Universal Registration Document

2021

EssilorLuxottica

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The Universal Registration Documents, Registration Documents and releases cited as well as this Universal Registration Document are available at: www.essilorluxottica.com @ Investors / Pubblications and Downloads

* Includes the Report on the compensation policy of Executive Corporate Officers subject to the approval of shareholders at the Shareholders' Meeting on May 25, 2022.

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

2021 Universal Registration Document

Including the Annual Financial Report

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This document is a non-certified translation into English of the Universal Registration Document (including the Annual Financial Report) issued in French, prepared in ESEF format (European Single Electronic Format) and filed on March 25, 2022 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.

2021

Message from the Chairman

Leonardo Del Vecchio
Chairman

Dear Shareholders,

Welcome to a new era in our Company's history. While the past few years have been difficult, the dream of creating EssilorLuxottica gave us all something to work towards to, together. The extraordinary transformation of our Company is an impressive story spanning five years and is unlike anything the industry has ever seen.

In January 2017, we shared our vision to combine a global leader in iconic branded frames with a global leader in ophthalmic lenses. Our combination journey was not an overnight shift. We needed to reshape and simplify the new company in order to meet the growing needs of the industry. We appointed talented managers in key roles, we became more agile and more efficient by centralizing the organization, and, we fast-tracked decisions so as not to miss any opportunities.

From there, we achieved a new milestone, welcoming GrandVision into our family this year. Three leaders who share a commitment to bringing the best eyewear and eyecare to people everywhere now make up one single champion. Today, we are ready to fulfill our promise to grow the industry by creating new categories and entering new markets.

From reimagining smart glasses to confronting myopia in innovative ways, we will create value for all our stakeholders and we will do it in a sustainable way.

Whether you have been with us from the very beginning or became a shareholder more recently, you have witnessed what EssilorLuxottica is capable of. Even in the face of a challenging 2021, we performed remarkably well without compromising our investment plans or our strategy.

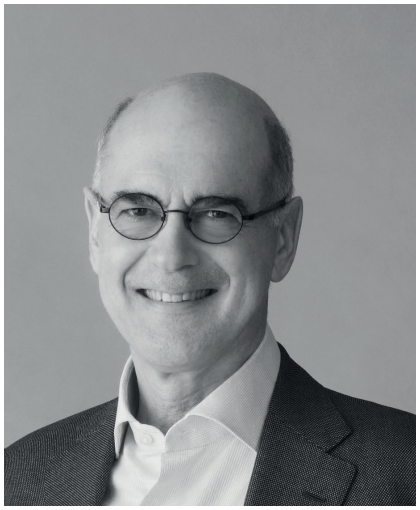
I would like to thank our Board of Directors and our steadfast leadership, helmed by CEO Francesco Milleri and Deputy CEO Paul du Saillant, who have been instrumental in leading the way. They, along with our senior managers around the world, took great care of our people, while never losing sight of what makes our Company one-of-a-kind. Our customers and partners can be proud to work with these leaders and with all of our passionate employees.

2022 will be another trailblazing year. We have achieved great things and have many wins to celebrate, but there is always another mountain to climb. However, at EssilorLuxottica, we remain bold and purposeful, the only way to be on this journey.

Thank you for your ongoing support.

Message from the Chief Executive Officer and Deputy Chief Executive Officer

Francesco Milleri
Chief Executive Officer



Paul du Saillant
Deputy Chief Executive Officer

Dear Shareholders,

We are extremely proud to report another extraordinary year as EssilorLuxottica. Our 2021 success story is all the more inspiring, given the environment which we achieved it in. Despite unprecedented health and business conditions, we took a decisive turn in our recovery and showed the industry once again the unique sense of resilience and determination of our 180,000 talented and diverse employees, which was reflected in every corner of our business. We are extremely appreciative of their efforts of pulling through together, especially during these trying times. Most recently, thousands of our employees expressed solidarity with their colleagues and communities who were impacted by the crisis in Ukraine. As a socially responsible leader, EssilorLuxottica promptly responded to the call for help, providing on the ground support and raising funds, with the Group pledging to match all employee contributions for maximum impact.

2021 has been a crucial year for EssilorLuxottica as we made significant steps toward building one united organization by appointing strong leaders in key business segments worldwide, and completing major transformational projects that will set us up for a bright future. We also completed the acquisition of GrandVision, welcoming 39,000 new colleagues into our family. Today, we are closer than ever to achieving our Chairman's lifelong dream of integrating three specialized industry champions to set the foundation for the global eyecare and eyewear leader of the future.

Product innovation, a cornerstone of our strategy to pursue long-term value and growth, made headlines this year. Ray-Ban Stories, the next generation of smart glasses in partnership with Meta (formerly Facebook), created an entirely new category, and Stellest lens, rolled out to France and Italy in 2021, stood out as an excellent response to slowing down myopia progression in children. From innovative and sustainable materials to breakthrough products that will improve millions of lives, EssilorLuxottica did not pause in 2021. Even when the world itself seemed to stop, we kept going for our people, our customers and for an industry that counts on us to push vision care forward.

The Group's omnichannel and open business model, our proximity to customers, and our robust supply chain, also contributed to our strong performance. We entered 2022 as a radically transformed Group, through acquisitions and bold investment choices, but also as swift decision-makers and fearless entrepreneurs. We are now a "network company" offering a global platform of products, brands, services and digital solutions supported by worldwide integrated frames and lens manufacturing, as well as logistics and prescription laboratories for the entire industry. At the same time, to truly unlock the industry's full potential, we believe in partnering with other players, particularly those who share our passion for raising the quality of vision care products and service and delivering sight to those without access.

Notable highlights of this past year include the launch of Leonardo, which completely reimagined how we learn and train. It is a one-of-a-kind open learning platform to support the industry – including our employees, customers and partners - with best-in-class content available 24/7 on any device. For the first time, we showed up as one EssilorLuxottica at global trade events including Vision Expo in the US, Silmo in France and CIIE in China, to show the true value of our combined company to partners and clients. We introduced the world to our strategic sustainability program, "Eyes on the Planet", with commitment toward carbon neutrality, circularity, world sight, inclusion and ethics. It outlines our ambition to achieve carbon neutrality for direct operations by 2025, starting in Europe by 2023. We're pleased to share that we have already reached carbon neutrality in our direct operations in both France and Italy, our two historic home countries.

Guided by our inspiring Mission to help people "see more and be more", we continued our commitment to eliminate uncorrected poor vision worldwide. From providing vision care to millions in need through community-based sustainable models to collaborating with the world's most impactful philanthropies, EssilorLuxottica is tireless in realizing its vision for universal access. We're particularly proud of our inclusive business 2.5 New Vision Generation, which helps unemployed young people from rural communities become self-employed primary vision care technicians through training, small grants and ongoing business support. This initiative has created over 19,000 livelihoods in rural communities meaning these men and women are able to support their families by providing primary vision care services. As such it is the world's largest rural optical network. In 2022, to maximize our social impact, we will introduce a unified global vision care organization to gather our philanthropic and advocacy entities with a network of chapters in key countries and regions.

We know that there will always be uncertainties ahead as the world continues to test us all. However at EssilorLuxottica, we can look at 2022, and beyond, with great confidence.

We will continue to drive the industry's transformation, to deliver innovative products and solutions to every market and to live boldly at the intersection of technology and craftsmanship. All the while, we will continue upholding our values and standards that make us a great place to work and a great company to do business with.

So thank you for being on this journey with us and we look forward to celebrating more achievements with you.

1

Chapter 1

Presentation of EssilorLuxottica

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1.1 EssilorLuxottica Group Profile

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 "see more and be more"** by addressing their vision needs and style aspirations while creating value for its employees and communities.

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 create a vertically integrated business that is uniquely positioned to address the world's evolving vision needs. The innovation, design and quality of EssilorLuxottica's products and its strong, well-balanced brand portfolio allow the Company to respond to the global demand of a growing industry.

Proprietary eyewear brands include Ray-Ban, the most loved eyewear brand in the world, Oakley, one of the leading sport performance brands globally, Persol, Oliver Peoples, Vogue Eyewear, Arnette, Alain Mikli, Costa, Bolon and Foster Grant. Licensed eyewear brands include Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Biotech Paris, Tiffany & Co., Tory Burch, Valentino and Versace for eyewear. The Group's portfolio also includes a range of innovative lens technologies, including Varilux, the number-one progressive lens brand recommended by eye care professionals[1], Transitions, the photochromic brand worn by more than 70 million people worldwide, Crizal, Eyezen, Xperio and most recently Stellest.

Key figures

Revenue *pro forma
€21.5 bn

Employees
Over 180,000

Countries
Over 150

Patents and designs
Over 11,000

Major brands
Over 150

Stores
Approximately 18,000

Employee shareholders
Approximately 67,000
in 85 countries

Leonardo training hours
Nearly 1 million

Mass production facilities
53 between lenses (39)
and frames (14)

Prescription laboratories and edging-mounting facilities
564 between Industrial (78)
and Proximity Labs (486)

Worldwide frame production
100 million prescription glasses
and sunglasses frames

Worldwide lens production
565 million
prescription lenses
and 66 million pairs of
non-prescription sun lenses

* Pro forma information as presented in the Unaudited Pro Forma Consolidated Financial Information (see Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

(1) Survey conducted by CSA among a representative sample of 1,041 independent ECPs in 10 countries, including France, Spain, Germany, Italy, UK, US, Canada, Brazil, India and China (February-April 2018).

With an eyecare and eyewear business that covers every stage of the value chain, EssilorLuxottica relentlessly pursues operational excellence to offer the best visual experience to consumers and customers everywhere in the world. With its 39 corrective and plano lens mass production facilities, 564 prescription laboratories and edging-mounting facilities, 14 eyewear mass production plants and a capillary network of distribution centers and stock points, EssilorLuxottica's global footprint is well balanced and diversified, and it guarantees proximity service.

Manufacturing at EssilorLuxottica is backed by a wide-reaching Professional Solutions[1] network that allows the Group to serve wholesale customers with a unique combination of world-class brands, breakthrough innovations (such as Ray-Ban Authentic) and dedicated partnership programs (such as EssilorLuxottica 360, Essilor Experts, Alliances and STARS) that elevate independent eye care practices and give them a competitive edge.

Professional Solutions are complemented by an extensive Direct to Consumer[2] network that offers high-quality vision care and digital eye exam technology to unique shopping experiences featuring the latest eyewear trends curated for every style preference.

With leading global optical retailer GrandVision part of EssilorLuxottica as of July 1, 2021, the Group's Direct to Consumer network includes around 18,000 stores worldwide. EssilorLuxottica is a leader in the optical retail business with LensCrafters and Pearle Vision in North America; Apollo, Vision Express and Salmoiraghi & Viganò in EMEA; OPSM and Mujosh in Asia-Pacific; MasVisión, GMO and Óticas Carol in Latin America; as well as banners present on a global scale such as Sunglass Hut, Ray-Ban and Oakley. The Group also operates its licensed optical retail brand Target Optical in North America and one of the fastest-growing managed vision care networks in the US through EyeMed.

EssilorLuxottica's distribution channels are complemented by its branded e-commerce platforms, including Ray-Ban.com, Oakley.com, SunglassHut.com and OliverPeoples.com as well as pure digital players like EyeBuyDirect and FramesDirect.com in North America, and Lenstore and VisionDirect in EMEA. A true omnichannel approach to distribution replicates the magic of the Group's stores in the digital space, enabling consumers to enjoy everything from product customization to an endless aisle of frames.

Taking an important step toward a more sustainable future, in 2021 the Group introduced its Corporate Social Responsibility program titled Eyes on the Planet, which outlines its strategy for sustainability with commitments toward carbon neutrality, circularity, world sight, inclusion and ethics.

In 2021, EssilorLuxottica had consolidated revenue of Euro 21.5 billion on a *pro forma* basis. EssilorLuxottica 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.

A unique global footprint

EssilorLuxottica has more than 180,000 talented employees committed to providing vision care and eyewear products that meet the individual needs and style aspirations of every consumer. The unique business model and relentless pursuit of operational excellence ensure 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, eyewear and the consumer experience around it. Beyond the products it makes, the Group is deeply committed to elevating the importance of vision as both a basic human right and a key lever for global development.

(1) It represents the wholesale business of the Group, including the supply of its products and services to third-party eye care professionals.
(2) It represents the retail business of the Group, including the supply of EssilorLuxottica products and services directly to the end consumer either through the network of physical stores operated by the Group (brick and mortar activities) or the online channel (e-commerce).

1.1.1 A rich portfolio of complementary eyecare and eyewear brands

EssilorLuxottica is home to some of the most loved and well-recognized eyecare and eyewear brands in the world. With a portfolio of proprietary and licensed brands that cover a wide range of market segments, the Company taps into the needs and desires of consumers, offering a strong pipeline of innovation to deliver superior quality products that raise the standard of excellence across the industry.

Eyecare: world-class lens technologies

Backed by decades of R&D, EssilorLuxottica's advanced lens technologies have led to the creation of brands that rank among the highest levels for consumer satisfaction.

Today, the Company's unparalleled portfolio includes globally respected lens brands such as Essilor, Varilux, Crizal, Eyezen, Stellest, Xperio, Transitions, Ray-Ban, Oakley and Barberini. Partnerships with leading companies such as Nikon also allow EssilorLuxottica to distribute specialized technologies to best serve specific consumer eyecare needs.

Whether designing solutions to correct vision, protect the eyes or improve comfort and performance, each of the Company's eyecare brands is driven by a shared goal to develop groundbreaking ophthalmic lenses that enhance lives through better vision.

EssilorLuxottica has a long history of leading the design of vision equipment and solutions used by opticians, optometrists and ophthalmologists worldwide. This includes innovation for lens surfacing and coating equipment as well as instruments for refraction, diagnostics, imaging, measurement, edging and mounting.

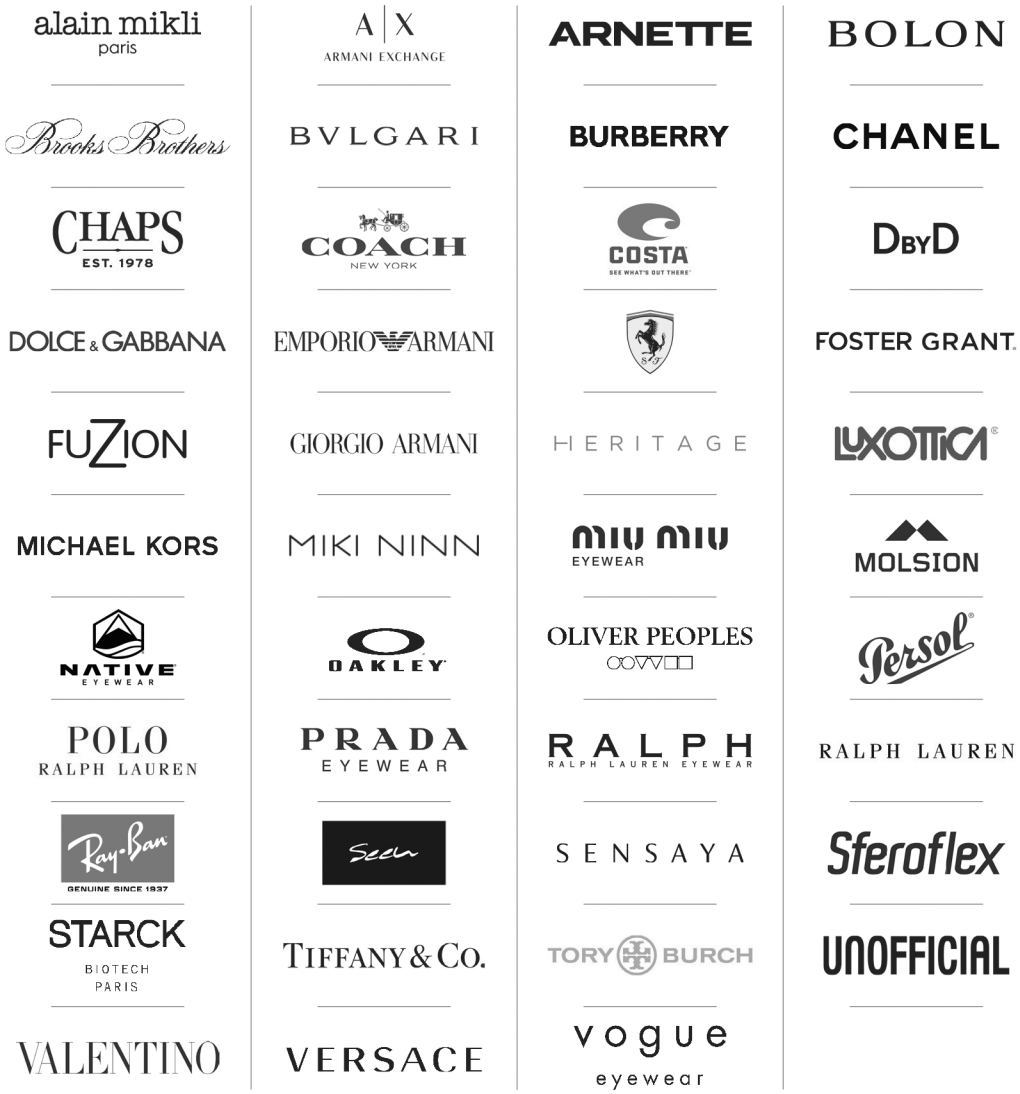
Eyewear: visionary design and detailing

EssilorLuxottica's unique vision, inventiveness and expert craftsmanship have helped eyewear become a category of its own over the past few decades. Evolving from a necessary medical device that improves vision to a desirable fashion accessory, frames have now gained standing among consumers for enabling self-expression and enhancing self-confidence.

The Group offers exclusive eyewear based on highly skilled artistry and creativity through an unparalleled portfolio including Ray-Ban, Oakley, Persol, Oliver Peoples, Vogue Eyewear, Arnette, Alain Mikli, Costa, Native Eyewear and Bolon.

Prestigious licensed brands are also part of the EssilorLuxottica family, including Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce&Gabbana, Ferrari, Michael Kors, Miu Miu, Prada, Ralph Lauren, Starck Biotech Paris, Tiffany & Co., Tory Burch, Valentino and Versace.

Driven by a continuous pursuit of excellence down to the smallest detail combined with its ongoing investments in R&D, new technologies, equipment, materials and processes, EssilorLuxottica has earned a reputation as a product and brand trailblazer for iconic global eyewear.



Special categories: smart glasses, readers, contact lenses and other solutions

EssilorLuxottica delivers expertise and innovation for a range of special optics categories.

Following the successful launch of Ray-Ban Authentic, the creation of **Ray-Ban Stories** – the next generation of smart glasses that offer consumers a new way to capture, share and listen to their most authentic moments – is another key milestone for EssilorLuxottica. Sharing a passion for creating products and experiences that enhance millions of lives every day, EssilorLuxottica partnered with Meta (formerly Facebook) to engineer wearable smart technology that supports all-day wear, without compromising on style, comfort or aesthetic.

By expanding into non-prescription **reading glasses** and **contact lenses** with brands such as Foster Grant, Eyexpert and iWear, EssilorLuxottica is also growing its field of expertise while staying true to its core business.

To offer highly intuitive and intelligent solutions for **low vision** and **blindness**, in 2013 the Group acquired a majority interest in HumanWare, the world leader in assistive technology designed for the blind and visually impaired.

Direct to Consumer: superior online and offline vision care experiences

EssilorLuxottica's Direct to Consumer network includes approximately 18,000 stores that offer consumers high-quality vision care and best-in-class shopping experiences, from digital eye exam technology to the latest eyewear trends curated for every style preference. A true omnichannel approach to distribution replicates the magic of the Group's stores in the digital space, enabling consumers to enjoy everything from product customization to an endless aisle of frames. This approach provides a connected experience across all touchpoints and allows EssilorLuxottica to reach a greater number of consumers with quality optical products.

The Company has a widespread brick and mortar retail network with banners such as LensCrafters, Target Optical and Pearle Vision in North America; Apollo, Vision Express, Salmoiraghi & Viganò and David Clulow in EMEA; OPSM, Mujosh and Laubman & Pank in Asia-Pacific; MasVisión, GMO and Óticas Carol in Latin America; as well as global banners such as Sunglass Hut, Ray-Ban and Oakley.

The Group's brick and mortar network is complemented by leading e-commerce platforms including Ray-Ban.com, Oakley.com, SunglassHut.com and OliverPeoples.com as well as EyeBuyDirect, FramesDirect.com, Charlie Temple, Lenstore, Sightful and VisionDirect.

Optical

alain mikli paris · aOJO · Apollo · Atasun Optik · BOLON · brilleland · cornerOptique · David Clulow Opticians · Econolentes by GrandVision · For Eyes · Generale d'Optique · GMO · GrandOptical · GrandVision · GrandVision by Optica · ILORI Optical · Optical Shop Aspen · instrumentarium · interoptik · John&Audrey · KEOPS Optiikka · KOCH Optik Meine Sehlösung · Lafam · Laubman&Pank · LensCrafters · Линзмастер · LuxOptica · +Vision · Mắt Việt Eye Care · McOptic · Molsion · Mujosh · MultiOpticas · NISSEN · Opticas · Ofotért · Oliver Peoples · OPSM · Optica2000 · Ópticas Lux · Place Vendôme · Opticas Vision · Óticas Carol · Pearle Opticians · Pearle Vision · Robin Look · salmoiraghi & viganò · Spectacle Hut · Synoptik · Optical · Trendy Opticians · Visilab · VisionCenter · VisionExpress

Non optical

Oakley · Ray-Ban · Solaris · sunglass hut

Pure Online

Brille24 · Charlie Temple · clearly · contactsdirect · Costa · eyelens · eotica · EyeBuyDirect · Foster Grant · FramesDirect.com · Glasses.com · glasses direct · Lensbest · Lenstore.co.uk · Lensway · Linsen Max · Native Eyewear · Readers.com · (sightful) · Sunglasses Shop · VisionDirect · vogue eyewear · Zonnebrillen.com

As of December 31, 2021, EssilorLuxottica operated 17,921 stores as follows:

	North America	EMEA	Asia-Pacific	Latin America	Corporate Stores	Franchising & Licensing & JV	Total Store Count
Sunglass Hut	1,690	620	307	389	3,006	188	3,194
LensCrafters	1,003		78		1,081	4	1,085
Apollo		676			676	218	894
Vision Express		657			657	164	821
MasVisión		74		475	549	9	558
Target Optical	548				548		548
Pearle		478			478	229	707
GMO				435	435		435
Générale d'Optique		386			386	279	665
OPSM			349		349	34	383
Atasun Optik		291			291	21	312
Oakley	188	10	68	17	283	80	363
Salmoiraghi & Viganò		255			255	28	283
Synoptik		248			248		248
Ray-Ban	26	45	143	32	246		246
Optical House		234			234		234
GrandOptical		232			232	109	341
GrandVision		206		14	220	75	295
Tesco		197			197		197
Opticas Lux				157	157		157
Ópticas Visión				153	153		153
Mujosh			125		125	490	615
Solaris		76		43	119	15	134
David Clulow		111			111	1	112
Pearle Vision	107				107	458	565
Aojo			84		84	297	381
Optical Center				68	68		68
Ópticas Place Vendôme				64	64		64
Luxury House Brands	33	9	8		50	6	56
Bolon			38		38	164	202
Óticas Carol				24	24	1,436	1,460
All Others	117	1,222	136	254	1,729	416	2,145
TOTAL STORE COUNT	**3,712**	**6,027**	**1,336**	**2,125**	**13,200**	**4,721**	**17,921**
Of which EssilorLuxottica	**3,604**	**1,399**	**1,336**	**1,199**	**7,538**	**3,223**	**10,761**
Of which GrandVision	**108**	**4,628**	**0**	**926**	**5,662**	**1,498**	**7,160**
Of which Optical	**1,806**	**5,219**	**803**	**1,644**	**9,472**	**4,438**	**13,910**
Of which Sun & Other	**1,906**	**808**	**533**	**481**	**3,728**	**283**	**4,011**

GMO: including EconOpticas.
Optical House: including Luxoptica, My I, Spex and Optic Master / Optical Center: Including OCFYT and Miramas.
Luxury House Brands: including Ilori Optical & The Optical Shop of Aspen, Oliver Peoples, Persol and Alain Mikli.
All Others EssilorLuxottica: including Spectacle Hut, Laubman & Pank, Luxottica Korea, CVS, Mat Viet, Wakeup, Molsion, Optica Popular, Nikon, Clearly and Optique Mathieu.
GrandVision: including GrandVision by and excluding Rotter & Krauss (97 stores).
JV: in India and businesses to be dismissed in Italy, Belgium and the Netherlands.
All Others GrandVision: including Instrumentarium, ForEyes, MultiOpticas, Optica2000, Ofotert, Lafam, LensMaster, Visilab, Brilleland, McOptic, EconoLentes, Nissen, Robin Look, Vision Center, Kochoptik, Interoptik, Keops and John&Audrey.

1.1.2 Mission and Sustainability

To help people "see more and be more"

EssilorLuxottica's Mission is to help people around the world "see more and be more". This Mission drives the Group's strategy and inspires its approach to sustainable development as well as its ambition to eliminate poor vision in a generation.

The Group'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, express themselves and fulfil their potential.

Lack of awareness and access has led to a global vision crisis with severe social and economic consequences for billions of people. Beyond serving the evolving needs and changing lifestyles of the 2 billion people(1) who are wearing glasses today, EssilorLuxottica is inventing new ways to reach the 2.7 billion people(2) who suffer from uncorrected poor vision and the 6.2 billion people(1) who do not protect their eyes from harmful rays. Moreover by 2050, over 50% of the world's population(3) is expected to suffer from myopia. Higher levels of myopia are associated with higher lifelong risks of eye diseases such as cataracts, retinal detachment and myopic maculopathy, which may lead to permanent vision impairment and blindness later in life.

As a powerful advocate for the vision cause, a passionate campaigner for greater awareness and a pioneering innovator with solutions and styles that bring ever-greater improvement, EssilorLuxottica is deeply dedicated to elevating the importance of good vision as both a basic human right and a key lever for global development. 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.

Following the launch of its groundbreaking roadmap "Eliminating Poor Vision in a Generation" at the UN General Assembly in 2019 with the support of over 20 NGOs and leaders in eye health, EssilorLuxottica celebrated a July 2021 announcement that the UN member states unanimously passed a resolution to make eyecare globally accessible by 2030. The inclusion of eyecare in the UN Sustainable Development Goals (SDGs) supports EssilorLuxottica's own ambition and sustainable actions to eliminate poor vision in a generation. To make this ambition a reality, in 2021 EssilorLuxottica remained focused on:

Powering sight. Some 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 seeks to respond to the vast need for vision protection from harmful UV rays. Thanks to its portfolio of lens technologies combined with some of the world's most-loved eyewear brands, the Group is uniquely positioned to make wearing eyeglasses and sunglasses both a desirable and life-improving experience. The Group raises awareness on the importance of vision protection by educating policy makers and consumers with dedicated campaigns, including EssilorLuxottica's first-ever joint World Sight Day awareness campaign on poor vision among children. EssilorLuxottica supports the Vision Impact Institute, whose mission is to make good vision a global priority, and several other philanthropic partners, such as OneSight and the Essilor Vision Foundation that provide 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 medical device into an accessory that not only fits comfortably in form and function, but also serves as a true expression of personal style. Eyewear, worn up to 18 hours a day, is the most visible fashion accessory 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 EssilorLuxottica frames is considered as a little work of art, from its first sketches to final handcrafted details. Every frame illustrates the passion, skill and commitment of EssilorLuxottica's people who are dedicated to making the best eyewear possible.

(1) Source: EssilorLuxottica estimates.
(2) Source: Essilor International, *Eliminating Uncorrected Poor Vision in a Generation*. Essilor International. 2019; 15.
(3) Source: Brian Holden Institute.

Approach to Sustainable Development: Eyes on the Planet

Drawing on Essilor and Luxottica's long history of corporate responsibility, in 2021 EssilorLuxottica developed an integrated ambitious and far-sighted approach that will reaffirm its position as a leader committed to sustainability. EssilorLuxottica's program, titled **Eyes on the Planet**, includes commitments toward carbon neutrality, circularity, world sight, inclusion and ethics founded on five pillars:

- **Eyes on Carbon:** EssilorLuxottica is working toward achieving carbon neutrality across its direct operations (Scope 1 & 2 emissions) by 2025, starting in Europe by 2023. Over the years, the Group's investments in renewable electricity, such as solar and biomass heating systems and photovoltaic installations, have enabled it to significantly reduce its reliance on fossil fuels and consequently reduce greenhouse gas emissions. A major forest restoration project of 30 hectares in the foothills of the Dolomites (Unesco World Heritage Site) near the Company's production plant in Agordo, Italy, is an excellent example of its efforts to protect and restore natural ecosystems.
- **Eyes on Circularity:** EssilorLuxottica is making bold moves across the entire production cycle, including a shift from fossil-based materials to bio-based materials, which produce fewer emissions, biodegrade, and are easier to recycle. This is reflected in its investment in Mazzucchelli 1849 to develop and produce a highly sustainable type of acetate as well as in its sustainable collections launched under the Arnette, Costa and Foster Grant brands. Committed to reducing its impact on the planet, the Group is also taking steps to put an end to waste following the 4Rs: "Research-Reduce-Reuse-Recycle". Emblematic of this is the R-EA collection for Emporio Armani.
- **Eyes on World Sight:** Based on EssilorLuxottica's belief that good vision is a basic human right, the Group is on a mission to eliminate uncorrected poor vision by 2050 and make vision care accessible to everyone, everywhere. From providing vision care to millions in need through community based sustainable models to partnering with the world's most impactful philanthropies, EssilorLuxottica is tireless in realizing its vision for universal access. Since 2013, EssilorLuxottica has created sustainable access to vision care for over 475 million people in underserved communities. The Group's inclusive business 2.5 New Vision Generation helps unemployed young people from rural communities across Asia, Africa and Latin America set up as self-employed primary vision care technicians through training, small grants and ongoing business support. As of 2021, the Group had created the world's largest rural optical network with over 19,000 primary vision care entrepreneurs.
- **Eyes on Inclusion:** EssilorLuxottica was ranked third in the Health Care and Equipment Services sector on the Financial Times' "Diversity Leaders 2022" list. In the last year alone, the Company launched a global learning initiative focused on unconscious bias and a US Think Tank steered by employees from various backgrounds and levels as well as introduced several employee-led Business Resource Groups (BRGs) to bring people together through common interests.
- **Eyes on Ethics:** EssilorLuxottica takes an ethical approach to doing business that not only positively impacts its employees, but also has a tangible impact on the millions of customers and consumers it serves around the planet. The Group's vertically integrated business model, built over decades, is key to delivering an ethical approach wherever it has a presence.

1.2 History

EssilorLuxottica

January 2017
EssilorLuxottica combination announced

October 2018
Combination completed

July 2019
Intention to acquire GrandVision announced

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

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

March 2021
EC cleared the acquisition of GrandVision by EssilorLuxottica

July 2021
Acquisition of HAL's 76.7% interest in GrandVision

September 2021
Launch of Ray-Ban Stories (in partnership with Meta)

December 2021
At the end of the Mandatory Public Offer, EssilorLuxottica owns approximately 99.8% of the share capital of GrandVision

Combining more than 200 years of excellence

- Essilor Events
- Luxottica Events

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

2018
- Acquisition of Fukui Megane

2017
- Acquisition of Óticas Carol

2016
- Acquisition of VisionDirect 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

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
- Listing 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
- Listing on Paris Stock Exchange

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 progressive lens

1954
- Launch of the first plastic lens, Orma

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

EssilorLuxottica's roots are anchored in a centuries-old history covering all aspects of the eyecare and eyewear industry: design, production, distribution and innovation. With brands such as Essilor (1849), Salmoiraghi & Viganò (1865), Persol (1917), Ray-Ban (1937), Luxottica (1961) and now GrandVision (1891), the Group brings together extraordinary entrepreneurial stories that make it unique. This reunion of long-standing expertise and know-how, along with a legacy of great leadership and design, inspires the Group today and carries it forward for the future.

Creation of a global leader

Created in 2018, EssilorLuxottica is the culmination of two very complementary and inspiring business stories, equally rich in their success, which have revolutionized an entire industry more than once, changing the very nature of eyewear and how we care for our eyes. 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 explore the potential of eyecare and eyewear around the world; today, EssilorLuxottica combines those strengths as one group. Ray-Ban Authentic (2020), EssilorLuxottica 360 (2020) and Ray-Ban Stories (2021) are the first joint initiatives aiming to unlock the full potential of the new Group. The acquisition of GrandVision announced in 2019 and finalized in 2021 is the Group's first major joint acquisition and completes its direct to consumer portfolio.

A Company deeply rooted in innovation

EssilorLuxottica brings together two highly respected, innovative groups, both deeply rooted in the history of the optics industry.

Essilor was formed in 1972 from the merger of two technological and marketing pioneers, Essel and Silor. The first traces its origins to the *Association Fraternelle des Ouvriers Lunetiers* (renamed *Société des Lunetiers*, or S.L. and then ESSEL), an eyewear makers' cooperative founded in 1849 in Paris. It quickly became a key player in vision correction and started to grow internationally as early as 1868. Essel's original operating structure, which was inspired by workers' cooperatives and involved employees in corporate governance, is at the heart of a strong employee shareholding culture that is still part of EssilorLuxottica today. The second company, Silor, dates back to the 1930s when Georges Lissac founded Lissac Frères. In 1938, he created the revolutionary concept of an optical department store on rue de Rivoli in Paris, where customers could have a free eye test. He also introduced modern promotional techniques into the world of optics. Silor, its industrial division, merged with Essel to form Essilor with the ambition to become the world leader in the optics industry. Its successful IPO on the Paris Stock Exchange in 1975 allowed Essilor to start an ambitious international expansion strategy focused on global manufacturing and distribution. The decision in the 1990s to move away from frames and focus on lenses, as well as strategic acquisitions and joint ventures in key markets and its strong commitment to R&D in technically advanced lenses, allowed the Group to acquire a global leadership position.

Luxottica was founded by Leonardo Del Vecchio in 1961. It started out as a small workshop and operated throughout the 1960s as a contract producer 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 the international optics trade fair in Milan (MIDO), marking its definitive transition from contract manufacturer to independent producer. In 1974, Leonardo Del Vecchio sensed the importance of selling products directly and started a vertical integration strategy with the acquisition of Scarrone S.p.A, a professional solutions distributor with important know-how on the Italian eyewear market. Luxottica's expansion in professional solutions took on international importance with the opening of a subsidiary in Germany, and continued in 1981 with the acquisition of Avant-Garde Optics Inc., one of the largest distributors at the time in the US market. With great visionary capacity, Leonardo Del Vecchio saw the potential of working with the best fashion designers and anticipated a trend by signing a license agreement with Giorgio Armani, marking the evolution of eyeglasses from a tool for correcting eyesight to a fashion accessory. In 1995, Luxottica was the first manufacturer to enter the optical direct to consumer business with the acquisition of LensCrafters, one of the major optical retail banners in North America.

Eyecare, pioneering lens technologies

Technological innovations have allowed the Group to distinguish itself and acquire a leadership position in advanced ophthalmic lens technologies. Looking back to the mid-20th century, two major leaps transformed the entire ophthalmic industry: the invention of the Orma plastic lens and Varilux progressive lens. These two products gave rise to a unique R&D model, placing the wearer at the heart of the experimentation process. Search for comfort and protection has since led to new products, such as the Crizal lens with anti-reflective, anti-smudge and anti-scratch properties as well as Transitions photochromic lenses. Research accelerated at the turn of the 21st century with a growing number of innovations beneficial to consumers: increasingly effective designs, such as Varilux Comfort; UV protection, with the launch of the E-SPF index[1]; selective protection against blue light, with the Crizal Prevencia lenses; and products intended for new consumer behaviors and habits, such as the new Eyezen lens line for digital device users. The latest addition to this series is the Stellest lens, designed to slow down myopia progression in children.

(1) E-SPF was developed by the Group and endorsed by third-party experts. The E-SPF index relates to lens performance only and excludes direct eye exposure that depends on external factors (wearer's morphology, frame shape, position of wear).

Strategic acquisitions also allowed the Group to broaden its scope of activities in the optics world. Brands such as Ray-Ban, Oakley and Persol carried a distinctive know-how in sun lenses. This category was developed by new state-of-the-art production facilities in Italy, the US and Greater China to increase the production capacity for both sun and ophthalmic lenses, reinforced in 2019 through the acquisition of Barberini, the world's leading optical glass sun lens manufacturer. With Essilor's acquisition of Satisloh, the world leader in prescription laboratory equipment, in 2008, and FGX International, the North American leader in non-prescription reading glasses, in 2010, the Group extended its scope in specific markets such as equipment for eye care professionals and reading glasses.

Eyewear, a new frontier of fashion

With a history of more than 170 years in the creation of frames, the Group has an exceptional heritage, including some of the world's most emblematic designs and best-known fashion brands. From its beginnings in 1849, the Group produced eyeglasses, pince-nez and binocles, from iron to gold and acetate to tortoiseshell. From the late 1980s, eyeglasses began to evolve into eyewear. An aesthetic focus on everyday objects and designer 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. This initial collaboration was followed by numerous others, and with the acquisition of new brands, the Group gradually began building its current world-class brand portfolio. Over the years the Group has launched collections with fashion leaders such as Bulgari (1997), Chanel (1999), Prada (2003), Versace (2003), Dolce&Gabbana (2006), Burberry (2006), Ralph Lauren (2007), Tiffany & Co. (2008), Tory Burch (2009), Coach (2012), Giorgio Armani (2013), Michael Kors (2015) and Valentino (2017).

In 1995, Luxottica acquired Persol and in 1999, Ray-Ban, one of the world's best-known sunglasses brands. In 2007, California-based Oakley, a leading sport and performance brand, joined the Group bringing Oliver Peoples with it. In 2013, the acquisition of Alain Mikli International, a French luxury and contemporary eyewear company that owned the Alain Mikli brand and the Starck Eyes license, strengthened both the Group's luxury brand portfolio and prescription offerings. In the last few years, the Group acquired a majority interest in Fukui Megane Co. Ltd, a leading Japanese manufacturer that specializes in the production of luxury eyewear frames made of titanium and solid gold. The acquisitions of Costa and Bolon by Essilor in 2013 bring two other leading names in high-performance sunglasses and fashion frames to the Group.

Constantly exploring the new frontiers of style and technology, in 2021 the Group partnered with Meta (formerly Facebook) to launch Ray-Ban Stories, the next generation of smart glasses that enables consumers to capture, share and listen to their most authentic moments.

Vertical integration: from global manufacturing to global distribution

EssilorLuxottica owes its extraordinary destiny to a well-designed global manufacturing and distribution network.

Vertical integration has been a key pillar of Luxottica's business approach since its very beginning. Having oversight on the entire production process makes it possible to verify and deliver the highest level of quality. Vertical integration of manufacturing was gradually accompanied by the expansion of distribution, starting with the wholesale channel and later on, with direct to consumer and a key presence in the high value-added lens finishing business. The wholesale expansion focused on customer differentiation, customized service and new sales channels globally. On the Direct to Consumer side, the Group acquired LensCrafters in 1995, followed by Sunglass Hut (2001 – North America), OPSM (2003 – Australia and New Zealand), Cole National with Pearle Vision and Target Optical (2004 – North America), GMO (2011 – Latin America), Salmoiraghi & Viganò (2016 – Italy), Óticas Carol (2017 – Brazil), and Spectacle Hut (2018 – Singapore). In 2006, the Company started to expand the LensCrafters brand in Greater China by acquiring and then rebranding local retail banners, while growing Sunglass Hut globally in high-potential markets, such as the Middle East, South Africa, India, Southeast Asia, Mexico, Brazil, Europe and Greater China.

After Essilor's successful IPO in 1975, the expansion of lens manufacturing and distribution began in 1979 with the construction of a large plastic lens manufacturing plant in the Philippines. In the 1980s, to continue growing its competitiveness, other major mass production sites were set up in Brazil and Thailand. The 1990s were focused on creating a truly global network. The Group put down roots in Greater China and India, and also acquired more independent prescription laboratories, mainly in the US and Europe, to ensure that its network reached local customers. Production was also set up in Greater China with the opening of a lens manufacturing site near Shanghai in 1998. In 2015, the Group strengthened its ties with independent eye care professionals in the US with the acquisition of Vision Source, a network that provides services to independent optometrists, and PERC/IVA, a group purchasing organization. In 2016, the Group accelerated the development of online sales, notably through two major acquisitions in Europe (VisionDirect and MyOptique Group) and expanded in Greater China with a 50% stake in Photosynthesis Group, which markets sunglasses and corrective lenses under a range of banners including Mujosh.

In 2021, the acquisition of GrandVision was a major milestone in the completion of EssilorLuxottica's strategy. GrandVision operates a strong retail banner network in more than 40 countries, with over 7,200 stores. This acquisition will help EssilorLuxottica provide consumers all over the world with an unparalleled optical experience.

1.3 The eyecare and eyewear industry

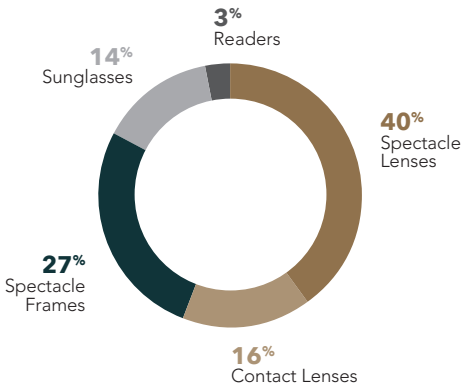
A unique and resilient industry worth around €100 billion

The global eyecare and eyewear industry is worth around €100 billion[1] (price to consumer), with an over-the-cycle low-to-mid single digit growth trend estimated for the foreseeable future.

