

Executive corporate officers' compensation

On March 5, 2019, on the recommendation of the Nomination and Compensation Committee, the Board of Directors of EssilorLuxottica approved:

1. The variable component due to the executive corporate officers for 2019
2. Leonardo Del Vecchio's supplementary pension rights
3. The compensation of Leonardo Del Vecchio and Hubert Sagnières for 2020
4. The 2020 compensation policy for corporate officers

These decisions taken by the Board of Directors are based on the principle that compensation should reflect performance and aim to respond to the expectations of stakeholders, especially shareholders.

1. Variable component due to the executive corporate officers for 2019

In view of the fraud that took place at an Essilor plant in Thailand, the Nomination 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 in 2019.

Moreover, at the Board of Directors' meeting of March 5, 2020, Leonardo Del Vecchio declared his intention to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud.

Therefore, the Board of Directors unanimously decided not to pay any variable compensation for 2019 to Leonardo Del Vecchio and Hubert Sagnières.

2. Leonardo Del Vecchio's supplementary pension rights

Since January 1, 2019, Leonardo Del Vecchio has been eligible for the Company's defined benefit pension plan. His pension rights for 2019 were strictly proportional to the achievement rate of his variable annual compensation targets 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.

NB: In 2009, Hubert Sagnières attained the maximum seniority defined in the plan and consequently, he has not accrued any supplementary pension rights since then.

3. Executive corporate officers' compensation for 2020

The Board of Directors decided that in 2020, it would maintain the monetary compensation determined at its meeting of May 15, 2019. The Board also decided to award 20,000 performance shares to each executive corporate officer in 2020, compared with 40,000 in 2019.

	2019 (as from June 1, 2019)	2020
Fixed	Euro 1,000,000	Euro 1,000,000
Target variable annual compensation	Euro 1,000,000	Euro 1,000,000
Target annual compensation	Euro 2,000,000	Euro 2,000,000
Award of performance shares (number)	40,000	20,000*

* The award is scheduled for October 2020 and could be adjusted to respect the ceilings set out in the compensation policy.

Annual variable compensation for 2020 is based on the achievement of the five targets listed below. The Board of Directors decided to introduce a corporate social responsibility criterion and a clawback clause for 2020.

Targets	Weighting
Growth in adjusted/restated net EPS (earnings per share)	50%
Revenue growth*	25%
Unlocking of synergies	10%
Strategic alignment	10%
Corporate social responsibility	5%

* At constant exchange rates, excluding strategic acquisitions

The annual variable component is capped at 200% of fixed compensation.

Clawback clause: If during the five years following the payment of the variable annual compensation either:

- the financial, accounting or quantitative data used to measure performance has been clearly and intentionally misstated

or

- the 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.

4. 2020 compensation policy for corporate officers

The Board of Directors decided to make a number of amendments to the compensation policy to take into account both the expectations of all stakeholders, in particular investors and proxy advisors, and best market practices. The main amendments are as follows:

Compensation component	Type of changes
Variable compensation	<ul style="list-style-type: none"> ▪ Introduction of a clawback clause ▪ Introduction of a performance condition in connection with the Group's sustainable development targets
Long-term incentive compensation (performance shares)	<ul style="list-style-type: none"> ▪ Elimination of retesting ▪ More demanding performance share vesting scale ▪ Introduction of a relative performance condition (comparison with EuroStoxx 50 index)
Shareholding policy	<ul style="list-style-type: none"> ▪ Obligation to hold 400% of fixed compensation in the form of shares
Exceptional compensation	<ul style="list-style-type: none"> ▪ Removal of the possibility to pay executive corporate officers exceptional bonuses
Termination/retirement benefits	<ul style="list-style-type: none"> ▪ Termination of the supplementary defined benefit pension plan and freezing of rights as of December 31, 2019

Long-term incentive:

The performance condition will only be measured once, three years after the grant date. The new share vesting scale and performance condition are set out in the following table:

Annualized growth in EL share price	Number of shares vesting, as a % of the initial grant	
	If the EssilorLuxottica share outperforms the EuroStoxx 50 index	If the EssilorLuxottica share underperforms the EuroStoxx 50 index
<2%	0%	0%
between 2% and 3%	50%	50%
between 3% and 4%	60%	
between 4% and 5%	70%	
between 5% and 6%	80%	
between 6% and 7%	90%	
>7%	100%	

Pursuant to Article L. 225-37-2 of the French Commercial Code (*Code de commerce*), the corporate officer compensation policy will be subject to the approval of the Annual Shareholders' Meeting of May 15, 2020. It is set out in the Universal Registration Document, which will be posted on the Group's

website as from April 2020, in section 2.3, “Compensation and benefits” of Chapter 2, “Corporate governance”.

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 see more, be more and live life to its fullest, by addressing consumers’ visual protection and correction needs and personal style aspirations.

EssilorLuxottica 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.

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 €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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