

## Executive Corporate Officers' compensation

**Charenton-le-Pont, France (March 2, 2023)** – On February 22, 2023, on the recommendation of the Nomination and Compensation Committee, the Board of Directors approved:

1. the 2022 bonus of the Executive Corporate Officers
2. the 2023 compensation policy for corporate officers

### 1. 2022 bonus of the Executive Corporate Officers

Pursuant to the Executive Corporate Officers' compensation policy approved by the Shareholders' Meeting of May 25, 2022, the Board of Directors assessed the achievement of the objectives applicable to the 2022 bonus of the Executive Corporate Officers.

The Board of Directors approved a bonus of €2,437,500 for Francesco Milleri and €2,031,250 for Paul du Saillant, corresponding to an achievement rate of their objectives of 162.5%, and reflecting the Company's excellent results.

Detailed calculations are provided in Appendix 1.

Payment of the variable component due for the fiscal year 2022 is subject to the approval of the Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2022.

As a reminder, the achievement rate of the objectives for the annual variable portion of the Executive Corporate Officers' compensation over the last three years was:

2019 <sup>1 2</sup>	2020 <sup>1</sup>	2021
0%	22.9%	197.8%

<sup>1</sup> The Executive Corporate Officers were Leonardo Del Vecchio and Hubert Sagnières.

<sup>2</sup> Following the fraud at an Essilor plant in Thailand

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## **2. 2023 compensation policy for corporate officers**

### 2023 compensation

The Board of Directors drew up the 2023 compensation policy for the corporate officers, which will be submitted for approval at the next Shareholders' Meeting.

Separate resolutions on the compensation policy applicable to each category of corporate officer will be submitted to the Annual Shareholders' Meeting of May 17, 2023:

- a resolution concerning the compensation policy applicable to members of the Board of Directors;
- two resolutions concerning the compensation policy applicable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer respectively.

The compensation policy applicable to the members of the Board of Directors is confirmed for 2023, subject to the appointment by the Board of Directors on February 22, 2023 of Jean-Luc Biamonti as Lead Director.

The Board of Directors set an amount of additional compensation (comprising solely a fixed component) of €40,000 for the duties of Lead Director, subject to approval by the Shareholders' Meeting of May 17, 2023, in order to reflect the importance of the work<sup>1</sup> entrusted to him.

The correlation between compensation and the Company's sustainable performance in the interest of shareholders and all stakeholders remains the fundamental principle on which this policy is based.

Regarding the Executive Corporate Officers, on the recommendation of the Nomination and Compensation Committee, the Board of Directors:

- reviewed the compensation of the Chairman and Chief Executive Officer to take into account the changes in his responsibilities and the Group's scope;
- set the compensation of the Deputy Chief Executive Officer.

The Nomination and Compensation Committee reviews the Group's overall compensation policy on a regular basis to ensure it takes into consideration the constant changes in EssilorLuxottica's business sector and remains attractive compared to the practices of comparable companies.

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<sup>1</sup>Broken down in section 3.1.1 of the 2022 Universal Registration Document, which will be published on the website.

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When reviewing the compensation of the Chairman and Chief Executive Officer, the Board of Directors took the following points into consideration.

## **Recent changes in governance**

- The passing of Leonardo Del Vecchio, EssilorLuxottica's late Chairman, who was a man of values, a visionary, and recognized for his dedication to the Company and its employees, represented a new challenge for the Company and its top management.
- At this important time in the Group's history, the Board of Directors wishes to lend its full support to its new Chairman and Chief Executive Officer who will be responsible for the future execution of the strategy initiated by Leonardo Del Vecchio and for conveying his values and entrepreneurial mindset going forward.
- It considered that Francesco Milleri's unique knowledge of the Group's industry and business, as well as his expertise, will ensure the Company's continued development and lead EssilorLuxottica through the transition period and the new challenges facing the Group in the best possible way.

## **Change in the Group's size and ambition: bringing together the three global industry champions to support its Mission while implementing an ambitious sustainable development program**