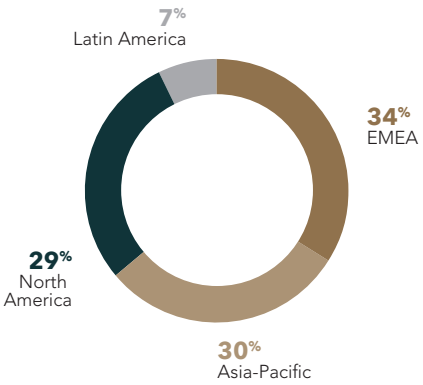
Eyecare and eyewear industry, 2021 retail value by product category[1]

The industry comprises five segments: spectacle lenses, spectacle frames, contact lenses, sunglasses and readers.

Demand for optical products proved to be and is expected to remain structurally strong, supported by ageing population, increasing incidence of myopia and presbyopia, and growing need for eye correction due to consumers of all ages spending more time in front of digital devices.



Eyecare and eyewear industry, 2021 retail value by region[1]



Top 10 countries by retail value:

1. US
2. GREATER CHINA
3. GERMANY
4. JAPAN
5. FRANCE
6. UNITED KINGDOM
7. BRAZIL
8. CANADA
9. INDIA
10. ITALY

The US remains the largest national market for the eyecare and eyewear industry, whereas in EMEA, Germany, France and the UK stand out as the most relevant countries[1].

Among developing markets, Greater China is characterized by demographic factors that lead to soaring myopia rates as well as increasing disposable income, triggering a premiumization trend in eyewear.

The pandemic accelerated the pace of digitalization for the eyecare and eyewear industry, and the e-commerce channel now accounts for more than 10%[1] of global industry value, with penetration of digital differing meaningfully across product segments. Henceforward, online shopping, remote eyecare and telemedicine are poised to make further strides.

(1) Source: EssilorLuxottica and Euromonitor data at Historic & Forecast Constant 2021 Prices, Historic & Forecast Fixed 2021 Exchange Rates.

A solid industry driven by major socio-demographic and lifestyle changes

The global eyecare and eyewear industry has grown at a steady pace over the long term, buoyed by structural demand based on a combination of several factors including:

- **Rising market demand for vision care.** Vision care needs are evolving, particularly due to the growing aging population and changing lifestyles. With an aging population, vision impairment has risen to the forefront as a public health concern with more consumers in need of ophthalmic solutions related to myopia and presbyopia expected by 2050. Myopia is predicted to reach epidemic levels with half of the world's population affected[1], or 4.7 billion people, in 2050 up from 2.6 billion people today. Presbyopia will also affect 40% of the world population[1], or 4.1 billion people, in 2050 up from 2.3 billion people today. Moreover, since the pandemic outbreak, screen time has increased by close to 48%[2] and nearly 1-in-2 people spend more than six hours on digital screens per weekday[2]. This intensive digital-screen exposure creates new needs for prevention and protection against harmful UV rays.
- **Growing category penetration.** Vision impairment is the world's biggest unaddressed disability with large untapped opportunities in terms of vision correction and protection. Today 2.7 billion people[3] around the world suffer from uncorrected refractive errors (URE) due to barriers of awareness and access, with 90% living in base-of-the-pyramid economies[3], and 6.2 billion people[2] who do not protect their eyes from harmful rays.
- **Increasing awareness of health-related issues.** Consumers are more conscious of the importance of eye health and, in particular, the health benefits of wearing sunglasses to help protect eyes from sun damage as well as blue-light glasses to protect eyes from extended exposure to blue-violet light.
- **Shifting eyewear perceptions and category premiumization.** Eyewear and especially sunglasses are perceived as desirable fashion accessories that enable self-expression and enhance self-confidence. Buying eyeglasses is shifting from a purely functional purchase to a more emotional one. Factors such as increasing disposable income and better standards of living in developing markets, have created a growing appetite and demand for luxury or high-quality premium branded eyewear. Furthermore, consumers are more receptive to changing their lenses, frames and sunglasses in tune with changing fashion trends: this shift toward high-end, branded frames and innovative designs contributes to reducing the average life of a pair of glasses, and product and brand popularity often trigger consumer desire to own a range of sunglasses and eyeglasses for any occasion.
- **Accelerating global digitalization toward an omnichannel strategy.** Consumer shopping patterns profoundly changed during the Covid-19 pandemic, with a sharp decline in in-store shopping due to social distancing and forced store closures during lockdowns. As a result, the shift toward e-commerce, already in motion, witnessed an acceleration during the crisis and that acceleration continues into the post-pandemic area.

1.4 Meeting global demand for eyecare and eyewear

1.4.1 Group Strategy

EssilorLuxottica leverages over 170 years of pioneering innovation, operational excellence, entrepreneurial spirit and international mindset. The Group develops groundbreaking eyecare and eyewear solutions that meet the world's growing vision care demands and changing consumer lifestyles, while inventing new ways to reach the billions of people who suffer from uncorrected vision. The Group's fully vertically integrated business model covers the industry's entire value chain and draws on the complementary expertise of two industry pioneers, one in advanced lens technologies and the other in the craftsmanship of iconic eyewear. It offers an unprecedented set of comprehensive solutions for consumers and eye care professionals, focusing on the quality of its products and services as a strategic differentiating factor. The creation of the perfect complete pair has become a reality, with both glasses and frames designed and manufactured in a totally integrated way from the very start. Each frame has a unique and perfectly fitted lens to accompany it, leading to a seamless brand experience with Ray-Ban Authentic being the Group's most prominent example.

EssilorLuxottica operates an open, non-exclusive business model (network company), that creates value for all stakeholders, including customers, consumers, employees, shareholders, business partners and suppliers as well as the communities in which the Company operates. This business model is in line with the Group's core business activities, by providing centralization when required (particularly for global frame brands and retail banners) and more decentralization when appropriate (for prescription lenses, which cater to multiple individual patient needs at local level). It is built on the following strategic pillars that enhance EssilorLuxottica's competitive edge and support its determination to accelerate industry growth in coming years.

(1) Global population of ~7.6 billion people in 2020 and 10 billion people in 2050. Source: Brian Holden Institute.
(2) Source: EssilorLuxottica estimates.
(3) Source: Essilor International, *Eliminating Uncorrected Poor Vision in a Generation*. Essilor International. 2019; 15.

Global footprint. The geographical footprint of EssilorLuxottica's manufacturing and logistics facilities, distribution networks and human capital is well balanced and diversified across more than 150 countries where the Company operates, shielding it from volatility in single economic areas.

World-famous brands. EssilorLuxottica has a portfolio of more than 150 renowned brands spanning various categories from frames, lenses and instruments to brick and mortar and digital distribution as well as mid-range to premium segment. Featured among them are some of the industry's most-recognized brands, whose equity is protected by strong investments to fight counterfeit products and the parallel market.

Comprehensive go-to-market. EssilorLuxottica has implemented a comprehensive multi-channel go-to-market strategy, including professional solutions, physical direct to consumer and e-commerce as well as inclusive last-mile models. Professional solution distribution remains crucial in the still highly fragmented eyecare and eyewear market, while through its direct to consumer platforms the Company gains valuable insights into the needs, behaviors and preferences of the end-consumers. With leading global optical retailer GrandVision part of EssilorLuxottica since July 1, 2021, the Group has expanded its direct to consumer footprint in Europe and consolidated its presence in eyecare and eyewear retail on a global scale. EyeMed, the second-biggest operator in managed vision care in the US, complements the business model in optical direct to consumer. Finally, innovative inclusive business models make last-mile distribution a reality in developing markets.

Unique innovation capabilities. A drive for excellence coupled with an innovative spirit stand at the forefront of the Group's aspirations. EssilorLuxottica has built a powerful global R&D network supported by leading scientific, industrial and academic communities and centered on four main initiatives: enhancing vision, upgrading eye exams, powering style and making eyewear smart. The Group owns more than 11,000 patents and produces over 3,500 new eyewear models every year.

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

Mission. EssilorLuxottica responds to the world's growing vision needs with a large portfolio of innovative eyecare and eyewear products accessible to everyone, everywhere. By combining its expertise in lens technology and eyewear manufacturing, a portfolio of brands consumers love and global distribution capabilities, EssilorLuxottica enables people everywhere to "see more and be more".

Sustainability. Doing good for its customers, consumers and communities while doing good for the planet is at the hearth of EssilorLuxottica's integrated and far-sighted Corporate Social Responsibility program, titled Eyes on the Planet. The program, which outlines the Group's ambition and strategy for sustainability, includes commitments toward carbon neutrality, circularity, world sight, inclusion and ethics.

Talented people. At the very core of EssilorLuxottica are its people, who bring these assets to life. A community of more than 180,000 skilled and committed employees work together relentlessly to make the Company better every day. Diversity is a key priority with 60% of total employees represented by women. The Company strives to attract the best talent by engaging its employees globally with innovative personal well-being initiatives and the ongoing promotion of health and safety in the workplace as well as extensive training and development programs.

Fostering eyecare awareness. Leonardo is EssilorLuxottica's open learning platform with a focus on eyewear, lenses and optics, brand storytelling and business management. Through best-in-class content available to EssilorLuxottica employees, independent eye care professionals, customers and partners, Leonardo aims to support the growth of the entire industry through the development of people.

Employee shareholding. The Group also continues to invest in its people by promoting subsidized employee shareholding programs that enable an innovative style of governance and foster dialogue by involving employees in EssilorLuxottica's major decisions. In 2021, a total of approximately 67,000 EssilorLuxottica employees in 85 countries held a financial stake in the Group, up from near 63,000 employees in 2020.

By putting these distinctive pillars to play, EssilorLuxottica is uniquely positioned to drive the evolution and growth of the global industry for the benefit of all its stakeholders, while making its business profitable and sustainable over the long-term.

1.4.2 Innovation and Design

Innovation, a cornerstone of the Group's strategy

Rooted in its origins, innovative thinking has been a strategic focus and decisive competitive advantage for EssilorLuxottica. The future of the industry with all its untapped opportunities is a source of inspiration that drives the Group to create, experiment, refine and implement new ideas and technologies, from breakthrough innovation in vision care and eyewear, research of new materials and product development to manufacturing, distribution and digital platforms.

Combining the complementary expertise of two industry pioneers, EssilorLuxottica's R&D teams have brought to life some of the biggest innovations for lens and frames by experimenting with new technologies, techniques and materials – some of which have never been used in the optical industry before.

A consumer-focused approach to innovation

From product and design innovation to reimagining the consumer experience to establishing new far-sighted business models, EssilorLuxottica's approach to innovation focuses on understanding evolving consumer needs from initial research to product development and wearer testing. Longer life expectancy, changes in consumer lifestyles, evolving vision needs linked to major socio-demographic factors (including intensive digital-screen exposure) and heightened awareness of health-related issues all present both considerable R&D challenges and opportunities for the industry.

EssilorLuxottica's R&D activities are organized into six areas: vision care, eyewear design and technological innovation, smart eyewear, sun lenses, digital transformation and sustainability.

Vision care. EssilorLuxottica's vision care-related R&D activities encompass three segments: myopia, presbyopia and light management. In each of these segments, new products introduced to the market are the result of a gradual process involving several cross-company stakeholders. Moreover, the Group has developed innovative 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. In addition, EssilorLuxottica has started to develop and use a revolutionary way to digitally define, test and validate new concepts thanks to human modeling. Based on vision science innovation, data collection from millions of wearers and advanced mathematical algorithms, the goal of this exclusive patented technology, called Avatar, is to model as thoroughly and precisely possible what it means for an individual to wear ophthalmic lenses.

EssilorLuxottica has over 450 vision care researchers working in its R&D facilities: one Transitions R&D Center in Ireland (Galway) dedicated to photochromic lenses, one R&D Americas Center in the US (Dallas and Dudley) plus two Centers for Innovation and Technologies in Europe (Créteil, France) and Asia (Singapore, Bangkok and Shanghai). This global R&D network lets the Group gain a unique understanding of consumer needs and market structure in key regions; develop strong R&D partnerships with leading academic and industrial experts, and optimize its innovation capacity thanks to proximity with local engineering and operations teams.

The Innovation and Technologies R&D Center in Shanghai focuses on new technologies for improving the consumer experience in China, and the development of products tailored to the evolving Chinese consumer needs. The Group also has a development and testing center in China (Danyang) that assesses, compares and improves the performance of products manufactured by Chinese partners.

To develop its products, EssilorLuxottica 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 committee dedicated to non-pathological vision aging, in partnership with the Vision Institute and Sorbonne Université in Paris, France;
- joint laboratory with Wenzhou University in Greater China to study myopia in children;
- multisector research committee for coatings and surface engineering with Polytechnique Montréal, and "OPALE", a jointly run research laboratory with CNRS-LAAS in France focusing on lenses and eyeglasses with active and connected functions.

R&D network: Vision care

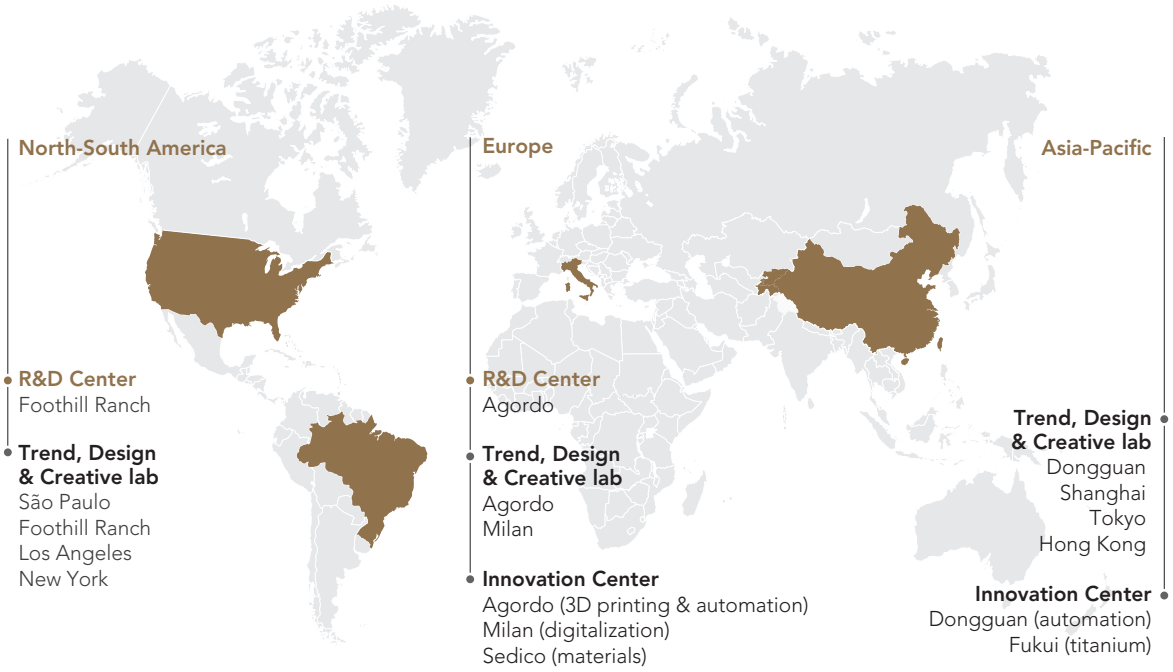
1. CI&T (Innovation & Technologies Centers)

Eyewear design and technological innovation. EssilorLuxottica's eyewear design and technological innovation-related R&D activities encompass two segments: industrial design and frame technologies. Every collection and 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. Designers and engineers are constantly exploring new possibilities to expand the boundaries of the eyewear world, creating models where stylistic innovation is harmoniously combined with the most advanced technologies, and new materials offer the capacity to rethink styles and functionality. The study of other sectors – from fashion and jewelry to design and technology – inspires ideas that can be applied to eyewear. This process has become even more valuable as sun and prescription eyewear are increasingly perceived as desirable, fashionable accessories. Emphasis on product design and the continuous development of new styles are key to the Group's success. In 2021, EssilorLuxottica added over 3,500 new models to its eyewear collections.

EssilorLuxottica has an Innovation Center model that combines the most advanced technologies available on the market with highly skilled teams to create a strong innovation pipeline that can be directly transferred to the product. For example, with 3D printing the Company can reach precision and finishing levels comparable to that of jewelry thanks to exclusive partnerships that allowed for the development of skills not available in the eyewear industry, representing a competitive advantage for EssilorLuxottica. In total, there are over 150 experienced eyewear design researchers working at the Group's two R&D facilities in North America (Foothill Ranch, US) and Europe (Agordo, Italy), and at its five Eyewear Innovation Centers in Europe (Agordo, Milan and Sedico, Italy) and Asia-Pacific (Dongguan, Greater China; and Fukui, Japan) as well as at its 10 Trend, Design and Creative Labs in different regions. The Innovation Centers in Agordo and Sedico focus respectively on 3D printing technologies and materials, while the Innovation Center in Fukui focuses on R&D activities on titanium. The Innovation Centers in Agordo and Dongguan also focus on integrating the application of robotics, automation, computing and big data into its manufacturing processes.

With a focus on quality product development, EssilorLuxottica established international collaborations with respected, well-known universities, including Stanford University, University of Padua, Politecnico of Milan and the Italian Institute of Technology. Scientific excellence generated from these partnerships helps influence the creation of new products as well as new business concepts and technologies to develop effective, modern solutions for consumers. Highlights include working with: Stanford University on imaging systems that include the capture, processing, transmission and rendering of visual information; University of Padua on automation research and training; Politecnico of Milan on various research technologies, materials, coatings and advanced processes; and the Italian Institute of Technology on computer vision for applied robotic technology.

R&D network: Eyewear design and technological Innovation



International scientific collaborations

- Stanford University
- Politecnico of Milan
- Italian Institute of Technology
- University of Padua

Smart eyewear. Backed by more than 10 years of R&D activities on smart eyewear, the Group draws on the complementary expertise of Essilor and Luxottica in the research, design, development, integration and production of lenses and frames to address evolving consumer needs and fully capture the potential of the fast-growing wearables segment.

EssilorLuxottica has over 80 researchers working at its two R&D facilities in Italy (Agordo) and Greater China (Dongguan) as well as at its Smart Eyewear Technologies Center in France (Dijon, Créteil and Toulouse). Created in 2021, the smart eyewear innovation hub reinforces EssilorLuxottica's expertise in electrochromic and smart eyewear technologies, enabling the Group to cover the entire value chain, from upstream research to production. As a pioneer in electrochromic and smart eyewear technologies, the Group has built partnerships with public organizations, including the French National Centre for Scientific Research (Centre national de la recherche scientifique – CNRS) and the University of Huddersfield in the UK. Several important co-developments with private actors were also launched, including some of the biggest firms in the worldwide digital and electronics landscape.

In 2021, EssilorLuxottica was in a unique position to combine unparalleled agility with the scale, engineering capabilities and resources of a leader to bring together the best of lens technologies and frames design.

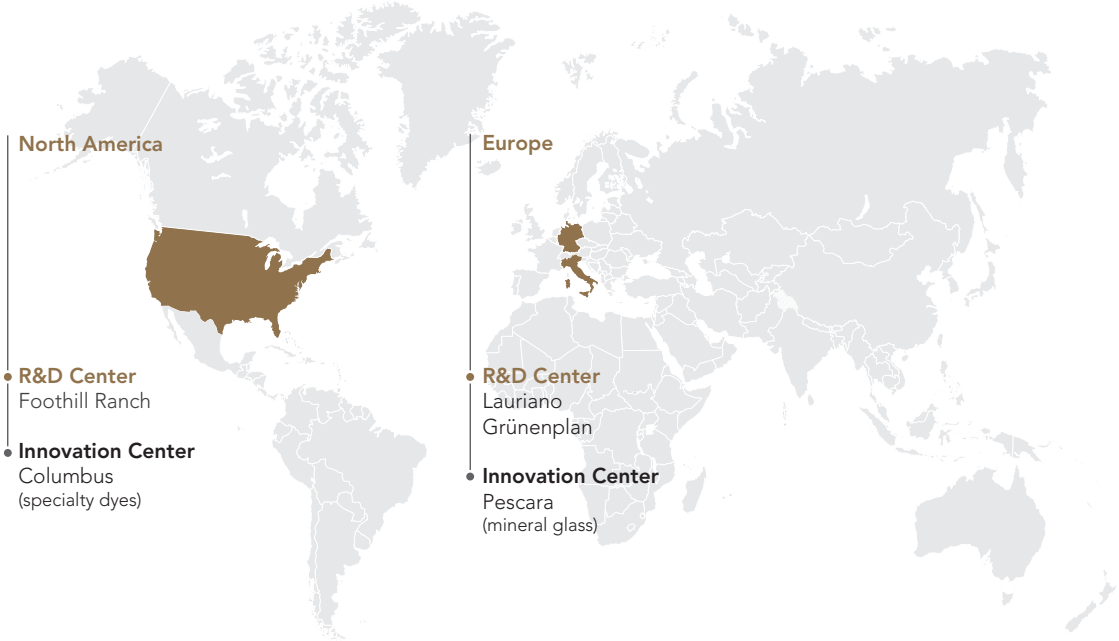
Sun lenses. With over four decades of experience and research in the field of sun lenses, EssilorLuxottica reinvents the magic of the sun with cutting-edge solutions focused on quality, innovation and fashion to offer consumers an unparalleled optical experience. Committed to expanding visual experiences for its consumers, the Group has over 50 sun lens researchers working at its R&D Centers in Italy (Lauriano) and Germany (Grünenplan) and its Innovation Centers in the US (Columbus) and Italy (Pescara).

From first freeform visors to goggles and eyewear, the Group creates and delivers groundbreaking optical sun solutions. It focuses on developing new mold processing and optical technologies that improve the consumer experience by offering enhanced performance, style and designs. It also pioneers solutions related to industrial design concepts for freeform shapes and optical innovation, with optical design research for off axis optical correction. Furthermore, the Group has innovative research projects on adding new aesthetic effects and decorative shapes to lenses thanks to specific coloring techniques. New methodologies and processes for surface coating technologies have been introduced to enlarge the lens portfolio with homogeneous mirror treatments, and decorative inserts in bulk have been offered on the market.

EssilorLuxottica is also the global leader for Prizm CE (contrast enhancing) lens dye filter technologies. This technology is vertically integrated in processes at its R&D Center in Foothill Ranch and its Innovation Center in Columbus, and used in refining dyes for applications that are exclusive to the Group. Custom Prizm recipes are designed for specific sport, military and prescription applications, ensuring increased depth perception, enhanced visual acuity, reduced eye fatigue and narrow band attenuation protection for better performance. The Group's sun lens R&D activities have been expanded into chroma enhanced dye chemistries as well as into new chemical analytical equipment, which supports better and faster choices during the product development process.

In 2021, EssilorLuxottica developed numerous state-of-the-art sun lens-related technologies, including customized solutions for polymer and mineral lenses to emphasize the contrast of specific colors as well as protect eyes against blue light from digital device screens. Last year, the Group also introduced a specific R&D workstream dedicated to sustainability, including the 4Rs program, alternative materials, and products and production processes for optical filters.

R&D network: Sun lenses



Sustainability. With a deep-rooted sense of responsibility, EssilorLuxottica has expanded its culture of innovation through the gradual integration of sustainable development criteria into its value chain. To support its Mission to help people around the world "see more and be more" and in line with its Eyes on the Planet corporate sustainability program, the Group aims to offer consumers products focused on excellence, innovative technologies and unique styles, with an ever-decreasing impact on environment. EssilorLuxottica analyzes product life cycles, favors easy-to-disassemble designs, collaborates with suppliers to scout, develop and introduce raw materials with less environmental impact, and optimizes shipping flows and production processes.

Committed to reducing its impact on the planet, in 2021 the Group's R&D team accelerated specific workstreams dedicated to sustainability taking steps to foster circularity following the 4Rs "Research-Reduce-Reuse-Recycle" (see Chapter 5, Section 5.2.2). In this regard, the Group is working to create circular products from the beginning of the innovation process through its eco-design approach. For example, a proprietary Sustainability Assessment Methodology (SAM) has been deployed for its Prescription Lenses R&D activities to integrate sustainability criteria into each stage of the development process for technologies and products to foster circularity and resource and process efficiencies.

EssilorLuxottica also made bold moves across its entire production cycle to limit the introduction of new fossil-based materials by increasing usage of renewable sources as well as recycling processes, with the aim of generating lower emissions and reducing landfill waste. This is reflected in the investment in Mazzucchelli 1849 to develop and produce a highly sustainable type of acetate as well as in its environmentally conscious eyewear collections – from Costa, Arnette, Foster Grant, Salmoiraghi & Viganò and Emporio Armani – produced with innovative bio-based materials, such as acetate with bio-plasticizers and bio-nylon with around 50% renewable content; and also by developing recycling processes such as nylon internal recycling hub in Agordo, certified ISCC Plus. To make this vision a reality, the Group also developed and launched an innovative prescription process with Satisloh for lens blocking called ART (Alloy Replacement Technology), completely eliminating the use of alloy in its lens manufacturing, and replacing it with a UV-curable adhesive, an environmentally friendly alternative to traditional alloy blocking. Packaging was also rigorously explored in 2021, and EssilorLuxottica has developed many solutions to reduce layers, limit mono-use plastic and substitute petrol-derived materials with bio-based ones jointly with its licenses.

Digital transformation. EssilorLuxottica is tirelessly committed to operational excellence, tapping into new technologies and digital tools to improve consumer experience. The Group has invested heavily to digitize from the ground up and has evolved the way it operates in the market, developing digital platforms that connect its operations to its customers and consumers. Today, technology is the backbone of every area of business, from manufacturing to distribution and sales in all markets and in all channels – Professional Solutions, Direct to Consumer and e-commerce.

From online interaction to the supply chain, taking in teleoptometry along the way, this digital transformation has changed the way EssilorLuxottica connects with millions of consumers and patients around the world. It has also allowed it to propose digital opportunities and services for the benefit of the entire optical sector, paving the way for a process of innovation that will benefit all industry stakeholders.

EssilorLuxottica has invested heavily to bring opportunities offered by digital technology to optical practices and retail stores around the world. Innovations include the Smart Shopper along with its virtual try-on technology and exclusive product customization services. Fully integrated with the Group's digital infrastructure, the Smart Shopper offers a new in-store experience, where consumers can explore EssilorLuxottica's potentially endless eyewear collections and brands. To offer an increasingly integrated brand experience, the Group also continues to invest in its omnichannel strategy, developing proprietary e-commerce platforms to provide exclusive product customization services (*i.e.*, Virtual Try-On on Ray-Ban.com) as well as unique experiences (*i.e.*, Ray-Ban Remix, Oakley Custom). To bring its e-commerce platforms, B2B digital sales channels and product customization services to life, EssilorLuxottica leverages specialized expertise from its centralized Render Factory to digitize its entire eyewear catalog and produce all necessary visual assets internally. Recently introduced, Face Scanner technology can identify and analyze facial characteristics to recommend the most esthetically suitable frames, with an option to connect to the Frame Advisor experience and the endless Smart Shopper catalog for superior service and selection. EssilorLuxottica was the first to implement large-scale digital window technology in the optical industry, making the consumer experience engaging and rich in content. In a short time, the Group has become one of the largest private digital broadcasters globally, with about 20,000 digital windows installed in its own stores and customer optical practices all over the world. The management of real-time visual communication is centralized in the internal Digital Factory in Milan to guarantee flexibility, speed of execution and distribution of content (by location, country and timing) as well as proximity to the needs of customers and consumers.

New products launched in 2021

Key launches in 2021 included the rollout of recent product innovations at a global scale and the introduction of new products to individual markets. In a highly anticipated collaboration with Meta (formerly Facebook), EssilorLuxottica introduced **Ray-Ban Stories**, the next generation of smart glasses that allows consumers to seamlessly capture, share and listen to their most authentic moments. It combines smart technology, fashion-forward style and everyday wearability weighing just 5 grams more than a standard pair of Ray-Ban Wayfarers. Ray-Ban Stories includes a Snapdragon processor, a dual integrated 5MP camera to capture photos and videos, discreet open-ear speakers, and a three-microphone audio array to deliver rich voice and sound transmission for calls and videos. An iconic design built with innovative technology, Ray-Ban Stories is available in a variety of styles and lenses, and it can be used in conjunction with the Facebook View app, creating an easy way to import, edit and share content captured with the smart glasses plus the ability to upload to any social app stored on smartphones.

Eyecare product launches. Reaffirming its leadership in eyecare in 2021, EssilorLuxottica launched the groundbreaking Transitions XTRActive New Generation lenses, using the Group's most advanced dye package ever with new photochromic molecules fine-tuned to provide the best extra darkness and the best extra light protection[1]. Winning a Silmo d'Or award in France for breakthrough innovation, Transitions XTRActive Polarized lenses combine features of the XTRActive range (sharper vision, larger view, vivid colors[2]), and address the need for extra darkness and polarization for wearers exposed to bright light and reflective glare. Crizal added three new core products using the Group's advanced technologies: Crizal Sapphire HR lens for the best anti-reflective coating overall; Crizal Rock for the best combination against scratches and smudges with better technical qualities than ever before in a Crizal product[3]; and Crizal EasyPro for the easiest-to-clean anti-reflective coating[4]. Advances were also made for eyecare instruments with the ultra-compact, revolutionary Vision-S 700 immersive refraction station that allows for smoother, faster and more precise eye examinations while offering added comfort for patients.

Eyewear product launches. In 2021, the Group continued to enrich its innovation pipeline and reaffirm its leadership in the field of eyewear with the launch of state-of-the-art collections. Born from 45 years of disruptive innovation, Oakley Kato is engineered to help enable limitless performance, featuring a customizable fit, Prizm lens technology to enhance color and contrast, and a frameless lens crafted with an extended wrap and built-in retention to fit the contours of the face. Committed to reducing its impact on the planet, the Group has given special attention to eco-friendly eyewear collections, launching the Arnette Positive sustainable collection with materials that are reusable, recyclable and reduce environmental impact as well as Costa's Untangled collection made of 97%-100% recycled fishing nets. In the Starck Biotech Paris Fall/Winter 2021 collection, the use of fiber models and Mazzucchelli 1849 bio-acetate, 67% of which comes from renewable resources, vividly demonstrates how Philippe Starck's creations envision a future of sustainable design that perfectly combines intelligence and harmony with nature. The 2021 Emporio Armani collection emphasizes sustainability across the entire eyewear value chain – from 100% recycled materials and acetates to lenses made of partially bio-based materials. GrandVision has repositioned its DbyD brand as its first sustainable eyewear brand and has been using it as a main eco-friendly exclusive brand, setting the foundation for further sustainable initiatives within the eyewear portfolio and offering eyewear from bio-acetate recycled plastic as well as titanium.

Intellectual Property

At the end of 2021, the Group, including all of its subsidiaries, held:

- **2,350** patent families, each representing an invention protected in several countries around the world (**more than 11,000** patents criteria pending or granted)
- **2,350** designs
- **3,460** trademark families, each representing a trademark protected in several countries around the world (**18,160** trademarks pending or registered).

During 2021, the Group applied for **172** new patents families, **155** new design families and **145** new trademark families.

Protecting intellectual property and consumers. With more than 11,000 patents owned, intellectual property is one of EssilorLuxottica's most important assets, and ensures the excellence, uniqueness, and superiority of its products. The Group's approach to innovation is supported and strengthened by proactive intellectual property management, both upstream to drive innovation and downstream to enhance the protection of patents, trademarks, designs and copyrights while combating online and offline counterfeiting.

To minimize consumer exposure to fake products, EssilorLuxottica collaborates with local institutions and authorities around the world to intercept counterfeit eyewear products and combat the entire illegal production chain as best permitted by law. The Group also monitors websites, online marketplaces, social media and mobile applications. In 2021, both online and offline initiatives to protect EssilorLuxottica's proprietary eyewear brands led to the seizure of 4.2 million units of counterfeit products. In 2021, the Group also closed more than 5,500 domains, took down 138,000 profiles and posts on social media, and removed 500,000 marketplace listings selling counterfeit products. Moreover, as a result of its dedicated program to attack counterfeiting and other intellectual property violations, the Group recovered over US$ 4 million in damages and settlements from those who infringed its intellectual property rights.

For greater effectiveness battling counterfeiting and the expansion of parallel markets that divert goods into unauthorized sales channels, the Group developed GLOW (Guaranteed Luxottica Origin Worldwide). GLOW is a traceability system based on RFID technology that verifies the authenticity of eyewear products and the suitability of resellers through a sensor (RFID Tag) embedded in the frame, with the device containing key information to unambiguously identify each pair of glasses, from production to sales destination. The technology is passive and safe for health - it emits no radio waves and does not record personal data.

(1) The darkest in hot temperatures and in the car, offering the best overall blue light protection across light situations* among clear to extra-dark photochromic lenses. *Protection from blue light (380nm-460nm) among polycarbonate and 1.5 grey lenses: blocking (i) up to 34% indoors at 23°C, (ii) up to 64% behind the windshield, (iii) up to 90% outdoors at 23°C and (iv) up to 83% outdoors at 35°C.
(2) Source: EcoOptics Limited - Prof. Nicholas Roberts, Quantitative study evaluating the visual benefits of the polarization properties of lenses compared to similar non-polarized lenses, 2019/2020.
(3) External laboratory tests and internal technical tests in 2019. Combination here defined as the merger of two distinct criteria that are scratch resistance and smudge resistance – Crizal Rock coating rated best on smudge resistance and equal on scratch resistance, compared to the most known lens brands by consumers (MSW brand tracking 2018 in 17 countries). Scratch resistance may vary depending on lens configuration.
(4) Based on sliding angle criteria, amongst the most known lens brands by consumers (MSW brand tracking 2018 in 17 countries).

To maximize brand protection efforts, EssilorLuxottica has adopted a Minimum Advertised Price (M.A.P.) policy. Applicable in the US and Canada only, it forbids all advertising or marketing activities that may damage the brand equity of the Group's eyewear brands without affecting the price at which the products are sold.

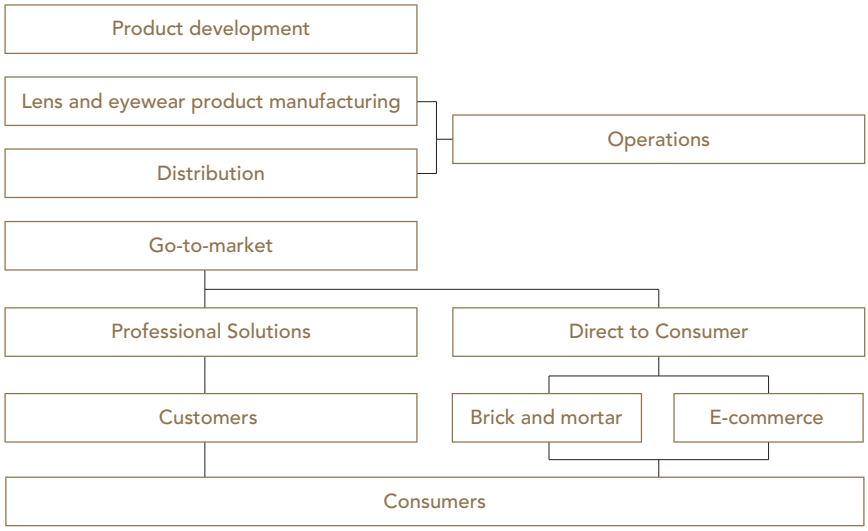
1.4.3 Operations

EssilorLuxottica delivers on its Mission through a vertically integrated business model covering every single step of the value creation process, with a strong focus on manufacturing excellence, service and a geographically diversified footprint. This offers greater efficiency, flexibility and speed in product design, engineering, manufacturing, supply chain and logistics as well as uncompromised quality.

EssilorLuxottica's model is the result of a visionary choice made by the founder of Luxottica and current Chairman of EssilorLuxottica, 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 distribution, first with professional solutions, then in 1995 with physical direct to consumer and later with e-commerce. Finally with the combination of Essilor and Luxottica in 2018 came the creation of a fully integrated, all-round champion in the eyewear industry combining lenses and frames under the same roof. The Group also oversees every aspect of its lens business, from production plant to prescription labs through to retail eyecare locations, with an unrivalled ability to simultaneously manage flows both of stock lenses (finished lenses completed in the production plants) as well as custom prescription lenses (semi-finished lenses produced in plants and sent to prescription laboratories for surfacing and coatings).

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 EssilorLuxottica to offer its products in major mature 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 seek out EssilorLuxottica to produce their eyewear collections and access the Group's widespread global distribution network.



Creating innovative eyecare

EssilorLuxottica designs, manufactures and customizes **corrective** and **plano lenses** adapted to each person's unique vision requirements and preferences. With an extensive range of lenses, the Group delivers innovative solutions that help address and correct visual health issues, such as myopia, hyperopia, astigmatism and presbyopia. Its lens technologies are respected worldwide for improving vision, preserving and protecting eyesight, and offering a comfortable wearing experience.

Globally recognized lens brands. The Group serves every segment of the ophthalmic lens market with globally recognized brands: the most renowned being Varilux with its progressive lens range; Crizal with its range of antireflective, anti-smudge and antistatic lenses; Transitions with its photochromic lenses; Eyezen with its line of lenses for heavy digital device users; Stellest, a new generation of spectacle lens solutions for slowing down myopia progression in children; and Kodak with its corrective lens brand used under licensing agreement with Eastman Kodak.

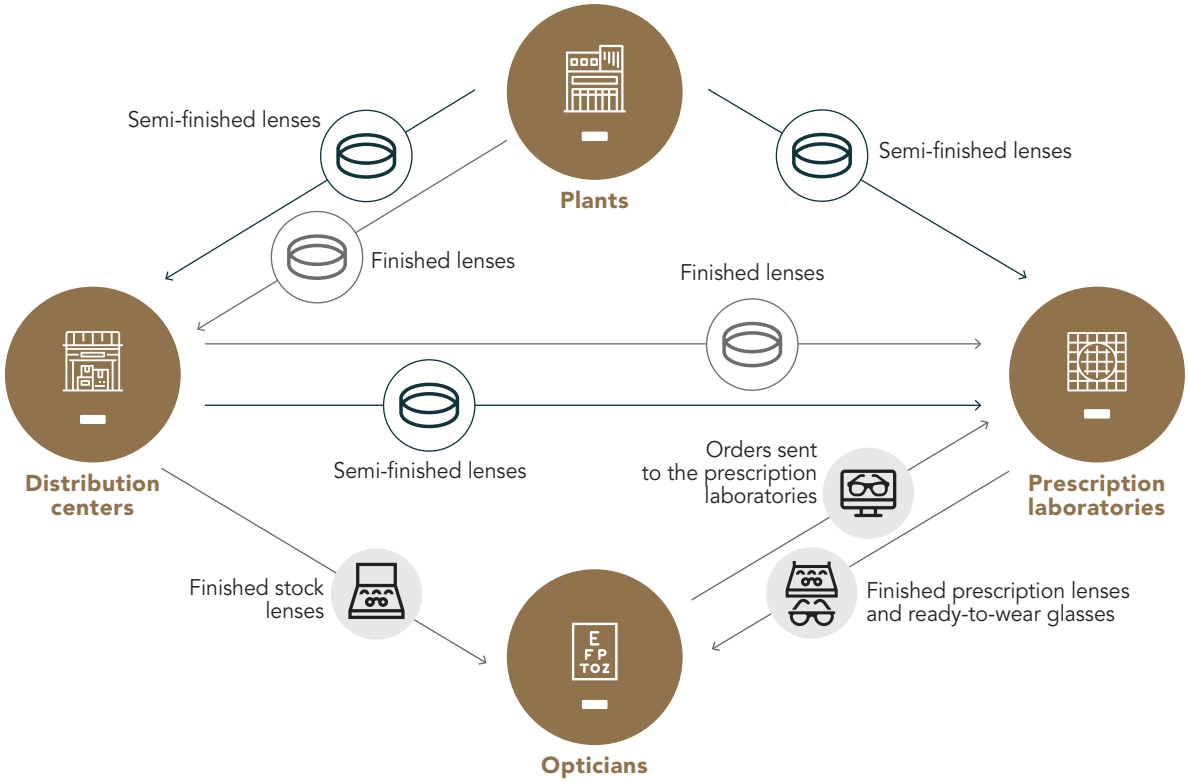
EssilorLuxottica also produces its own sun lenses, backed by skilled expertise gained through the acquisition of Persol, Ray-Ban and Oakley. It leverages know-how in producing the best mineral lenses from Barberini, the world's leading optical glass sun lens manufacturer, part of EssilorLuxottica since 2019. Recent innovations include Oakley Prizm and Ray-Ban Chromance sun lenses, which are designed to enhance color and contour as well as contrast and visibility for the clearest, most comfortable vision quality. Both innovations were created using unique lens technology from Exciton, the world leader in the design and production of high-purity and high-performance dyes, acquired by the Group in 2016. Following the acquisition of Barberini, EssilorLuxottica also owns a minority stake of around 35% of the share capital in Triapex, a leading company that produces dye-based polarized films for use in glass and CR39 polarized lens applications.

Lens production process. EssilorLuxottica's **production plants** produce lenses that are finished, semi-finished or plano. In general, finished lenses are produced for simple eyesight corrections such as myopia, hyperopia and some astigmatisms. Semi-finished lenses are intended for more complex corrections including presbyopia, while plano lenses without corrective power are typically used for sunglasses. EssilorLuxottica also has also well-known expertise in developing and manufacturing a wide range of plano and prescription sun lenses, with plants in Malaysia, Foothill Ranch (US), and Lauriano and Pescara (Italy) performing a key role in the Group's sun lens operations.

