021 alleging certain anti-competitive practices, and EssilorLuxottica defending its rights. At this stage, there is no basis to develop an estimate of the potential exposure, if any.

In 2015, the French Competition Authority's investigation department issued a statement of objections ("First SoO") against Luxottica, its subsidiary Alain Mikli and other competitors alleging certain anti-competitive practices. In 2017, the French Competition Authority determined that the preliminary investigation was insufficient and sent the case back to the investigative department. On April 19, 2019, Luxottica and certain subsidiaries received a new statement of objection ("Second SoO") as a supplement to the First SoO. On March 2, 2020, a *Rapport* has been served taking position on the observations submitted by Luxottica in response to the SoOs. Written response to the *Rapport* has been filed on June 29, 2020, where Luxottica has challenged the conclusions of the *Rapport*.

The final oral hearing took place on January 13, 2021. Luxottica is waiting for the decision. As of the date of approval by EssilorLuxottica Board of Directors of these consolidated financial statements, management determined the risk of a negative outcome as not probable, with no basis to develop an estimate of the potential exposure. The evaluation of the risk profile for the Group may be updated, as necessary, based on the decision that the French Competition Authority will issue in the next few months and the availability of further appeal proceedings, if applicable.

Investigations

In 2016, the US Department of Justice and the Insurance Commission of the State of California questioned Essilor of America with regard to certain promotional activities. Essilor of America continues working with the authorities in connection with this ongoing investigation.

29.2.4. Class actions

Certain US and Canadian subsidiaries of EssilorLuxottica are defendant in class actions and putative class actions brought before Federal, State and Provincial courts alleging suppression of competition, false and misleading advertising, misleading representations, warranty claims, unlawful control of optometrists and data security breaches. The relevant subsidiaries dispute the merits of all of these actions.

29.2.5. Tax disputes

EssilorLuxottica is part of various tax litigations, for which provisions have already been made.

29.2.6. Other existing proceedings

EssilorLuxottica and its subsidiaries are defendants in other legal proceedings arising in the ordinary course of business. EssilorLuxottica disputes the merits of all such outstanding claims, which it will vigorously pursue.

As of the date of approval by EssilorLuxottica Board of Directors of these consolidated financial statements, such other ongoing legal proceedings known to the Group are not likely to have significant impacts on the Group's financial position or profitability.

NOTE 30 Related party transactions

Main related parties are:

- members of EssilorLuxottica's Board of Directors, key management personnel and their close family members;
- companies over which members of the Board of Directors, key management personnel or their close family members have control or significant influence;
- companies over which the Group exercises joint control or significant influence; and
- people and companies which exercise significant influence over the Group.

30.1. Remuneration paid to members of the Board of Directors and key management personnel

€ millions	2020	2019
Total compensation and benefits paid	26	21
Directors' fees paid	2	4
TOTAL	**28**	**25**

The Board of Directors consisted of 16 members as of December 31, 2020, as in 2019.

Total compensation and benefit paid reported above include salaries, non-cash benefit, stock options and performance share awards and contribution to post-employment defined benefit plan.

No transactions outside the normal course of business were concluded during the year with the Board of Directors' members or key executives.

30.2. Related parties' transactions

A summary of related party transactions carried out during the years ended December 31, 2020 and December 31, 2019 is provided below.

	Consolidated statement of profit or loss 2020		Balance outstanding as of December 31, 2020	
€ millions	Revenue	Costs	Assets	Liabilities
Brooks Brothers Group Inc	0	(1)	—	—
Milleri's Group [(b)]	—	(3)	12	7
Visionweb [(a)]	2	(13)	49	1
Lenstec [(a)]	8	(1)	2	0
Triapex s.r.o. [(a)]	—	(2)	—	1
Gateway Professional Network [(a)]	0	(2)	0	0
Others	0	(0)	0	—
TOTAL	**10**	**(22)**	**63**	**9**

(a) Group's associates.
(b) Ceased to be a related party on August 6, 2020, see paragraph 30.2.2.

	Consolidated statement of profit or loss 2019		Balance outstanding as of December 31, 2019	
€ millions	Revenue	Costs	Assets	Liabilities
Brooks Brothers Group Inc	0	(1)	—	0
Milleri's Group	—	(4)	20	8
Visionweb [(a)]	1	(12)	52	0
Lenstec [(a)]	10	(0)	1	0
Triapex s.r.o. [(a)]	—	(1)	—	—
Others	—	(0)	—	0
TOTAL	**11**	**(18)**	**74**	**9**

(a) Group's associates.

30.2.1. License agreements

The Group executed an exclusive worldwide license for the production and distribution of Brooks Brothers brand eyewear. The brand was held by Brooks Brothers Group, Inc., which is owned and controlled by Claudio Del Vecchio. On August 31, 2020, the Brooks Brothers brand and substantially all of the assets of the company were sold to a third-party company not related to EssilorLuxottica.

30.2.2. Technology advisory agreements

The Group had an IT technology advisory agreement in place with some companies which were owned and controlled by Francesco Milleri, member of EssilorLuxottica's Board of Directors, CEO of EssilorLuxottica (from December 17, 2020) and Deputy Chairman and CEO of Luxottica. The agreement, which mainly refers to the implementation/development of the Group's IT platforms, expired on December 31, 2020. Moreover, Mr. Milleri sold his interest in those companies on August 6, 2020, date of filing of the Notarial Deed of Transfer with the Italian Companies' Register.

NOTE 31 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue, as a going concern, to provide returns to its shareholders and benefit to other stakeholders, balancing the capital structure and lowering the cost of capital in order to reach a strong financial position.

One way the management use to monitor the capital is observing the ratio between *Net debt* and *Total equity*.

The Net debt is calculated as total debt less cash, cash equivalents and short-term investments (see Note 21 – Financial debt, including lease liabilities), while the total equity comprises all components of equity (see Note 20 – Equity).

The Group's *Net debt* to *Total equity* ratio as of December 31, 2020 and 2019 was as follows:

€ millions	Notes	December 31, 2020	December 31, 2019
Net debt (A)	21	2,975	4,046
Total equity (B)		32,798	35,332
NET DEBT TO EQUITY RATIO (A)/(B)		**9.1%**	**11.5%**

NOTE 32 Independent Auditors' fees

The fees shown below represent the fees invoiced by PricewaterhouseCoopers Audit France & Mazars France to the French fully consolidated entities:

€ thousands	PricewaterhouseCoopers Audit	Mazars
Certifcation of accounts (I)	**1,777**	**1,514**
Services required by law	124	25
Services provided during the acquisition or disposal of Companies	—	—
Other services	119	4
Audit related services other than certification (II)	**242**	**29**
TOTAL (I) + (II)	**2,019**	**1,543**

Services required by law include especially Auditors' reports related to Non-Financial Statements and transactions relating to share capital.

Other services include notably compliance related procedures.

NOTE 33 Subsequent events

Subsequent events described below refer to the period from January 1, 2021 until March 11, 2021, the date of approval by EssilorLuxottica Board of Directors of these consolidated financial statements.

33.1. Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

33.2. Update on the proposed acquisition of GrandVision by EssilorLuxottica

On February 9, 2021, the European Commission has initiated a new market test in connection with possible remedies submitted by the Company aiming at finalizing the Phase II review relating to the Proposed Acquisition of GrandVision.

The European Commission is likely to make a final decision on or before April 12, 2021.

33.3. Update on fraud at Essilor Manufacturing Thailand Co.

As mentioned in Note 29 - Contingencies and commitments, paragraph 29.2.1 *Fraud at Essilor Manufacturing Thailand Co.*, on December 30, 2019, the Company announced that it had discovered fraudulent financial activities at an Essilor plant in Thailand and recorded in its 2019 accounts an overall financial impact of €185 million.

Approximately €24 million were recovered during the course of 2020. Moreover, following a Court's decision issued at the end of January 2021, additional USD 67 million were recovered in 2021 as of the date of approval of these consolidated financial statements. Additional funds are currently being traced and expected to be recovered in the coming quarters.

Appendix 1

Exchange Rates

Per EUR 1		Closing rate December 31, 2020	Closing rate December 31, 2019	Average rate 2020	Average rate 2019
AUD	Australian Dollar	1.5896	1.5995	1.6549	1.6109
BRL	Brazilian Real	6.3735	4.5157	5.8943	4.4134
CAD	Canadian Dollar	1.5633	1.4598	1.5300	1.4855
CNY	Chinese Yuan	8.0225	7.8205	7.8747	7.7355
GBP	British Pound	0.8990	0.8508	0.8897	0.8778
HKD	Hong Kong Dollar	9.5142	8.7473	8.8587	8.7715
JPY	Japanese Yen	126.4900	121.9400	121.8458	122.0058
INR	Indian Rupee	89.6605	80.1870	84.6392	78.8361
MXN	Mexican Peso	24.4160	21.2202	24.5194	21.5565
TRY	Turkish Lira	9.1131	6.6843	8.0547	6.3578
USD	US Dollar	1.2271	1.1234	1.1422	1.1195

Appendix 2

Interest in Group companies

Listed below are the main Group companies. The complete list of consolidated companies is available on request at the registered office of the Company.

		2020		2019
Company	**Country**	**Consolidation method**	**% interest**	**% interest**
ESSILORLUXOTTICA SA	France	Legal parent [(a)]		
LUXOTTICA GROUP SPA	Italy	Accounting parent [(a)]		
ESSILOR LABORATORIES PTY LTD	Australia	Full consolidation	100%	100%
EYEBIZ LABORATORIES PTY LTD	Australia	Full consolidation	100%	100%
LUXOTTICA RETAIL AUSTRALIA PTY LTD	Australia	Full consolidation	100%	100%
LUXOTTICA SOUTH PACIFIC HOLDINGS PTY LIMITED	Australia	Full consolidation	100%	100%
OPTIMED AUSTRALIA PTY LDT	Australia	Full consolidation	75%	75%
BRASILOR COMÉRCIO DE PRODUTOS ÓPTICOS E PARTICIPACOES LTDA	Brazil	Full consolidation	100%	100%
ESSILOR DA AMAZONIA E COMERCIO LTDA	Brazil	Full consolidation	100%	100%
LUXOTTICA BRASIL PRODUTOS OTICOS E ESPORTIVOS LTDA	Brazil	Full consolidation	100%	100%
MULTI-OPTICA DISTRIBUIDORA LTDA	Brazil	Full consolidation	100%	100%
OTICAS CAROL LTDA	Brazil	Full consolidation	100%	100%
SGH BRASIL COMERCIO DE OCULOS LTDA	Brazil	Full consolidation	100%	100%
ESSILOR GROUP CANADA LTD [(b)]	Canada	-	-	100%
ESSILORLUXOTTICA CANADA INC [(b)]	Canada	Full consolidation	100%	-
LUXOTTICA OF CANADA INC [(b)]	Canada	-	-	100%
NIKON OPTICAL CANADA INC	Canada	Full consolidation	50%	50%
LUXOTTICA OF CHILE SA	Chile	Full consolidation	100%	100%
OPTICAS OPV SPA	Chile	Full consolidation	100%	100%
CHEMILENS (JIAXING) CO. LTD	China	Full consolidation	50%	50%
ESSILOR (CHINA) HOLDING CO LTD	China	Full consolidation	100%	100%
JIANGSU WANXIN OPTICAL CO LTD	China	Full consolidation	80%	80%
LUXOTTICA (CHINA) INVESTMENT CO LTD	China	Full consolidation	100%	100%
LUXOTTICA (SHANGHAI) TRADING CO LTD	China	Full consolidation	100%	100%
LUXOTTICA COMMERCIAL SERVICE (DONGGUAN) CO LTD	China	Full consolidation	100%	100%
LUXOTTICA TRISTAR (DONGGUAN) OPTICAL CO LTD	China	Full consolidation	100%	100%
SHANGHAI ESSILOR OPTICAL COMPANY LIMITED	China	Full consolidation	100%	100%
XIAMEN ARTGRI OPTICAL CO LTD	China	Full consolidation	50%	50%
XIN TIANHONG OPTICAL COMPANY LIMITED	China	Full consolidation	50%	50%
LUXOTTICA COLOMBIA SAS	Colombia	Full consolidation	100%	100%
MIRAFLEX SAS	Colombia	Full consolidation	75%	-
SERVIOPTICA S.A.S.	Colombia	Full consolidation	100%	100%
BBGR	France	Full consolidation	100%	100%
ESSIDEV	France	Full consolidation	100%	100%
ESSIHOLDING	France	-	-	100%
ESSILOR INTERNATIONAL	France	Full consolidation	100%	100%
INVOPTIC	France	Full consolidation	100%	100%
LUXOTTICA FRANCE SASU	France	Full consolidation	100%	100%

Company	Country	2020 Consolidation method	2020 % interest	2019 % interest
MEGA OPTIC DESIGN	France	Full consolidation	75%	75%
MIKLI DIFFUSION FRANCE SASU	France	Full consolidation	100%	100%
NOVACEL OPHTALMIQUE	France	Full consolidation	75%	75%
SUNGLASS HUT FRANCE SASU	France	Full consolidation	100%	100%
BRILLE24 GMBH	Germany	Full consolidation	100%	100%
ESSILOR GmbH	Germany	Full consolidation	100%	100%
LUXOTTICA GERMANY GMBH	Germany	Full consolidation	100%	100%
RUPP + HUBRACH OPTIK GMBH	Germany	Full consolidation	100%	100%
SATISLOH GmbH	Germany	Full consolidation	100%	100%
LUXOTTICA HELLAS AE	Greece	Full consolidation	70%	70%
LUXOTTICA HONG KONG SERVICES LIMITED	Hong Kong	Full consolidation	100%	100%
ESSILOR INDIA PRIVATE LIMITED	India	Full consolidation	100%	100%
GKB RX LENS PRIVATE LIMITED	India	Full consolidation	76%	76%
LUXOTTICA INDIA EYEWEAR PRIVATE LIMITED	India	Full consolidation	100%	100%
SUNGLASS HUT IRELAND LIMITED	Ireland	Full consolidation	100%	100%
TRANSITIONS OPTICAL LIMITED	Ireland	Full consolidation	100%	100%
ESSILOR ISRAELI HOLDINGS LTD	Israel	Full consolidation	100%	100%
LUXOTTICA OPTICS LTD	Israel	Full consolidation	100%	100%
SHAMIR OPTICA HOLDING LTD	Israel	Full consolidation	50%	50%
SHAMIR OPTICAL INDUSTRY LTD	Israel	Full consolidation	50%	50%
BARBERINI SPA	Italy	Full consolidation	100%	100%
ESSILOR ITALIA	Italy	Full consolidation	100%	100%
L.T.L. SPA	Italy	Full consolidation	100%	100%
LUXOTTICA ITALIA SRL	Italy	Full consolidation	100%	100%
LUXOTTICA SRL	Italy	Full consolidation	100%	100%
SALMOIRAGHI & VIGANO' SPA	Italy	Full consolidation	100%	100%
FUKUI MEGANE INDUSTRY CO LTD	Japan	Full consolidation	67%	67%
LUXOTTICA JAPAN CO LTD	Japan	Full consolidation	100%	100%
NIKON ESSILOR CO LIMITED	Japan	Full consolidation	50%	50%
CHEMIGLAS CORP.	Korea	Full consolidation	50%	50%
LUXOTTICA KOREA LTD	Korea	Full consolidation	100%	100%
LUXOTTICA WHOLESALE MALAYSIA SDN BHD	Malaysia	Full consolidation	100%	100%
ESSILOR MEXICO S.A. DE C.V.	Mexico	Full consolidation	100%	100%
LUXOTTICA MEXICO SA DE CV	Mexico	Full consolidation	100%	100%
SUNGLASS HUT DE MEXICO SAPI DE CV	Mexico	Full consolidation	100%	100%
LUXOTTICA HOLLAND BV	Netherland	Full consolidation	100%	100%
LUXOTTICA THE NETHERLANDS BV	Netherland	Full consolidation	100%	100%
ESSILOR NEDERLAND BV	Netherlands	Full consolidation	100%	100%
ESSILOR NEDERLAND HOLDING BV	Netherlands	Full consolidation	100%	100%
OPTICAS GMO PERU SAC	Peru	Full consolidation	100%	100%
LUXOTTICA POLAND SP ZOO	Poland	Full consolidation	100%	100%
ESSILOR PORTUGAL – Sociedade Industrial de óptica, Lda	Portugal	Full consolidation	100%	100%
LUXOTTICA PORTUGAL SA	Portugal	Full consolidation	100%	100%
COMPANY GRANDVISION LLC	Russia	Full consolidation	100%	75%

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Company	Country	2020 Consolidation method	2020 % interest	2019 % interest
LABORATORI MEKK LLC	Russia	-	-	80%
LUXOTTICA RUS LLC	Russia	Full consolidation	100%	100%
OPTIC CLUB LLC	Russia	Full consolidation	100%	75%
ESSILOR AMERA PTE LTD	Singapore	Full consolidation	100%	100%
LUXOTTICA SEA PTE LTD	Singapore	Full consolidation	100%	100%
OSA INVESTMENTS HOLDINGS PTE LTD	Singapore	Full consolidation	100%	100%
SPECTACLE HUT PTE LTD	Singapore	Full consolidation	60%	60%
TRANSITIONS OPTICAL (S) PTE. LTD.	Singapore	Full consolidation	100%	100%
LUXOTTICA SOUTHERN AFRICA PTY LTD	South Africa	Full consolidation	100%	100%
ESSILOR ESPANA	Spain	Full consolidation	100%	100%
ESSILOR OPTICA INTERNATIONAL HOLDING SL	Spain	Full consolidation	100%	100%
LUXOTTICA SPAIN SLU	Spain	Full consolidation	100%	100%
FUTURE EYEWEAR SWEDEN GROUP AB	Sweden	Full consolidation	100%	100%
LENSCO AB	Sweden	Full consolidation	100%	100%
ESSILOR SUISSE SA	Switzerland	Full consolidation	100%	100%
SATISLOH AG	Switzerland	Full consolidation	100%	100%
SATISLOH HOLDING AG	Switzerland	Full consolidation	100%	100%
ESSILOR MANUFACTURING (THAILAND)CO LTD	Thailand	Full consolidation	100%	100%
LUXOTTICA WHOLESALE (THAILAND) LTD	Thailand	Full consolidation	100%	100%
LUXOTTICA GOZLUK ENDUSTRI VE TICARET ANONIM SIRKETI	Turkey	Full consolidation	100%	100%
CLASSIC OPTICAL LABORATORIES, INC.	U.S.A.	Full consolidation	95%	95%
COSTA DEL MAR, INC	U.S.A.	Full consolidation	100%	100%
DAC VISION INC	U.S.A.	Full consolidation	100%	100%
EOA HOLDING CO., INC.	U.S.A.	Full consolidation	100%	100%
ESSILOR LABORATORIES OF AMERICA HOLDING CO INC	U.S.A.	Full consolidation	100%	100%
ESSILOR LABORATORIES OF AMERICA INC	U.S.A.	Full consolidation	100%	100%
ESSILOR LABS COMPANY	U.S.A.	Full consolidation	100%	100%
ESSILOR LATIN AMERICA & CARIBBEAN, INC	U.S.A.	Full consolidation	100%	100%
ESSILOR OF AMERICA, INC	U.S.A.	Full consolidation	100%	100%
EYEBUY DIRECT, INC	U.S.A.	Full consolidation	100%	100%
EYEMED INSURANCE COMPANY	U.S.A.	Full consolidation	100%	100%
EYEMED VISION CARE LLC	U.S.A.	Full consolidation	100%	100%
FGX INTERNATIONAL INC.	U.S.A.	Full consolidation	100%	100%
FRAMES FOR AMERICA, INC.	U.S.A.	Full consolidation	100%	100%
I-COAT COMPANY, LLC	U.S.A.	Full consolidation	100%	100%
INTERSTATE OPTICAL CO.	U.S.A.	Full consolidation	80%	80%
K.B. CO. LLC, THE POLARIZED LENS COMPANY	U.S.A.	Full consolidation	100%	100%
LUXOTTICA OF AMERICA INC	U.S.A.	Full consolidation	100%	100%
LUXOTTICA US HOLDINGS CORP	U.S.A.	Full consolidation	100%	100%
MOC ACQUISITION CORPORATION	U.S.A.	Full consolidation	84%	84%
NASSAU OOGP VISION GROUP, INC	U.S.A.	Full consolidation	100%	100%
OAKLEY INC	U.S.A.	Full consolidation	100%	100%
OOGP, INC.	U.S.A.	-	-	100%
PECH OPTICAL CORP.	U.S.A.	-	-	100%

		2020		2019
Company	**Country**	**Consolidation method**	**% interest**	**% interest**
PREMIER OPHTHALMIC SERVICES LLC	U.S.A.	Full consolidation	80%	-
SATISLOH NORTH AMERICA	U.S.A.	Full consolidation	100%	100%
SHAMIR INSIGHT INC	U.S.A.	Full consolidation	50%	50%
SIGNET ARMORLITE, INC.	U.S.A.	Full consolidation	100%	100%
STYLEMARK, LLC	U.S.A.	-	-	100%
TRANSITIONS OPTICAL INC	U.S.A.	Full consolidation	100%	100%
TRI-SUPREME OPTICAL, LLC	U.S.A.	Full consolidation	100%	100%
VISION SOURCE	U.S.A.	Full consolidation	100%	100%
OPTICAL HOUSE LIMITED	Ukraine	Full consolidation	51%	-
LUXOTTICA MIDDLE EAST FZE	United Arab Emirates	Full consolidation	100%	100%
BBGR LIMITED	United Kingdom	Full consolidation	100%	100%
ESSILOR LIMITED	United Kingdom	Full consolidation	100%	100%
LUXOTTICA NORTH EUROPE LTD	United Kingdom	Full consolidation	100%	100%
LUXOTTICA RETAIL UK LTD	United Kingdom	Full consolidation	100%	100%
TRIFLE HOLDINGS LIMITED	United Kingdom	Full consolidation	100%	100%
VISION DIRECT LIMITED	United Kingdom	Full consolidation	100%	100%

(a) EssilorLuxottica is the legal parent of the Group. However, for accounting purposes the EL Combination has been accounted for as a reverse acquisition, *i.e.* the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the accounting acquirer, Luxottica Group S.p.A.

(b) Essilor Group Canada Ltd. and Luxottica of Canada Inc. amalgamated into EssilorLuxottica Canada Inc. on January 1, 2020.

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3.4 Statutory Auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the Management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2020

To the Annual Shareholders' Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of EssilorLuxottica for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors, for the period from January 1, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Impairment test of goodwill and other intangible assets

Risk identified

As at December 31, 2020, goodwill and finite lives intangible assets net book values total €22.7 billion and €10.0 billion respectively.

The Group performs at least once a year an impairment test on goodwill, by reference to market data or to value in use calculations based on discounted cash-flows as described in Note 1.12.1 "Significant accounting policies – Impairment of goodwill" to the consolidated financial statements. The determination of the recoverable value and the sensitivity to key data and assumptions used, require significant Management judgment and estimates.

Intangible assets with a finite useful life are tested for impairment when the occurrence of an event or a change of circumstances indicates that their recoverable amount may be less than their carrying amount. The recoverable amount has been determined as the higher of the value in use, calculated consistently with the basis applied for goodwill, and the fair value less costs to sell.

As of December 31, 2020, in accordance with IAS36 – Impairment of assets, and as stated in Note 10.1 ″Impairment tests″ to the consolidated financial statements, Management assessed whether an impairment indicator existed at the balance sheet date and considered that the significant changes which have taken place in 2020 in the economic environment in which the Group operates and resulting from the Covid-19 pandemic did constitute an impairment indicator. As a result, the Group performed impairment tests on goodwill and other impacted intangible assets with finite useful life as of December 31, 2020.

The significant value of goodwill and intangible assets, the sensitivity to the fluctuation of certain key data, assumptions and judgment applied by Management in the complex and evolving context due to the global crisis related to the Covid-19 pandemic have led us to consider the measurement of the recoverable value of goodwill and intangible assets as a key audit matter.

Our response

Our procedures primarily consisted in:

- performing an understanding of the impairment testing procedures adopted by Management, policies applied in measuring goodwill and finite lives intangible assets and of estimates developed by Management;
- assessing the adequacy of the groups of Cash Generating Units used for the allocation of goodwill and their consistency with the Group organizational structure, the internal level at which return on investments is monitored and internal decision-making processes and reporting;
- reviewing and confirming management's assessment of the existence of an impairment indicator as of December 31, 2020.
- examining methodologies applied in developing cash flows projections used to determine the value in use and the approach adopted in applying the discounted cash flow mathematical model, with the support of our valuation experts. We have also verified the mathematical accuracy of the calculations and consistency of the information used with relevant data source;
- assessing the consistency of the projections with Management business plans including the consideration by Management of Covid-19 related impacts and expected recovery. We have also analyzed, when possible, the consistency of forecasts developed by Management with past performance and market outlook and conducted impairment test sensitivity analyses.
- assessing the information disclosed in note 10 "Goodwill and other intangible assets" to the consolidated financial statements.

Revenue recognition

Risk identified

The Group has adopted and follows a revenue growth strategy. This is, in particular, illustrated by the different acquisitions made in recent years, its geographical footprint and expansion, the large number of commercial agreements and related terms and conditions, its innovation activities (including research and development) and advertising and marketing approach. Revenue and revenue variance are part of the Group key performance measures.

Revenue recognition accounting policies are described in Note 1.4 "Significant accounting policies – Revenue" to the consolidated financial statements. Certain business agreements are complex and require specific attention to ensure accuracy of the related accounting entries.

The recognition of revenues, given the large number of transactions, carried out on a global basis, through various sales channels, has been considered as a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the appropriateness of the accounting policies applied by the Group with respect to revenue recognition;
- gaining an understanding of the Revenue process, including relevant controls implemented by the Group and testing, on a sample basis, the main controls;
- performing detailed substantive tests on revenue transactions and testing journal entries relating to revenue, based on samples as deemed appropriate;
- obtaining customer external confirmations to support trade receivables and related revenue recognized;
- assessing the information disclosed in Note 1.4 "Significant accounting principles – Revenue" to the consolidated financial statements as at December 31, 2020.

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Specific verification

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the Management Report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the Management Report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on other legal and regulatory requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*).

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica, by the Annual General Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2019, PricewaterhouseCoopers Audit was in its thirty-eighth year of uninterrupted engagement and Mazars in its fourteenth year of uninterrupted engagement.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;

- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards

Neuilly-sur-Seine and Paris-La Défense, March 22, 2021

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		Mazars	
Olivier Lotz	Cédric Le Gal	Jean-Luc Barlet	Guillaume Devaux

3.5 Fees paid to the Statutory Auditors and the members of their network

€ thousands *Amounts excluding VAT*	2020 Pricewaterhouse Coopers	2020 Mazars	2020 Total	2019 Pricewaterhouse Coopers	2019 Mazars	2019 Total
AUDIT						
Statutory Auditors, certification, review of separate and consolidated financial statements						
• Legal parent company	635	480	1,115	490	410	900
• Fully consolidated subsidiaries	10,770	4,504	15,274	11,723	3,518	15,241
Sub-total	**11,405**	**4,984**	**16,389**	**12,213**	**3,928**	**16,141**
NON AUDIT SERVICES						
• Services required by law	217	43	206	264	48	312
• Services provided on the acquisition or disposal of companies (due diligences)	-	-	-	305	58	363
• Legal, tax and social	327 [a]	27	354	561 [a]	41	602
• Other services	489 [b]	23	512	418 [b]	149	567
Sub-total	**1,033**	**94**	**1,127**	**1,549**	**295**	**1,844**
TOTAL	**12,438**	**5,078**	**17,516**	**13,762**	**4,223**	**17,985**

(a) These services mainly refer to the review of the local tax compliance in foreign subsidiaries.
(b) These services mainly relate to the review of IT system compliance in foreign subsidiaries.

3.6 Financial statements of EssilorLuxottica

The statutory financial statements for 2020 include the income statement, balance sheet, cash flow statement and notes presented below. The Statutory Auditors' report on the annual financial statements for 2020 is included in Section 3.8.

3.6.1 Key figures

€ millions, except per share data, which is in euro	2020	2019
Income statement		
Operating profit (loss)	(23)	(45)
Profit (loss) before non-operating items and tax	602	(23)
Profit (loss)	613	(58)
Balance sheet		
Share capital	79	79
Shareholders' equity	24,298	24,134
Net debt	4,358	3,686
Non-current assets, net	28,452	28,430
TOTAL ASSETS	**35,697**	**33,238**
Net dividend per ordinary share (*in euro*)	2.23 [(a)]	-

(a) Subject to the decision of shareholders at the Annual Shareholders' Meeting on May 21, 2021. On December 28, 2020, an interim dividend for the 2020 financial year of €1.15 per share has been paid.

On March 17, 2020, with a view to implementing its share buyback program, EssilorLuxottica announced that a mandate had been granted to an investment services provider for the purchase of up to 3,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from March 17, 2020 up until May 27, 2020. On March 27, 2020, the Company has decided to stop the execution of this share buyback program. Over this period, 1.55 million shares for an average price of €102.54 have been repurchased.

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%.

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share on December 28, 2020 corresponding to a whole amount of €503 million.

In 2020, EssilorLuxottica generated a net profit of €613 million. Operating loss amounted to €23 million. Financial income amounted to €602 million, mainly comprising a distribution of reserves from Essilor International of €647 million, other dividend income for €8 million, a foreign exchange gain by €12 million and a cost of net debt for €43 million. The net non-operating loss amounted to €28 million include net cost related to the performance and restricted share plans granted to the employees of Group subsidiaries for €8 million and tax-driven provision for €18 million.

3.6.2 Income Statement

€ millions	Notes	2020	2019
Reversals of depreciation, amortization and provisions		0	1
Other income		2	3
Total operating income		**2**	**4**
Other external purchases and expenses		17	27
Personnel expenses		3	15
Depreciation, amortization and provisions		0	1
Other expenses		4	6
Total operating expenses	**2**	**25**	**49**
Operating profit (loss)		**(23)**	**(45)**
Financial income	3	625	22
Profit (loss) before non-operating items and tax		**602**	**(23)**
Non-operating income (expense)	4	(28)	(41)
Income tax (income) expense	5	(39)	(6)
PROFIT (LOSS)		**613**	**(58)**

3.6.3 Balance Sheet

Assets

		December 31, 2020			December 31, 2019
€ millions	Notes	Gross amount	Depreciation, amortization & provisions	Net amount	Net amount
Property, plant and equipment		4	1	3	3
Financial assets	6	28,453	4	28,449	28,427
Non-current assets		**28,457**	**5**	**28,452**	**28,430**
Trade and related receivables	7	7	-	7	7
Other receivables	7	844	-	844	819
Marketable securities	8	3,768	0	3,768	3,079
Cash		2,555	-	2,555	845
Current assets		**7,174**	**0**	**7,174**	**475**
Bond redemption premium		44	-	44	39
Prepaid expenses	9	27	-	27	19
TOTAL		**35,702**	**5**	**35,697**	**33,238**

Shareholders' equity & liabilities

€ millions	Notes	December 31, 2020	December 31, 2019
Share capital	10.1	79	79
Additional paid-in capital		22,061	22,025
Legal reserves		8	8
Other reserves		2,058	2,058
Retained earnings		(58)	-
Profit (loss) for the year		613	(58)
Interim dividend		(503)	-
Tax-driven provisions		40	22
Shareholders' equity	**10.1**	**24,298**	**24,134**

€ millions	Notes	December 31, 2020	December 31, 2019
Provisions for contingencies and liabilities	**11**	**369**	**284**
Bonds	12.1	9,852	7,013
Short-term financing	12.1	-	125
Other financial debt (including loans from subsidiaries)	12.1	830	472
Financial liabilities		**10,682**	**7,610**
Trade and related payables	12.2	9	21
Accrued taxes and personnel expenses	12.2	10	4
Other liabilities	12.2	293	1,137
Operating and other liabilities		**312**	**1,162**
Foreign currency translation adjustment	13	36	48
TOTAL		**35,697**	**33,238**

3.6.4 Cash Flow Statement

€ millions	2020	2019
Profit for the fiscal year	613	(58)
Adjustments for non-cash items	97	251
Cash flow	710	193
Change in working capital [(a)]	(894)	227
Net cash flow from operating activities	**(184)**	**420**
Purchases of property, plant & equipment	(0)	(3)
Acquisition of shares in subsidiaries and affiliates and other investments	(50)	(721)
Loans granted to subsidiaries	(0)	(616)
Net cash flow used in investing activities	**(50)**	**(1,340)**
Capital increase	36	31
Disposal of treasury shares	(134)	33
Dividends paid	-	(887)
Cash interim dividend	(503)	-
Increase and decrease in borrowings	2,731	5,238
Increase and decrease in loans from subsidiaries	344	418
Net cash flow used in financing activities	**2,474**	**4,833**
Change in cash and cash equivalents	2,240	3,913
Cash and cash equivalents at beginning of year	3,924	11
CASH AND CASH EQUIVALENTS AT END OF YEAR	**6,164**	**3,924**

(a) Changes in working capital are as follows:

€ millions	December 31, 2020	December 31, 2019	Changes
Operating receivables	(7)	(7)	0
Other receivables	(871)	(837)	(34)
Operating liabilities	19	25	(6)
Other liabilities	314	1,168	(854)
TOTAL WORKING CAPITAL	**(545)**	**349**	**(894)**

Cash is defined as available cash and short-term deposits net of current bank overdrafts.

3.6.5 Notes to the financial statements of EssilorLuxottica

These notes include the balance sheet, with total assets of €35,697 million before appropriation of profit or loss for the year ended December 31, 2020, and the income statement posting a profit of €613 million.

The fiscal year covers a 12-month period, from January 1, 2020 to December 31, 2020.

EssilorLuxottica is a French limited liability company. Its registered office is located at 147, rue de Paris, in Charenton-le-Pont, France, and it is listed on the Euronext stock exchange.

Figures are provided in millions of euro, unless otherwise stated.

Significant events of the fiscal year

COVID-19

The COVID-19 pandemic had significant negative impacts, affecting the business activities and revenues of the Company' subsidiaries, in particular in the first semester of 2020. EssilorLuxottica has taken into account this event, in particular in the determination of the value in use of the equity investments and no impairment was recognized.

Share Buyback Program

On March 17, 2020, with a view to implementing its share buyback program, EssilorLuxottica announced that a mandate had been granted to an investment services provider for the purchase of up to 3,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from March 17, 2020 up until May 27, 2020. On March 27, 2020, the Company has decided to stop the implementation of this share buyback program. Since March 17, 2020, 1.55 million shares for an average price of €102.54 have been repurchased. The shares so acquired are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and affiliated companies, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and employee share ownership plan.

EssilorLuxottica €3 billion bond issuance in May 2020

On May 28, 2020, EssilorLuxottica successfully launched a bond issuance for a total amount of €3 billion with tenors of 3.6 and 5.6 and 8 years, carrying respectively a coupon of 0.25%, 0.375% and 0.5% with an average yield of 0.46%. The order book peaked close to €11 billion, attracting quality institutional investors, demonstrating high confidence in EssilorLuxottica's business model and credit profile.

On June 5, 2020, the €3 billion bonds were settled and admitted to trading on Euronext Paris.

The proceeds of this issuance will be used for general corporate purposes.

Dividend distribution

On April 18, 2020 in light of the COVID-19 outbreak, EssilorLuxottica's Board of Directors decided not to submit the distribution of a dividend for the 2019 financial year to the 2020 Annual Shareholders' Meeting of June 25, 2020.

On December 17, 2020, the Board of Directors decided to pay an interim dividend for the 2020 financial year of €1.15 per share with a payment date on December 28, corresponding to a whole amount of €503 million. At the Board decision date, the net distributable income was mainly explained by a distribution of reserves from the subsidiary Essilor International for €647 million.

Update on the proposed acquisition of GrandVision by EssilorLuxottica

The proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica (the "Proposed Acquisition"), announced on July 31, 2019, has been unconditionally cleared so far by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil, and it is currently under review in Chile and Turkey as well as in Europe.

On February 6, 2020, the European Commission has initiated a Phase II review of the Proposed Acquisition. On June 5, 2020, the European Commission issued to EssilorLuxottica a statement of objection which the Company has challenged. The review process is still ongoing. Further information regarding recent developments can be found in Note 17 – Subsequent events.

On July 18, 2020, EssilorLuxottica announced that it initiated legal proceedings before a District Court in Rotterdam, the Netherlands, to obtain information from GrandVision. This is to assess the way GrandVision has managed the course of its business during the COVID-19 crisis, as well as the extent to which GrandVision has breached its obligations under the support agreement. Despite repeated requests, GrandVision has not provided this information on a voluntary basis, leaving EssilorLuxottica with no other option but to resort to legal proceedings.

On July 30, 2020, GrandVision and Hal Optical Investments B.V. ("HAL"), its majority shareholder, have initiated an arbitration process, which the Company regards as an obvious attempt by HAL and GrandVision to detract from GrandVision's breaches of its contractual commitments and its failure to provide EssilorLuxottica with required information.

On August 24, 2020, EssilorLuxottica's demands for disclosure of information from both HAL and GrandVision was dismissed by the Dutch District Court. On September 4, 2020, EssilorLuxottica filed an appeal against the judgment dismissing the Company's demands for disclosure of information from GrandVision.

Legal proceedings, including the appeal, do not affect the review of the proposed transaction by the competition authorities in the remaining jurisdictions.

As disclosed in July 2019, the agreement signed by the parties provides that the transaction price, amounting to €28.00 per GrandVision's share, has increased by 1.5% to €28.42 since the closing of the transaction has not occurred prior to July 30, 2020.

Changes in management and in the composition of the Board of Directors

On March 30, 2020, the Board of Directors of EssilorLuxottica co-opted Paul du Saillant as a new Director of the Company in place of Laurent Vacherot, former CEO of Essilor International, who retired. Effective from March 30, 2020, Paul du Saillant took over Laurent Vacherot's responsibilities, including the role of CEO for Essilor International and the co-executive delegate powers previously granted to Laurent Vacherot on May 13, 2019 by Leonardo Del Vecchio, Executive Chairman, and Hubert Sagnières, Executive Vice-Chairman. In this capacity, he works directly with Francesco Milleri, Deputy Chairman and CEO of Luxottica, to develop and implement the EssilorLuxottica strategy and integration process.

On December 17, 2020, the Board of Directors of EssilorLuxottica decided to adjust the governance of the Company in full respect of the equal powers principle outlined in Combination Agreement signed in the context of the EL Combination, in order to accommodate its Executive Vice-Chairman's desire to retire. Hubert Sagnières left all his executive responsibilities at EssilorLuxottica and its subsidiaries and remains as non-executive Vice-Chairman of the Company.