- Over the past few years, the Company has accelerated its transformation by reshaping the Group and the global industry. Since the combination between Essilor and Luxottica in 2018, the Group has increased its adjusted operating profit by approximately one third, to over €4 billion for the full-year 2022.
- The acquisition of GrandVision, which has been consolidated since July 1, 2021, was also a major step in the Group's strategy and its positioning in the global eyecare and eyewear sector. The Group's retail footprint increased by over 7,200 stores worldwide, reaching close to 18,000 stores, further consolidating its presence in the European market. The Group now has approximately 190,000 employees, including over 39,000 from GrandVision
- The Mission to help people everywhere "see more and be more" is at the heart of the Company's business strategy. To achieve this, EssilorLuxottica must pursue the challenge of expanding its global presence – it currently operates in over 150 countries – including in under-served markets and regions. To respond to its customers' needs, the Company intends to continue to be present in all product distribution channels and all price segments and to pursue its investment policy in order to have an integrated, flexible and resilient supply chain network that has been, and will continue to be, a key factor in the expansion into new geographies and the introduction of new product categories. As the market leader in the eyecare and eyewear sector, EssilorLuxottica needs to continue to be a leading advocate for good vision through awareness raising initiatives and campaigns worldwide, including by leveraging partnerships with numerous institutions. Marking a new chapter in its ambition to eliminate uncorrected poor vision by 2050, in May 2022 the Group announced the launch of the OneSight EssilorLuxottica Foundation, the largest foundation in the world driving inclusive vision care access through philanthropic grants.
- In parallel, Senior Management implemented an ambitious sustainable development program, "Eyes on the Planet" and launched a culture and identity project to consolidate the "One Company" approach, which confirms how closely linked the corporate Mission, sustainable development and business strategy are at EssilorLuxottica.

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The new Chairman and Chief Executive Officer must therefore deliver on the Group's ambition, which is to continue to grow, to seize opportunities and to meet new challenges, including in terms of sustainable development.

## **Accelerating innovation and developing the future technology of the eyecare and eyewear industry**

- The pace of innovation in the eyecare and eyewear industry is accelerating, rendering the landscape more unsettled and challenging. Eyecare/eyewear products now present more technological features. They are evolving towards augmented and virtual reality features and could even become a platform for connectivity on a larger scale.

Innovation and technological development are core priorities for EssilorLuxottica, and it wants to be at the forefront in providing consumers with the appropriate vision solutions to meet their needs. The Group is an industry leader in research and development, and it has recently brought to the market new product categories, including solutions to combat myopia and the next generation of smart glasses, Ray-Ban Stories, in partnership with Meta. EssilorLuxottica aspires to lead the way in this journey for the entire industry, with an enriched product portfolio that includes these new product categories.

When reviewing the compensation of the Chairman and Chief Executive Officer, the Board therefore took into account the complexity of his role, in view of the increase in the Group's scope, the diversification of its businesses, and the faster pace of future technological innovation and development in the sector.

## **Market positioning of the Chairman and Chief Executive Officer's compensation**

- The last benchmarking study of executive corporate officers' compensation was carried out in late 2020. As a result of the Group's new governance structure following the passing of Leonardo Del Vecchio – namely the combined position of Chairman and Chief Executive Officer held by Francesco Milleri – the Board of Directors appointed the firm Willis Towers Watson to benchmark the competitiveness and attractiveness of Mr. Milleri's compensation.
- The benchmarking study carried out by Willis Towers Watson shows that the Chief Executive Officer's compensation, as set by the Board of Directors on March 11, 2021 and approved by the Shareholders' Meeting of May 21, 2021, is:
  - o below the first quartile for cash compensation;
  - o below the median for total compensation including performance shares.
- The comparison panel is detailed in section 3.3.1.2.2 of the 2022 Universal Registration Document, which will be published on the Group's website.

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For these reasons, the Board of Directors considered that the fixed compensation of the Chairman and Chief Executive Officer should be revised and the current maximum amount of his variable compensation be increased in order to ensure that it remains attractive.

## Summary of the Chairman and Chief Executive Officer's compensation for 2023

On the recommendation of the Nomination and Compensation Committee, the Board of Directors decided to revise the Chairman and Chief Executive Officer's compensation for 2023, as follows:

	<b>Fixed compensation</b>	<b>Annual variable compensation</b>	<b>Long-term incentive</b>
<b>Francesco Milleri</b> Chairman and Chief Executive Officer	<b>€1,800,000</b>	Target: <b>125% of fixed compensation</b> Maximum: <b>250% of fixed compensation</b>	Maximum 70,000 performance shares

The monetary compensation and total compensation of the Chairman and Chief Executive Officer for 2023, as proposed by the Board of Directors, lies between the median and the third quartile of the aforementioned panel, which also reflects the Group's positioning in terms of revenues, market capitalization and headcount compared to the panel.

Nearly 80% of this total compensation is linked to the Company's performance, with about half of it depending on long-term performance.

## Summary of the Deputy Chief Executive Officer's compensation

On the recommendation of the Nomination and Compensation Committee, the Board of Directors confirmed the compensation of the Deputy Chief Executive Officer.