The Group's **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 eye care professionals. Leveraging a full range of state-of-the-art equipment and cutting-edge technologies, they handle surfacing, polishing, coatings (multilayer and antireflective) and frame integration for the edging and mounting process, creating a vital link between the Group's production plants and eye care professionals who place orders for personalized lenses. This customization helps address a 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 **distribution centers.** The latter ship the lenses either to EssilorLuxottica-owned businesses (distribution subsidiaries, prescription laboratories and edging-mounting facilities) or third parties (certain distributors when the Group does not have its own subsidiaries, prescription labs, retailers and optical brands).

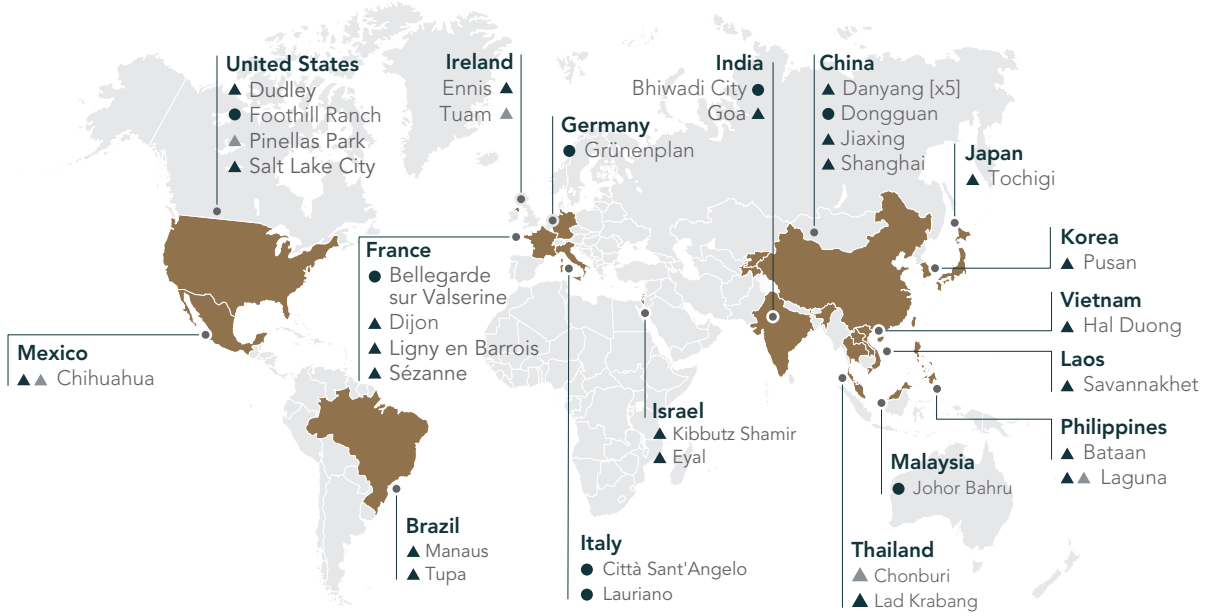
Plano lenses are manufactured in dedicated plants and then shipped either to EssilorLuxottica frames manufacturing plants or sold directly to other frames manufacturing and distribution players.



Lens manufacturing and supply chain. Overseeing every aspect of its lens business across all stages of the value chain, from design and engineering to store delivery, the Group continues to relentlessly pursue operational excellence to provide consumers everywhere in the world with the best visual experience. It has a network of production plants, prescription laboratories, edging and mounting facilities and distribution centers that serve eye care professionals across the globe, including independent opticians as well as optometrists, cooperatives, central purchasing agencies and retail optical banners.

As of December 31, 2021, EssilorLuxottica and its partners operated **39 production facilities worldwide**, including a plant in Danyang (Greater China) acquired in 2019. Of these 39 plants, 26 produce prescription lenses, five make photochromic lenses and eight specialize in non-prescription sun lenses.

Operations: Global eyecare network



▲ Optical Lenses Mass Production Plants
▲ Optical Lenses Mass Production Plants / Transitions
● Sun Lenses Mass Production Plants

The Group has a **network of 564 prescription laboratories and edging-mounting facilities** around the world, of which **486 proximity laboratories** and **78 industrial laboratories.** Of these industrial laboratories, **15** are **integrated lens and frame laboratories** that produce complete-pair offerings: four in North America, two in EMEA, five in Latin America and four in Asia-Pacific.

These platforms were developed to support the integrated services offered to key accounts, including lens production, frame management on behalf of customers and the edging-mounting of lenses in frames.

Geographical distribution of the global lens network owned by EssilorLuxottica and its partners as of December 31, 2021

Lens asset types	Total	North America	Latin America	EMEA	Asia-Pacific
Optical lenses mass production plants	31	3	4	7	17
Sun lenses mass production plants	8	1		4	3
Industrial labs	78	21	15	24	18
of which integrated labs	*15*	*4*	*5*	*2*	*4*
Proximity labs	486	89	145	64	188

	As of December 31, 2021
Output from EssilorLuxottica lens technology plants and partner facilities[(a)]	• c. 565 million prescription lenses • c. 66 million pairs of non-prescription sun lenses
Lenses coated and surfaced in the prescription laboratories	• c. 168 million lenses

(a) Includes photochromic lenses made by Transitions Optical and sold to other lens manufacturers.

1.4.3.1 Designing iconic eyewear

Frame design, development and manufacturing take place in EssilorLuxottica production sites across the world, which include: six production sites in Italy, two in Greater China, one in Thailand, one in Brazil, one in Colombia, one in the US (devoted to sports and performance eyewear) and two in Japan and India respectively, the latter serving the local market.

In 2021, the Group's worldwide frame production reached approximately 100 million prescription glasses frames and sunglasses frames.

Part of the Group's supply comes from third-party vendors. In addition to the premium, high-end eyewear segment, the Group also delivers affordable eyewear and non-prescription reading glasses mainly distributed in the US under the Foster Grant brand, with over 150 million units sold in 2021.

Eyewear product development. R&D activities conducted by EssilorLuxottica's engineering teams play a crucial role in the development process. Engineers continuously source new materials, concepts and technology innovations to apply to products and processes in an effort to differentiate EssilorLuxottica in the eyewear market. During the initial phase of the development process, prototype makers meticulously transform designs into one-off pieces, leveraging the unique tradition of the Group's craftsmanship and cutting-edge 3D technologies. 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. Afterward, the Group determines which of its plants is best suited to manufacture the product and for large-scale production. The mold workshop then assembles the equipment needed to make components for the new model. Finally, the very first samples are assembled and undergo a series of rigorous tests required by internal quality control procedures. After quality certification, sale samples are produced and subjected to a new intensive series of tests to verify the quality of engineering and production. By using a launch calendar that focuses on consumer and geographic demand, EssilorLuxottica has been able to shrink product development timelines in recent years.

In 2021, a new specific wearable production line was initiated in Greater China to produce the recently launched Ray-Ban Stories smart glasses.

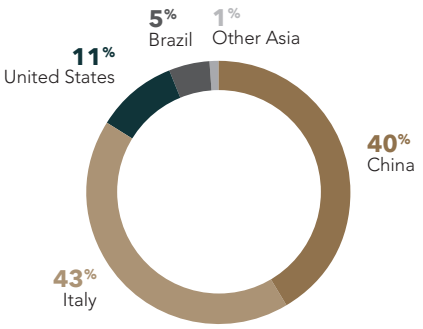
Eyewear manufacturing. EssilorLuxottica's manufacturing footprint includes six sites in Italy, the center of the Group's luxury eyewear production, all of which combine the tradition of Italian craftsmanship with the speed and efficiency of modern automation. Five facilities are located in Northeastern Italy, where most of the country's eyewear industry is based, and one near Turin. These factories represent 43% of EssilorLuxottica's global production output. Two manufacturing facilities also exist in Greater China along with one plant in Thailand and two plants in India and Japan, collectively representing 41% of total production output.

Operations: Global eyewear network

The Foothill Ranch facility in California represents approximately 11% of total production output and manufactures high-performance sunglasses, and prescription frames and lenses as well as assembles most of Oakley's eyewear products. Oakley apparel, footwear and certain goggles are produced by third-party manufacturers.

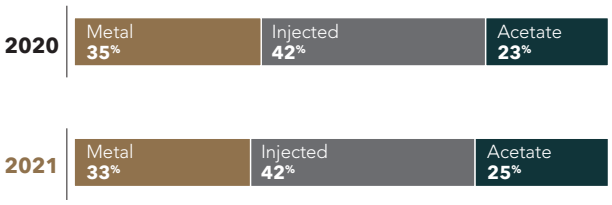
In Latin America, EssilorLuxottica also has two manufacturing facilities in Bogotá (Colombia) and São Paulo (Brazil). In Brazil, the manufacturing facility in São Paulo produces both plastic and metal frames for the local market. Shortly after the Group acquired the facility in 2012, it launched the 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 for smaller local brands. In 2021, the São Paulo plant produced the remaining 5% of total production output.

Specific production lines dedicated to custom products, including Ray-Ban Remix and Oakley Custom, also exist within the Group's operations.



Eyewear products and materials. Over the years, the Group has progressively diversified its technology mix from traditional metal, plastic injections and acetate slabs to include aluminum, wood, die casting and fabric inserts. As consumer needs evolve continuously, the Group quickly adapts and adjusts its technologies to best meet demands. As part of this, in the last two years EssilorLuxottica continued to focus on expanding its technology capabilities within its facilities dedicated to luxury eyewear production. For example, the Group has developed capabilities to produce horn frames in Lauriano (Italy) while in Fukui (Japan) it has both fully capitalized on Japan's exceptional mastery of engraving precious metals – such as titanium and solid gold – and created a new acetate handcrafting line.

EssilorLuxottica's manufacturing process for metal frames has close to 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.

In June 2021, EssilorLuxottica entered into a collaboration agreement with Mazzucchelli 1849 to develop and produce a highly sustainable type of acetate, reducing the environmental impact of the Group's activities over the long term across the value chain and increasing its offer of high-quality and sustainable eyewear.

1.4.3.2 Distributing high-quality contact lenses

EssilorLuxottica is a global leader in the distribution of contact lenses, leveraging its global optical Direct to Consumer footprint, e-commerce platforms and Professional Solutions distribution network.

With a mix of exclusive branded products, owned brands and third-party premium brands, the Group distributed more than 62 million contact lens packages in 2021 thanks to its capillary distribution network across the world.

1.4.3.3 Developing optical instruments

EssilorLuxottica 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 eye care professionals, schools, occupational medicine centers, the military and other institutions.

In 2021, this business unit rolled out a new major instrument: the ultra-compact Vision-S 700 immersive refraction station that allows for smoother, faster and more precise eye examinations while offering added comfort for patients.

To offer highly intuitive and intelligent solutions for low vision and blindness, in 2013 the Group acquired a majority interest in HumanWare, the world leader in the design and distribution of electronic assistance products for the blind and vision impaired. Following the acquisition of a majority stake of Interactif Visuel Système (IVS) in 2013, EssilorLuxottica also designs, develops and sells a wide range of sales support and ophthalmic measurement solutions, such as the Visioffice measuring column.

1.4.3.4 Manufacturing equipment for 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. Its 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 banners and lens manufacturers.

Headquartered in Baar (Switzerland), Satisloh leverages on production units in Greater China (Zhongshan), France (Archamps and Mantes-la-Jolie), Germany (Wetzlar), Italy (Milan) and the US (Dallas, Concord and Charlottesville), and has representative offices in many other countries.

1.4.3.5 Other businesses

In addition to its key businesses, EssilorLuxottica operations also include other categories: apparel, footwear and accessories (AFA) for both Oakley and Costa brands as well as specific accessories related to the Group's Direct to Consumer network; point-of-purchase (POP) material, including marketing material and advertising to be used in both the Group's retail stores and by professional solutions partners; and store-specific furniture. EssilorLuxottica designs, develops, sources, procures and manages distribution for these categories, whereas manufacturing is outsourced to third parties.

1.4.4 Distribution

Logistics represents an asset of capacity and expertise for EssilorLuxottica to provide excellent service and a distribution coverage for all the Group's products. Expertise in systems, automations and operational flows is provided by skilled regional teams who coordinate and synchronize globally. Combining best-in-class capabilities guarantees product flow sinergies with full visibility and traceability across performance levels.

Lens distribution. EssilorLuxottica has a global network of **14 lens distribution centers**. The Group's supply chain covers all product and lens flows across the world, from production plants to central logistics hubs and prescription labs through to retail stores. 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) as well as stock points in all regions (where limited quantities are stocked for single customers and/or markets).

This capillary network of distribution centers and stock points allows EssilorLuxottica to guarantee proximity service and cost effectiveness to all its customers.

Eyewear distribution. The Group has a network of **23 eyewear distribution centers**, including 12 related to FGX and two proximity distribution centers to serve online channels in the UK and Japan. In addition, there are national distribution centers for GrandVision's network.

Of these distribution centers, four are considered **integrated logistic service centers** combining the management of various categories:

- Sedico (Italy). The Sedico hub opened in 2001 and is one of the most technically advanced in the industry. It manages approximately 190,000 units per day, including eyewear, spare parts and customized services such as Ray-Ban Remix, providing direct global deliveries.
- Atlanta (US). The Atlanta facility, established 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 US. It serves both EssilorLuxottica's Direct to Consumer and Professional Solutions businesses in the North American market, and manages approximately 100,000 units per day.
- Dongguan (Greater China). The Dongguan hub 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 EssilorLuxottica's distribution network.
- Sumaré (Brazil). A recently opened distribution center integrated with lab and lens distribution.

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.

1.4.5 Product brand portfolio

EssilorLuxottica is home to the most loved and widely recognized vision care and eyewear brands in the world. With a portfolio of proprietary brands that cover a wide variety of market segments, the Group taps into the needs and desires of consumers, with leading brands both at a regional level and in particular segments and niche markets.

Lens brands

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

EssilorLuxottica serves every segment of the ophthalmic lens market with globally recognized brands: the most renowned and influential being Varilux with its progressive lens range; Crizal with its range of anti-reflective, anti-smudge and anti-static lenses; Transitions with its photochromic lenses; and Eyezen with its range of lenses for digital device users; as well as Xperio polarized sun lenses.

An overview of EssilorLuxottica's **proprietary lens brands** follows below:

Essilor. Essilor is a leader in eyeglass lenses worldwide[1] and the number-one lens brand recommended by eye care professionals (ECP)[2]. It offers a complete range of solutions dedicated to each individual's vision and lifestyle needs throughout their life. Every Essilor lens is a combination of multiple complementary technologies thanks to its suite of leading premium vision care solutions, including innovative brands such as Stellest, Eyezen, Varilux and Crizal. These groundbreaking technologies correct vision, protect eyes from harmful rays and enhance visual clarity.

(1) Source: Euromonitor, Eyewear 2021 edition; Essilor International company; worldwide retail value sales at RSP.
(2) Quantitative research conducted among a representative sample of 958 independent ECPs by CSA in February 2019 – France, the UK, Germany, Italy, Spain, the US, Canada, Brazil, China, India.

Varilux. A unique story that began in 1959 when Bernard Maitenaz, a young engineer at Société des Lunetiers, revolutionized the optical industry with the first Varilux progressive lens. Varilux lenses, the leading progressive brand recommended by eye care professionals[1], lead the way with over 70 patents[2] for innovation in breakthrough progressive lens technology, which is the result of more than 60 years of research. Designed for wearers over 40 years-old, Varilux lenses offer seamless transition for near-to-far vision with every detail in sharp focus. They are highly personalized to provide sharpness for even the most complex eye needs: each lens is a unique masterpiece of cutting-edge technology, optimized and calculated to offer extra power for sharp eyesight.

Crizal. The Crizal brand began in the 1990s when the Group's R&D teams started focusing on visual comfort for eyeglass wearers, using lens treatments that reduce glare, while simultaneously improving resistance and durability. With the launch of the well-known Crizal coating in 1992, the Group created a new standard for transparent and resistant lenses thanks to its innovative combination of anti-reflective, scratch-resistant and smudge-resistant technologies. All Crizal coatings feature unique technologies and benefits that result in unconditional carefreeness for the wearer. An invisible shield enhances the wearer's visual experience. Crizal coatings protect lenses from reflections, scratches, smudges, dust and water while protecting eyes from UV rays and filtering blue-violet light.

Eyezen. Launched in 2015, Eyezen is a young, innovative brand optimized for digital lifestyle: smartphones, tablets, laptops and other devices have changed vision needs, increasing near-distance reading and exposure to blue-violet light that can impact eyesight. With Eyezen, EssilorLuxottica created a new category of single-vision lenses, a flagship of the Group's cutting-edge innovation, designed to reduce visual fatigue and protect eyes from blue-violet light emitted by screens.

Stellest. Backed by over 30 years of research dedicated to myopia control, the Group's groundbreaking Stellest lens is designed with pioneering technology and recognized by myopia experts all over the world as a powerful solution to slow down myopia progression in children. It was launched in Greater China, Russia and Singapore in 2020, in France and Italy in 2021, and continues to be rolled out in other key regions. The Stellest universe is inspired by a constellation of invisible lenslets on its surface, offering science through emotion, providing reassurance to parents while giving children the gift of better vision for a brighter future.

Xperio. Dedicated to innovative and life-tested sun lens solutions, Xperio is a global brand that delivers eye protection against glare and UV rays as well as provides more depth and better color distinction so wearers can experience genuine beauty under the sun.

Optifog. Launched in 2011 as a unique and innovative niche solution, Optifog is a hydrophilic lens coating with inherent fog and mist repellent properties. With face masks having played a crucial role in preventing the spread of Covid-19 and now being a part of everyday life, the Optifog lens system gained new momentum. It combines a technological anti-reflective coating with a Smart Textile lens wipe specific to Optifog lenses that activates the anti-fog property and takes perfect care of the lenses. Optifog provides wearers with fog-free vision in all circumstances and allows them to fully enjoy their activities thanks to optimal visual clarity and comfort.

Transitions. Transitions has been pioneering light management lens solutions for more than 30 years. With over 1,200 patents and patent applications, today it is the leading photochromic brand recommended by eye care professionals worldwide worn by more than 70 million people. Transitions features a full portfolio of light-intelligent lenses that seamlessly adapt to any light condition, transitioning from clear indoors to as dark as sunglasses in bright light outdoors. These innovative lenses provide visual comfort as well as protect from UV rays, bright lights and blue-violet light. With a range of seven colors and mirror coatings, they bring extra customization to any frame.

Ray-Ban. Ray-Ban lens technologies are a representation of the iconic brand's aim to revolutionize the way we see the world, particularly with Ray-Ban Authentic prescription lenses, an innovative way to enjoy crystal-clear vision with the looks consumers love, and Chromance lenses, a technology that combines polar protection with a stunning color enhancement that totally changes color perception.

Oakley. As pioneers of innovation and high-performance optics, Oakley lens technologies are created for sport and everyday life. Oakley Authentic Prescription lenses are engineered with premium, high-end performance materials, innovative technologies and advanced designs to deliver unrivalled vision benefits. Prizm Oakley revolutionary lens technology is designed to enhance color and contrast, and is also available with prescription, thus giving athletes and consumers a true Oakley authentic advantage.

Barberini. Barberini is a world's leading optical glass sun lens brand. Established in 1953, it offers high-quality optical glass lenses for the most prestigious eyewear brands around the world, with exclusive and sophisticated technical features. The brand develops news technologies designed to produce high-performance lenses, including polarized, infrared and H2F photochromic lenses. The brand also maintains several patents, the most important one being related to the process of automatically gluing polarizing lenses. Advancements have also been made for characteristics such as thickness, weight, resistance and transparency while vivid and saturated colors are enhanced thanks to the application of special oxides ("Terre rare") in the glass melting processes.

(1) Survey conducted from February to April 2018 by CSA among a representative sample of 1,041 independent ECPs, in 10 countries, including France, Spain, Germany, Italy, UK, US, Canada, Brazil and India.
(2) 70 inventions led to patent filings in multiple countries since 1953 (which allowance/in-force status varies over the time and country).

Shamir. Celebrating 50 years of non-stop innovation in 2021, Shamir is a recognized world leader in custom-designed lens technology for life improvement, fashion, performance sports, occupational single vision and progressive lenses. Its R&D team based in Israel is consistently developing the latest technologies, and the brand's Freeform Lens Technology drastically evolved designs in the early 2000s. More recently, Shamir introduced the Metaform Technology, offering the unique benefits of lighter, thinner, stronger and more eco-friendly lenses. Shamir's deep understanding and desire to offer solutions for everyday human needs are reflected in its truly diverse range of age and task-specific clear and sunglass lenses, which make use of computers and handheld digital devices, reading, sports and urban life easier and more comfortable than ever.

Nikon. Nikon, with over 75 years of history as an ophthalmic lens pioneer, is a leading company in precision optics. Backed by its technical prowess in high precision and light mastery, Nikon has introduced a series of world-first innovations, including the first Ultra-High Index 1.74 lens, blue-light filtering lenses, a unique coating that enhances brightness and its renowned multi-aspheric high precision lenses.

Licensed brands. Alongside proprietary lens brands, EssilorLuxottica also successfully partners with leading companies, such as Kodak, to distribute specific technologies that enable consumer needs to be fully addressed. Famous since 1888 and trusted by millions of consumers worldwide, **Kodak** is an iconic brand with a rich history of innovation, imaging technologies and color rendering. Licensed on the ophthalmic market since 1992, Kodak Lenses has been part of the Group portfolio as a licensed brand since 2010. Distributed in more than 60 countries, it targets the mass-market with a commitment to develop accessible technical solutions that help eyeglass wearers enjoy sharper vision and 'See the Colors of Life'.

EssilorLuxottica also has a long history of leading the design of vision equipment and solutions used by opticians, optometrists and ophthalmologists worldwide. This includes innovation for lens surfacing and coating equipment as well as instruments for refraction, diagnostics, imaging, measurement, edging and mounting.

Essilor Instruments. Essilor Instruments is one of the fastest growing businesses of EssilorLuxottica, leading the development, manufacturing and distribution of solutions and services for eye care professionals (ECPs) throughout the world. Its goal is to provide ECPs with solutions and technologies that meet their business needs and help build trustful relationships with their patients. Supported by ongoing innovation programs, Essilor Instruments is a leading brand in categories including finishing equipment, vision performance screening, eye examination and refraction, fitting parameter measurement, small tools and consumables. Its flagship products include the recently launched Vision-S 700 refraction station – nominated for a prestigious 2021 Silmo d'Or award – the Vision-R 800 phoropter, WAM 700 aberrometer, Mr Blue edger, Neksia edger, Visiosmart screener and Essibox tool.

Satisloh. Satisloh is the leading brand for complete optical manufacturing solutions in the ophthalmic and precision optics industries. Founded in 1922 in Germany as a "Mechanical Workshop, Toolmakers & Locksmith", Satisloh is headquartered in Switzerland and was formed by the merger of Loh, the leading company in optical surfacing equipment and Satis Vacuum, the pioneer in anti-reflective coating technology. Satisloh develops, manufactures and provides reliable high-tech equipment for optical surfacing, polishing, measuring, coating and finishing as well as consumables, tools, services and process know-how, all from one source.

Eyewear brands

EssilorLuxottica's eyewear portfolio is built on a well-balanced range of globally respected proprietary and licensed brands that is continuously evolving. Ray-Ban, one of the world's leading lifestyle eyewear brands, and Oakley, a leader in the sport and performance category, give 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 Eyewear in the sport market; Arnette in the street-style market; Vogue Eyewear, Molsion and Bolon in the fashion market; and Foster Grant in the non-prescription reading glasses market. The Group portfolio also includes over 20 licensed brands, including some of the most well-known and prestigious names in fashion and luxury.

With its skilled manufacturing and distribution know-how, experience in international markets and Direct to Consumer operations supported by marketing investments, the Group is an ideal partner for fashion houses seeking to translate their vision and values into successful premium collections. Preserving style and quality, it expertly differentiates designer offerings to produce a broad range of models that appeal to a diverse group of consumer lifestyles and regions.

Proprietary brands. In 2021, proprietary brands accounted for approximately 70% of total sales of frames of the Professional Solutions segment (on a *pro forma*(1) basis). Ray-Ban and Oakley, the two largest eyewear brands in EssilorLuxottica's portfolio, accounted for approximately 12% and 5% respectively of the Group's sales on a *pro forma* basis.

EssilorLuxottica's proprietary eyewear brands include:

Ray-Ban. Timeless style, authenticity and freedom of expression are the core values of Ray-Ban, a leader in prescription and sun eyewear for generations since its establishment in 1937. From the introduction of the iconic Aviator model created for US military pilots, Ray-Ban has been at the forefront of cultural change, becoming a symbol of self-expression and worn by celebrities and public figures all around the world. In 2021, the same values were celebrated through the successful launch of the next generation of smart glasses, Ray-Ban Stories. The highly anticipated collaboration between Meta (formerly Facebook) and Ray-Ban offers consumers a new way to seamlessly capture, share and listen to their most authentic moments. Ray-Ban joined the Group's portfolio in 1999 and later redefined its distribution strategy leading to decades of growth.

(1) *Pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information (see Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

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 who 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, footwear 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 the Group in 1995. With its evocative name, meaning "for the sun", it is the proud heir to the Italian 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 the Group in 2007, Oliver Peoples was born in the heart of West Hollywood, California, on the iconic Sunset Boulevard in 1987. The unique culture of Los Angeles, with elements of fashion, film, art and music, continues to inspire the products and vibe of the brand. From the beginning, Oliver Peoples has had a passion for superior craftsmanship, a distinctive culture rooted in California and a chic approach to luxury. With an authentic and consistent voice, Oliver Peoples has never relied on a logo but instead focuses 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 the Group in 1990. It is 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 personality. To achieve its mission to become the leading 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 the Group in 1999, Arnette is an easy-going eyewear brand that speaks to young consumers. Moving away from the original surf and skate positioning, the mission of Arnette today is to become a sustainable, street-style brand for young Millennials and Gen Zs looking for their individual style with a low-impact on the environment. With authenticity and inclusivity as core values, Arnette aims to be the voice of youth culture, collaborating with young creators all over the world.

Alain Mikli. Acquired by the Group 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 has 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 for adventures wherever there is water. 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 Eyewear. 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 Eyewear is a feature-packed outdoor brand that brings approachable, premium polarized sunglasses to outdoorsmen (and women) during the most active years of their lives.

Luxottica. Launched in 1967, the Group's original line best conveys the experience and tradition that are its essence.

Sferoflex. Sferoflex, which joined the Group's portfolio in 1981, gets its name from the patented flexible hinge enabling the temples to conform to the shape and size of the face, thus increasing the resilience of the frame itself and ensuring perfect fit.

Bolon. Established in Greater China in 2003, Bolon is one of the best-known sunglass brands in Greater China and has been part of the Group's eyewear portfolio since the acquisition of Xiamen Yarui Optical in 2013. At the forefront of fashion, craftsmanship and design, Bolon celebrates self-expression and the importance of identity. Recognized for its influence in fashion and growing reputation in the industry, it draws inspiration from new leaders of today with high-fashion ambassadors. Bolon constantly challenges and leads fashion trends by producing the widest and finest array of products to cater to all tastes.

Molsion. Molsion also enjoys a position as a leading brand in Greater China and became part of the Group's portfolio in 2013, following the acquisition of Xiamen Yarui Optical. Drawing inspiration from design, art and pop culture, Molsion is a fashion-forward brand for young generations. Designing eyewear pieces that acknowledge fashion trends and favor fashion, fun and flare for modern and innovative styles, Molsion targets an audience of free thinkers with modern consciousness who dare to be different and break social conventions.

With leading global optical retailer **GrandVision** becoming part of EssilorLuxottica, its exclusive brands also entered the Group's eyewear portfolio. These include premium and mid-range, classic, sports performance brands as well as fashion brands that accounted for approximately 60% of total frame sales in GrandVision retail stores in 2021. An overview of these brands follows.

Heritage. Heritage is synonymous with iconic and sophisticated high-end products, designed with skilled know-how and superior craftsmanship for connoisseurs in search of timeless elegance.

Sensaya. Designing a range of stylish and sophisticated luxury frames for contemporary aesthetes and high-fashion lovers, Sensaya aims to inspire consumers and enable them to add the extra into the ordinary, turning everyday life situations into remarkable moments.

Fuzion. Fuzion is a brand created for consumers in search of performance and craving discovery, constantly striving to surpass themselves through sport. Fuzion combines versatile, creative designs and innovative technologies, with stylish colors and patterns to create premium eyewear that transcends the conventional.

Miki Ninn. Miki Ninn is a premium trendy and fashionable brand. Designing easy-to-wear fashionable styles with trendy shapes and fresh colors, Miki Ninn targets an audience of consumers who like playing with their identity and expressing it spontaneously through the accessories they wear.

DbyD. Committed to a more sustainable and universally accessible future, DbyD designs essential and functional eyewear made with respectful and innovative materials for pragmatic consumers who aim to do more with less.

Unofficial and **Seen.** The mission of both the Unofficial and Seen brands is to become the eyewear of choice for the growing group of fashion-savvy consumers looking for functional, modern, quality and stylish optical and sun frames to express all facets of their personality.

In 2010**,** the Group also broadened its scope of activities in the optics world with the acquisition of FGX International, the North American leader in non-prescription reading glasses mainly sold in mass retailers, pharmacies, specialty retailers (including travel retail brands), optical stores and department stores. With the acquisition of FGX International, **Foster Grant**, the leading reading glass brand in the world(1), became part of the Group's brand portfolio. Launched in 1929, the iconic American eyewear brand features high-quality, modern readers, and blue-light glasses that help consumers care for their eyes and express themselves with personalized style. The Foster Grant spirit of innovation, style and originality is as strong as it was more than 90 years ago, and what made the brand a visionary continues to fuel its originality today.

Licensed brands. Designer lines are produced and distributed through license agreements with major fashion houses. These agreements are exclusive, global contracts that typically have terms of between four and 10 years and may contain options for renewal. Under these license agreements, the Group is required to pay a royalty ranging from 6% to 13% and a mandatory marketing contribution of between approximately 5% and 12% of net sales of the related collection. Prada is one of the most significant licenses in EssilorLuxottica's eyewear brand portfolio as measured by total sales. In 2021, sales generated through the Prada, Prada Linea Rossa and Miu Miu brand names together represented approximately 1.5% of the Group's sales on a *pro forma*(2) basis.

EssilorLuxottica's licensed eyewear brands include:

Armani Group. In 1988, the Group embarked on its first collaboration with the fashion industry by entering into a licensing agreement with Giorgio Armani. This collaboration revolutionized the eyewear industry, transforming eyeglasses from an instrument of sight correction into a desirable fashion accessory that enables self-expression and self-confidence.

Armani Group includes **Giorgio Armani, Emporio Armani** and **Armani Exchange**.

Founded in 1975, Giorgio Armani stands out for its unique and unmistakable image, its clean, sophisticated design, superior materials and timeless elegance; these elements have been associated with the brand since its creation and are seamlessly reflected in its eyewear styles.

Launched by Giorgio Armani as a pioneer line in 1981, Emporio Armani is specifically intended for younger generations. The brand has a strong experimental and metropolitan style, reflecting all the characteristics of elegance typical of the Armani aesthetic, depicted in a current and incisive language. The iconic eagle logo continues to be a symbol of belonging and sharing, a meeting point that leaves room for freedom of expression. The innovative and colorful designs in its eyewear are of course distinguished by contemporary lines, shapes and materials.

In 1991, Giorgio Armani had the intuition to create a fast, affordable metropolitan clothing line for young generations or those with a young mindset. With A|X Armani Exchange, the spirit persists today in apparel and accessories that speed forward to an urban drum keeping the quintessential effortlessness and active stance of Giorgio Armani's DNA. Modern, bold shapes in original shades reflect contemporary design with stylish details.

Brooks Brothers. Characterized by classic design, comfort and attention to details, Brooks Brothers eyewear collections reflect the American brand's iconic style and craftsmanship, delivering high functionality and quality. The original license agreement was signed in 1992.

Bulgari. Under license since 1997, Bulgari, the great Italian jeweler and master of colored gemstones of international fame, represents one of the most exclusive eyewear brands. Contemporary design, unique styles and glamorous details are combined with superior quality. This brand is positioned as jewelry for the highest segment of eyewear, with luxury Italian craftsmanship and bold style. Bulgari eyewear features precious materials, with gold plating, gemstones and crystals but also enamel embellishments, and is carefully crafted in timeless designs.

Burberry. Since its creation in England in 1856, Burberry has been synonymous with design, craftsmanship and innovation. Now Burberry has become a leading fashion luxury brand with a global business and a distinctive British identity. The eyewear collection, under license agreement since 2006, is inspired by the brand's innovative ready-to-wear and accessory collections, and incorporates recognizable iconic elements for both men and women.

(1) Source: Euromonitor International Limited, Eyewear 2022 edition, retail value RSP in the US, 2020 data.
(2) *Pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information (see Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

Chanel. Chanel glasses are the quintessential fashion accessory, adding a finishing touch to any silhouette. From contemporary to iconic styles, its designs demonstrate the know-how and creativity of Maison Chanel. Each eyewear collection embodies Chanel icons, attention to detail, use of noble materials, timeless elegance and refined design.

Coach. Founded in 1941 as a family-run workshop in a Manhattan loft, Coach has grown into a leading American fashion brand for women and men around the world. Under license since 2012, the Coach eyewear collection perfectly expresses effortless New York style and authentic American heritage.

Dolce&Gabbana. Dolce&Gabbana is a luxury brand that draws inspiration from the roots and authentic values of its own DNA: Sicily, sensuality and sartorial ability. Dolce&Gabbana's essence lies in its contrasting yet complementary features. The eyewear collection, under license since 2006, is characterized by sophisticated and elegant shapes, prestigious materials and refined details.

Ferrari. Ray-Ban has adapted its eyewear expertise to the racetrack with a comprehensive range of sunglasses and eyeglasses designed for the F1 Greatest Of All Time (GOAT) team Scuderia Ferrari. Using state-of-the-art technology, the unique range mirrors the aerodynamic design methodology of Scuderia Ferrari cars. Cutting-edge materials provide retro classics with a racy new lease on life, while an unmistakable color palette of blazing Ferrari red and Modena yellow is used for striking effect.

Michael Kors. Michael Kors is a world-renowned designer of luxury accessories and ready-to-wear collections. His namesake company, established in 1981, offers glamorous, sophisticated style for the consummate jetsetter. Every new Michael Kors eyewear collection reveals the designer's unfailing eye for timeless chic.

Gruppo Prada. Under license since 2003, the Prada Group includes **Prada Eyewear** and **Miu Miu** Eyewear collections. Prada represents the best of Italian culture and tradition. It is one of the most innovative, prestigious and widely recognized brands in the fashion and luxury goods industry, with a keen attention to details and creativity.

Prada Eyewear reflects this approach with unmistakable style, refined elegance and uncompromising quality. Prada collection also includes Prada Linea Rossa, which is inspired by the world of luxury sports to convey contemporary aesthetics and technological excellence for an everyday casual yet active style.

Miu Miu Eyewear was launched with brand-new luxury positioning in 2011 to align with the brand's other product categories. Miu Miu, which reflects the essence of Miuccia Prada, is a brand for fashion-forward, lighthearted and provocative women who aspire to a more avant-garde and sophisticated style.

Ralph Lauren. Under license since 2007, Ralph Lauren includes **Ralph Lauren**, **Polo Ralph Lauren**, **Ralph Eyewear** as well as **Chaps**.

Ralph Lauren has made his mark on the fashion world with his all-American collections for men, women and children. Today, his signature themes – Hollywood romance, town-and-country heritage, rugged Western sensibility, cosmopolitan city-chic and Art Deco glamor – extend into the world of Ralph Lauren eyewear. With sleek modernity and classic timelessness, each Ralph Lauren pair is a refined expression of the designer's legacy of sophisticated elegance.

Representing Ralph Lauren's iconic sporty style, Polo Ralph Lauren celebrates an active, athletic spirit for men, women and children. Colorful and vibrant, Polo Ralph Lauren is the enduring symbol of a modern-day American lifestyle: easy, energetic, young and cool.

Ralph Eyewear is the youthful, feminine, fashion-forward line of the Ralph Lauren Group, featuring modern looks, timeless icons and trendy shapes that evoke a carefree sense of style.

Chaps celebrates traditional American style for the family, delivering classic collections updated for modern lifestyles with a spirit of adventure. The brand stands for accessible quality, living life in the moment and purposeful design over perfection.

Starck Biotech Paris. Starck Biotech Paris joined the Group's portfolio as part of the Alain Mikli acquisition in 2013. Its unique collection celebrates minimalism and innovation through an exclusive technological revolution: the heart of the product is the patented Biolink, a screwless hinge modelled after the human clavicle, which allows a full 360-degree movement for increased comfort and durability with biomechanics at the service of vision. The year 2019 marked a milestone in Philippe Starck's natural development and his ongoing pursuit of innovation and harmony with the body thanks to the launch of a revolutionary and exclusive new hinge in the Starck Biotech Paris collection: Sphere.

Tiffany & Co. Founded in New York City in 1837, Tiffany & Co. is one of the world's premier jewelers and America's luxury house of design. An iconic brand with a rich storied heritage, Tiffany has defined style with its visionary artistry, innovative craftsmanship and imaginative wit. In 2008, the Group became Tiffany's first eyewear licensee and has produced optical styles and sunglasses for the jeweler. Much like the collections it draws inspiration from, Tiffany & Co. eyewear celebrates beautiful design and expert craftsmanship.

Tory Burch. Founded in 2004 in New York City, Tory Burch is an American luxury brand known for beautiful, timeless pieces and rich storytelling that evokes optimism and joy. Tory draws inspiration from her parents' effortless style, the worlds of travel, art and interiors, and women globally. Tory Burch launched its eyewear collection with the Group in 2009. Her bold use of color, graphic prints and refined detailing are all signatures of the brand.

Valentino. Valentino was founded in Rome in 1960 and since then has represented one of the finest examples of Italian couture savoir-faire and excellence. Grace and delicacy as well as pure dedication to sartorial culture pervade the vibrant and ethereal atmosphere of the ateliers in Palazzo Mignanelli, where timelessly elegant creations are crafted every day. Pierpaolo Piccioli, Creative Director at Valentino, drives innovation at the fashion house, taking inspiration from the profoundly humanistic concept of creativity as an individual process. These hallmarks give a contemporary feel to the Valentino Eyewear line, launched in 2017, which flouts the rules and fuses styles to express itself and its uniqueness to the absolute max.

Versace. Founded in 1978 in Milan, Gianni Versace S.r.l. is one of the leading international fashion design houses and a symbol of Italian luxury worldwide. It designs, manufactures, distributes and retails fashion and lifestyle products all bearing the distinctive Medusa logo. Donatella Versace has been Artistic Director of Versace since 1997 and has steered the brand into the 21st century. Today, Versace represents its heritage through its strong and fearless designs, while addressing a new global audience that continues to strengthen Versace's position in contemporary culture. In 2019, Gianni Versace S.r.l. joined Capri Holdings Limited, forming a new global fashion luxury group with Michael Kors and Jimmy Choo. The eyewear collection, under license since 2003, is characterized by high-end materials as well as a recognizable design aesthetic. Versace Eyewear pairs contemporary shapes with distinctive brand codes.

1.4.6 Go-to-market

EssilorLuxottica's global distribution network, including direct to consumer brands and a Professional Solutions network of third-party stores, is one of its core strengths. It extends to both developed and emerging markets, where the Group has made substantial investments over the last few years.

EssilorLuxottica's efficient distribution network makes it possible to maintain close contact with customers while maximizing the visibility of its brand portfolio. In addition, the Group's expertise in the direct to consumer business has given it a unique understanding of consumer needs and tastes in key countries. All of this helps the Group achieve strategic optimization of brand diffusion, for both its proprietary and licensed brands. In 2021, EssilorLuxottica delivered best-in-class innovations, including:

- **Ray-Ban Stories**, the first generation of smart glasses that consumers will love wearing, developed in collaboration with Meta (formerly Facebook). In 2021, Ray-Ban Stories was introduced in the US, the UK, Italy, Australia, Ireland and Canada, and will be followed by other regions in 2022.
- **Stellest lenses**, the culmination of 30 years of research to slow myopia progression in children. Following its successful release in Greater China, Russia and Singapore in 2020, the Group rolled out the Stellest technology in France and Italy in 2021 and will continue to expand in the future.
- **Ray-Ban Authentic**, the first branded and genuine complete pair from EssilorLuxottica, combining Ray-Ban's iconic style with Essilor's advanced lens technology. Following a successful launch in Italy in 2020, Ray-Ban Authentic was introduced in the US, Canada, France, Spain and Portugal as well as Germany, Austria and Switzerland in 2021. This will be followed by a broader rollout in 2022.
- **Transitions XTRActive New Generation** and **Transitions XTRActive Polarized lenses.** The new generation of XTRActive lenses deliver the best extra darkness and extra light protection from intense light. Winning a Silmo d'Or award for breakthrough innovation, Transitions XTRActive Polarized lenses are the best polarized and photochromic lenses uniquely designed for frequent exposure to bright light and reflective glare.
- **Vision-S 700**, the state-of-the-art immersive refraction station designed to meet the world's growing demand for refraction due to lifestyle changes, intensive screen use, and aging populations.

EssilorLuxottica continues to invest in distribution channels, with a current emphasis on e-commerce.