In order to preserve the equal powers principle of the Combination Agreement currently in place, Leonardo Del Vecchio decided to voluntarily step back from his executive responsibilities at EssilorLuxottica and remains non-executive Chairman of the Company.

The Board of Directors granted executive powers to Francesco Milleri and Paul du Saillant, who were appointed as Chief Executive Officer (CEO) and Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica, respectively, until the appointment of the new Board of Directors by the 2021 Annual Shareholders' Meeting. Mr. du Saillant became Chairman and CEO of Essilor International.

NOTE 1 Accounting policies

The financial statements have been prepared in accordance with the provisions of the French Accounting Standards Board's (ANC) amended Regulation no. 2014-03 on the French Chart of Accounts.

Regulation ANC no. 2018-01 of April 20, 2018, amending Regulation no. 2014-03 of June 5, 2014, is implemented by the Order of October 8, 2018, published in the French Official Journal of October 9, 2018.

The new regulation provides additions both to previously published regulations and to generally accepted accounting principles.

1.1. Properties, plants and equipments

Properties, plants and equipments are measured at acquisition cost (purchase price and associated transaction costs). Property, plant and equipment mainly comprise fixtures and fittings and other property, plant and equipment, which are depreciated using the straight-line method over the assets' estimated useful lives.

Properties, plants and equipments are tested for impairment when the occurrence of an event or a change of circumstances indicates that the recoverable amount may be less than the carrying amount.

When the impairment test shows that an asset's recoverable amount is less than its carrying amount, an impairment loss is recorded. The recoverable amount of an asset is the higher of its fair value and value in use.

The initial cost of assets includes directly related transaction costs.

1.2. Financial assets

Equity investments are carried at their acquisition cost or contribution value. EssilorLuxottica has opted to include acquisition costs in the initial cost of equity investments.

At the year-end closing date, Equity investments are measured at their value in use, based on a multi-criteria approach taking into account in particular the proportional value of the investments in the subsidiary's equity and future cash flow projection.

If value in use is below gross value, an impairment loss is recognized. Impairment is recorded under financial income.

Loans and receivables are measured at nominal value. A provision is recorded to cover any risk of non-recovery.

When the company buys back its own shares, they are recognized as treasury shares at their acquisition cost under *Other long-term financial investments* when the Treasury shares are not intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica and affiliated companies. An impairment loss is recorded for shares whose acquisition cost is greater than their average market price for the last month of the fiscal year, except for shares repurchased for cancelation and shares covered by provisions for performance or restricted shares and stock options.

External expenses reflecting the professional fees incurred in the business combination that qualify as acquisition costs are recorded under *Other long-term financial investments*. They are then reallocated to *Equity investments* upon completion of the business combination.

1.3. Receivables and payables

Receivables and payables are stated at nominal value.

Receivables are written down when their present value, estimated based on collection risk, falls below their carrying amount.

1.4. Marketable securities

Marketable securities are recorded at acquisition cost. An impairment loss is recorded if their value falls below their acquisition cost.

Acquired Treasury shares with the attention to be awarded or transferred to employees and corporate directors of EssilorLuxottica and affiliated companies are recorded in the marketable securities.

1.5. Financial instruments and foreign currency transactions

EssilorLuxottica applies the provisions of ANC Regulation No. 2015-05 on financial futures and hedging transactions.

1.5.1. Foreign exchange derivative instruments

The Company uses derivative instruments solely for hedging purposes. Derivative instruments are handled within predetermined management limits with the purpose of optimizing exchange rate risk hedging.

EssilorLuxottica manages an exchange rate risk position that includes all monetary assets and liabilities in foreign currencies. Gains and losses on foreign exchange derivative instruments are used to offset re-measurement at the closing rate of balance sheet positions in foreign currencies. The swap points relating to derivative financial instruments are recognized in financial income over the life of the hedging instrument.

EssilorLuxottica also uses forward purchases and sales to hedge future foreign currency transactions. Foreign exchange losses and gains relating to these derivatives are recognized in the income statement symmetrically with the hedged items.

In principle, EssilorLuxottica uses derivative financial instruments solely for hedging purposes. In exceptional cases where derivative financial instruments do not qualify for hedge accounting, the following accounting method is used:

- the fair value of the derivative is recorded on the balance sheet, with an offsetting an adjustment account;
- a provision is recognized for unrealized losses (unrealized gains are not recognized in the income statement);
- realized gains and losses are recognized in profit or loss.

1.5.2. Interest rate derivative instruments

With regard to interest rate risk, the Company's policy is to protect itself against unfavorable interest rate changes. To hedge interest rate risk, EssilorLuxottica uses interest rate swaps.

Financial income and expenses relating to interest rate derivatives are recognized in the income statement in the same period as the hedged item.

1.6. Pension and other post-employment benefit obligations

In accordance with ANC Recommendation no. 2013-02 of November 7, 2013 on the measurement and recognition of pension and other post-employment benefit obligations, the Company recognizes provisions for its retirement, long-service awards and other long-term benefits.

Where the benefits are payable under defined contribution plans, the contributions are expensed as incurred.

In the case of defined benefit plans, provisions are recognized based on the following actuarial assumptions:

- the projected benefit obligation, corresponding to the vested rights of the Company's current and retired employees, is determined based on estimated final salaries (projected unit credit method) and actuarial assumptions relating to the discount, inflation, staff turnover and salary increase rates;
- the discount rate corresponds to the interest rate of top-tier issuers for periods corresponding to the estimated average duration of the benefit obligation;
- when all or part of the obligation is funded by the Company contributing to an external plan, the provision is decreased by the market value of the plan assets;
- actuarial gains and losses resulting from changes in assumptions and experience-based adjustments are recognized in profit and loss using the corridor method. This method entails amortizing in the income statement, over the expected average remaining service lives of plan participants, only the portion of the net cumulative gain or loss that exceeds 10% of the greater of the pension benefit obligation or the fair value of plan assets;
- if the Company amends an existing plan or introduces a new one and the rights under the new or amended plan are unvested, the related change in the Company's obligation is recognized in profit or loss on a straight-line basis over the expected average remaining service lives of the plan participants. If rights under the new or amended plan vest immediately, the resulting change in the Company's obligation is recognized immediately in profit or loss;
- the provision recorded in the balance sheet corresponds to the projected benefit obligation less the market value of any plan assets, the value of unrealized actuarial gains and losses and unrecognized past service costs.

1.7. Income tax (tax consolidation regime)

EssilorLuxottica is the head of the consolidated tax group in France, and the only entity liable to pay corporate income tax.

Each company in the tax group calculates and recognizes income tax expense as if it were taxed separately.

Consolidated tax income or expense is included in EssilorLuxottica's financial statements.

The tax savings arising from use of the losses of tax group members, which are refundable to them by EssilorLuxottica, are recognized as a liability on the Company's balance sheet.

1.8. Recognition and measurement of provisions

1.8.1. Provisions for contingencies and liabilities

Provisions for contingencies and liabilities are recognized when there is an obligation towards a third party that can be measured with sufficient reliability and it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation without any benefit of at least equivalent value being expected in return.

Contingent liabilities are not recognized on the balance sheet but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Provisions for performance and restricted shares granted over the fiscal year

When a performance or restricted share plan is decided to grant existing shares, a provision is recognized. The provision is based on an estimate of the number of shares definitely granted, taking into account staff turnover and, for performance shares plans, the market price assumptions. The provision is calculated based on the weighted average price of treasury shares at year-end. The provision is measured at the stock market price for commitments not covered by treasury shares.

Since French accounting board (CRC) Regulation no. 2008-15 of December 4, 2008, the provision for performance and restricted shares has been allocated over the vesting period, as vesting is conditional on the grantee's employment by the Company.

As performance or restricted shares are compensation items, the related provisions are recognized as personnel expenses for the company's beneficiaries. For transactions with other Group beneficiaries, a provision on the whole commitment is recorded at the grant date, and the equivalent amount is recharged to the corresponding subsidiaries. Those impacts are recorded in non-operating income and expenses.

Provisions for contingencies for subsidiaries and affiliates

An impairment loss is recognized for equity investments whose present value is less than their carrying amount. Where applicable, the provision is allocated in the following order: to securities, non-current receivables, current accounts, and the provision for contingencies. However, the latter is only recognized:

- if the legal form makes EssilorLuxottica indefinitely and jointly and severally responsible for the liability; or
- up to the amount of commitments given by EssilorLuxottica for all other legal forms.

1.8.2. Tax-driven provisions

Tax-driven provisions mainly reflect additional tax depreciation.

1.9. Premiums on bonds

Premiums on bonds paid by EssilorLuxottica are recorded in the balance sheet in Bond redemption premium and those received are recorded in the other financial debts.

Premium are therefore amortized in the financial income over the duration of the bonds.

1.10. Borrowing costs

Borrowing costs may be:

- fully expensed in the year they are incurred; or
- allocated over the term of the loan.

The choice of method is made upon issuance of the debt and cannot be later changed.

NOTE 2 Operating expenses

The other external purchases and expenses mainly comprises fees, costs for bank and consulting services and consulting as well as lease costs.

Personnel expenses comprises wages, bonus, costs related to performance and restricted shares granted to the employees and all the changes related to pensions and other post-employment benefit obligations as described in the Note 15 – Information on employees.

NOTE 3 Financial income

€ millions	**2020**	**2019**
Interest expenses	(43)	(18)
Dividends [(a)]	655	18
Impairment (loss) reversal	1	
Currency exchange [(b)]	12	21
Other	0	1
TOTAL	**625**	**22**

(a) For fiscal year 2020, the line item Dividends comprises a distribution of reserves from Essilor International of €647 million and €8 million in payment by Essilor Korea Co., Ltd, and for fiscal year 2019, the line item Dividends comprises €18 million in payment by Essilor Korea Co., Ltd.

(b) The line item Currency exchange mainly comprises the reversal by €12 million of a portion of the foreign currency adjustment from the partial contribution of assets in 2017 (€21 million in 2019).

NOTE 4 Non-operating income (expense), net

€ millions	**2020**	**2019**
Non-recurring income (expense) from financing and investing items	**(1)**	**2**
Other non-recurring income and expense	(1)	2
Provision allowances & reversals and expenses transferred	**(27)**	**(43)**
Tax-driven provisions and other provisions [(a)]	(104)	(249)
Expenses transferred [(b)]	77	206
TOTAL	**(28)**	**(41)**

(a) For 2020, the line item Tax-driven provisions and other provisions comprises €85 million of risk provision for the performance and restricted share plans granted to the employees of Group subsidiaries since November 29, 2018 and €18 million for tax-driven provisions on acquisition costs. For 2019, this line item comprised €231 million of risk provision for the performance shares plans granted to the employees of Group subsidiaries since November 29, 2018 and €18 million for tax-driven provisions on acquisition costs.

(b) The line item Expenses transferred relates to the accrued income from rebilling subsidiaries for the performance and restricted share plans awarded since November 29, 2018.

NOTE 5 Corporate income tax

5.1. Profit excluding tax assessments

€ millions	2020	2019
Profit (loss) for the year	613	(58)
Corporate income tax (income)/expense	(39)	(6)
Pre-tax profit (loss)	574	(64)
Change in tax-driven provisions	18	18
Pre-tax profit (loss), excluding tax assessments	592	(46)

5.2. Breakdown of corporate income tax

The breakdown of corporate income tax between ordinary and non-recurring items is the following:

2020 *€ millions*	Before tax	Corresponding tax	After tax
Profit (loss) from ordinary operations	602	39	641
Profit (loss) from non-recurring items	(28)	-	(28)
PROFIT (LOSS)			**613**

2019 *€ millions*	Before tax	Corresponding tax	After tax
Profit from ordinary operations	(23)	6	(17)
Profit (loss) from non-recurring items	(41)	-	(41)
PROFIT			**(58)**

5.3. Increases and reductions in future tax liabilities

5.3.1. Assets

No deferred tax assets were recognized in the balance sheet.

€ millions	December 31, 2020	December 31, 2019
Provisions for retirement obligations	1	2
TOTAL	**1**	**2**
Loss carry-forwards [(a)]	**146**	**326**
Corporate income tax (at 28.41%)	42	104

(a) This is the cumulative loss carry-forward of the consolidated tax group. Tax savings arising from the losses of subsidiaries included in the consolidated tax scope, which may be returned to them by EssilorLuxottica, are recognized as a liability on the balance sheet. The total liability amounted to €4 million at December 31, 2020. EssilorLuxottica expects to use its loss carry-forwards. The decrease by €180 million mainly comes from the allocation to the accumulated tax losses of the taxable income generated by the other entities included in the French tax group perimeter.

5.3.2. Liabilities

No deferred tax liabilities were recognized in the balance sheet.

€ millions	December 31, 2020	December 31, 2019
Additional tax depreciation	40	22
TOTAL	**40**	**22**
Future tax liabilities (at 28.41%)	11	7

NOTE 6 Financial assets

6.1. Summary

2020 *€ millions*	Carrying amount at January 1, 2020	Increases	Decreases	Other changes	Provisions for the fiscal year	Reversals for the fiscal year	Carrying amount at December 31, 2020
Equity investments [a]	27,736	27	-	-	-	-	27,763
Receivables from equity investments [b]	616	531	531	-	-	-	616
Other long-term investments (treasury shares) [c]	68	-	26	-	-	-	42
Other long-term financial investments [d]	11	21	-	-	-	-	32
Gross value	**28,431**	**579**	**557**	**-**	**-**	**-**	**28,453**
Impairment	4	-	-	-	-	-	4
NET VALUE	**28,427**						**28,449**

(a) Increase in equity investments is mainly due to the capital increase of Essilor India Pvt Ltd.

(b) As of December 31, 2020, receivables from equity investments correspond to loans granted to Luxottica Group S.p.A. of which €116 million with a maturity date in 2021, and €500 million with a maturity date in February 2024.

(c) Transfer of treasury shares reserved to Group employees under the international employee share ownership plan.

(d) €21 million in additional costs incurred in 2020 for the planned acquisition of a 76.72% stake in GrandVision.

2019 *€ millions*	Carrying amount at January 1, 2019	Increases	Decreases	Other changes	Provisions for the fiscal year	Reversals for the fiscal year	Carrying amount at December 31, 2019
Equity investments [a]	26,061	1,676	1	-	-	-	27,736
Receivables from equity investments [b]	-	816	200	-	-	-	616
Other long-term investments (treasury shares) [c]	93	-	25	-	-	-	68
Other long-term financial investments [d]	-	11	-	-	-	-	11
Gross value	**26,154**	**2,503**	**226**	**-**	**-**	**-**	**28,431**
Impairment	5	-	(1)	-	-	-	4
NET VALUE	**26,149**						**28,427**

(a) Increase in equity investments was due mainly to the completion of the combination between Essilor and Luxottica in fiscal year 2019, which contributed €1,663 million following the purchase Luxottica Group S.p.A. shares as at December 31, 2018 in the context of the offer (mandatory tender offer followed by a squeeze-out).

(b) As of December 31, 2019, receivables from equity investments correspond to loans granted to Luxottica Group S.p.A. of which €116 million with a maturity date in 2020 and €500 million with a maturity date in February 2024.

(c) Transfer of treasury shares reserved to Group employees under the international employee share ownership plan.

(d) €11 million in costs incurred for the planned acquisition of a 76.72% stake in GrandVision.

6.2. Subsidiaries and equity investments

Subsidiaries and equity investments held by EssilorLuxottica at December 31, 2020 (all at least a 50% interest):

€ millions	Share capital	Other equity	Carrying amount of shares held		Net revenue of last fiscal year	Profit for last fiscal year	Dividends received by the Company during the fiscal year
			Gross	Net			
Luxottica Group S.p.A.	29	3,433	22,125	22,125	2,128	79	-
Essilor International (SAS)	278	6,035	5,487	5,487	906	149	647 [a]
Other international subsidiaries	142	28	151	147	92	18	8

(a) Correspond to a distribution of reserves

Luxottica Group S.p.A. is an Italian company and parent company of the Luxottica group. As a vertically integrated group, Luxottica designs, manufactures, distributes and retails its eyewear brands. Its best-known brands are Ray-Ban, Persol, and Oakley.

Essilor International (SAS) is based in France and holds directly or indirectly the companies comprising the Essilor group. Essilor designs, manufactures and markets a wide range of lenses to improve and protect eyesight. It also develops and markets equipment for prescription laboratories and instruments and services for eye care professionals. In addition, Essilor is the North American leader in non-prescription reading glasses and also, sells non-prescription sunglasses.

Impairment test on the Equity investments:

Equity Investments are subject to impairment tests to compare the value in use at the closing date with the carrying amount:

For the Investment in Luxottica Group S.p.A., the value in use is based on future cash flow projections generated by its business. These future cash flow projections rely on the 2021 budget estimate and on a business plan covering a three-years period up to 2023. The business assumptions take into account the economic and financial effects deriving from the COVID-19 pandemic. The applied weighted average cost of capital (WACC) is 6.5% – (6.3% in 2019). At December 31, 2020, the value in use of the Equity investment in Luxottica Group S.p.A. is higher than the carrying amount;

For the Investment in Essilor International (SAS), at December 31, 2020, the value in use, based on the proportional value of the investments in the subsidiary's equity, is higher than the carrying amount.

NOTE 7 Current assets

7.1. Maturities of receivables

€ millions	December 31, 2020
More than one year	**-**
Less than one year	**513**
Trade and related receivables	6
Other receivables [a]	507
TOTAL	**513**

(a) The line item Other receivables primarily comprises a €464 million current account balance between EssilorLuxottica and Essilor International (SAS), as well as tax receivables of €35 million.

7.2. Accrued income

€ millions	December 31, 2020	December 31, 2019
Receivables:		
Unbilled revenue (trade receivables)	1	1
Other receivables [a]	337	249
TOTAL	**338**	**250**

(a) The line item Other receivables mainly comprises income from rebilling the cost of the both performance and restricted share plans awarded since November 29, 2018 for €325 million in 2020 and €249 million in 2019.

7.3. Cash instruments

€ millions	December 31, 2020	December 31, 2019
Hedging instruments [a]	(27)	25
TOTAL	**(27)**	**25**

(a) This line item reflects the re-measurement of hedging instruments set up to cover currency risk associated with the Company's debt denominated in USD. The balance at December 31, 2020 is presented in the line Other financial debts (including loans from subsidiaries) of the balance sheet.

NOTE 8 Marketable securities

	December 31, 2020		December 31, 2019
€ millions	Gross	Net	Net
SICAV (open-ended collective investment scheme) [a]	324	324	1,319
Time deposits [b]	3,285	3,285	1,760
Treasury shares [c]	159	159	
TOTAL	**3,768**	**3,768**	**3,079**

(a) SICAV are short-term investments subject to an insignificant risk of changes in value. The total amount comprises SICAV in USD for USD 152 million (€124 million) and SICAV In Euro for the remaining.
(b) Time deposits are another category of marketable securities subject to an insignificant risk of changes in value. The total amount comprises Time deposits in USD for USD 110 million (€90 million) and Time deposits in Euro for the remaining.
(c) The 1.55 million Treasury shares repurchased in March 2020 for €159 million, are intended to be awarded or transferred to employees and corporate directors of EssilorLuxottica, affiliated companies, and therefore are presented into the marketable securities.

NOTE 9 Prepaid expenses

€ millions	December 31, 2020	December 31, 2019
Prepaid expenses related to:		
Operating	6	1
Financing [a]	21	18
TOTAL	**27**	**19**

(a) The line item corresponds to the borrowing costs.

NOTE 10 Shareholders' equity

10.1. Changes in share capital

	Number of shares					Par value
	At January 1, 2020	Issued	Cancelled	Exchanged	At December 31, 2020	*(in euro)*
Ordinary shares	437,533,516	1,467,132	-	-	439,000,648	0.18
TOTAL	**437,533,516**	**1,467,132**	**-**	**-**	**439,000,648**	**0.18**

Of which treasury shares

	Number of shares				
	At January 1, 2020	Share Buyback	Group employee stock transfer plan	Performance shares vested	At December 31, 2020
Other long-term investments	787,310	-	(343,334)	(7,517)	436,459
Marketable securities	-	1,550,000	-	-	1,550,000
TOTAL	**787,310**	**1,550,000**	**(343,334)**	**(7,517)**	**1,986,459**

10.2. Statement of changes in shareholders' equity

€ millions	Share capital	Additional paid-in capital	Reserves and retained earnings	Profit (loss) for the year	Tax-driven provisions	Shareholders' equity
Shareholders' equity at January 1, 2020	**79**	**22,025**	**2,066**	**(58)**	**22**	**24,134**
Capital increases:						
• Stock options	0	7	-	-	-	7
• Performance share plans	0	-	(0)	-	-	-
• FCP mutual funds	0	29	-	-	-	29
Other changes in the fiscal year	-	-	-	-	18	18
Profit appropriation	-	-	(58)	58	-	-
Profit for the fiscal year	-	-	-	613	-	613
Interim dividend paid	-	-	(503)	-	-	(503)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2020	**79**	**22,061**	**1,505**	**613**	**40**	**24,298**

2020

Share capital amounted to €79,020,116.64 reflecting the increase of 1,467,132 ordinary shares as a result of the transactions related to:

- new shares delivered under performance share plans (1,078,950 shares);
- subscriptions to Essilor group FCP mutual funds (316,961 shares);
- stock options exercised (71,221 shares).

An interim cash dividend for the 2020 financial year has been paid to shareholders for €503 million on December 28, 2020.

10.3. Stock options, Performance shares and employee share issuance

10.3.1. Stock options

The exercise price of stock options is based on the average share market price quoted over 20 trading days preceding the date of the Board of Directors' Meeting at which the decision is taken to grant the options. Gains on stock options granted from 2004 onwards (corresponding to the difference between the average share market price during the three calendar months prior to the month when the option is exercised and the exercise price) are capped at 100% of the exercise price.

In accordance with the decision of the Extraordinary Shareholders' Meeting of November 29, 2018, the new performance share plans granted since this date have been served by using Treasury shares starting this date instead of newly issued shares.

Stock options are subject to performance conditions based on the share market price over a period of two to six years after the grant date, as well as the 100% cap on gains.

The following table shows changes in the number of outstanding stock options at year-end:

	Number of stock options at January 1, 2020	Options granted	Stock options cancelled or expired	Stock options exercised	Number of stock options at December 31, 2020
Stock options	509,989	113,536	(19,989)	(32,679)	557,489
TOTAL	**509,989**	**113,536**	**(19,989)**	**(32,679)**	**557,489**

10.3.2. Performance shares

The Company has granted performance-based bonus shares depending on the performance of the Company's share price. The number of performance shares definitely granted depends on changes in EssilorLuxottica's share market price during the period compared with the benchmark price at the grant date (corresponding to the average price quoted over the 20 trading days preceding the Board of Directors' Meeting at which the grant was decided).

The maximum number of performance shares that would vest assuming that performance conditions were met is as follows:

- 2020 awards: 2,231,651 shares;
- 2019 awards: 2,322,966 shares;
- 2018 awards: 1,975,680 shares;
- 2017 awards: 1,572,419 shares.

Characteristics of the shares to award

- Performance shares plans authorized since the Extraordinary Shareholders' Meeting of November 29, 2018 are to be definitely granted with existing treasury shares upon the decision of this Extraordinary Shareholders' Meeting. The related costs to these plans are accrued In accordance with the Note 1.8 – Recognition and measurement of provisions.
- Ongoing performance shares plans authorized before November 29, 2018 are to be definitely granted by new shares to be issued.

The following table shows changes in the number of outstanding performance shares over the fiscal year:

	Number of performance shares at January 1, 2020	Performance shares granted in the period	Performance shares cancelled	Fully vested performance shares	Number of performance shares at December 31, 2020
Performance shares	6,241,727	2,231,651	(509,350)	(1,086,467)	6,877,561
TOTAL	**6,241,727**	**2,231,651**	**(509,350)**	**(1,086,467)**	**6,877,561**

10.3.3. Allocation of restricted shares to Luxottica Group's employees

At the end of December 2017, Luxottica Board of Directors approved a long-term cash retention plan (Long-Term Incentive plan or LTI) vesting on March 30, 2021. The term of the arrangement provided Luxottica with the choice of whether to settle in cash or by issuing Luxottica or EssilorLuxottica shares, subject to the approval of the relevant governance bodies.

EssilorLuxottica Shareholders' Meeting held on November 29, 2018, authorized Luxottica's corporate bodies to proceed with the award of free existing shares (without any performance condition) to Luxottica Group's employees, replacing cash retention bonuses.

On March 6, 2019, Luxottica Board of Directors proceeded with the awards of such shares to Luxottica Group's employees, which were then granted by EssilorLuxottica Board of Directors on March 7, 2019. The maximum number of EssilorLuxottica shares that may be granted under this plan is 801,400.

The related costs to these plans are accrued in accordance with the note 1.8 - Recognition and measurement of provisions.

The following table shows changes in the number of EssilorLuxottica outstanding shares subject to the restricted shares plan over 2020:

	Number of conditional shares at January 1, 2020	Shares granted in the period	Conditional shares cancelled	Fully vested conditional shares	Number of conditional shares at December 31, 2020
Restricted shares	783,600	-	(950)	-	782,650
TOTAL	**783,600**	**-**	**(950)**	**-**	**782,650**

10.3.4. Employee stock purchase plan

The main characteristics of the Employee stock ownership plan are as follows:

In €	2020	2019
Share subscription price	90.52	109.63
Total discount amount	22.63	27.41
NUMBER OF SHARES SUBSCRIBED	**316,961**	**249,635**

NOTE 11 Provisions

2020 *€ millions*	Carrying amount at January 1, 2020	Provision allowances for the fiscal year	Reversals for the fiscal year (used)	Reversals for the fiscal year (not used)	Carrying amount at December 31, 2020
Provision for performance and conditional shares (a)	282	86	-	-	368
Provisions for pensions	2	0	(0)	(1)	1
TOTAL	**284**	**86**	**(0)**	**(1)**	**369**

(a) The provision allowances for the fiscal year for the performance shares corresponds to the cost related to performance shares plans authorized during the year as well as to the updating of the performance shares plans authorized In November 2018 and In 2019. This amount also Includes updating of the provision for conditional shares.

2019 *€ millions*	Carrying amount at January 1, 2019	Provision allowances for the fiscal year	Reversals for the fiscal year (used)	Reversals for the fiscal year (not used)	Carrying amount at December 31, 2019
Provisions for pensions	1	1	(0)	-	2
Provision for performance and conditional shares (a)	48	234	-	-	282
TOTAL	**49**	**235**	**(0)**	**-**	**284**

(a) The provision for existing performance and restricted shares plans reflects the measures decided by the Company's Board of Directors since November 29, 2018.

NOTE 12 Financial liabilities

12.1. Maturities of financial liabilities

12.1.1. Breakdown of financial liabilities by maturity and category

€ millions	December 31, 2020	December 31, 2019
Due in less than one year	**1,341**	**707**
US private placements [(a)]	-	120
Bonds [(a)]	500	-
Interest on bonds and US private placements [(a)]	39	32
US commercial paper programs	-	125
Loans from subsidiaries [(b)]	761	418
Other financial liabilities	41	12
Due between one and five years	**4,260**	**2,813**
US private placements [(a)]	188	205
Bonds [(a)]	4,044	2,567
Other financial liabilities	28	42
Due in more than five years	**5,081**	**4,089**
US private placements [(a)]	81	89
Bonds [(a)]	5,000	4,000
TOTAL	**10,682**	**7,610**

(a) Corresponds to the balance sheet line item Bonds amounting to €9,852 million.

(b) Corresponds to loans granted by EOA Holding Co. Inc. for USD 830 million (€676 million), by Luxottica Retail Australia Pty. Ltd for AUD 70 million (€44 million), by Luxottica South Pacific Holdings Pty. Ltd for AUD 54 million (€34 million), by Luxottica Retail New Zealand Ltd for NZD 12 million (€7 million) and the related accrued interest not yet due.

12.1.2. Breakdown of financial liabilities by currency

€ millions	December 31, 2020	December 31, 2019
EUR	9,401	6,379
USD	1,196	1,170
AUD	78	61
NZD	7	-
TOTAL	**10,682**	**7,610**

12.1.3. Covenants and negative pledge

The Company's financing arrangements are not subject to specific financial covenants. Only the US private placements have a specific financial ratio requirement.

Bonds issued in November 2019 and in June 2020 are subjects to negative pledges which prohibit to EssilorLuxottica and other Group entities from granting any guarantees or security interests on any of their assets in favor of third parties without the consent of the lenders above certain limits. Default with respect to the above-mentioned clauses which may be called upon to pay the outstanding debt.

EssilorLuxottica is in compliance with covenants and negative pledges.

12.2. Maturities of other liabilities

12.2.1. Breakdown of operating liabilities and other liabilities by maturity and category

€ millions	December 31, 2020	December 31, 2019
Due in less than one year	**312**	**1,162**
Operating liabilities	19	25
Other liabilities [(a)]	293	1,137
Due in one to five years	**-**	**-**
Due in more than five years	**-**	**-**
TOTAL	**312**	**1,162**

(a) The line item Other liabilities primarily comprises a €247 million current account balance between EssilorLuxottica and Essilor International (SAS) at December 31, 2020. At December 31, 2019, the balance of this current account was €1,085 million.

12.3. Accrued expenses

€ millions	December 31, 2020	December 31, 2019
Accrued interest on borrowings	39	32
Accrued taxes and personnel expenses	6	4
Other operating liabilities	12	31
TOTAL	**57**	**67**

NOTE 13 Foreign currency translation adjustments

€ millions	December 31, 2020	December 31, 2019
Foreign currency translation adjustment – unrealized currency gain [(a)]	36	48
TOTAL	**36**	**48**

(a) The partial asset contribution in 2017 generated an €80 million unrealized currency gain, which was partially reversed in 2020 in the amount of €12 million.

NOTE 14 Off balance sheet commitments

14.1. Financial commitments

Confirmed undrawn credit lines at December 31, 2020 amounted to €2,128 million.

Moreover, in connection with the acquisition of GrandVision, EssilorLuxottica held a bridge loan for €3,000 million. The credit facility had not been used at December 31, 2020.

14.1.1. Foreign exchange instruments

The Company uses cross currency swaps (CCS) to hedge its exposure to transactions denominated in USD. The derivative instruments were entered into with Essilor International (SAS) to balance the USD positions.

At December 31, 2020, forward foreign exchange contracts were as follows:

€ millions	Contract amount (initial price)	Market value at December 31, 2020
Cross country swaps (Buy USD/Sell EUR)	541	(23)
Forex swaps – forward purchases	91	1
TOTAL	**632**	**(22)**

14.1.2. Interest rate instruments

In millions of currency units	Notional in USD	Notional in EUR	Market value at December 31, 2020 (€)
Interest rate swaps – pay variable rate	300	300	28
TOTAL	**300**	**300**	**28**

These instruments are used to hedge the fixed rate debt held by EssilorLuxottica.

14.2. Finance lease commitments

There are no commitments regarding finance leases.

14.3. Future payment commitments

14.3.1. Contractual obligations 2020

	Payments due by period			
€ millions	Less than 1 year	1 to 5 years	More than 5 years	Total
Operating leases	1	6	3	10
TOTAL	**1**	**6**	**3**	**10**

14.4. Commitment relating to the GrandVision offer

On July 31, 2019, the Company announced its plan to acquire the 76.72% stake held by HAL Optical Investments B.V. ("HAL") in GrandVision, at a share price of €28. As disclosed in July 2019 according to the agreement signed by the parties, the transaction price, amounting to €28.00 per GrandVision's share, has been increased by 1.5% to €28.42 since the closing of the transaction has not occurred prior to July 30, 2020. HAL has undertaken to irrevocably sell its stake to EssilorLuxottica. Upon the closing of the transaction, EssilorLuxottica will launch a mandatory public offer for all the remaining GrandVision shares in accordance with the Dutch applicable public offer rules.

The transaction is subject to customary closing conditions, including regulatory approvals.

NOTE 15 Information on employees

15.1. Pension and other post-employment benefit obligations

15.1.1. Supplementary pension plan

The actuarial assumptions used for fiscal year 2020 were the inflation rate (1.8%), staff turnover rate, salary increase rate (between 1.8% and 4%) and the discount rate (0.45%).

The total benefit obligation was estimated at €13 million.

€ millions	December 31, 2020	December 31, 2019
Present value of the obligation	13	22
Market value of fund assets	(17)	(16)
Deferred items [(a)]	(1)	(5)
PROVISION (ASSETS) RECOGNIZED IN THE BALANCE SHEET	**(5)**	**1**

(a) Deferred items include actuarial gains or losses. The asset is classified under Prepaid expenses in the balance sheet.

15.1.2. Lump sum payment on retirement

Benefit obligations relating to lump sum payments on retirement amounted to €1 million at December 31, 2020. They were estimated using a retrospective approach, based on a 0.45% discount rate.

€ millions	December 31, 2020	December 31, 2019
Present value of the obligation	1	1
PROVISION RECOGNIZED IN THE BALANCE SHEET	**1**	**1**

15.1.3. Expense for the fiscal year

€ millions	2020	2019
Current service cost	1	4
Interest on benefit obligation	0	0
Contributions paid	-	-
Curtailment	(8)	-
Benefits paid	-	-
Actuarial gains (losses)	1	0
EXPENSE (INCOME) FOR THE FISCAL YEAR	**(6)**	**4**

15.2. Average number of employees

Breakdown of average number of employees	2020	2019
Managerial personnel	16	11
Supervisors and employees	1	1
TOTAL	**17**	**12**

15.3. Compensation of executive officers

€ millions	2020	2019
Executive bodies [(a)]		
Compensation received	2	4
Benefit payable on retirement (actuarial value)	1	1
Supplementary retirement benefit (actuarial value)	11	14
Value of performance shares granted during the year [(b)]	2	4
Administrative bodies		
Compensation received	1	2

(a) The amounts shown for fiscal year 2020 correspond to the compensations and benefits for Leonardo Del Vecchio, Executive Chairman until December 17, 2020 and for Hubert Sagnières, Executive Vice-Chairman until December 17, 2020 in respect of their executive corporate offices held at EssilorLuxottica in 2020. Francesco Milleri and Paul du Saillant did not receive any compensation and benefits for the period between December 18, 2020 and December 31, 2020 for their respective functions of Chief Executive Officer and Deputy Chief Executive Officer.

(b) The amounts indicated are the fair value carrying amounts of the performance shares in accordance with IFRS. They are not the actual amounts that may be generated upon acquisition of the shares, if fully vested. Shares granted are subject to employment and performance conditions.

NOTE 16 Related party transactions

During the fiscal year, there were no related party transactions, within the meaning of Article R. 123-198 11 of the French Commercial Code, involving significant amounts or which were not conducted at arm's length.

NOTE 17 Subsequent events

17.1. Joint venture with CooperCompanies for the acquisition of SightGlass Vision

On February 3, 2021, EssilorLuxottica and CooperCompanies announced they entered into an agreement to create a 50/50 joint venture for the acquisition of SightGlass Vision, a US based life sciences company focused on developing innovative spectacle lenses to reduce the progression of myopia in children.

The joint venture will acquire SightGlass Vision from CooperCompanies, and the closing of the acquisition and creation of the joint venture is subject to regulatory approvals and other customary closing conditions. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021.

17.2. Update on the proposed acquisition of GrandVision by EssilorLuxottica

On February 9, 2021, the European Commission has initiated a new market test in connection with possible remedies submitted by the Company aiming at finalizing the Phase II review relating to the Proposed Acquisition of GrandVision.

The European Commission is likely to make a final decision on or before April 12, 2021.

3.7 Other information related to the financial statement of EssilorLuxottica

3.7.1 Sumptuary expenses

Absence of sumptuary expenses.

3.7.2 Accounts payable payment term

As per Article D441-6 of the French Commercial Code, the following schedule provides details on invoices received not paid as at the ending date of the fiscal year, and which are overdue:

	Invoices received not paid as at the ending date of the fiscal year, and which are overdue					
€ millions	**0 days (indicative)**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total (1 day and more)**
(A) Ranges of payment delay						
Number of invoices concerned	33	16	15	2	37	70
Total amount of invoices concerned (tax included)	2	3	2	1	3	9
Percentage of total amount of purchases of FY (tax included)	3.9%	4.4%	3.5%	1.1%	5.0%	14.0%
(B) Invoices excluded from (A) relating to debts and claims in dispute or not recorded						
Number of excluded invoices						
Total amount of excluded invoices						
(C) Standard payment period used (conventional or legal – Article L.441-10 or Article L.441-11 of the French Commercial Code)						
Standard payment period used to calculate payment delays	Conventional period and legal period					

3.7.3 Profit (and other characteristic items) of the last five fiscal years

Share capital at year-end *€ millions*	**December 31, 2020**	**December 31, 2019**	**December 31, 2018** (e)	**December 31, 2017** (d)	**December 31, 2016**
Share capital	79	79	77	39	39
Number of ordinary shares outstanding	439,000,648	437,533,516	426,777,218	219,125,439	218,507,701
of which treasury shares	1,986,459	787,310	1,099,757	1,344,427	2,046,140

Transactions and results of the year *€ millions*	**2020**	**2019**	**2018**	**2017** (d)	**2016**
Net revenue	-	-	-	-	888
Profit before tax and calculated expenses (amortization and provisions)	671	(60)	195	50	722
Corporate income tax	(39)	(6)	0	(19)	66
Profit after tax and calculated expenses (depreciation, amortization and provisions)	613	(58)	395	9	586
Dividends	977 (a)	- (b)	887 (c)	333	325

Earnings per share *In €*	**2020**	**2019**	**2018**	**2017** (d)	**2016**
Earnings per share, after tax and employee profit-sharing, but before calculated expenses (depreciation, amortization and provisions), excluding treasury stock	1.62	(0.12)	0.45	0.32	3.03
Earnings per share, after tax and employee profit-sharing, calculated expenses (depreciation, amortization and provisions), excluding treasury stock	1.40	(0.13)	0.90	0.04	2.71
Net dividend per ordinary share	2.23 (f)	- (b)	2.04 (c)	1.53	1.50

Personnel *€ millions, except for average number of employees*	**2020**	**2019**	**2018**	**2017** (d)	**2016**
Average number of employees in the year	17	12	10	1	3,024
Total payroll	5	5	4	1	172
Total employee benefits	3	7	(2)	1	104

(a) Subject to the decision of shareholders at the Annual Shareholders' Meeting on May 21, 2021. This total amount comes from the 2020 distributable net income, for €555 million, and from other distributable reserves for €422 million. This dividend includes the interim dividend for the 2020 financial year, paid for a global amount of €503 million on December 28, 2020.

(b) On April 18, 2020, in light of the COVID-19 outbreak, the Board of Directors decided not to submit a dividend for 2019 to the Annual Shareholders' Meeting of June 25, 2020.

(c) Including the proportion of distributable reserves.