	<b>Fixed compensation</b>	<b>Annual variable compensation</b>	<b>Long-term incentive</b>
<b>Paul du Saillant</b> Deputy Chief Executive Officer	<b>€1,250,000</b>	Target: <b>100% of fixed compensation</b> Maximum: <b>200% of fixed compensation</b>	Max. 35,000 performance shares

The variable compensation of the Executive Corporate Officers for 2023 is set out below.

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## 2023 bonus

The Board of Directors approved a variable component based exclusively on quantifiable objectives, including 80% of financial objectives and 20% related to corporate social responsibility.

To reflect the importance of corporate social responsibility in the Group's strategy, the weighting of this criterion has been doubled.

Objectives	Weighting
Group adjusted earnings per share (EPS) <sup>1 2</sup> (at constant exchange rates <sup>3</sup> )	40%
Revenue growth(at constant exchange rates <sup>3</sup> , excluding strategic acquisitions)	20%
Adjusted operating profit <sup>2</sup> (at constant exchange rates <sup>3</sup> )	20%
Corporate social responsibility	20%

Following on from 2022, in 2023 the CSR criterion focuses on EssilorLuxottica's role in the fight against climate change and relates to the first public commitment to carbon neutrality made through the "Eyes on the Planet" sustainability program.

The objective is a reduction in greenhouse gas emissions (Scopes 1 & 2) measured in terms of the year-on-year carbon effort pursued by the Company through the independent generation of renewable energy, the purchase of renewable energy and/or investments in Power Purchase Agreements (PPAs).

The prerequisite in assessing the fulfillment of the CSR objective is Scope 1 and 2 carbon neutrality in Europe at the end of the fiscal year 2023.

As in 2022, the variable component includes a "clawback" clause.

The targets decided by the Board of Directors for each criterion are not disclosed for confidentiality reasons. However, the achievement rate will be disclosed ex-post.

Pursuant to Article L. 22-10-8 of the French Commercial Code (*Code de commerce*), the corporate officers' compensation policy<sup>4</sup> will be submitted for approval at the 2023 Annual Shareholders' Meeting.

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<sup>1</sup> Calculated on Group Net Profit, i.e., Net Profit after minorities.

<sup>2</sup> Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, 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.

<sup>3</sup>Constant exchange rates: figures at constant exchange calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

<sup>4</sup> Presented in the Universal Registration Document, which will be published on the Group's website, in section 3.3 "Compensation of corporate officers" of Chapter 3 "Report on Corporate Governance".

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## 2023 Long-term compensation

Performance shares are subject to the achievement of the Group's long-term performance objectives.

On the recommendation of the Nomination and Compensation Committee, the Board of Directors decided that the maximum amount of the next award of performance shares to the Executive Corporate Officers would be as follows:

- maximum of 70,000 performance shares to the Chairman and Chief Executive Officer;
- maximum of 35,000 performance shares to the Deputy Chief Executive Officer.

The vesting of the performance shares will be wholly subject to the achievement of two performance conditions, each measured over a period of three years.

<b>Objectives</b>	<b>Rationale</b>
<b>Main criterion: annualized growth in the share price</b>	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.
<b>Penalty in the event of underperformance compared with the EuroStoxx 50 index</b>	If the EssilorLuxottica share price grows but underperforms the EuroStoxx 50 index, a penalty is applied to the number of shares that actually vest.

The limits applicable to the awards to corporate officers are unchanged from the 2022 compensation policy.

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## Appendix 1: 2022 bonus of Francesco Milleri and Paul du Saillant

Weighting	Description	% achievement from 0% to 200% of the target	Weighted % achievement
<b>W</b>		<b>A</b>	<b>W x A</b>
40%	Group adjusted earnings per share (EPS) <sup>1 2</sup> (at constant exchange rates <sup>3</sup> )	175.0%	70.0%
20%	Revenue growth (at constant exchange rates <sup>3</sup> , excluding strategic acquisitions)	137.5%	27.5%
20%	Adjusted operating profit <sup>2 4</sup> as a percentage of revenue (at constant exchange rates <sup>3</sup> ).	125.0%	25.0%
10%	Control of general and administrative expenses <sup>2</sup>	200.0%	20.0%
10%	Corporate social responsibility (reduction in greenhouse gas emissions and recycling of waste)	200.0%	20.0%
<b>100%</b>			<b>162.5%</b>

<sup>1</sup> Calculated on Group Net Profit, i.e. Net Profit after minorities.

<sup>2</sup> Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, 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.

<sup>3</sup>Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

<sup>4</sup>After restatement of some exceptional salary measures not budgeted taken to ensure business continuity.