1.4.6.1 Professional Solutions

In 2021, the Professional Solutions segment accounted for 48% of EssilorLuxottica's turnover on a *pro forma*(1) basis. It represents the wholesale business of the Group, including the supply of its products and services to third-party eye care professionals ranging from independent opticians to optical retail banners, as well as specialty sun retailers, sport channels offering Oakley and Costa branded eyewear, apparel, footwear and accessories, department stores and duty-free shops. EssilorLuxottica also counts among its partners third-party e-commerce platforms and independent distributors who provide vision care in remote and rural communities in underserved regions.

The Group's inclusive business program 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. These programs, which train unemployed people at the base of the pyramid to become vision care entrepreneurs for their communities, include Eye Mitra in India and Bangladesh, Mitra Mata in Indonesia and readers access points in Cambodia. Through 2.5 NVG, the Group has created awareness and access in small towns by structuring informal optical channels, including some without any physical shops, with skills training and marketing support as well as access to the Group's products and supply chain.

(1) *Pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information (see Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

In 2021, divisional performance was driven by EssilorLuxottica's ability to serve its customers with a unique combination of world-class brands, breakthrough innovations like Ray-Ban Authentic and Ray-Ban Stories, and dedicated partnership programs like EssilorLuxottica 360, STARS and Essilor Experts. The Group also grew in the Professional Solutions channel thanks to its wide variety of cutting-edge instruments designed to revolutionize the refraction process while supporting patients in offering an unparalleled vision care experience.

In 2021, for the first time, EssilorLuxottica took part as an integrated company in key global trade events, including Vision Expo East in Orlando, Vision Expo West in Las Vegas, Silmo in Paris and the Greater China International Import Expo (CIIE) in Shanghai. These served as a platform for partners and customers to experience the true value of the unified company through best-in-class brands, programs and innovation.

In addition to offering customers access to some of the most popular brands and innovative models, the Group offers dedicated partnerships, training and development programs as well as best-in-class services to elevate their practices and give them an edge. These include:

- **EssilorLuxottica 360**, a program designed to drive growth for independent eye care professionals (ECPs) by helping them increase their traffic, visibility and capture rate. The EssilorLuxottica 360 program was deployed to over 3,000 doors in North America by the end of 2021, driving value for lenses and complete pairs. The program was launched in the US in 2020, in Canada in 2021 and other regions will follow in 2022.
- **Essilor Experts**, a partnership designed to give ECPs an edge by offering a suite of benefits, including exclusive advertising, training, and technology. The program reached over 7,100 doors by the end of 2021, and yielded stronger traffic, and a better mix of the Group's branded products plus higher capture and retention rates.
- **Alliances**, made up of independent ECPs across the US, including Vision Source, PERC/IVA (Professional Eyecare Resource Co-operative/Infinite Vision Alliance) and Opti-Port. These platforms offer innovative solutions and expanded business tools to achieve optimal value for memberships of over 10,500 professionals while accelerating industry growth.
- **STARS**, a true service innovation that leverages the Group's knowledge of local markets and brands to deliver fresh, high-turnover products to professional solutions customers and maintain optimal inventory levels at each point of sale. By strengthening the partnership between EssilorLuxottica and its customers, this program directly manages product selection activities, assortment planning and automatic replenishment of the Group's eyewear products in the store, using *ad hoc* systems, tools and state-of-the-art planning techniques. Introduced in 2002 and following completion of the acquisition of GrandVision, STARS served approximately 13,000 stores in major European markets, the US, Middle East, Latin America, Japan and emerging markets by the end of 2021, including 1,000 franchise stores operated under the Óticas Carol banner in Brazil.
- **Leonardo**, EssilorLuxottica's new open learning platform dedicated to the eyewear and eyecare world. The platform is available 24/7 to all EssilorLuxottica employees, ECPs, customers and partners, and aims to support the growth of the industry through the development of its greatest resource – people. In 2021, Leonardo delivered over 250,000 hours of learning to the Group's customers and close to 2 million courses were completed.
- **Access to breakthrough digital tools**, after significant investments by EssilorLuxottica in its digital transformation, including digital tools that connect the Group's operations to its customers and consumers, and digital support for eye care professionals that help grow their practices and elevate the patient experience. Over the last few years in particular, EssilorLuxottica innovated the way eyewear collections are presented to customers in its showrooms around the world. In 2019, the Group introduced Red Carpet, a "digital showroom" platform presenting an interactive and immersive experience to discover EssilorLuxottica's vast eyewear portfolio and digital previews through high-definition renderings and navigable 360-degree technology as well as multimedia content inspired by brand campaigns and storytelling. In 2021, the Group took digital transformation a step forward and embraced a full digital strategy on top of the phygital one, through the rollout of a new Red Carpet version for digital sales events. This allows customers to live the brand experience to its fullest while supporting the sales force in a remote selling session. While EssilorLuxottica continues to innovate its digital sales force support tools, it is also further integrating and optimizing its B2B digital sales channels to provide customers with a direct, 24/7 digital connection to the Group's supply chain and business services.

  Other game-changing shopping experiences include Smart Shopper, an in-store digital tool that allows consumers to explore the Group's potentially endless collections and brands, and virtually wear any frame appearing in the catalog thanks to augmented reality and advanced proprietary virtual try-on technologies. Product customization services (such as Ray-Ban Remix and Oakley Custom) within Smart Shopper serve consumers craving a more personalized experience. By the end of 2021, over 4,000 Smart Shoppers were present in the Group's customers' stores all over the world. EssilorLuxottica, the first-ever Group to provide the optical industry with large-scale digital window technology to engage consumers, has also established itself as one of the largest private digital broadcasters with over 12,000 digital windows installed in its customer optical practices around the world.

1.4.6.2 Direct to Consumer

The Direct to Consumer business represents the Group's retail business, including the supply of EssilorLuxottica products and services directly to the end consumer either through the network of physical stores operated by the Group (brick and mortar activities) or online channels (e-commerce).

In 2021, Direct to Consumer activities expanded. Growth was driven by new cross-channel opportunities to increase customer convenience and new cross-brand initiatives that leverage the store retail network to enhance direct to consumer services in the online shopping journey (i.e., in North America both the Sunglass Hut and LensCrafters direct to consumer footprint had a larger buy-online-ship-to-store offer).

1.4.6.2.1 Brick and mortar activities

With leading global optical retailer GrandVision becoming part of EssilorLuxottica in 2021, the Group expanded its direct to consumer footprint in Europe and consolidated its presence in eyecare and eyewear on a global scale, presenting an opportunity for the Group to engage more effectively with consumers.

With a strong portfolio of retail brands, EssilorLuxottica is well positioned to serve the most sophisticated consumers with the latest designer and high-performance frames, advanced lens technologies, innovative eyecare, everyday value and high-quality vision care health benefits. As of December 31, 2021, EssilorLuxottica's Direct to Consumer business consisted of 13,200 stores and 4,721 franchised locations.

EssilorLuxottica's retail stores not only sell prescription frames and sunglasses that it manufactures but also a range of frames and ophthalmic products manufactured by third-party companies. However, in 2021, EssilorLuxottica's proprietary and licensed brands represented the majority of total net sales from the Direct to Consumer operational segment.

An overview of EssilorLuxottica's retail brands follows below:

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 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, Greater China, Southeast Asia and beyond. Sunglass Hut provides consumers with a fun, highly engaging shopping experience. It also offers a consistent and connected experience across all consumer touchpoints, including online, in-store, social and mobile, as well as uses in-store digital tools like Smart Shopper to provide access to an "endless aisle" assortment and customized products 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 UK 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.

More than 3,600 stores are involved in the Group's omnichannel program worldwide, committed to offering a full omnichannel customer experience with new in-store processes and journeys. Premium and faster services are now offered as same day Buy-Online-Pick-Up-To-Store and same day delivery at home through Ship-From-Store as well as Return-In-Store service. Improvements to online appointment booking services (such as personal shopper appointments) and the integration of an external eye exam appointment platform provide a seamless experience for prescription consumers. Premium services were also supported by important product launches, such as Ray-Ban Stories, confirming that for this new category, consumers appreciate the ease of online shopping with convenience of store delivery and related after-sale services.

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, with many stores located in high-traffic commercial malls and shopping centers. A wide selection of premium and luxury optical frames, sunglasses and high-quality lenses as well as optical products made by EssilorLuxottica and other suppliers are available in most locations. Each location has an experienced Doctor of Optometry, either independent or employed, who is focused on building patient relationships. All of the stores have access to the Group'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 consumer satisfaction and industry innovation, LensCrafters has made significant investments in technology and continued its digital transformation to strengthen and enhance the consumer omnichannel experience and digital eye exams using Clarifye in a growing number of locations. In 2006, the Group began to expand the LensCrafters brand in Greater China by acquiring and then rebranding local retail banners in Beijing, Shanghai, Guangzhou and Hong Kong.

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 Group retail network. The brand offers consumers the convenience of taking care of their optical needs, while shopping at their preferred retailers.

GMO (Latin America). GMO is an optical market leader in Latin America that became a part of the Group 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.

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 and close to 400 stores. 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.

Oakley "O" Stores. Oakley "O" stores worldwide offer an immersive brand experience with athlete brand ambassadors, technology, design and innovation, tailored for the best consumer omnichannel journey – physical and digital integrated touchpoints, always supported by trained and experienced store staff. The brand extended its monobrand retail network to over 350 stores worldwide, offering a full range of Oakley products, including sunglasses (also custom), prescription glasses, goggles, apparel, footwear and accessories. Oakley "O" stores are the final destination for Oakley sport communities and are located in major cities and shopping centers.

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, consumer experience, service and quality products. Its over 280 stores stock a wide assortment of optical and sun eyewear by premier brands available on the international scene, and offer the best selection of quality lens brands.

Ray-Ban. In 2021, Ray-Ban extended its monobrand retail network to close to 250 locations worldwide, bringing the unique brand DNA and experience to new consumers in top cities and locations. Building on an already consolidated global presence in key cities such as Milan, Paris, London, Madrid, New York, Shanghai and Tokyo, the brand reinforced its presence with strategic openings in Dubai, Naples, Rio de Janeiro and Osaka. Each store offers a premium experience enriched by new omnichannel services and digital tools. The offering includes exclusive products, pre-releases and consumer activations that create a fully immersive Ray-Ban experience.

Optical House (Ukraine). A strong leader in the Ukrainian optical direct to consumer and professional solutions market, Optical House operates over 230 stores, largely through its main banner Luxoptica, as well as luxury banners Spex and MY I. **Luxoptica** has become one of the flagships of Ukraine's retail industry as a whole, growing the optical industry in the country as well as providing high-quality professional services, products and customer care.

Ópticas Visión (Costa Rica and Nicaragua). Founded in 1959 and part of the Group since 2015, Ópticas Visión has built a strong place in the local market becoming a leader in the optical business for its technology, number of direct to consumer stores and customer service. Ópticas Visión has over 150 stores (139 in Costa Rica and 14 in Nicaragua).

Mujosh (Greater China). Established in 2010, Mujosh is a cutting-edge fashion eyewear brand created for young people, with over 600 stores located in shopping malls and department stores across Greater China. It offers on-trend collections with specially designed in-store experiences for young consumers looking for affordable fashion. This dedicated brand has an attitude of its own to encourage young people to break free from conventional patterns and show who they are.

David Clulow (UK, Ireland and Germany). 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 as a sunglasses concession inside some of the most luxurious department stores, including Harrods, Selfridges and Brown Thomas. In 2021, David Clulow extended its business by opening its first store in Germany inside the KaDeWe department store in Berlin.

Pearle Vision (North America). Acquired 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.

Aojo (Greater China). Established in 2013, Aojo is a leading eyewear brand in Greater China. It has glasses categories spanning frame glasses, sunglasses, presbyopia glasses and computer glasses, fully covering the market demands. With close to 400 stores, Aojo is the 'lifestyle partner' in vision care, offering enriched service and experience to family and friend oriented consumers.

Optical Center (Guatemala). Founded in Guatemala to provide consumers with excellent optometric health services, style, quality and value, Optical Center operates two banners, OCFYT and Miramás. Established in 1997, **OCFYT** was the first ophthalmological retail banner offering a large selection of branded sunglasses as an eye health concept, deep professional knowledge, state-of-the-art technology, and dedication to consumer comfort and overall satisfaction. With its close to 60 Ópticas Exclusivas stores across the country, it has become one of Guatemala's leading optical retail brands.

Ópticas Place Vendôme (Chile). Ópticas Place Vendôme was founded in Chile in 1960 and currently has over 60 stores in the country. The brand has great recognition among Chilean consumers for its long history in the market, always standing out for offering the best technology and latest designs.

EssilorLuxottica also operates luxury retail stores under the Oliver Peoples, Alain Mikli, Ilori Optical & Optical Shop of Aspen brands. **Oliver Peoples** and **Alain Mikli** exclusively sell Oliver Peoples and Alain Mikli-branded products, with stores located in the most cosmopolitan cities worldwide. **Ilori Optical & Optical Shop of Aspen** (North America) operates its stores in upscale and exclusive locations, and is known in the eyewear industry for its luxury prescription and sun eyewear and first-class customer service.

Bolon (Greater China). Established in 2003, Bolon is a trendsetting brand in the eyewear industry, with over 200 stores located in Greater China providing consumers with high-quality products, outstanding design and excellent craftsmanship that appeal both aesthetically and experientially.

Óticas Carol (Brazil). Óticas Carol, which was founded in 1997 with the goal of satisfying the needs of Brazilian consumers in the eyewear sector, is one of Brazil's leading optical retail brands. Óticas Carol became part of the Group in 2017, and its mission is to provide the best platform for the sustainable growth of its franchisees, offering its consumers excellent optical services and products.

Laubman & Pank (Australia). For over 110 years, Laubman & Pank has been the local eye health expert for communities in South Australia, Western Australia and Queensland. Renowned for its high level of professional care and personalized service, Laubman & Pank is the eye health expert for the whole family.

Spectacle Hut (Singapore). Spectacle Hut, acquired by the Group in 2018, has grown to become one of Singapore's largest optical retail brands. 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.

Mat Viet (Vietnam). Mat Viet is leading optical brand in Vietnam with around 30 stores across the country. It became part of the Group in 2018, and since then it has developed a reputation for optical retail excellence among Vietnamese consumers by providing trusted eyecare service and a selective range of frames and sunglasses from international brands.

Molsion (Greater China). Drawing inspiration from design, art and pop culture, Molsion is a brand for the youth of today and the pioneers of the future. Never stale and always relevant, the brand offers products that take a nod to trends while embracing its unique perspective merging function, fit and flare.

The Group also operates one of the fastest-growing managed vision care networks in the US through **EyeMed Vision Care**. It is the second-largest vision benefits company in the US, serving over 65 million members in large, medium and small-sized companies, and government entities. Its 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 US. EyeMed offers the largest network of eye care providers in the US, including a diverse range of independent practitioners and retail locations that include EssilorLuxottica optical retail locations.

With GrandVision joining EssilorLuxottica in July 2021, the following retail brands entered the Group's retail brand portfolio:

Apollo (Germany). Apollo is the leading optical retail brand in Germany. Since its beginning in the late 1960s, it has aimed to enrich people's lives with its services, and today it operates close to 900 stores in an omnichannel concept that strives to inspire its consumers, providing satisfaction with outstanding optical services, professional advice and high-quality products.

Vision Express (UK, Ireland, Bulgaria, Poland and Hungary). Established in 1988 in Gateshead, England, Vision Express pioneered a revolutionary concept to combine eyecare, eyewear and onsite labs to craft glasses in about an hour. The brand expanded rapidly through organic growth and acquisitions, and today operates over 600 locations across the UK and Ireland. A leader in the national optical industry, Vision Express also opened its first store in Poland in 1994 as a medical company, and now enjoys nationwide coverage with ophthalmologists and optometrists to deliver advanced medical services. In Poland, it operates a mid-high market second banner, **Trendy Opticians**, offering a large selection of international brands. Vision Express launched in Hungary in 1996, and is now the second-largest optical brand in the country, with stores offering one-hour service, and omnichannel experience having existed since 2017 with a sunglass webshop. In 2008, Vision Express opened in Bulgaria with the acquisition of the local Optik Matt optical brand, and currently, it operates 10 stores, four of which are located in Sofia.

MasVisión (Spain, Argentina and Mexico). Founded in 1996 in Valencia, MasVisión has grown to become a leading optical retail banner in Spain, Argentina and Mexico. Its mission is to be the retailer of choice for the growing group of fashion-savvy consumers who have come to expect accessible quality, outstanding service and value.

Pearle (Netherlands, Belgium and Austria). Before the brand Pearle existed, Alfons Hamer started his first optical store in 1959 in the Netherlands, with the dream of making eyesight solutions accessible to the largest possible audience. His stores, called Brilmij, started a revolution in optical retail by displaying glasses on pins so consumers could choose their favorite frame by themselves. Brilmij grew to become the largest optical retail brand in the country, and since 1983 the brand has also expanded its business in Belgium. As of 1990, the stores continued under the name Pearle Opticiens founded by Dr. Stanley Pearle, who just like Alfons Hamer, had a strong belief that good eyecare and eyewear should be easily available for everyone, despite age, income or background. In Austria, Pearle was founded in 1977 and currently runs over 130 stores in an omnichannel concept. The brand is the leading optical retail brand in the country since 2015, and offers consumers a wide range of high-quality exclusive and designer brand frames, sunglasses and contact lenses with the goal of being the best choice on the market.

Générale d'Optique (France). Founded in 1993, Générale d'Optique has grown to become one of the leading optical banners in Metropolitan and Overseas France. Its mission is to establish itself as the retailer of choice for the growing number of savvy consumers who have come to expect quality products, exceptional service and value. Since its creation, the brand has been considered as the disruptive player on the French optical market, with over 650 stores offering a large selection of private labelled eyewear to suit all tastes, ages and lifestyles without having to compromise on functionality and design.

Atasun Optik (Turkey). With the acquisition of GrandVision, Atasun Optik, an optical market leader in Turkey, became part of the Group retail network counting over 300 stores in 2021. Established in 2007, the brand's mission is to help people see better and be seen better, while offering a unique shopping experience thanks to its Atasun Plus loyalty program and after-sales services as well as 24/7 support.

Synoptik (Denmark and Sweden). Founded in 1931, Synoptik operates more than 100 locations in Denmark. In 1991, the brand extended its business in Sweden and grew by acquiring Din Optiker and Ögat 10 years later. Today, Synoptik has nationwide coverage in Sweden, and is well-known for offering high-quality products and services with a mid-high market position, focusing on eye health and providing extended eye exams for all consumers in its close to 250 stores. Synoptik is fully represented on the global e-commerce platform selling mainly sun products.

GrandOptical (France, Iberia, Czech Republic, Greece, Cyprus, Slovakia and Portugal). When the first GrandOptical store opened in Paris in 1989, a revolutionary concept was launched on the French eyewear market: collect prescription glasses only one hour after purchase. By year end, five new stores were opened in the Parisian area serving the mid-high market segment and offering consumers a large choice of the best international brands, including luxury, as well as high-quality and professional services. In 1995, GrandOptical became international with a store in Barcelona, before extending its activities to other countries, including Portugal (1997), Czech Republic (1999), Greece (2004), Cyprus and Slovakia (2008).

GrandVision (Brazil and Italy). Founded in 1920 in São Paulo, **GrandVision by Fototica** is a Brazilian retail brand with a regional presence in six Brazilian States, and since 2019 it gained national reach thanks to e-commerce implementation. The company was founded with a strong focus on consumer experience, and high-quality eyecare products and services. Innovation is also part of its DNA, with omnichannel strategy and digital transformation at the core of local initiatives to deliver a best-in-class shopping experience. **GrandVision by Avanzi** entered the Italian market in 1999 with the acquisition of Ottica Avanzi and was boosted in 2014 with the acquisition of Gruppo Randazzo adding **GrandVision by Optimissimo**. Part of GrandVision Italy since 2014, **Corner Optique** operates as an optical concession inside 86 department stores across the country.

Ópticas Lux (Mexico). Ópticas Lux was founded over 80 years ago in Mexico City by Alfredo Santos who differentiated his store by offering a wide variety of products and superb consumer service. Today, with close to 160 stores across the country, Opticas Lux is the undisputed leading optical retail brand in Mexico with a reputation for offering the most complete and professional eye exams, outstanding service and the best assortment of top brands in the world. Opticas Lux manages its own laboratories and trains all its optometrists in its own university – the only one operated by a retail company and certified by the Education and Health Ministries – therefore ensuring the best quality for its products and services.

Solaris. Founded in Paris in 1994, Solaris is a leading sunglass retailer committed to bringing the ultimate sunglass selection to consumers around the world. From classic and fashion to luxury and sport performance, Solaris delivers the latest fashion trends, current best-sellers, innovations and cutting-edge technologies in the sunglass market. Today Solaris is present in more than 40 countries, has over 4,200 points of sale in Argentina, Belgium, France, Italy, Mexico, the Netherlands, Turkey and the Middle East. The brand operates through a four-channel strategy with Solaris present in optical stores, dedicated stand-alone Solaris stores, department store displays and pop-up shop concept shops.

Instrumentarium (Finland and Estonia). Instrumentarium became a part of the Group retail network in 2021, following the acquisition of GrandVision. Founded in Finland in 1901, Instrumentarium is the market leader in the optical field for products and eye health expertise. It focuses on the mid-high market segment, and combines extensive eye health solutions with a large superior product range, pioneering online eye testing from Easee since 2020.

For Eyes (North America). The roots of the For Eyes brand date back to 1972 when three hippies decided to open an optical store in Philadelphia with the dream of making eyewear accessible to all. While it started as a high-volume reseller, today For Eyes has proudly grown its digital presence and expanded to close to 100 brick and mortar locations across the US and Puerto Rico, with a strong focus on consumer experience excellence and high-quality products.

MultiÓpticas (Portugal). In 1988, MultiOpticas disrupted the national optical market with the democratization of eye health services and eyewear. Originally a Spanish company, operations in Portugal were acquired by Pearle Europe in 2001, and focus was put on helping Portuguese consumers take care of their eye health. With over 210 locations, MultiOpticas provides the best offers, a wide selection of options and outstanding consumer experiences as well as omnichannel and digital transformation to deliver best-in-class consumer services.

Optica2000 (Spain). Founded in Barcelona in 1976, Optica2000 has always focused on high-value products and services, being the first banner in Spain to specialize in multifocal lenses as early as 1979. After opening a successful first shop in the El Corte Inglés department store in 1980 led to fast expansion, the brand was integrated with the El Corte Inglés Group in 2005. In 2019, Optica2000's over 100 stores joined GrandVision.

Ofotert (Hungary). Founded in 1949, Ofotert operates 100 stores throughout Hungary. Its main aim is to offer consumers not only the right product, perfect correction and vision but also confidence by advising them throughout the consumer journey with professionalism and attentive and empathic service.

Lafam (Colombia). Established in 1970, Lafam has grown to become the leading optical retail brand in Colombia. Its mission is to be the retailer of choice for the growing group of fashion-savvy consumers who have come to expect quality, excellent service and value. Lafam is the only brand in the optical market to offer all eye health services, and it operates two state-of-the-art ophthalmology centers and one clinic specialized in refractive surgery. It opened its first eye clinic in 2000, and since then has successfully referred its consumers from its stores to its eye clinics.

LensMaster (Russia). LensMaster is the first modern optical retail brand in Russia, counting approximately 100 stores in 2021. Established in 1998 in Moscow, the brand has a mid-high positioning that offers a superb in-store experience, convenient mall locations, highly qualified staff that consumers can trust, and a wide assortment of optical and sun brands.

Visilab (Switzerland). In Geneva, Visilab began its journey in 1988 as the first optical brand in Switzerland with a "lenses in 1 hour" concept. After the Swiss French-speaking market, it expanded its activities into the Swiss German-speaking market in 1994 in Zürich. Visilab operates now approximately 80 stores covering the mid-high market and enjoys a good reputation for its consumer service, marketing and selection of international frame and sunglasses brands.

Brilleland (Norway). Founded in Oslo in 1985 with the aim of disrupting the eyewear market in Norway, Brilleland has strong brand awareness among Norwegian consumers. It is also the market leader in contact lens subscription services, performing among top retailers for consumer satisfaction.

McOptic (Switzerland). First opened in Olten, McOptic has grown to become a leading optical retail brand in Switzerland with a mission to become the retailer of choice for the growing group of fashion-savvy consumers expecting quality, excellent service and value.

Topsa Retail (Peru). Founded in 1967 as a laboratory offering high-quality services to independent optical stores and clinics, Topsa Retail operates two banners, Econolentes and Vision Center, with stores mainly in Lima and other large cities in Peru. **Econolentes** aims to be the most trusted optical brand serving Peruvian families for their vision care needs, whereas **Vision Center** provides consumers with the latest trends in frames and sunglasses, breakthrough technology and the highest quality lenses and contact lenses.

Nissen (Finland). Founded in 1891, Nissen has 55 stores nationwide. The brand appeals to a younger consumer base seeking quick and easy service. Nissen is easily accessible throughout Finland, and is recognized for its quality consumer service, marketing campaigns, and selection of international frames and sunglasses brands.

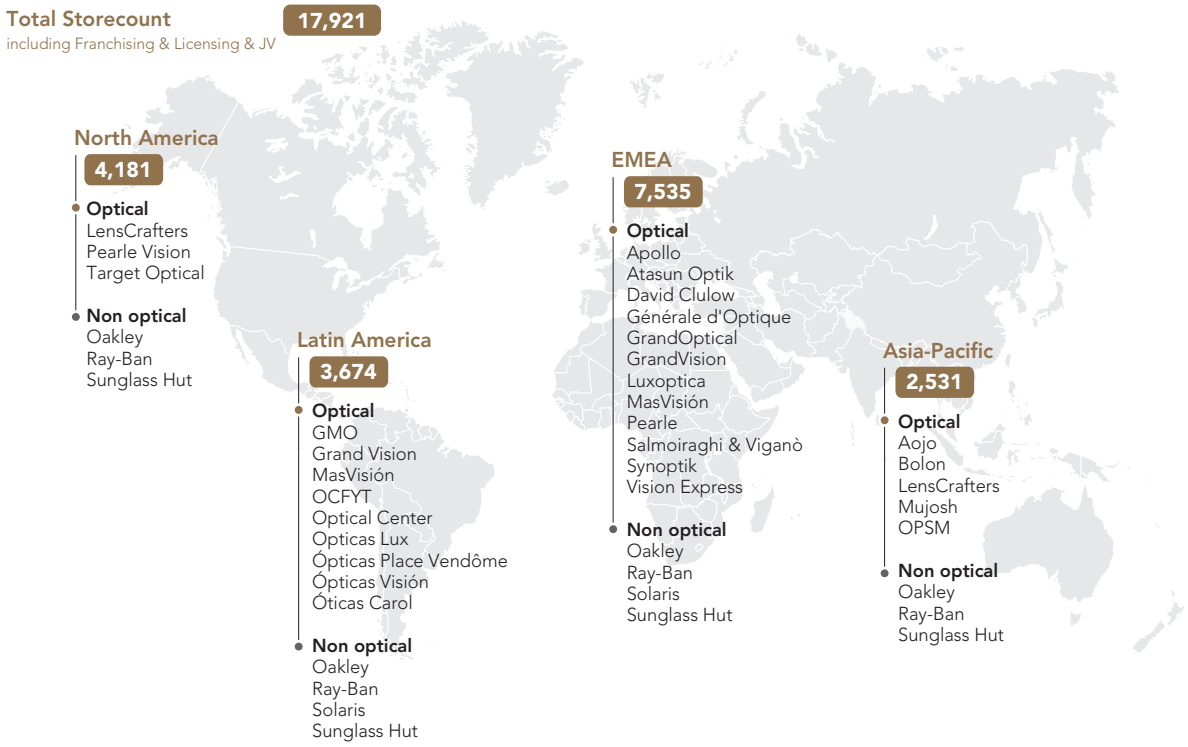
Robin Look (Germany). Robin Look is a German optical retail brand that has managed to establish itself as a leading local brand in recent years. Founded in Berlin in 2005, it now operates stores in Berlin, Saxony, Saxony-Anhalt, Thuringia, North Rhine-Westphalia and Brandenburg. The brand focuses entirely on prescription glasses and aims to provide high-quality products at reasonable prices.

Kochoptik (Switzerland). Opened in 1909, Kochoptik has been able to continuously expand its business activities over the years, thanks to its high-quality products and excellent vision care services. In 2000, it was the first optical retail brand in Switzerland to develop vision analysis and introduce individual progressive lenses, positioning itself as the specialist in this segment. With 26 stores in the Zurich, Base, Bern, Lucerne and Winterthur area, Kochoptik is one of the leading premium optical retail brands in German-speaking Switzerland.

Interoptik (Norway). Originally a buying group for independent optical stores all over Norway, Interoptik was launched in 1984 and acquired by Pearle Europe in 2006, offering members a franchise agreement. The brand currently has 50 franchise stores and 23 centrally owned stores. Interoptik is an eye health expert delivering the best consumer service as well as high-end, premium-brand products in the optical market, with several Interoptik optometrists at the forefront of the optometric profession in Norway.

Keops (Finland). Started in 1975, Keops is well-known for its high-quality, boutique-like stores and is positioned as a high-end optical retail brand. With three locations in Finland, it offers services that exceed consumer expectations, including hand-made designed glasses and extensive eye health services.

John&Audrey (Germany). John&Audrey pays tribute to two style icons, John Lennon and Audrey Hepburn, whose eyewear has long been a cult classic. Focusing on design, style and trends, the mission of the brand is to show that glasses are much more than a mere visual aid and are a key element in showcasing one's personality.



Pure Online

- **North America**
  Clearly
  Contactsdirect
  Costa
  EyeBuyDirect
  Foster Grant
  FramesDirect.com
  Glasses.com
  Native Eyewear
  Readers.com
  Vogue Eyewear
- **Latin America**
  E-lens
  Eotica
  Foster Grant
  Vogue Eyewear
- **EMEA**
  Brille24
  Charlie Temple
  Foster Grant
  Glasses direct
  Lensbest
  Lenstore
  Lensway
  Linsenmax
  Sightful
  Sunglasses Shop
  VisionDirect
  Vogue Eyewear
  Zonnenbrillen.com
- **Asia-Pacific**
  Clearly
  Foster Grant
  Vogue Eyewear

1.4.6.2.2 E-commerce

EssilorLuxottica offers consumers around the globe a premium online shopping experience that lives up to the same best-in-class standards found at its brick and mortar locations.

Fueled by the pandemic-induced digital shift, 2021 was a year of great expansion for EssilorLuxottica's direct e-commerce activities, with revenue growing rapidly to represent 7% of the Company's revenue on a *pro forma*[(1)] basis. Specific focus was put on two strategic pillars – eyecare solutions and omnichannel strategy – and the Group's wide variety of key e-commerce websites served as important sales channels that complemented its Professional Solutions and brick and mortar activities. Regarding eyecare, the introduction of Lens Configurator technology led to a remarkable improvement in overall end-user experience. Furthermore, a wider assortment of frames and lenses (including Transitions), the launch of new websites (such as Costa and Sunglass Hut for prescription sunglasses in the US), and penetration in new markets (such as Australia, New Zealand, Europe and Japan) as well as strong supply chain integration with dedicated lab capacity and significant marketing investments strongly contributed to greater general awareness of premium quality lenses. New cross-channel opportunities were explored to leverage and integrate the Group's retail footprint into the online shopping experience, offering new premium online services (such as Click&Collect, Ship-From-Store, Return In-Store, online appointment booking for in-store visits) specifically designed to enhance the omnichannel end-user experience, adapt to consumers seeking new conveniences and create a seamless journey across all touchpoints.

(1) *Pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information (see Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

With leading global optical retailer GrandVision becoming part of EssilorLuxottica as of July 1, 2021, the Group is continuing to invest to increase its global optical e-commerce footprint, with a wide and well-balanced portfolio of brands and solutions that cover vision correction needs, including clear and sun prescription frames as well as contact lenses.

An overview of EssilorLuxottica's key e-commerce platforms, both retailers and pure digital players, follows below:

Ray-Ban.com was launched in the US in 2009 and is home to the most extensive assortment of premium Ray-Ban products and exclusive offerings. Currently operating in more than 27 countries, a new platform has recently been launched with a consumer-centric design to provide a unique consumer experience. 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 fast-growing connection with millennials. Its success in allowing consumers to personalize the style, material, lens color, engraving and other aspects of their Ray-Ban frames led to Remix launches in the US, Canada and Greater China, followed by Australia, Brazil, Japan, Hong Kong and Mexico. In 2021, the highly anticipated launch of Ray-Ban Stories (in partnership with Meta, formerly Facebook) in the US, the UK, Italy, Australia, Ireland and Canada as well as the focus on innovation with the global rollout of the Lens Configurator technology on Ray-Ban.com reinforced the brand's global presence. The activation of exclusive Online-to-Store Services in the US (*i.e.*, Click&Collect and Return In-Store) contributed to reinforcing global brand presence and offered consumers an enhanced omnichannel experience. In 2021, an option for Green Shipping in North America and Europe was also created on Ray-Ban.com, empowering consumers to choose greener delivery options, and thus allow them to align their shopping experience with their values.

Oakley.com is a digital window to the Oakley brand, presenting the most comprehensive assortment of Oakley products through an e-commerce channel across multiple markets including the US, Canada, Australia, Japan, Brazil and 26 countries in Europe. The platform has been fully redesigned with exclusive content dedicated to the brand's collections, values and icons as well as a more dynamic custom navigation system for an enhanced end-user experience. With an important focus on innovation also due to the introduction of the Lens Configurator technology, Oakley.com offers its fans a unique online consumer experience so that they can customize their favorite models from Jawbreaker to Frogskins. The website is also a destination for exclusive online collaborations and offers its consumers an option for Green Shipping in North America and Europe for a more responsible and eco-friendly online shopping experience.

Launched in 2008, **SunglassHut.com** has become the digital destination for consumers looking for the latest trends and hottest premium and high-end sunglasses. Over the years, the UK, Brazil, New Zealand and Mexico, Greater China, Spain, France and Germany joined the US, Canada and Australia in offering an exclusive shopping experience through their local Sunglass Hut websites. Specific focus has been given to the implementation of omnichannel experiences that allow the company to seamlessly engage consumers across more than 3,000 Sunglass Hut stores and country websites. Sunglass Hut is also appealing to new consumers through shop-in-shops and marketplaces online, partnering with key players in the e-commerce arena. In 2021, notable SunglassHut.com innovations include: the global introduction of the Frame Advisor and Virtual Try-On technologies; the launch of Ray-Ban Remix in North America, Australia and EMEA; an option for Green Shipping in North America and Europe to foster a more sustainable shopping experience; the launch of the prescription sunglasses option in the US; integrated language and payment methods in Canada; as well as e-gift cards and gift card redemption services in the UK to add value to the shopping experience.

Persol and Vogue Eyewear e-commerce platforms were introduced by the Group in 2017 in Italy, the UK, France, Germany and Spain, followed by the US and Canada in 2018. **Persol.com** delivers eyewear that represents the perfect alchemy of aesthetics and technology whereas **Vogue-Eyewear.com** is the place to find the latest collections of truly international and contemporary brand. With dedicated content and a premium shopping experience, **OliverPeoples.com** is the reflection of the brand's passion for superior craftsmanship. **Costa** e-commerce platform offers high-quality polarized sunglasses for special activities such as fishing, boating and for everyday outdoor lifestyles, with an option for Green Shipping in North America for a more sustainable shopping experience; **NativeEyewear.com** sells stylish, high-quality sports sunglasses, polarized sunglasses, and performance eyewear; **FosterGrant.com** offers a wide selection of sunglasses, fits overs and clip-ons, reading and blue light glasses that feature a perfect blend of fashion and function. **LensCrafters.com** is the online branch of the leading American retailer. In 2021, the website has optimized appointment booking, health benefits integration and Lens Configurator to offer a premium consumer experience.

Brille24 (Germany) was acquired in 2019 and specializes in selling quality prescription eyeglasses in the German market.

Clearly (Australia, New Zealand and Canada) is the leader of the online optical category in the countries where it operates. It deploys a multi-category (contact lenses and eyeglasses, brands and private labels) and omnichannel model with the opening of four stores in Canada.

Contactsdirect (North America) is the one-stop-shop for contact lenses online, providing superior service both for consumers purchasing through their vision benefits and those looking for great deals.

E-lens and **Eotica** (Brazil) are EssilorLuxottica's online banners in Brazil, with a leading position for contact lenses and working to build the eyeglasses category in the market.

EyeBuyDirect (North America) provides an exceptional eyewear experience with a diverse range of quality, fairly priced glasses and personalized service so people can truly express their authentic selves. Consumers tend to come back more often and sooner than average.

FramesDirect.com (North America) was founded in 1996 by two doctors and offers the largest online selection of authentic designer frames from top-selling makers, including more than 80,000 products and 300 brands.

Glasses.com (North America) is one of the first websites to sell prescription eyewear online and has always focused on quality eyecare and innovation; it aims to provide a personal, emotionally rewarding experience and set the trends in the online optical eyewear industry.

Glasses direct (UK) is the leading eyeglasses e-commerce player in the UK, with a large range of products – from affordable and private label frames to premium ones.

Lensbest (Germany) distributes contact lenses online in Germany, with a high share of own-brand and high-margin products.

Lensway (Sweden, Norway, Finland, and Denmark) is the leader in the Nordics for selling contact lenses online.

Readers.com (North America). Launched in 2012, Readers.com is the leading online retailer for reading glasses offering a wide range of style options at an affordable price point.

Sunglasses Shop (UK, France, Germany, Netherlands, Finland, Norway and Denmark) is a one-stop shop for on-trend and super stylish sunglasses, as well as sports performance eyewear and goggles sold, mainly in the UK.

VisionDirect (UK, Netherlands, Spain, Ireland, Belgium, Italy and France) is a leading contact lens e-retailer, with a model focused on service, availability and retention, as well as the development of their own brand Everclear.

The following pure digital players entered the Group's brand portfolio with GrandVision in 2021:

Charlie Temple (Netherlands, Belgium, Germany and Austria). Established in 2016 as a mono-label online eyewear business, Charlie Temple is the leading banner in the Netherlands targeting fashion-savvy young and young-in-spirit consumers.

Lenstore (UK, Germany, Italy, France and Spain). Lenstore served its first consumer in 2008, and has grown to become one of the leading online contact lenses retailers in Europe, with more than one million consumers served and a team of opticians overseeing every single order.

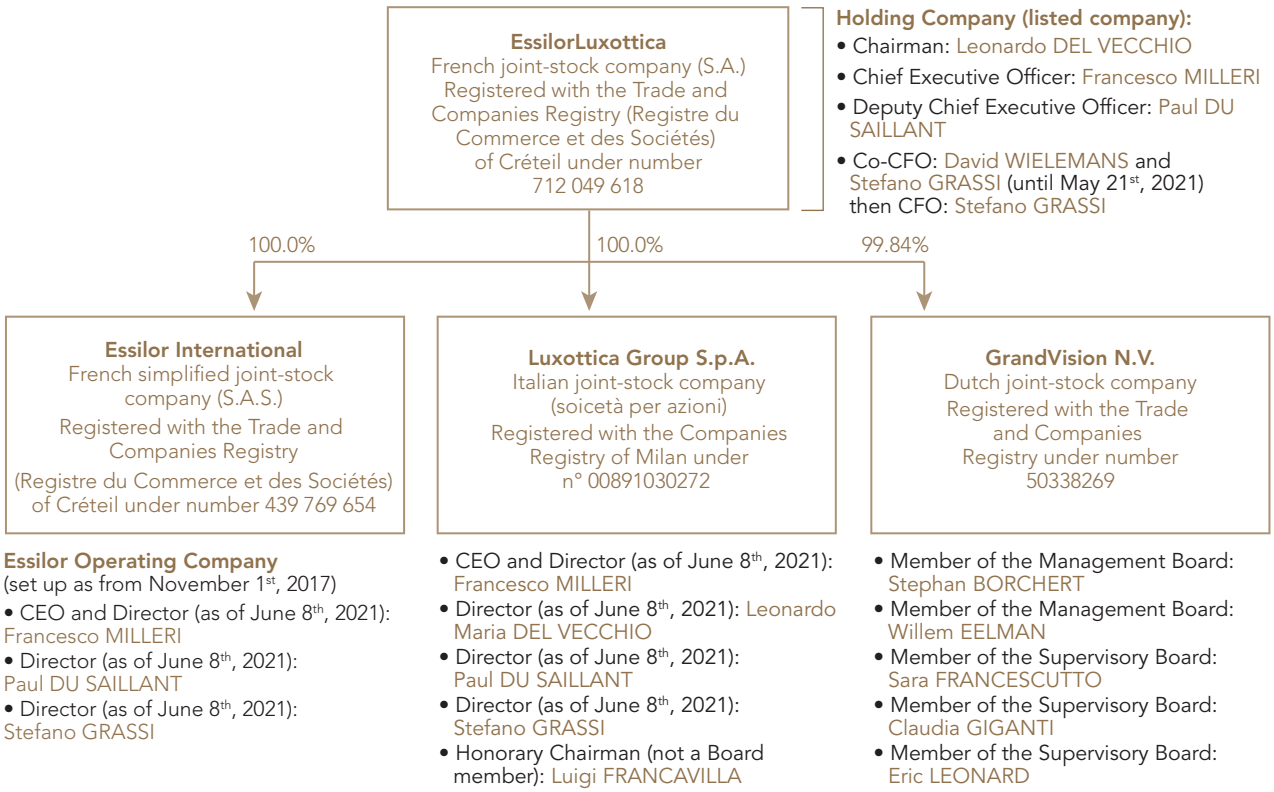
Linsenmax (Switzerland) serves Swiss consumers with a large portfolio of contact lenses.

Sightful (Netherlands and Belgium). Started in 2019 in the Netherlands and Belgium, Sightful immediately grew to become one of the most important leading contact lenses pure online players.