(d) The Hive-Down agreed on November 1, 2017 between Essilor International (Compagnie Générale d'Optique) renamed in 2018 EssilorLuxottica and Delamare Sovra renamed in 2017 Essilor International (SAS), which was retroactively effective as of January 1, 2017, limits the comparability of the periods.

(e) Increase in share capital in 2018 is mainly explained by the contribution of Delfin S.à.r.l.'s equity interests in Luxottica Group S.p.A. to EssilorLuxottica.

(f) Subject to the decision of shareholders at the Annual Shareholders' Meeting on May 21, 2021. An Interim dividend of €1.15 per share for the 2020 financial year was paid on December 28, 2020.

3.8 Statutory Auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the Management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2020

To the Annual Shareholders' Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of EssilorLuxottica for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' responsibilities for the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors, for the period from January 1, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity investment

Risk identified

As at December 31, 2020, net equity investments amount to €27,8 billion and represent 78% of the EssilorLuxottica total assets. Equity investments are initially valued and recorded at cost or contribution value.

As at December 31, 2020, the Luxottica Group S.p.A. and Essilor International (SAS) investments value (which accounts for 99.5% of the equity investments) were measured at their value in use, based on a multi-criteria approach taking notably into account the subsidiary's accounting net equity and future cash flows projections. If the latter valuation had been lower than the carrying amount, an impairment loss would have been recognized.

Given the weight of equity investments in the balance sheet and the judgment involved in the valuation methodology and the key assumptions applied by Management in the complex and evolving context due to the global crisis related to the Covid-19 pandemic, we considered the determination of the carrying amount of equity investments to be a key audit matter.

Our response

Our procedures primarily consisted in:

- assessing the methodology used by Management to determine the 2020 value in use of equity investments;
- assessing key assumptions and estimates used by Management to determine the value in use, in particular the discounted cash-flows determined for Luxottica Group S.p.A investment valuation;
- verifying the appropriateness of the information included in note 1.2 "Accounting policies – Financial assets" and note 6 "Financial assets" to the financial statements.

3

Specific verification

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the Management report and in other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to the payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*code de commerce*).

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code (*code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by or allocated to the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies which are included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management report.

Report on other legal and regulatory requirements

Format of the presentation of the financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*).

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica, by the Annual General Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2020, PricewaterhouseCoopers Audit was in its thirty-eighth year of uninterrupted engagement and Mazars in its fourteenth year of uninterrupted engagement.

Responsibilities of Management and those charged with governance for the statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks Management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of Management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee, which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2021

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		Mazars	
Olivier Lotz	Cédric Le Gal	Jean-Luc Barlet	Guillaume Devaux


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CHAPTER

4

SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION

(2020 NON-FINANCIAL STATEMENT OF ESSILORLUXOTTICA)

4.1 EssilorLuxottica Mission

To help everyone everywhere "see more, be more and live life to its fullest".

EssilorLuxottica's Mission drives its strategy and everything it does. It is at the heart of the Company's values and principles and informs its integrated approach to sustainable development.

The Company's groundbreaking products correct, protect and frame the beauty of the most precious and powerful sensory organ: the eyes. By combining expertise in lens technology and eyewear manufacturing with a portfolio of brands consumers love and global distribution capabilities, EssilorLuxottica enables people everywhere to learn, work and express themselves better as well as to fulfil their potential.

2020 was an unprecedented year for the world with the COVID-19 pandemic impacting the way we live. It had a profound impact on the global vision crisis and the way vision care is delivered amid lockdowns and social distancing regulations. Business operations of many eyecare professionals (ECP) and primary vision care providers were disrupted or even suspended. Philanthropic programs that provide free eyecare and eyewear to those most in need were considerably scaled down. People spending more time indoors and on digital screens experienced greater eye strain.

Despite the COVID-19 pandemic, good vision remains a basic human right. Seeing well improves everything in life, from an individual's health, education and work opportunities to the sustainable development of local communities and economies. Today:

- 2 billion people are wearing glasses, and will continue to need eyewear that suits their changing lifestyles and evolving vision needs;
- 2.7 billion people, or one-in-three, suffer from uncorrected poor vision due to lack of awareness and access, 90% of whom live in developing economies at the base of the pyramid[(1)];
- 6.2 billion people do not protect their eyes from harmful rays (sun, UV, blue light).

By 2050, over 50% of the world's population[(2)] is expected to suffer from myopia. For some, myopia can be so progressive and severe it is considered a degenerative condition and can lead to blindness.

In addition, the COVID-19 pandemic has given rise to new habits, such as mask-wearing and spending more time on digital screens, leading to the emergence of new vision needs such as anti-fog lenses and blue light glasses.

With a combined two centuries of experience and innovation, EssilorLuxottica is well placed to find innovative and creative ways to champion good vision, unlock the potential of vision care and eyewear, and bring good vision to everyone, everywhere in the world.

A leading advocate for the vision cause, EssilorLuxottica remains deeply dedicated to elevating the importance of good vision as both a basic human right, and a key lever for global development – to both individuals and policy makers. With a worldwide presence across all stages of the value chain, its over 140,000 employees remain committed to providing vision care and eyewear products that correct, protect and frame the eyes of consumers around the world. From the biggest cities to the most remote villages, EssilorLuxottica enables people to enjoy the life-changing benefits of good vision and become the best versions of themselves.

Eliminating uncorrected poor vision.

EssilorLuxottica continues to deliver solutions that meet the evolving needs and aspirations of its consumers, and drive initiatives that aim to eliminate uncorrected poor vision from the world by 2050 through direct actions and the support of philanthropic partners.

Since 2013, the Company has created sustainable access to vision care for over 420 million people in developing communities at the base of the pyramid by establishing more than 17,300 inclusive businesses or primary vision care entrepreneurs and over 200 Sustainable Vision Centers. Training and empowering people to become entrepreneurial primary vision care providers in rural communities not only opens up access to vision care, it also improves livelihoods and promotes skills development. Through Essilor's inclusive business and philanthropic actions, over 39 million people at the base of the pyramid have had their vision corrected and/or protected. This year, OneSight, the not-for-profit organization of which Luxottica is the founding sponsor, completed a program in Rwanda ensuring that 100% of underserved populations can now access a Sustainable Vision Center within one day of travel.

In line with local regulations and social distancing restrictions, EssilorLuxottica was able to maintain philanthropic programs and provide free vision tests, eyeglasses and sun protection through its support of Vision For Life, Essilor Vision Foundation and OneSight. Programs by Vision For Life and Essilor Vision Foundation corrected and protected the vision of over 1.5 million people in 2020. Through its charitable programming, OneSight helped more than 13,500 people receive eye exams and glasses, in the United States, Australia, New Zealand, Bangladesh and South Africa. This included a program to address those negatively impacted by the COVID-19 pandemic in partnership with LensCrafters.

In addition, the Company honored its commitment to social responsibility by donating over two million pieces of personal protective equipment including safety goggles, protective eyewear and face masks to hospitals, public institutions, employees and partners in the communities in which it operates.

Despite the challenges of COVID-19, EssilorLuxottica remains steadfast in its Mission by focusing on new ways to raise awareness, deliver eyecare and eyewear to everyone around the world, and protect its employees, partners and communities. Below are the main initiatives.

(1) Base of the pyramid refers to populations with annual per capita income – based on purchasing power parity in US dollars – of less than US$1,500, the minimum considered necessary to sustain a decent life. Source: Coimbatore Prahalad and Stuart Hart, "The Fortune at the Bottom of the Pyramid," Strategy+Business 26 (2002): 54-67, http://dx.doi.org/10.19177/reen.v1e220081-23.

(2) Gretchyn Bailey, Myopia (nearsightedness): causes, treatment, AllAboutVision.com. Page updated July 2020. https://www.allaboutvision.com/conditions/myopia.htm.

1. **Mitigating the effects of COVID-19 for employees, partners and communities**

Employees: EssilorLuxottica launched a fund of approximately Euro 160 million to support employees and their families in need. It also introduced emergency pay schemes for its most vulnerable employee population in factories and retail stores. The Company partnered with the Department of Molecular Medicine at the University of Padua to set up a COVID-19 laboratory in Italy to offer swab tests to its employees and key partners.

Partners: To help eyecare professionals keep their practices open and continue serving consumers in a safe manner, the Company provided webinars and e-trainings on preparing for operating in the time of COVID-19, and ready-to-use campaigns to connect and engage more readily with consumers, as well as technological solutions to serve consumers appropriately. To protect its network of inclusive businesses – the primary vision care entrepreneurs providing sustainable access to vision care to communities at the base of the pyramid – the Company's social impact fund, Vision For Life, announced a Euro 300,000 financial support scheme to help over 1,800 entrepreneurs whose livelihoods are at risk. Based in India, Bangladesh, Indonesia, Cambodia and Kenya, each primary vision care entrepreneur is to receive a cash assistance sum, equivalent to one month's income.

Communities: The Company offered a revamped offering with anti-fog and blue light products for consumers. With the COVID-19 pandemic limiting large-scale philanthropic programs, such as vision screening camps, the Company pivoted to delivering philanthropy and raising awareness of both good vision and COVID-19 hygiene measures through its primary vision care entrepreneurs. It worked with the entrepreneurs to provide free vision screenings and glasses to those most in need, and important information to communities at large. In addition, the Company donated over two million units of personal protective equipment including safety goggles, protective eyewear and face masks to hospitals, public institutions, employees and local partners in China, Italy, France, Germany, Spain, Portugal, the US, Brazil, Colombia, Israel, Australia, India, Bangladesh, and many more. Other donations included protective gloves, hand sanitizing gels and plano glasses. It also repurposed part of its factory in California to supply face shields to meet growing demand for protective equipment.

2. **Coming together for World Sight Day, the most important day for vision**

Despite COVID-19 making it more challenging to run in-person programs, EssilorLuxottica deployed numerous initiatives on World Sight Day, accelerating its efforts to raise awareness of good vision while improving access to eyecare and eyewear in underserved areas. For the first time, the Company launched a customer-facing fundraising campaign, leveraging the network of LensCrafters and Bolon stores in China. Together, they offered free eye screenings to more than 10,000 children in Chenduo County, where the high altitude, strong ultraviolet light and lack of eyecare education have posed challenging vision issues to the local population.

OneSight collaborated with the not-for-profit organization Clearly and the IAPB (The International Agency for the Prevention of Blindness) to create a free digital book for children "Through the Looking Glasses". To mark the launch an online "Bedtime Stories" event was organized in which celebrities, athletes and authors read stories to thousands of children in twelve different time zones. During the same period, OneSight hosted vision screening events in several locations in Africa and two charitable clinics: one in New York, US, where 200 patients were visited, and one in Johannesburg, South Africa, which reached over 100 patients.

3. **Innovating to bring good vision to everyone, everywhere**

The Company launched the Stellest™ lens, a new generation of spectacle lens solutions that slow the progression of myopia in children. Interim findings of an ongoing clinical trial show that the Stellest™ lens slows down myopia progression by 67% on average, compared to single vision lenses, when worn 12 hours a day[(1)].

When the Company's inclusive business, 2.5 New Vision Generation (2.5. NVG) created its flagship program – Eye Mitra – in 2013, it was to develop a network of primary vision care entrepreneurs and bring access to vision care, where it was previously unavailable. To adapt to changing consumer needs and business climates and enable Eye Mitras to offer enhanced vision care services to their communities, the Company's Base of Pyramid (BoP) Innovation Lab pioneered an on-demand teleconsultation platform. The platform allows Eye Mitras to connect with optometrists in urban areas who remotely oversee the refraction process in real time. Responding to COVID-19, the Lab piloted a home delivery model in India where customers can make appointments for at-home vision screenings, facilitated by teleconsultation. There are over 7,000 Eye Mitras in India today and 10% of them have already been trained to use the teleconsultation platform.

To grow the network of primary vision care entrepreneurs and expand access to vision care, the BoP Innovation Lab is harnessing innovative finance mechanisms to raise development funds. It is working with the Vision Catalyst Fund to convene outcome funders for a US$9 million development impact bond in India. In Bangladesh, Vision For Life and MetLife Foundation are coming together to support TMSS, one of the largest NGOs in Bangladesh, to train over 1,000 primary vision care entrepreneurs in the next two years through a US$1 million fund.

To facilitate low-cost vision screenings, the BoP Innovation Lab developed the ClickCheck™, a screening device that does not require electricity and can be used anywhere by rural primary vision care providers and NGOs. The ClickCheck™ won three awards at the International Design Excellence Awards (IDEA) – Gold in the Medical & Health category, Silver in the Social Impact category and a Special Jury's Chair award.

(1) Based on a two-year prospective, controlled, randomized, double-masked clinical trial conducted by Eye Hospital of the Wenzhou Medical University, which was started in 2018 on the topic of myopia prevention and control (China Clinical Trial Registration Center Number: ChiCTR1800017683). The trial split 104 myopic children into two groups at random with 54 children wearing Stellest™ lenses ("Test Group") and 50 wearing single vision lenses ("Control Group"). All lenses used in the said clinical trial are from the Company.

4. **Creating access to vision care for the 2.7 billion people suffering from uncorrected poor vision at the base of the pyramid**

Continuously evolving and adapting its social impact actions, the Company developed a third pillar of access creation: creating access in small towns by structuring informal optical channels, including some without physical shops, through technical and business skills training, and marketing support as well as access to the Company's products and supply chain. This strategy has had a powerful impact in China with its Eye Partner program and in Indonesia with its Mitra Mata program. The third pillar is complementary to the two existing pillars of access creation: greenfield outlets such as the Eye Mitra program and philanthropic programs via charitable clinics.

OneSight focuses on helping the world see and live better by building sustainable long-term solutions in economically disadvantaged areas. It achieved 100% sustainable access in Rwanda in 2020, Gambia in 2019 and aims to do the same in Zambia in 2021. 100% sustainable access means 100% of underserved populations are able to reach a vision center within one day of travel, 90% are able to afford glasses worth three days of wages and 80% are aware of the importance of good vision.

5. **Helping those most in need with philanthropy**

EssilorLuxottica continued to support its philanthropic commitments and responsibilities throughout 2020. The Company's social impact fund, Vision For Life, launched its first mobile visual health unit in France, enabling it to bring free vision care to underserved areas throughout the country. In the mobile unit, beneficiaries can undergo a complete eye exam with an ophthalmologist, and those who require vision correction can be equipped on-the-spot with free glasses.

A three-year vision care program was launched in Singapore to provide 300,000 migrant workers living in dormitories with free eyecare education and reading glasses. Implemented by Essilor Vision Foundation ASEAN and a local non-governmental organization, the Migrant Workers' Centre, the program will also make available free comprehensive vision screenings and prescription glasses for those in need when there is greater access to vision screening events post-pandemic.

The Company re-committed to its partnership with Special Olympics International (SOI) for another three years, starting in 2021, to continue supplying lenses to the SOI's Opening Eyes program for its athletes.

OneSight redesigned its charitable clinics to adhere to COVID-19 hygiene and safe distancing guidelines, organizing small-scale outdoor local clinics and screening events instead of large-scale indoor gatherings. It held 12 charitable clinics in the United States, Australia, New Zealand, Bangladesh and South Africa, providing more than 13,500 people with free eye exams and glasses.

6. **Continuing to give vision an even louder voice**

EssilorLuxottica continues to support the Vision Impact Institute, whose goal is to make good vision a global priority, through research and data driven advocacy. Throughout 2020, the Institute led a series of webinars with the World Health Organization (WHO), the International Agency for the Prevention of Blindness (IAPB) and local or regional industry associations to promote the Company's landmark "Eliminating Poor Vision in a Generation" report and the WHO's "World report on vision".

In China, the Company drove discussions on myopia with government officials, academics and other key opinion leaders, and unveiled the findings of its "Eliminating Poor Vision in a Generation" report at a leading national health forum. The Company continued its work in giving vision a voice by organizing a live stream on eye health awareness attended by nearly 360,000 consumers virtually.

In India, Essilor and Luxottica jointly addressed the vision care industry for the first time at the India Vision Institute's Eye Health in a Changing World conference, highlighting the Company's commitment to helping people in India see more, be more and live life to its fullest.

The Company collaborated with The Fred Hollows Foundation and other partners to expand the See Now campaign in India, following a successful pilot in 2019. The campaign, which continues to be fronted by celebrity ambassador Mr. Amitabh Bachchan, encourages residents of Uttar Pradesh to get their eyes checked and if needed, wear glasses proudly. Before the COVID-19 pandemic put a stop to the campaign, it reached nearly 50 million people with crucial eye health messaging and screened nearly 88,000 people for free.

A longstanding advocate for good vision on the road, the Company continues its advocacy work by renewing its partnership in 2020 with the Fédération Internationale de l'Automobile (FIA) to raise awareness of the importance of good vision for safe mobility. It joined the United Nations Road Safety Fund and welcomed the United Nations' recommendations on ensuring good vision for all road users. With Michelin, it launched a global awareness campaign, "Together for safe mobility: Check your vision, check your tires".

The Company partners with the likes of Tencent, EyeQMe, Myopia Profile and International Myopia Institute to drive greater awareness of the importance of good vision and myopia management.

All About Vision, an online source of information on eye health and vision correction options for consumers supported by the Company is now available in local languages to consumers in Brazil, India, Latin America, Turkey, Germany, Saudi Arabia, Russia and China.

7. **Involving and engaging the Company's employees**

In the 2020 Essilor Global Employee Engagement Survey, employees reported the Group's Mission to be a key strength of the Company, offering a sense of purpose and employee pride. In the same way, Luxottica reports higher than average engagement with OneSight initiatives in terms of annual volunteering hours, employee giving and employee fund-raising[1].

Employees connect with EssilorLuxottica's Mission and ambition to eliminate uncorrected poor vision by 2050 through their participation in a number of initiatives. While these vary by region, there are Mission Ambassadors, DifferenceMakers and Mission Champions that seek to engage employees in the Company's philanthropic, advocacy and inclusive business activities. Whether they are volunteers, donors, amplifiers on social media, or ambassadors in their communities, employees have many opportunities to advance EssilorLuxottica's Mission and ambition.

Throughout the year, there were many instances of employees engaging with the Company's Mission. For example, the Luxottica employee road shows in Mason, Ohio and New York City, New York, saw strong support for Mission from attendees. Essilor Vision Foundation India and Luxottica's partnership with the government of Himachal Pradesh, India, to offer free screening for 10,000 underprivileged school children and free glasses for those in need was well-supported by employee volunteers. For World Sight Day 2020, Essilor and Luxottica employees came together as EssilorLuxottica to celebrate the most important day for vision awareness. As part of the World Sight Day activities, the Company's employees also had the chance to work together on different eyecare-centric initiatives, including the set-up of a temporary clinic to provide eyewear to people in need in South Africa, and awareness-raising campaigns in China on the impact of UV and blue light.

In 2020, the Company expanded its international employee shareholding campaign and now 44% of employees hold a financial stake in EssilorLuxottica.

These, and all actions of EssilorLuxottica, are driven by its long-standing commitment to sustainable development as it continues on its journey to bring good vision to everyone, everywhere in the world.

4

(1) CEPP Giving in Numbers; 271 companies with median of US$16,5B in revenues, 2016.

4.2 EssilorLuxottica's approach to Sustainable Development

4.2.1 Business model, environmental and social challenges

As described in Chapter 1 of this Universal Registration Document, EssilorLuxottica, which was formed in 2018, brings together the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear. Together, they create a vertically integrated business that is uniquely positioned to address the world's evolving vision needs and the demands of a growing eyewear industry. Influential eyewear brands such as Ray-Ban and Oakley, lens technology brands such as Varilux and Transitions, and world-class retail brands such as Sunglass Hut and LensCrafters are part of the EssilorLuxottica family.

At EssilorLuxottica, value creation and sustainable growth go hand-in-hand with employee well-being and social impact across geographies and businesses. From product development and manufacturing to the sale to the end consumer, the Company deploys a unique go-to-market strategy globally, including Retail, Wholesale, E-commerce and inclusive business models:

- *Manufacturing capabilities*: the Company's manufacturing capabilities, including Essilor's 32 lens production facilities and Luxottica's 15 manufacturing facilities, account for the majority of direct environmental impacts due to the products and raw materials used in production, energy and water consumption, waste production, and resulting greenhouse gas emissions. Given the concentration of environmental impacts, EssilorLuxottica places the emphasis on water, energy and waste, as well as on occupational health and safety measures;
- *Lens laboratories*: Essilor's 490 prescription laboratories and edging-mounting facilities and five integrated lens and frame platforms, as well as Luxottica's eight central lens laboratories, make up the final link in the value chain. They are crucial for ensuring quality and conformity before the product is marketed to wholesale or e-commerce customers or shipped to the Company's stores. The environmental footprint of the lens laboratories is fragmented and limited, and derives primarily from the use of chemical products and the consumption of energy and water;
- *Supply chain:* situated close to manufacturing sites, the role of the Company's distribution centers is to coordinate the logistics flow between suppliers, manufacturing sites, lens laboratories, wholesale clients, retail and e-commerce customers. Most of the environmental impact of these centers – 14 at Essilor and four at Luxottica – comes from greenhouse gas emissions from transportation (air and road freight, etc.). Given the high number of employees and the nature of their activities, the Company's greatest focus here is on workplace health and safety;
- *Wholesale distribution:* the Company serves eyewear retailers (*e.g.* independent ECPs, optical retail chains, specialty sun retailers), department stores, duty-free shops and online players in more than 150 countries. Certain brands, such as Oakley, are also distributed to sporting goods stores and specialty sports locations. Pre and post-sale services, information security and data protection are key for the success of long-lasting, trust-based relationships. EssilorLuxottica's sustainability efforts extend to its subsidiaries in terms of environmental footprint reduction (*e.g.* energy optimization) and of social impact on local employees (*e.g.* development opportunities and mobility) and communities (*e.g.* access to quality eyecare);
- *Direct-to-consumer presence:* with approximately 11,000 stores globally and proprietary e-commerce platforms, EssilorLuxottica serves the final consumer with a wide range of prescription frames and sunglasses, lens options and eyecare services. Engaging websites, omnichannel solutions and continuous training (online and on-the-job) for store employees translates into an increase in consumer awareness around vision care as well as digitally-enhanced consumer experiences and service. The monitoring of energy consumption in the directly-operated stores completes the overview of EssilorLuxottica's environmental impact and encourages the implementation of dedicated energy efficiency projects (*e.g.* lighting) and in-store waste management behaviors;
- *Innovation and talent:* R&D and innovation capabilities are at the core of EssilorLuxottica. Thanks to talented and experienced teams, the Company owns more than 11,000 patents and creates over 2,000 new products every year. While the positive social impact of R&D is very high, the environmental impact, including energy and greenhouse gas emissions associated with buildings, business travel, electrical and electronic waste, is low.

With its offering, scale and global reach, EssilorLuxottica balances both social and environmental challenges and opportunities. The Company is committed to addressing critical Corporate Social Responsibility (CSR) risks in its value chain, including climate change, talent acquisition and human rights (see Section 4.3.2). At the same time, it responds to the world's growing vision needs with a large portfolio of innovative eyecare and eyewear products accessible to everyone, everywhere in support of its Mission (see Section 4.1).

With a long-term commitment to sustainable development, which is the heritage of Essilor and Luxottica, the Company contributes to the achievement of 13 of the 17 UN Sustainable Development Goals (SDGs) which form the 2030 Agenda.

From managing and reducing water usage at manufacturing sites to the constant improvement of occupational health and safety policies, to ensuring equal opportunities, developing inclusive business models and providing eye exams and eyeglasses to people in need, the Company is consistently supporting its Mission to help people "see more, be more and live life to its fullest".

4.2.2 Stakeholders engagement

EssilorLuxottica's approach to sustainable development heavily relies on the environmental and social impacts of its business activities related to the various stakeholders along the value chain.

As the significance and handling of social and environmental issues differ between countries, stakeholder relationships are generally managed locally, under the responsibility of senior management of the legal entities. However, as EssilorLuxottica continues to grow, ensuring the Company has a unified presence across markets has become increasingly important. All employees are encouraged to apply the EssilorLuxottica Code of Ethics in their interactions with their stakeholders, together with other policies and principles already in existence at Essilor and Luxottica.

Depending on the situation, interactions between EssilorLuxottica and its stakeholders serve a range of purposes including:

- to provide a consultation process for the purpose of anticipating business developments, the market and regulations, as well as managing risks and identifying opportunities;
- to involve stakeholders in strategic decisions through customer satisfaction surveys, employee opinion surveys, organization of forums, training sessions, etc;
- to inform stakeholders by providing reliable, factual data using different communication methods, including brochures, websites, annual reviews and questionnaires;
- to contribute to growth via partnership projects, particularly in the fields of health and the environment, such as support for patients' associations, humanitarian aid programs and partnerships with universities.

Relations and transparent communication with stakeholders are therefore key for the Company, as their needs and viewpoints fuel its strategy and operations. Stakeholders' main concerns are also documented and addressed. In addition, EssilorLuxottica communicates on its sustainability initiatives and provides regular updates throughout the year on its corporate channels, including the corporate website and via social media.

The table below presents the main topics of stakeholders' engagement.

Main stakeholders	Main issues
Employees and representative organizations (*e.g.* trade unions)	Quality of working conditions Work-life balance Recruitment/Attracting and retaining talent Skills development and training initiatives Equal opportunities, diversity and inclusion
Business partners, including licensors	Shared commitment to social and environmental concerns Collaboration on innovation and development Integrity in business relations
Clients and prescribers (*e.g.* eyecare professional or ECPs)	High quality and innovative products High quality customer service & training Responsible marketing Integrity in business relations Data protection Sustainable procurement
Consumers	Product and service quality and efficiency Responsible marketing Products meeting new visual health needs related to societal trends (digitalization, urbanization, etc.) Data protection Sustainable products & services
Shareholders, investors and rating agencies	Management of sustainable development Transparency and evaluation of non-financial activity Environmental aspects (*e.g.* energy, water, waste and climate change) Social aspects (*e.g.* talent acquisition, diversity, human rights) Economic aspects (*e.g.* corporate conduct, risk management, governance) Management of CSR risks
Suppliers	Integrity in business and compliance with regulations and laws Constructive collaboration/Co-innovation Sustainable procurement & supplier CSR audit/Responsible sourcing Respect for Human Rights

Main stakeholders	Main issues
NGOs and consumer associations	Dialogue and partnership Transparency (on social initiatives, environmental footprint, product performance, etc.) Sponsorships and philanthropy
Educational institutions	Cooperation for R&D and innovation (*e.g.* scholarships) Attracting and developing talent
Public authorities & governments	Social and economic impact Contribution to visual health and inclusive economy Fair business practices, including responsible marketing Dialogue and education
Local communities	Quality of life: provide quality vision for all Social and economic impact (*e.g.* jobs, support for the local economy and inclusive business) Raising awareness and access to vision correction and protection Sponsorships and philanthropy

4.2.3 Sustainable offering

From product and design innovation to reimagining the consumer experience and establishing new business models, EssilorLuxottica teams constantly push the boundaries of what is possible and question how the Company can better serve both its customers and consumers. One of the most important drivers in EssilorLuxottica's sustainability efforts is the idea that sustainability and the Company's products and services go hand-in-hand, right from the development phase. With the objective to satisfy customers' preference and demand for more sustainable products and practices, EssilorLuxottica nurtures three fundamental workstreams outlined below.

Product safety

For EssilorLuxottica, product safety is an absolute priority and is the foundation of any sustainable offering. Its products are the result of continuous investments in research, design and innovation and developed according to high quality standards with stringent controls on mechanical, chemical and optical characteristics that are equal or superior to industry standards and regulatory requirements in terms of safety, performance and durability.

To guarantee their customers and consumers maximum product safety, EssilorLuxottica performs tests to check compliance with the international regulations concerning chemical substances in medical and consumer products, using both in-house laboratories and expert external facilities. Quality systems are in place to meet regulations across the Product Life Cycle. In 2020, Luxottica's central laboratory in Italy extended its accreditation according to the ISO/IEC 17025 standard for the competence of testing laboratories. Now the scope includes, in addition to mechanical and optical tests, chemical tests that measure the release of substances from the frames, to guarantee consumers increasingly higher quality products.

With more than 11,000 patents owned, intellectual property is one of EssilorLuxottica's most important assets, and ensures the excellence, uniqueness, and incomparability of its products. It is based on the registration and maintenance of the Company's trademarks and patents across the world. The protection of intellectual property rights also involves combating counterfeiting. The worldwide proliferation of counterfeiting not only threatens official sales channels and company reputations, it also poses risks to the health and safety of consumers. Counterfeit products do not ensure the same elevated quality standards as the originals, which are certified for excellence by the most stringent quality tests and the use of highly innovative materials. The Company's authentic products are impossible to process or replicate without the necessary know-how as well as the ongoing innovation used in the production processes. To ensure that consumers are not exposed to counterfeit products, Luxottica collaborates with local institutions and authorities around the world to intercept counterfeit products and combat the entire illegal production chain as best permitted by law. For greater effectiveness in the battle against counterfeiting and the expansion of parallel markets that divert goods into unauthorized sales channels, Luxottica has developed GLOW (Guaranteed Luxottica Origin Worldwide). GLOW is a traceability system based on RFID technology that can verify the authenticity of products as well as the suitability of resellers.

Product development & design

EssilorLuxottica defines its innovation priorities by listening to customers and consumers, and anticipating their needs and lifestyles. Its Wholesale and Retail distribution channels, and close interaction with eyecare professionals give proximity to end consumers, allowing the Company to better anticipate specific as well as unmet needs and desires. Those distribution networks are further supported by online channels that serve several million unique visitors each year and create a holistic relationship with consumers.

EssilorLuxottica has expanded its culture of global innovation through gradual integration of sustainable development criteria to answer related consumer and customer expectations and needs, and to address social and environmental challenges. The Company aims to develop products with an ever-decreasing impact on the environment (see Section 4.4.2) by analyzing product life cycles, favoring eco-friendly designs, working with its suppliers (to purchase raw materials with less environmental impact, etc.), and optimizing shipping flows and production processes. Specifically, EssilorLuxottica is approaching Sustainable Offering from product design to research of new innovative materials, developing recycling processes and upcycling products to give them a second life.

In 2020, the R&D departments of Essilor and Luxottica accelerated specific workstreams dedicated to sustainability.

Innovative bio-based materials have been introduced into the Luxottica portfolio of raw materials for all types of products, enabling the launch of specific collections, from Arnette to Burberry and Emporio Armani. Luxottica has also focused on new industrial solutions to reduce in-house scraps to limit the use of plastic as much as possible. In addition, Luxottica has launched a new in-house process in Italy to recycle and compound nylon plastic scraps derived from the injection manufacturing of frames into black raw nylon, which was used for the new Emporio Armani collection "R-EA (Recycled Emporio Armani)". Packaging has also been thoroughly explored during the year, and Luxottica has developed many solutions to reduce layers, limit mono-use plastic and substitute petrol-derived materials with bio-based ones jointly with its licenses. Many other projects are under development to examine the possibility to reduce, recover and regenerate obsolete polymeric materials derived from scraps of manufacturing processes as well as warehouse stocks. The aim is to create a circular process that makes it possible to reintroduce waste materials into the production cycle, thereby limiting disposal and reducing plastic waste.

2020 has seen the development of a specific sustainability innovation process and a major foresight program as well as the launch of new products at Essilor. A proprietary Sustainability Assessment Methodology has been deployed within R&D activities to integrate sustainability criteria into each stage of the development process for technologies and products. Circularity, resource and process efficiency along with low impact raw materials and societal benefits form the main pillars of the program. Simultaneously, Essilor has structured a distinct strategic initiative called the "Lab of the Future" with the objective to imagine what Essilor's future product performances, technology platforms and material production systems will look like. This initiative has already stirred up important new technology research programs in R&D. For example, it helped in moving Essilor's focus from current subtractive and batch technologies to additive manufacturing and one-piece flow technologies for its lenses. Furthermore, the R&D team has been expanding its proficiencies with the integration of experts in digital technologies to reinvent the vision care chain through digitalization. In this perspective, the development of new products continued to address the needs of all population segments and major vision issues, such as the growing global myopia pandemic. With key partners in vision healthcare, Essilor has launched a myopia reduction product line named Stellest™ that drastically lowers the lengthening of the eyeball, and therefore slows down the disease. For the 2.7 billion people without visual correction, living mainly in emerging countries with limited visual health structures and complex logistics chains, Essilor has developed an improved version of its Ready-to-Clip™ pair of glasses, enabling low-income consumers to buy an affordable product locally, immediately after their eye test, avoiding issues with logistics and order tracking.

Responsible marketing practices

EssilorLuxottica is committed to communicating with its customers and consumers in a clear, authentic way about the performance of its products and services in accordance with regulations. This transparency, which reinforces the trust that the Company has built over many years with its customers and consumers, is today one of the Company's major intangible assets.

EssilorLuxottica ensures, from manufacturing to marketing, that its communication about products is accurate and complies with the applicable regulations in effect, specifically with regards to advertising. This may involve a link with the local authorities and/or consumer associations who inquire about specific features and characteristics of the Company's products to confirm that the performance and benefits outlined are genuine and proven.

In addition, to maintain the accuracy and consistency of messages, Essilor and Luxottica offer training (face-to-face or e-learning) to their salesforce, retailers, licensees and eyecare professionals that focuses on product features, lens and frames design, quality standards and other aspects. It should be noted that due to the diversity of regulations in effect around the world, each of the subsidiaries involved in marketing the Company's products and services may undertake its own monitoring to comply with local laws, standards and voluntary codes in force.

The Company has also implemented a validation process for product marketing statements to ensure that for each of them, appropriate proof exists and the performance of the products in the laboratory can be taken into account within its production environment. For example, most of Essilor's products and services are based on wearer tests carried out with representative panels that take real-life and experimental conditions into account.

4.2.4 Main pillars of EssilorLuxottica's sustainability approach

Sustainability is a deeply rooted commitment at EssilorLuxottica and is founded on three fundamental pillars: people, environment and society.

These support the Company's Mission and guide its efforts to create value in the communities where it does business around the world.

- People: the Company's employees are the leading players and contributors to EssilorLuxottica's sustainable development and value creation efforts. The Company seeks to develop a culture of learning, diversity and safety among its employees along with the creation of a working environment that offers everybody the same opportunities on the basis of merit and without discrimination. See Section 4.4.1.
- Environment: EssilorLuxottica is committed to optimizing the use of resources to lower its environmental footprint across the value chain, from manufacturing to distribution, by reducing energy consumption and water use, and limiting carbon footprint and waste generation to address climate change and contribute to a more circular economy. See Section 4.4.2.
- Society: the Company, through its powerful Mission, has an ambition to help everyone in the world see well, and thereby contribute to the socio-economic growth of individuals and societies. In addition, EssilorLuxottica is committed to respecting and promoting human rights across its entire value chain. The Company abides by the ILO Conventions and the United Nations Global Compact Principles on Human Rights and requests its suppliers to adhere to international standards in the areas of ethics, labor, health, safety and the environment. See Section 4.4.3.

EssilorLuxottica has chosen strong governance and management support to drive social, environmental and societal initiatives. These are regularly reviewed by the Corporate Social Responsibility (CSR) Committee, which in 2020 met three times. See Section 4.3.1 and Chapter 2 of this Universal Registration Document.

4.3 Management of Sustainable Development

4.3.1 EssilorLuxottica Corporate Social Responsibility (CSR) Committee and Sustainability team

The EssilorLuxottica Corporate Social Responsibility (CSR) Committee consists of four members, two of which are independent Directors. Its members are Jeanette Wong (Chairwoman), Giovanni Giallombardo, Hubert Sagnières and Cristina Scocchia.

The main duty of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Company effectively addresses the deployment of the Company's Mission, which is fully integrated in the strategy. Accordingly, the Company exists 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 2.7 billion people who suffer from uncorrected poor vision and the 6.2 billion people who do not protect their eyes from harmful rays.

The CSR Committee's duties go beyond philanthropy, inclusive business and compliance to address the manner the Company manages its economic, social and environmental impacts as well as its relationships with stakeholders.

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

- sustainable development matters, including climate change, environmental policies and management systems, human rights, social impact, safety & well-being, diversity & inclusion, and sustainability reporting & disclosure;
- ethics and compliance matters, including core values, principles and sustainability-related regulations.

The CSR Committee also coordinates its works with the Audit and Risk Committee and the Strategy Committee for all matters related to the CSR Committee's areas of intervention. For more details on EssilorLuxottica's CSR Committee, see Chapter 2 of this Universal Registration Document.

A taskforce was created, comprising the sustainability teams of Essilor and Luxottica, to support the deployment of the EssilorLuxottica sustainability program. This operational taskforce aims to:

- guarantee compliance to non-financial disclosure and other major sustainability-related regulations;
- ensure that the progress of sustainability programs at both companies is consistent with EssilorLuxottica's Mission and values;
- facilitate dialogue and engagement of different corporate functions to support initial joint sustainability-related initiatives;
- lay the foundation for next years' sustainability roadmap.

4.3.2 CSR risk management

Risk is an integral part of doing business and can be defined as any uncertain event that could threaten the achievement of business objectives and strategies or the Company's tangible and intangible assets. EssilorLuxottica faces an evolving landscape of environmental, social and societal related risks, also called CSR risks, which can impact its profitability, growth and reputation. The Company is risk-averse towards events that could negatively affect the safety or well-being of employees, consumers and other stakeholders or endanger the natural environment.

This Chapter focuses on topics that were highlighted as most important during the CSR risk assessment, which was part of the EssilorLuxottica group-wide risk management process.

Methodology of EssilorLuxottica CSR risk assessment

As part of its commitment to mitigate environmental and social risks, EssilorLuxottica integrated the identification and assessment of CSR risks and opportunities into a group-wide risk assessment process that was conducted by the Risk Management and the Sustainability functions of Essilor and Luxottica in the last quarter of 2020. It covered all of the Company's geographies, legal entities and activities (see Chapter 1 of this Universal Registration Document).

After identifying the risk factors having a CSR dimension within the EssilorLuxottica risk taxonomy, an extensive review of internal and external information sources (*e.g.* Essilor and Luxottica materiality matrices, regulatory frameworks, rating agencies, institutional investor requests, customer expectations and sectoral risk reports) led to their breakdown into 20 CSR sub-risk factors. These factors are then defined and assessed according to impact, likelihood and mitigating measures using internal surveys, interviews and expert reviews.

