

Executive Corporate Officer compensation

Compensation policy for the executive corporate officers

During the meeting of October 1, 2018, the Board of Directors of EssilorLuxottica approved the compensation policy for Executive Corporate Officers, upon the Nomination and Compensation Committee's recommendations¹, that will apply with effect as from the completion of the contribution of Luxottica S.p.A.'s shares by Delfin S.à r.l. to Essilor (the "**Contribution**", which occurred on October 1, 2018) and subject to the approval of the EssilorLuxottica's shareholders.

Pursuant to Article L. 225-37-2 of the French Commercial Code (Code de commerce), the policy will be submitted for the approval of the EssilorLuxottica's Shareholders Meeting, convened on November 29, 2018. The report referred to the Article L.225-37-2 of the French Commercial Code presenting the compensation policy applicable, as from the completion of the Contribution will be published in the Notice for this Shareholders' Meeting.

In light of the governance structure of EssilorLuxottica, which is led by an Executive Chairman and an Executive Vice-Chairman with equal powers, the compensation policy is based on the following elements:

- the principle of awarding strictly the same compensation to the Executive Chairman and the Executive Vice-Chairman;
- a compensation structure for each executive corporate officer focused on rewarding performance and predominantly made up of performance shares; and
- total target compensation (fixed compensation + variable target compensation + performance shares valued under IFRS) at the level of the first quartile of the two benchmarking panels detailed below, it being specified that this level does not constitute a permanent benchmark and may therefore be revised.

¹ Nomination and Compensation Committee of Essilor dated June 5, 2018

Compensation of the executive corporate officers

During the meeting of October 1, 2018, the Board of Directors of EssilorLuxottica approved the compensation to be paid to Mr. Leonardo Del Vecchio in his capacity as Executive Chairman (*Président-Directeur Général*) and to Mr. Hubert Sagnières in his capacity as Executive Vice-Chairman (*Vice-Président-Directeur Général Délégué*), based on the recommendations of the Nomination and Compensation Committee¹.

In preparing its recommendations to the Board of Directors, in particular, the Nomination and Compensation Committee appointed two independent firms specialized in corporate officer compensation, Mercer and Willis Towers Watson, to issue a report based on the following assumptions:

1. The strategic rationale behind the combination between Essilor and Luxottica

For many years now, Essilor and Luxottica have shared the same corporate mission: to help people see more, be more and live life to its fullest. By combining proven expertise in lens technology and eyewear manufacturing, a portfolio of brands that consumers love and global distribution capabilities, EssilorLuxottica will enable people everywhere to learn, to work, to express themselves and to fulfill their potential. The Group is present in every segment of the eyecare and eyewear industry from prescription, to fashion, to retail, with an unprecedented set of comprehensive solutions to consumers and eyecare professionals.

The combination between Essilor and Luxottica creates a group with pro forma combined sales in excess of Euro 16 billion in 2017, a market capitalization of around Euro 50 billion, and a headcount of more than 150,000 employees. EssilorLuxottica is a growth platform that is ideally positioned to seize future opportunities in order to respond to consumers' needs all over the world.

2. EssilorLuxottica governance

The EssilorLuxottica Board of Directors is composed of sixteen members, eight of whom were appointed by Delfin and eight by Essilor. Mr. Leonardo Del Vecchio is the EssilorLuxottica Executive Chairman (*Président-Directeur Général*) and Mr. Hubert Sagnières the Executive Vice-Chairman (*Vice-Président-Directeur Général Délégué*), with equal powers.

Mr. Leonardo Del Vecchio and Mr. Hubert Sagnières have also retained their respective duties as Executive Chairman of Luxottica Group and Chairman of Essilor International SAS.

The characteristics of the two panels selected by Mercer and Willis Towers Watson are summarized below:

	WTW Panel	Mercer Panel
Number of companies	21	16
<i>of which in Europe</i>	14 (67%)	12 (75%)
<i>of which in the US</i>	7 (33%)	4 (25%)

	WTW Panel	Mercer Panel	EssilorLuxottica
Revenue (a)	Euro 20.0 billion	Euro 20.3 billion	Euro 16.6 billion*
Market Cap. (b)	Euro 49.2 billion	Euro 49.1 billion	Euro 48.7 billion*
Ratio (b)/(a)	2.5	2.4	2.9*
Number of Employees	55,000	63,000	152,000*

**Figures as of December 31, 2017*

Each panel mainly comprises European companies. Given that EssilorLuxottica's business is carried out predominantly in the United States (around 50% of revenue and 35% of employees), US companies were also included in the panels. Only six companies feature on both panels.

The two panels of benchmark companies established for 2018 are liable to change in the future to take into account any events that could alter the structure of the companies they comprise or to include other companies with a similar profile to that of EssilorLuxottica.

In light of the above, upon recommendation of the Nomination and Compensation Committee, the EssilorLuxottica Board of Directors' meeting of October 1, 2018 approved the following compensation package for the Executive Chairman (*Président-Directeur Général*) and the Executive Vice-Chairman (*Vice-Président-Directeur Général Délégué*):

- Fixed annual compensation of Euro 1,150,000 gross
- Target bonus of 100% of the fixed compensation, with a maximum that can reach 200%
- Allocation of 50,000 performance shares, subject to the approval by the Shareholders' Meeting of the related resolutions

The Board of Directors further recorded that, pursuant to EssilorLuxottica's compensation policy, Mr. Leonardo del Vecchio benefits from (i) severance pay, (ii) a supplementary pension, (iii) employee benefits (group death/disability and health insurance plans and defined contribution pension plan) and (iv) benefits in kind (company car and unemployment insurance).

The Board of Directors will determine shortly the terms and conditions of the severance pay and the supplementary pension, and in particular the performance conditions to which they must be subject, based on a recommendation of the Nomination and Compensation Committee.

The Board of Directors has finally confirmed that, pursuant to EssilorLuxottica's compensation policy, Mr. Hubert Sagnières will continue to benefit from (i) severance pay, (ii) a supplementary pension, (iii) employee benefits (group death/disability and health insurance plans and defined contribution pension plan) and (iv) benefits in kind (company car and unemployment insurance).

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; Bloomberg: EL:FP.

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