Zonnebrillen.com (Netherlands, France and Germany). Founded in 2011 in Leiden, the Netherlands, Zonnenbrillen.com has become one of the leading online sunglasses banners in Europe, with a strong commitment to inclusivity and diversity that has helped the brand build a thriving community of passionate fans.

1.5 Simplified organizational chart

Simplified organizational chart of the EssilorLuxottica Group as of March 10, 2022



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 registered with 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 registered with 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.

GrandVision N.V.

GrandVision N.V. is a Dutch joint-stock company, whose office is located at The Base, Evert van de Beekstraat 1-80, 1118 CL Schiphol, The Netherlands, registered with the Dutch Trade and Companies Registry under number 50338269.

Consolidated subsidiaries

The list of the main Group companies is shown in Appendix 2 of the Notes to the consolidated financial statements, in Section 4.1.6 of this Universal Registration Document.

1.6 Risk factors

1.6.1 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's financial or operational results, reputation and/or prospects are reported. Risk factors described in this Section include GrandVision evaluation.

The risk identification and assessment process used is described in Section 1.7.1. *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, considering the mitigation measures ("net impact").

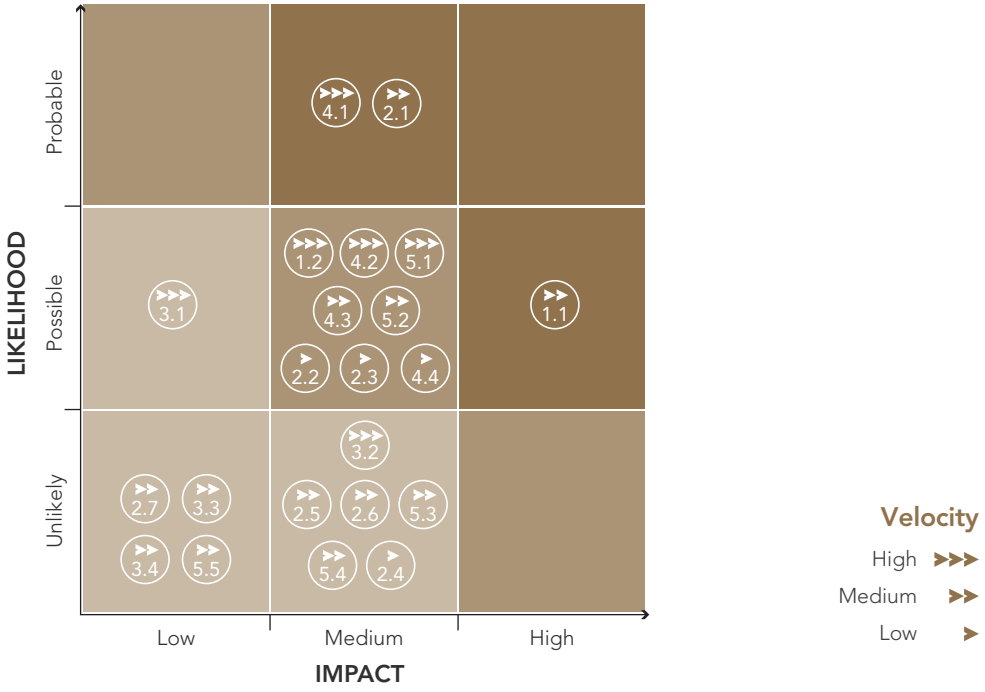
To allow a better appropriation of the risks presented in this document, the velocity (*i.e.* the speed at which the impact will be felt if the risk crystallizes) of each of the outlined risks has been estimated.

1.6.2 Risk factors summary

	Risk Category	Risk Factor	Severity	Impact	Likelihood	Velocity
1.1	**External risks**	Political, social & macroeconomic environment	▲▲▲	●●●	■■	➤➤
1.2		Pandemic	▲▲	●●	■■	➤➤➤
2.1	**Strategic risk**	Industry and market	▲▲▲	●●	■■■	➤➤
2.2		People management	▲▲	●●	■■	➤
2.3		Business model	▲▲	●●	■■	➤
2.4		M&A and Joint Ventures	▲▲	●●	■	➤
2.5		Innovation and product development	▲	●●	■	➤➤
2.6		Intellectual property	▲	●●	■	➤➤
2.7		Licensing	▲	●●	■	➤➤
3.1	**Financial risk**	Currency risk	▲	●	■■	➤➤➤
3.2		Financial market	▲	●●	■	➤➤➤
3.3		Credit	▲	●	■	➤➤
3.4		Liquidity	▲	●	■	➤➤
4.1	**Operational risk**	Cyber risk	▲▲▲	●●	■■■	➤➤➤
4.2		Business interruption	▲▲	●●	■■	➤➤➤
4.3		IT system and data management	▲▲	●●	■■	➤➤
4.4		Integration and Change management	▲▲	●●	■■	➤
5.1	**Compliance & Litigation risk**	Data privacy	▲▲	●●	■■	➤➤➤
5.2		Antitrust	▲▲	●●	■■	➤➤
5.3		Material claims and litigation, proceedings arbitration	▲▲	●●	■	➤➤
5.4		Corporate compliance & reporting	▲	●●	■	➤➤
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 considering the mitigation measures implemented to limit the likelihood and impact of each described risk.



External risks

Political, Social & Macroeconomic Environment

Risk Factors	Risk Details	Mitigation Measures
Political Social & Macroeconomic Environment **Severity:** ▲▲▲ **Impact:** ●●● **Likelihood:** ■■ **Velocity:** ➤➤	EssilorLuxottica's 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 has invested in many countries and is therefore exposed to various risks inherent in conducting business internationally that may result in loss of market share and sales or increased costs of doing business. The financial exposure referred to politically unstable countries is relatively low for revenues while operational exposure is more relevant for mass production activities (18% lens mass production in Thailand and Laos). The rise of prices, especially the energy and metal ones, are consequences of the actual complex situation with implications on a macroeconomic level. If the situation persists, the purchasing power of customers would be severely limited causing a decline in the optical and eyewear demand. Consequently, there is a possibility that the Group will not be able to pass on costs to the end client reducing its own profitability. EssilorLuxottica carefully follows any developments concerning countries' political agenda and possible repercussions on commercial relations	EssilorLuxottica's presence all around the world represents a natural hedge to risks related to the political and social environment. The Group's operations are widely spread around the globe and EssilorLuxottica is working on projects in several regions to mitigate its exposure in single countries. The Group, when entering new countries, conducts in-depth due diligences (including risk and legal analysis) to consider beforehand any peculiarities relating to the local context that may impact business conduct. 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 a defined methodology to prioritize monitoring activities in the regions where it operates based on the exposure in terms of political and economic risks. To avoid the risk of political retaliation, particularly in China, the Company regularly reviews its external communication on all its sites/media/campaigns and assesses its claims' control. Revenues generated in risky countries (Argentina, Colombia, Ecuador, Peru, Russia, Ukraine, Turkey) represent less than 5% of global sales. EssilorLuxottica's higher share of revenues are derived from stable regions such as the US and Europe (€9,212 million and €7,673 million respectively).

Risk Factors	Risk Details	Mitigation Measures
	(*e.g.* West-China rivalry and the commercial relations between China and the US remaining unstable and complex). Alongside this specific condition, below are listed some other examples related to this risk: • the polarization of the political stage would hamper the Group's capacity to position itself adequately in the industry/market; • multiple market disruption factors and the way they have been dealt with, could intensify social and economic instabilities and create new inequalities (in particular in LATAM, South Africa, Ethiopia, South-East Asia, etc.); • the security situation for Ukraine remains challenging which could imply unstable political and economic situation, high inflation, institutional weakness, as well as a conflict escalation; • a persistent sharp increase in key components' prices (especially in the chemical industry); • protectionist laws applied by some countries where the Group operates (*e.g.* US, Indonesia, Thailand, Malaysia). Consequently, a negative social or political impact could emerge in the future (climate refugees, progression of dictatorships, etc.). Therefore, this event could lead to a broader deterioration of the business environment on the long term. Nowadays, the global socio-political and macroeconomic situation is extremely dynamic implying a plausible increase of the risk's impact in the coming years.	EssilorLuxottica implements and periodically revises its planning strategy to ensure efficiency of its operations and logistics, especially toward countries where custom procedures can be more complex. The aim is to avoid delays that may lead to the loss of business opportunities. Sensitivity analyses are also performed at the local level to better support decision-making processes. The inflation risk is dealt with six months fixed prices bargained with suppliers and a solid Group business portfolio.

Pandemic

Risk Factors	Risk Details	Mitigation Measures
Pandemic **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤➤➤	Outbreak of health epidemics (as Covid-19) may affect EssilorLuxottica business due to its international footprint. During 2021, several Covid-19 vaccines have been licensed, allowing countries to organize mass vaccination campaigns. However, while vaccines accelerate a return to normality, new variants (such as Delta and Omicron) could lead countries to implement restrictive measure and trigger a pullback in economic recovery. Since last year, EssilorLuxottica – despite its global business – did not suffer a massive impact from the Covid-19. The Group's factories and operations have indeed maintained a good level of activity.	EssilorLuxottica has been monitoring the outbreak of Covid-19 since the very beginning with utmost care by putting the health and safety of its employees, partners and customers as a first priority. The effort employed to quickly and efficiently react to Covid-19 pandemic has proved the Group's resilience. In 2021 the Group continued 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, vaccination spots); • securing working coverage during lockdown; • salary support.

Risk Factors	Risk Details	Mitigation Measures
	Nevertheless, localized restrictive measures and shop closures in different countires due to the various Covid-19 waves have on-going adverse consequences: • reduction of sales in the retail, sun and travel sectors (see Section 2.2 of this Universal Registration Document for a more detailed overview); • reduction in the purchasing power of consumers, who may be less inclined to spend on eyewear; • decrease in stakeholders' budgets (including CAPEX), resulting in reduced sales of equipment; • shift of the market to a more price sensitive one; • increase in shipping delays and costs due to over-reliance on certain carriers and rise of air fares. The strengthening of the Group's retail activities, notably through the acquisition of GrandVision, is likewise inclined to increase the Group's exposure. In addition, any epidemic that takes place among the workforce, involving production plants, logistics, retail network and support staff, can result in delays or business disruptions. Since some countries have already reintroduced (partial) lockdowns or forced remote work, the ability of staffs and new talents to engage has been compromised. Even though vaccination has removed some of the uncertainty, it remains high given the heterogeneity of health policies globally. This explicates why the pandemic is still generating political, economic and social instabilities that may directly or indirectly impact the Group's business.	Moreover, EssilorLuxottica quickly realized that the pandemic was not a short-term event but a major shift with considerable strategic consequences on various activities (HR, access to resources, consumer behavior, etc.). EssilorLuxottica's response has been organized around geographically and centrally structured crisis teams that are in charge of maintaining coordination, communication and contingency planning. The aim is to keep business operations running while respecting individual national approaches to the crisis. These multi-specialty teams gather internal experts from Manufacturing, Supply, IT, Finance, HR and Distribution to ensure that holistic actions both 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 containment and cash control measures (*e.g.* the progress in building up an unified lab network and the creation of a common e-commerce fulfilment platform, progressively serving all the Company's online activities), including the suspension of 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 adaptability in its efforts to adapt to this extraordinary situation); • increasing the inventory of critical components to anticipate new potential lockdowns. Above all, the continuous growth of EssilorLuxottica's online business has also proven to be an efficient mitigation action. 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 kept running with the necessary security measures; • redirection of flows; • rotations of teams – up to triple shifts. In summary, the Company has shown resilience in the face of the challenges generated by the pandemic, implementing various actions and measures and adapting the corporate welfare to the changing social situation.

Strategic Risks

Industry & Market

Risk Factors	Risk Details	Mitigation Measures
Industry and Market **Severity:** ▲▲▲ **Impact:** ●● **Likelihood:** ■■■ **Velocity:** ➤➤	EssilorLuxottica operates in a prosperous business environment, with healthy industry fundamentals over the mid/long-term. It is anyhow crucial to address the impact on the business caused by changes in industry and market, also considering that the increase of the Group dimension has amplified its exposure and visibility to the market. **Change in consumer preferences and market commoditization** Consumer preferences are continuously changing, with different trends all over the world that can represent a risk in the medium term. Inability to timely detect and anticipate such trends may lead to loss of market share or margin reductions. 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, as well as expectations toward eco-designed products, environmental and ethical concerns over product manufacturing. **Competitors** New competitors characterized by strong product differentiation, e-commerce business and retail customer experience may enter the market with both front-line products and innovative products. In addition, these new entrants may be strategically positioned to take advantage of lower cost market thereby meeting the needs of customers who have seen their purchasing power diminished due to the pandemic. Although its partnership with Meta (formerly Facebook) has consolidated the position of EssilorLuxottica in the smart glasses business, there is still a risk that other companies (*e.g.* tech giants) could enter this market by presenting disruptive new products. **Market consolidation** Major and small private equity players are increasingly present in the eyecare business, particularly in the US. The aggressive growth of such players, which is carried out by the purchase of independent practices, may give them more leverage in terms of pricing and competition with retail brands. The resulting consolidation could change the distribution of partnerships in the industry or even disrupt the market.	EssilorLuxottica is currently the major player in the eyewear and optical markets, placing itself in a strategic position in the market. The following are its strengths points: • international footprint; • exclusive mix of products as frames, which could lean on prestigious proprietary and licensed brands of fashion and luxury (*e.g.* Ray-Ban, Oakley, Giorgio Armani, Chanel) as well as lenses that could leverage on innovative technologies (*e.g.* Transitions, Varilux); • innovative approach in terms of products and customer experience that can lean on several patents (more than 11,000 patents); • prescription and insurance services (especially in the US); • strong presence in all markets, with retail, wholesale and e-commerce; • several acquisitions and partnership performed through the years that enriched the Group and contributed to create new opportunities. The acquisition of GrandVision has strengthened Group's position as a unique player in terms of product offering and distribution capabilities. EssilorLuxottica monitors consumer preferences with the intention to anticipate trends and develop new competitive products. The Group is proactive and tries to develop partnerships or identify targets aiming to develop product innovation. In these regards the partnership with Meta (formerly Facebook) has allowed the Group to successfully enter the smart glasses market. For Group's efforts toward eco-design and sustainable products please refer to Section 5.1.4 of this Universal Registration Document. EssilorLuxottica is continuously strengthening relations and agreements with insurance companies to broaden its customer base. In the US, EssilorLuxottica competes in the managed vision care area with its subsidiary (EyeMed). EyeMed is committed to building, maintaining and strengthening long term business relationships with key clients, including those subjects to acquisition from other parties.

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; which in certain cases are additionally starting to consolidate brands. This may lead EssilorLuxottica to suffer from a decrease in consumer 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 health care reimbursement (such as reduced reimbursements) may lead consumers to other vision care players. For more information, see Chapter 1.	The priorities for the Group are: • best-in-class customer experience, through continuous professional training programs for its in-store personnel and invests in and implements digital tools in stores; • promotion of better-quality products; • investments in technological innovations. EssilorLuxottica continues to develop its e-commerce channel where it is making significant progress (using e-commerce to make the most of lockdowns) and is progressively expanding its portfolio through new entry price products. This expansion allows EssilorLuxottica to meet online consumer expectations, hence growing its customer base. An omnichannel business model is used for a combined online and in store consumer experience. 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.

People management

Risk Factors	Risk Details	Mitigation Measures
People management **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤	Like many large international companies, EssilorLuxottica is exposed to such risk. Following the organizational announcements made on May 2021 at the Annual Shareholders' Meeting, EssilorLuxottica has adopted a centralized organization which may lead to new cultural and HR challenges. These challenges are represented by the retention of the talents needed for the growth in the medium/long term. Moreover, as with any organizational overhaul for groups of this magnitude, there could be a higher than normal number of departures of senior employees in certain business lines and/or in particular regions. The main two risks that EssilorLuxottica may be exposed to are the below: **Difficulties in retaining talents** As EssilorLuxottica is evolving in an industry where expertise takes time to build and where companies need collaborators who master their subject, people retention is a first-rate challenge. In the following possible negative consequences are presented, such as: • losses in the salesforce could affect the capacity of EssilorLuxottica to sustain its growth; • given the implementation of a new organizational framework, an inadequate internal communication and professional perspectives in the Group may lead to confusion along personnel and raise frustration; • the overall uncertainty of the pandemic (both in terms of impact and duration) could undermine the engagement of personnel and new talent. Sustained remote working may negatively impact employees' engagement as they may feel isolated and not fully included in the Company; • due to the pandemic and the resulting increased use of remote working, people may be more interested in jobs closer to home; • the Group and new young talent may have a different perception of the professional environment and the obligations that come with it, which may lead to frustration and ultimately to increased attrition of young talent. **Difficulties in attracting talents** • health care companies might have the capital to lure top talent away from EssilorLuxottica; • especially in the US and in China, shortages of doctors and optometrist may lead to competitive pressures and an increase in direct and indirect costs. For more information, see Section 5.2.4 of this Universal Registration Document.	The Group has always built its growth around very strong societal values, today represented by its "see more and be more" Mission statement 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. Moreover, the Group developed and implemented an effective retention plan (which considers expectations, work satisfaction, working environment, performance management, career development and competitive compensation). In 2021, the Company continued to deploy its employee shareholding programs. Close to 54,000 eligible employees subscribed in 78 countries to Boost 2021. As a result, today nearly 67,000 of the Group's employees in 85 countries hold a financial stake in the Company. By allowing employees to take a financial stake in the Company's capital on favorable terms, it aligns their interests with those of the Group and of other shareholders. EssilorLuxottica has also enhanced its attention on young talent expectations and local market employees. The Group is currently working on initiatives to enforce its commitment and to involve them within in the new Group identity. Because the change in model (with regards to interactions and human resources) toward greater centralization could generate tensions among employees, EssilorLuxottica has put in place new internal communication plans, with a more day-to-day pedagogy, aimed at better explaining the reason for the ongoing centralization and its benefits, at every level of the Group. Education and training are strong drivers to attract and retain talents, as well as make personnel feel part of EssilorLuxottica, helping support the creation of a Group common culture. In these regards, the Group is currently expanding its courses offering available on the global "Leonardo" platform, creating specific learning paths by using digital solutions to involve a higher number of employees. In this respect, the partnership with Meta (formerly Facebook) and the launch of Ray-Ban Stories have enabled the Group to be more visible toward younger generations. The Group is starting to develop training centers in key areas (*e.g.* EU, Asia and the US). 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.

Business model

Risk Factors	Risk Details	Mitigation Measures
Business model **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤	EssilorLuxottica may undertake strategic initiatives that could lead to changes in its business model, affecting current key success factors and its ability to deliver its Mission (for more information, see Section 5.1.1 of this Universal Registration Document). Inability to evaluate and anticipate consequences of these initiatives may lead to the loss of the existing competitive advantage. The complexity reached by EssilorLuxottica after the acquisition of GrandVision in conjunction with the effects that the pandemic is still causing may strongly impact: • 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 that the pandemic is still generating. Additionally, this risk may be exacerbated by the Group's new size in the retail market, following the acquisition of GrandVision (17,921 retail stores worldwide as of December 31, 2021). • Activities digitization: the growth of the online sales business has remained an important driver for the Group due also to the concomitant strong development of the technology giants (GAFA, BATX, etc.) in the sector. If EssilorLuxottica fails to effectively digitize its business model in a timely manner, for example by digitizing services such as online prescriptions, market share losses could be significant. In addition, the Group needs to take in consideration new trends of local markets (*e.g.* China) to be able to fully address consumers expectation and avoid losing opportunities and sales.	The Group carefully manages relationships with both wholesalers to ensure maintenance of successful long-term partnership, and landlords to secure good locations, avoiding intra-channel competition (channel cannibalization). To fully engage its own customers and consumers, EssilorLuxottica has enriched its business model with omni-channel and digital strategies (new means of payment, virtual try-on, microscopic data processing), combining it with best practices in such sectors (*e.g.* Sunglass Hut). Thanks to a fully integrated business model (powerful brands, vision care model, retail footprint, proximity to services), EssilorLuxottica can capture all market trends and weak signals, allowing it to adjust accordingly and thus be able to perfectly meet consumer expectations. This capacity is reinforced by the open culture characteristic of the Group, which allows some of its competitors to benefit from its technology to create a fertile ground for innovation.

M&A and Joint Ventures

Risk Factors	Risk Details	Mitigation Measures
M&A and Joint Ventures **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■ **Velocity:** ➤	EssilorLuxottica's acquisition strategy has evolved from a Joint Venture model to a more integrated acquisition model. As a result, the control and centralization process could have a major impact on the governance of its acquired businesses. Group's growth may be adversely impacted by failure to successfully identify M&A targets or partners in Joint Ventures, or with poor management of acquired businesses (*e.g.* failure in operating Joint Ventures or in performing post-merger integrations). Failure to maximize potential synergies could impact future profitability, employee retention and more in general business performance. The implementation of EssilorLuxottica M&A strategy (acquisitions and/or partnerships), exposes the Group to the following possible risks: • inadequate due diligence (financial, IT, legal, tax, labor, environmental, intellectual property, compliance, data privacy, etc.) on the targets; • low contractual protections; • purchase price adjustments. Furthermore, different partners have a high degree of autonomy that can negatively affect EssilorLuxottica. Acquired businesses (including but not limited to Joint Ventures and partners) may not be able to satisfy CSR requirements impacting the Group's credibility toward its counterparties. The M&A strategy of the Group and the recent acquisition of GrandVision have allowed EssilorLuxottica to significantly grow its business footprint and geographical scope. Its visibility in the market has increased substantially and it is now a relevant party for all its stakeholders, in particular regulators. Finally in the current environment the compliance and reputational risks are noticeably relevant and could adversely affect the Group's ability to achieve its M&A targets.	EssilorLuxottica has established a strict M&A process to evaluate possible targets based on internal guidelines and the execution of due diligences. The process ensures an adequate assessment of the targets and therefore minimizes the risk of a suboptimal acquisition. This risk is minimized by the implementation of specific contractual conditions (such as warranties, indemnifications etc.). Regarding smaller M&A/ Joint Ventures targets, the Group automatically puts in place efficient pre-acquisition due diligences (on internal control processes) and after the acquisition the need is to implement an integration plan in a reasonable timeframe to benefit from synergies (IT, LOA, procurement) and to ensure a smooth transition into the EssilorLuxottica organization. With the intention of reinforcing 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; • established a dedicated joint team between the corporate EssilorLuxottica Finance department and the regional offices allowing for a complete financial overview of its Joint Ventures. Moreover, a Fraud Detection Platform has been implemented by the Group.

Innovation and product development

Risk Factors	Risk Details	Mitigation Measures
Innovation and product development **Severity:** ▲ **Impact:** ●● **Likelihood:** ■ **Velocity:** ➤➤	The industry in which EssilorLuxottica operates involves product innovation both in terms of technology and sustainability, new development in vision correction therapies and changes in consumer preferences. Failure to adapt to such changes could limit the 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 5.2.2 of this Universal Registration Document), future sales could decline, inventory levels could rise and production capacity could be underutilized. Meanwhile, to confirm its leadership in the sector, EssilorLuxottica needs to anticipate, fully comprehend and address the direct (*e.g.* new competitors, more resources) and indirect (*e.g.* reputation) implications linked to such changes. **Vision correction alternatives and trends** New categories of products and new lens technologies for the treatment of eye diseases have significantly disrupted the prescription market, increasing the number of possible competitors. Lenses that provide medical benefits (such as for myopia control) are one of the challenges for innovation in the industry, with a limited number of companies (incl. EssilorLuxottica). The optical frames and prescription lenses business (55% of the revenues of EssilorLuxottica) could be negatively affected by the: • availability and acceptance of vision correction alternatives, such as refractive optical surgery; • increased use of contact lenses due to changing consumer preferences or improvements in contact lens technology. **Wearable devices** The smart eyewear segment presents strong competitors, such as the Silicon Valley giants that the Group has to face. This massive change must be anticipated and its implications properly addressed. Due to previous failures in the market, the Group must pay attention to the proper implementation of a global eco-system, including the patients/customers/consumers triptych. Furthermore, the development of new and innovative products, alone or through partnerships, can go hand in hand with the appearance of new types of risks: • malfunctioning products, replacement/obsolescence and disposal; • dependency situation toward "big tech" partners owning all or part of the know how; • litigation relating to data confidentiality breaches and intellectual property infringement. **Sustainability** CSR topics such as sustainability are gaining importance due to the expectations of consumer (especially the younger generation), customers and third parties. If EssilorLuxottica is unable to communicate its commitment externally, it may impact its reputation and cause its sales to drop. For more information, see Section 5.2 of this Universal Registration Document.	EssilorLuxottica invests significant funds in R&D (€321 million, for more information see Sections 1.5.1.3.3 and 1.5.2.2.2, paragraph *Consolidated statement of profit or loss*) and develops valuable partnerships with top innovation players (Universities and research institutions, industrial and medical devices companies, tech giants) to anticipate consumer needs and trends (for more information, see Section 5.2.2 of this Universal Registration Document). Thank to these partnerships, EssilorLuxottica can boast successfully and innovative projects like: • Ray-Ban Stories: smart glasses produced in partnership with Meta (formerly Facebook); • Stellest lenses: spectacle lens solutions for myopia control; • Joint Venture with CooperVisionCompanies to establish a cooperation in R&D and global distribution. The Group has put in place an internal Digital Acceleration team (DITAC), dedicated to the development of new and innovative products and services. The Group is particularly sensitive to the sustainability of its operations and products. In 2021, EssilorLuxottica has launched its strategic approach to Sustainability called "Eyes on the Planet" that includes commitments toward carbon neutrality, circularity, world sight, inclusion and ethics. As part of this approach, the Company is making significant efforts to create circular products from the very start of the innovation process, through its eco-design approach. This commitment is strengthened by the presence of sustainable eyewear collections and brands (e.g. Arnette and Costa del Mar) in its portfolio. For more information, see Section 5.2 of this Universal Registration Document.

Intellectual property

Risk Factors	Risk Details	Mitigation Measures
Intellectual property **Severity:** ▲ **Impact:** ●● **Likelihood:** ■ **Velocity:** ➤➤	EssilorLuxottica relies on trade secrets, trade dress, trademarks, domain names, patents, 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. As competitors are being more aggressive in the field of Intellectual Property, the Group needs to behave accordingly within an ever-changing and challenging environment where new solutions are developed by/with competitors (*e.g.* Meta). 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). Widespread of counterfeit products (*e.g.* RayBan and Oakley) on the market may be a barrier to sales growth in these countries and ultimately may lead to changes in consumer habits. Furthermore, it would hurt the value of EssilorLuxottica brands: • third parties may independently develop alternative products or services that do not infringe on the Group's intellectual property rights; • third parties may assert intellectual property rights against EssilorLuxottica, leading to litigations and other legal processes with potentially negative outcomes for the Group. For more information, see Chapter 1.	Intellectual Property is an extremely sensitive and important topic for EssilorLuxottica, hence a global framework has been put in place to protect it that includes awareness, trainings and strategic monitoring. Dedicated resources are devoted to the enforcement of patents and trademarks, 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. Risk management related to Intellectual Property and Licensing has improved over the past year. For instance, EssilorLuxottica actively collaborates with governmental agencies around the world to enhance intellectual property protection. The opportunity is now to create a better interaction between the business owners, the technical and marketing teams and the Intellectual Property departments. To address issues related to product counterfeiting and parallel market, the Group has implemented a centrally coordinated structure and strong worldwide program to guarantee reliability of its products' genuineness at worldwide level. Through this program, local branches support the central team in assessing local situations performing and supporting both in-store and online audits to timely identify possible infringements, define and implement related operational and legal countermeasures. EssilorLuxottica also aims at mitigating the risk through contractual protection, ensuring contracts (*e.g.* with franchisees) can be terminated in case of unauthorized use of Group Intellectual Property rights or sale of counterfeited products in 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 (23 license agreements) related to manufacturing and distribution of prescription frames, lenses and sunglasses under designer brands, including Chanel, Prada, Armani, Versace, etc. These license agreements typically have terms of between four and 10 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 favorable new agreements with leading designers in the fashion and luxury goods industries. The loss of licensing contracts or its inability to negotiate new agreements at favorable 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 Chapter 5 of this Universal Registration Document.	EssilorLuxottica manages licensed brands with several licensors and partners, creating a long-term relationship with them and avoiding concentration on few licenses. EssilorLuxottica not only allows licenses to leverage on its worldwide retail network but also to lean on the R&D innovations toward sustainable products which can contribute to their own CSR strategies. In addition, the Group's attractiveness may allow to expand its clients' portfolio to pursue continuous growth and to compensate possible loss of licensors/license agreements. The impact of the risks deriving from the internalization trend is limited by virtue of the differentiation in the licensed brands portfolio: as of December, 2021, no single license agreement represented greater than 5% of total sales. EssilorLuxottica has a strict policy of managing CSR topics (for more information, see Chapter 5 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's 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 around 40% of sales on a *pro forma* basis(1) are in USD and around 65% of the Adjusted(2) Operating Profit on a *pro forma* basis is USD dependent. • Around 75% of EssilorLuxottica sales on a *pro forma* basis are performed in foreign currencies (mostly USD, AUD, BRL, GBP, CNY, etc.), significantly impacting the volatility of sales of the Group. • Such risk is exacerbated by the fact that many countries got into debt to overcome the Covid-19 pandemic's impact, hence creating uncertainty about their economy and adding volatility to their currency. Similar to last year, 2021 was characterized by strong currency volatility in the markets in which the Group operates, including Argentina, Turkey and Brazil. The Group has been subsequently exposed to variations in its earnings. Moreover, latest inflation forecasts for 2022 (in both the US and Europe) reinforce the perception that the stability of the world's major currencies is deteriorating. Risks to financial stability, emerging market and developing nations' capital flows, currencies and fiscal balances may emerge if advanced economies raise policy rates, especially as debt rates have increased dramatically in the past two years. The high inflation will influence the situation for a long time impacting the major currencies and promoting other growing currencies such as the Canadian dollar, Norwegian krone and Australian dollar. Also see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 of this Universal Registration Document for IFRS information.	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 for business and financing operations. Overall, the Group's Treasury department is at the forefront of this issue, making sure that the organization is flexible on costs and well managing this risk across the Group. Also see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 of this Universal Registration Document for IFRS information.

(1) *Pro forma: pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information (Section 4.3 of this Universal Registration Document). This information has been prepared for illustrative purpose only, as if the acquisition of GrandVision had occurred on January 1, 2021.

(2) Adjusted measures or figures: adjusted from the expenses or income related to the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition" or "GV Combination") 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.

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 investments capabilities and market value. The risk is directly exacerbated by the macro-economic conditions caused by the pandemic, which is the main cause of inflation in the countries where EssilorLuxottica operates. For more information, see political, social and macroeconomics environment risk in this Section. Future execution of the external growth strategy through M&A operations may require borrowings which would increase EssilorLuxottica's exposure to interest rate fluctuation. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 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 (90%). 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. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 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, Middle-East, Turkey and Africa or LATAM. To support some of its customers, EssilorLuxottica has implemented specific solutions during the 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, 2021, non-provisioned past due trade receivables amount to €322 million. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 of this Universal Registration Document.	**Financial counterparties** To mitigate this risk, EssilorLuxottica diversifies its banking counterparties, 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 and 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. **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 implementation of a new IT roadmap is in line with the desire to make sure these processes are reliable and standardized across the Group. 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). There are no repayment problems to date and the consequences are even positive, since actions like the paymnet terms extension allow the Group to retain as much as possible of its clients. 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. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 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 financial needs to support its growth target (*e.g.* external growth related to acquisition). In addition, the prolongation of the Covid-19 pandemic along with the uncertainty caused may strongly impact sales given the inability of consumers to access stores. However, the risk is limited given the high cash flow generation level and the solid credit ratings of the Group. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 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, 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 2021, the Group has €2,843 million of committed credit facilities with leading banks. For more information, see Note 29 to the Consolidated Financial Statements, in Section 4.1.6 of this Universal Registration Document.

Operational Risks

Cyber Risk

Risk Factors	Risk Details	Mitigation Measures
Cyber risk **Severity:** ▲▲▲ **Impact:** ●● **Likelihood:** ■■■ **Velocity:** ➤➤➤	Digitalization and emerging technologies offer opportunities to automate processes and increase the efficiency of operations, including the avoidance of error-prone tasks. The pandemic has indeed accelerated the digitalization trends, the surge in use of portable devices and the increased access to home-office (hence remote connections) as well as the increase of EssilorLuxottica's online activities (growth of online e-commerce and online prescription). The major Group's consternation is the increasing sophistication of cyber threats and generally rising frequency of targeted attacks. Cyber risks multiply the impact of other risks and could also have a major negative impact on EssilorLuxottica's reputation or continuity of business operations: leak, loss, theft of personal or strategic data, systems failures and incapacity to perform daily operations as well as claims and litigations from third parties and financial impacts. Nowadays many contracts require compliance with security standards applicable to health data (*e.g.* HITRUST certification or SSAE SOC I & II especially in the US). The risk of non-compliance with such standards could be amplified by the ongoing implementation of a global IT security approach. In the event of this risk occurring, the Group's image and reputation could be impacted.	As a consequence of the enhanced threat, the Group accelerated a comprehensive roadmap to improve its resilience capabilities. Complementary action plans and dedicated teams have been created to ensure a higher security: • the CISO team (within which a cybersecurity entity has been housed) has been thoroughly redesigned, with an onboarding of senior IT security specialists; • the Security Operations Centre (SOC) has been reinforced with rotation and new hires; • new tools and solutions have been reinforced or deployed across the Group: antivirus, firewalls, ERD and SEM; • with the support of external firms a risk assessment is annually performed with the aim of diagnosing the cyber security weaknesses and opportunities and prioritizing improvements and investments; • training and information (*e.g.* warning e-mails, phishing notifications) are regularly delivered aiming to raise employees' awareness. The variety and segregation of EssilorLuxottica IT systems reduce the risk of single point of failure for the entire Group.

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 Pacific) designed to manufacture and handle flows between mass production plants (51), suppliers (c. 40,000), laboratories (564), transporters, distribution centers (37), retail stores (17,921) and an extremely large number of possible product combinations. Business continuity plans (BCPs) need to consider the insourcing and increasing interconnectivity in their scope. Delays or interruptions could occur due to both internal and external factors, including but not limited to: • disruptions: uncertainties brought by current challenging situation may impact the production and distribution; • political/geopolitical risks in some exposed areas; • extreme weather events: climate changes are provoking physical risks and radical systemic changes which can lead to business disruption or higher operational costs. 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). For more information see Section 5.1.4 of this Universal Registration Document; • water scarcity: EssilorLuxottica might not have enough access to good quality and quantity of water and thus could be vulnerable to production decrease, interruptions and price increase (for more information, see Section 5.2.1 of this Universal Registration Document); • facility incidents/issues: EssilorLuxottica may be affected by negative events (*e.g* such as fire and explosions); • single-source suppliers for few specific products and material. The failure to maintain an efficient distribution, an organized production system and business continuity may adversely affect the Group's business, operating results, financial condition as well as its image and reputation.	EssilorLuxottica's flexible supply chain is crucial to mitigate business continuity risks. The Group is constantly and progressively improving its Business Continuity Plans to better address new risks 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 that 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. Moreover the Group is constantly investing to ensure logistic and production back-up by: • increasing availability of back up warehouses; • shifting 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 organization, increased by the post-merger GrandVision data transfer. Like all groups similar in size and complexity, EssilorLuxottica is regularly embroiled in IT transformation projects such as ERP upgrades. In case of issues, the Group can face the interruption of business processes. The IT system integration process across the entire Group will require the investment of a great amount of resources (both financial and human) to complete existing projects on time. This process could result in additional risks in terms of business interruption, 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 project for migration on a single ERP platform is in progress in certain regions. The Group has already started working with GrandVision to quickly and efficiently manage the integration of their IT system frameworks (*e.g.* implementation of a unified ERP platform across different regions). Additionally, IT Disaster Recovery Plans are in place. The Group has defined and is progressively implementing a minimum-security baseline for all IT systems.

Integration and Change Management

Risk Factors	Risk Details	Mitigation measures
Integration and Change Management **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤	EssilorLuxottica's complex structure has been thoroughly simplified at both central and local level following the Combined Shareholders' Meeting of EssilorLuxottica held on May 21, 2021. As this organizational framework is new, various employees of the Group are still familiarizing themselves with the new structure, at each level of the Group. Having successfully completed the operational deployment of the combination between Essilor and Luxottica, the focus is now on the integration of GrandVision and its management without compromising EssilorLuxottica's newly established organizational framework. In particular the risks are: • potential negative impact on relations with external stakeholders (es. Unions in the US, or third parties) that may lead to major exposure of the Group at global level; • deep centralization of the Group's governance that could also lead to new internal frictions on the people management side (including CSR topics as human rights, diversity and inclusion). Please refer to People Management risk in this Section.	Since the last Shareholders' Meeting, EssilorLuxottica defined a clear governance model with limited or no duplication of key positions along with a clear definition of roles and responsibilities and also implemented common guidelines. The Group appointed an Integration Committee to facilitate the combination process and manage possible deadlocks. Thanks to this organization, all blocking points identified within significant business decisions have been managed without creating delays or dead ends. When making strategic business decisions, alignment with a long-term perspective is made globally between the Group's businesses. Measures already implemented are creating a common and integrated Group that shares the same values and culture, combining the different cultures of the three different companies becoming one. EssilorLuxottica has implemented initiatives to create a common identity and related corporate culture for the Group. In these regards, EssilorLuxottica has also delivered new unified policies and procedures to enforce its integrated identity. Moreover, current experience has shown that the parties have been able to overcome differences in any significant business decision and successfully address relations with third parties. The governance has been clarified and the Group can now move forward. However, it still needs to stay vigilant on creating a new corporate culture that everyone accepts and acknowledges. This evolution is natural for a company of its size and therefore should not be rushed. The Group is determined to continue making an effort to adjust the organization to the business needs.

Compliance & Litigation Risks

Data Privacy

Risk Factors	Risk Details	Mitigation Measures
Data Privacy **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤➤➤	Considering the number of new data protection regulations over the last years, together with the increased number of partnerships, new businesses and products implying the processing of personal data, data privacy and data protection remain an eminent and sustained risk that can affect production, sales and reputation. Indeed, the most advanced countries have strengthened their regulation recently and got resources to enforce new strengthened guidelines (such as cookies). The risk must also now be assessed considering the adoption of increasingly protective laws setting stricter ground rules to limit or control international cross border data transfers in the countries where EssilorLuxottica is operating. The different approaches that countries have (even within the EU), with regards to privacy legal frameworks and their interpretation by Data Protection Authorities, risks to generate gaps in the implementation of processes and commercialization of products or services managed centrally. Considering the merging and acquisitions of new companies and taking also into account the retail business expansion to new countries, EssilorLuxottica is therefore exposing itself to a growing number of these regulatory issues. Those risks could impact not only EssilorLuxottica's core business but also its internal organization (HR data) and its daily operations. The risk of exposure is increased by the variety and complexity of the IT systems as well as the personal data managed by EssilorLuxottica and the data sharing process within the Group, especially in the context of integration between Essilor and Luxottica and now GrandVision. This issue becomes even more critical as the Group increasingly processes/collects personal health data and sometimes even biometric data. In the event of inadvertent disclosure or unauthorized use of consumers' personal data, the Group's exposure could therefore be very significant. The aforementioned complexity and the increasing cyber security threats are also exposing the Group to potential data breaches that need to be deeply investigated, and are, in accordance with the laws, likely to be notified to the authorities and sometimes to the data subjects. Therefore, the Group is exposed to financial risks (fines by authorities in case of breach, that might be up to the 4% of the global annual turnover of the Group) but also to reputational risks on the market as well as sustainability risks, as more and more rating agencies consider data protection and privacy as major key performance indicators for sustainability issues.	The Group is taking this risk very seriously and regularly devotes resources to the protection of its clients and employees' 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's Compliance department has created a Privacy Office specifically dedicated to privacy (including the appointment of Data Protection Officers) with central monitoring and local correspondents. A privacy compliance program has been developed. It aims at contributing to the integration of a compliance by design approach and to the protection of personal data processed by the Group or by its suppliers in accordance with all applicable regulations. This includes the definition of privacy policies and procedures (e.g. privacy statement, privacy notices, data breach policy, cookies banners, etc.), the deployment of training and awareness programs to enhance the privacy culture of Group employees and the support to business teams across the world to ensure they include privacy by design when implementing new projects. The Compliance Department also supports business in establishing response systems to information requests from data subjects and in preventing and reacting to possible data breaches. Internal communication is key in this process and has been reinforced to disseminate the privacy culture across the entire organization. When launching new products or services (*e.g.* teleoptometry, Ray-Ban Stories, apps), EssilorLuxottica considers principles of data protection by design and data protection by default but also the way the Group or its business partners process personal data. Such actions are fundamental as any failure could lead to severe consequences such as being expelled from certain markets. Furthermore, EssilorLuxottica regularly discusses and collaborates with Data Protection Authorities. Such collaborations may include the launching of various initiatives such as data privacy awareness campaigns.