Priority CSR risk categories

The cross-analysis of survey results, interviews, external documentation and facts allowed the Company to identify the most relevant CSR risk factors for the business. They are divided below into six categories that cover social and environmental responsibility and have been shared at the highest levels of responsibility within the organization:

Risk factors	CSR risk category
Business interruption	Climate change
Strategic innovation & product development	Sustainable offering
Intellectual property	
Licensing	
Industry & Market	
People management	Talent management
Corporate compliance & reporting (incl. sustainability)	Supplier sustainability
Corporate compliance & reporting (incl. sustainability)	Business ethics
Antitrust	
Data privacy	
Corporate compliance & reporting (incl. sustainability)	Human rights
Business interruption	
Pandemic	
Licensing	
Data privacy	

Section 4.3.2 sets out the six categories that carry CSR risks, as defined below.

- *Climate change:* the risk that the Company is not able to face and quickly adapt to physical risks or radical systematic changes linked to climate change (*e.g.* disruption in logistics or production due to natural hazards and/or change in regulation, such as carbon tax), which can lead to business disruption or higher operational costs (see Section 4.4.2.4);
- *Sustainable offering*: the risk that the Company is losing consumers, licenses and/or competitive advantage because of an inability to satisfy consumer preference and demand for more sustainable products and practices (*e.g.* CSR standards, transparency, substantiated claims, circularity, eco-design, recycled materials) (see Section 4.2.3);
- *Talent management:* the risk that the Company is not able to attract talent due to a lack of CSR references within the Employer Branding program or retain talent due to a perceived misalignment between the CSR commitment and its real implementation (see Section 4.4.1.2);
- *Supplier sustainability*: the risk that suppliers are not compliant with laws, international standards, EssilorLuxottica's Code of Ethics and the Company's requirements on labor, health and safety, environmental and ethical matters, and the risk of not meeting license and business partner expectations of sustainability topics (see Section 4.4.3.1);
- *Business ethics*: the risk that the Company is exposed to legal proceedings or reputational damage due to non-compliance with local and international laws on business ethics (*e.g.* corruption, bribery, inadequate commercial policies) and data protection, or other unethical behavior (see Section 4.4.3.3);
- *Human rights:* the risk that the Company is not compliant with local and international regulations on human rights (*e.g.* Modern Slavery Act, GDPR, Duty of Care, etc.) (see Section 4.4.3.2).

To mitigate such risks, the Company is relying on both Essilor and Luxottica risk management organizations to ensure that specific CSR policies, procedures and controls are being implemented at both operating and holding levels.

As required by regulation, the themes of "fighting against food waste and food poverty", "means in favor of responsible, fair and sustainable food", "the respect of animal welfare" and "consequences of the use of goods and services it produces on climate change" have been analyzed and none of them have been rated with high potential CSR risks for EssilorLuxottica. Furthermore, the COVID-19 pandemic risk has been added in the Group Risk universe and has been assessed accordingly. For more details about this specific risk, see Section 1.8.

4.3.3 Protocol and organization of non-financial reporting

Non-financial reporting provides a tool to help the Company monitor and understand its status and progress on sustainability priorities, risk management, and its associated impacts. It is also an opportunity to provide stakeholders with a complete and consistent overview of the Company's environmental and social impact.

As a French-listed company, EssilorLuxottica is taking European Directive no. 2014/95 (transposed into French law in August 2017, decree no. 2017-1265) as reference on its non-financial statement.

EssilorLuxottica Sustainability Reporting Protocol

First issued in 2019 and updated in 2020, EssilorLuxottica Sustainability Reporting Protocol contains detailed guidelines and a glossary that ensure alignment on indicator definitions, rules of reporting and data consistency.

The Reporting Protocol follows the guidelines of the Global Reporting Initiative (GRI) Standards and takes into consideration the global agenda of the United Nations Sustainable Development Goals (SDGs). For indicators on greenhouse gas (GHG) emissions, the Company follows the GHG Protocol.

For certain specific CSR topics (*e.g.* health and safety indicators), the information reported is analyzed and monitored by the Company in the normal course of its business, using company-specific KPIs and definitions of both Essilor group and Luxottica group.

The Company will continue to update and strengthen its Reporting Protocol to support sustainability performance monitoring and management.

(i) Reporting scope

The reference scope of non-financial reporting covers all the entities and subsidiaries within the Company's financial consolidation scope. The list of entities requested for sustainability reporting is updated annually according to the financial consolidation scope.

For each specific indicator, reporting coverage can vary and is specified separately in the disclosure of each indicator based on the headcount of the entities reporting information and the Company's total headcount.

(ii) Key indicators

The selection of EssilorLuxottica indicators is based on the activities, impact and common existing indicators of Essilor and Luxottica. It covers key sustainability pillars and topics that were identified on the basis of EssilorLuxottica's CSR risk assessment, important common topics for both Essilor and Luxottica and mandatory requirements set by the EU Directive no. 2014/95 (transposed into French law in August 2017, decree no. 2017-1265). Other criteria such as Guidelines of Global Reporting Initiative (GRI Standards), GHG Protocol, GLEC framework, TCFD recommendations, criteria of key accounts, rating agencies and indices and institutional investors were also considered when selecting the indicators.

In the course of continuously strengthening the monitoring of sustainability performance and effectiveness of risk management, new indicators (recordable incident rate, water risks, human rights training, etc.) have been added this year to cover more topics under People, Environment and Society pillars.

Meanwhile, both Essilor and Luxottica collect certain other indicators to monitor company-specific sustainability initiatives.

See Section 4.6 for more information on reporting scope, period, rules of reporting and consolidation, and other guidelines related to the information disclosed in this Chapter.

Reporting organization

In 2020, two reporting campaigns were organized at Essilor and Luxottica separately, using a collaborative process that was centrally managed by the respective sustainability teams and following common guidelines for EssilorLuxottica's Reporting Protocol.

For Essilor, all the relevant information for the sustainability reporting was collected through an Oracle-based tool – CARS/SUSTAIN2 – that replicates the structure of Essilor's unified financial reporting system. The data were uploaded by local Finance teams in coordination with data collectors from a network across all entities covering a range of disciplines (Human Resources, Environment-Health-Safety, Procurement, etc.). The data reported were controlled by local Finance teams at first, and then were consolidated and checked for consistency by Essilor's Sustainable Development Department.

For Luxottica, quantitative and qualitative inputs were collected using a combination of internal IT platforms (*e.g.* SAP for Finance, SAP HR and the Luxottica University platform) and templates that were prepared for each set of KPIs and included instructions for completion. Central data collectors were identified in each of the departments or functions involved and were responsible for: i) collecting the information at a local level with the support of local data collectors using the templates provided by the Sustainability team; ii) checking the consistency and validating the data; and iii) sharing the consolidated data with the Sustainability Department using the provided templates.

At the beginning of the reporting campaign, both Essilor and Luxottica sustainability teams held specific training webinars to explain the reporting process and information requested to relevant teams, as well as to engage them on the importance of timely and consistent sustainability reporting. The consolidated data of both companies is consistent with previous years on a standalone basis.

The information presented in this Chapter has been reviewed by PwC, an independent third-party organization, in accordance with regulations resulting from European Directive no. 2014/95. See Section 4.7, "Report of the Independent Third-Party Organization" for further details.

4.4 Fundamental sustainability pillars to support EssilorLuxottica's Mission

4.4.1 People

EssilorLuxottica's success is deeply intertwined with the over 140,000 employees worldwide who provide products of high technical and stylistic quality together with unparalleled levels of service. This global community embodies a unique know-how and DNA, and contributes to the Company's Mission to help people "see more, be more and live life to its fullest", providing employees with a unique sense of purpose. This, along with widespread active employee shareholding and well-being initiatives, are a source of strong employee engagement and sense of belonging. The broad spectrum of contexts, cultures and territories in which the Company operates gives it a distinguishing trait, and is one of EssilorLuxottica's unique strengths.

The Company seeks to develop a culture of learning, diversity and safety among its employees. Its tangible advancements in the workplace, from learning and development programs available at Essilor and Luxottica to its focus on the prevention of work-related injuries, are examples of how EssilorLuxottica engages, grows and protects its employees. Plurality and diversity are sources of enrichment, and a heritage that make the Company stronger and better able to face global challenges. Cooperation and dialogue are encouraged to make it an inclusive environment in which everyone can thrive. In this context, having qualified, motivated and engaged employees is crucial for its long-term success. As such, the search for excellence in recruitment and the development and well-being of its employees across the world are of strategic importance, and entail a working environment where everyone feels valued and is respectful of employee physical and moral integrity.

Social dialogue is promoted at all levels through the continuous dialogue between management, employees and their representatives, in accordance with trade union rights in each country. Collective agreements cover different topics (*e.g.* bonuses, social protection) that contribute to employee well-being, whereas employee shareholding reinforces employees' sense of commitment to the Company's Mission and strategy over the long-term.

4.4.1.1 The Company's workforce

TOTAL WORKFORCE

	2020	2019
TOTAL WORKFORCE	**151,017**	**161,505**
Total number of employees	140,429	152,954
Total number of agency workers	10,588	8,551

Note: To better illustrate the workforce of EssilorLuxottica, the Company decided to disclose its number of agency workers in addition to the number of employees. The figure for EssilorLuxottica is based on the combination of Essilor's numbers of employees and agency workers as of September 30, 2020 and Luxottica's numbers of employees and agency workers as of December 31, 2020. For more information on reporting methodology and scope, please refer to Section 4.6.

In 2020, the total workforce decreased by 6.5%, as the COVID-19 outbreak slowed business activities across divisions and geographies in the first part of the year, while the Company swiftly adapted to a challenging environment and a new way of working.

WORKFORCE BREAKDOWN BY GEOGRAPHY

	2020	2019
TOTAL WORKFORCE	**151,017**	**161,505**
North America	43,388 (29%)	51,851 (32%)
Europe	34,624 (23%)	33,340 (21%)
Asia, Oceania and Africa	55,035 (36%)	57,352 (35%)
Latin America	17,970 (12%)	18,962 (12%)

Note: For more information on reporting methodology and scope, please refer to Section 4.6.

The tables below detail the Company's employees according to category, gender, age and contract type.

EMPLOYEE BREAKDOWN BY CATEGORY AND BY GENDER

	2020	2019
TOTAL NUMBER OF EMPLOYEES	**140,429**	**152,954**
Total number of women	80,575 (57%)	88,660 (58%)
Total number of men	59,854 (43%)	64,294 (42%)
Executives – Senior management	**2,204 (1.6%)**	**2,235 (1.4%)**
Women	590 (27%)	607 (27%)
Men	1,614 (73%)	1,628 (73%)
Managers/Experts – Middle management	**10,888 (7.7%)**	**11,103 (7.3%)**
Women	4,501 (41%)	4,514 (41%)
Men	6,387 (59%)	6,589 (59%)
Professional – White collars	**42,140 (30.0%)**	**50,413 (33.0%)**
Women	22,607 (54%)	28,487 (57%
Men	19,533 (46%)	21,926 (43%)
Production/Shop staff – Blue collars	**85,197 (60.7%)**	**89,203 (58.3%)**
Women	52,877 (62%)	55,052 (62%)
Men	32,320 (38%)	34,151 (38%)

Note: Within the Company's employees, women represent approximately 60% of the total number of employees and approximately 40% of management roles (senior and middle management). For more information on reporting methodology and scope, please refer to Section 4.6.

EMPLOYEE BREAKDOWN BY AGE

	2020	2019
TOTAL NUMBER OF EMPLOYEES	**140,429**	**152,954**
Below 18	130 (0.1%)	227 (0.1%)
18-34	66,212 (47.1%)	75,005 (49.1%)
35-49	51,521(36.7%)	53,078 (34.7%)
Above 50	22,566 (16.1%)	24,644 (16.1%)

Note: For more information on reporting methodology and scope, please refer to Section 4.6.

EMPLOYEE BREAKDOWN BY CONTRACT TYPE

	2020	2019
TOTAL NUMBER OF EMPLOYEES	**140,429**	**152,954**
Permanent contract	109,910 (78.3%)	116,484 (76.2%)
Fixed term contract	30,519 (21.7%)	36,470 (23.8%)

Note: To better illustrate the employees component of EssilorLuxottica, the Company decided to disclose its employees breakdown by contract type for the first year. Almost 80% of employees hold permanent contracts within EssilorLuxottica. For more information on reporting methodology and scope, please refer to Section 4.6.

4.4.1.2 Equal opportunities and people development

At the very core of EssilorLuxottica are its people, who bring the Company's assets to life and are the key drivers of its success. Based on the principle that everyone's talent makes a difference has led both Essilor and Luxottica to recruit and engage their employees with a long-term perspective in which training, development and ensuring equal opportunities for everyone everywhere play a core role throughout the employee's career.

Diversity and inclusion

EssilorLuxottica is firmly committed to guaranteeing equal opportunities for every employee at all levels, and paying employees equally for the same work, regardless of race, gender, age, nationality, religion, sexual or political orientation, marital status, union affiliation or disability. The organization does not tolerate any form of discrimination, intimidation or harassment. The Company is firmly committed to building a work culture that is inclusive and nurtures diversity to allow unique perspectives and novel ideas to flourish. Professional roles and promotions are evaluated and assigned to guarantee a fair and meritocratic workplace.

EssilorLuxottica strives to create a community that values all backgrounds, identities and cultures. Operating across more than 150 different countries, the Company's workforce is made up of many different nationalities and languages, with talented people of every race, religion, gender, age and ability. The goal is to make every one of them feel accepted, appreciated and inspired at work.

To cultivate a culture of diversity and inclusion, many initiatives exist in different regions to promote open dialogue among employees and provide an inclusive work environment. For example:

- In the US, Luxottica tapped into its employee base to get their expectations around diversity and inclusion in the workplace through surveys, panels and open conversations. Taking its learnings into account, the company is launching a number of employee-facing initiatives in 2021, including programs focused on further educating local teams, creating opportunities for employees to share their personal experiences and identifying actionable ideas for creating a more inclusive workplace. Meanwhile, Essilor of America continues to support the growth of its Business Resource Groups (BRG) and Engagement Ambassadors. BRGs are voluntary and employee-led, and bring employees together through common interests, backgrounds or demographics. The five BRGs represent Women, a Multicultural and Inclusive experience, the LGBTQ+ community, and all Generations and Military Veterans. With Essilor's Engagement Ambassadors – the network of employees who support Mission, Wellness, and Career Development – they represent over 500 dedicated employees bringing focus on inclusion and diversity to life. Throughout 2020, Essilor of America launched a series of awareness and education initiatives in support of Social Justice that will continue through 2021. The BRGs hosted Courageous Conversations, creating a space for employees to share their feelings and discuss their experiences in a safe and open environment.
- In Brazil, the manufacturing site of Luxottica initiated a new annual program named "Olhar Consciente" (Informed Vision) in 2020, featuring a full week of activities dedicated to diversity and inclusion, and embracing surrounding communities.
- In China, Luxottica organizes annual events encouraging employees to share their hometown or regional traditions and rituals to further cultivate an inclusive environment for all ethnic groups.
- Globally, Luxottica University is launching a comprehensive learning initiative focused on unconscious bias and other diversity, equity and inclusion aspects.

Other actions focus on women's development and recognition, such as:

- In Latin America, Essilor has set a target of 40% female representation by 2022 in the top 180 leadership roles (*vs* 32.2% today). In support of this target, the region has committed to ensuring that no recruitment process – internal or external – will close without a female in consideration as a finalist. In France, for the second year, Essilor scored 94/100 on the Professional Equality Index, demonstrating the robustness of its policy on women's careers and compensation.
- In China, Essilor has designed a new initiative called "She Power Women Community" to drive diversity and improve women's workforce engagement. It is composed of various interactive activities, including panel discussions, debates, role model selection and best practice sharing that encourage women to seek higher roles. Similarly, Luxottica's manufacturing plant in China has an event dedicated to recognizing women who have served as high-performing role models for others throughout the year.

In 2020, EssilorLuxottica earned a spot on the Financial Times "Diversity Leaders" list, a nod to the Company's various efforts around diversity and inclusion in recent years. During the year, several women professionals at Essilor and Luxottica were honored among Vision Monday's list of the "Most Influential Women in Optical", representing wide-ranging industry recognition of their diverse and extensive background in the optical industry in North America.

Beyond gender equality, EssilorLuxottica's inclusion efforts include equal opportunities for all its employees regardless of their gender, age, religion, marital status, sexual or political orientation, disability. For instance, Essilor has been acting for a long time on the integration of disabled people. In France, the employment of disabled people represents 5.02% of the employee population, and 22 "handicap" correspondents lead the deployment of the Disability policy and advise disabled employees. EssilorLuxottica also has a firm commitment to paying employees equally for the same work, as professional roles and promotions are evaluated and assigned to guarantee a fair and meritocratic workplace. All these efforts are complemented by strong support for employee well-being. In Italy, Luxottica's innovative welfare program enables employees to manage their work-life balance by providing personal and family services, youth and education opportunities, health and well-being services, and income support. In France, Essilor has signed a new collective agreement with the Unions on Diversity and Inclusion for 2020-2023 that brings very concrete solutions to better balanced work and parenthood for both mothers and fathers (*e.g.* extension of a fully paid paternity leave, childcare services, school support).

Training and development

At EssilorLuxottica, supporting people with career-long training, skill development opportunities and internal mobility is essential, not only for their personal development but also for the Group's success. With a rapidly changing environment and growing macro challenges, and an important presence in emerging countries and areas that require specific know-how and expertise, the Company offers its employees and customers a personalized learning journey with the latest digital solutions and best-in-class contents through its online learning platform, EssilorLuxottica University.

Following the combination of Essilor and Luxottica, the Company sets out to leverage the best contents and experiences from each side to build a shared platform that can serve the workforce of the future. In 2020, this shared platform came to life, setting the basis of the EssilorLuxottica learning culture, where employees and customers can continuously expand their skills, knowledge and mindset. Featuring the most innovative courses from Essilor and Luxottica respective training catalogues and leading-edge virtual classrooms, the platform is accessible from anywhere via mobile or desktop to over 125,000 Essilor and Luxottica employees and nearly 200,000 opticians and sales associates hailing from Luxottica's wholesale clients worldwide (as of December 2020). Following the success of this first digital convergence, the two companies are now working towards a new version of the EssilorLuxottica University platform that will be introduced to employees and customers in Spring 2021.

At Essilor, online training offers are provided through additional Educational Partners such as LinkedIn Learning or Crossknowledge. In 2020, due to the COVID-19 crisis, its traditional classroom programs were replaced quickly by new digital learning initiatives. They included the webinar series "See more, Learn More" enrolling more than 700 participants; and free access to learning content on "EssilorUniversity@home", visited by more than 2,900 employees. Both concepts were created to support Essilor employees working largely from home and facing new challenges. Meanwhile, Essilor global leadership initiative "Grow our Team" has trained 459 managers worldwide, becoming a well-appreciated development course and a great example of impactful digital leadership training. In addition to these programs, multiple series of webinars, such as "Managing in a Remote Environment", "Building Resilience" and "Mastering Digital Communication Tools", have been offered and facilitated by local experts with a high level of satisfaction from the internal audience and a rating of more than 4.5/5. Lastly, new functional curriculums have been launched in Finance, HR and Marketing to accelerate Essilor's organizational transformation and support ongoing upskilling of the workforce. Despite the impact of COVID-19, the number of participants for corporate training has increased significantly. With more than 1,600 attendees in 2020, it is almost three times more than 2019. Digital training now represents more than 85% of Essilor's corporate leadership program. This trend should be sustained in the next couple of years, with a new design of hybrid learning solutions that offer a digital and classroom mix.

By the end of 2020, more than 45,000 Essilor employees were connected with online training solutions. With the transition to the new EssilorLuxottica learning platform in 2021, 100% of employees will have access to online training solutions.

Meanwhile, local training for production staff and all other management positions are conducted at entity level in every region. These include local onboard training and on-the-job training to help employees gain the necessary competences and grow within the company. In 2020, even though COVID-19 had a negative impact on locally organized training, more than 660,000 hours of local training was performed, with 62% dedicated to production staff.

At Luxottica, the introduction or development of new skills, the opportunity to improve existing competences and the support for expansive ways of thinking have always been a core element of its learning and development approach globally. In 2020, Luxottica delivered approximately 800,000 hours of training to employees, managers and directors around the world through learning initiatives offered online and, pre-COVID-19, in a classroom setting. The reduction in training hours compared to 2019 is due to COVID-19 and lockdown-related restrictions, which impacted employee learning and development initiatives, as well as a complete redesign of the online learning catalogue, which transitioned from traditionally longer courses to short and concise learning modules available on all devices 24/7. Even so, while part of the population shifted to remote work and only about one-third of stores were open during lockdowns with limited opening hours, the company accelerated its investments to provide the majority of its employees and customers with innovative, engaging training contents available in up to 40 languages through Luxottica University. Investing in learning also supported the well-being and engagement of each individual employee and their sense of community in such challenging times. As the broad and varied population of Luxottica began to rapidly adapt to digital learning, the introduction of virtual classrooms, first in Italy and then in the rest of the world, has completely transformed the learning experience. This interactive, engaging format reaches a broader audience and challenges conventional concepts of classroom training, as shown by the approximately 100,000 hours of distance learning it delivered in 2020. As a result, online course completions (including interactive modules and virtual classrooms) grew 40% from 2.5 million in 2019 to over 3.6 million in 2020.

Brief workshops on personal development and career growth are also provided, linked to the needs of the organization, such as the onboarding program for new hires and the performance evaluation process the company launched for managers and their team members in Italy in 2019. In 2020 the performance evaluation process was consolidated and implemented in other business units in Italy and other countries, such as Eastern Europe and Singapore. To guarantee a performance evaluation process that is unique and consistent at global level, the process is being adopted by other business units and regions. In 2021 colleagues in Latin America, Australia, Japan, Europe and the company's Retail division in Italy will join the process for the first time.

TRAINING HOURS AND NUMBER OF EMPLOYEES TRAINED

	2020	2019
TOTAL TRAINING HOURS DELIVERED	**1,444,546**	**2,024,723**
Centrally managed training hours	**655,437**	**737,709**
Locally managed training hours	**789,109**	**1,287,014**
Production/Shop staff – Blue Collars	479,674	821,751
Other Categories	309,435	465,263
Number of employees trained through centrally managed programs	**81,688**	**81,514**
Number of employees trained through locally managed programs	**56,381**	**87,497**

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica training information collected through the respective training platforms and reporting campaigns. Total training hours decreased by 29% in 2020, mainly due to the impact of the COVID-19 pandemic on the organization of classroom trainings. In response to this challenge, the majority of classroom training was transformed to online training, both at global and local level. Training centrally managed through corporate training programs such as Essilor University and Luxottica University represented 45% of the total Company training hours in 2020 and has trained approximately 82,000 employees, in line with last year's level. Local trainings were delivered in classroom settings where possible or through third-parties e-learning solutions. With more than 56,000 employees trained, close to 800,000 training hours were delivered, among which 60% were dedicated for blue collar workers.

Talent attraction

EssilorLuxottica is committed to offering an engaging and motivating workplace where everyone can unleash their full potential and express their talents. The Company achieves this by providing an environment based on trust and respect, and a cooperative leadership style deeply anchored in its Mission. With operations across more than 150 different countries and the ongoing transformation of the Company around the world, talent attraction and retention is strategic for the Company and taps into Essilor and Luxottica's employer value proposition.

While the careers section on each company's website and the respective LinkedIn pages offer transparent access to the opportunities available and enable candidates to apply online, several initiatives have been developed at both Essilor and Luxottica to attract, retain and engage talents.

- Facilitation and promotion of internal mobility opportunities through talent programs at Essilor. These include "People Exposure" to increase visibility of talent within the organization; "Excellor program" to better assess the potential of senior profiles and strengthen the internal pipeline for senior business leaders through 360° feedback and customized business simulations; and "COMET" to enable young people from Essilor's Emerging Talent pool to unleash their full potential by increasing self-awareness, working on strategic projects within multicultural teams, gaining exposure to senior leader members and being supported by an internal coach. In 2020, to embrace the changing work environment, 30 young talents from 12 nationalities and 14 job functions participated in the first digitalized version of the COMET program. "SeeUp", launched in 2020, increases internal mobility and encourages employees to own their career by providing a deeper understanding of talent management practices and initiatives under an overarching digital umbrella that encompasses different initiatives, such as webinars to support employees in powering up their career conversation, personal branding, networking and promoting internal career fairs for different functions;
- Regular presence on international campuses of top-ranking universities and management schools (*e.g.* MIT, Harvard, NYU, Columbia University, HEC, ESSEC, Bocconi University, Politecnico di Milano and MIP, Fudan, PolyU HongKong, etc.) by participating in career events, hosting information sessions and launching real case studies with students. The Company also contributes to emerging talent education by leveraging partnerships, such as CEMS, an alliance of more than 30 business schools worldwide, and student associations, such as AEBG (Alliance of European Business Game) and BEST (Board of European Students of Technology);
- Innovative talent acquisition programs, such as Essilor's SeeGrowth program, including ETP (Emerging Talent Program) and ELP (Emerging Leader Program), target new graduates and recent MBA graduates with four-to-eight years' experience from the best campuses. They offer students a rotation of roles globally, and Luxottica's "Futuresighters", its international graduate program, selects candidates from top ranked universities and schools worldwide to provide a development path aimed at creating all-round talented profiles ready to fill key positions in the company.

Specific talent attraction projects are also developed at local level. These include Luxottica's eyeFWD in North America and EYE Launch in Australia, which in 2020 were executed online in response to COVID-19. The former is designed to give optometry students a broader understanding of how to build and maintain a successful practice upon graduation. EYE Launch is a two-day graduate induction program and is the first part of Luxottica's two-year graduate development pathway, designed to ensure new optometry graduates are well equipped to start their career effectively.

4

4.4.1.3 Health and safety

For EssilorLuxottica, guaranteeing and protecting employee health and safety is a top priority, and is a common principle that will continue guiding the daily operations of the Company. Both Essilor and Luxottica have adopted all necessary measures, consistent with international standards and the target of reducing work-related accidents to a minimum.

As such, over the course of the past few years, several production and logistics sites and prescription labs have obtained the OHSAS 18001:2007 and the more recent ISO 45001:2018 Occupational Health and Safety Management certification, which provide a framework to identify and improve employee safety while preventing workplace risks. By 2020, 19 Essilor production plants and export labs and 15 Luxottica manufacturing plants, logistic hubs, lens laboratories and global headquarters were certified OHSAS 18001:2007 or ISO 45001:2018.

The respective EHS policies of Essilor and Luxottica are also shared and implemented across the two companies to minimize the health and safety risks to employees, customers and local communities.

In 2020, EssilorLuxottica and its operating subsidiaries announced several safety and operational efforts to respond to the COVID-19 pandemic. Leading by example, the Company has been working hard to ensure the health and safety of its over 140,000 employees and their families. In facilities that remained open across the globe to provide essential services to customers, including factories, lens laboratories and distribution centers, EssilorLuxottica has implemented heightened industrial hygiene protocols, provided employees with masks, introduced temperature checks, and established social distancing practices to keep employees safe.

As these facilities remained open along with the Company's optical brick-and-mortar stores – open with reduced working hours/days – and e-commerce platforms, EssilorLuxottica has been able to continue providing essential eyecare services and products to its customers and consumers, many of whom are on the front lines of this crisis.

In compliance with regulations and indications issued at world, national and local level, Luxottica's EHS department created, implemented, and constantly updated guidelines for each company division (e.g. Operations, Retail, Wholesale). The indications of those guidelines were immediately transposed into local protocols to handle all aspects linked to the management of emergencies, protecting the health and safety of employees in the first place, and the continuation of business where possible. Moreover, specific committees have been set up at central and local levels to monitor the evolution of the situation and adopt preventive measures aimed at maximizing the protection and well-being of employees.

As the COVID-19 pandemic spread in China, Essilor Crisis Management Teams (CMTs) were set up in China and at company level to define and implement basic preventive measures at various sites in China and subsequently the rest of the world. Quickly many more CMTs were activated with a strong coordination at Group level. Very often the Group implemented stricter than national/local requirements with the primary aim to ensure the health and safety of employees. In parallel, a global and daily tracking of new COVID-19 cases and follow-up on the health status of contaminated employees helped to inform and adapt the Group's cautious approach as operations and activity began to restart. As this pandemic continues to evolve, this structure of CMTs remains in place to ensure the safety of employees and business continuity.

The Company's journey towards zero work-related accidents

EssilorLuxottica is committed to a journey of zero work-related accidents through the implementation of strong health and safety programs that focus on identifying and preventing employee risks in the workplace. To achieve this, both Essilor and Luxottica have designed policies, action plans, procedures and on-site audits aimed at reducing the frequency and severity of accidents. Additionally, dedicated training programs have been essential in achieving the zero-work related accidents target.

To track progress towards the achievement of zero-work related accidents, Essilor defined within its 2020 sustainability targets, the goal of decreasing work-related injuries by 30% compared to the 2015 baseline. In 2020, Essilor achieved 80% of this target, with a reported reduction of 24% by the end of the year, thanks to the continuous expansion and deployment of safety guidelines on new topics, such as road safety, and within new company partners. In addition, health and safety requirements, such as safe machines and processes, ergonomic workstations and chemicals management, are part of the innovation process at Essilor to prevent accident risks at an early stage.

At Luxottica, the guidelines for health and safety go beyond fulfilling the training and information obligations set forth by local regulations. Since the launch of its "Zero Accidents" program in 2007, Luxottica has been developing a culture of accident prevention at its production and logistics sites. This includes the roll-out of Safety Corners, which are designated locations for posting information on health and safety matters and reporting unsafe or risky situations for workers. First introduced in Italy in 2015, this practice has been extended to its Chinese facilities in 2018 and to the Atlanta site in 2019.

The Company considers all injuries that happened on site should be taken and analyzed seriously. Information on work-related injuries are shown in the table below:

	2020	2019
TOTAL NUMBER OF WORK-RELATED INJURIES	**603**	**862**
Total number of work-related injuries with absence	**300**	**406**
Employees	282	372
Agency workers	18	34
Total number of work-related injuries without absence	**303**	**456**
Employees	279	412
Agency workers	24	44
NUMBER OF LOST DAYS DUE TO WORK-RELATED INJURIES WITH ABSENCE	**9,689**	**11,563**
Employees	9,241	10,913
Agency workers	448	650
FREQUENCY RATE FOR WORK-RELATED INJURIES WITH ABSENCE	**1.5**	**1.7**
Employees	1.5	1.8
Agency workers	1.3	1.5
SEVERITY RATE FOR WORK-RELATED INJURIES WITH ABSENCE	**0.05**	**0.05**
Employees	0.05	0.05
Agency workers	0.03	0.03
TOTAL RECORDABLE INCIDENT RATE	**3.1**	**3.7**
Employees	3.1	3.7
Agency workers	3.1	3.4

Note: To better illustrate the Company's performance of work-related injuries for its workforce, all work-related injury information is disclosed for employees and agency workers separately and total recordable incident rate is disclosed as a new indicator. 2019 data have been updated accordingly.

Work-related information is consolidated at Company level, and as a consequence, the frequency rate, severity rate and total recordable incident rate of work-related injuries are calculated based on the consolidated number of work-related injuries and lost days. Work-related injuries information covers 66% of the Company's total headcount and focuses on the manufacturing, lens laboratories and distribution sites, as a result of the H&S policy and management systems that have been implemented over the years across the Operations.

603 work-related injuries were reported in 2020, with a 30% decrease compared to 2019. This is partially linked to reduced presence of workers due to the COVID-19 pandemic. The frequency rate for work-related injuries with absence and the total recordable incident rate decreased for both employees and agency workers; the severity rate for work-related injuries with absence remained at the same level as the previous year.

For more information on the calculation method of frequency rate, severity rate and recordable incident rate of work-related injuries as well as the reporting scope, please refer to Section 4.6.

4.4.1.4 Employee shareholding

A pillar of EssilorLuxottica's culture and a key milestone in building a common identity as a truly united Group, employee shareholding reinforces employees' sense of commitment and engagement to the Company's Mission and strategy, fostering responsible and ethical business behaviors. It also aligns their long-term interests with those of the Group and of other shareholders and provides them with an opportunity to participate in the value creation and success of the Company.

After the success of its first joint employee share ownership initiative in 2019 whereby 12,000 eligible Luxottica employees in Italy joined the Company's global community of internal shareholders for the first time, the plan covered over 81 countries this year, corresponding to nearly 85,000 employees eligible for subscribtion. This gave Luxottica employees in Italy, India and Greater China the opportunity to join nearly 50,000 Essilor colleagues worldwide who, since the origins of Essilor and in particular over the past few years, decided to co-invest in the Company by purchasing shares on favorable terms. This resulted in an outstanding subscription rate of over 62% of eligible employees. Now 44% of EssilorLuxottica employees hold a financial stake in the Company.

The success of this International Share Ownership plan is another step forward in the integration process and construction of EssilorLuxottica, with the Company confirming its long-term commitment to promoting employee shareholding.

4.4.2 Environment

EssilorLuxottica is committed to optimizing the use of natural resources and reducing its environmental footprint across the value chain, from manufacturing to distribution. Among different environmental related topics, reducing energy consumption and water use, addressing climate change and reducing waste generation while increasing valorization of waste are at the forefront of the Company's commitment and actions. These multi-field efforts contribute to define the environmental sustainability attributes of new products and services, thereby contributing to decrease the environmental footprint of the entire organization (see Section 4.2.3). The Company closely monitors its environmental footprint in order to assess the effectiveness of different initiatives and prioritize future actions. This approach enables it to mitigate the risk of business interruption due to a shortage of key natural resources, loss of license to operate linked to environmental issues or regulatory changes, or climate change events.

Both Essilor and Luxottica have implemented environmental management systems that conform to the ISO 14001 standard. As a result, 22 production plants and export labs of Essilor as well as 15 manufacturing and distribution sites of Luxottica are ISO 14001 certified. In addition, Luxottica also obtained the Leadership in Energy and Environmental Design (LEED) certification for the logistics hubs built in Italy, China and the United States between 2016 and 2017, attesting to the fact that those premises have been designed and built with due respect for the surrounding ecosystem.

Respective EHS policies of Essilor and Luxottica are also shared and implemented across the two companies in order to minimize the environmental impact of activities. In addition, requirements related to energy consumption, water use, waste generation and valorization, are integral to the Company's innovation process so as to minimize environmental impact of the product and process from the early stage.

4.4.2.1 Energy management

For EssilorLuxottica, energy management is a priority amongst topics on its environmental agenda. Effective energy management not only helps the Company reduce the risk of undesired business interruptions, but it is also a lever to reduce operational costs and to fight climate change by reducing scope 1 and scope 2 of greenhouse gas (GHG) emissions (see Section 4.4.2.4).

In line with this, the Company's energy management efforts focus on two main aspects: improving energy efficiency and increasing the use of renewable energy.

Improving energy efficiency

EssilorLuxottica's energy initiatives are led by the respective EHS departments of Essilor and Luxottica.

At Essilor, energy efficiency initiatives are managed within the scope of the Reboost program, which follows a defined methodology framework including activities such as energy mapping for the main mass production sites and laboratories, installation of smart meters, benchmarking of energy models and medium-term energy reduction plans. Essilor's Reboost program covers the following dimensions:

- A review of the energy efficiency of manufacturing processes and peripheral units;
- Calibration of settings and usage of equipment, including Utilities equipment consumption (cold water, air conditioning, fresh air renewal rate, etc.);
- Improvement of the equipment efficiency ratio (EER) by the sites, redefinition of the stoppage or standby conditions for equipment with the highest consumption;
- Raising awareness among technicians and maintenance teams and providing them with training;
- Improving the energy efficiency of existing buildings.

As part of the energy efficiency strategy, 2020 sustainability targets were set aiming to reduce energy intensity by 15% compared to the 2015 baseline[(1)]. With the impact of COVID-19, the energy intensity reduction target was not achieved due to a decrease in production volume and additional use of an air treatment system to ensure safe working conditions.

For Luxottica, energy management is driven by investments in advanced technologies with low environmental impact. The goal is to increase the effectiveness of the production processes and guarantee a more efficient use of energy and natural resources. Since 2011, a structured system has been in place for the monitoring of the environmental impact of its manufacturing and distribution activities.

The installation of meters to monitor energy consumption in all its facilities in real time and the use of specific indicators allow Luxottica to identify priority action areas and define new projects and improvement plans. This includes investments in the self-generation of renewable energy, which continued in 2020, and the implementation and management of energy efficiency projects at its manufacturing and distributions sites. Energy optimization efforts also include improvements in store energy efficiency in terms of lighting, air conditioning and heating systems.

Associated with the Company's efforts of improving energy efficiency and structuring its energy management systems, Essilor's manufacturing sites in Thailand, China and Czech Republic and Luxottica's Italian, Chinese and Brazilian manufacturing facilities, Milan headquarters and Barberini lens manufacturing plant in Germany have obtained ISO 50001 certification over the years.

Increasing the use of renewable energy

With regards to the Company's energy mix, renewable energy is being used or is self-produced locally, particularly in countries where this option is available and offered as an alternative to industrial customers. Some examples of the use of renewable energy include:

- Since 2013, Luxottica has been investing in reducing CO_2 emissions by generating renewable energy thanks to the installment of solar panel systems and biomass heating systems at its manufacturing and distribution sites, starting with Italy. Their gradual roll-out has enabled the company to more than quadruple the quota of self-generated clean energy in Italy between 2015 and 2020. This effort continued in the second half of 2020 with the installment of two big photovoltaic systems in Agordo and Sedico sites. Their entry into service is expected in 2021, together with the installment of other photovoltaic systems at other sites;
- During 2020, the power supply at Luxottica's headquarters in Milan, directly managed retail stores and manufacturing and distribution sites in Italy started to switch to certified green energy;
- Since 2018, Essilor's export laboratory in India has been getting 70% of its energy from a neighboring solar farm;
- Since 2019, Essilor's Satisloh Italy development and manufacturing plant started producing renewable energy with the help of solar panels installed in their facilities. This project contributed to 33% of the site's energy consumption, resulting in an annual reduction of 215 tons of CO_2 emissions.

In 2020, Essilor formalized the energy sourcing category to further strengthen its energy management and better engage actions with energy suppliers. For 2021, the company will develop further on renewable energy sourcing along with an effort to increase its renewable shares in its energy mix.

Based on the average percentage of renewable energy in the electricity mix by country according to the International Energy Agency (IEA) database, the amount of renewable energy purchased within EssilorLuxottica's total electricity mix is 25%.

(1) Target measured on energy consumption per each "good" lens produced through a selection of the upstream plants as per the highest environmental footprint.

The below table shows the Company's combined energy consumption in 2020, and the evolution compared with 2019:

	2020	2019
TOTAL ENERGY CONSUMPTION *(GWh)*	**1,502.9**	**1,594.4**
Electricity	1,306.1	1,383.7
Gas	179.0	188.0
Liquid fuel	9.9	14.3
Self-produced renewable energy	5.6	5.5
Steam	2.3	2.9

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's energy consumption data collected through the respective reporting campaigns. 2020 energy consumption information covers 94% of the Company's headcount.

