Executive corporate officers' compensation

<u>November 25, 2014 performance share plan</u>

On November 25, 2014, the Board of Directors granted 40,000 performance shares to Hubert Sagnières, Chairman and Chief Executive Officer of Essilor International until September 30, 2018 and Executive Vice-Chairman of EssilorLuxottica since October 1, 2018, under the following terms and conditions:

The shares were subject to two performance conditions and would only vest if Mr. Sagnières was still employed by the Company on the vesting date.

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.

   This performance condition was assessed at November 25, 2016:

Initial reference price: 20 trading days prior to November 25, 2014	€ 87.16
Average price: average share price from August 25 to November 25, 2016	€ 109.60
	➥**Annualized growth = +12%**

   Annualized growth, calculated as shown above, was greater than the performance target of 7% per year, and the first performance condition was therefore met.

2. The second performance condition, applicable only to the executive corporate officers, took the form of a target Average Ratio corresponding to the average achievement rate of Mr. Sagnières' annual variable compensation targets over the performance measurement period.

   If the Average Ratio was greater than 100%, it would have no impact on the number of vested shares based on the first performance condition. If it was less than 100%, the number of performance shares that vested would be reduced in the same proportion.

   As the Average Ratio for the period 2014-2015 was 158%, the second condition was met.

   As the two performance conditions were fully met, and Hubert Sagnières was still employed by the Company on the vesting date, on November 27, 2018 he received 40,000 EssilorLuxottica shares[1], registered in his name.

[1] The legal name "Essilor International" has been changed to"EssilorLuxottica" following the completion of the combination with Luxottica on October 1, 2018.

Lock-up period applicable to all non-resident beneficiaries of the plan:

For non-resident beneficiaries, including Mr. Sagnières, half of the vested shares are available immediately and half are subject to a two-year lock-up period until November 27, 2020. In the event of international mobility, plan beneficiaries are permitted to sell their shares prior to November 27, 2020.

Mandatory extended lock-up period for executive corporate officers:

One-third of Mr. Sagnières' shares that vested on November 27, 2018 (13,334 shares) will continue to be subject to a lock-up period for as long as he remains in office, or until such time as he holds on a permanent basis a number of shares (acquired over time through the vesting of performance shares or the exercise of stock options) equivalent to two years' total cash at target (fixed compensation + target annual variable compensation).

Long-term compensation/2018 grant

Pursuant to the 7th, 8th and 9th resolutions approved by the Extraordinary Shareholders' Meeting of November 29, 2018, the Board of Directors of EssilorLuxottica decided to grant performance shares and capped performance stock options to 13,379 employees. Up to 1,792,245 shares may be awarded under these plans, of which 1,659,042 under the performance share plan and 133,203 under the capped performance stock option plan.

In this regard and in line with the recommendations of the Nomination and Compensation Committee, the Board of Directors decided to grant:

- 50,000 performance shares to Leonardo Del Vecchio, Executive Chairman, representing 2.8% of the total number of shares granted and 0.01% of the Company's share capital at October 31, 2018[2].
- 50,000 performance shares to Hubert Sagnières, Executive Vice-Chairman, representing 2.8% of the total number of shares granted and 0.01% of the Company's share capital at October 31, 2018.

The shares will only vest if the grantee is still employed by the Company on the vesting date, and are subject to the performance conditions described below.

For all grantees, the number of shares that vest will be determined at the end of the performance measurement period (from 3 to 6 years as from the grant date) on the basis of the annualized growth in the EssilorLuxottica share price over said period. For all the shares to vest, the EssilorLuxottica share must grow at an annualized rate of at least 7% per year.

For executive corporate officers only, the number of shares that vest will also depend on the average rate of achievement of their annual variable compensation targets, calculated over the performance measurement period. The average rate of achievement of the annual variable compensation targets is capped at 100%. Therefore, an achievement rate of less than 100% can only lead to a reduction in the number of shares that vest for the executive corporate officers.

The vesting period for all grantees will be at least three years.

[2] Award also subject to the approval of the competent bodies of Luxottica Group S.p.A

Executive corporate officers are required to keep one-third of the vested shares throughout their term of office. This requirement is waived when they permanently hold an aggregate number of shares equivalent to two years' total cash at target (fixed compensation + target variable compensation), through the vesting of shares and the exercise of stock options.

<u>Related-party agreements (Article R. 225-34-1 of the French Commercial Code)</u>

On November 29, 2018, the Board of Directors of EssilorLuxottica voted to authorize commitments made by the Company to Messrs. Leonardo Del Vecchio and Hubert Sagnières, in line with the recommendations of the Nomination and Compensation Committee. These commitments concern:

- supplementary defined benefit and defined contribution pension plans;
- death/disability and health insurance plans;
- termination benefits; and
- employment insurance for Executive Corporate Officers (*Garantie Sociale des Chefs et des dirigeants d'entreprise – GSC*).

As of October 1, 2018, further to the combination between Essilor and Luxottica, creating EssilorLuxottica, the world leader in ophthalmic optics and eyewear, a change in governance took place: Mr. Leonardo Del Vecchio became the Executive Chairman and Mr. Hubert Sagnières became the Executive Vice-Chairman of the new EssilorLuxottica group.