Antitrust

Risk Factors	Risk Details	Mitigation Measures
Antitrust **Severity:** ▲▲ **Impact:** ●● **Likelihood:** ■■ **Velocity:** ➤➤	The combination process and the different acquisitions (in particular of GrandVision) have increased the Group's size and global visibility. Hence attention over the Group has grown, especially by third parties as competitors, antitrust authorities, external stakeholders and the media. The acquisition of GrandVision, a global leader in optical retail, represents an important milestone for the Company and a significant step toward unlocking its full potential. All regulatory green lights were obtained by mid-2021 (esp. that of the European Commission in March 2021). Since December 20, 2021, EssilorLuxottica holds approximately 99.84% of the share capital of GrandVision and a squeeze out procedure is ongoing. Due to the Group's newly acquired size, some competitors are attempting to have EssilorLuxottica more heavily monitored by regulatory authorities. As a result, the Group may be exposed to increased antitrust concerns. There also remains a risk for the Group to be seen as taking an unfair advantage thanks to its current position on the market. Negative opinion from antitrust authorities may hinder the Company to pursue specific strategic initiatives. In China, the Group is under the anti-trust scrutiny and had to make concessions to get clearance from the Chinese anti-trust authority as part of the combination between Essilor and Luxottica. This annual exercise marked the third year of monitoring and the two previous ones have gone off without a hitch. Similar concessions have been made in Turkey in connection with the Essilor-Luxottica combination and the GrandVision acquisition. 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 reviewing a global antitrust policy stating principles for conducting business in compliance with antitrust regulations. To address the competition concerns identified by the European Commission in connection with the GrandVision acquisition, EssilorLuxottica offered to divest part of its retail operations in Italy, Belgium and the Netherlands, countries in which the Commission had competition concerns. Anti-trust consideration is actively managed within business decisions and strongly built into processes. To ensure that M&A operations and commercial practices are compliant with antitrust laws and regulations, EssilorLuxottica performs preventive antitrust related investigations with the support of multiple specialized international advisors.

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. The risk is exacerbated by the new complexity and current large footprint of EssilorLuxottica that increase the Group's exposure to government scrutiny and competitors/third parties. Any current or future material litigation may have significantly negative consequences on the financial situation and reputation of the Group. **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 December 31, 2021 the outstanding amount to be recovered is 108 million USD approximately, before insurance and further recovery. • Although many fraud attempts were thwarted, the economic recession caused by the 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 and its Rapport on July 27, 2021 alleging certain anti-competitive practices, and EssilorLuxottica defending its rights. The final oral hearing took place on December 9, 2021. 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. Following long proceedings, a final Rapport issued on March 2, 2020, and final oral hearing on January 13, 2021, EssilorLuxottica was sentenced by the French competition authority to a €125 million fine on July 22, 2021 on the account of cartel practices. EssilorLuxottica has appealed this decision on September 10, 2021, and remains confident that it will successfully demonstrate that the decision is wrong both from a factual and a legal perspective. Accordingly, no provisions have been booked in this respect. **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. The Group is currently under an investigation initiated in 2021 and in 2022 by the Turkish and Greek Competition Authorities, respectively, in relation to local commercial practices.	EssilorLuxottica addresses all claims, arbitrations and litigation proceedings through specialized resources (internal and external). EssilorLuxottica provides training sessions to its employees to comply with its legal and regulatory obligations. 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 €222 million as of December 31, 2021, compared to €158 million as of December 31, 2020.

Risk Factors	Risk Details	Mitigation Measures
	Class actions Despite EssilorLuxottica's effort to be compliant with all various regulations and the care taken in the manufacture of its products, EssilorLuxottica may remain exposed to class action risk due to its wide footprint and complexity, which has been enriched by the GrandVision acquisition. Such risk may also concern the Group's subsidiaries or Joint Ventures. 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** Due to its global leadership position, EssilorLuxottica is regularly subject to claims or lawsuits initiated by third parties (including patent trolls or Non-Practicing Entities).	

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 due to its large footprint These laws and regulations, including but not limited to labor laws, anti-corruption laws, anti-money laundering laws, trade sanctions, competition laws, sourcing restrictions on materials, and health, safety and environmental regulations may vary from country to country and are continuously evolving. The presence of joint ventures with a certain level of operational autonomy and the small size of some of the Group's entities may represent additional risks. The combination and the acquisition of GrandVision have enhanced the Group's complexity and exposure, possibly leading EssilorLuxottica to 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's business include: trade compliance, anti-corruption (Sapin II 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 entities. The scope of applicable laws and regulations is also evolving, implying an increasing responsibility of EssilorLuxottica over its value chain and third party's business 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 Group's complexity may increase difficulties 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. Finally, investor and media sensibility over CSR reporting, considering the disclosure requirement provided by the EU Green Deal and the EU Directive on non-financial information, is continuously and steadily increasing. Thus, unclear and inadequate external communication, especially with regard to CSR topics, could not only lead to difficulties in fully understanding the published data, but could also prevent the Group from properly meeting stakeholder expectations. For more information on corruption, human rights, health and safety and environmental subjects, see Chapter 5 of this Universal Registration Document.	EssilorLuxottica has implemented and is continuously improving and adapting its procedures and compliance programs to facilitate compliance with applicable laws and regulations. It includes, among other features: • dedicated compliance teams working closely with internal audit and internal control teams and reporting regularly to the senior management, the Group Audit Committee and the Board of Directors of the actions taken; the compliance team comprises of compliance counsels at the corporate level and of regional compliance officers; • regulatory monitoring at central and local level; • effective and risk-based compliance programs - inter alia, the Group is conducting an anti-corruption risk assessment in accordance with Sapin II Act to update its previous risks assessments and take into account the integrated Group activities into its policies, code of ethics and training programs and generally for the prevention, detection and remediation actions required by Sapin II law; • continuous improvement of policies and procedures to take into account statutory requirements and evolutions of the Group; • creating a culture of compliance within the Group through trainings (e-learning, virtual classes, webinars, in-person trainings where possible) by way of using the Group's dedicated training platform "Leonardo" (personal data protection, anti-corruption, trade sanctions, human rights, etc.); • regular controls and audits carried out by internal audit and internal control teams or external parties and followed by the implementation of corrective measures. • EssilorLuxottica is committed to continuously developing and strengthening 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); • establishment and implementation of a whistleblowing system enabling the reporting of compliance alerts; • 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. The Group relies on the standards that EssilorLuxottica has defined and requests suppliers to adhere in the areas of ethics, labor, health, safety and the environment. Major supplier 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. Finally, the Group has already started to work with the new GrandVision teams to enable alignment of practices and thus facilitate the full integration of GrandVision into the Group's overall compliance policies. For more information, see Chapter 5 of this Universal Registration Document.

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. Additionally, with the continuous uncertainty that the pandemic is still causing, such changes may also concern government modifying the requirements for obtaining certain potential tax benefits like tax payments postponements, tax credits. Relevant tax authorities in countries where EssilorLuxottica operates are regularly reviewing their income tax returns. There can be no assurance that possible future examinations will not materially adversely affect the Group business, results of operations, financial condition and prospects.	The EssilorLuxottica Group Tax Team 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 is part of the Cooperative Compliance program with the Italian Revenue Agency that includes, *inter alia*, the possibility for the Company to request clarifications in advance on uncertain fiscal regulation to the Italian Revenue Agency. GrandVision N.V. is already part of the Dutch horizontal tax monitoring program. EssilorLuxottica Group Tax Team promotes, when applicable, the access to similar programs in the countries in which it operates.

1.7 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 internal control systems in place at Essilor, Luxottica and GrandVision level, 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 and, more precisely, with the "Reference framework for risk management and internal control system" published by the AMF in 2010. The integration of those internal control systems is currently ongoing, considering the specific nature of risks of the combined Group (see information on the risk factors in Section 1.6).

1.7.1 The Company risk management process

EssilorLuxottica has developed and adopted an Enterprise Risk Management (ERM) framework defining:

- a Group Risk Model, which clusters risks into five categories (external, strategic, operational, financial and compliance/ litigation);
- an assessment methodology based on the impact, the likelihood and the velocity of each risk;
- an assessment of risks related to sustainability performance (so called "CSR risks") discussed in Chapter 5 of this Universal Registration Document.

In 2021, EssilorLuxottica has performed its risk assessment, based on the Group 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. In 2021, GrandVision performed its own risk assessment relying on the same three pillars described above. The results of this risk assessments were integrated in the identified risk factors for the Group, in terms of nature and mitigation actions.

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.

1.7.2 The Company's internal control objectives

The risk management of EssilorLuxottica and the internal control frameworks implemented within the Group 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.

1.7.3 Organization of internal controls

The internal control systems implemented within the Group are 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.

1.7.3.1 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…);
- 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.

EssilorLuxottica internal control department, has managed the process of self-assessment relying on the "Minimum Control Standards" (MCS) guide and the Essential Control Policy over newly acquired entities which document the main controls that these assessed entities must have in place. Moreover more controls were designed and their effectiveness tested through both specific "risk and control matrices" and specific audit projects on controls/processes with direct impact on financial reporting. In 2021, Group Internal Control has initiated a global review and updates, as necessary, of the Group rules and MCS starting with Procure to Payment, Inventory, Merge & Acquisition processes. These actions will continue in 2022.

In addition, as part of the year-end closing process, the Group entities must either sign an Internal Representation Letter or a Director's Attestation, which discloses the compliance of all the consolidated entities with the accounting principles of EssilorLuxottica group in the context of preparation and production of financial statements.

All of these activities are aimed at the continuous improvement of the internal control system.

A set of corporate policies and procedures have been implemented at EssilorLuxottica level. Other policies and procedures are also implemented 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 Chief Financial Officer of EssilorLuxottica:

Group Internal Control

During 2021, Essilor's and Luxottica's Internal Control departments have been unified in one team. Main focus of controls are on the finance area. Several initiatives have been started in 2021 combining methodologies and best practices of Essilor and Luxottica, such as development of specific tools to continuously monitoring key controls related to payment and cash management processes, control testing on the financial statement closing process including balance sheet reconciliations, strengthening of the reporting line of the Regional Internal Control Departments to the Heads of Internal Control and Corporate Team. The aim is to focus on reinforcing controls and suggesting remedies in the finance area to prevent and detect potential fraud, and also to contribute to the continuous enhancement of the quality of the financial information reported. Moreover, following the acquisition of GrandVision, EssilorLuxottica shared the Minimum Control Standard and Self-Assessment requirements with the acquired entity with the aim to create in 2022 a unique set of control for the whole Group.

Group Accounting and Consolidation

The EssilorLuxottica consolidation team (the "Group consolidation team") is responsible for the preparation of the consolidated financial statements of EssilorLuxottica, including the coordination of the consolidation teams at Essilor, Luxottica and GrandVision ("Sub consolidation teams"). The Group consolidation team issues instructions to the Sub consolidation teams 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 that 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 first and then at Group level.

EssilorLuxottica consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union, based on reporting packages submitted by each Group subsidiary. 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.

Group and Regional Treasury Departments of EssilorLuxottica 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, and coordinates projection phases (forecasts and budget).

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.

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

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

(iv) 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 reported 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 define their audit strategies.

1.7.4 Internal Audit department

The goal of the Internal Audit department at 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 matching the Group's footprint.

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 2022 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 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 impacted also during 2021 the execution of the Audit Plan in the different regions. 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 the regions to ensure an adequate and balanced coverage. The adjustments to the 2021 audit plan have been reviewed by the Audit and Risk Committee during the year and subsequently approved by the Board of Directors when necessary. The Internal Audit Department executed and completed the 2021 approved plan.

The Internal Audit Department of GrandVision (listed on Euronext Amsterdam until January 10, 2022) has carried out periodical alignment meetings with the Group Internal Audit Department since July 2021. The 2022 Internal Audit Plan for EssilorLuxottica incorporates Internal Audit activities in GrandVision.

The results of the Internal Audit activities are periodically reported to the Audit and Risk Committee and to senior management, allowing the Group 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.

2

Chapter 2

EssilorLuxottica in 2021

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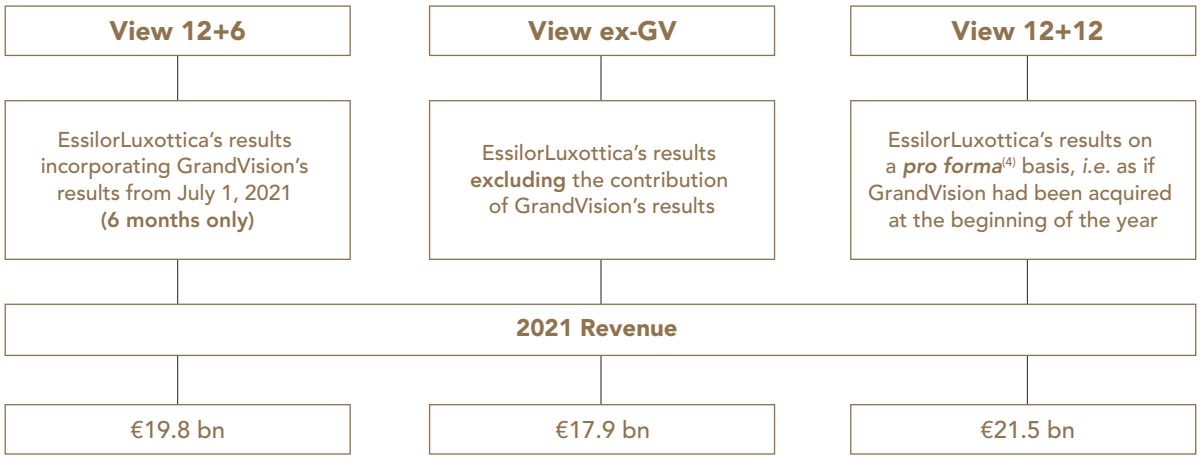
IN BRIEF



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 relevant comparative year.
2. **Adjusted measures or figures:** adjusted from the expenses or income related to the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition" or "GV Combination") 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.
3. **Comparable (revenue):** comparable revenue includes, for all periods presented, the contribution of GrandVision's revenue to EssilorLuxottica as if the combination between EssilorLuxottica and GrandVision (the "GV Acquisition" or "GV Combination"), as well as the disposals of businesses required by antitrust authorities in the context of the GV Acquisition, had occurred on January 1, 2019. Comparable revenue has been prepared for illustrative purpose only with the aim to provide comparable information.
4. ***Pro forma:*** *pro forma* information as presented in the Unaudited *Pro Forma* Consolidated Financial Information. The 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. That information does not take into account the results of operations and financial condition that EssilorLuxottica would have achieved if the acquisition of GrandVision had actually been realized on January 1, 2021; there can be no assurance that the assumptions used to prepare the Unaudited *Pro Forma* Consolidated Financial Information are accurate in all respects or that the result disclosed in the Unaudited *Pro Forma* Consolidated Financial Information are indicative of the future performance of EssilorLuxottica. As a result, EssilorLuxottica's performance in the future may differ materially from that presented in the Unaudited *Pro Forma* Consolidated Financial Information. For a reconciliation between adjusted *pro forma* measures and their most comparable measures reported in the IFRS consolidated financial statements, please refer to the reconciliation table provided in Section 4.3 of this Universal Registration Document.
5. **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. For each geographic area, the calculation applies the average exchange rate of the prior period to both periods.

As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component.

2.1 Significant events of the year

Strong recovery in 2021

The fourth quarter represented the culmination of the Company's extraordinary recovery in 2021, where each quarter beat the previous one in terms of comparable[3] revenue growth *versus* 2019. Rising Covid-19 vaccination levels, the underlying favorable macro-economic environment and the Company's focus on a smooth execution of its value proposition in both channels underpinned the rampant growth trajectory. A slight headwind from the Omicron variant in December did not alter the positive results.

During 2021, EssilorLuxottica continued to bring new innovations to the market, with ground-breaking products such as Ray-Ban Stories, along with cutting-edge vision correction and protection solutions.

Among key newness in optical, the Stellest lenses, rolled out to France and Italy, stood out as an excellent solution for slowing the progression of myopia in children. The launch of Transitions XTRActive new generation and polarized lenses and Vision-S 700, the state-of-the-art immersive refraction station, showed further strength in the Company's innovation pipeline.

The Company was able to translate the revenue growth into substantial margin expansion, leveraging on its vertically integrated business model and deploying effective cost control measures especially on the selling and general and administrative side. In the second part of the year, the Company released some important investments focused on the digitalization of the business, growing the awareness of its flagship brands as well as supporting its new initiatives, such as Ray-Ban Stories.

Detailed information on the Company performance in 2021 is provided in the dedicated sections.

Acquisition of GrandVision

Rationale for the acquisition

GrandVision N.V. ("GrandVision") is a leading global optical retailer with more than 7,200 stores worldwide (with a strong presence in Europe) and a growing online presence. GrandVision offers customers expert eyecare services along with a large selection of unique and stylish prescription eyeglasses, sunglasses, contact lenses and eyecare products.

The combination of EssilorLuxottica and GrandVision ("GV Combination" or "GV Acquisition") will serve as a catalyst to unlock the underlying growth potential of the eyewear and eyecare industry. The activities of both companies are highly complementary. Further complementing EssilorLuxottica's scope of activities, while maintaining its open business model, the transaction also brings under the same roof GrandVision's 125 years of experience and success in putting the customer at the center of its business. Additionally, it gives EssilorLuxottica an opportunity to strengthen its direct-to-consumer business, benefiting from GrandVision's technologies, competencies and human capital that have made it a success.

Expanding its retail operations, while maintaining strong wholesale distribution, EssilorLuxottica increases its capacity to drive consumer engagement more effectively, to raise the standard of in-store experience, resulting in more regular eye exams, up-to-date prescriptions and an increased availability of multiple tailored vision care products to meet all of their vision and style needs.

At the same time, GrandVision benefits from EssilorLuxottica's outstanding product innovation, manufacturing and commercialization, integrated IT system, brand portfolio, state-of-the-art supply chain, talent development and digital tools and expertise to foster a closer and increasingly omnichannel relationship with GrandVision's more than 150 million consumers around the world.

EssilorLuxottica and GrandVision share common values and are both committed to delivering superior eyecare and eyewear to more people globally. The companies share a deep and century-long interest in doing business in a way that benefits all stakeholders, including customers, employees, shareholders, business partners, suppliers, and the communities in which they are present.

Antitrust approvals

In 2019 and 2020, the proposed acquisition of GrandVision by EssilorLuxottica announced on July 31, 2019 (the "Proposed Acquisition") was unconditionally cleared by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil. In the first semester of 2021, the Proposed Acquisition was cleared by the remaining antitrust authorities:

- 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);
- on April 9, 2021, the Chilean market regulator FNE (*Fiscalía Nacional Económica*) cleared the Proposed Acquisition following the commitment to divest GrandVision's Chilean operations under the banner Rotter Y Krauss; and
- on June 10, 2021, the Turkish Competition Authority (TCA) gave its clearance after EssilorLuxottica made certain behavioural commitments with regards to the conduct of its business in Turkey.

With the conditional approval of the Turkish Competition Authority, all regulatory approvals for closing of the Proposed Acquisition were obtained.

Divestment agreed with the European Commission

On December 17, 2021, EssilorLuxottica, GrandVision and Vision Group, one of the largest distribution networks for Italian opticians and a retail player under the VisionOttica banner, announced that they entered into an agreement for Vision Group to acquire the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country.

On December 23, 2021, EssilorLuxottica, GrandVision and the Optic Retail International Group BENE, a member of MPG Austria ("ORIG/MPG"), announced that they entered into an agreement for ORIG/MPG to acquire 142 EyeWish stores in the Netherlands and 35 GrandOptical stores in Belgium.

Both transactions followed the commitments agreed upon with the European Commission on March 23, 2021 in the context of the acquisition of GrandVision. Moreover, both agreements also provide for transitional agreements to support the business continuity of the divested perimeters following the implementation of the corresponding transaction.

Completion of those transactions is subject to the approval of the European Commission, as part of the commitments' procedure. Both transactions are expected to close in the first semester of 2022 (see paragraph *Subsequent events*, Section 2.7).

Closing of the transaction and subsequent steps

On July 1, 2021, EssilorLuxottica completed its acquisition of a 76.72% ownership interest in GrandVision from Hal Optical Investments B.V. ("HAL"), a wholly-owned subsidiary of HAL Holding, pursuant to the block trade agreement entered into with HAL on July 30, 2019 (the "BTA").

As a result of the completion of the transaction contemplated by the BTA, EssilorLuxottica acquired "predominant control" (*overwegende zeggenschap*) over GrandVision and was under an obligation to launch a mandatory public offer for all outstanding shares in GrandVision, in accordance with the applicable Dutch public offer rules.

On September 7 and 20, 2021, EssilorLuxottica acquired, respectively, 16,902,305 and 8,431,388 GrandVision ordinary shares from multiple shareholders represented each time by a single broker. Those shares were acquired at the same price paid by EssilorLuxottica under the BTA, *i.e.* €28.42 per share paid in cash (€720 million in total).

On October 7, 2021, EssilorLuxottica and GrandVision jointly announced the launch of the recommended mandatory public offer to all holders of GrandVision's ordinary shares at an offer price of €28.42 per share in cash (the "Offer"). The Offer was unanimously supported and recommended by GrandVision's Boards.

The Offer acceptance period began on October 8, 2021 and ended on December 3, 2021. During the acceptance period, 33,225,412 GrandVision's ordinary shares have been tendered under the Offer, representing an interest of approximately 13.06% in GrandVision's share capital and an aggregate value of approximately €944 million (settled in cash on December 8, 2021).

A post-acceptance period was launched on December 7, 2021 ending on December 20, 2021. During the post-acceptance period, 268,744 GrandVision's ordinary shares have been tendered under the Offer, representing an interest of approximately 0.11% of the issued share capital of GrandVision and an aggregate value of approximately €8 million (settled in cash on December 23, 2021).

At the end of the Offer EssilorLuxottica directly held 254,031,577 ordinary shares of GrandVision, representing 99.84% of GrandVision's share capital, 99.89% of the issued and outstanding shares of GrandVision.

Having acquired more than 95% of the issued and outstanding shares of GrandVision, EssilorLuxottica announced its intention to delist GrandVision's shares from Euronext Amsterdam as well as to initiate a compulsory procedure to buy-out the holders of GrandVision's shares that have not tendered their shares under the Offer. In such procedure, initiated on December 22, 2021, any remaining minority shareholders of GrandVision is offered the Offer price, *i.e.* €28.42 per share.

Euronext approved the delisting of GrandVision's shares from Euronext Amsterdam, which took place on January 10, 2022 (last trading day on January 7, 2022).

Change in management and in the composition of the Board of Directors

During EssilorLuxottica's Annual Shareholders' Meeting that took place on May 21, 2021, shareholders approved all the names of the proposed directors who sit on the new Board of Directors of the Company, including: Mr. Leonardo Del Vecchio, Mr. Francesco Milleri, Mr. Paul du Saillant, Mr. Romolo Bardin, Mr. Jean-Luc Biamonti, Ms. Marie Christine Coisne-Roquette, Ms. Juliette Favre, Mr. José Gonzalo, Ms. Swati Piramal, Ms. Cristina Scocchia, Ms. Nathalie von Siemens and Mr. Andrea Zappia.

On May 21, 2021, during its first meeting, the Board of Directors appointed Mr. Leonardo Del Vecchio as Chairman of the Board of Directors, Mr. Francesco Milleri as CEO and Mr. Paul du Saillant as Deputy CEO of EssilorLuxottica. In the same meeting, the Board of Directors has been informed of the appointment of Mr. Stefano Grassi as the CFO of the Company.

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 CooperCcompanies. CooperCompanies previously held a minority ownership interest in SightGlass Vision and completed its acquisition of SightGlass Vision in January 2021. In March 2022, the joint venture began its operation (see paragraph *Subsequent events*, Section 2.7).

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.

On December 22, 2021, EssilorLuxottica announced the results from the Boost 2021 plan: close to 54,000 eligible employees subscribed in 78 countries, with a very high subscription rate above 65% compared to 62% in 2020. Coverage for this session of the Boost yearly campaign was extended to welcome employee shareholders from five more countries, and new subscribers are now taking part from Bangladesh, Benin, Latvia, Morocco and Ukraine.

As a result, at the end of 2021, nearly 67,000 of the Group's employees in 85 countries were holding a financial stake in the Company, a steady rise up from approximatively 63,000 in 2020 and 56,000 in 2019. In addition, more than 11,000 employee retirees were also shareholders showing their engagement and confidence in the Company. Also on the rise, approximately 20,000 employee shareholders were members of Valoptec, the independent employee shareholder association that supports EssilorLuxottica's values as well as contributes to its governance.

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 and be more".

Agreement to acquire Walman in the US

On March 25, 2021, EssilorLuxottica announced it has entered into an agreement to acquire US based lab network Walman. Walman, which has been a leading partner to vision care practices around the country for more than 100 years, will draw on EssilorLuxottica's focus on product and service innovation to create growth opportunities for the Company.

The US is the largest optical market in the world but there are still significant opportunities. Both the progressive lens and anti-reflective categories as well as developing solutions like Myopia management require resources to grow in this competitive industry. EssilorLuxottica's investment in Walman will allow customers to leverage these existing and future opportunities to grow the market.

Walman has a network of 35 facilities across the US, including prescription lens-finishing labs and hubs for optical instruments and other vision care products. As part of EssilorLuxottica, Walman will continue to serve the market under the Walman brand, delivering the same customer intimacy, service and solutions their customers have come to expect.

EssilorLuxottica closed the acquisition on March 1, 2022 (see paragraph *Subsequent events*, Section 2.7).

Dividend distribution

The Annual Shareholdings' Meeting of EssilorLuxottica held on May 21, 2021 approved the distribution of 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.

The Annual Shareholders' Meeting decided to grant to the shareholders the option to receive their final dividend in newly issued shares at a price of €124.70 per share (so-called scrip dividend). This price corresponds to 90% of the average of the opening prices quoted on Euronext Paris over the twenty trading days preceding the date of the Annual Shareholders' Meeting less the final dividend to be distributed for the financial year ended on December 31, 2020, this total being rounded up to the next euro cent.

The period to opt for payment of the dividend in newly issued shares was open from June 1, 2021, up to, and including, June 14, 2021. At the end of that period, 310,329,574 dividend rights were exercised in favor of the payment of the 2020 final dividend in shares. Accordingly, on June 21, 2021, 2,687,685 new EssilorLuxottica's shares were issued, delivered and admitted to trading on Euronext Paris. Those new share confer the same rights as the existing shares and carry current dividend rights conferring the right to any distribution paid out as from the date of their issuance.

The total cash dividend paid to the shareholders who did not opt for the scrip dividend amounted to €138 million and was paid on the same date, June 21, 2021.

EssilorLuxottica and the FIA reinforce their commitment to promote good vision for safer roads

On July 5, 2021, EssilorLuxottica and the Fédération Internationale de l'Automobile (FIA) announced the renewal of their partnership to raise awareness of the importance of regular eye checks for all road users and, more broadly, to promote good vision for safer roads. Together, EssilorLuxottica and the FIA will roll out a comprehensive plan mobilising public and private stakeholders, and leveraging both innovation and their global reach.

In August 2020, the United Nations General Assembly (UNGA) adopted Resolution A/RES/74/299, proclaiming 2021-2030 as a new "Decade of Action for Road Safety", with the objective of halving the number of road victims by 2030. To achieve this goal, the United Nations (UN) issued a set of recommendations, including a call for countries to implement appropriate, effective and evidence-based legislation on risk factors related to distracted or impaired driving. Adopting measures to ensure good vision for all road users is part of these recommendations. The UN also encouraged Member States to take measures to promote road safety knowledge and awareness among the population through education, training and advertising campaigns, especially among youth, and to share good road safety practice.

EssilorLuxottica is also partnering with national authorities and stakeholders to achieve such results.

EssilorLuxottica challenges the decision of the French Competition Authority against Luxottica

On July 22, 2021, EssilorLuxottica acknowledged that the French Competition Authority (FCA) issued a decision against several eyewear industry players, including Luxottica.

The Authority imposed to Luxottica a €125 million sanction for the group's conduct which took place between 2005 and 2014 in the optical frames and sunglasses sector in France. That decision closed an investigation initiated in 2005 which was considered insufficient by the FCA in 2017.

On September 10, 2021, the Company appealed the decision.

On December 14, 2021, €125 million were transferred to the French Authorities pending the decision on appeal.

EssilorLuxottica firmly believes it has always conducted business according to the highest standard of compliance, always supporting customers, partners as well as the entire market. As such, the Company strongly disagrees with the Authority's decision, considers the sanction groundless and it is confident that it will successfully demonstrate that the decision is wrong both from a factual and a legal perspective.

Share buyback program

On August 31, 2021, 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 2,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from August 31, 2021 up until October 29, 2021.

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 launched this share buyback program in accordance to the 10th resolution approved by the Annual Shareholders' Meeting of May 21, 2021.

New employee representatives appointed to the Board of Directors

On July 30, 2021, EssilorLuxottica announced that two new Board of Directors members, Ms Margot Bard and Mr Sébastien Brown, both employees of Essilor International in France, were chosen by the Group's Works Council to represent the employees at the Company's Board of Directors. Their appointment became effective on September 22, 2021 for a period of three years.

2.2 Consolidated revenue

EssilorLuxottica revenue including GrandVision *versus* 2020 and 2019

As a result of the acquisition of GrandVision described in the paragraph *Significant events of the year*, Section 2.1 (herein after referred as the "GV Acquisition" or "GV Combination"), GrandVision's revenue has been consolidated into EssilorLuxottica since July 1, 2021, *i.e.* for the second half of the year only.

Compared to 2020

€ millions	2021	2020	Change at constant exchange rates[1]	Change at current exchange rates
EssilorLuxottica ex-GrandVision	17,851	14,429	26.2%	23.7%
GrandVision	2,062	—	n.a.	n.a.
Eliminations*	(94)	—	n.a.	n.a.
REVENUE	**19,820**	**14,429**	**39.8%**	**37.4%**

* Intercompany transactions between EssilorLuxottica and GrandVision.

€ millions	Q4 2021	Q4 2020	Change at constant exchange rates[1]	Change at current exchange rates
EssilorLuxottica ex-GrandVision	4,623	4,113	8.7%	12.4%
GrandVision	995	—	n.a.	n.a.
Eliminations*	(39)	—	n.a.	n.a.
REVENUE	**5,579**	**4,113**	**31.9%**	**35.6%**

* Intercompany transactions between EssilorLuxottica and GrandVision.

2020 performance was affected by the Covid-19 pandemic, consequently the Company's net sales performance in 2021 is also presented compared to 2019.

Compared to 2019

€ millions	2021	2019	Change at constant exchange rates[1]	Change at current exchange rates
EssilorLuxottica ex-GrandVision	17,851	17,390	8.0%	2.7%
GrandVision	2,062	—	n.a.	n.a.
Eliminations*	(94)	—	n.a.	n.a.
REVENUE	**19,820**	**17,390**	**19.7%**	**14.0%**

* Intercompany transactions between EssilorLuxottica and GrandVision.

€ millions	Q4 2021	Q4 2019	Change at constant exchange rates[1]	Change at current exchange rates
EssilorLuxottica ex-GrandVision	4,623	4,304	11.8%	7.4%
GrandVision	995	—	n.a.	n.a.
Eliminations*	(39)	—	n.a.	n.a.
REVENUE	**5,579**	**4,304**	**34.7%**	**29.6%**

* Intercompany transactions between EssilorLuxottica and GrandVision.

EssilorLuxottica comparable[3] revenue including GrandVision *versus* 2020 and 2019

To fully appreciate the performance of the Company resulting from the GV Acquisition, comparable[3] revenue has been prepared for illustrative purpose only. Comparable[3] revenue includes, for all periods presented, the contribution of GrandVision's revenue to EssilorLuxottica as if the combination between EssilorLuxottica and GrandVision, as well as the disposals of businesses required by antitrust authorities in the context of the GV Acquisition, had occurred on January 1, 2019.

As mentioned in the previous paragraph, 2020 performance was affected by the Covid-19 pandemic. Consequently, the Company's net sales performance in 2021 is also presented compared to 2019.

Revenue by operating segment

Following EssilorLuxottica's Annual Shareholders' Meeting held on May 21, 2021, the appointed Chief Executive Officer (CEO) decided to review the Group's performance from a different perspective. Moving away from the former operating segment view, which was linked to the legacy of Essilor and Luxottica, the new view considers the Group as a vertically integrated player whose performance is assessed based on its approach to the market (*distribution channel approach*). On one side is the supply of products and services to all third-party professionals of the eyecare industry, and on the other side, the business with a direct relationship with the end consumer.

This new approach has led to the following two new operating segments:

- **Professional Solutions** ("PS"): representing the wholesale business of the Group, *i.e.* the supply of the Group's products and services to all the professionals of the eyecare industry (distributors, opticians, independents, third-party e-commerce platforms, etc.); and
- **Direct to Consumer** ("DTC"): representing the retail business of the Group, *i.e.* the supply of the Group's products and services directly to the end consumer either through the network of physical stores operated by the Group (brick and mortar) or the online channel (e-commerce).

This change has been retrospectively accounted for as of January 1, 2021 and all prior period segment information has been restated to conform to the new presentation.

Compared to 2020

€ millions	2021	2020	Change at constant exchange rates[1]	Change at current exchange rates
Professional Solutions	10,399	8,475	25.1%	22.7%
Direct to Consumer	11,099	9,079	24.2%	22.2%
COMPARABLE[3] REVENUE	**21,498**	**17,555**	**24.6%**	**22.5%**

€ millions	Q4 2021	Q4 2020	Change at constant exchange rates[1]	Change at current exchange rates
Professional Solutions	2,678	2,453	6.2%	9.2%
Direct to Consumer	2,901	2,565	9.9%	13.1%
COMPARABLE[3] REVENUE	**5,579**	**5,018**	**8.1%**	**11.2%**

Compared to 2019

€ millions	2021	2019	Change at constant exchange rates[1]	Change at current exchange rates
Professional Solutions	10,399	10,460	4.9%	-0.6%
Direct to Consumer	11,099	10,521	9.8%	5.5%
COMPARABLE[3] REVENUE	**21,498**	**20,981**	**7.4%**	**2.5%**

€ millions	Q4 2021	Q4 2019	Change at constant exchange rates[1]	Change at current exchange rates
Professional Solutions	2,678	2,625	6.8%	2.0%
Direct to Consumer	2,901	2,600	15.2%	11.6%
COMPARABLE[3] REVENUE	**5,579**	**5,226**	**11.0%**	**6.8%**

Fourth-quarter revenue by operating segment

Professional Solutions

The Professional Solutions division includes the supply of products and services to third-party eyecare professionals, which represents the Company's wholesale business. In the fourth quarter of the year the division's comparable[3] revenue reached €2,678 million, up 6.8% at constant exchange rates[1] compared with the same period of 2019 (+2.0% at current exchange rates).

Performance in all regions was positive at constant exchange rates[1]. North America progressed nicely building on the expansion of key accounts and continuing to exploit the benefits of the EssilorLuxottica 360 initiative. EMEA consolidated its growth trajectory supported by the positive results in the key markets of Italy and the UK as well as Scandinavia and Eastern Europe. Asia-Pacific accelerated thanks to a solid performance in Mainland China and India growing double digits at constant exchange rates[1]. Improved business conditions in Latin America led to a pronounced rebound in the region with sales up double digits at constant exchange rates[1]. EssilorLuxottica's flagship brands underpinned the solid growth of the quarter. Varilux, Eyezen, Crizal and Transitions all posted positive results while Stellest built up a strong momentum in its key market of China. Oakley, Ray-Ban and the luxury brands drove the performance in the frames business.

Direct to Consumer

The Direct to Consumer division includes the sale of products and services directly to end consumers, which represents the Company's retail business, comprised of brick-and-mortar stores and e-commerce platforms. In the fourth quarter the division posted comparable[3] revenue of €2,901 million, up 15.2% at constant exchange rates[1] compared with the same period of 2019 (+11.6% at current exchange rates).

The acceleration in the fourth quarter was led by North America, which was the best performing business for the Group in the period. Comparable[3] revenue in both EMEA and Latin America expanded at double digits at constant exchange rates[1], and the Asia-Pacific region recovered nicely, driven by the key markets of Australia and New Zealand.

Brick-and-mortar comparable-store sales[5] were positive in the mid-single digit, supported by North America up 9%, Latin America and EMEA growing double-digit and single-digit respectively, and Asia-Pacific turning positive in the quarter. The optical and sun categories both contributed to the overall performance, with the main banners – LensCrafters, Target, OPSM and Sunglass Hut – growing from high-single to double digits.

E-commerce revenue grew in excess of 60% at constant exchange rates[1] in the quarter, over 7% of the Company's total turnover, meaningfully accelerating compared to the third quarter. All the main platforms drove the performance, with SunglassHut.com more than doubling, Oakley.com and EyeBuyDirect.com doubling and Ray-Ban.com expanding by more than two thirds.

Full year revenue by operating segment

Professional Solutions

The Professional Solutions division posted comparable[3] revenue of €10,399 million, up 4.9% at constant exchange rates[1] *versus* 2019 (-0.6% at current exchange rates), accounting for 48% of the Company's total turnover.

All regions experienced an acceleration from the first to the second half of the year as the health crisis started to improve on the back of rising vaccination levels. North America grew high-single digit at constant exchange rates[1] and was the growth driver together with Latin America, which consistently stepped up its performance. EMEA and Asia-Pacific grew at a slightly lower pace in the low-single-digit territory. The main brands continued to perform nicely both on lenses, with Crizal, Transitions, Eyezen, Stellest, and frames, led by Oakley and the luxury brands. The optical category progressed steadily, while sun rebounded in the second half of the year.

Direct to Consumer

The Direct to Consumer division posted comparable[3] revenue of €11,099 million, up 9.8% at constant exchange rates[1] *versus* 2019 (+5.5% at current exchange rates), accounting for 52% of the Company's total turnover. After a soft start to the year, negatively impacted by Covid-19 related restrictions, the division experienced a strong recovery, growing double digits at constant exchange rates[1] starting from the second quarter and accelerating further in the fourth quarter.

North America represented the largest and fastest growing region, while the pace in both EMEA and Latin America mirrored the progressive easing in local restrictions. Asia-Pacific was the only region not exceeding pre-pandemic levels in the year, despite Australia expanding mid-single digit at constant exchange rates[1].

Brick-and-mortar comparable-store sales[5] were positive in the low-single digit on a full year basis, with mid-single digit expansion in the second semester more than compensating a slightly negative first half. Pent-up demand and excellent in-store execution drove the performance of the optical business particularly starting from the second quarter, while the sun category accelerated over the second semester.

The e-commerce channel expanded in excess of 60% at constant exchange rates[1], exceeding the €1,500 million threshold in the full year and representing 7% of the Company's total revenue.

Revenue by geographical area

EssilorLuxottica's geographical areas are **North America, EMEA** (*i.e.* Europe, including Turkey and Russia, together with Middle East and Africa), **Asia-Pacific** and **Latin America**.

Compared to 2020

€ millions	2021	2020*	Change at constant exchange rates[1]	Change at current exchange rates
North America	9,868	7,959	27.8%	24.0%
EMEA	7,953	6,588	21.2%	20.7%
Asia-Pacific	2,542	2,156	16.7%	17.9%
Latin America	1,136	852	40.8%	33.2%
COMPARABLE[3] REVENUE	**21,498**	**17,555**	**24.6%**	**22.5%**

* The geographical breakdown of revenue for 2020 has been aligned to the geographical areas identified for 2021 disclosure.

€ millions	Q4 2021	Q4 2020*	Change at constant exchange rates[1]	Change at current exchange rates
North America	2,528	2,229	8.1%	13.4%
EMEA	1,987	1,815	8.6%	9.5%
Asia-Pacific	706	666	2.1%	5.9%
Latin America	359	308	18.4%	16.5%
COMPARABLE[3] REVENUE	**5,579**	**5,018**	**8.1%**	**11.2%**

* The geographical breakdown of revenue for 2020 has been aligned to the geographical areas identified for 2021 disclosure.

Compared to 2019

€ millions	2021	2019*	Change at constant exchange rates[1]	Change at current exchange rates
North America	9,868	9,220	12.7%	7.0%
EMEA	7,953	7,828	3.7%	1.6%
Asia-Pacific	2,542	2,616	-1.6%	-2.8%
Latin America	1,136	1,317	10.4%	-13.8%
COMPARABLE[3] REVENUE	**21,498**	**20,981**	**7.4%**	**2.5%**

* The geographical breakdown of revenue for 2019 has been aligned to the geographical areas identified for 2021 disclosure.

€ millions	Q4 2021	Q4 2019*	Change at constant exchange rates[1]	Change at current exchange rates
North America	2,528	2,285	13.9%	10.6%
EMEA	1,987	1,885	8.2%	5.4%
Asia-Pacific	706	691	1.4%	2.1%
Latin America	359	364	25.1%	-1.3%
COMPARABLE[3] REVENUE	**5,579**	**5,226**	**11.0%**	**6.8%**

* The geographical breakdown of revenue for 2019 has been aligned to the geographical areas identified for 2021 disclosure.

Fourth-quarter revenue by geographical area

North America

North America posted comparable[3] revenue of €2,528 million, up 13.9% at constant exchange rates[1] *versus* the fourth quarter of 2019 (+10.6% at current exchange rates), in line with the third quarter performance.

The Professional Solutions division grew steadily in the quarter, driven by the expansion of the key accounts as well as the solid performance of the independent ECPs channel, also supported by the EssilorLuxottica 360 program. Third-party e-commerce gave the division a significant boost thanks to the growth of its largest hosts. The performance of the lens business was driven by the main premium brands, led by Crizal and Transitions. The frames business was up double digits with Oakley, Ray-Ban and the luxury brands outperforming.

Revenue of the brick-and-mortar retail stores continued to be strong, with comparable-store sales[5] increasing by 9% *versus* the fourth quarter of 2019, driven by a favorable mix on lenses and frames. On the optical side, LensCrafters and Target progressed at high-single digit, while Sunglass Hut continued to outperform with comparable-store sales[5] up in the mid-teens. The e-commerce business increased by approximately 75% with SunglassHut.com being the best performer closely followed by EyeBuyDirect.com, Oakley.com and Ray-Ban.com. EyeMed's revenue continued to grow at record rates, with total membership topping 65 million lives.