To better illustrate all sources of energy used within the Company, steam, which is used in a few sites at Essilor, is disclosed separately starting from this year (previously combined with electricity). 2019 energy breakdown has been updated accordingly.

Energy consumption has decreased mainly due to COVID-19 lockdown measures and mobility restrictions, resulting in 1) temporary suspension of manufacturing, logistics and optical labs activities in the most acute phases of the COVID-19 pandemic as required by government guidelines, 2) office employees' shift to remote work, and 3) closure of Luxottica's retail stores in the first part of the year (the number of open corporate stores moved from a low of around 1,800 in mid-April, to approximately 4,000 at the end of May and around 6,000 at the end of June). However, this reduction is partially offset by the extension of Luxottica's reporting scope which in 2020 included 100% of directly managed retail stores (62% in 2019).

Luxottica's 2019 energy consumption has been restated following the update of the conversion factors in the EssilorLuxottica Reporting Protocol with the aim of providing comparative information. For more information on the Company's reporting scope, please refer to Section 4.6.

4.4.2.2 Water management

Water is a key natural resource for the Company's activities, and it is a primary element for the lens and frame manufacturing processes. Robust water management is not only important to ensure the quality, continuity and efficiency of the production operations, but it is also essential for the well-being of the Company's employees and local communities where the Company is present. The initiatives led by the respective EHS departments at Essilor and Luxottica have focused on two main aspects: water use reduction and wastewater discharge control.

Water use reduction

Both Essilor and Luxottica pursue the introduction of new technologies and processes in order to optimize water use at their facilities.

Water use reduction is a high priority at Essilor as both mass production plants and prescription laboratories use considerable quantities of water for lens machining, surfacing and rinsing operations. To actively reduce its water use, Essilor launched the "Reboost Water" program, which aims to define and roll out its performance standards, along with associated field projects, to reduce the main environmental impacts. Reboost Water program has focused on the following actions at local level:

- water mapping for equipment using water for the main laboratories and mass production sites;
- installation of "smart" meters to accurately measure the water use with different levels of granularity;
- comparison of sites' water performance with the benchmark process or "water model";
- drafting of a medium-term plan to reduce water use at site level.

Each region has to define its own water roadmap, a process which is overseen at the company level.

The Reboost approach has been expanded over the past few years and now covers all manufacturing sites in all regions. To track the effectiveness of the actions and progress achieved, Essilor defined its 2020 water target of reducing water intensity by 20% compared to its 2015 baseline(1). Although this target has been over-achieved with a 26% reduction by end of 2019, in 2020, due to the decrease of production volume with the impact of COVID-19, water intensity has increased compared to previous year, with 18% reduction compared to 2015 baseline.

Beyond the Essilor group target, for entities with potential water risks identified following WWF Water Risk Filter framework, more stringent water reduction targets have been set with proactive water conservation plans; these sites have seen significant water reduction results over the past years.

Over the years, Luxottica has also invested in the management and optimization of the use of water resources in its manufacturing sites, lens laboratories and logistics hubs. These efforts range from daily commitments, such as the replacement of old valves with time-delay ones and the continuous improvement of the consumption measurement system, to structural improvements of traditional resource heavy processes, such as galvanization.

The introduction of the new eco-sustainable galvanization technique in Luxottica's main manufacturing sites of metal frames and components in China (2014) and Italy (2016) allowed it to reduce the amount of water and energy consumed as it is an integrated water treatment and recycling system that allows water to be reused in the process. Following these positive effects on water consumption, between 2018 and 2019 Luxottica installed closed-circuit water systems in the galvanizing plants and in painting processes inside its other sites in Italy dedicated to metal frames and components manufacturing.

(1) Target measured on water use per each "good" lens produced by a selection of the upstream plants with the highest environmental footprint.

The table below shows the water footprint of the Company in 2020, and the evolution compared with 2019:

	2020	2019
TOTAL WATER USE (*m³*)	**7,358,458**	**8,031,007**
Third-party water	6,021,045	6,512,445
Natural water	1,337,413	1,518,562

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica water data collected through the respective reporting campaigns of the two companies. Water data covers 62% of the Company's headcount, as these data do not include water usage in offices and retail stores due to their limited water consumption.

Total water consumption has decreased by 8% mainly due to the reduced production and business activities related to the COVID-19 pandemic. For more information on the Company's reporting scope, please refer to Section 4.6.

Wastewater control

The second axis of the program concerns wastewater control. In this context, the quantity and quality of water discharges are monitored and managed, whenever relevant.

Essilor and Luxottica have both invested in onsite wastewater treatment systems at their facilities, from single or combined filtering, neutralization, settling and degreasing processes to complete processing units, purification plants or similar treatment facilities.

At Essilor suspended materials parameters are also monitored within the "Wastewater Model" program under the "Reboost" scope, which helps to identify required actions to prevent water discharge incidents outside permitted limits, especially due to reductions of water withdrawal that will consequently increase the concentration of pollutants.

At Luxottica, the installation of onsite closed-circuit water recycling systems and of the wastewater treatment system at its main Italian plant allow the company to reprocess industrial effluents and extract high quality water. Given the positive effects on the environment, between 2019 and 2020 a new treatment system was adopted in the Chinese manufacturing site, allowing it to significantly reduce the amount of wastewater discharged.

4.4.2.3 Waste management

Waste management is also a crucial pillar of EssilorLuxottica's commitment to reducing its environmental footprint. It encompasses several initiatives that are already in place at both Essilor and Luxottica to effectively reduce waste generation at their industrial operations and to contribute to a more circular economy. These include the reduction of raw materials loss, policies to recover residual parts and scraps during production activities and processes, discarded consumables, wasted chemicals throughout production processes and packaging.

Moreover, both companies have completed a waste generation specific analysis of their main manufacturing plants, distribution centers and laboratories to determine the type of waste generated and improve the identification and management of waste and its potential recycling or recovery.

At Essilor, waste reduction is mainly achieved through a strategy combining improvement of manufacturing yields (quality management, continuous improvement, eco-design, etc.) with the promotion of the "3Rs". The 3Rs include Reducing the volume of materials used in the various processes (manufacture, distribution), Reusing and Recycling raw materials and packaging. To cite a few examples by way of illustration:

- the compacting of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water, which is then filtered and reinjected into the prescription laboratory's in-house system. A pilot has also been successfully launched to compact the shaving of other materials (*e.g.* ORMA, high index) with a similar level of performance and will be progressively implemented at the main prescription laboratories;
- a pilot project to reduce the size of semi-finished lenses in order to reduce the swarf generated was launched in 2018 to assess the technical robustness, scalability and environmental impact of the slimmed semi-finished lenses and is now being progressively rolled-out;
- a reusable shuttle packaging, known as "Bulkpack", between certain production plants and laboratories has helped the sites to significantly reduce their packaging waste.

Luxottica's manufacturing flexibility and improved demand forecasting capabilities are key for the reduction of waste at its plants. Over the years, it has introduced a retro-planning approach to the creation and launch of each eyewear collection, allowing it to better plan its production volumes and thereby avoid the situation of manufacturing more units than needed. In more recent years, Luxottica has also invested in the continuous improvement of manufacturing processes in order to further reduce its environmental impact, such as the installment of evaporator systems and a wastewater treatment system. It also focuses on managing the most common forms of waste within its stores, such as cardboard, plastic and paper. However, challenges occur when a city or country does not have the necessary recycling systems available and, indeed, the share of stores that reported recycling practices for waste was also limited in 2020.

The table below shows the waste generation of EssilorLuxottica in 2020, and the evolution compared with 2019:

	2020	2019
TOTAL WASTE GENERATION (*tons*)	**99,751**	**104,256**
Total non-hazardous waste	**62,941**	**70,487**
Sent to material recycling	19,819	22,519
Sent to incineration with energy recovery	10,051	10,762
Sent to incineration without energy recovery	2,935	3,281
Sent to landfill	30,136	33,925
Total hazardous waste	**36,810**	**33,769**
Sent to material recycling	3,433	3,686
Sent to incineration with energy recovery	2,630	3,354
Sent to incineration without energy recovery	1,880	2,324
Sent to landfill	28,867	24,405
Waste recover/recycle rate	**36%**	**39%**

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's waste data collected through their respective reporting campaigns. 2020 waste generation data covers 57% of the Company's headcount, as these data do not include offices and retail stores due to unavailability of quantitative information.

Reported waste generation decreased by 4% at EssilorLuxottica, with mixed factors: 1) within Essilor's scope, total waste generation decreased by 11% mainly due to the reduction in production related to the COVID-19 pandemic; 2) for Luxottica, total waste generation was quite in line with the previous year. The reductions that the majority of sites registered following improved waste management systems and reporting, alongside lower manufacturing volumes, were counterbalanced by an increase in the total waste generated due to the compulsory shut down of the wastewater treatment system in the Agordo manufacturing site during the plant expansion works.

36% of the Company's total waste has been recycled or recovered.

For more information on the Company's reporting scope, please refer to Section 4.6.

4.4.2.4 Climate change

Adapting to climate change and moving towards a low carbon economy are among the topics at the top of the global agenda today. EssilorLuxottica, as an industry leader, acts to address this global challenge. On the one hand, climate-related actions are drivers of operational efficiency, innovation and competitiveness; on the other hand, the Company needs to be resilient to climate-related risks, which may expose it to business interruptions or higher operational costs due to climate hazards or radical systematic changes in regulation or society.

The Company supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to ensure comprehensive and transparent disclosure on climate-related risks and opportunities as it builds and executes its climate change roadmap. EssilorLuxottica's approach to addressing climate change is recalled below according to the four key pillars of the TCFD guidelines. Additional references are provided inside the reconciliation table in Section 4.6.

Governance

Climate Change topics are part of the topics reviewed by the Company's CSR Committee annually. The role of the CSR Committee is stated in Chapter 2 of this Universal Registration Document and Section 4.3.1.

At an operational level, both Essilor and Luxottica have specific governance structures and working groups to ensure the advance of actions. At Essilor, a cross-functional task force including EHS, Global Engineering, Supply Chain, Procurement and R&D departments was formalized in 2020 to ease collaborative projects, support key decision makings and ensure the deployment of Essilor climate change program. The progress of climate actions is reviewed by the Essilor Sustainability Steering Committee on a quarterly basis. At Luxottica, the management of environmental issues involves a number of leaders across different teams (EHS, Manufacturing, R&D, Procurement, Logistics, Real Estate, Retail and Sustainability) that identify priority action areas, define new projects and investments and ensure the execution of the Luxottica's approach to climate-related topics.

Strategy

Concerns about climate change require EssilorLuxottica to develop solutions to adapt and quickly respond to the challenges posed by this issue. The Company aims to maintain a good knowledge of global climate projections and assess its exposure to physical risks of climate change to improve its resilience and prepare the business for potential consequences. See Section 4.2.1 for the Company's business model, environmental and social challenges which formulate its climate change approach.

Both Essilor and Luxottica have made efforts across the value chain with the ambition of limiting and reducing their impact on the climate. These include investing in energy efficiency programs and optimizing their production equipment and logistics flows, while innovating in the field of sustainable raw materials and low-carbon products and services. See Section 4.2.3 for the Company's strategy on its sustainable offering and Section 4.4.2 for its commitment and approach to limiting its environmental footprint.

Risk management

Climate change risk is identified as one of the six priority CSR risks of EssilorLuxottica through the CSR risk assessment which is aligned with the Group-wide risk assessment process. See Section 1.8 and Section 4.3.2 for the methodology and results of the Group-wide and CSR-specific risk assessment.

1. Identification and management of physical climate risks

Beyond CSR risk assessment, specific climate risk assessment has been performed to better understand climate-related risks. For instance, Essilor has built its first physical climate risk model based on five climate hazards (temperature, humidity, droughts, flood and storm) in the mid-term (2030) and long-term (2050), to assess the risk exposure of significant operations sites. In 2020, a pilot project has been conducted integrating climate physical risk assessment into new plant investment processes to mitigate and be better prepared for potential climate risks.

Water risks are also assessed in the main areas where EssilorLuxottica's sites are located combining results from the WWF Water Risk Filter with both basin risk assessment and site-specific information. By doing so, the Company is able to identify water risks, seize their potential impact and monitor the implementation of water stewardship projects. In 2020, based on a renewed assessment for an expanded scope of sites[(1)], manufacturing sites in five locations (Delhi and Bangalore in India, Chihuahua and Tihuana in Mexico and Madrid in Spain), accounting for 3% of the Company's total water use, are exposed to water risks with potential restrictions on water withdrawals imposed by local authorities, increases in the cost of water as well as potential questions from local stakeholders who are also dependent on these water resources. EssilorLuxottica mitigates the related water risks by defining a more stringent water roadmap for these sites with specific water efficiency targets, water supply management and interaction with local communities. See Section 4.4.2.2.

2. Identification and management of transition climate risks

The Company may entail extensive policy and regulation changes, technology limits, market shift or reputational risks throughout the global transition towards a lower-carbon economy.

To contribute to this transition and to manage the related risks, both Essilor and Luxottica have implemented actions to reduce their carbon footprint, with ongoing discussions to harmonize the practices and support the creation of EssilorLuxottica climate change roadmap.

Regarding emissions linked to energy consumption within operational scope (scope 1 and scope 2), see Section 4.4.2.1 for initiatives on energy efficiency and the use of renewable energy.

For upstream and downstream indirect emissions (scope 3), efforts to reduce related emissions are made through different workstreams such as product development and design (see Section 4.2.3) and waste management (Section 4.4.2.3).

In addition, the Company has focused particularly on the area of transportation and distribution of products, which accounts for one of the most important indirect carbon emissions sources. Both Essilor and Luxottica have dedicated teams on "green supply chain" initiatives. Starting from 2019, several working sessions have been organized to start aligning the carbon reporting guidelines, engagement with suppliers and action plans to reduce carbon emissions.

The Company committed to continuously monitor the transportation market in order to find new and alternative solutions to reduce the carbon emissions working closely together with its logistics partners. In an effort to add sustainable development to the selection criteria of carriers, a specific chapter, including a questionnaire dedicated to carrier's Green Supply Chain strategy, program and KPIs enabling measurement of the different actions to decrease carbon footprint, was integrated into requests for quotations and contracts of all EssilorLuxottica global forwarders and local carriers. In this way, the main actions to be considered are part of the criteria for the final supplier selection process and include initiatives such as increasing carbon free solutions for last mile and inner-city transportation, extending long haul routes using lower carbon emission vehicles, prioritizing direct flights for air international flows and introducing carbon neutral services.

At Luxottica, current projects include green shipping options for its proprietary e-commerce platforms, partnerships with local providers to use alternative fuel solutions and green vehicles where available and a comprehensive mapping of its logistics packaging.

At Essilor, efforts have also been made on largely reducing the logistics emissions of its inbound international flows through shifts in transportation modes (*e.g.* from air to sea and air to road) and the nearshoring/reshoring process which reduced the transportation distance for certain flows.

EssilorLuxottica's employees are also involved in specific initiatives aimed at raising awareness around climate change and sustainability. In 2020, climate change awareness workshops were organized at Essilor, where 800 employees were able to learn about the causes and consequences of climate change and how to act in a more impactful way. E-learning modules on water and energy saving and on the protection of the environment were delivered to over 9,000 employees through Luxottica University and to approximately 2,400 Luxottica's employees in classroom settings. Meanwhile, in conjunction with its efforts to reduce environmental impacts, in December 2020 Luxottica announced the launch of a first major forest restoration project in an area of 30 hectares in the foothills of the Dolomites (UNESCO World Heritage Site), which were damaged in 2018 by the severe Storm Vaia and are situated behind the company's main production plant in Agordo. Starting from the first quarter of 2021, the company will take charge of 15,000 trees and will plant 2,000 new ones, using only locally sourced species, to increase the forest's biodiversity and resilience in accordance with scientific guidance. In addition, it is estimated that Luxottica's forest will bring real benefits in terms of capturing and conserving CO_2 and will foster a circular economy by using salvaged wood and forest waste for new local purposes, including the production of clean, renewable energy from biomass.

Metrics and targets

Metrics used by the Company to assess climate-related risk management are disclosed in respective sections: energy related metrics (see Section 4.4.2.1), water related metrics (see Section 4.4.2.2), waste related metrics (see Section 4.4.2.3).

In regard to greenhouse gas (GHG) emissions, the Company has progressively improved its reporting capacity by strengthening the data collection process and by extending the reporting scope over the years.

(1) 2020 EssilorLuxottica water risk assessment was conducted for 23 production plants and 49 prescription laboratories of Essilor representing 90% of its lens manufacturing; and for all Luxottica's Operations globally, consisting of 15 manufacturing facilities (representing 100% of its prescription frames and sunglasses manufacturing), 8 central lens laboratories and 4 primary distribution service centers.

Following GHG Protocol standard, the Company regularly monitors its GHG emissions of:

- Scope 1 emissions, direct GHG emissions generated from sources that are owned or controlled by the Company;
- Scope 2 emissions, GHG emissions from the generation of purchased energy (*e.g.* purchased electricity) consumed by the Company;
- Scope 3 emissions associated with transportation and distribution of products, which accounts for one of the most important carbon emission sources of the Company.

In 2020, in efforts to align its emissions calculation with the most up-to-date databases and to harmonize the reporting framework between Essilor and Luxottica, the Company used the latest ADEME (l'Agence de l'environnement et de la maîtrise de l'énergie) emission factors for calculating scope 1 and scope 2 emissions, and GLEC (Global Logistics Emissions Council) emission factors for calculating scope 3 emissions deriving from transportation. To allow a relevant comparison of the past two years, 2019 emissions data have been restated accordingly.

The below table shows EssilorLuxottica's overall scope 1, scope 2 and scope 3 GHG emissions associated with transportation of products.

	2020	2019
TOTAL SCOPE 1 + 2 EMISSIONS *(tCO_2eq)*	**742,854**	**787,153**
Scope 1 emissions	**46,011**	**49,547**
Gas	42,785	44,923
Liquid fuel	3,226	4,624
Scope 2 emissions	**696,843**	**737,606**
Electricity	696,580	737,272
Steam	263	334
SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION *(tCO_2eq)*	**194,955**	**239,753**

Note: The figure for EssilorLuxottica is based on the combination of Essilor and Luxottica's GHG emissions data calculated according to the EssilorLuxottica Reporting Protocol.

In 2020, several changes have been made to bring full alignment between Essilor and Luxottica, and include the use of updated emission factors for scope 1 (ADEME), scope 2 (ADEME) and scope 3 (GLEC). For more information on reporting scope, reporting methodology and all updates compared to last year, please refer to Section 4.6.

Scope 1 and scope 2 emissions have decreased by 6%, in line with the reduction of the Company's energy consumption. Consistently with the energy indicators, information on scope 1 and scope 2 GHG emissions covers 94% of the Company's headcount.

Scope 3 emissions here presented are generated from the transportation and distribution of EssilorLuxottica's products. This figure is based on the combination of Essilor and Luxottica's transportation emissions data collected on a Well-to-Wheel basis (WTW) by the respective supply chain teams. Notwithstanding increased reporting coverage, scope 3 emissions associated with transportation decreased due to:

1) volume effect related to the slowdown of activities because of COVID-19;

2) shifts in transportation modes (e.g. from air to sea and air to road) at Essilor and use of green last mile and alternative fuel trucks on EMEA perimeter at Luxottica;

3) the nearshoring/reshoring process started at Essilor in order to better reduce the transportation distance for certain flows and actions performed at Luxottica to prefer direct flights for Replenishment flows.

Monitoring the carbon footprint along the value chain allows the Company to gain an overview of the carbon emissions for each main activity and to track the effectiveness of existing actions. These efforts are being extended to identify key levers of action and define the EssilorLuxottica climate roadmap, including relevant targets.

4.4.3 Society

Having a direct relationship with customers and consumers around the world, EssilorLuxottica has a responsibility to lead by example. As every human being deserves to be able to see clearly, the Company is fiercely committed to serving their evolving vision correction and protection needs with innovative solutions. These include inclusive business models, awareness campaigns and philanthropic activities such as providing eye exams and eyeglasses to people who are most in need. The Company brings its stakeholders along in this social mission by ensuring that they respect a common set of working principles.

EssilorLuxottica bases its success on the proper consideration of local impacts, dialogue with stakeholders and the creation of shared value with partners, suppliers, governments and local communities. The establishment of EssilorLuxottica sites provides access to meaningful jobs in a buoyant sector and generates significant direct and indirect income. The Company's Code of Ethics is the foundation of all business relations and applies to all its stakeholders everywhere and in every circumstance, making it a solid base for fair and honest collaboration.

The Company also contributes to the United Nations Sustainable Development Goals.

4.4.3.1 Supplier sustainability

For EssilorLuxottica, supply chain efficiency is fundamental in order to guarantee the high quality of its products and services and contributes to maintaining and enhancing the reputation of the Company. The supplier sustainability programs of Essilor and Luxottica are rooted in the principles stated in the Company's Code of Ethics and respect of international regulation and local laws, including the International Labor Organization (ILO) Conventions, United Nations Global Compact Principles and specific selected criteria such as SA8000 certification.

EssilorLuxottica relies on the standards that Essilor and Luxottica have each defined and requests suppliers to respect and adhere to the Company's commitments in the areas of ethics, labor, health, safety and the environment.

At Essilor, a dedicated Supplier Sustainability Program (SSP) has been in place since 2016 to manage its supplier relations. The program is composed of two parts. The first is sustainable purchasing, intended to assess each supplier's CSR performance and compliance with the principles outlined in the Supplier Charter. The purpose of the Charter is to advance corporate sustainability standards and legal compliance for itself as well as with its suppliers on topics such as human rights and labour standards, environment, health and safety, business relationships and legal compliance.

The second element is responsible purchasing, conceived for the purpose of encouraging suppliers to embark on initiatives that will have a positive impact on people and the environment. The implementation of the various parts of the program is guaranteed by a sustainable purchasing manager within the company's Sourcing and Procurement department. This function relies on regional purchasing managers and regional SSP Leaders to ensure the successful implementation and monitoring of the program.

In parallel with this, in 2013, Luxottica implemented the Luxottica Responsible Sourcing and Manufacturing program (LRSM), which applies to both its production and distribution sites as well as suppliers of mainly direct materials and finished products (including the Apparel, Footwear and Accessories business, AFA). The objective of this program is to guarantee the respect of the Code of Ethics, regulatory compliance with local laws and regulations and the full alignment with Luxottica's principles on ethics, labor, health and safety and the environment. At the same time, the program mitigates the reputational and business continuity risks of its supply chain, which is fundamental for guaranteeing the consistency of the services and the high quality of its products. Given its inter-departmental nature, the program brings together representatives of the Sourcing, Internal Audit, Manufacturing, Quality, Sustainability, Risk Management, Compliance & Asset Protection departments in a Steering Committee which periodically evaluates the status of the program and discusses further steps to take.

Supplier performance assessment

Supplier performance and risk assessment are at the core of EssilorLuxottica's supplier sustainability actions. To ensure this, qualified third-parties audit suppliers' compliance with the Company's ethical working principles as well as environmental and social responsibilities. In this respect, two different mechanisms are being used at Essilor and Luxottica respectively.

Essilor's purchasing department assesses supplier's performance, for both direct and indirect categories, by means of a shared self-assessment platform run by EcoVadis. Since 2020, in order to reinforce the supplier selection, the company has been accepting alternative assessments done by other recognized third-party auditors (*e.g.* Intertek, BSCI, SGS). Based on the results of the supplier's self-assessment, Essilor gives a score to them based on four different categories: opportunity, engaged, medium risk (30-44) and high risk (<30). When the results of their self-assessment are not satisfactory (30-44) or when a potential risk is identified, the suppliers must design and implement remedial actions to counter the identified weaknesses. For suppliers with low and unsatisfactory performance (<30), or for strategic suppliers refusing EcoVadis or any alternative assessment, third-party on-site audits are conducted, followed by the request to implement a progress plan and annual assessments to counteract the risk. To do so, suppliers may call on Essilor's purchasing managers who are trained to support them in their improvement processes. Once remedial actions have been implemented, suppliers must undergo a new assessment. In the event that a non-compliant supplier does not wish to implement remedial actions or commit to make progress, Essilor may have to terminate its business relationship with that supplier. In 2020, Essilor conducted one follow-up audit to the only high-risk supplier identified.

For Luxottica, Operations Sourcing together with Risk Management, Compliance & Asset Protection Functions are leading the Luxottica Responsible Sourcing and Manufacturing (LRSM) program and are supported by third-party auditors in charge of monitoring suppliers'compliance with the company's standards and LRSM principles as well as to implement corrective actions in the event of non-compliance with the company's Code of Ethics and/or local regulations, specifically targeting suppliers of direct materials and finished products and, more recently, also indirect suppliers.

Suppliers' compliance is verified through an audit process which highlights areas of improvement or non-conformity. Luxottica implemented a "Zero Tolerance" mechanism to prevent the risk of serious cases of non-compliance with sensitive topics, including child labor, use of forced labor and corruption actions, when selecting and monitoring suppliers. This mechanism requires immediate action from the supplier to comply with the rule and implies its phase out in the event of non-compliance. The company, in fact, requests suppliers to close all issues raised during the audit by an agreed deadline, giving priority to zero tolerance and non-compliances with local laws, international frameworks (*e.g.* ILO Conventions) and minimum recognized management practices (*e.g.* ISO standards).

Suppliers showing no improvement and repeated issues across multiple audits can be considered for phase out.

As detailed below, the number of current and potential suppliers of direct materials for the eyewear business that were subject to audits was 40 in 2020 and no major instances of non-compliance with LRSM requirements were identified:

- one follow-up audit due to the unsatisfactory results of the audit from the previous year;
- ten preventive audits, in order to qualify new suppliers or to establish a number of alternative suppliers in the event of particularly critical situations;
- 29 maintenance audits, in order to continue to be qualified as the company's suppliers.

The audit process on AFA suppliers continued in 2020, with 34 audits on production plants of suppliers located in Asia-Pacific, Latin America and Europe. Only two instances of non-compliance with LRSM requirements were identified and the follow-up audits will be performed in 2021.

Risk prevention and mitigation mechanisms

In conjunction with the supplier assessment initiatives, risk prevention and mitigation mechanisms have been instrumental to guarantee the respect of the Company's principles and standards along its value chain. Purchasing teams from Essilor and Luxottica follow strict exclusion tools to ensure high risk or non-compliant suppliers are ruled out from the sourcing and procurement process.

In this regard, Essilor strengthened its mitigation mechanisms with the implementation of an "Exclusion Procedure". This procedure applies to suppliers who do not meet the company's requirements after an on-site social and environmental audit and who refuse to implement the necessary corrective actions. For Luxottica, the whole process is risk-based, starting with the selection of candidates to be included in annual LRSM audit plan, in order to guarantee appropriate monitoring of high-risk suppliers, and ending with the definition of the rules for re-auditing or re-qualification, follow-up in short terms in case of audit failure and a two to three-year timeframe in case of audit pass. In 2020, a renewed rating system introduced the concept of recurrence in order to highlight those situations where the non-conformity is systemic and not occasional.

Strengthening EssilorLuxottica supplier sustainability programs

To support and strengthen the supplier sustainability programs and ensure alignment with the Company's standards, both Essilor and Luxottica have in place training initiatives targeting suppliers and the purchasing community.

For Essilor, initiatives include face-to-face workshops, classroom training, as well as online training tools launched for both professional buyers and suppliers in 2018. The two main targets to be achieved by 2020 have been successfully reached: all the company's strategic suppliers have been evaluated by EcoVadis and all the company's preferred suppliers have acknowledged Essilor's supplier charter. In 2021, Essilor will continue to strengthen its program, by assessing a larger panel of suppliers, both direct and indirect, with on-site audits organized as soon as needed.

By combining the success of previous training workshops in China (2018) and Italy (2019) with the restrictions imposed by the COVID-19 pandemic, Luxottica worked on two online training modules: the first one addresses suppliers and is available through an external portal; whereas the second one is intended for the company's employees and is available on Luxottica University.

Moving forward, EssilorLuxottica will continue building up its global program to further align and strengthen the organization and management of supplier sustainability.

4.4.3.2 EssilorLuxottica human rights Vigilance Plan

This section aims to present EssilorLuxottica's approach to meeting the requirements of French Law no. 2017-399 on the duty of care for parent companies and subcontracting companies. This Vigilance Plan covers the scope of the EssilorLuxottica Group represented by Essilor International and Luxottica Group and their subsidiaries within the scope of financial consolidation.

EssilorLuxottica attaches particular importance to identifying risks and preventing serious breaches of human rights and fundamental freedoms, health and safety at work (these are referred to below as "human rights"), as well as the environment. These risks can arise as a result of its activities, those of its subsidiaries, or those of its suppliers and subcontractors, regardless of their position in the value chain. Identifying those risks entails a commitment to make every reasonable effort and undertake the necessary measures to guarantee compliance in the context of the progressive integration between Essilor International and Luxottica Group.

As both operating companies (Essilor International and Luxottica Group) have a long history of responsibility towards their stakeholders, the requirements of the duty of care legislation have been undertaken to progressively clarify and strengthen the existing frameworks and will also be used to mainstream human rights into the Company's corporate policies, procedures and training modules as they are issued.

EssilorLuxottica hereby reports on the progress of the operational implementation of its commitment and vigilance approach for each of the corresponding key themes, and according to any changes in its activities and structure. For the sole purposes of clarity and readability of this Vigilance Plan, if necessary, readers will be referred back to sections of this Non-Financial Performance Disclosure for further details.

The Company's commitment to promote human rights and protect the environment across the whole value chain

EssilorLuxottica has a combined two centuries of innovation and human endeavor behind it. The Company has placed particular importance on respect for human rights and the environment, along with the applicable laws and regulations (*e.g.* the United Kingdom "Modern Slavery Act" and the French "Duty of Care" law). This requirement was strengthened in recent years in the context of growth and expansion in new countries. Moreover, the development in recent years of international standards such as the United Nations Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises, has informed the Company's approach.

EssilorLuxottica is committed to respecting and promoting human rights across its entire value chain. The Company abides by the International Labor Organization (ILO) Conventions and the ten principles of the United Nations Global Compact relating to human rights, labor law, the environment and the fight against corruption. This commitment also builds on Essilor's legacy as a signatory of the United Nations Global Compact since 2003 and is deeply intertwined with the Company's Mission.

Generally speaking, EssilorLuxottica aims to ensure that its activities comply with the International Bill of Human Rights and the principles on fundamental rights set out in the Declaration on Fundamental Principles and Rights at Work of the ILO. In all its businesses and across its supply chain, the Company has a duty to ensure that international standards and local employment laws are always adhered to, and that undeclared work, child labor, forced work, and any other inappropriate employment conditions are prevented.

In addition, EssilorLuxottica is committed to ensuring healthy and safe working conditions, protecting both its people and the environment in all of its locations. The Company complies with all applicable legislation and regulations and aims at continuously improving health and safety policies and procedures across countries through information, training and by fostering responsible behaviors of all workers in their application of company-wide security procedures and vigilant preventive actions.

Furthermore, in order to reduce its environmental risks and impacts and to have a process framework to guarantee regulatory compliance and meet stakeholder expectations, EssilorLuxottica applies environmental best practices that conform to ISO 14001 certification and facilitate management of the related impacts.

However, the Company operates in geographic regions where the application of human rights and environmental legislation may be limited or fall below international standards. In such situations, EssilorLuxottica strives to perform its activities in accordance with international standards for the protection of human rights and the environment, and to implement actions designed to prevent any negative consequences in these areas, and to remedy them should they occur.

Consequently, suppliers support the Company's commitment to ensure the respect for human rights. EssilorLuxottica seeks suppliers whose operational practices comply with applicable laws and regulations and, more generally, that protect the dignity of human beings, the health and safety of workers and the environment at large.

This approach led to the publication of the first EssilorLuxottica Code of Ethics within the first year of combination. The Code complements the Codes of Ethics already in effect within Essilor and Luxottica respectively and establishes a unified standard of conduct for the entire Company. In addition to the Code of Ethics, EssilorLuxottica has a set of Anti-Bribery & Corruption principles and guidelines which provide more details regarding ethical business conduct and compliance.

EssilorLuxottica is committed to making continuous progress and is aware that its human rights and environmental approach requires monitoring, review and regular improvement in terms of identifying associated risks, updating policies and internal procedures, making commitments and implementing "on the ground" actions to mitigate risks all along its value chain. Among them, it is worth mentioning Essilor's new Human Rights policy. This allows the Company to further prevent serious breaches and take corrective action where applicable, then remain vigilant about the consequences of its activities.

Organization and steering

EssilorLuxottica's commitment to human rights and fundamental freedoms, health, safety and the environment is supported at the highest levels of the Company by the Board of Directors and its committees.

In particular, the CSR Committee met three times in 2020 with guests invited to update the Committee on specific topics including the CSR risk assessment and the management of sustainability issues at each subsidiary. The CSR Committee also coordinates its works with the Audit and Risk Committee for all matters related to the CSR Committee's areas of intervention. For more details on EssilorLuxottica's CSR Committee, see Section 4.3.1 and Chapter 2 of this Universal Registration Document.

Operationally, the Sustainability department of each operating company coordinates the deployment of their respective sustainable development roadmap and oversees cross-functional issues including human rights. This is intended to support the operational functions (mainly HR, EHS, Risk Management and Compliance and Purchasing) at a regional or local level in applying the Company's policies and implementing reasonable vigilance measures.

In addition, the global Environment, Health and Safety departments of Essilor and Luxottica are responsible for the deployment of the environmental management systems aimed at reducing each company's environmental impact and ensuring the health and safety of all employees. These departments rely on a network of correspondents present locally on production and distribution sites to oversee the operation of environment, health and safety management (see Section 4.4.1.3).

For EssilorLuxottica, supply chain efficiency is fundamental for guaranteeing the high quality of its products and services and contributes to maintaining and enhancing its reputation. The Company relies on the standards that both Essilor and Luxottica have defined and requests suppliers to adhere in the areas of ethics, labor, health, safety and the environment. As described in Section 4.4.3.1, the Company relies on the standards that both Essilor and Luxottica have defined and requests suppliers to adhere in the areas of ethics, labor, health, safety and the environment.

Lastly, EssilorLuxottica aims to involve its stakeholders more and go beyond the actions already undertaken. This is reflected in its regular discussions with representatives from civil society, its support of NGOs and its participation in roundtable discussions. For example, Essilor is a member of the French association *Entreprises pour les Droits de l'Homme – EDH* (Companies for Human Rights), which aims to help international companies promote improved integration of human rights into business practices, and the BSR (Business for Social Responsibility) international network to share best practice and facilitate dialogue with stakeholders. Essilor also supports RHSF (*Ressources Humaines Sans Frontières*) whose mission is to promote decent working conditions, and act against forced labour and child labour.

Risk mapping

EssilorLuxottica carries out its activities in more than 150 countries in varied economic and sociocultural contexts, which may present risks relating to human rights and the environment. Identifying, assessing and managing these risks is an integral part of EssilorLuxottica's corporate culture and is strengthened over time.

Essilor has developed a specific risk mapping in relation to human rights, while Luxottica assesses its human rights impact as part of its Luxottica Responsible Sourcing and Manufacturing Program (LRSM). Luxottica's program applies to both its manufacturing sites and its suppliers globally and is part of its commitment to international efforts to abolish all forms of modern slavery (see Section 4.4.3.1).

In the context of the application of the law on the Duty of Care to the newly formed EssilorLuxottica, the Company's risk assessment process (see Section 4.3.2) was applied to these areas: human rights and fundamental freedoms, individual health, safety and security and the environment. Human Rights risk was included in the Company's risk map already elaborated in Section 4.3.2 and was related to the fundamental rights of workers (*e.g.* health and safety at work, social dialogue), welfare policies, equal opportunities and compliance with local and international regulations on human rights (*e.g.* UK Modern Slavery Act, GDPR, etc.).

Risk prevention and mitigation measures

Risk mapping has helped to raise awareness among operational teams and to prioritize action plans at both the corporate and regional level. For each key risk family, the functions involved coordinate the most appropriate approach in a continuous improvement process. Regarding Tier 1 suppliers and subcontractors, EssilorLuxottica relies on the standards and programs that Essilor and Luxottica have put in place respectively (see Section 4.4.3.1).

For more details on the measures of prevention, mitigation and/or remediation implemented, as well as on progress made in 2020, please refer, for clarity and readability purposes only, to the following sections:

Risk family	Sections
Challenges relating to human rights and fundamental freedoms	4.4.1.2 Equal opportunities and people development 4.4.1.4 Employee shareholding 4.4.3.1 Supplier sustainability
Challenges relating to the health and safety of individuals	4.4.1.3 Health and safety 4.4.3.1 Supplier sustainability
Environmental challenges	4.4.2.2 Water management 4.4.2.3 Waste management 4.4.3.1 Supplier sustainability

Furthermore, regular awareness-raising and training initiatives delivered to employees on human rights and compliance-related topics ("Business and Human Rights", Code of Ethics, GDPR, health and safety policies etc.) are organized via dedicated e-learning modules and using face-to-face training (many have been performed digitally due to COVID-19). For example, more than 500 key leaders at Essilor were asked to participate in mandatory e-learning modules on "Business and Human Rights" in 2020 and a communication plan has been deployed to support the roll out of the new Human Rights policy. Many training courses were also delivered on key aspects of environmental management.

In addition, in 2018, Essilor's Internal Audit department created a specific "human rights" audit program on risks relating to human rights, fundamental freedoms, health and safety at work and the environment, likely to be generated by the company's business and its Tier 1 suppliers and subcontractors. In 2020, 22 entities were audited covering around 18% of Essilor's Global headcount (since the inception of this specific audit program, 44% of Essilor's headcount has been covered). The methodology was shared with Luxottica's Internal Audit department who found it consistent with the audits it already performed and with the initiatives within the LRSM program (see Section 4.4.3.1). In addition, every year Luxottica conducts specific audit projects on health, safety and environmental aspects of its Italian plants in compliance with the Italian applicable laws. In 2021, EssilorLuxottica will continue to deploy this "human rights" audit plan across its entities most at risk and by covering the largest number of Company employees.

A specific Group-wide assessment was also performed in light of the COVID-19 pandemic during 2020, as explained in detail in Chapter 1 of this Universal Registration Document. In addition, details about actions and measures locally implemented to protect employees' health and safety are available in Section 4.4.1.3.

Regular assessment of subsidiaries, suppliers and subcontractors

The risk assessments as presented above are regularly updated on the basis of monitoring work carried out with third-party organizations specialized in human rights, internal audit reports, and/or audits conducted with Tier 1 suppliers and subcontractors. The development of new activities, the establishment of plants in new countries or the referencing of suppliers and subcontractors are also factors that contribute to the update of the risk mapping. Furthermore, all subsidiaries directly or indirectly controlled by the Company are subject to an annual report on sustainable development (see Section 4.3.3) in which key indicators related to human rights, the environment, and associated risks are monitored.