Accordingly, acting pursuant to Articles L. 225-38 and L. 225-42-1 of the French Commercial Code (Code de commerce) and in line with the recommendations of the Nomination and Compensation Committee, the Board of Directors decided to make Messrs. Leonardo Del Vecchio and Hubert Sagnières eligible for all of the following:

A. A **supplementary defined benefit pension plan** set up by the Company for senior executives.

Plan beneficiaries are required to have at least ten years' service (versus the AFEP-MEDEF Code's recommended two years' service) with the Group. In addition, executive corporate officers must meet performance conditions, which are assessed with respect to the Company's performance, to receive any entitlements under the plan.

The pension plan is intended to guarantee beneficiaries a supplementary pension, which is determined as follows:

- 10% of the reference compensation[3];
- plus, for each year of service between 10 and 20 years:
  - 1% of the reference compensation,
  - 1.5% of the portion of the reference compensation that exceeds the "tranche C" ceiling for French social security contributions or 5% of the reference compensation, whichever is lower.

[3] Reference compensation is defined as the average of the annual fixed and variable gross compensation received for the three years preceding the last day worked.

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The plan therefore guarantees a maximum pension benefit of 25% of the reference compensation (versus a maximum of 45% provided for in the AFEP-MEDEF Code).

For Mr. Leonardo Del Vecchio:

- He will begin to accrue entitlements as of January 1, 2019. These entitlements subject to performance conditions correspond to those governing his annual variable compensation and will apply over a similar period. Vested conditional entitlements will be strictly proportional to the achievement rate for annual variable compensation, with a limit of 100%, and may reach up to 1.25% of his reference compensation per year.

For Mr. Hubert Sagnières, given his length of service with the Essilor Group (now EssilorLuxottica):

- all of the entitlements he could potentially claim have already vested. Therefore, he is not required to meet any further performance conditions for new entitlements to vest; and
- the theoretical annual pension to which he might be entitled as of the settlement of his pension entitlements would be equal to 25% of his reference compensation.

B. A **defined contribution pension plan.**

The Board of Directors approved the proposal of the Nomination and Compensation Committee to make Messrs. Leonardo Del Vecchio and Hubert Sagnières eligible for the defined contribution pension plan applicable within the Company.

The defined contribution pension plan is based on a flat employer contribution rate, currently set at 1% of gross compensation paid.

C. **Death/disability and health insurance plans** benefiting EssilorLuxottica employees, for which executive corporate officers are also eligible and pay contributions.

The death/disability plan guarantees full or partial salary maintenance in the event of sickness or disability. It also provides for the payment of higher death benefits or, if the beneficiary so wishes, lower death benefits plus education or spouse's annuities. The salary taken into account is limited to eight times the French social security ceiling.

The contributions amount to 1.50% of tranche A and 1.56% of tranche B salary, up to eight times the French social security ceiling and are borne in full by the employer.

D. A **termination benefit**, in the event of a compelled departure.

For Mr. Leonardo Del Vecchio, any termination benefit received in the event that his appointment is terminated is subject to the following performance condition:

- Performance will be measured based on the average rate of achievement of Mr. Leonardo Del Vecchio's annual variable compensation targets for the three years preceding his departure. Annual targets correspond to those set by the Board of Directors for Mr. Leonardo Del Vecchio in his capacity as an executive corporate officer and which are used to calculate his variable compensation. For an average performance rate of at least 50%, the termination benefit will be determined on a strictly proportionate basis up to a maximum of 100% (for example, if actual results represent 90% of the target, 90% of the termination benefit will be paid). If the performance rate is below 50%, no termination benefit will be paid.

If Mr. Leonardo Del Vecchio leaves the Company before the performance criteria assessment period ends, the Board of Directors will assess whether the termination benefit will be paid. The Board's decision must be substantiated.
This benefit is set at two years' cash compensation (corresponding to the average annual fixed and variable compensation received in the last three years prior to departure).

Mr. Hubert Sagnières will not receive any termination benefit in the event that his appointment as Executive Vice-Chairman is terminated.

However, as an exception, a termination benefit may be paid to him if, following the termination of his executive corporate office, his employment contract were to be terminated at the Company's initiative in the year following its reinstatement, save on grounds of serious or gross misconduct, subject to the following conditions:

- the termination benefit would in any event be capped at two years of the cash compensation (fixed + annual variable) actually received over the three years preceding the date of notice of departure; and
- the portion of the termination benefit that exceeds the amount to which he is entitled by law or under the applicable collective bargaining agreement would be subject to performance conditions identical to those described above.

E. **employment insurance for Executive Corporate Officers** (*Garantie Sociale des Chefs et des dirigeants d'entreprise – GSC*).

In line with the recommendations of the Nomination and Compensation Committee, the Board of Directors authorized Mr. Hubert Sagnières to continue to benefit from the GSC. Mr. Leonardo Del Vecchio is not eligible for this coverage.

After discussion and deliberation, the Board of Directors decided to authorize the award of these components of compensation to Messrs. Leonardo Del Vecchio and Hubert Sagnières.

The Board of Directors stated that the decision was in the Company's interests, insofar as it was in line with the employee benefits policy already in place, whereby executive corporate officers are awarded a similar level of employee benefits as those enjoyed by senior executives.

Further to the authorization of these agreements, the Board of Directors will submit these provisions to the 2019 Shareholders' Meeting for approval, for each corporate office.

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 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 family. In 2017, EssilorLuxottica had nearly 150,000 employees and pro forma consolidated revenues would have reached approximately Euro 16 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.

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