EMEA

EMEA recorded comparable[3] revenue of €1,987 million, up 8.2% at constant exchange rates[1] *versus* the fourth quarter of 2019 (+5.4% at current exchange rates), consistent with the third quarter performance.

The Professional Solutions division consolidated the mid-single digit growth pace started in the second quarter, supported by key markets such as Italy and the UK, as well as Scandinavia and Eastern Europe. The optical category grew solidly, driven by flagship lens brands, and with independent ECPs and key accounts emerging as best performing channels. The roll-out of Stellest lenses in the region successfully continued. Sunglasses further consolidated the healthy recovery started at the end of the second quarter, with Oakley and luxury brands driving the performance.

Brick-and-mortar comparable[3] revenue grew nicely, close to double digits *versus* the fourth quarter of 2019. Sunglass Hut's performance was positive in the period, materially improving in October and November, with all countries growing except for France, while temporarily weakening in December, affected by the introduction of new restrictions. In Italy, Salmoiraghi & Viganò strongly accelerated compared with the third quarter, with comparable-store sales[5] up in the mid-teens. GrandVision's business in the UK continued to grow double-digits at constant exchange rates[1], and banners in both Germany and Northern Europe progressed nicely. In Benelux results in all chains exceeded the pre-pandemic levels. On the other hand, GrandVision's performance in France remained in the negative territory, affected by still weak traffic during the quarter. Brick-and-mortar results in the region were also mildly helped by the Ukrainian banner Optical House, consolidated since January 2020. E-commerce revenue consistently rose double digits, with Ray-Ban.com, Oakley.com and SunglassHut.com being the best performing platforms.

Asia-Pacific

Comparable[3] revenue in Asia-Pacific amounted to €706 million, up 1.4% at constant exchange rates[1] *versus* the fourth quarter of 2019 (+2.1% at current exchange rates), showing a material improvement compared with the previous quarter thanks to the lift of Covid-19 related restrictions, particularly in Australia.

The Professional Solutions division consolidated the growth trajectories started in the third quarter. Mainland China confirmed once again its relevance, driving the overall results in the region, led by premium branded lenses – Eyezen, Crizal, Varilux and Transitions. Myopia management solutions continued to show robust performances, with Stellest lenses supported by a dedicated marketing campaign and widening media coverage. Local brand Bolon expanded nicely, mainly driven by optical products. As for other markets in the region, India confirmed its double-digit growth at constant exchange rates[1], while the performance in both Japan and Korea stabilized. Southern Asia remained in the negative territory, although improving *versus* the previous quarters.

Performance of the brick-and-mortar business materially improved compared with the third quarter, namely in Australia where comparable-store sales[5] at both OPSM and Sunglass Hut turned double-digit positive in November and December. In Mainland China, where the overall retail proposition is progressively evolving, results remained weak, while South-East Asia and Hong Kong continued to suffer from soft tourism flows.

Latin America

Latin American rebounded strongly and became the best performing region posting comparable[3] revenues of €359 million, up 25.1% at constant exchange rates[1] *versus* the fourth quarter of 2019 (-1.3% at current exchange rates) on the back of improved business conditions as the Covid-19 emergency paused in the quarter.

In the Professional Solutions division, Brazil accelerated its growth reaching double-digit rates at constant exchange rates[1], also reaping the benefits of the recently launched EssilorLuxottica 360 initiative. The lens business performed on track with a strong recovery on the frames side pushed by the optical category and a favorable mix towards luxury brands. Ray-Ban and Oakley also grew nicely in the double-digit territory. Mexico continued to perform well in both lenses and frames.

Revenues of the brick-and-mortar stores kept progressing and remained double digits at constant exchange rates[1] compared to 2019. The Brazilian Direct to Consumer business continued to show double-digit sales growth, with the Oakley stores contributing nicely. The performance of Sunglass Hut in the whole region was especially strong, with comparable-store sales[5] above 20%. GMO continued its growth journey from the third quarter with double-digit comparable-store sales[5] thanks to a strong Chile combined with a solid performance in the rest of the countries. The GrandVision network posted solid results on a comparable-store sales[5] basis, only partially impacted by soft trends in the sunglass category.

Full year revenue by geographical area

North America

North America posted comparable[3] revenue of €9,868 million, up 12.7% at constant exchange rates[1] *versus* 2019 (+7.0% at current exchange rates), accounting for 46% of the Company's total turnover.

Flawless execution coupled with a buoyant macro-economic environment delivered consistent double-digit growth starting from the second quarter. Optical continued its sound trajectory while the sun category experienced a distinct come back.

In Professional Solutions, results were driven by key accounts, independents as well as third-party e-commerce. The sport channel also kept performing well as a testimony of Oakley prevailing as a consistent contributor to the overall growth.

The brick and mortar network posted double-digit growth *versus* 2019 with record comparable-store sales[5] in Sunglass Hut and LensCrafters. E-commerce expanded by more than 75% *versus* 2019.

EMEA

EMEA recorded comparable[3] revenue of €7,953 million, up 3.7% at constant exchange rates[1] *versus* 2019 (+1.6% at current exchange rates), accounting for 37% of the Company's total turnover. After a soft start to the year, the region benefited from improving health conditions during the second semester.

The Professional Solutions division slightly exceeded pre-pandemic levels in the full year, growing mid-single digit starting from the second quarter onwards. Italy, Scandinavia and Eastern Europe and Turkey were the best performing areas at constant exchange rates[1] in the year.

Brick-and-mortar comparable-store sales[5] were slightly negative on an annual basis, following a remarkable recovery during the second semester driven by the optical category. The sun business was heavily affected by restrictions in key countries as well as subdued tourism, with more encouraging trends emerging only toward the end of the third quarter. E-commerce revenue consistently rose double digits in the year.

Asia-Pacific

Comparable[3] revenue in Asia-Pacific amounted to €2,542 million, down 1.6% at constant exchange rates[1] *versus* 2019 (-2.8% at current exchange rates), accounting for 12% of the Company's total turnover. The region was the only one not exceeding the pre-pandemic levels on a full year basis, being heavily affected by Covid-19 related restrictions during the second and third quarters.

The Professional Solutions division grew low-single digit at constant exchange rates[1] in the year, experiencing a nice growth trajectory throughout all quarters except for the second one, which was softened by restrictions in the Indian market. China drove the overall divisional results, representing the largest and fastest growing country in the region.

The brick-and-mortar business dragged down the overall regional performance, remaining in negative territory during the entire 2021. Australia and New Zealand stood out, growing mid-single digit at constant exchange rates[1] in the year, and only partially counterbalancing softer trends in other countries.

Latin America

Latin America posted comparable[3] revenue of €1,136 million, up 10.4% at constant exchange rates[1] *versus* 2019 (-13.8% at current exchange rates), accounting for 5% of the Company's total turnover.

During the second half of the year, Latin America recovered strongly delivering double-digit sales growth thanks to a more upbeat business environment as the health crisis was easing. The two divisions grew at a fairly similar pace consistently accelerating from the second quarter onwards. Brazil as the largest market in the region kept gaining momentum and turned out to be the best performer in the region.

2.3 Statement of profit or loss and Alternative Performance Measures

EssilorLuxottica condensed consolidated statement of profit or loss

€ millions	2021	2020*	Change
Revenue	19,820	14,429	37.4%
Cost of sales	(7,589)	(6,242)	21.6%
Gross profit	**12,231**	**8,187**	**49.4%**
% of revenue	*61.7%*	*56.7%*	
Total operating expenses	**(9,905)**	**(7,735)**	**28.1%**
Operating profit	**2,326**	**452**	**414.8%**
% of revenue	*11.7%*	*3.1%*	
Profit before taxes	**2,200**	**313**	**603.9%**
% of revenue	*11.1%*	*2.2%*	
Income taxes	(587)	(164)	257.9%
Effective tax rate	*26.7%*	*52.4%*	
NET PROFIT	**1,613**	**149**	**985.4%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,463**	**85**	**1630.8%**

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the twelve-month period ended on December 31, 2020.

As a consequence of the combination between EssilorLuxottica and GrandVision (occurred on July 1, 2021), the Company's performance shown for 2021 includes GrandVision's results of the second half of the year as well as all the effects resulting from the combination accounting. The comparability of the financial information presented for 2021 and 2020 is therefore affected. Moreover, Covid-19 pandemic had a significant negative impact on the Company's results in 2020, while 2021 showed a solid return to growth.

- *Revenue* increased by 37.4% compared to 2020, however the comparison with 2020 is not relevant considering the effects of the Covid-19 pandemic and the consolidation of GrandVision's revenue in the second semester of 2021 (amounting to approximately €2.1 billion); accordingly the Group's *net sales performance* is commented *versus* 2019 as well as on a comparable[3] basis in the paragraph *Consolidated revenue*, Section 2.2.
- *Cost of sales* increased as a direct consequence of the rebound of the business activities and the consolidation of GrandVision (contributing for approximately €0.6 billion, of which €36 million related to the non-recurring reversal of the fair value step-up on inventories recognized in the context of the GV Combination). Moreover, in 2021, significant restructuring costs were accrued, mainly linked to reorganization projects aiming at rationalizing the lenses laboratories footprint as well as at increasing the Group's operational and organizational efficiency (see comments in the paragraph *Adjusted measures*).
- *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 €720 million in 2021 *versus* approximately €740 million recorded in 2020). GrandVision contributed to the Group performance for approximately €1.3 billion, including €93 million related to the amortization of new intangible assets recognized as part of the GV Combination.
- *Net profit* significantly increased to €1,613 million from €149 million reported in 2020, reflecting the solid return to growth after the severe contraction of the Company's activities caused by the Covid-19 pandemic in 2020.

EssilorLuxottica Alternative Performance Measures (APM)

Due to the structure of 2021 consolidated statement of profit or loss (which integrates GrandVision's contribution starting from July 1, 2021) management deemed relevant to present EssilorLuxottica Alternative Performance Measures under the three views described below.

Views	Content
1. EssilorLuxottica - View 12m+6m	Statement of profit or loss directly stemming from IFRS consolidated financial statements, therefore reflecting the contribution of GrandVision for 6 months only
2. EssilorLuxottica - View excluding GrandVision	Statement of profit or loss directly stemming from IFRS consolidated financial statements where the contribution of GrandVision has been excluded
3. EssilorLuxottica - View *pro forma*	Statement of profit or loss *pro forma*[4], therefore reflecting the contribution of GrandVision for 12 months as if the GV Acquisition had occurred on January 1, 2021

1. EssilorLuxottica - View 12m+6m

Reconciliation with adjusted[2] measures

€ millions	EssilorLuxottica 2021	Adjustments related to PPA impacts	Other non-GAAP adjustments	EssilorLuxottica 2021 Adjusted[2]
Revenue	19,820	—	—	19,820
Cost of sales	(7,589)	38	53	(7,499)
Gross profit	**12,231**	**38**	**53**	**12,321**
% of revenue	*61.7%*			*62.2%*
Total operating expenses	**(9,905)**	**737**	**126**	**(9,042)**
Operating profit	**2,326**	**775**	**178**	**3,279**
% of revenue	*11.7%*			*16.5%*
Cost of net debt	(111)	(0)	—	(112)
Other financial income/(expenses)*	(15)	—	—	(15)
Profit before taxes	**2,200**	**774**	**178**	**3,152**
% of revenue	*11.1%*			*15.9%*
Income taxes	(587)	(149)	(58)	(794)
NET PROFIT	**1,613**	**625**	**120**	**2,358**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,463**	**625**	**118**	**2,206**

* Including *Share of profit of associates.*

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 Company 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"), the acquisition of GrandVision (the "GV Acquisition" or "GV 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 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 ultimately reconciled to their most comparable measures reported in the consolidated statement of profit or loss.

In continuity with 2019 and 2020, in 2021 adjusted measures exclude: (i) the incremental impacts of the purchase price allocations related to the EL Combination and the GV Acquisition ("*Adjustments related to PPA impacts*"); 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 ("*Other non-GAAP adjustments*"). These Other non-GAAP adjustments are described below.

- Non-recurring *Cost of sales* for €53 million of which (i) approximately €50 million mainly related to restructuring and reorganization projects aiming at rationalizing the lenses laboratories footprint and the distribution network to increase the Group's operational and organizational efficiency, and (ii) €2 million corresponding to the expenses related to share-based plans granted in the context of the EL Combination to employees working for operations activities (Luxottica's restricted shares plan (LTI), vested in March 2021, and other Essilor's plans).
- Non-recurring *Selling* expenses for €70 million associated with:
  - impairment losses and write-off for approximately €51 million, of which €38 million resulting from the decision to progressively converge toward a common IT platform for Direct to Consumer business of the Group;
  - restructuring projects in EMEA and North America as well as selling costs related to the rationalization of the distribution activities in France, for approximately €18 million in total; and
  - expenses related to share-based payments for about €1 million.
- Non-recurring *Advertising and marketing* expenses for approximately €2 million.
- Non-recurring *General and administrative* expenses for €114 million associated with the following impacts:
  - severances for approximately €11 million, mainly related to key management personnel;
  - costs associated with restructuring projects for approximately €28 million, including impairment losses for approximately €11 million;
  - a positive effect of €8 million resulting from the release of a contingent liability (recognised in the context of the EL Combination) related to a litigation involving a subsidiary of the Group;
  - expenses related to share-based payments for about €5 million linked to share-based plans granted in the context of the EL Combination (Luxottica's restricted shares plan (LTI) vested in March 2021 and other Essilor's plans);
  - non-recurring expenses related to M&A projects for €52 million mainly linked to the transaction costs incurred in connection with the acquisition of GrandVision and the acquisition of Walman; and
  - other one-off costs incurred by the Group of which (i) approximately €10 million as net negative impact related to significant claims and litigations, (ii) approximately €13 million of other one-off costs linked to integration streams and (iii) approximately €3 million of other non-recurring costs.
- *Other income/(expenses)* are adjusted for a net positive effect of €61 million mainly associated with:
  - the positive effect recorded following the recovery, in the first months of 2021, of misappropriated funds from the EMTC fraud for approximately €62 million;
  - the positive effect resulting from changes in consolidation scope and other non-recurring income, for an aggregate amount of €6 million; and
  - a negative effect of approximately €7 million resulting from the valuation of the business to be disposed according to the remedies agreed with the European Commission in the context of the acquisition of GrandVision.
- *Income taxes* are adjusted for an amount of €(58) million corresponding mainly to the tax effects of the above-mentioned adjustments.

2. EssilorLuxottica - View excluding GrandVision

Due to the structure of 2021 consolidated statement of profit or loss (which integrates GrandVision's contribution starting from July 1, 2021) management deemed relevant to also present and comment the performance of the Company in 2021 excluding GrandVision contribution.

€ millions	EssilorLuxottica 2021 Adjusted[2]	Elimination of GrandVision[2] H2 2021	Reversal of intercompany eliminations	EssilorLuxottica ex-GV 2021 Adjusted[2]
Revenue	19,820	(2,062)	94	17,851
Cost of sales	(7,499)	573	(59)	(6,985)
Gross profit	**12,321**	**(1,490)**	**35**	**10,866**
% of revenue	*62.2%*	*72.2%*		*60.9%*
Total operating expenses	**(9,042)**	**1,205**	**(2)**	**(7,839)**
Operating profit	**3,279**	**(284)**	**33**	**3,027**
% of revenue	*16.5%*	*13.8%*		*17.0%*
Cost of net debt	(112)	11	—	(101)
Other financial income/(expenses)*	(15)	14	—	(1)
Profit before taxes	**3,152**	**(260)**	**33**	**2,925**
% of revenue	*15.9%*	*12.6%*		*16.4%*
Income taxes	(794)	74	(9)	(729)
Effective tax rate	*25.2%*	*28.5%*	*27.6%*	*24.9%*
NET PROFIT	**2,358**	**(185)**	**24**	**2,196**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,206**	**(170)**	**24**	**2,060**

* Including *Share of profit of associates.*

The following paragraphs focus on the performance of the Company excluding GrandVision's contribution, unless otherwise stated.

Adjusted[2] consolidated statement of profit or loss

€ millions	EssilorLuxottica ex-GV 2021 Adjusted[2]	EssilorLuxottica 2020* Adjusted[2]	Change at constant exchange rates[1]	Change at current exchange rates
Revenue	17,851	14,429	26.2%	23.7%
Cost of sales	(6,985)	(6,151)	15.4%	13.6%
Gross profit	**10,866**	**8,277**	**34.2%**	**31.3%**
% of revenue	*60.9%*	*57.4%*		
Research and development	(321)	(294)	10.5%	9.2%
Selling	(4,331)	(3,822)	15.4%	13.3%
Royalties	(174)	(134)	32.7%	30.2%
Advertising and marketing	(1,318)	(1,062)	26.2%	24.1%
General and administrative	(1,700)	(1,577)	9.3%	7.8%
Other income/(expenses)	5	(14)	108.3%	137.4%
Total operating expenses	**(7,839)**	**(6,903)**	**15.6%**	**13.6%**
Operating profit	**3,027**	**1,374**	**127.8%**	**120.3%**
% of revenue	*17.0%*	*9.5%*		
Cost of net debt	(101)	(125)	-18.9%	-19.5%
Other financial income/(expenses)	(5)	(22)	-60.0%	-77.0%
Share of profits of associates	4	1	228.9%	229.6%
Profit before taxes	**2,925**	**1,229**	**146.2%**	**138.1%**
% of revenue	*16.4%*	*8.5%*		
Income taxes	(729)	(360)	109.2%	102.3%
Effective tax rate	*24.9%*	*29.3%*		
NET PROFIT	**2,196**	**868**	**161.5%**	**152.9%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,060**	**788**	**170.7%**	**161.3%**

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the twelve-month period ended on December 31, 2020.

The Covid-19 pandemic had significant negative impacts on EssilorLuxottica's 2020 results affecting business activities and revenues reported in all geographies and business segments, in particular in the first semester of the year.

The financial information presented for the two years (2021 and 2020) is therefore not comparable. Consequently, 2021 performance is commented *versus* 2019.

€ millions	EssilorLuxottica ex-GV 2021 Adjusted[2]	EssilorLuxottica 2019* Adjusted[2]	Change at constant exchange rates[1]	Change at current exchange rates
Revenue	17,851	17,390	8.0%	2.7%
Cost of sales	(6,985)	(6,715)	8.7%	4.0%
Gross profit	**10,866**	**10,675**	**7.7%**	**1.8%**
% of revenue	*60.9%*	*61.4%*		
Research and development	(321)	(296)	10.3%	8.3%
Selling	(4,331)	(4,438)	2.3%	-2.4%
Royalties	(174)	(168)	9.5%	4.0%
Advertising and marketing	(1,318)	(1,240)	11.0%	6.3%
General and administrative	(1,700)	(1,712)	3.7%	-0.7%
Other income/(expenses)	5	(8)	91.4%	163.7%
Total operating expenses	**(7,839)**	**(7,862)**	**4.3%**	**-0.3%**
Operating profit	**3,027**	**2,812**	**16.9%**	**7.6%**
% of revenue	*17.0%*	*16.2%*		
Cost of net debt	(101)	(115)	-11.0%	-12.4%
Other financial income/(expenses)	(5)	(24)	-49.0%	-78.8%
Share of profits of associates	4	(2)	279.0%	270.3%
Profit before taxes	**2,925**	**2,672**	**18.9%**	**9.5%**
% of revenue	*16.4%*	*15.4%*		
Income taxes	(729)	(618)	28.1%	17.9%
Effective tax rate	*24.9%*	*23.1%*		
NET PROFIT	**2,196**	**2,054**	**16.2%**	**6.9%**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,060**	**1,938**	**16.1%**	**6.3%**

* Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the twelve-month period ended on December 31, 2019.

Revenue for the year totaled €17,851 million, an increase of 8.0% at constant exchange rates[1] (+2.7% at current exchange rates).

Adjusted[2] *Gross profit:* +7.7% at constant exchange rates[1] (+1.8% at current exchange rates)

Adjusted[2] *Gross profit* in 2021 ended at €10,866 million, representing 60.9% of revenue *versus* 61.4% in 2019. The gross margin was mostly affected by an adverse exchange rates impact and the increase in logistic costs as a consequence of the fares increase due to the Covid-19 pandemic, largely offset by favourable price/mix effect.

Adjusted[2] *Operating expenses:* +4.3% at constant exchange rates(1) (-0.3% at current exchange rates)

Adjusted[2] *Operating expenses* amounted to €7,839 million, translating to 43.9% of revenue, representing an increase of 4.3% at constant exchange rates[1] (flat at current exchange rates) *versus* 2019. Excluding the exchange rates impact, the Group still benefited from a good cost control of General and administrative expenses that fuelled marketing investments to support the online business strong performance.

The main variances related to *Operating expenses* refer to:

- *Selling* expenses amounting to €4,331 million, a decrease of €108 million compared to 2019, mainly driven by labour and occupancy cost reduction.
- *Advertising and marketing* expenses amounting to €1,318 million, increasing of approximately 11.0%, on a constant exchange rates[1] basis, due to the investments in the online business and in the initiatives aimed at enhancing brand awareness (for Varilux, Stellest, Transitions and other proprietary brands) and supporting the launch of the new Ray-Ban Stories.
- *General and administrative* expenses amounting to €1,700 million, a decrease of €12 million compared to 2019, due to exchange rates impact, savings on discretionary spending and simplification of the organization structure.

Adjusted[2] *Operating profit*: +16.9% at constant exchange rates[1] (+7.6% at current exchange rates)

The Group posted an adjusted[2] *Operating profit* of €3,027 million, representing 17.5% of revenue at constant exchange rates [1] compared to 16.2% in 2019, an increase of approximately 130 basis points.

Adjusted[2] *Cost of net debt, Other financial income / (expenses)* and *Share of profits of associates*

The adjusted[2] *Cost of net debt* decreased to €101 million in 2021 due to lower interests on lease liabilities.

Adjusted[2] *Income taxes*

EssilorLuxottica reported adjusted[2] *Income taxes* of €729 million, reflecting an adjusted[2] tax rate of 24.9% for the full year 2021 compared to an adjusted[2] tax rate of 23.1% in 2019. The main reason for the tax rate increase is the expiration, during the course of 2019, of the Italian Patent Box.

Adjusted[2] *Net profit attributable to owners of the parent*: significantly increased by +16.1% at constant exchange rates[1] (+6.3% at current exchange rates)

3. EssilorLuxottica - View *pro forma*[4]

To fully appreciate the performance of the Company resulting from the acquisition of GrandVision, 2021 *pro forma*[4] information has been prepared as if the GV Acquisition had occurred on January 1, 2021, therefore incorporating the contribution of GrandVision for the whole year (12 months).

Pro forma[4] information has been prepared for illustrative purpose only.

€ millions	EssilorLuxottica ex-GV 2021 Adjusted[2]	GrandVision 2021* Adjusted[2]	Eliminations and other *pro forma* adjustments	EssilorLuxottica *pro forma*[4] 2021 Adjusted[2]
Revenue	17,851	3,902	(256)	21,498
Cost of sales	(6,985)	(1,085)	201	(7,869)
Gross profit	**10,866**	**2,817**	**(55)**	**13,628**
% of revenue	*60.9%*	*72.2%*		*63.4%*
Total operating expenses	**(7,839)**	**(2,341)**	**22**	**(10,157)**
Operating profit	**3,027**	**476**	**(33)**	**3,471**
% of revenue	*17.0%*	*12.2%*		*16.1%*
Cost of net debt	(101)	(27)	0	(128)
Other financial income/(expenses)**	(1)	(15)	—	(16)
Profit before taxes	**2,925**	**434**	**(32)**	**3,327**
% of revenue	*16.4%*	*11.1%*		*15.5%*
Income taxes	(729)	(120)	9	(840)
Effective tax rate	*24.9%*			*25.2%*
NET PROFIT	**2,196**	**314**	**(23)**	**2,487**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,060**	**283**	**(23)**	**2,319**

* Presented excluding the contribution of the businesses disposed / to be disposed according to the remedies agreed with antitrust authorities in the context of the GV Combination.
** Including *Share of profit of associates*.

2.4 Statement of financial position, net debt, cash flows and other non-GAAP measures

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, 2021	December 31, 2020
Goodwill	29,412	22,658
Intangible assets	12,289	10,031
Property, plant and equipment	4,211	3,348
Right-of-use assets	2,930	1,753
Investments in associates	91	17
Other non-current assets	718	374
Fixed Assets	**49,651**	**38,181**
Trade working capital	**2,582**	**2,131**
Employees benefits and provisions	**(1,126)**	**(924)**
Tax receivables/(payables)	(504)	(336)
Deferred tax assets/(liabilities)	(1,956)	(1,470)
Tax assets/(liabilities)	**(2,460)**	**(1,805)**
Other operating assets/(liabilities)	**(3,020)**	**(1,809)**
Assets / (liabilities) held for sale	**69**	**—**
NET INVESTED CAPITAL	**45,695**	**35,774**
EQUITY	**35,997**	**32,798**
NET DEBT	**9,698**	**2,975**

Following the acquisition of GrandVision, EssilorLuxottica's statement of financial position as of December 31, 2021 incorporates GrandVision's acquired assets and assumed liabilities measured at their provisional fair value on the acquisition date (July 1, 2021) and their subsequent movements.

Fixed assets amount to €49,651 million and increased by €11,471 million compared to December 31, 2020. The main categories contributing to this increase are mentioned below.

(i) *Goodwill:* goodwill increased by €6,754 million, of which €5,404 million arising from the acquisition of GrandVision (provisional accounting) and €1,337 million due to foreign currency fluctuations.

(ii) *Intangible assets:* intangible assets increased by €2,258 million as a result of GrandVision joining the scope of consolidation (€ 2,733 million were recognized at of the acquisition date according to the provisional evaluation performed by EssilorLuxottica management), the impact of exchange rate fluctuations (€382 million) as well as additions of the period (for €250 million). These increases were partially offset by the amortization and impairment of the period (€1,128 million).

(iii) *Property, plant and equipment and Right-of-use assets:* the overall increase of the period amounts to €2,040 million, mainly coming from the consolidation of GrandVision's assets (€455 million and €1,200 million respectively as of July 1, 2021), capital expenditure of the period (€883 million) as well as the recognition of new Right-of use assets in connection with lease contracts signed in 2021 (€458 million), counterbalanced by the depreciation and impairment of the period for €1,333 million.

Trade working capital (*i.e.* the sum of inventories, trade receivables and trade payables) increased by €450 million compared to December 31, 2020, following, on one side the integration of GrandVision's trade working capital, while on the other side to the rebound of the business activities as well as the effects of foreign currency fluctuations.

The movement in *Deferred tax assets / (liabilities)* compared to the balance as of December 31, 2020 is also mainly due to the recognition of deferred tax liabilities on the assets recognize in the context of the GV Acquisition.

Assets / (liabilities) held for sale amount to €69 million, being the net assets value of the business to be disposed according to the remedies agreed with the European Commission in the context of the acquisition of GrandVision.

Equity increased mainly as a result of foreign currency fluctuations (approximately €1,871 million) and for the net result of the period (€1,613 million); its balance was also affected by the dividend distribution of the period that led to a decrease of €237 million, of which €138 million paid to EssilorLuxottica's shareholders who did not opt for the scrip dividend (see paragraph *Significant events of the year*, Section 2.1) and €100 million distributed to minorities shareholders of the Group's subsidiaries. Share-based payments also affected the final balance (€136 million increase) as well as the net sale/(net purchase) of treasury shares (€302 million decrease).

Net debt increased by €6,723 million compared to December 31, 2020 as illustrated in the dedicated paragraph.

Other non-GAAP measures

Other non-GAAP measures such as Net debt, Free Cash Flow, EBITDA 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's 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	2021	2020	2019
Net cash flow provided by operating activities[(a)]	4,545	2,953	3,299
Purchase of property, plant and equipment and intangible assets[(a)]	(1,030)	(650)	(903)
Cash payments for the principal portion of lease liabilities[(a)]	(722)	(461)	(571)
Free Cash Flow	**2,792**	**1,842**	**1,825**
Operating profit[(b)]	2,432	452	1,678
Depreciation, amortization and impairment[(c)]	2,796	2,155	2,148
EBITDA	**5,228**	**2,607**	**3,826**
NET DEBT[(d)]	**9,698**	**2,975**	**4,046**
NET DEBT/EBITDA LTM[(e)]	**1.9**	**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, except for 2021 where *pro forma*[(4)] information is shown.
(c) As presented in the consolidated statement of cash flows, except for 2021 where *pro forma*[(4)] information is shown.
(d) *Net debt* is presented in Note 22 – Financial debt, including lease liabilities of the Notes to the consolidated financial statements (Section 4.1.6 of this Universal Registration Document). Its components are also reported in the *Net debt* paragraph below.
(e) EBITDA LTM = Last Twelve Months.

Net debt

Group *Net debt (excluding Lease liabilities)* amounted to €6,630 million at the end of December 2021, increasing by €5,593 million compared to the position at the end of December 2020.

€ millions	December 31, 2021	December 31, 2020
Non-current borrowings	8,913	9,324
Current borrowings	1,036	633
Total liabilities	**9,950**	**9,957**
Short-term investments	—	(200)
Cash and cash equivalents	(3,293)	(8,683)
Total asset	**(3,293)**	**(8,883)**
Interest Rate Swap measured at fair value	(21)	(36)
Foreign exchange derivatives at fair value	(4)	—
Net debt excluding lease liabilities	**6,630**	**1,038**
Lease liabilities (current and non-current)	3,068	1,938
NET DEBT	**9,698**	**2,975**

The increase in *Net debt (excluding Lease liabilities)* is almost entirely due to the use of cash and cash equivalents as well as short-term investments in the context of the GV Acquisition. As mentioned in the paragraph *Significant events of the year,* Section 2.1, on July 1, 2021, approximately €5.5 billion of the cash available at the end of December 2020 was used to acquired 76.72% of the issued ordinary shares of GrandVision. Subsequent transactions in GrandVision shares were completed during the course of the second semester of the year leading to an additional cash out of approximately €1.7 billion.

The increase in *Lease liabilities* is mainly due to the consolidation of GrandVision's liabilities (€1,166 million as of July 1, 2021).

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).

As consequence of the combination between EssilorLuxottica and GrandVision (occurred on July 1, 2021), the Company's performance shown for 2021 includes GrandVision's results of the second half of the year.

The sound performance of the Group in 2021 led to a strong cash generation, higher than in the pre-pandemic context; the Free Cash Flow generated by the Group increased to €2,792 million from €1,842 million and €1,825 million generated in 2020 and 2019 respectively. The contribution of GrandVision to the free cash flow generation in 2021 amounted to €162 million.

€ millions	2021	2020	2019
EBITDA	**4,787**	**2,607**	**3,826**
Changes in trade working capital[(a)]	(197)	432	(82)
Capital expenditure	(1,030)	(650)	(903)
Lease payments (excluding interests)[(b)]	(722)	(461)	(571)
Other cash flow from operations	(46)	(86)	(445)
Free Cash Flow	**2,792**	**1,842**	**1,825**
Dividends paid	(242)	(561)	(959)
Acquisitions net of cash acquired	(7,078)	(133)	(370)
Other changes in equity	(350)	(217)	(596)
Other changes in financial and non-financial assets	49	302	(421)
Changes in borrowings (excluding FX)	(726)	2,737	3,506
NET CASH FLOW	**(5,555)**	**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.

Capital expenditure cash-out amounted to €1,030 million, representing approx. 5% of the Group's revenue.

The line *Acquisition net of cash* acquired represents 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 2021, the amount was almost entirely related to the acquisition of GrandVision (described in the paragraph *Significant events of the year,* Section 2.1) net of GrandVision's cash and cash equivalents acquired on July 1, 2021.

The line *Other changes in equity* includes, among the others, the effects of transactions with non-controlling interest (€68 million in 2021, €94 million in 2020 and €628 million in 2019 when the cash-out related to the final phases of the Mandatory Tender Offer over Luxottica's shares occurred) as well as the cash-out related to the share buyback program (€335 million in 2021, €159 million in 2020) compensated by the cash in related to share capital increases.

The flows reported in *Other changes in financial and non-financial assets* in 2021 mainly refers to €75 million investment in Mazzucchelli 1842 SpA (associate) as well as €100 million financial investments in other non consolidated companies, counterbalanced by the re-investment of a short-term cash deposit in cash equivalent instruments (€200 million).

Finally, the line *Changes in borrowings (excluding FX)* was manly affected by the reimbursement of a €500 million bond due in April 2021.

2.5 Acquisitions and partnerships

On July 1, 2021, EssilorLuxottica completed its acquisition of a 76.72% ownership interest in GrandVision from Hal Optical Investments B.V. ("HAL"), a wholly-owned subsidiary of HAL Holding, pursuant to the block trade agreement entered into with HAL on July 30, 2019 (see details in the paragraph *Significant events of the year*, Section 2.1). Subsequent transactions in GrandVision's shares followed in the course of the second semester of the year (as of December 31, 2021 EssilorLuxottica directly held 99.84% of GrandVision's share capital, 99.89% of the issued and outstanding shares of GrandVision).

In addition, during the course of the year, EssilorLuxottica continued to purse its M&A strategy in selected businesses and geographies.

2.6 Investments made in 2021 and planned for 2022

€ millions	2021	2020	2019
Property, plant and equipment and intangible assets (*gross of disposals*)	1,030	650	903
Depreciation, amortization and impairment	2,461	2,155	2,148
Financial investments net of cash acquired	7,078	133	370
Purchase / (sale) of treasury shares	317	159	0

Capital expenditure

In 2021, EssilorLuxottica cash-out related to capital expenditures amounted to €1,030 million (5.2% on revenue) and increased approximately by €130 million compared to 2019, due to strong investments in the retail business (including GrandVision's investments of the second semester of the year) and operations (mostly related to new production and distribution plants).

Financial investments

Financial investments net of cash acquired amounted to €7,078 million in 2021 compared to €133 million in 2020. 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 2021, the amount was almost entirely related to the acquisition of GrandVision (described in the paragraph *Significant events of the year*, Section 2.1) net of GrandVision's cash and cash equivalents acquired on July 1, 2021. 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.

Moreover, in 2021, the Company acquired 2 million EssilorLuxottica shares in the context of the share buyback program announced on August 31, 2021 (see paragraph *Significant events of the year*, Section 2.1) for an average price per share of €166.72 and a total cash-out amounting to €335 million (including bank and other fees). 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 2022, the Group will re-start investing strongly in the evolution of its retail network (enlarged by the acquisition of GrandVision), its manufacturing capacities, IT and technology platforms to facilitate the integration.

2.7 Subsequent events

New member of EssilorLuxottica's Board of Directors

On January 20, 2022, EssilorLuxottica's Board of Directors appointed Virginie Mercier Pitre as a new Director. This followed her recent nomination as the new President of Valoptec Association, the independent Association of EssilorLuxottica's employee shareholders. Her nomination to the Board of Directors will be submitted to the shareholders vote for ratification at the next EssilorLuxottica Annual Shareholders' Meeting on May 25, 2022. Upon joining the Board of Directors, Mrs. Mercier Pitre will also be part of its CSR Committee.

Mrs. Mercier Pitre replaces on the Board on Directors Juliette Favre, who was President of Valoptec Association from 2015 to 2021 and served three terms on the Valoptec Board, which is the maximum allowed by the Association bylaws.

Share buyback program

On February 1, 2022, EssilorLuxottica announced the launch of a share buyback program reflecting the Group's confidence in its value creation and long-term prospects.

With a view to implementing this share buyback program, EssilorLuxottica granted a mandate to an investment services provider for the purchase of up to 1,500,000 EssilorLuxottica shares, depending on market conditions, over a period starting from February 1, 2022, up until March 31, 2022.

1,500,000 EssilorLuxottica's shares have been acquired from February 1 to February 8, 2022 at an average price of €174.14 per share.

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 launched this share buyback program in accordance to the 10th resolution approved by the Annual Shareholders' Meeting of May 21, 2021.

EssilorLuxottica closes acquisition of Walman

On March 1, 2022, EssilorLuxottica announced the closing of its acquisition of US based lab network Walman Optical, a leading lab partner to vision care practices around the country.

First announced in March 2021, the acquisition will draw on EssilorLuxottica's focus on product and service innovation to create growth opportunities for Walman Optical.

European divestment

On March 2, 2022, EssilorLuxottica, GrandVision and Vision Group, one of the largest distribution networks for Italian opticians and a retail player under the VisionOttica banner, announced that the companies have completed the transaction for Vision Group to acquire the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country.

This follows the commitments agreed upon with the European Commission on March 23, 2021, as part of the acquisition of GrandVision by EssilorLuxottica. EssilorLuxottica, GrandVision and Vision Group confirmed that European Commission has approved the transaction.

SightGlass Vision joint venture

On March 17, 2022, EssilorLuxottica and CooperCompanies announced the finalization of their joint venture agreement for SightGlass Vision. This collaboration of two global vision care leaders accelerates the commercialization of novel spectacle lens technologies to expand the myopia management category.

SightGlass Vision's Diffusion Optics Technology™ incorporates thousands of micro-dots into the lens that softly scatter light to reduce contrast on the retina, which is intended to reduce myopia progression in children (spectacles with SightGlass Vision Diffusion Optics Technology™ are not approved for sale within the United States).

2.8 Recent trends and outlook

Recent trends

Some of the trends that emerged during 2021 are expected to persist and to continue to impact the eyecare and eyewear industry as well as the Company's performance this year. The underlying progressive exit from the Covid-19 crisis thanks to the rising vaccination levels is not expected to be derailed by new potential outbreaks of variants, while differences remain among the regions in terms of number of cases and healthcare policies to address the situation. While the Company is currently benefiting from an overall normalization of the business conditions, the channel mix is still influenced by some Covid-19 restrictions and new consumer habits, with online enjoying an increasing relevance.

The Group's operations in Ukraine and in Russia, where a political crisis broke out in February 2022, represented respectively around 0.4% and 0.8% of the 2021 consolidated revenue.

At this difficult time, the safety of its people remains EssilorLuxottica's priority. The Company is providing all the support possible to the affected teams in the region.

Due to the uncertainties and significant disruptions, EssilorLuxottica has temporarily restricted its operations in Russia.

In line with its Mission, EssilorLuxottica is committed to continue providing essential medical vision care services; the Company will monitor the situation and adapt its response accordingly.

Outlook

The Company confirms its target of mid-single-digit annual revenue growth from 2022 to 2026 (at constant exchange rates[1]) and expects to achieve an adjusted[2] operating profit as a percentage of revenue in the range of 19-20% at the end of the period.

3

Chapter 3

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IN BRIEF

Composition of the Board of Directors

January 1, 2021 to May 21, 2021

Leonardo DEL VECCHIO, Chairman, Non-Independent Director,
Hubert SAGNIÈRES, Vice-Chairman, Non-Independent Director,
Francesco MILLERI, Chief Executive Officer, Non-Independent Director,
Paul du SAILLANT, Deputy Chief Executive Officer, Non-independent Director,
Romolo BARDIN, Non-Independent Director,
Juliette FAVRE, Director representative of Valoptec*, 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 ASCENÇAO(1), Director representing employees,
Olivier PÉCOUX, Non-Independent Director (within the meaning of the Combination Agreement(2) – see table on Section 3.4),
Sabrina PUCCI, Independent Director,
Cristina SCOCCHIA, Independent Director,
Jeanette WONG, Independent Director,
Delphine ZABLOCKI(1), Director representing employees.

* Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.

May 21, 2021 to December 31, 2021

Leonardo DEL VECCHIO, Chairman, Non-Independent Director,
Francesco MILLERI, Chief Executive Officer, Non-Independent Director,
Paul du SAILLANT, Deputy Chief Executive Officer, Non-Independent Director,
Margot BARD(1), Director representing employees,
Romolo BARDIN, Non-Independent Director,
Jean-Luc BIAMONTI**, Independent Director,
Sébastien BROWN(1), Director representing employees,
Marie-Christine COISNE-ROQUETTE**, Independent Director,
Juliette FAVRE(3), Director representative of Valoptec*(3), association of shareholders employees and former employees, Non-Independent Director,
José GONZALO**, Independent Director,
Swati A. PIRAMAL**, Independent Director,
Cristina SCOCCHIA**, Independent Director,
Nathalie VON SIEMENS**, Independent Director
Andrea ZAPPIA**, Independent Director.

* Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.
** 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 2021 refer to Section 3.1.1.3.

(1) On September 22, 2021 Margot Bard and Sébastien Brown replaced Delphine Zablocki and Léonel Pereira Ascençao as Directors representing employees.
(2) The "**Combination Agreement**" refers to the agreement entered into in 2017 between Delfin and Essilor regarding the combination of the two groups Essilor and Luxottica.
(3) On January 20, 2022 Virginie Mercier Pitre was co-opted to replace Juliette Favre, she is also the representative Director of Valoptec Association.

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.

Special Committees until May 21, 2021

Audit and Risk Committee	Chairman: Lucia Morselli Members: Romolo Bardin, Annette Messemer, Olivier Pécoux
Nomination and Compensation Committee	Chairman: Olivier Pécoux Members: Romolo Bardin, Annette Messemer (until March 5, 2021), Gianni Mion, Jeanette Wong (after March 5, 2021)
Corporate Social Responsibility (CSR) Committee	Chairman: Jeanette Wong Members: Giovanni Giallombardo, Juliette Favre (after January 28, 2021), Cristina Scocchia
Strategy Committee	Chairman: Francesco Milleri Members: Juliette Favre, Gianni Mion (until January 28, 2021), Cristina Scocchia, Paul du Saillant

Special Committees as from May 21, 2021

Audit and Risk Committee	Chairman: Jean-Luc Biamonti Members: Romolo Bardin, Cristina Scocchia
Nomination and Compensation Committee	Chairman: Andrea Zappia Members: Romolo Bardin, José Gonzalo
Corporate Social Responsibility (CSR) Committee	Chairwoman: Swati Piramal Members: Juliette Favre (until January 20, 2022), Virginie Mercier Pitre (as from January 20, 2022), Nathalie von Siemens

The Report on Corporate Governance reported in the following sections has been reviewed by the Board of Directors of EssilorLuxottica on March 10, 2022.