Alert mechanisms

EssilorLuxottica attaches particular importance to ensuring that all employees are given the means to be heard when they have a question or concern about ethics, compliance, human rights, and the environment. Various channels are made available to employees who witness or fall victim to a situation that could prove to be risky in order to bring it to the attention of the Company. Any employee at either Essilor or Luxottica can send an alert via:

(i) internal channels: the direct manager, the HR manager or the legal department, the country manager, the regional manager or their business manager, a staff representative of the entity;

(ii) external channels: both Essilor and Luxottica have deployed a global whistleblowing system throughout the Company, allowing employees to report any concerns, including those about human rights and the environment.

Monitoring system

In addition to the assessment and monitoring mechanisms (audits, reports, participation in regional and local committees, etc.) outlined above, EssilorLuxottica has developed an initial set of performance indicators related to human rights and the environment, inspired by those of the Global Reporting Initiative (GRI), which are published each year in the Universal Registration Document.

By monitoring these indicators, EssilorLuxottica evaluates the effectiveness of the initiatives implemented to prevent the related risks. Below is a summary of key indicators:

Theme	KPI	2020	2019
Challenges relating to human rights and fundamental freedoms	number of employees and agency workers below age 16	5	2
	cumulative number & percentage of employees who have completed "Code of Ethics" trainings at Essilor and Luxottica	65,051, 46% of total employees	48,360, 32% of total employees
	cumulative number of Essilor employees who have completed "Business and Human Rights" training	7,771	5,161
	percentage of Essilor Strategic Suppliers who undertake CSR assessment	100%	88%
	percentage of Essilor Preferred Suppliers who acknowledge the Supplier Charter	100%	95%
	percentage of Luxottica direct materials spending covered by Luxottica Responsible Sourcing and Manufacturing (LRSM) program	93%	92%
	of which: percentage of Luxottica direct materials spending covered by LRSM on-site audits	83%	75%
	of which: percentage of Luxottica direct materials spending covered by LRSM training and/or awareness initiatives	50%	46%
Environmental challenges	number of chemical spills	1	2
Challenges relating to the health and safety of individuals	number of work-related fatalities - employees and agency workers	0	1
	frequency rate of work-related injuries with absence - employees and agency workers	1.5	1.7
	severity rate of work-related injuries with absence - employees and agency workers	0.05	0.05
	total recordable incident rate - employees and agency workers	3.1	3.7

4.4.3.3 Business ethics

EssilorLuxottica's commitment to acting in a responsible and ethical manner goes hand in hand with a strong duty to combat all forms of corruption and fraud in all the countries where the Company operates. Employees are called upon to act with integrity and professionalism inside and outside of work, following not only the laws and regulations of the regions where they operate, but also the high standards of conduct that both Essilor and Luxottica have developed over the years and that comprise the EssilorLuxottica Code of Ethics.

Risks, such as tax evasion and money laundering, as well as associated fraudulent activities, are the subject of special attention for the Company (see Chapter 1 of this Universal Registration Document). As an industry leader, EssilorLuxottica is highly vigilant with regards to compliance with competition rules and pays particular attention to the prevention of conflicts of interest. EssilorLuxottica strongly condemns the practices mentioned above and has consequently put in place procedures to prevent the risk of occurrence.

As part of these instruments, the EssilorLuxottica Code of Ethics, approved on July 30, 2019 by the Board of Directors, defines the principles that apply to all EssilorLuxottica employees, contractors, vendors and suppliers, and represents a minimum set of standards that cannot be compromised. Consequently, the Company's business practices are based on transparency, integrity and respect of the standards defined within the Code of Ethics, and in accordance with international frameworks, such as the United Nations Global Compact. In line with its Code of Ethics and with Essilor and Luxottica's memberships to Transparency International, the Company promotes the Anti-Bribery & Corruption Program, and supports any action aimed at reinforcing standards and principles that guide the behavior of all its employees and third-parties.

EssilorLuxottica's global dimension requires the constant alignment of the Company's processes, procedures, conduct and activities with regulatory frameworks and the Code of Ethics. In May 2019, a Chief Compliance Officer was appointed at EssilorLuxottica level to further strengthen the Company's approach to business ethics. The Chief Compliance Officer is committed to ensuring consistency among the compliance programs already in place within Essilor and Luxottica to coordinate the rollout of cross-departmental initiatives in 2020. Operationally, the Compliance departments of Essilor and Luxottica have the responsibility to prevent, identify and manage risks connected with business ethics, in accordance with the law as well as applicable local and international regulations (see Chapter 2 of this Universal Registration Document).

Prevention of corruption

In terms of anti-corruption, the Compliance departments of Essilor and Luxottica oversee the definition of guidelines to prevent, identify and manage risks connected with corruption in the Company's businesses, in accordance with the law as well as applicable local and international regulations. This commitment is outlined in both the Code of Ethics and the Anti-Bribery & Corruption Principles and Guidelines, and is further strengthened by the adoption of policies and procedures at Essilor and Luxottica level that regulate the areas that could possibly be exposed to corruption crimes.

Both Essilor and Luxottica have conducted a risk assessment involving all of the Company's legal entities around the world with the goal of evaluating exposure to the risk of corruption. Compliant with provisions of the French law on transparency, the fight against corruption and the modernization of the economy (Sapin II), this process made it possible to assess and prioritize the risks considering both the legal entity and the potential risk scenario. For EssilorLuxottica, risk assessment is an essential tool that helps determine priority actions in this area and has allowed the Company to adapt its internal prevention procedures.

Data protection

With the impact of digital technology on EssilorLuxottica's business (*e.g.* connected objects, machine learning, artificial intelligence), a growing presence in e-commerce and approximately 7,500 corporate stores around the world, data protection remains a key topic for the Company. EssilorLuxottica is committed to complying with the increasing number of applicable regulations across the world, including the General Data Protection Regulation (GDPR) in Europe and its interpretations based on the case law (*e.g.* the Schrems II case), the California Consumer Privacy Act (CCPA) in the United States and its updates, and the *Lei Geral de Proteção de Dados Pessaoais* (General Data Privacy Law - LGPD) in Brazil. This helps ensure that the data stakeholders entrusted to EssilorLuxottica will be securely processed throughout every step of their relationship with the Company.

While complying with the main applicable regulations, EssilorLuxottica always monitors the development of privacy regulations all over the world to be ready to comply (*i.e.* with upcoming regulations in Singapore, South Africa, Malaysia, Canada, etc.).

Both Essilor and Luxottica's Compliance departments have implemented the measures required to guarantee compliance with all main applicable regulations. This includes the definition of a privacy process, creation of an organizational structure specifically dedicated to privacy (with the appointment of Data Protection Officers), review of multiple security policies, guidelines and directives, and deployment of awareness training sessions (either online or in a classroom) for employees around the world.

Competition law

As a major player in its market, EssilorLuxottica is committed to complying with the rules of competition law within its business practices. At Essilor a compliance program was established and a formal competition law compliance program was rolled out globally. In parallel, since 2015, Luxottica implemented an Antitrust program that defines the principles of conduct in the management of business practices and includes specific training activities.

Alert system

In accordance with the guidelines set out in the Code of Ethics, EssilorLuxottica is finalizing the definition of a common alert mechanism to ensure the proper monitoring of business ethics-related topics by its employees and stakeholders. Meanwhile, the alert systems and whistleblowing channels of both organizations remain active to ensure the prompt communication of actual or presumed violations of their anti-bribery and corruption programs or any other related illegal behaviors.

4.4.3.4 Socio-economic contribution

The shared value approach common to Essilor and Luxottica allows the Company to reinforce its commitment to employees' well-being, as well as to the economic and social progress of the communities where it operates.

Social and economic development

As a global company, EssilorLuxottica contributes to the social and economic development of the different countries where it has a presence.

Locally, its manufacturing and distribution activities and retail presence foster local sourcing and business partnerships, create direct and indirect employment, develop local skills and expertise, and generate taxes and duties (see Section 4.4.3).

Proscribing tax evasion

Under the responsibility of EssilorLuxottica's Co-Chief Financial Officers, the Group's tax department is in charge of monitoring and ensuring compliance with applicable tax laws and regulations, consistent with the values of honesty and fairness in EssilorLuxottica's Code of Ethics. It commits local subsidiaries to endorse a transparent, accurate and proactive policy of direct and constant interaction with tax authorities of the countries in which they operate. It also guides subsidiaries on tax matters, provides guidance on the transfer pricing approach, defines Group tax policies and suggests adequate tax solutions for the Group's business requirements (see Chapter 1 of this Universal Registration Document).

Access to quality eyecare and eyewear

A key contributor to the shared value creation are initiatives that help to improve the quality of life and the productivity of millions of individuals by providing access to sustainable eyecare and eyewear in underserved communities around the world (see Section 4.1).

In the context of COVID-19, the Company has been able to carry out several awareness-raising campaigns, screening events, donations of lenses and frames, funding for vision care programs and other initiatives in collaboration with partner organizations from public and private sectors and NGOs, while respecting the safety of all involved participants and partners. Examples include:

- opening over 200 Sustainable Vision Centers by OneSight in Africa, China, India, Southeast Asia and the United States since 2013;
- providing innovation for inclusive business models and supply chains designed and deployed by Essilor's 2.5 New Vision Generation to provide sustainable vision care to low-income communities in Asia, Africa and Latin America;
- supporting the Government of Bhutan to make it the first country in the world to eliminate poor vision;
- supporting Sightsavers projects in rural areas of India, such as the Trucker's Eye Health Program, one of the country's biggest eye health programs for the truck drivers community;
- introducing global and local awareness campaigns during 2020 World Sight Day, with the launch of EssilorLuxottica's first customer-facing fundraising campaign in China;
- launching Our Children's Vision campaign, a unique coalition that aims to accelerate and expand access to eye health services for children all over the world and whose Global founders include Essilor's Vision For Life fund.

Other community purpose initiatives

Other initiatives involve issues of public health, the well-being of employees and their families, local community outreach programs, cultural heritage preservation and philanthropy.

4.5 Next steps for EssilorLuxottica's sustainability program

"Embedding sustainability to the core" is one of the pillars of EssilorLuxottica's strategic vision. In 2020, consistent with the integration process, the creation of the Company's global sustainability program has continued to leverage the foundations of both Essilor and Luxottica's sustainable development strategies, roadmaps and achievements. As presented in this third non-financial statement, during 2020, EssilorLuxottica's sustainability fundamentals have been further improved, including an update on the CSR risks assessment and prioritization (see Section 4.3.2), strengthening of the non-financial reporting protocol (see Section 4.3.3) with measurement of more common indicators, the adoption of the Task Force on Climate-related Disclosures (TCFD) recommendations (see Section 4.4.2.4) and the deployment of the Code of Ethics (see Section 4.4.3.3). In addition, the first cross-organizational workstreams have been launched on key topics (*e.g.* sustainable offering, shared learning platform, climate change-related initiatives), forming the first operational building-blocks of EssilorLuxottica's sustainability roadmap.

As the Company's integration process continues, so does the harmonization between the two operating companies' ongoing sustainability programs, focusing on the following priorities:

- support the Company's ambitions by initiating a comprehensive roadmap development process and setting related targets across the organization to continue reduce the environmental footprint, promote employees' well-being and contribute to the economic and social progress of local communities. This also implies the definition and rollout of shared sustainability projects (*e.g.* product sustainability, energy efficiency, recycling...);
- further engage dialogue with stakeholders;
- continue reinforcing compliance with sustainability-related regulations (*i.e.* Decree no. 2017-1265 on non-financial disclosure, Duty of Care on Human Rights, Sapin II on anti-corruption and bribery...);
- constantly improve CSR risk management, particularly by defining policies and associated key performance indicators that will apply to the EssilorLuxottica perimeter, in coordination with Risk Management and other departments involved in the Company's risk assessment;
- expand and strengthen sustainability reporting according to main reporting standards.

The result will be a progressive expansion in the disclosure of sustainability goals and achievements year after year.

4.6 Methodology note and correspondence table

Main principles for sustainability data reporting

EssilorLuxottica's Sustainability Reporting Protocol defines the below reporting principles:

Reporting scope

All entities within the Company's financial consolidation scope are required to report on sustainability data. The list of entities requested for sustainability reporting is updated annually according to the finance consolidation scope. For entities with more than one site, all sites should be included in the reporting.

In a continuous effort to increase reporting coverage over the past years, the majority of indicators have seen increased reporting coverage compared to 2019 at both Essilor and Luxottica.

Reporting period

For indicators collected through central function teams at Essilor and Luxottica, the reporting period is from January 1, 2020 to December 31, 2020.

For indicators gathered through Essilor and Luxottica's respective annual sustainability reporting campaigns, the reporting period for Essilor is from October 1, 2019 to September 30, 2020; the reporting period for Luxottica is from January 1, 2020 to December 31, 2020.

Workforce-related indicators

The workforce reported corresponds to the total number of Company employees and agency workers at the end of the reporting period (data as of September 30, 2020 for Essilor and December 31, 2020 for Luxottica).

As defined in the EssilorLuxottica Reporting Protocol, "employee" refers to a person having an employment contract directly with any entity of Essilor International or Luxottica Group; and "agency worker" refers to a person having a contract with an outside company but working directly under Essilor or Luxottica orders in an Essilor or Luxottica location or elsewhere. Contractors and interns are excluded from the workforce indicators.

The breakdowns (by gender, category, contract type and age) are presented only for employees, whereas the breakdown by geography is presented for the workforce.

Regarding employee distribution by gender, information was not available for approximately 1.4% of Luxottica employees as per the gender voluntary disclosure required by federal regulations in North America. For them, the Company estimated the gender split to be in line with the rest of the organization and with previous years (60% women – 40% men).

Health and safety indicators

The safety indicators relate to the Company's main manufacturing plants, lens laboratories, distribution centers, excluding the entities that were acquired by Essilor or Luxottica during 2020, and for which investments are needed to integrate health and safety reporting systems. Health and safety indicators cover both employees and agency workers.

The indicators applied reflect the results of Essilor and Luxottica's Environment, Health and Safety (EHS) policies.

As defined in the Company's Reporting Protocol:

- the frequency rate is calculated as: number of work-related injuries with lost days x 1,000,000 / total number of worked hours during the reporting period;
- the severity rate is calculated as: total number of lost days (calendar days) x 1,000 / total number of worked hours during the reporting period;
- the total recordable incident rate is calculated as: total number of recordable work-related injuries x 1,000,000 / total number of worked hours during the reporting period;
- the total number of worked hours is calculated as: actual worked hours from the clock-in system where applicable and theoretical worked hours based on calculation of scheduled working days and average number of hours worked per day.

Environmental indicators

Essilor covers 94% of its total headcount for energy and GHG emissions (scope 1 and scope 2) reporting, 91% for water reporting and 82% for waste reporting.

For Luxottica, environmental indicators cover its main manufacturing plants, lens laboratories, distribution centers, headquarters and retail network. Fukui Megane, the Japanese eyewear manufacturer that Luxottica acquired a 67% stake in 2018 will be included once its environmental reporting processes are integrated.

In terms of employee coverage, Luxottica covers:

1. 95% of its total employees for energy and GHG emissions (scope 1 and scope 2) reporting, or 99% of the employees in its Operations, 100% in its retail network and 94% in its headquarters. The company continued the environmental performance review of its retail network with a store-by-store approach, covering 6,735 stores in 2020 (4,409 in 2019), equal to 100% of those directly-operated around the world, whose energy consumption and GHG emissions have been analyzed;
2. 98% of its employees in the Operations for water and waste reporting. Data on the use of water by stores and corporate sites are not published due to the lack of reported information and the insignificant percentage of total water consumption of the Group it represents, being mainly water used in restrooms. Waste management practices for stores and corporate sites were investigated qualitatively, due to unavailability of quantitative information as explained in Section 4.4.2.3.

Luxottica's 2019 energy consumption for Gas and Liquid Fuel has been restated following the update of the conversion factors suggested in the EssilorLuxottica Reporting Protocol with the aim of providing comparative information.

4

Specific methodology for calculating GHG emissions

In accordance with GHG Protocol, the accounting and reporting standards for greenhouse gas emissions (*http://www.ghgprotocol.org*), and information on GHG emissions is communicated on the basis of three scopes: scope 1, 2 and 3.

Regarding conversion factors, the Company used the database of the ADEME (*Agence française de l'Environnement et de la Maîtrise de l'Énergie, www.ademe.fr/*), which was updated in August 2020 (v. 18.1.0) for scope 1 and scope 2 emissions calculation and the database of the GLEC framework for scope 3 emissions associated with transportation. Consistent with EssilorLuxottica Sustainability Reporting Protocol and with the aim of providing comparative information, 2019 data were restated regarding:

- Scope 1 emissions due to updated conversion factors;
- Scope 2 emissions due to the use of the ADEME conversion factors instead of the EPA eGrid values for United States for Luxottica scope;
- Scope 3 emissions associated with transportation due to the use of GLEC framework emission factors instead of ADEME conversion factors for Essilor scope.

Reported 2019 data are available in the 2019 EssilorLuxottica Universal Registration Document.

Scope 1

This corresponds to direct emissions resulting from the on-site combustion of fossil fuels, such as gas or liquid fuel. The GHG conversion factors were in accordance with the ADEME database (v. 18.1.0):

- Gas: 239 gCO_2e/kWh LCV;
- Liquid fuel: 323 gCO_2e/kWh LCV.

Scope 2

This relates to indirect emissions associated with the electricity consumption required for eyewear and lenses manufacturing, and machining lenses. Scope 2 emissions were calculated according to the location-based method of the GHG Protocol. The conversion factors for electricity were updated in 2020 based on figures provided by the ADEME database (v. 18.1.0).

Scope 3

Scope 3 emissions associated with transportation correspond to indirect emissions related to the transportation of products. These emissions are calculated on a Well-to-Wheel basis (WTW) to analyze the impact of using different energy vectors. The term Well-to-Wheel includes the underlying Tank-to-Wheel and Well-to-Tank analysis, defined as follows: i) Tank-to-Wheel (TTW) describes the use of fuel in the vehicle and emissions during driving; ii) Well-to-Tank (WTT) describes the subrange of fuel supply, from production of the energy source (petrol, diesel, electricity, natural gas) to fuel supply (transport to the charging point or fuel pump).

The Company follows the GLEC Framework and is compliant to EN16258.

Reporting of Essilor's transportation and freight is categorized in four types:

1. international flows between 33 plants, 14 distribution centers, 8 export labs and 190 subsidiaries;
2. international flows from the above 245 covered entities to customers;
3. domestic flows between 25 plants, 12 distribution centers, 6 export labs and 120 subsidiaries in Europe, North and Latin America, Asia-Pacific, Middle East and Africa;
4. domestic flows from the 163 above covered entities to customers or consumers (so-called "last miles").

For Luxottica, the logistics emission reporting is categorized into three areas and covers:

1. the replenishment flows of eyewear among the primary distribution centers of Sedico, Atlanta, Dongguan and Jundiaì (by air and road transport);
2. the replenishment flows of Oakley's Apparel, Footwear and Accessories (AFA) from the supplier to Luxottica's primary distribution centers (by sea and road transport);
3. the transportation flows of eyewear and Oakley's AFA products from the Sedico hub to wholesale, retail and e-commerce customers, including GHG emissions generated by all means of transport used along the route. The Sedico hub ships to customers in Europe, the Middle East, Africa, Mexico, Turkey and select United States markets.

Correspondence table for priority CSR risks and mandatory topics

Priority CSR risk categories	Reference
Climate change	4.4.2.4
Sustainable offering	4.2.3
Talent management	4.4.1.2
Supplier sustainability	4.4.3.1
Business ethics	4.4.3.3
Human Rights	4.4.3.2
Relevant topics	
Energy management	4.4.2.1
Water management	4.4.2.2
Waste management	4.4.2.3
Socio-economic impact	4.4.3.4
Mandatory topics	
Societal commitment to sustainable development	4.2
Societal commitment to the circular economy	4.2.3, 4.4.2.3
Information on collective agreements	4.4.1
Information on actions to combat discrimination and promote diversity	4.4.1.2
Information on measures taken for the benefit of persons with disabilities	4.4.1.2

Correspondence table with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Governance	Reference
a. Oversight by the Board of Directors of climate-related risks and opportunities b. Management's role in assessing and managing climate-related risks and opportunities	• Report on Corporate governance (Chapter 2) • EssilorLuxottica CSR Committee and sustainability team (Section 4.3.1) • Management of Sustainable Development (Section 4.3) • Climate change (Section 4.4.2.4)
Strategy	
a. Climate-related risks and opportunities identified over the short, medium and long term b. Impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning c. Resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Business model, environmental and social challenges (Section 4.2.1) • Sustainable offering (Section 4.2.3) • CSR risk management (Section 4.3.2) • Environment (Section 4.4.2) • Climate change (Section 4.4.2.4)
Risk management	
a. Processes for identifying and assessing climate-related risks b. Processes for managing climate-related risks c. Integration of processes for identifying, assessing and managing climate-related risks in the Company's overall risk management	• Risk factors (Section 1.8) • CSR risk management (Section 4.3.2) • Environment (Section 4.4.2) • Climate change (Section 4.4.2.4)
Metrics and targets	
a. Metrics used to assess climate-related risks and opportunities, in line with the Company's risk management strategy and process b. Greenhouse gas emissions for scope 1, scope 2 and scope 3 and the related risks c. Targets used to manage climate-related risks and opportunities and Company's performance against these targets	• Protocol and organization of non-financial reporting (Section 4.3.3) • Energy management (Section 4.4.2.1) • Water management (Section 4.4.2.2) • Waste management (Section 4.4.2.3) • Climate change (Section 4.4.2.4)

4.7 Report by one of the Statutory Auditor, appointed as an independent third party, on the consolidated non-financial statement included in the management report

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31st December 2020

To the Annual Shareholders' Meeting of EssilorLuxottica,

In our capacity as Statutory Auditor of EssilorLuxottica (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (accreditation Cofrac Inspection n°3-1060 whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial information statement for the year ended 31st December 2020 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and which are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 –Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;

- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information set out in the second paragraph of article L. 22-10-36 regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement ;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important (cf. Appendix), we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, in Essilor France and BBGR Paris (France), Essilor United (United Kingdom), Satisloh (Germany), EBD, Seeworld, Tristar and SEOCL (China), Essilor Mexico (Mexico), Agordo, Sedico and Barberini (Italy), TOLT and EOLT (Thailand) and covers between 23% and 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 15 people between September 2020 and March 2021 and took a total of 20 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 50 interviews with the people responsible for preparing the Statement, representing executive management, administration and finance, risk management, compliance, human resources, health and safety, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Comments

Without qualifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comments:

- The policies on climate change, sustainable offering and talent management are different for Essilor International and Luxottica Group entities and therefore aren't common for the full scope of consolidation of EssilorLuxottica;
- The key performance indicators provided cover either the Essilor International or the Luxottica Group scope and therefore aren't common for the full scope of consolidation of EssilorLuxottica;
- The outputs presented concerning business ethics and sustainable offering do not identify key performance indicators for the relevant policies.

Neuilly sur Seine / March 19, 2021

One of the Statutory Auditors	PricewaterhouseCoopers Audit
French original signed	*French original signed*
Cédric Le Gal	Sylvain Lambert
Partner	Sustainable Development Partner

Appendix: List of the information we considered most important

Key performance indicators and other quantitative results:

- Total workforce and different breakdowns;
- Training hours;
- Reduction of energy intensity and linked consumptions;
- Greenhouse gas emissions (scope 1, scope 2, scope 3);
- Reduction of water intensity and linked consumptions;
- Waste amounts;
- Work-related injury frequency rate and severity rate, number of injuries, number of lost days;
- Percentage of strategic suppliers receiving external CSR audit;
- Percentage of preferred suppliers acknowledging Essilor's Supplier Charter;
- Percentage of Luxottica direct materials spending covered by Luxottica Responsible Sourcing and Manufacturing (LRSM) program;
- Number of audited suppliers on CSR subjects;
- Number of sites which are certified ISO 50 001 and ISO 14 001.

Qualitative information (actions and results):

- Identification of CSR risks;
- Main initiatives for HR;
- Main initiatives for H&S;
- Main initiatives for Environment;
- Main initiatives on Business Ethics;
- The Group's commitment and vigilant approach to human rights.


FOSTER GRANT®

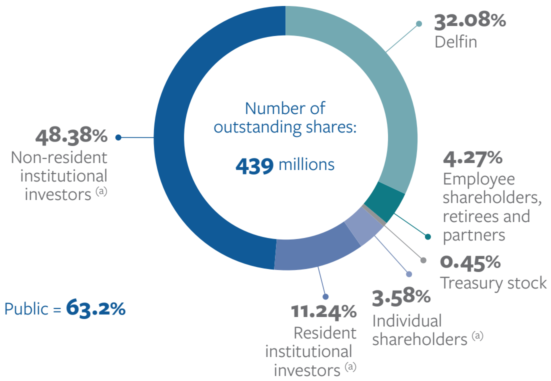
CHAPTER

5

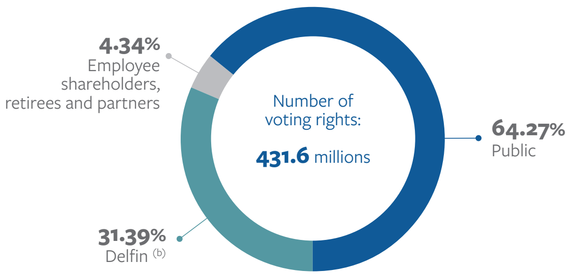
INFORMATION ABOUT THE COMPANY, ITS SHARE CAPITAL AND STOCK OWNERSHIP

IN BRIEF

BREAKDOWN OF SHARE CAPITAL AS AT DECEMBER 31, 2020



DISTRIBUTION OF VOTING RIGHTS AS AT DECEMBER 31, 2020



72,753

INTERNAL SHAREHOLDERS (b)

In **81** countries

Representing:

4.27 %

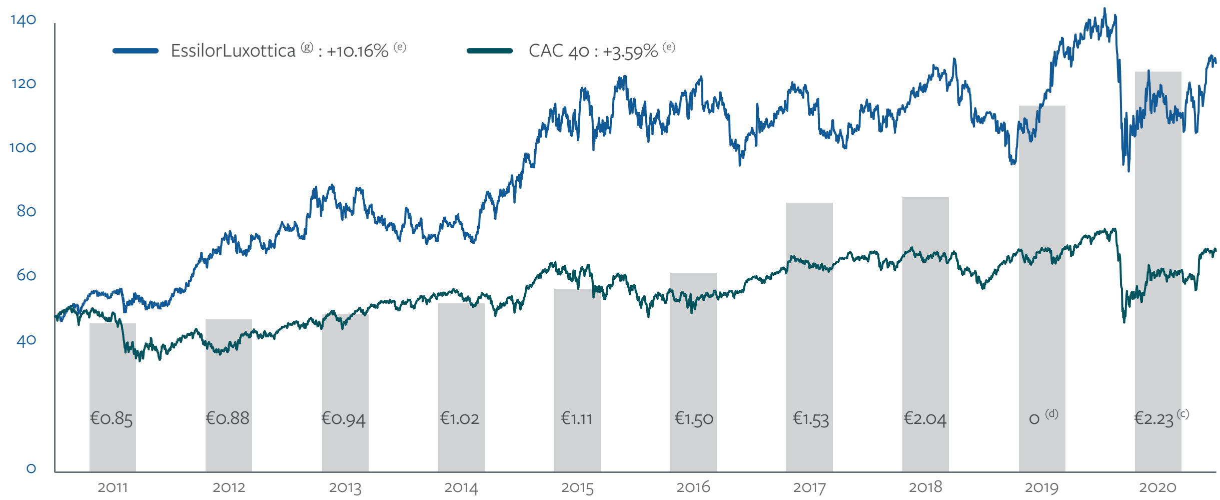
OF THE SHARE CAPITAL

4.34 %

OF THE VOTING RIGHTS

SHARE PRICE AND DIVIDEND

In € – The CAC 40 graph has been rebased at the EssilorLuxottica share price as at January 1, 2011



(a) Estimates as at December 31, 2020.
(b) Current, former and retired employees.
(c) Subject to the decision of the Annual Shareholders' Meeting of May 21, 2021. An interim dividend of €1.15 per share was paid on December 28, 2020.
(d) On April 18, 2020, in light of the COVID-19 outbreak, the Board of Directors decided not to submit a dividend for 2019 to the Annual Shareholders' Meeting of June 25, 2020.
(e) Average annualized growth rate.
(f) Please refer to Section 5.1.8, paragraph *Voting rights for information on restrictions applying to Delfin.*
(g) Essilor until October 1, 2018.

5.1 The Company

5.1.1 Company name and registered office

The name of the Company is EssilorLuxottica, hereinafter the "Company" or, together with its subsidiaries, the "Group".

The registered office of the Company is located at 147, rue de Paris – 94220 Charenton-le-Pont – France.

The phone number of the Company is +33 (0)1 49 77 42 24 and its website is www.essilorluxottica.com (the information included in this website are not part of this Universal Registration Document).

The General Management of the Company is domiciled at 1-5, rue Paul-Cézanne – 75008 Paris – France.

5.1.2 Date of formation and term of the Company

The Company was formed on October 6, 1971 for a 99-year term, expiring on October 6, 2070.

5.1.3 Registration of the Company

The Company is registered in the Créteil Trade and Companies Register under No. 712 049 618. The trade sector codes are 3250B (EssilorLuxottica) and 7010Z (registered office). The Legal Entity Identifier (LEI) of the Company is: 549300M3VH1A3ER1TB49.

5.1.4 Legal form

EssilorLuxottica is a joint stock company (*société anonyme*) with a Board of Directors. It is subject to French law and is governed by the provisions of Book II of the French Commercial Code.

5.1.5 Corporate purpose

The Company's purpose in all countries is:

- the design, manufacture, purchase, sale and trade, in general, in everything concerning spectacles and optical instruments, without exception, and, in particular, the manufacture, purchase and sale of eyeglass frames, sunglasses and eyeglasses and other protective equipment, lenses and contact lenses;
- the design and/or manufacture, purchase, sale and/or marketing of all instruments or equipment relating to ophthalmic optics, as well as all equipment or devices for monitoring, screening, diagnosing, measuring or correcting physiological handicaps, whether or not it be used by professionals;
- the design and/or development, purchase and/or marketing of related computer software packages, software applications, programs and services;
- research, clinical experiments, wearing tests, training, technical assistance and engineering corresponding to the above activities;
- all services or assistance associated with the aforementioned activities, and, in particular, advisory services, bookkeeping, auditing, logistics and treasury services;
- the acquisition, holding and management of all shares or securities of French or foreign companies;
- and more generally all financial, commercial, industrial, civil, personal property or real property transactions directly or indirectly related to the foregoing corporate purpose, or to any similar or related corporate purposes, or likely to facilitate the application and development thereof or to make the same more profitable.

All, directly or indirectly, on its own account or on the account of third parties, either alone or with third parties, in any form, in particular by means of creation of companies, subscriptions, acquisition of equity interests or holdings, limited partnerships, mergers or absorptions, advances, purchases, contribution, exchange, lease of property or sale of securities or equity interests, sale or lease of all or part of its real or personal properties, and rights, and alliances or joint ventures or by any other means.

5.1.6 Conditions governing changes in capital

Pursuant to Article 7 of the bylaws, share capital may be reduced or increased by decision of the Extraordinary Shareholders' Meeting under the conditions set by law and regulations. However, the Extraordinary Shareholders' Meeting may delegate to the Board of Directors, under terms and conditions authorized by law and regulations, the necessary powers to decide on or carry out a capital increase or any other issue of securities or any capital reduction.

5.1.7 Fiscal year

The Company's fiscal year runs from January 1 to December 31 of each year.

5.1.8 Shareholders' Meetings

Notice of meeting

Shareholders' Meetings are convened in accordance with the conditions laid down by law. They are held either at the registered office or in a department in the Paris region.

All holders of ordinary shares are entitled to participate in Shareholders' Meetings, regardless of the number of shares they own, provided all payments due for such shares have been met.

"Pure" or "administered" registered shareholders have the option of receiving their invitation and/or the preparatory documents for the Shareholders' Meeting by email.

Right to attend meetings

Shareholders have the right to attend or be represented at Shareholders' Meetings by registering their shares in an account under the conditions and on the date provided for by the regulations in force (the **"Shareholding Listing Date"**).

To attend a Shareholders' Meeting in person or by proxy:

- holders of "pure registered" or "administered registered" shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date;
- holders of bearer shares must be listed as the shareholder of record at midnight, Paris time, on the second business day before the meeting date. Ownership of the shares will be evidenced by a certificate of ownership (attestation de participation) issued by the custodian institution that keeps the shareholder's securities account, to be submitted with the postal voting form/proxy or the request for an attendance card issued in the shareholder's name. A certificate of ownership can also be issued to shareholders wishing to attend the meeting who have not received their attendance card by midnight, Paris time, on the second business day before the meeting date;
- shareholders may be represented by their spouse, another shareholder or an individual or legal entity of their choosing in accordance with the applicable laws and regulations, particularly those stipulated in Article L. 22-10-39 I of the French Commercial Code. Each shareholder present or represented at the meeting has a number of votes equal to the number of shares held and represented, directly or by proxy, without limitation.

Shareholders who have sent a postal or proxy voting form or requested an attendance card *via* their custodian institution can nevertheless sell some or all of their shares before the meeting. However, if the sale occurs before midnight, Paris time, on the second business day before the meeting, the Company shall accordingly invalidate or amend, as appropriate, the postal voting form, proxy or attendance card or certificate of ownership. In this case, the custodian institution will be required to notify the Company or the Company's registrar of the transaction, including all necessary information.

However, the authorized custodian institution will not be required to notify the Company of any transactions carried out after midnight, Paris time, on the second business day before the meeting, and no such transactions will be taken into account by the Company, notwithstanding any agreement to the contrary.

Voting rights

A 31% cap has been established on voting rights, applicable to all shareholders based on a formula described in Article 23 of the Company's bylaws. Consequently, no shareholder may express, whether personally or through a proxy holder, with respect to the voting rights attached to the shares he or she directly or indirectly holds, more than 31% of the total number of voting rights of the Company, computed as indicated below.

Given the share capital structure, this cap is applicable to Delfin (see Section 5.2.1).

Reminder of the statutory calculation formula (Article 23 of the prevailing bylaws)

"When no more than one natural person or legal entity, acting alone or in concert with one or more natural persons or corporate entities, directly or indirectly holds more than ten percent (10%) of the share capital or voting rights of the Company as of the Shareholding Listing Date for the relevant General Shareholders' Meeting or exercises more than ten percent (10%) of the voting rights of the Company for itself or as a proxy holder, the number of voting rights that any shareholder may express, personally or through a proxy holder, with respect to the voting rights attached to the shares or to the divisions of share ownership (for the rights he or she is authorized to exercise, as the case may be) that he or she holds, directly or indirectly, alone or in concert, cannot exceed the number resulting from the following formula:

$$31^{*} (N-P-D)/100$$

where

- (N) the total number of voting rights of the Company existing on the Shareholding Listing Date for the relevant General Shareholders' Meeting and reported to the shareholders on the date of the General Shareholders' Meeting;
- (P) the total number of voting rights attached to the treasury shares within the limits of a maximum amount of treasury shares corresponding to 1% of the Company's share capital;
- (D) the total number of voting rights of the concerned shareholders which are neutralized by this statutory clause limiting voting rights for the fraction of voting rights attached to the shares that he or she holds exceeding 34% of the Company's share capital.

If at least two natural persons or corporate entities, each acting alone or in concert with one or more natural persons or corporate entities, each hold more than ten percent (10%) of the share capital or voting rights of the Company on the Shareholding Listing Date for the relevant General Shareholders' Meeting or each exercise more than ten percent (10%) of the voting rights of the Company for themselves or as proxy holder on the Shareholding Listing Date for the relevant General Shareholders' Meeting, the above-mentionned voting rights limitation shall apply with the exception of elements (P) and (D), which will not be deducted."

Pre-meeting disclosure of temporary holdings

Pursuant to their legal obligations, any individual or legal entity (with the exception of those referred to in Article L. 233-7, Section IV, paragraph 3 of the French Commercial Code) who, as a result of one or more temporary sales or similar transactions as defined in Article L. 22-10-48 of the French Commercial Code, individually or jointly owns shares representing more than 0.5% of the voting rights of the Company, must inform the Company and the *Autorité des marchés financiers* (French Financial Markets Authority – AMF) of the number of shares owned temporarily, no later than midnight, Paris time, on the second business day before the Shareholders' Meeting.

Disclosures and statements can be sent to the Company at the following address: ir@essilorluxottica.com.

Any undisclosed shares held in the context of one of the temporary transactions detailed above will be stripped of voting rights for that Shareholders' Meeting and at all other Shareholders' Meetings until the shares held temporarily are sold or returned.

The email must contain the following information:

- name or company name and a contact person (name, position, telephone number, email address);
- identity of the seller (name or company name);
- type of transaction;
- number of shares acquired in the transaction;
- ISIN code of the shares listed on Euronext Paris;
- transaction expiration date;
- voting agreement (if any).

This information will be published on the Company's website.

The next Shareholders' Meeting will be held on May 21, 2021.

5.1.9 Disclosure of threshold provisions

In addition to the statutory disclosures, the Company's bylaws state that any individual or legal entity who, acting alone or in concert with others, directly or indirectly acquires 1% of the voting rights must inform the Company thereof within five days, by registered letter with return receipt requested, sent to the Company's registered office. The crossing of any subsequent 2% increment must be brought to the attention of the Company under the same conditions.

This information must also be provided to the Company under the same conditions if the percentage of voting rights held falls below the above-mentioned thresholds.

If notifications are not made in accordance with the above-mentioned conditions, shares exceeding the percentage that should have been notified will be deprived of voting rights in accordance with the conditions set forth by law, provided that one or more shareholders holding at least 5% of the share capital so request during a General Shareholders' Meeting. Such request shall be recorded in the minutes of the General Shareholders' Meeting.