# EssilorLuxottica

## *Analysis of 2022 performance*

### **Financial Performance: Year of records in sales, operating and net profit**

In 2022 EssilorLuxottica delivered another year of revenue growth and margin expansion, thanks to the effective execution of its strategic vision and integration journey, on track with its long-term financial roadmap (summarized by the 2022-26 targets), as outlined by the management at the Capital Market Day, last year in September in Milan.

The full year closed at Euro 24,494 million revenue, up 7.5% at constant exchange rates<sup>1</sup> versus pro forma<sup>3</sup> 2021. In the light of the macro headwinds of the period, such a solid performance proves once again that the global reach, the open model and the progressing integration of the Group are all paying off.

As for the Group's profitability, the adjusted<sup>2</sup> gross profit amounted to Euro 15,606 million in the full year, reaching 63.7% of revenue, 30 basis points higher than pro forma<sup>3</sup> FY 2021 (or 40 basis points at constant exchange rates<sup>1</sup>), that is a remarkable performance given the impact of inflation on the input costs, namely labor, energy, freight and raw materials.

The adjusted<sup>2</sup> operating profit reached Euro 4,115 million in the full year, representing 16.8% of revenue, compared to 16.1% in pro forma<sup>3</sup> FY 2021, a margin expansion of 70 basis points (or 60 basis points at constant exchange rates<sup>1</sup>), despite the material increase of the labor cost, due to the inflationary pressure on wages globally.

General and administrative expenses amounting to €2,045 million, a decrease of 2.9% at constant exchange rates<sup>1</sup> compared to 2021, thanks to savings on discretionary spending and simplification of the organization structure partially offset by increased investments in the Group IT infrastructure and the effect of inflationary trends on labor costs.

The adjusted<sup>2</sup> Group net profit amounted to Euro 2,860 million in the full year, increasing by 15.4% at constant exchange rates<sup>1</sup> compared to pro forma<sup>3</sup> FY 2021, accounting this year for 11.7% of revenue.

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<sup>1</sup>Constant exchange rates: figures at constant exchange rates have been calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

<sup>2</sup> Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, 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.

<sup>3</sup>Pro forma: The Restated Unaudited Pro Forma Consolidated Financial Information has been prepared for illustrative purpose only as if the acquisition of GrandVision had occurred on January 1, 2021.

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## Corporate social responsibility

In 2022, in line with the recent launch of the Group sustainability program “Eyes on the Planet”, the Board decided, on the recommendation of the Nomination and Compensation Committee, to introduce a Corporate Social Responsibility objective that would account for 10% of the annual variable remuneration of executive officers and of 15,000 eligible employees.

This CSR objective reflected EssilorLuxottica’s fight against climate change and included two criteria linked to the first public commitments made through the Eyes on the Planet sustainability program<sup>1</sup> – one related to carbon neutrality and the other to circularity. Specifically, the criteria were based on:

- The amount (in ktCO<sub>2</sub>eq) of incremental carbon emissions avoided on a year-on-year basis thanks to the implementation of carbon reduction activities;
- The proportion of waste recycled during the year.

Regarding the first criterion, linked to the 2025 carbon neutrality objective, in 2022 the Company’s carbon reduction efforts focused on self-produced renewable energy and the implementation of a formalized green energy purchasing roadmap<sup>2</sup>. These measures were complemented by carbon reduction or removal projects, which also contributed to the socio-economic development of the local communities. The three actions led to an estimated incremental carbon reduction effort of approximately 150ktCO<sub>2</sub>eq in 2022.

Regarding the second criterion, linked to circularity, in 2022 EssilorLuxottica continued to improve its waste management capabilities by leveraging the many solutions that have been implemented over the years, such as wastewater treatment systems in the Italian and Chinese manufacturing plants, efforts to reduce input material and limit the use of plastic, and constantly improved identification and management of recyclable waste<sup>3</sup>. Thanks to these efforts, approximately 57% of the Company’s total waste was recycled or recovered.

In line with the pre-defined assessment scales for the quantitative performance objectives, the achievement rate for the CSR objective was 200%.

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### About EssilorLuxottica

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 and be more 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, LensCrafters, Salmoiraghi & Viganò and GrandVision are part of the EssilorLuxottica family. EssilorLuxottica has approximately 190,000 employees. In 2022, the Company generated consolidated revenue of Euro 24.5 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. For more information, please visit [www.essilorluxottica.com](http://www.essilorluxottica.com).

<sup>1</sup> See sections 5.2.1 and 5.2.2 of the Universal Registration Document.

<sup>2</sup> See section 5.2.1 of the Universal Registration Document.

<sup>3</sup> See section 5.2.2 of the Universal Registration Document.