5.2 Share capital

5.2.1 Change in the share capital

Breakdown of share capital in 2020

As at December 31, 2020	Number of shares	%	Number of voting rights	%
Delfin	**140,836,426**	**32.08%**	**135,476,025**	**31.39** [(c)]
• Shareholding EssilorLuxottica FCPE	4,272,772	0.97%	4,272,772	0.99%
• Valoptec International FCPE	3,562,271	0.81%	3,562,271	0.82%
• Funds outside France (Trust US, SIP, ...)	990,079	0.23 %	990,079	0.23 %
• EssilorLuxottica FCPE	677,245	0.15 %	677,245	0.16 %
• Pure registered shares or administered shares held by employees	8,905,515	2.03%	8,905,515	2.06%
• Pure registered shares or administered shares held by partners	344,240	0.08%	344,240	0.08%
Internal shareholding (Current, former and retired employees) and partner shareholding [(a) (b)]	**18,752,122**	**4.27%**	**18,752,122**	**4.34%**
Treasury shares	**1,986,459**	**0.45%**		
Free-float	**277,430,887**	**63.2%**	**277,430,887**	**64.27%**
TOTAL	**439,005,894** [(d)]	**100%**	**431,659,034**	**100%**

(a) The partner shareholding designates the portion of EssilorLuxottica shares held by employees, directors, and any former employees and former managers of the companies in which EssilorLuxottica held an interest that was thereafter fully divested.

(b) The portion of capital held by employees within the meaning of Article L.225-102 of the Commercial Code is 1.51%. This includes shares held by active employees in the Actionnariat EssilorLuxottica FCPE and all shares held in the Valoptec International FCPE and EssilorLuxottica FCPE. It does not include shares held in pure or administered registered form as they are the result of performance shares granted under a resolution adopted at a Shareholders' Meeting prior to the August 6, 2015 Act.

(c) Exercise of the Delfin voting rights is capped according to the formula described in Sections 5.1 and 5.3.

(d) Corresponding to 439,000,648 shares delivered and registered in 2020 and 5,246 shares delivered but not registered.

Share capital as at December 31, 2020: share capital amounted to €79,020,116.64 as at December 31, divided into 439,000,648 fully paid-up ordinary shares, each with a par value of €0.18. Moreover, from December 14 to December 31, 2020, 5,246 new shares were issued, each with a par value of € 0.18 resulting from the exercise of stock options (shares delivered but not registered as at December 31, 2020).

As of January 31, 2021, a total of 439,007,226 shares were issued.

Exercisable voting right:

Notwithstanding the provisions of the last paragraph of Article L. 22-10-46 of the French Commercial Code, as of October 1, 2018, the Company's shares no longer carry double voting rights. Ahead of the combination between Essilor and Luxottica (the "Combination"), changes to Essilor's bylaws were adopted on May 11, 2017 by (i) a special meeting of Essilor shareholders with double voting rights; and (ii) the Essilor's Shareholders' Meeting. Those changes affect the voting rights attached to EssilorLuxottica shares. EssilorLuxottica's bylaws, effective as from the Combination Date (October 1, 2018), do not grant shareholders a benefit such as this, even if those shareholders have held registered shares for at least two years or for any other length of time.

Furthermore, the bylaws provide for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws (see Section 5.1, paragraph *Voting rights*). Consequently, no shareholder may exercise voting rights of shares that they hold, either personally or through a proxy holder, directly or indirectly, representing more than 31% of the total number of voting rights of EssilorLuxottica, calculated as indicated in Section 5.1 above.

Taking into account these restrictions in the bylaws and the absence of voting rights attached to treasury shares, the total number of exercisable voting rights attached to the Company's share capital as at December 31, 2020 was 431,659,034.

Changes in share capital in 2020:

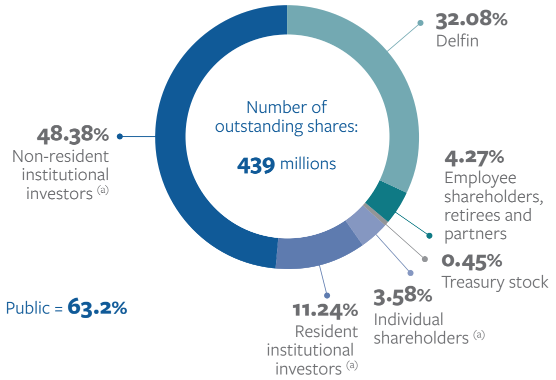
Share capital underwent a series of changes during the fiscal year to take into account the successive issuances of new shares related to continued roll-out of the employee shareholding program.

- Issue of 40,306 [(1)] new shares with a par value of €0.18 resulting from the share subscription options exercised, *i.e.* an increase in the share capital of €7,255.08 excluding issue premium.
- Issue of 1,078,950 new shares with a par value of €0.18 resulting from the delivery of performance shares, *i.e.* an increase in the share capital of €194,211.00 excluding issue premium
- Issue of 316,961 new shares with a par value of €0.18 subscribed by the Essilor group five-year and seven-year mutual funds (FCP), *i.e.* an increase in the share capital of €57,052.98 excluding issue premium.

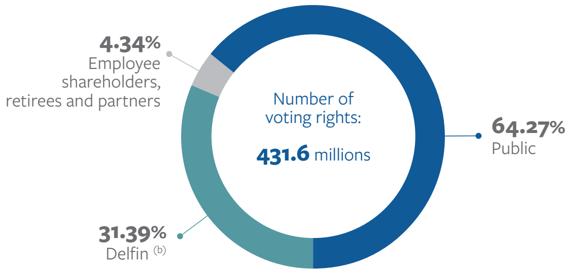
Total new shares issued: 1,436,217 new shares.

(1) Does not include 5,246 shares delivered but not registered at December 31, 2020.

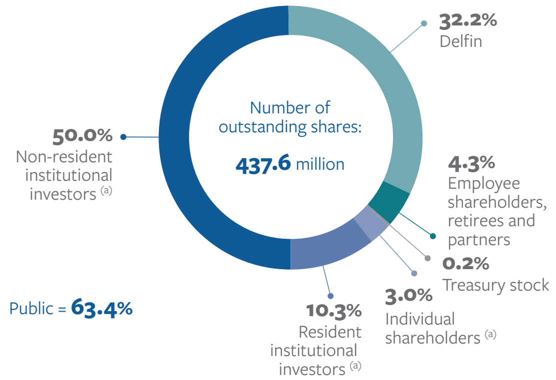
BREAKDOWN OF SHARE CAPITAL AS AT DECEMBER 31, 2020



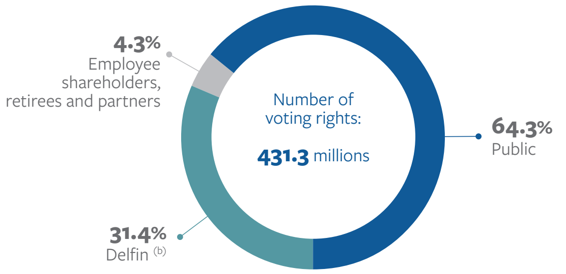
DISTRIBUTION OF VOTING RIGHTS AS AT DECEMBER 31, 2020



BREAKDOWN OF SHARE CAPITAL AS AT DECEMBER 31, 2019



DISTRIBUTION OF VOTING RIGHTS AS AT DECEMBER 31, 2019



(a) Estimates as at December 31 of the year.
(a) Please refer to Section 5.1.8, paragraph *Voting rights* for information on restrictions applying to Delfin.

Maximum dilution at year-end

Taking into account all the shares that will potentially give access to capital after December 31, 2020, regardless of the exercise price of the underlying option, the maximum dilution of the share capital would be as follows:

As at December 31, 2020	In number of shares	%	In number of voting rights	%
Share capital position at the end of the year	439,005,894		431,659,034	
Options for subscription of existing shares	557,489	0.1%	557,489	0.1%
Outstanding rights to performance shares	6,877,561	1.6%	6,877,561	1.6%
Rights to shares subject to conditions	782,650	0.2%	782,650	0.2%
TOTAL POTENTIAL DILUTION	**8,217,700**	**1.9%**	**8,217,700**	**1.9%**
Total diluted share capital at the end of the year	447,223,594		439,876,734	

The breakdown of changes in share capital in 2020 is presented in Note 10 to the Financial statements of EssilorLuxottica (Section 3.6 of this Universal Registration Document).

The 2019 and 2018 breakdown of share capital and changes in share capital over the last five years are described in Section 5.7.1.

5.2.2 Financial authorizations giving access to the share capital

The purposes of the financial authorizations in force granted to the Board of Directors which are detailed in the table of the currently valid delegations (see Section 2.2.3 of this Universal Registration Document) are the following:

Associate employees with the performance of the Company

The shareholder's meeting to be held in May 21, 2021 will be asked to renew the delegation of authorities granted to the Board of Directors by the Company Shareholders' Meeting for a period of 38 months, *i.e.* until July 20, 2024, to award existing performance shares and to grant stock options to Group employees and Executive Corporate Officers to increase the latter's engagement in the Company's performance. The engagement of employees through multiple mechanisms, especially the capital increase reserved for members of a company savings plan, along with the allocation, transfer or sale of treasury shares acquired by EssilorLuxottica under the share buyback program authorized by the Shareholders' Meeting of November 29, 2018 to deliver bonus shares (seventh and ninth resolutions approved by the Extraordinary Shareholders' Meeting of November 29, 2018) and, to a lesser extent, stock options (eighth resolution approved by the aforementioned Shareholders' Meeting), is a key component of EssilorLuxottica's governance structure. The resolutions approved by the Shareholders' Meeting of November 29, 2018, decided that the treasury shares would essentially be used for the employee share ownership plans to be set up as from the Combination Date (See Section 5.3).

The Shareholders' Meeting of June 25, 2020 renewed the delegations of authority granted to the Board of Directors to:

- buy back treasury shares for a 18-month period (*i.e.*, until December 24, 2021). See Section 5.2.3 regarding the description of the share buyback program approved by the Shareholders' Meeting of June 25, 2020;
- cancel shares acquired by the Company under Article L. 22-10-62 of the French Commercial Code for a 26-month period (*i.e.*, until August 24, 2022). (See Section 5.2.4).

The Company Shareholders' Meeting of June 25, 2020 renewed its delegation of authority to the Board of Directors for the purpose of deciding capital increases reserved for members of a Company Savings Plan (French *plans d'épargne d'entreprise or* PEE) without preferential rights in the limit of 0.5% of the share capital, for a period of 26 months. (*i.e.*, until August 24, 2022).

Allow the Board of Directors to decide upon certain capital increases

The Company's Shareholders' Meeting of May 21, 2021 will also be asked to renew and grant the following financial authorizations to the Board of Directors:

- to proceed with the purchase of the Company's own ordinary shares for a new 18-month period within the limit of 10% of the share capital (buyback program), *i.e.* until November 20, 2022;
- to issue shares and securities entailing a capital increase with preferential subscription rights of the shareholders, within the limit of 5% of the Company's share capital, for a period of 26 months *i.e.* until July 20, 2023;
- To increase share capital for members of a Company Savings Plan without preferential subscription rights within the limit of 0.5%(1) of the share capital;
- to increase share capital by capitalization of reserves, profits or premiums within a limit of €500 million, for a period of 26 months *i.e.* until 20 July 2023.

5.2.3 Share buyback programs

On June 25, 2020, the Shareholders' Meeting renewed the Board of Directors' authorization to buy back its own treasury shares representing up to 10% of the Company's share capital on the date of purchase, in accordance with Articles L.22-10-62 *et seq.* of the French Commercial Code, for a term of 18 months expiring on December 24, 2021.

In application of the provisions of Article L.225-211 of the French Commercial Code, the Board of Directors indicates that, during the 2020 fiscal year, it did use the authorization granted by the Shareholders' Meeting of November 29, 2018, the main objectives of which were to cover the employee share ownership programs.

On March 17, 2020 with a view to implementing its share buyback program authorized by the Combined Shareholders' Meeting of November 29, 2018, EssilorLuxottica announced that a mandate had been granted to an investment service provider for the purchase of up to 3,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting on March 17, 2020 up until May 27, 2020.

On March 27, 2020, the Company has decided to stop the implementation of the share buyback program announced on March 17, 2020. Since March 17, 2020, 1.55 million shares for an average price of €102.54 have been repurchased. All information relating to the shares repurchased from March 17, 2020 to March 26, 2020 is available on EssilorLuxottica's website.

In keeping with the previous authorization, the main objectives of the program as approved by the Shareholders' Meeting of June 25, 2020 are as follows:

- to award or transfer shares to employees and Corporate Directors of the Company and affiliated companies, under the terms and conditions stipulated by French or foreign law, especially in the context of profit-sharing plans, bonus and performance share awards, stock option plans, and any employee share ownership plan (employee stock ownership plan or any similar plan governed by foreign regulations);
- to cancel shares by reducing share capital (particularly to offset the dilution created by the free awarding of performance shares, by the exercise of stock options by the Group's employees and senior managers, and by capital increases reserved for employees);
- to potentially hedge debt securities that can be converted into or exchanged for Company shares, by buying shares for delivery (when existing shares are delivered when the conversion right is exercised) or by buying shares for cancellation (when new shares are issued when the conversion right is exercised);
- to ensure the liquidity of the Company's shares under a liquidity contract in accordance with Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016 supplementing Regulation (EU) no. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buyback programs and stabilization measures;
- the subsequent use of the shares in exchange or presentation as consideration for future external growth operations up to a maximum of 5% of the share capital;

- to implement any permitted market practice that may be acknowledged by regulations or the AMF or any other objective allowed by the Law.

The Shareholders' Meeting decided to set the maximum purchase price per common share at €200 (excluding transaction costs), and specified that the price and number of shares will be adjusted as necessary in the event of capital transactions.

The Shareholders' Meeting decided that the purchase, sale or transfer of the shares may be paid for and carried out by any appropriate method, and in particular on any regulated, free or OTC market, or on any multilateral trading facility (including through straight purchases, or the use of financial instruments or derivatives or the implementation of options strategies). The entire share buyback program may be carried out through a block purchase.

This authorization is valid for a maximum period of eighteen (18) months from June 25, 2020 up to December 24, 2021. It may not be used, in whole or in part, during public offers periods for the Company's stock.

Consequently, full authority has been granted to the Board of Directors, with the option to sub-delegate such powers to the Chairman & Chief Executive Officer or Executive Vice-Chairman, as the case may be, within the limits set by law and the bylaws, to carry out this transaction and/or to approve all programs, place all stock market orders, enter into any agreement, carry out all declarations and formalities with the AMF and all bodies of their choice and, more generally, take any measures considered necessary.

It is proposed to the Shareholders' Meeting of May 21, 2021 to renew this authorization for a new maximum period of 18 months, *i.e.* until November 20, 2022.

Reminder:

The shares held under the buyback program may not represent more than 10% of the Company's share capital at any given time. As at December 31, 2020, EssilorLuxottica held 1,986,459 treasury shares, representing 0.45% of share capital. The par value of these shares was €357,562.62 and their book value was €200.9 million (*i.e.*, an average net cost of €101.16 per share).

Liquidity contract

The Company was not a party to any liquidity contracts in 2020.

Share buyback transactions

In accordance with the provisions of Article L. 225-211 of the French Commercial Code, no shares were reallocated in 2020.

	2020 Treasury shares
NUMBER OF SHARES AT START OF PERIOD – JANUARY 1	**787,310**
Purchase options exercised	
Delivery of performance shares	(7,517)
Sale of shares to employees (Boost plan)	(343,334)
Conversions of convertible bonds with delivery	
Cancellation of treasury shares	
Purchase of treasury shares	1,550,000
NUMBER OF SHARES AT END OF PERIOD – DECEMBER 31	**1,986,459**
Position as at January 31, 2021	
Percentage of capital held directly or indirectly	0.45%
Number of shares canceled in the preceding 24 months	0
Number of shares held in the portfolio	1,986,459
Book value of the portfolio *(in €)*	200,940,349,14
Market value of the portfolio [(a)] *(in €)*	232,415,703.00

(a) Based on the closing price at January 31, 2021.

There were no cancellations during 2020.

5.2.4 Share cancellations and capital reductions

The Company's Combined Shareholders' Meeting of **June 25, 2020** authorized the Board of Directors to reduce the share capital by cancelling some or all of the treasury shares held by the Company, provided that the number of shares cancelled during any 24-month period does not exceed 10% of the total share capital at the date of cancellation. The Company did not cancel any shares under this authorization in 2020. This authorization is valid for a period of 26 months, *i.e.* until August 24, 2022.

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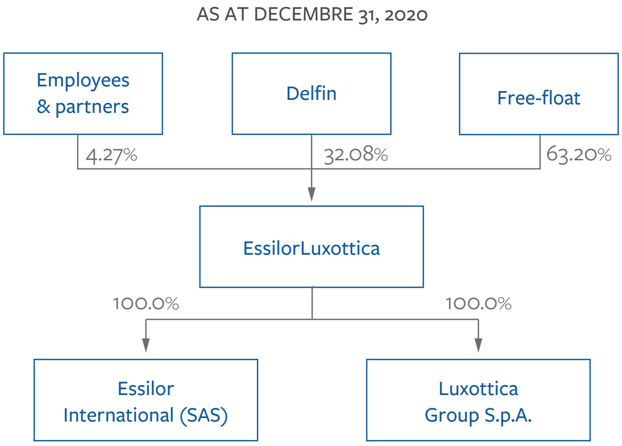
5.3 Shareholding

As a result of the completion of the Combination effective October 1, 2018, Delfin, the holding company of the family of Leonardo Del Vecchio, has become the main shareholder with more than 30% of the share capital and voting rights.

GROUP STRUCTURE AS AT DECEMBER 31, 2020



Treasury stock accounted for 0.45% of capital.

- **Standstill Undertaking:** pursuant to the terms of the Combination Agreement, Delfin has agreed not to file a public offer for EssilorLuxottica shares for a period of ten (10) years from the date of the signature of the Combination Agreement, provided that no third party – acting alone or in concert – comes to hold, directly or indirectly, more than twenty percent (20%) of the share capital or voting rights of EssilorLuxottica or announces its intention to file a public offer for EssilorLuxottica shares (the "Standstill Undertaking").

Notwithstanding the provisions of the last paragraph of Article L. 22-10-46 of the French Commercial Code, as of October 1, 2018, EssilorLuxottica bylaws provide for the exclusion of double voting rights to protect the rights of minority shareholders. The bylaws also exclude the casting vote of the Chairman of the Board of Directors, and place a 31% limit on voting rights for any shareholder, based on a formula described in the EssilorLuxottica bylaws and reproduced in Section 5.1, paragraph *Summary of the key provisions of EssilorLuxottica's bylaws* below.

Summary of the key provisions of EssilorLuxottica's bylaws

The bylaws of EssilorLuxottica include the following key provisions:

1. the exclusion of double voting rights.

   As an exemption to the provisions of the last paragraph of Article L. 22-10-46 of the French commercial code, no double voting rights are conferred on the shares of the EssilorLuxottica;
2. a 31% limit on voting rights for any shareholder, based on a formula described in the EssilorLuxottica bylaws and reproduced below:

   The EssilorLuxottica bylaws provide for a 31% limit on voting rights for any shareholder, based on a formula contained in the bylaws (see Section 5.1, paragraph *Voting rights*). Consequently, no shareholder may express, whether personally or through a proxy holder, with respect to the voting rights attached to the shares he or she directly or indirectly holds, more than 31% of the total number of EssilorLuxottica voting rights, computed as indicated in the aforementioned Section 5.1.

THEORETICAL CALCULATION OF DELFIN VOTING RIGHTS AS AT DECEMBER 31, 2020

a	Total number of shares	[N]	439,005,894	Shares held by Delfin
b	Treasury shares	[P]	1,9866,459	140,836,426 = 32.08%
c	Shares exceeding 34% of the share capital	[D]	-	439,005,894
d	Shares held by Delfin		140,836,426	
e = 31% (a-b-c)	Cap on voting rights	31% (N-P-D)	135,476,025	Delfin voting rights
f = d-e	Non-exercisable voting rights		5,360,401	135,476,025 = 31.39%
g = a-b-f	Total number of voting rights		431,659,034	431,659,034

For the purposes of this statutory clause limiting voting rights, it is specified that all current or former employees of EssilorLuxottica or of its subsidiaries or interests and/or the assigns of these persons and/or the asset management companies whose entire capital is exclusively held by the latter (the "Employees and Employee Entities"), acting alone or in concert with other Employees and Employee Entities or with an entity (including any mutual funds) the entire capital or units of which are held by Employees and Employee Entities (an "Authorized Entity") will not be taken into account for the calculation of the number of natural persons or corporate entities holding more than 10% of the capital or voting rights of EssilorLuxottica provided that (i) these Employees and Employee Entities and/or Authorized Entities do not act in concert with any third party other than the Employees and Employee Entities and/or Authorized Entities, (ii) the Employees and Employee Entities and/or Authorized Entities are not represented by a third party not appointed from among the Employees and Employee Entities; it being however specified that this exclusion will only apply insofar as the Employees and Employee Entities and/or any Authorized Entity hold less than 15% of the share capital or voting rights of EssilorLuxottica.

The limit provided for in the above paragraphs has no effect on the calculation of the total number of voting rights that are attached to EssilorLuxottica's shares that must be taken into account for the application of legal, regulatory or statutory provisions that impose particular obligations by reference to the number of existing voting rights in EssilorLuxottica or the number of shares bearing voting rights.

The limit provided for in the above paragraphs automatically lapses, without the necessity for a new decision of the Extraordinary Shareholders' Meeting, whenever a natural person or corporate entity, acting alone or in concert with one or more natural persons or corporate entities, holds at least two thirds of the total number of shares and voting rights of EssilorLuxottica following a takeover bid targeting all the shares of EssilorLuxottica. The Board of Directors notes that the lapse has occurred and carries out the corresponding statutory amendment formalities.

For more information, please refer to Section 5.1.

Crossing of legal and statutory thresholds in 2020

In 2020, EssilorLuxottica received the following notifications:

- from Amundi (notification dated April 01, 2020):

  On April 1 2020, Amundi notified the Company that *" We confirm to you that we hold in our funds 4,407,330 shares in EssilorLuxottica, which represents a holding of 1.0% leading to the crossing of the statutory threshold of 1% in terms of share ownership and voting rights";*

- from BlackRock (notifications dated November 30, December 1, December 4 and December 7, 2020):

  On November 30, BlackRock notified the Company that *"As at November 27, 2020 BlackRock, Inc. holding in EssilorLuxottica on a voting basis is 4.03% (17,694,732 votes) and a capital basis is 4.03% (17,694,732 shares)".*

  On December 1, BlackRock notified the Company that *"As at November 30, 2020 BlackRock, Inc. holding in EssilorLuxottica on a voting basis is 3.93% (17,240,099 votes) and a capital basis is 3.93% (17,240,099 shares)".*

  On December 4, BlackRock notified the Company that *"As at December 3, 2020 BlackRock, Inc. holding in EssilorLuxottica on a voting basis is 4.02% (17,615,235 votes) and a capital basis is 4.02% (17,615,235 shares)".*

  On December 7, BlackRock. notified the Company that *"As at December 4, 2020 BlackRock, Inc. holding in EssilorLuxottica on a voting basis is 3.95% (17,340,945 votes) and a capital basis is 3.95% (17,340,945 shares)";*

- from Caisse de Dépôts et consignations (« CDC ») (notifications dated August 13, August 21, September 2 and September 9, 2020):

  On August 13, CDC notified the Company that *"on August 10, 2020, CNP Assurances had exceeded the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. The CDC which has not crossed any thresholds, now owns directly and indirectly through CNP Assurances 12,945,681 shares and voting rights in EssilorLuxottica representing 2.95% of the company's share capital and voting rights (split between CDC (direct holding) and CNP Assurances)".*

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On August 21, CDC notified the Company that "on August 14, 2020, CNP Assurances had individually crossed down the statutory threshold of 1% *of the capital and voting rights of EssilorLuxottica. The CDC which has not crossed any thresholds, now owns directly and indirectly through CNP Assurances 12,473,608 shares and voting rights in EssilorLuxottica representing 2.85% of the company's share capital and voting rights (split between CDC (direct holding) and CNP Assurances)";*

On September 2, CDC notified the Company that "*on August 28 2020, CDC had exceeded the statutory threshold of 3% of the capital and voting rights of EssilorLuxottica. On August 28, 2020, CNP Assurances had exceeded the statutory threshold of 1% of the capital and voting rights in the company. The CDC now owns directly and indirectly through CNP Assurances 13,465,715 shares and voting rights in EssilorLuxottica representing 3.07% of the company's share capital and voting rights (split between CDC (directly holding) and CNP Assurances)*".

On September 9, CDC notified the Company that *"on September 4, 2020, CDC had crossed down the statutory threshold of 3% of the capital and voting rights of EssilorLuxottica. CNP Assurances had individually crossed down the statutory threshold of 1% of the capital and voting rights of EssilorLuxottica. The CDC, now owns directly and indirectly through CNP Assurances 12,617,798 shares and voting rights in EssilorLuxottica representing 2.88% of the company's share capital and voting rights (split between CDC (direct holding) and CNP Assurances)";*

- from Egerton Capital (UK) LLP (notifications dated March 16, April 2, May 28, June 22, August 3 and December 4, 2020):

On March 16, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Sterling Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the purchase by Egerton Capital (UK) LLP of 316,538 shares of the Company on March 13, 2020, Egerton Capital (UK) LLP held in aggregate 4,514,524 shares of the Company representing 1.03% of the Company's share capital. Egerton Capital (UK) LLP believes that this represents 1.03% of the Company's voting rights".*

On April 2, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Capital Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the sale by Egerton Capital (UK) LLP of 3,358 shares of the Company on April 1, 2020, Egerton Capital (UK) LLP held in aggregate 4,375,376 shares of the Company representing 0.99% of the Company's share capital. Egerton Capital (UK) LLP believes that this represents 0.99% of the Company's voting rights".*

On May 28, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Capital Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the purchase by Egerton Capital (UK) LLP of 91,800 shares of the Company on May 27, 2020, Egerton Capital (UK) LLP held in aggregate 4,401,983 shares of the Company representing 1.00% of the Company's share capital. Egerton Capital (UK) LLP believes that this represents 1.00% of the Company's voting rights".*

On June 22, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Capital Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the sale by Egerton Capital (UK) LLP of 97,911 shares of the Company on June 19, 2020, Egerton Capital (UK) LLP held in aggregate 4,304,072 shares of the Company representing 0.98% of the Company's share capital. Egerton Capital (UK) LLP believes that this represents 0.98% of the Company's voting rights".*

On August 3, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Capital Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the purchase by Egerton Capital (UK) LLP of 265,600 shares of the Company on July 31, 2020, Egerton Capital (UK) LLP held in aggregate 4,502,975 shares of the Company representing 1.03% of the Company's share capital. Egerton Capital (UK) LLP believes that this represents 1.03% of the Company's voting rights".*

On December 4, Egerton Capital (UK) LLP notified the Company that *"Egerton Capital (UK) LLP, acting in its capacity as investment manager of Egerton Capital Equity Fund, Egerton Capital Investment Fund, Egerton Long-Short Master Fund Limited, Egerton Investment Partners, L.P. and Schroder GAIA Egerton Equity, following the sale by Egerton Capital (UK) LLP of 16,713 shares of the Company on December 3, 2020, Egerton Capital (UK) LLP held in aggregate 4,370,027 shares of the Company representing 0.996% of the Company's share capital. We believe that this represents 0.996% of the Company's voting rights";*

- from T. Rowe Price Associates, Inc. (notifications dated September 2 and September 3, 2020):

On September 2, T. Rowe Price Associates, Inc. notified the Company that *"Advisory Clients of T. Rowe Price disposed of voting rights of your company to fall below the 1% threshold as set out in your Articles of Association".*

As of August 28, 2020, Advisory Clients owned 4,423,283 shares, representing 1.01% of the outstanding share capital. As of August 28, 2020, T. Rowe Price, on behalf of its Advisory Clients had the power to vote 4,371,500 shares, representing 0.99% of the voting rights".

On September 03, T. Rowe Price Associates, Inc. notified the Company that "*Advisory Clients of T. Rowe Price acquired shares of your company in excess of the 1% threshold set out in your company articles of association.*

As of September 1, 2020, Advisory Clients owned 4,438,571 shares, representing 1.00% of the outstanding share capital. As of September 1, 2020, T. Rowe Price, on behalf of its Advisory Clients had the power to vote 4,386,684 shares, representing 1.01% of the voting rights";

- from Third Point (notification dated April 29, 2020):

On April 29, Third Point notified the Company that "Further to the notification provided on November 22, 2019, holdings have gone just below 1% as a result of our risk management controls.

These percentages are based on the company's outstanding numbers as of March 31, 2020";

- from WCM Investment Management (notification dated November 06, 2020):

On November 6, 2020, WCM Investment Management notified the Company that "*WCM Investment Management, LLC acting on behalf of clients and funds it manages, has fallen below the statutory participation threshold of 1% of the company's capital. WCM Investment Management holds, at the close of trading on Euronext Paris on November 2, 2020, 2,806,639 ordinary shares of the Company and 2,853,748 American Depository Receipts (ADR) of the Company, together representing 0.96% of the capital and voting rights; it being specified that 2 ADR give the right to 1 ordinary share*".

5.4 Employee shareholding

Throughout its history, the Company has been committed to making all employees partners in its development by allowing them to become Group shareholders. This policy is fundamental to the Company's culture and has been a key factor in its performance since the very beginning. This employee shareholding culture continues to be a key feature of the newly combined Group. Employee shareholding is regarded as a key inviolable principle and was deployed throughout the EssilorLuxottica group from 2019 onwards through the first international plan, and continues in 2020 with an increasing number of participant countries.

The significant level of employee shareholding boosts the Company's competitiveness and is a source of pride among all EssilorLuxottica employees. It means that Group employees have the opportunity to be fully engaged in creating value and achieving success for the Group as a result of their substantial stake in its share capital.

In keeping with EssilorLuxottica's employee shareholding culture and governance model, Valoptec Association, a French non-profit association representing current and former EssilorLuxottica employees, is the single body that represents all of the new Group's employee shareholders on EssilorLuxottica's Board of Directors.

This atypical form of governance, built on trusted dialog with the Company's management team, aims to encourage the involvement of almost 140,000 employees in defining the Company's strategy.

In addition to aligning the interests of employee shareholders with those of other shareholders, the Company's governance structure strengthens employees' sense of belonging to the Group as well as their commitment to its strategy.

In December 2020, the Company was awarded by the French Federation of Associations of Employee Shareholders and Former Employees (FAS) the FAS Grand Prize for Employees Shareholding for the third time in four years. The jury wished to reward the operations consistency, the growing integration of Luxottica employees in the plan and the renewed success of the international employee shareholding plan.

Following the success of the international employee shareholding plan in 2017 and 2018, offered to Essilor International employees in more than 40 countries, EssilorLuxottica launched the new Group's first employee shareholding initiative in 2019. The international plan has enabled Luxottica employees in Italy in 2019 and then in 2020 in Italy, Greater China and India to join nearly 49,000 Essilor's colleagues throughout the world who have decided over these past few years to take a financial stake in the Company by buying Group shares on advantageous terms.

Despite the challenging context of the past year, the subscription rate in Boost 2020 reached over 62% of eligible employees, which is considerably above the 2019 market average of 20%1 and well in line with the previous "Boost" initiatives. Specific plans rolled-out at local level complemented the global initiative and contributed to its overall success, in particular the French "Plan d'Epargne d'Entreprise" (P.E.E. or employee savings plan), with a record amount invested.

As a result of these mechanisms, 72,753 employees of the Group are EssilorLuxottica internal shareholders as at the end of 2020. They represent 4.27% of the share capital[(1)] and 4.34% of the voting rights.

5.4.1 Performance shares

Rights to performance shares are presented below:

	Before the Combination [(a)]		
	As at December 31, 2020	**Of which in 2020**	**In January 2021**
Rights granted [(a)]	2,830,659		
Rights canceled [(a)]	669,473	279,620	
Rights exercised [(a)]	1,142,738		
• Shares issued through a capital increase		1,078,950	
• Treasury share account			
Rights outstanding [(a) (b)]	1,018,448		1,018,448

(a) Plans from September 22, 2016 NR to May 23, 2018 R and NR: prior to Combination
(b) *i.e.* 023% of the share capital as at December 31, 2020.

(1) 1.51% of the capital within the meaning of Article L. 225-102 of the Commercial Code

	After Combination [a]		
	As at December 31, 2020	Of which in 2020	In January 2021
Rights granted [a]	6,213,659		
Rights canceled [a]	347,029	229,730	13,726
Rights exercised [a]:	7,517		
• Shares issued through a capital increase			
• Treasury share account		7,517	
Rights outstanding [a] [b]	5,859,113		5,845,387

(a) Plans from November 29, 2018 R and NR to November 26, 2020 R: after Combination.
(b) *i.e.* 1,31% of the share capital as at December 31, 2020.

If the rights to performance shares are exercised, grantees will be granted either existing or new ordinary EssilorLuxottica shares.

The decision was preceded by an assessment of the benefits of this type of plan. The conclusions from this assessment were as follows:

- the potential dilutive impact of performance shares granted is less than half that of stock subscription options offering an equivalent potential gain;
- the grant system makes it easier for grantees to keep their shares, unlike stock subscription options (or purchase) options, the financing of which by the holders results in almost all cases to a partial or total transfer;
- the terms of the performance share awards are designed to ensure that the potential gain for grantees is as close as possible to that for holders of stock options. Lastly, the performance shares are subject to vesting conditions based on growth in the Company's share price to ensure that the interests of grantees converge with those of shareholders.

5.4.1.1 Vesting conditions and lock-up period

EssilorLuxottica's long-term compensation plans were designed to encourage the alignment of the interests of employee shareholders and external shareholders.

Performance shares granted between 2006 and 2019 inclusive are governed by performance share plan regulations, the conditions of which have changed since 2006.

The vesting of performance shares is dependent on:

- a performance condition based on the progress of the trading price of the share, in accordance with the seventh resolution approved by the Shareholders' Meeting of November 29, 2018;
- an employment condition in order to guarantee the long-term commitment of the grantees and their loyalty to the Company;
- a lock-up period for vested shares, subject to a decision by the Board of Directors, to strengthen the convergence between the interests of employee shareholders and those of external shareholders;
- stricter conditions for corporate officers.

Performance condition

Shares under plans up to 2016 for non-residents and 2017 for French residents have been fully delivered.

For the 2016 plan, the performance condition is no longer applicable to employee grantees. A new performance condition was applied for Executive Corporate Officers (see Chapter 2 of this Universal Registration Document, Table 9, *History of performance shares*).

Starting from the 2017 plan: the vesting of shares and the number of shares vested are subject to a performance condition based on the annualized growth of the Essilor share price over a period of between three and six years (from N+3 to N+6) from their award date.

The Initial Reference Share Price (corresponding to the average of the 20 opening prices preceding the award date) is determined at the time they are granted.

Three years after the award (N + 3), an Average Share Price is calculated, corresponding to the average opening share price for the three months preceding the date of the third anniversary of the award.

If the increase between the Average Share Price and the Initial Reference Share Price is:

- **22.5% or more** (*i.e.* annualized growth of 7%), all shares initially granted will vest provided that the employment condition is met (see details in paragraph *Employment condition*).

  Starting from the 2015 plans: Calculation formula: (Average Price/Initial Price) (1/N) - 1 where N is the number of years between the award and the performance measurement date. N = 3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of six;
- **6.1% or more, but less than 22.5%** (corresponding to annualized growth[1] of 2% or more but less than 7%), some of the shares initially granted will vest provided that the employment condition is also met (see details in paragraph *Employment condition*);
- **less than 6.1%** (*i.e.* annualized growth of less than 2%), no shares will vest. In this case, a further performance assessment will be carried out three months later with annualized share price benchmarks of between 2% and 7%. This measurement of performance may be repeated until the sixth anniversary of the award date (N+6).

(1) For the 2016 plan, this condition does not apply. Starting from the 2017 plan: Calculation formula: (Average Price/Initial Price)^(1/N)-1 where N is the number of years between the award and the performance measurement date. N = 3 then, if the performance condition is not achieved, 3.25 and so on up to a maximum of six.

The first time that the annualized increase between the Average Share Price and the Initial Reference Share Price crosses the 2% threshold (as annualized growth) is when the number of shares vested is determined, even if the annualized increase subsequently rises. The more time that passes, the greater the minimum threshold (increase in the trading price) that must be achieved to receive a minimum number of EssilorLuxottica shares: 6.1% in N+3, +8.2% in N+4 etc. and +12.6% in N+6.

If, at the end of N+6, the minimum threshold of a 12.6% increase in the trading price has not been achieved, the plan becomes null and void and the employees will not receive any EssilorLuxottica shares.

From 2020 plan, the vesting of shares and the number of shares vested are subject to a performance condition based on the annualized growth of the Essilor share price over a period of three years from their award date.

Three years after the award (N + 3), an Average Share Price is calculated, corresponding to the average opening share price for the three months preceding the date of the third anniversary of the award.

If the increase between the Average Share Price and the Initial Reference Share Price is:

- **22.5% or more** (*i.e.* annualized growth of 7%), all shares initially granted will vest provided that the employment condition is met (see details in paragraph *Employment condition*).
- **6.1% or more, but less than 22.5%** (corresponding to annualized growth[1] of 2% or more but less than 7%), some of the shares initially granted will vest provided that the employment condition is also met (see details in paragraph *Employment condition*);
- **less than 6.1%** (*i.e.* annualized growth of less than 2%), no shares will vest, employees won't receive any EssilorLuxottica shares.

Employment condition

For the plans from 2017 to May 2018, for French tax residents, the vesting of shares is contingent on the grantee still being employed in the Group on the date that the performance condition is met, which may occur between the third and the sixth anniversary of the award.

For non-French tax residents, the employment condition is set:

- on the fourth anniversary of the award if the achievement of the performance condition occurs between the third and fourth anniversary;
- on the date that the performance condition is met, if that day occurs after the fourth anniversary of the award.

This employment condition is waived in the event of the grantee's death, disability, redundancy or retirement.

Starting from the November 2018 plan, the vesting of shares is contingent on the grantee still being employed in the Group on the date that the performance condition is met, which may occur between the third and the sixth anniversary of the award.

This employment condition is waived in the event of the grantee's death, disability, redundancy or retirement.

From October 2020 plan, Performance Shares will be delivered to each beneficiary subject to the satisfaction of the Performance Condition of the Plan (3 years after grant), provided that the Beneficiary holds, throughout the entire duration of the Vesting Period, an employment contract or corporate office within the Group.

The employment condition is waived in the event of the grantee's death, disability, economic grounds (only for employees who hold an employment contract governed by french law) or retirement

Lock-up period

For the previous plans in effect as at the Combination Date, the Board of Directors established a lock-up period once the performance condition is met. French tax residents may sell the shares acquired no earlier than the fifth anniversary of the initial award. All shares acquired are only available to non-French tax residents after the fourth anniversary of their initial award.

For the plans introduced after the Combination Date, in accordance with the seventh resolution approved by the Shareholders' Meeting of November 29, 2018, the Board of Directors may impose a share lock-up period on grantees, it being specified that Executive Corporate Officers are required to hold a certain number of shares for the duration of their term of office.

For the November 2018, 2019 and 2020 plans, the Board of Directors decided not to impose a lock-up period.

For more information, please also see Note 23 to the Consolidated Group Financial Statements (Section 3.3 of this Universal Registration Document).

(1) From 2020 plan: Calculation formula: (Average Price/Initial Price)^(1/N)-1 where N is the number of years between the award and the performance measurement date. N = 3. If the performance condition is not achieved, no shares will be delivered.

5.4.1.2 Rights to performance shares outstanding

Grant date	Number of rights granted	Of which corporate officers	Initial reference share price (useful for evaluating performance) *(in €)*	Number of rights outstanding as at December 31, 2020	Number of rights outstanding as at January 31, 2021
September 22, 2016 NR	873,772	35,000	114.88		
December 19, 2016	67,830		99.97		
October 3, 2017	1,481,219	50,000	105.80	773,311	773,311
December 21, 2017	91,200		107.14	1,000	1,000
May 23, 2018 [(a)]	316,638		114.62	244,137	244,137
November 29, 2018 R+NR	1,565,862	100,000	116.74	1,371,707	1,367,510
November 29, 2018 Collective	93,180		116.74	83,820	83,560
October 3, 2019 R+NR	2,228,446	80,000	131.52	2,102,698	2,098,495
November 28, 2019 Collective	94,520		137.63	89,820	89,580
October 1, 2020 R+NR	2,138,851	110,045	110,79	2,118,268	2,113,442
November 26, 2020 Collective	92,800		113,85	92,800	92,800
TOTAL	**9,044,318**	**375,045**		**6,877,561**	**6,863,835**

(a) Exceptional award for employee shareholders with the Company at May 23, 2018 R and NR.

5.4.1.3 Board of Directors members' rights to shares

POSITION AS AT DECEMBER 31, 2020

	Employee members and corporate officers of the Board of Directors							
	Leonardo Del Vecchio	**Hubert Sagnières**	**Laurent Vacherot**	**Paul du Saillant**	**Francesco Milleri**	**Leonel Pereira Ascencao**	**Juliette Favre**	**Delphine Zablocki**
Shares								
Rights to performance shares								
• September 22, 2016		35,000	32,005	30,005		42	770	28
• December 19, 2016				15		15	15	15
• October 3, 2017		50,000	32,045	30,005		45	1,025	31
• December 21, 2017				14		20	20	20
• May 23, 2018				9		9	9	9
• November 29, 2018	50,000	50,000	35,000	30,005		45	1,025	32
• November 29, 2018			20	20		20	20	20
• March 7, 2019					37,150			
• October 3, 2019	40,000	40,000	35,000	30,005	35,000	45	1,025	34
• November 28, 2019				20		20	20	20
• October 1, 2020	20,000	20,000		35,045	35,000	45	1,025	34
• November 26, 2020						20	20	20

5.4.2 Rights to restricted shares

Rights to restricted shares are presented below:

	After Combination [(a)]		
	As at December 31, 2020	Of which in 2020	In January 2021
Rights granted [(a)]	801,400		
Rights canceled [(a)]	18,750	950	
Rights exercised [(a)]:			
• Shares issued through a capital increase			
• Treasury share account			
Rights outstanding [(a)] [(b)]	782,650		782,650

(a) Plan from March 7, 2019: after Combination.
(b) *i.e.* 0.18% of the share capital as at December 31, 2020.

At the end of December 2017, Luxottica Board of Directors approved a long-term cash retention plan (LongTerm Incentive plan or LTI) vesting on March 30, 2021. The term of the arrangement provided Luxottica with the choice of whether to settle in cash or by issuing Luxottica or EssilorLuxottica shares, subject to the approval of the relevant governance bodies.

EssilorLuxottica Shareholders' Meeting held on November 29, 2018, authorized EssilorLuxottica Board of Directors to proceed with the award of free existing shares (without any performance condition) to Luxottica group's employees, replacing cash retention bonuses.

On March 7, 2019, EssilorLuxottica Board of Directors proceeded with the awards of such shares to Luxottica group's employees. The vesting of shares is dependent on a presence condition in the Group on March 7, 2021.

After vesting, the shares will not be subject to any lock-up obligation.

5.4.3 Stock options

The position regarding stock options is presented below.

Information is provided only for those award plans for which options are currently outstanding.

	Before the Combination [(a)]		
	As at December 31, 2020	Of which in 2020	In January 2021
Options granted [(a)]	560,816		
Options canceled	143,954	11,964	
Options exercised [(a)]	212,298	45,552	1,332
Options outstanding [(a)] [(b)]	204,564		203,232

(a) Plans from November 25, 2013 to October 3, 2017: before Combination.
(b) *i.e.* 0.050% of the share capital as at December 31, 2020.

	After Combination [(a)]		
	As at December 31, 2020	Of which in 2020	In January 2021
Options granted [(a)]	373,856	113,536	
Options canceled [(a)]	20,931	8,520	1,764
Options exercised [(a)]			
Options outstanding [(a)] [(b)]	352,925		351,161

(a) Plans from November 29, 2018: after Combination.
(b) *i.e.* 0.08% of the share capital as at December 31, 2020.

Stock options exercisable on the Combination Date, if exercised, trigger the issue of new ordinary Company shares.

As at December 31, 2020, the total number of shares likely to be issued by exercising stock options was 204,564.

Stock options granted after the Combination Date will be delivered through treasury shares.

The subscription/purchase price is equal to the average of the opening prices quoted for the Company's shares over the 20 trading days preceding the Board of Directors' decision to grant the options.

Under capped plans, the maximum profit that can be made by each grantee is capped at 100% of the value of the options granted.

Capped performance plans are, in addition, subject to the share price reaching a certain level (in the same way as the performance shares described in Section 5.2.5) and can be canceled if the target is not met.

Grant date [(a)]	Number of options granted	Subscription/ purchase price [(b)] *(in €)*	Number of options outstanding as at December 31, 2020	Number of options outstanding as at January 31, 2021
November 25, 2013	87,880	77.29	0	0
November 25, 2014	121,505	87.16	19,980	19,980
December 2, 2015	100,023	121.32	53,100	52,980
September 22, 2016	119,392	114.88	52,611	52,395
October 3, 2017	132,016	105.80	78,873	77,877
November 29, 2018	133,203	116.74	117,135	116,613
October 3, 2019	127,117	131.52	122,254	121,609
October 1, 2020	113,536	110.79	113,536	112,939
TOTAL	**934,672**		**557,489**	**554,393**

(a) Plans prior to that of November 25, 2013 no longer have share subscription options outstanding.
(b) Starting from the November 29, 2018 plan, delivery of treasury shares.

5.4.4 Stock option awards and exercises during the year

Award and exercise:

- stock subscription options;
- share purchase options;
- rights to performance shares;
- granted to Non-Corporate Directors and Officers.

	Total number	Average weighted price *(in €)*	Maturity date	Related plans
Options granted during the 2020 fiscal year by the issuer and by any company included in the scope of options granted, to the ten employees of the issuer and of any company included in this scope, of which the number of options thus granted is the highest (general information)	28,560	110.79	10/01/2027	10/01/2020
Rights to performance shares granted during the 2020 fiscal year by the issuer and by any company included within the scope options granted, to the ten employees of the issuer and of any company included in this scope, of which the number of rights thus granted is the highest (general information)	136,400	110.79 113.85	10/01/2026 11/26/2026	10/01/2020 11/26/2020
Options held on the issuer and the companies referred to above, **exercised during the 2020 fiscal year** by the ten employees of the issuer and of these companies, of which the number of purchase or subscription options thus exercised is the highest (general information)	11,143	95.66		11/25/2013 11/25/2014 12/02/2015 09/22/2016 10/03/2017

5.5 Dividend distribution policy

The Company pursues a balanced dividend policy aimed at ensuring the remuneration of its shareholders and the reinvestment of its earnings to further its development. Over the past 20 years, the Company has assured its shareholders a steadily increasing dividend representing an average of one third of its net income.

It is recalled that in accordance with Board of Directors' Internal Rules, the distribution of dividends, interim dividends, bonuses, reserves and/or any other distributions made by the Company, Luxottica or Essilor International, is decided in accordance with the financial forecasts and to the Company's business strategies, it being specified that, unless otherwise decided by the Board of Directors, the pay-out ratio on consolidated net income adjusted for purchase price allocation items (PPA) and, as the case may be, other items to be determined by the Board of Directors, should not exceed 50%.

2021 dividend in respect of fiscal year 2020

On December 17, 2020 the Board of Directors decided to pay on December 28, 2020 an *interim dividend* for financial year 2020 of €1.15 per ordinary share comprising the share capital and entitled to the dividend. The overall interim dividend paid amounted to €502,572,126.00.

The Board of Directors of March 11, 2021 decided to submit to the Shareholders' Meeting to be held on May 21, 2021 a *total dividend* of €2.23 per ordinary share for the year 2020 corresponding to a *final dividend* amounting to €1.08 per shares, considering the *interim dividend* for the year 2020 already paid on December 28, 2020.

Subject to the approval by the Shareholders' Meeting, the *final dividend* will be paid as from June 21, 2021, in cash or in shares, at the shareholder's discretion.

History of the overall dividend distribution and growth

Total dividends for 2020 and the previous six years were as follows:

€ million	Net income Group share	Amount distributed	Pay out ratio	Net dividend *(in €)*	Pay out date
2020	788 (a)	977 (b) (c)	123% (b) (c)	2.23 (b) (c)	21/06/2021 (b) (c)
2019	1,938 (a)	- (d)	- (d)	- (d)	- (d)
2018	1,871 (e)	887	50% (f)	2.04	05/23/2019
2017	833	333	40%	1.53	04/30/2018
2016	813	325	40%	1.50	05/19/2017
2015	757	237	31%	1.11	06/08/2016
2014	642 (g)	216	34%	1.02	05/21/2015

(a) Corresponding to the adjusted Net profit attributable to owners of the parent as presented in Section 3.1.1, paragraph *Condensed consolidated statement of profit or loss: reconciliation with adjusted figures.*

(b) Based on the number of shares as of February 28, 2021 and subject to the decision of the 2021 Annual Shareholders' Meeting (May 21, 2021).

(c) An interim dividend of €1.15 per share (for a totalcash-out of €503 million) has been paid on December 28, 2020.

(d) On April 18, 2020, in light of the COVID-19 outbreak, EssilorLuxottica Board of Directors decided not to submit the distribution of a dividend for the 2019 financial year to the 2020 Annual Shareholders' Meeting (June 25, 2020).

(e) Corresponding to the *pro forma* adjusted Net profit as presented in Section 3.6 of 2018 Registration Document.

(f) Pay-out ratio applied on *pro forma* adjusted Net profit attributable to owners of the parent.

(g) Adjusted to include non-recurring items related principally to the 2014 acquisition of Transitions Optical, Coastal.com and Costa.

Dividends not claimed within five years will lapse, in accordance with the law.

Institution paying the Company's dividends

BNP Paribas Securities, Grands Moulins de Pantin, 9 Rue du Débarcadère, 93761 Pantin Cedex France. Tél: 01.42.98.10.00

5.6 Key stock market data

5.6.1 EssilorLuxottica shares

The EssilorLuxottica share trades on Euronext Paris – Euronext – Local stocks – Compartment A. Its ISIN and Euronext code is FR0000121667. The shares are eligible for the deferred settlement service (SRD).

The EssilorLuxottica share is included in the following indices: CAC 40, SBF 120, CAC All-Tradable, Euronext 100, EURO STOXX 50, STOXX All Europe 100, FTSEurofirst 300, MSCI World et MSCI Europe.

In 2020, EssilorLuxottica was also reconfirmed as a constituent of the ECPI Sustainability Index series and of the Ethibel Sustainability Index Excellence Europe and Excellence Global.

Finally, EssilorLuxottica is included in the Euronext FAS IAS Index launched by Euronext and the *Fédération Française des Associations d'Actionnaires Salariés et d'Anciens Salariés* (French Federation of Employee Shareholders – FAS). This index is composed of all stocks in the CAC All-Tradable Index with a significant employee shareholding: at least 3% of the share capital held by more than one-quarter of the employees in France. For more information about employee share ownership, please refer to Section 5.4.

The shares are freely transferable and cannot be jointly owned.

5.6.2 Key stock market data over 10 years

(*Source: Reuters, Bloomberg*)

	Share price (*in €*)				
	Session High	**Session Low**	**Closing price**	**Number of outstanding shares at December 31**	**Market capitalization at December 31 [(a)] (*€ million*)**
2020	**145.00**	**86.76**	**127.55**	**439,005,894**	**55,995**
2019	142.70	95.50	135.80	437,564,431	59,421
2018	129.55	105.35	110.45	426,777,218	47,138
2017	122.15	100.60	114.95	219,125,439	25,188
2016	124.55	93.41	107.35	218,507,701	23,457
2015	125.15	88.72	115.05	216,456,440	24,903
2014	93.26	70.51	92.68	215,892,528	20,009
2013	89.99	71.90	77.28	214,699,498	16,592
2012	78.24	54.50	76.02	214,724,040	16,323
2011	57.72	46.61	54.55	214,038,296	11,676

(a) The market capitalization methodology has been modified compared to previous URD versions by showing the full market capitalization instead of the market capitalization used in the CAC 40 Index (free float adjusted one).

5.6.3 Share prices and trading volumes over the past 16 months

(*Sources: Bloomberg and Reuters*)

Stock markets: Euronext Paris, Turquoise, Bats Europe, Equiduct, London Stock Exchange, Acquis Exchange.

	Volume of transactions (*millions of shares*)	Volume of transactions, incapital (*€ millions*)	Market price (*in €*)	
			In session Higher	In session Lower
2019				
October	19.71	2,611	137.90	125.95
November	14.09	1,944	141.50	134.25
December	13.54	1,863	142.70	133.30
2020				
January	20.83	2,892	145.00	134.25
February	25.21	3,377	143,20	119.10
March	67.76	7,230	130,20	86.76
April	27.12	2.868	115.20	92.04
May	20.34	2,292	120.90	104.85
June	30.95	3,626	125.30	109.20
July	19.72	2,311	122.35	112.20
August	16.10	1,787	114.90	107.35
September	23.73	2,629	116.65	105.95
October	23.26	2,678	122.05	103.05
November	34.41	4,006	123.15	104.20
December	23.83	3,054	131.90	121.45
2021				
January	19.82	2,457	131.45	116.40

5.7 Historical data

5.7.1 Breakdown of the share capital in 2018 and 2019

Breakdown of share capital in 2019

As at December 31, 2019	Number of shares	%	Number of voting rights	%
Delfin	**140,836,426**	**32.2%**	**135,400,908**	**31.4% [(b)]**
• Valoptec International FCPE	3,703,428	0.8%	3,703,428	0.9%
• Essilor Group five-year and seven-year FCPE (mutual fund)	4,462,313	1.0%	4,462,313	0.9%
• Funds reserved for employees outside France	1,392,094	0.3%	1,392,094	0.3%
• Pure registered shares or administered shares held by employees	8,798,843	2.0%	8,798,843	2.0%
• Pure registered shares or administered shares held by partners	344,240	0.1%	344,240	0.1%
Internal shareholding (Current, former and retired employees) and partner shareholding [(a)]	**18,700,918**	**4.3%**	**18,700,918**	**4.3%**
Treasury shares	**787,310**	**0.2%**		
Free-float	**277,239,777**	**63.4%**	**277,239,777**	**64.3%**
TOTAL	**437,564,431 [(c)]**	**100%**	**431,341,603**	**100%**

(a) The partner shareholding designates the portion of EssilorLuxottica shares held by employees, directors, and any former employees and former managers of the companies in which EssilorLuxottica held an interest that was thereafter fully divested.

(b) Exercise of the Delfin voting rights is capped according to the formula described in Sections 5.1 and 5.3.

(c) Corresponding to 437,533,516 shares delivered and registered and 30,915 shares delivered but not registered.

Breakdown of share capital in 2018

As at December 31, 2018	Number of shares	%	Number of voting rights	%
Delfin	**139,738,506**	**32.7%**	**131,960,013**	**31.6% [(b)]**
• Valoptec International FCPE	4,030,132	0.9%	4,030,132	1.0%
• Essilor group five-year and seven-year FCPE (mutual fund)	4,620,089	1.1%	4,620,089	1.1%
• Funds reserved for employees outside France	1,218,674	0.3%	1,218,674	0.3%
• Pure registered shares or administered shares held by employees	8,473,690	2.0%	8,473,690	2.0%
• Pure registered shares or administered shares held by partners	344,240	0.1%	344,240	0.1%
Internal shareholding (Current, former and retired employees) and partner shareholding [(a)]	**18,686,825**	**4.4%**	**18,686,825**	**4.4%**
Treasury shares	**1,099,757**	**0.3%**		
Free-float	**267,252,130**	**62.6%**	**267,252,130**	**64.0%**
TOTAL	**426,777,218**	**100%**	**417,898,968**	**100%**

(a) The partner shareholding designates the portion of Essilor International shares held by employees, directors and, if appropriate, any former employees and former managers of the companies in which Essilor International held an interest that was thereafter fully divested.

(b) Exercise of the Delfin voting rights is capped according the formula described in Sections 5.1 and 5.3

5.7.2 History of the share capital

Change in the share capital over the last five years *€ thousands*	**Number of shares**	**Nominal**	**Issue premium**	**Successive amounts of nominal share capital**	**Cumulative number of shares of the Company**
Share capital as at December 31, 2014				**38,861**	**215,892,528**
Share subscription reserved for the Essilor group mutual funds	257,057	46	24,901	38,907	216,149,585
Exercise of stock subscription option	306,855	55	14,531	38,962	216,456,440
Cancellation of treasury shares				38,962	216,456,440
Incorporation of reserves for capital increase				38,962	216,456,440
Share capital as at December 31, 2015				**38,962**	**216,456,440**
Dividend payment in shares	1,578,804	284	157,722	39,246	218,035,244
Share subscription reserved for the Essilor group mutual funds	331,945	60	26,489	39,306	218,367,189
Exercise of stock subscription option	140,512	25	6,944	39,331	218,507,701
Cancellation of treasury shares				39,331	218,507,701
Incorporation of reserves for capital increase				39,331	218,507,701
Share capital as at December 31, 2016				**39,331**	**218,507,701**
Essilor group's International Employee Shareholding Plan or any equivalent local plan	173,629	31	8,947	39,363	218,681,330
Share subscription reserved for the Essilor group mutual funds	313,561	56	26,819	39,419	218,994,891
Exercise of stock subscription option	130,548	24	8,827	39,443	219,125,439
Cancellation of treasury shares				39,443	219,125,439
Incorporation of reserves for capital increase				39,443	219,125,439
Share capital as at December 31, 2017				**39,443**	**219,125,439**
Delfin contribution	139,703,301	25,147	13,148,696	64,590	358,828,740
Recognition of completion of the mandatory exchange offer	66,329,548	11,939	7,166,725 [(a)]	76,529	425,158,288
Delivery of performance share plans	1,308,339	236		76,764	426,466,627
Share subscription reserved for the Essilor group mutual funds	277,926	50	25,906	76,814	426,744,553
Exercise of stock subscription option	32,665	6	2,515	76,820	426,777,218
Cancellation of treasury shares				76,820	426,777,218
Incorporation of reserves for capital increase				76,820	426,777,218
Share capital as at December 31, 2018				**76,820**	**426,777,218**
Recognition of completion of the mandatory exchange offer	9,259,224	1,667	1,016,466 [(b)]	78,487	436,036,442
Delivery of performance share plans	1,206,509	217		78,704	437,242,951
Share subscription reserved for the Essilor group mutual funds	249,635	45	27,322,551	78,749	437,492,586
Exercise of stock subscription option	40,930 [(c)]	7	3,508,219	78,756	437,533,516
Cancellation of treasury shares				78,756	437,533,516
Incorporation of reserves for capital increase				78,756	437,533,516

Change in the share capital over the last five years *€ thousands*	Number of shares	Nominal	Issue premium	Successive amounts of nominal share capital	Cumulative number of shares of the Company
Share capital as at December 31, 2019				**78,756**	**437,533,516**
Delivery of performance share plans	1,078,950	194		78,950	438,612,466
Share subscription reserved for the Essilor group mutual funds	316,961	57	28,635,525	79,007	438,929,427
Exercise of stock subscription option	71,221[(c)]	13	7,045,071	79,020	439,000,648
Cancellation of treasury shares				79,020	439,000,648
Incorporation of reserves for capital increase				79,020	439,000,648
SHARE CAPITAL AS AT DECEMBER 31, 2020				**79,020**	**439,000,648**

(a) The gross amount of the issue premium related to the completion of the mandatory exchange offer amounts to €7,188,133 thousand before deduction of €22 million corresponding to the total amount of transaction costs associated with this operation (see Section 3.10 of 2018 Registration Document).

(b) The gross amount of the issue premium related to the completion of the public tender offer and mandatory squeeze-out procedure amounts to €1,017 million before deduction of €0.7 million corresponding to the total net amount of transaction costs associated to these operations (see Section 3.10 of this Universal Registration Document).

(c) Does not include 5,246 shares delivered but not yet registered at December 31, 2020 (30,915 shares at December 31, 2019) for a nominal value amounting to €6 thousand and issue premium amounting to €3,106 thousand.

5.7.3 History of awards of stock subscription options and rights to performance shares

With regard to performance shares, please also see Section 5.2.5.

Plan	11/25/2013	11/25/2014	12/02/2015
Date of Shareholders' Meeting	May 11, 2012	May 11, 2012	May 5, 2015
Date of Board of Directors' Meeting	November 25, 2013	November 25, 2014	December 2, 2015
Type of plan	Capped performance stock subscription option plan [(a)]	Capped performance stock subscription option plan [(a)]	Capped performance stock subscription option plan [(b)]
Total number of shares that can be subscribed or purchased	Maximum 87,880	Maximum 121,505	Maximum 100,023
By corporate officers			
• Hubert Sagnières			
• Laurent Vacherot			
By the top 10 employee beneficiaries	34,350	59,900	43,459
Starting point for exercising options	November 25, 2015 [(d)]	November 25, 2016 [(e)]	December 2, 2018
Date plan ends	November 25, 2020	November 25, 2021	December 2, 2022
Subscription price or purchase price (*in €*)	77.29	87.16	121.32
Number of grantees	248	256	283
Exercise conditions [(c)]	Non-residents and residents: cannot exercise until performance is achieved. Then 50% in the third year and the balance in the following years. Cancellation possible.	Non-residents and residents: cannot exercise until performance is achieved. Then 50% in the third year and the balance in the following years. Cancellation possible.	No residents on this plan. Non-residents: subject to employment conditions: 100% after three years. Then, maximum 100% in the fourth year. Cancellation possible.
Number of shares subscribed as at December 31, 2020	81,942	85,077	17,495
Stock subscription options or rights to performance shares canceled	5,938	16,448	29,428
Stock subscription options or rights to performance shares remaining	0	19,980	53,100

(a) Capped performance plan. The capped performance plans are in addition subject to an additional market performance condition (like performance shares) and may be canceled if the condition is not reached.

(b) Capped performance plan. The 2015 capped performance plans are no longer subject to performance conditions.

(c) The vesting of stock subscription options is subject to a performance condition based on the annualized growth of Essilor's share price. A second performance condition applies specifically to executive corporate officers: the number of vested options may be reduced if the average rate of accomplishment of their variable compensation targets is less than 100%.

(d) Options may be granted when the calculated annualized average is 2% higher than the price of €77.29.

(e) Options may be granted when the calculated annualized average is 2% higher than the price of €87.16.

Plan	09/22/2016	09/22/2016	12/19/2016
Date of Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of Board of Directors' Meeting	September 22, 2016	September 22, 2016	December 6, 2016
Type of plan	Capped performance stock subscription option plan [(a)]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or purchased	Maximum 119,392	Maximum 1,372,233	Maximum 67,830
By corporate officers		67,005	15
• Hubert Sagnières		35,000	
• Laurent Vacherot		32,005	15
By the top 10 employee beneficiaries	24,281	169,932	75
Starting point for exercising options	September 22, 2019	September 22, 2019	December 19, 2019
Date plan ends	September 22, 2023	September 22, 2022	December 19, 2022
Subscription price or purchase price (*in €*)	114.88	NS [(b)]	NS [(b)]
Number of grantees	810	11,227	4,523
Exercise conditions	No residents on this plan. Non-residents: subject to employment conditions: 100% after three years. Then, maximum 100% in the fourth year. Cancellation possible.	Non-residents: award subject only to employment condition. 100% saleable on award at September 22, 2020. Residents: 100% saleable as from September 22, 2021.	No non-residents on this plan. Residents: award subject only to employment condition. 100% saleable for registered shares starting Sunday, December 19, 2021, and for the company savings plan (PEE) as from December 19, 2024 or 2026
Number of shares subscribed as at December 31, 2020	19,123	1,175,993 [(c)]	58,850 [(c)]
Stock subscription options or rights to performance shares canceled	47,658	196,240	7,980
Stock subscription options or rights to performance shares remaining	52,611	0	0

(a) Capped performance plan. The 2016 capped performance plans are no longer subject to performance conditions.
(b) If performance shares are granted, they will be issued through a capital increase.
(c) Shares become fully vested in the event of death or disability and are issued through a capital increase.

Plan	10/03/2017	10/03/2017	12/21/2017
Date of Shareholders' Meeting	May 5, 2015	May 5, 2015	May 5, 2015
Date of Board of Directors' Meeting	October 3, 2017	October 3, 2017	December 6, 2017
Type of plan	Capped performance stock subscription option plan (a)	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or purchased	Maximum 132,016	Maximum 1,481,219	Maximum 91,200
By corporate officers		82,045	
• Hubert Sagnières		50,000	
• Laurent Vacherot		32,045	
By the top 10 employee beneficiaries	23,583	151,604	60
Starting point for exercising options	October 3, 2020 (c)	October 3, 2020 (d)	December 21, 2020 (e)
Date plan ends	October 3, 2024	October 3, 2023	December 21, 2023
Subscription price or purchase price *(in €)*	105.8	NS (b)	NS (b)
Number of grantees	786	12,112	4,560
Exercise conditions	No residents on this plan. Non-residents: subject to employment conditions: 100% after three years. Then, maximum 100% in the fourth year. Cancellation possible.	Non-residents: award subject to the employment and performance conditions. Cancellation possible. 100% saleable on award at October 3, 2021. Residents: award subject to performance. Cancellation possible. 100% saleable as from October 3, 2022 depending on the final award date.	No non-residents on this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable for registered shares as from December 21, 2022, and for the company savings plan (PEE) as from December 21, 2025 or 2027 depending on the final award date.
Number of shares subscribed as at December 31, 2020	8,661	276,559 (f)	55,676 (f)
Stock subscription options or rights to performance shares canceled	44,482	431,349	34,524
Stock subscription options or rights to performance shares remaining	78,873	773,311	1,000

(a) Capped performance plan. The capped performance plans are in addition subject to an additional stock market performance condition (like performance shares) and may be canceled if the condition is not reached.
(b) If performance shares are granted, they will be issued through a capital increase.
(c) Options may be granted when the calculated annualized average is 2% higher than the price of €105.80.
(d) Shares may be granted to residents when the calculated annualized average is 2% higher than the price of €105.80.
(e) Shares may be granted to residents when the calculated annualized average is 2% higher than the price of €107.14.
(f) Shares become fully vested in the event of death or disability and are issued through a capital increase.

Plan	**5/23/2018**	**11/29/2018**	**11/29/2018**	**11/29/2018**
Date of Shareholders' Meeting	May 5, 2015	November 29, 2018	November 29, 2018	November 29, 2018
Date of Board of Directors' Meeting	May 23, 2018	November 29, 2018	November 29, 2018	November 29, 2018
Type of plan	Rights to exceptional performance shares	Capped performance stock option plan (a)	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or purchased	Maximum 316,638	Maximum 133,203	Maximum 1,565,862	Maximum 93,180
By corporate officers			100,000	
• Hubert Sagnières			50,000	
• Leonardo Del Vecchio			50,000	
By the top 10 employee beneficiaries	90	12,896	166,580	200
Starting point for exercising options	May 23, 2021 (f)	November 29, 2021 (d)	November 29, 2021 (e)	November 29, 2021 (e)
Date plan ends	May 23, 2024	November 29, 2025	November 29, 2024	November 29, 2024
Subscription price or purchase price (*in €*)	NS (b)	116.74	NS (c)	NS (c)
Number of grantees	35,182	789	13,379	4,659
Exercise conditions	Non-residents: award subject to the employment and performance conditions. Cancellation possible. 100% saleable on award at May 23, 2021. Residents: Award subject to performance. Cancellation possible. 100% saleable starting May 23, 2022 depending on the final date of award.	Non-residents and residents: subject to employment conditions: maximum 100% in the fourth year. Cancellation possible.	Non-residents and residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award at November 29, 2021.	No non-residents on this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable for registered shares as from November 29, 2021, and for the company savings plan (PEE) as from November 29, 2026 or 2028 depending on the final date of award.
Number of shares subscribed as at December 31, 2020	828 (g)		2,707	1,180
Stock subscription options or rights to performance shares canceled	71,673	16,068	191,448	8,180
Stock subscription options or rights to performance shares remaining	244,137	117,135	1,371,707	83,820

(a) Capped performance plan. The capped performance plans are in addition subject to an additional stock market performance condition (like performance shares) and may be canceled if the condition is not reached.
(b) If performance shares are granted, they will be issued through a capital increase.
(c) If the performance shares are granted, they will be produced and taken from the treasury shares held by the Company.
(d) Options will be granted provided that the estimated annualized average price is 2% higher than €116.74.
(e) The shares may be granted to residents when the calculated annualized average is 2% higher than the price of €116.74.
(f) The shares will be granted to residents provided that the estimated annualized average price is 2% higher than €114.62.
(g) Shares become fully vested in the event of death or disability and are issued through a capital increase.

Plan	07/03/2019	10/03/2019	10/03/2019	11/28/2019
Date of Shareholders' Meeting	November 29, 2018	November 29, 2018	November 29, 2018	November 29, 2018
Date of Board of Directors' Meeting	March 7, 2019	October 3, 2019	October 3, 2019	November 28, 2019
Type of plan	Rights to restricted shares [f]	Capped performance stock option plan [a]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or purchased	Maximum 801,400	Maximum 127,117	Maximum 2,228,446	Maximum 94,520
By corporate officers			80,000	
• Hubert Sagnières			40,000	
• Leonardo Del Vecchio			40,000	
By the top 10 employee beneficiaries	287,800	29,129	190,109	200
Starting point for exercising options	March 7, 2021	October 3, 2022 [c]	October 3, 2022 [d]	November 28, 2022 [e]
Date plan ends	March 7, 2021	October 3, 2026	According to vesting date	According to vesting date
Subscription price or purchase price (*in €*)	NS	131.52	NS [b]	NS [b]
Number of grantees	111	775	14,087	4,726
Exercise conditions	Non-residents and residents: award subject to employment condition. Cancellation possible. 100% saleable on award at March 7, 2021	Non-residents and residents: subject to employment conditions: maximum 100% in the fourth year. Cancellation possible.	Non-residents and residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award at October 3, 2022.	No non-residents on this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable for registered shares as from November 28, 2022, and for the company savings plan (PEE) as from November 28, 2027 or 2029 depending on the final date of award.
Number of shares subscribed as at December 31, 2020			2,810	1,020
Stock subscription options or rights to performance shares canceled	18,750	4,863	123,138	3,680
Stock subscription options or rights to performance shares remaining	782,650	122,254	2,102,698	89,820

(a) Capped performance plan. The capped performance plans are in addition subject to an additional stock market performance condition (like performance shares) and may be canceled if the condition is not reached.

(b) If the performance shares are granted, they will be produced and taken from the treasury shares held by the Company.

(c) Options will be granted provided that the estimated annualized average price is 2% higher than €131.52.

(d) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €131.52.

(e) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €137.63.

(f) Award of free existing shares (without any performance condition) to Luxottica group's employees, replacing cash retention bonuses approved by Luxottica Board of Directors at the end of December 2017.

5

Plan	10/01/2020	10/01/2020	11/26/2020
Date of Shareholders' Meeting	November 29, 2018	November 29, 2018	November 29, 2018
Date of Board of Directors' Meeting	October 1, 2020	October 1, 2020	November 26, 2020
Type of plan	Capped performance stock option plan[(a)]	Rights to performance shares	Rights to performance shares (France Collective Plan)
Total number of shares that can be subscribed or purchased	Maximum 113,536	Maximum 2,138,851	Maximum 92,800
By corporate officers		110,045	
• Hubert Sagnières		20,000	
• Leonardo Del Vecchio		20,000	
• Paul du Saillant		35,045	
• Francesco Milleri		35,000	
By the top 10 employee beneficiaries	28,560	136,260	200
Starting point for exercising options	October 1, 2023 [(c)]	October 1, 2023 [(d)]	November 26, 2023 [(e)]
Date plan ends	October 1, 2027	According to vesting date	According to vesting date
Subscription price or purchase price *(in €)*	110.79	NS [(b)]	NS [(b)]
Number of grantees	687	13,889	4,640
Exercise conditions	Non-residents and residents: subject to employment conditions: maximum 100% in the fourth year. Cancellation possible.	Non-residents and residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable on award at October 1, 2023.	No non-residents on this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable for registered shares as from November 26, 2023, and for the company savings plan (PEE) as from November 26, 2028 or 2030 depending on the final date of award.
Number of shares subscribed as at December 31, 2020			
Stock subscription options or rights to performance shares canceled		20,583	
Stock subscription options or rights to performance shares remaining	113,536	2,118,268	92,800

(a) Capped performance plan. The capped performance plans are in addition subject to an additional stock market performance condition (like performance shares) and may be canceled if the condition is not reached.

(b) If the performance shares are granted, they will be produced and taken from the treasury shares held by the Company.

(c) Options will be granted provided that the estimated annualized average price is 2% higher than €131.52.

(d) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €110.79.

(e) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €113.85.

CHAPTER

6

ADDITIONAL INFORMATION ON THE UNIVERSAL REGISTRATION DOCUMENT

IN BRIEF

Company name

The company's name is EssilorLuxottica, hereinafter the "Company" or, together with its subsidiaries, the "Group".

Market-related information

Unless otherwise stated:

- information on market positions is based on volumes sold;
- marketing information relating to the market and the ophthalmic industry or EssilorLuxottica's positions comes from EssilorLuxottica and from internal assessments and studies, which may be based on external market surveys.

Third-party information

When information comes from a third-party, it has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by such third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Persons responsible

Francesco Milleri

Chief Executive Officer

Paul du Saillant

Deputy Chief Executive Officer

Statutory Auditors

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92075 Paris-La Défense Cedex

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6.1 Persons responsible

6.1.1 Persons responsible for the Universal Registration Document

Francesco Milleri, Chief Executive Officer and Paul du Saillant, Deputy Chief Executive Officer are the persons responsible for the information given in the Universal Registration Document.

6.1.2 Statement by the persons responsible for the Universal Registration Document

We declare that the information contained in this Universal Registration Document is, to our knowledge, in accordance with the facts and contains no omission that might affect its significance.

We declare that, to our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and earnings of the Company (as well as those of the companies forming part of the consolidated Group) and that the information presented in the Management Report, which is detailed in the concordance table in Section 6.4.3 presents fairly the changes in business, results and financial position of the Company and the consolidated Group, as well as a description of their principal risks and contingencies.

Paris, March 25, 2021

Francesco Milleri **Paul du Saillant**

6.2 Statutory Auditors

6.2.1 Incumbent and alternate Statutory Auditors

Incumbent

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine

First appointed: June 14, 1983.

Reappointed by the Shareholders' Meeting of May 16, 2019 for a legal period of six years.

PricewaterhouseCoopers Audit is represented by Olivier Lotz and Cédric Gal (registered members of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

The Alternate Auditor for PricewaterhouseCoopers Audit is Patrice Morot (registered member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*), appointed by the Shareholders' Meeting of May 16, 2019 for a legal period of six years.

Mazars

61, rue Henri-Regnault

92075 Paris-La Défense Cedex

First appointed: May 11, 2007.

Reappointed by the Shareholders' Meeting of May 16, 2019 for a legal period of six years.

Mazars is represented by Jean-Luc Barlet and Guillaume Devaux (registered members of the *Compagnie Régionale des Commissaires aux comptes de Versailles*).

The Alternate Auditor for Mazars is Gilles Magnan (registered member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*), appointed by the Shareholders' Meeting of May 16, 2019 for a legal period of six years.

6.2.2 Resignation or non-renewal

No auditors resigned in 2020.

6.3 Publicly available documents

The bylaws and other corporate documents are available for consultation at the Company's registered office (147, rue de Paris – 94220 Charenton-le-Pont – France).

Paper copies of the last three years' Registration Documents and Annual Reports are available on request from the Investor Relations & Financial Communications Department at the Company's registered office. The printed versions of the Universal Registration Document and the 2020 Annual Report, or a copy of those documents, will be available at the Shareholders' Meeting called to approve the financial statements for the fiscal year, to be held on May 21, 2021.

EssilorLuxottica regularly provides its shareholders with transparent, accessible information about the Group, its activities and its financial results via a large range of resources.

Information published by the Company in the past year

Documents published in the BALO may be viewed at http://balo.journal-officiel.gouv.fr/

The Group's website www.essilorluxottica.com also contains the following public information.

Regulatory information as defined by the *Autorité des Marchés Financiers* (AMF):

- AMF filings that are required to be published on the Company website;
- analyst presentations and webcasts of analyst meetings, when available;
- financial press releases and, when available, audio webcasts of conference calls;
- Annual Reports and Registration Documents (containing historical financial information about the Company) for the last five years;
- information on Shareholders' Meetings, including notices of meeting, draft resolutions, instructions on how to attend meetings and the results of voting on resolutions;
- information on sustainable development.

6.4 Cross-reference tables

6.4.1 Universal Registration Document

The following regulated information described in Article 221-1 of the AMF's General Regulations is provided in this document:

- the Annual Financial Report;
- the information concerning Statutory Auditors' fees;
- the description of the share buyback program.

The cross-reference table below identifies the main information provided for in Annex 2 of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) no. 809/2004.

1	Persons responsible	Pages	Sections
1.1	Persons responsible for the information given in the Universal Registration Document	345	Section 6.1.1
1.2	Declaration by those responsible for the Universal Registration Document	345	Section 6.1.2
1.3	Name, business address, qualifications and material interest of person acting as expert	N/A	N/A
1.4	Confirmation regarding information sourced from a third party	N/A	N/A
1.5	Statement without the prior approval of the competent authority	1	N/A
2	**Statutory auditors**		
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6.4.2 Annual Financial Report

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(1) As per Article L.232-23 of the Code of Commerce.

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ESSILORLUXOTTICA

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