3.1 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 shareholders 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, 2021;
- the AFEP-MEDEF Code[1] recommendations to which the Company has referred since 2009 and the applications that have been disregarded (Section 3.4);
- the restrictions on the powers of the Chief Executive Officer decided by the Board of Directors (Section 3.1.3);
- the specific procedures for shareholders participation in Shareholders' Meetings (Section 3.2);
- 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 3.2.3);
- the information that may have an impact in the event of a public offering (Section 3.2.4);
- the compensation for corporate officers and specifically the compensation policy applicable to the Chairman, the Vice-Chairman if applicable, 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 2022 to approve the financial statements for the fiscal year ending December 31, 2021 (Section 3.3).

This report was presented to the Nomination and Compensation Committee at its meeting of March 3, 2022 before being submitted to the Board of Directors for approval on March 10, 2022.

3.1.1 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:

1. 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;

(i) the EssilorLuxottica Board of Directors is composed of fourteen members;

(ii) 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.

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 3.4.

3.1.1.1 Composition at December 31, 2021

As at December 31, 2021, EssilorLuxottica's Board of Directors had 14 members, including one member representing Valoptec[2] and two members representing employees.

As required by law, the complete list of the positions of Directors in office is provided in Section 3.5.

At the end of the initial term which lasted from October 1, 2018 to May 21, 2021, date of the 2021 Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020 (hereafter the "Initial Term"), (i) EssilorLuxottica Board of Directors' members have a three-year term of office; and (ii) any new member of the EssilorLuxottica Board of Directors are nominated for election at EssilorLuxottica's Shareholders' Meeting by the EssilorLuxottica Board of Directors based on the recommendation of the EssilorLuxottica Nomination 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) This Code can be viewed online at http://www.medef.com.
(2) Valoptec is not an employees' shareholding representative body within the meaning of article L. 225-23 of the French Commercial Code.

Composition of the Board of Directors at December 31, 2021

14	7	2	1	6	5
Directors	Independent Directors ●	Directors Representing Employees □	Director Representing Valoptec Association[1] ■	Women	Nationalities

Leonardo Del Vecchio

Chairman of EssilorLuxottica (mandate renewed on 21/05/2021)

Non-Independent Director

Francesco Milleri

Non-Independent Director

Chief Executive Officer of EssilorLuxottica

(mandate renewed on 21/05/2021)

Paul du Saillant

Non-Independent Director

Deputy Chief Executive Officer of EssilorLuxottica (mandate renewed on 21/05/2021)

Margot Bard

□ Director representing employees

Romolo Bardin

Non-Independent Director

Jean-Luc Biamonti

● Independent Director

Sébastien Brown

□ Director representing employees

Marie-Christine Coisne-Roquette

● Independent Director

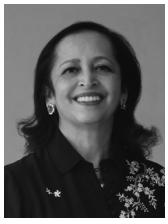
Juliette Favre[2]

■ Director representative of Valoptec[1], association of shareholders employees and former employees

Non-independent Director

José Gonzalo

● Independent Director



Swati A. Piramal

● Independent Director

Cristina Scocchia

● Independent Director[3]

Nathalie von Siemens

● Independent Director

Andrea Zappia

● Independent Director[3]

(1) Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.
(2) On January 20, 2022 Virginie Mercier Pitre was co-opted to replace Juliette Favre, she is the new representative Director of Valoptec Association.
(3) Qualified as an independent Director by derogation from the criteria defined by the AFEP-MEDEF Code; see Section 3.4.

3.1.1.2 Changes in the composition of the Company's Board of Directors from January 1, 2021

The composition of the EssilorLuxottica Board of Directors was as follows between January 1, 2021 and May 21, 2021:

1. Leonardo Del Vecchio, EssilorLuxottica Chairman;
2. Hubert Sagnières, EssilorLuxottica Vice-Chairman;
3. Francesco Milleri, qualified as non-independent Director, Chief Executive Officer;
4. Paul du Saillant, qualified as non-independent Director, Deputy Chief Executive Officer;
5. Romolo Bardin, qualified as non-independent Director;
6. Juliette Favre, representative of Valoptec[1], association of employees and former employees shareholders, 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 3.4);
12. Léonel Pereira Ascençao, employees representative[2], 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, employees representative[3], qualified as non-independent Director;

Since May 21, 2021 (September 22, 2021 for the Directors representing the employees), the composition of the EssilorLuxottica Board of Directors is as follows:

1. Leonardo Del Vecchio, qualified as non-independent Director, EssilorLuxottica Chairman;
2. Francesco Milleri, qualified as non-independent Director, Chief Executive Officer;
3. Paul du Saillant, qualified as non-independent Director, Deputy Chief Executive Officer;
4. Margot Bard, employees representative[4], qualified as non-independent Director;
5. Romolo Bardin, qualified as non-independent Director;
6. Jean-Luc Biamonti, qualified as independent Director;
7. Sébastien Brown, employees representative[5], qualified as non-independent Director;
8. Marie-Christine Coisne-Roquette, qualified as independent Director;
9. Juliette Favre[6], representative of Valoptec, association of employees and former employees shareholders, qualified as non-independent Director;
10. José Gonzalo, qualified as independent Director;
11. Swati A. Piramal, qualified as independent Director;
12. Cristina Scocchia, qualified as independent Director;
13. Nathalie von Siemens, qualified as independent Director;
14. Andrea Zappia, qualified as independent Director.

On January 20, 2022 Virginie Mercier Pitre was co-opted as Director in replacement of Juliette Favre; she is the representative of Valoptec Association, association of employees and former employees shareholders. She is qualified as non-independent Director.

The composition of the EssilorLuxottica Board of Directors is seven Directors qualified as independent (58.33% of the members of the EssilorLuxottica Board of Directors[7]) and six women (five 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 3.1.1.3.

3.1.1.3 Diversity policy

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

The Board of Directors comprises:

- seven independent Directors within the meaning of the AFEP-MEDEF Code;
- six 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);
- five nationalities (French, German, Indian, Italian and Monegasque).

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) Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.
(2) Appointed prior to the Closing Date of the Contribution for a four-year term.
(3) Appointed prior to the Closing Date of the Contribution for a four-year term.
(4) Margot Bard was appointed Director representing the employees as of September 22, 2021 in replacement of Delphine Zablocki.
(5) Sébastien Brown was appointed Director representing the employees as of September 22, 2021 in replacement of Léonel Pereira Ascençao.
(6) On January 20, 2022 Virginie Mercier Pitre was co-opted as Director in replacement of Juliette Favre; she is the new representative of Valoptec Association. Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.
(7) In accordance with the AFEP-MEDEF Code, Directors representing employees are not taken into account for the calculation of this percentage.

Composition of the Board of Directors at December 31, 2021

Director	Gender	Age	Nationality	Major positions	Term of office	
					Start date	End date[a]
Leonardo DEL VECCHIO Non-independent Director Chairman of EssilorLuxottica	M	86	Italian	Chairman of EssilorLuxottica	01/10/2018	2024
Francesco MILLERI Non-independent Director, Chief Executive Officer	M	62	Italian	CEO of EssilorLuxottica	01/10/2018	2024
Paul du SAILLANT Non-independent Director, Deputy Chief Executive Officer	M	63	French	Deputy CEO of EssilorLuxottica	30/03/2020	2024
Margot BARD Non-independent Director, Employees representative	F	56	French	Supply Chain (SC) Services Director for Essilor's Worldwide SC Department	22/09/2021	2024
Romolo BARDIN Non-independent Director	M	43	Italian	CEO of Delfin SARL (Luxembourg)	01/10/2018	2024
Jean-Luc BIAMONTI Independent Director	M	68	Monegasque	Chairman and CEO of Monte-Carlo Société des Bains de Mer	21/05/2021	2024
Sébastien BROWN Non-independent Director, Employees representative	M	28	French	Industrial Performance and IT Systems Manager	22/09/2021	2024
Marie-Christine COISNE-ROQUETTE Independent Director	F	66	French	Chairperson of Sonepar Group and Colam Entreprendre	21/05/2021	2024
Juliette FAVRE Non-independent Director Representative of Valoptec[(1)], association of shareholders employees and former employees.	F	49	French	Strategic Projects Executive, Global Operations Support, Essilor International (SAS) Representative of Valoptec Association	01/10/2018	2022
José GONZALO Independent Director	M	56	French	Executive Director of Direct Investment of Bpifrance	21/05/2021	2024
Swati A. PIRAMAL Independent Director	F	65	Indian	Vice Chairperson of Piramal Enterprises Limited (India)	21/05/2021	2024
Cristina SCOCCHIA Independent Director	F	48	Italian	Chief Executive Officer of Illy caffè (Italy)	01/10/2018	2024
Nathalie VON SIEMENS Independent Director	F	50	German	Positions in Supervisory Boards (Germany)	21/05/2021	2024
Andrea ZAPPIA Independent Director	M	58	Italian	EVP and CEO New Markets & Business of Sky Group	21/05/2021	2024

(1) On January 20, 2022 Virginie Mercier Pitre was co-opted as Director in replacement of Juliette Favre; she is the representative of Valoptec Association, association of employees and former employees shareholders. Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.
(a) Date of the Annual Shareholders' Meeting for Directors not representing employees.

Gender balance

EssilorLuxottica ensures that it complies with the principle of balanced gender representation on its Board of Directors. Six of the Board of Directors' 14 members are women, five of the Board of Directors' 12 members excluding Directors representing employees, which is over 40% of its membership.

Average age of Directors

As at December 31, 2021, the Board of Directors had 14 Directors with an average age of 57 years.

Expertise and skills

Director (as of December 31, 2021)	Contribution to the Board of Directors'work
Leonardo DEL VECCHIO Non-independent Director, Chairman of EssilorLuxottica	A visionary business approach and experience as a lifelong entrepreneur and innovator.
Francesco MILLERI Non-independent Director, Chief Executive Officer	Solid experience in strategic consulting for global corporations and knowledge of digital technology and infrastructure.
Paul du SAILLANT Non-independent Director, Deputy Chief Executive Officer	36 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.
Margot BARD Non-independent Director, employees representative	Knowledge of the optics industry and supply chain.
Romolo BARDIN Non-independent Director	High level of expertise in strategy, management and finance.
Jean-Luc BIAMONTI Independent Director	International expertise in retail and luxury goods.
Sébastien BROWN Non-independent Director, employees representative	Knowledge of the optics industry and of IT systems.
Marie-Christine COISNE-ROQUETTE Independent Director	Extensive international expertise in terms of strategy and management ability.
Juliette FAVRE Non-independent Director, Representative of Valoptec[1], 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.
José GONZALO Independent Director	Extensive expertise and practice in terms of strategy, mergers and acquisitions and management.
Swati A. PIRAMAL Independent Director	Experience in healthcare, financial services, manufacturing and academic general management with long terms perspectives, as well as a knowledge of the Indian market.
Cristina SCOCCHIA Independent Director	Extensive experience in strategy and management.
Nathalie VON SIEMENS Independent Director	Experience in governing bodies of global leading companies active in various industries as well as expertise in terms of management in impact-oriented philanthropy.
Andrea ZAPPIA Independent Director	Extensive expertise in terms of strategy and management in key industrial sectors.

(1) Valoptec is not an employees' shareholding 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. 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 Shareholders' Meeting convened in 2021 to approve the financial statements for the fiscal year ending December 31, 2020 shall expire at the date of the Shareholders' Meeting convened in 2024 to approve the financial statements for the fiscal year ending December 31, 2023.

Notwithstanding Recommendation 13.2 of the AFEP-MEDEF Code, during the Initial Term, the terms of office of the Directors of EssilorLuxottica have not been staggered, to ensure a smooth transition and seamless integration of the two companies in the context of the Combination. The Shareholders' Meeting held on May 21, 2021 amended Article 13 of the bylaws so that the staggered term of office of Directors only starts to apply in 2024. This allows Directors renewed and newly appointed in 2021 to have three full years of stability to work more efficiently (see Section 3.4, "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 3.5).

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 last updated on May 21, 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];
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 Nomination 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 10, 2022, seven Directors could be considered independent under the independence criteria of the AFEP-MEDEF Code, namely Jean-Luc Biamonti, Marie-Christine Coisne-Roquette, José Gonzalo, Swati A. Piramal, Cristina Scocchia, Nathalie von Siemens, Andrea Zappia.

On that date, the Board of Directors'independence ratio was 58.33%, pursuant to the recommendations of the AFEP-MEDEF Code (*i.e.*, not including the two Directors representing employees).

(1) In these Internal Rules, "executive officer" designates the CEO and any Deputy CEO when used in reference to the Company or any similar function in companies registered under a different corporate form; "non-executive officer" designates any non-executive Chairperson of the Board; "corporate officers" includes the executive officers, the non-executive officers and the other Board members.

(2) Nearly all the independent Board members in place at EssilorLuxottica prior to the May 2021 change in the Board of Directors were Board members who also served as independent Board members, either on the Luxottica or Essilor International Board of Directors prior to the combination of the two groups. This situation results from the fact that the merger of the two groups did not occur through a conventional merger, but through the implementation of an ad hoc structure in which Luxottica and Essilor International became two sister companies, subsidiaries of the same holding company called EssilorLuxottica, the management of which was very broadly autonomous. This is therefore a different situation from what is addressed by Article 9.5.1 of the AFEP-MEDEF Code, which aims to prevent situations in which a Board member is asked to monitor, supervise or question decisions in which s/he himself or herself has taken part as a corporate officer ("mandataire social") within a controlled subsidiary. It was to take account of the specific nature of the operation that the EssilorLuxottica Board Internal Rules stipulated from the outset that, with regard to what constitutes independence, and as an exemption from the principle set out in Article 9. 5.1 of the AFEP-MEDEF Code, the fact of being or having been a Board member of Essilor International or Luxottica in the five preceding years would not affect the "independent" criterion.

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.

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

- Leonardo Del Vecchio, Chairman of EssilorLuxottica (Executive Chairman);
- Francesco Milleri (Chief Executive Officer);
- Paul du Saillant (Deputy Chief Executive Officer);
- Romolo Bardin (Chief Executive Officer of Delfin);
- Juliette Favre (until January 20, 2022) (Director representative of Valoptec[1], association of employees and former employees shareholders), Virginie Mercier Pitre (since January 20, 2022) (Director representative of Valoptec, association of employees and former employees shareholders);
- Margot Bard and Sébastien Brown (the two Directors representing employees appointed as of September 22, 2021 by the Essilor "Comité de Groupe" following deliberation of July 9, 2021 for a three-year term in application of the By-laws).

Summary table detailing the compliance or non-compliance of each Director in office at December 31, 2021 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-director-ships	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
Francesco MILLERI	x	x	√	√	√	√	√	√
Paul du SAILLANT	x	x	√	√	√	√	√	√
Margot BARD	√	x	√	√	√	√	√	√
Romolo BARDIN	√	√	x	√	√	√	√	x
Jean-Luc BIAMONTI*	√	√	√	√	√	√	√	√
Sébastien BROWN	√	x	√	√	√	√	√	√
Marie-Christine COISNE-ROQUETTE*	√	√	√	√	√	√	√	√
Juliette FAVRE	x	x	√	√	√	√	√	√
José GONZALO*	√	√	√	√	√	√	√	√
Swati A. PIRAMAL*	√	√	√	√	√	√	√	√
Cristina SCOCCHIA*	√	√	√	√	√	√	√	√
Nathalie VON SIEMENS*	√	√	√	√	√	√	√	√
Andrea ZAPPIA*	√	√	√	√	√	√	√	√

* 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, see Section 3.4).

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 Francesco Milleri and Paul du Saillant within the meaning of the regulation.

The organisation of EssilorLuxottica is the following:

- Non-Executive Corporate Officers:
  Chairman: Leonardo Del Vecchio ;
- Executive Corporate Officers:
  Chief Executive Officer: Francesco Milleri ;
  Deputy Chief Executive Officer: Paul du Saillant.

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

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

Management of Essilor International (SAS), Luxottica Group S.p.A. and GrandVision N.V.

Composition of the Essilor International (SAS) and Luxottica Group S.p.A. Boards of Directors and of the GrandVision N.V. Management Board and Supervisory Board as at December 31, 2021

Essilor International (SAS) (unlisted operating company)	Luxottica Group S.p.A.	GrandVision N.V.
Francesco MILLERI, CEO and Director (as of June 8, 2021)	Francesco MILLERI, CEO and Director (as of June 8, 2021)	Stephan BORCHERT, Member of the Management Board
Paul du SAILLANT, Director (as of June 8, 2021)	Leonardo Maria DEL VECCHIO, Director (as of June 8, 2021)	Willem EELMAN, Member of the Management Board
Stefano GRASSI, Director (as of June 8, 2021)	Paul du SAILLANT, Director (as of June 8, 2021)	Sara FRANCESCUTTO, Member of the Supervisory Board
	Stefano GRASSI, Director (as of June 8, 2021)	Claudia GIGANTI, Member of the Supervisory Board
	Mr. Luigi FRANCAVILLA, is appointed Honorary Chairman (not a Board member).	Eric LEONARD, Member of the Supervisory Board

3.1.1.4 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, 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 Nomination 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;
- 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 MAY 21, 2021)

"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 or 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 Chairperson of the Board with a copy to the secretariat of the Board, and the Chairperson of the relevant Committees, if applicable. When a Director takes office and by January 31 of each year, he/ she shall prepare (and update when needed) and submit to the Chairperson of the Board and to 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 Chairperson, at any time, to confirm in writing that he or she is not in a Conflict of Interest situation. Pursuant to Section 3.5 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

In the event of a Conflict of Interests, the concerned Director shall (i) prior to the concerned meeting, inform in due time the Chairperson with a copy to the 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 or 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.

Any issues concerning the implementation of this Section "Conflicts of interest" shall be submitted to the Chairperson with a copy to the secretariat of the Board, 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)

A non-compete agreement has been entered into on May 21, 2021 between EssilorLuxottica and Mr. Francesco Milleri. This agreement was duly authorized by the Board of Directors on May 21, 2021.

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)

None.

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, updated on July 30, 2019 , 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 2021 by the corporate officers is included in Section 3.3.6.

3.1.2 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 on October 1, 2018, as last updated on May 21, 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.

3.1.2.1 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, as last amended on May 21, 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

The EssilorLuxottica Chief Executive Officer is vested with full powers to act in all circumstances in the name of EssilorLuxottica. He 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.

The Deputy CEO is in charge of Administration and Finance. As such, he is in charge of the management and supervision of all the activities of the Holding Company EssilorLuxottica.

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 3.1.2.2).

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 Directors, seek the approval of the Board of Directors before accepting a new corporate office in a company (other than a company consolidated 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 5 of the French Commercial Code.

3.1.2.2 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 3.2 of the Internal Rules, 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 of the consolidated financial statements of the Company;

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 CFO(s);

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;

e) distribution of dividends, interim dividends, premium, reserves and/ or any other distributions by the Company;

f) any amendment, or any decision that will entail such amendment, to the Articles of Association of the Company;

g) decision relating to the admission to listing on any regulated stock exchange of securities in any Group's 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) decisions on material capital expenditures, acquisitions, purchases, leases or divestments with a value exceeding €150 million;

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 €30 million or for which such expansion could raise 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;

l) unless decided otherwise by the Board, (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 (*scission*), 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 or assets and liabilities of the concerned company or companies) involving any Group's 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 (*plan d'attribution gratuite*) or other similar collective incentive schemes in favor of the management and/ or employees of the Group (upon proposal of the Nomination and Compensation Committee when it concerns executive 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 €10 million and, in the case of franchise, any franchise agreement with fees in excess of €20 million.

In addition, the Board is responsible in particular for:

- defining the notion of an "Independent Director" and deliberating on this matter each year;
- identifying the Independent Directors, following recommendation by the Nomination and Compensation Committee;
- assessing its own performance (collective and individual) and the performance of management;
- debating and, if applicable, approving any compensation following recommendation by the Nomination and Compensation Committee for executive officers;
- appointing the CEO and the Deputy CEO (if any) (following recommendation by the Nomination and Compensation Committee);
- debating and, if applicable, approving the appointment of the special Committee members (following recommendation by the Nomination and Compensation Committee);
- approving and implementing the succession plans for the replacement of the executive officers, following recommendation by the Nomination and Compensation Committee;
- examining the procedures for the identification, evaluation, control and monitoring of the Group's commitments and risk management, in coordination with the work of the Audit and Risk Committee and the Corporate Social Responsibility Committee;
- defining the financial communication policy for the market and analysts, applicable to the whole Group, in order to allow shareholders and investors to access the same information at the same time, and making sure that they are receiving relevant, balanced and meaningful information on the Company's long-term strategy through the financial statements, in the course of major operations and development, and outlook as part of the Group's financial communications.

3.1.2.3 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. A new self-assessment of the Board of Directors operating procedures is planned in 2022.

3.1.2.4 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 if applicable, 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.

Directors representing employees or Director(s) representing employees shareholders should be provided with suitable training enabling them to perform their duties, in accordance with regulations. In 2021, the two Directors representing employees attended courses on legal and financial matters. The legal courses focused on corporate governance and the Director's role. The financial courses were on financial statements, tax, treasury and shared services at Group level.

3.1.2.5 Meetings of the Board of Directors in 2021

The Board is convened by the Chairperson. The Board of Directors shall meet as often as necessary in the interests of the Company, but at least five times per year.

The meetings of the Board of Directors are chaired by the Chairperson, or, in the absence of the Chairperson, by the Vice-Chairperson (if any), or in the absence of the Vice-Chairperson, by the person appointed by the Board to chair the meeting.

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).

The decisions shall be taken by a simple majority of the members present or represented. In 2021, 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.

The table below shows the number of Board of Directors and Committee meetings held during fiscal year 2021, as well as their members as at December 31, 2021 and the individual attendance at each of those meetings. The average attendance of the Directors at Board of Directors' Meetings was of 95% for all meetings of the Board of Directors and the Committees until May 21, 2021 (date of renewal of the Board of Directors) and of 100% after that date.

Attendance until May 21, 2021

	Board of Directors	Audit and Risk Committee Meeting	Nomination and Compensation Committee	Strategy Committee	CSR Committee
NUMBER OF MEETINGS IN 2021	**6**	**3**	**9**	**0**	**1**
ATTENDANCE *(IN %)*					
Leonardo Del Vecchio	100%				
Hubert Sagnières	100%				
Francesco Milleri	100%				
Paul du Saillant	100%				
Romolo Bardin	100%	100%	100%		
Giovanni Giallombardo	100%				100%
Juliette Favre	100%				100%
Annette Messemer[1]	83%	100%	100%		
Lucia Morselli	83%	100%			
Gianni Mion	100%		100%		
Olivier Pécoux	100%	33%	100%		
Léonel Pereira Ascençao	83%				
Sabrina Pucci	100%				
Cristina Scocchia	100%				100%
Jeanette Wong[2]	100%		100%		100%
Delphine Zablocki	100%				

(1) Member of the NCC until March 5, 2021 – participation rate of 100% to the NCC meetings during the term of her mandate.
(2) Member of the NCC from March 5, 2021 – participation rate of 100% to the NCC meetings during the term of her mandate.

Attendance as from May 21, 2021

	Board of Directors	Audit and Risk Committee Meeting	Nomination and Compensation Committee	CSR Committee
NUMBER OF MEETINGS IN 2021	**5**	**2**	**2**	**2**
ATTENDANCE *(IN %)*				
Leonardo Del Vecchio	100%			
Francesco Milleri	100%			
Paul du Saillant	100%			
Margot Bard[1]	100%			
Romolo Bardin	100%	100%	100%	
Jean-Luc Biamonti[2]	100%	100%		
Sébastien Brown[1]	100%			
Marie-Christine Coisne-Roquette[2]	100%			
Juliette Favre	100%			100%
José Gonzalo[2]	100%		100%	
Léonel Pereira Ascençao[3]	100%			
Swati Piramal[2]	100%			100%
Cristina Scocchia	100%	100%		
Nathalie von Siemens[2]	100%			100%
Delphine Zablocki[3]	100%			
Andrea Zappia[2]	100%		100%	

(1) Director since September 22, 2021.
(2) Director since May 21, 2021.
(3) Director until September 21, 2021.

Major accomplishments of the Board of Directors in 2021

The Board of Directors met eleven times with an attendance rate of 97% until May 21, 2021 (date of renewal of the Board of Directors) and of 100% after that date.

For the period from January 1, 2021 to December 31, 2021 the EssilorLuxottica Board of Directors was informed about, reviewed or discussed the following issues:

- **Corporate governance:**
  - review of the report from the Nomination and Compensation Committee on the selection of candidates to renew the Board of Directors,
  - renewal of Mr. Leonardo Del Vecchio's term of office as Chairman of the Board of Directors for the duration of his three-year term of office as Director, which will expire at the end of the 2024 General Meeting convened to approve the financial statements for the year ending December 31, 2023,
  - renewal of Mr. Francesco Milleri's term of office as Chief Executive Officer for the duration of his three-year term of office as Director, which will expire at the end of the 2024 General Meeting convened to approve the accounts for the financial year ending December 31, 2023,
  - on the proposal of Chief Executive Officer Francesco Milleri, renewal of the duties of Deputy Chief Executive Officer exercised by Mr. Paul du Saillant for the duration of his three-year term of office as Director, which will expire at the end of the 2024 General Meeting convened to approve the accounts for the financial year ending December 31, 2023 and definition of his powers,
  - appointment of the members and chairs of the Audit and Risk Committee, the Corporate Social Responsibility Committee and the Nomination and Compensation Committee,
  - approval of the amendments to the Board of Directors Rules of Procedure,
  - self-assessment of how the Board operates;
- **2021 Budget:** the 2021 budget was discussed at a Board Meeting at the beginning of the year;
- **Accounts:** review and/or approval by the Board of the Company and consolidated financial statements for the 2020 financial year, the half-year financial statements and the provisional financial statements, after hearing the reports of the work done by the Audit and Risk Committee and the Statutory Auditors. The Board of Directors also reviewed the Company's financial and cash position;
- **Regulated agreements (*i.e.* related parties' transactions);**
- **General Meeting on May 21, 2021:** the Board of Directors convened a General Meeting behind closed doors, in accordance with the temporary legislation concerning the organisation of general meetings in the context of the Covid-19 pandemic;
- **Business performance:** at each meeting scheduled under the annual calendar (excluding exceptional meetings convened to discuss the governance of the Company or a strategic operation) the executive corporate officers presented the general situation of the Company in the preceding period, developments in key financial indicators, noteworthy events in commercial and technical fields, the state of the competition, etc.;
- **Major commercial agreements:** renewal and/or signing of licence agreements;
- **Acquisition of GrandVision and related activity:** monitoring of the judicial proceedings and of the merger control procedures, finalisation of the transaction;
- **Covid-19:** during several meetings, the Board of Directors reviewed the consequences of the Covid-19 pandemic for employees and Group activity and adopted various measures;
- **Financial authorisations:**

  The Board of Directors decided to:
  - renew for a period of one year (from March 11, 2021 to March 10, 2022 inclusive) the authorisation to issue notes and/or bonds, within the framework of the EMTN program or outside it, up to a nominal amount equal to five (5) billion euros or its equivalent in any other currency to finance the Company's current needs,
  - renew for a period of one (1) year, from March 11, 2021 to March 10, 2022 inclusive, the authorisation to renew and update the EMTN program as required,
  - delegate all powers, with the option of sub-delegation, to Mr. Francesco Milleri, in his capacity as Chief Executive Officer, and to Mr. Paul du Saillant, in his capacity as Deputy Chief Executive Officer, acting jointly, for a period of one (1) year from March 11, 2021 to March 10, 2022 inclusive, in order to renew, update and implement the EMTN program and sign and deliver all necessary documents for this purpose, and do whatever is necessary and/or useful for the purposes of the programs;
- **Employee shareholding:**
  - acknowledgement of the completion of the capital increase from €79,020,116.64 to €79,030,707.30 resulting from:
    - The issue of new shares following the exercise of 28,055 stock options,
    - The issue of performance shares on May 24, 2021:

      - 14 frees shares ("performance shares") under the collective plan of December 21, 2017 granted by the Board of Directors on December 6, 2017,

      - 15 frees shares ("performance shares"), under the group plan dated December 19, 2016 and awarded by the Board of Directors on December 6, 2016,

      - 30,558 frees shares ("performance shares"), under the plans dated May 23, 2018 and awarded by the Board of Directors on May 23, 2018,

      - 195 frees shares ("performance shares"), in order to be able to give them to disabled persons or to the beneficiaries of deceased persons. The plans concerned are those awarded by the Board of Directors on October 3, 2017,
    - The payment in shares of the balance of the dividend for the year ending December 31, 2020,
  - renewal of the Company Savings Plan for employees of EssilorLuxottica S.A. and its French subsidiaries,
  - renewal of the International Employee Shareholding Plan in almost all EssilorLuxottica countries;

- **Compensation of corporate officers:**
  - the Board of Directors reviewed the performance of the executive corporate officers for the 2020 financial year and set the variable proportion of compensation due to the latter for the 2020 financial year, the payment of which was submitted for approval to the General Meeting on May 21, 2021,
  - on the proposal of the Nomination and Compensation Committee, the Board of Directors made the following changes to the compensation policy for executive corporate officers:
    - introduction of the possibility to adapt or modify upwards or downwards the underlying target assessment scale for annual variable compensation to be able to take into account exceptional circumstances (such as the current pandemic),
    - clarification of the consequences of non-renewal of a corporate mandate on the condition of presence in current performance share plans and,
    - separation of the policy into two periods, one from January 1 to the date of the Annual General Meeting ("AGM") and a second period from the date of the AGM until December 31, 2021,
  - allocation by the Board of Directors to the Chief Executive Officer of 50,000 performance shares and to the Deputy Chief Executive Officer of 35,000 performance shares, subject to compliance with the ceilings defined in the compensation policy. These performance shares will be allocated at the end of a vesting period starting on October 28, 2021 and will expire after three years;
- **Committee reports:** in preparation for its deliberations the Board of Directors heard the reports from the Audit and Risk Committee, the Nomination and Compensation Committee and the Corporate Social Responsibility Committee respectively, in the areas that concern them;
- **Internal audit:** the Board of Directors approved the audit plan and the performance of the Head of Internal Audit in 2020 and his new objectives for 2021.

Minutes

During the 2021 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.

3.1.2.6 Committees of the Board of Directors

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

- Audit and Risk Committee;
- Nomination and Compensation 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.

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.

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 three 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.

The Audit and Risk Committee is chaired by Jean-Luc Biamonti. The other members are Romolo Bardin and Cristina Scocchia. It was composed of Romolo Bardin, Annette Messemer and Olivier Pécoux and its president Lucia Morselli until May 21, 2021.

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 4.1.2 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 if applicable, 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 applicable, if the Board of Directors, the Chairman, or the Vice-Chairman if applicable, 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 audit. 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 2021 achieved by the Audit and Risk Committee

This Committee's assignments are carried out on the basis of the recommendations stipulated in the AMF working group's report for Audit Committees dated July 22, 2010.

The Audit and Risk Committee met five times with an attendance rate of 83% until May 21, 2021 (date of renewal of the Board of Directors) and of 100% after that date. In particular, the committee heard the Group's co-Chief Financial Officers (until May 21, 2021), thereafter the Group's Chief Financial Officer, the Chief Compliance Officer, the Internal Audit Director, the General Counsel and Secretary of the Board of Directors and the Statutory Auditors.

During the period from January 1 to December 31, 2021, the Audit and Risk Committee reviewed the following issues:

- **Financial statements:** review of the 2020 consolidated and statutory financial statements; review of the part of the Management Report concerning primarily risk factors and internal control procedures; review of the consolidated and statutory financial statements for the first half of 2021; review of forecast management documents and forecasts for 2021;
- **Budget:** review of the 2021 budget;
- **Finance:** review of the cash management policy; renewal of the EMTN program;
- **Statutory Auditors:** presentation of the reports from the Statutory Auditors for the 2020 financial year; review of the result of the 2020 external audit plan from the Statutory Auditors and key audit points described in the Statutory Auditors' Report; review of the draft statutory auditors' report for the first half of 2021; review of the Auditors' qualifications, performance, fees and independence (specifically with a review of the annual statement of independence);
- **Related party agreements;**
- **Annual General Meeting on May 21, 2021:** dividend in shares; draft resolutions of a financial nature in particular regarding the share buy-back program and the management report;
- **Non-financial performance statement**: presentation of the non-financial statement; preparation of the 2021 non-financial performance statement (chapter 4 of the 2020 URD);
- **Internal audit:** presentation of the implementation of the 2020 audit plan and presentation of the 2021 audit plan: presentation of audits carried out during 2020; 2020 Management Report including the main features of the internal control systems, review of the 2021 audit plan; review of the performance of the head of Internal Audit in 2020 and of his new objectives for 2021; approval of the Internal Audit Charter, approval of the new internal audit organisation, regular report on compliance;
- **Taxation:** review of fiscal strategy, fiscal compliance and management of tax risks;
- **M&A:** monitoring of the acquisition process and antitrust procedures linked to the acquisition of GrandVision; monitoring of the acquisition of Walman;

- **Compliance and risk management:** 2020 Management Report including in particular the main features of risk management systems; update on risk factors; update on risk assessment in light of the Sapin 2 law and guidelines from the French Anti-corruption Agency (*Agence Française Anti-corruption,* "AFA") and action plans; update on the new compliance organisation;
- **Fraud in a Group plant in Thailand:** monitoring of the investigation and recovery measures;
- **IT security:** review of the Group's cyber-security organisation and update on incidents;
- **Litigation:** presentation of the main disputes; presentation of the litigation report;
- **Synergies arising from the Combination:** review of the results of Essilor-Luxottica integration; regular updates on synergies;
- **One non-executive session,** attended by three of the four members of the Audit and Risk Committee (but not by senior management), was held in March 2021.

Nomination and Compensation Committee

Composition

The Board of Directors' Internal Rules as last amended by the Board of Directors on May 21, 2021 stipulate that the Nomination and Compensation Committee shall comprise three members, the majority of whom shall be appointed from among the Board of Directors' independent Directors (as defined by the AFEP-MEDEF Code).

The Committee shall be chaired by an independent Director (as defined by the AFEP-MEDEF Code).

The Nomination and Compensation Committee is chaired by Andrea Zappia. The other Committee members are José Gonzalo and Romolo Bardin. Until May 21, 2021 the Committee was chaired by Olivier Pécoux, the other members were Romolo Bardin, Gianni Mion, Annette Messemer (until March 5, 2021) and Jeanette Wong (after March 5, 2021).

Role

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

Nominations:

- it examines and recommends to the Board of Directors the persons who may be appointed as Directors, taking into account, in particular, the appropriate balance of the composition of the Board and its Committees in view of the composition and development of the Company's shareholder base, the skills and expertise required to perform the Board's duties, and the gender balance on the Board; it may, in particular, organize a procedure to select future Independent Directors and examine potential candidates before any contact is made with them;
- it develops a succession plan for the Company's executive officers;

Assessment:

- it assists the Board in the periodic assessments of its membership, organization and operation as well as that of its committees,
- it may put forward proposals to improve the functioning of the Board;
- 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 conducts yearly a case-by-case assessment of each Director with regard to the independence criteria set forth in the AFEP-MEDEF Code and the Board Rules of Procedure and, in this respect, it puts forward its recommendations to the Board;
- it receives the conflict of interest statements (and any update of such statements when needed) prepared and submitted by each Director when he or she takes office and by January 31 of each year;
- it is informed before any corporate officer or Director accepts a new directorship or a management position in a company outside the Group; it being specified that a Director may not take on any personal responsibilities in companies or businesses that are in direct competition with the Company and its subsidiaries without first informing the Chairman of the Board of Directors, whose prior written approval must be obtained as well as the Chairman of the Nomination and Compensation Committee.

Compensation:

- it puts forward proposals on the compensation policy and the compensation of the executive officers of the Company;
- it examines the compliance of the compensation policy, its structure and components with legal requirements and the AFEP-MEDEF Code;
- it examines termination provisions and financial conditions of departure for any executive officer;
- it puts 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;
- it puts forward proposal on the allocation of stock options and/or free performance shares for executive officers of the Company 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;
- it puts forward proposals on Directors' compensation policy and notably the fees amount and their allocation taking into account Directors' attendance rate;
- it reviews the terms and conditions of any service agreement to be entered into with any member of the Board of Directors or any executive officer of EssilorLuxottica prior to their entering into;
- it contributes to the preparation of the parts of the corporate governance report relating to the compensation policy for corporate officers and issues an opinion on the related draft resolutions on which the Shareholders' General Meeting is called upon to vote in accordance with French regulations.

Governance:

- it assesses whether corporate governance practices within the Group comply with the AFEP-MEDEF Code and recommendations of the AMF and proxy agencies and monitors their compliance thereto;
- where appropriate, it points out deviations from the AFEP-MEDEF Code and prepares 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 2021 achieved by the Nomination and Compensation Committee

Between January 1 and December 31, 2021, the committee met eleven times, with an attendance rate of 100% for the year.

It reviewed the following matters:

- **Nomination:**
  - composition of the new Board of Directors, taking into account the background, experience and personality of the candidates, the size of the Board of Directors, the independence criteria, the gender diversity and the possibility to consider a staggered Board;
- **Compensation:**
  - determination of the achievement rate of the variable compensation component of Mr. Leonardo Del Vecchio and Mr. Hubert Sagnières for the 2020 fiscal year,
  - for each of the executive corporate officers: determination of their respective fixed compensation, structure and objectives for their target annual variable compensation and granting performance shares for 2021 fiscal year,
  - proposal of the executive corporate officers' compensation policy for 2021,
  - review of the resolutions regarding executive corporate officers' compensation submitted to the Meeting for approval at the general meeting held on May 21, 2021 and of the approval rate of these resolutions after the Meeting;
- **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 EssilorLuxottica's French subsidiaries; extension of the international Employee Shareholding Plan (Boost) to almost all Group countries; granting performance shares and stock options for the benefit of Group's employees after review of the proposals made by management;
- **Organization of the committee:** review of the committee's priorities throughout the year and setting of a schedule for the next Committee's meetings for 2022.

Corporate Social Responsibility (CSR) Committee

Composition

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

The CSR Committee is chaired by an Independent Director.

Swati Piramal (Independent Director) chairs the CSR Committee, the other committee members are Nathalie von Siemens and Virginie Mercier Pitre (since January 20, 2022), Juliette Favre (until January 20, 2022). Until May 21, 2021 the committee was chaired by Jeannette Wong, the other committee members were Giovanni Giallombardo, and Cristina Scocchia.

Role

The main duty of the CSR Committee, within the remit of the Board of Directors, is to ensure that the Group effectively addresses the deployment of its Mission to help people "see more and be more", which is fully integrated in the strategy of the Company to improve vision around the world by creating the best possible eyewear that protects and corrects each individual's eyesight while addressing their personal tastes and aspirations with the goal to respond to the world's growing vision needs by meeting the changing lifestyles of existing consumers and inventing new ways to reach the 2.5 billion people who suffer from uncorrected poor vision and the 6 billion people who do not protect their eyes from harmful rays.

The CSR Committee's duties go beyond philanthropy, including business and compliance to address the manner in which the Company manages its economic, social and environmental impacts and the relationships with its stakeholders, including *e.g.* customers, shareholders, suppliers, employees, community associations, governmental 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 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 socially 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 assesses the Company's strategy, policies and procedures on issues related to corporate responsibility and sustainable development as described below and provides the Board of Directors with its views on the Group's long-term development, including its economic development, through its CSR initiatives in matters of sight and its improvement. In fulfilling its role, the committee is responsible for the following:
  - to review the Group's environmental policies and management systems,
  - to review policies with respect to relationships with stakeholders,
  - to review the inclusive business roll-out,

- to review the charitable policies of the Group and any philanthropic initiatives performed directly or *via* dedicated entities or in partnership with non-profit organizations,
- to 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,
- to review the social impacts of the main restructuring and/or reorganizational projects,
- to review the Group's human rights policy,
- to receive, on an annual basis, the presentation of the Group's risk map concerning social responsibility and sustainable development; it reviews the risks and the opportunities thus identified and is kept informed of their evolution and of the characteristics of their management systems,
- to review and assess the reporting and control procedures on non-financial indicators (environmental, health and safety, social reporting and indicators),
- to review the rankings and assessments made on the Group by ranking agencies and non-financial agencies,
- to review the reporting, evaluation and control systems to enable the Company to produce reliable non-financial information and primarily give an opinion on the CSR report to be published in accordance with the French legal obligations (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 and the systems and procedures in place to implement these policies and provides the Board of Directors with its views. In fulfilling its role, the committee is responsible for the following:
  - to review the definition of the Group's core values and ethics and compliance policy,
  - to review and put forward proposals to promote the corporate culture and employee shareholdings,
  - to promote ethics and ensure harmonization of ethical rules within the Group's entities and monitor their compliance thereto; it reviews the organization of the Compliance function and makes recommendations if any,
  - to review the Group's Code of Ethics, rules and procedures,
  - to 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 works with the Audit and Risk Committee for all matters related to the CSR Committee's areas of intervention, in particular concerning the 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 or management deems this useful.

The CSR 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 performance of its duties, within the limits of the budget approved by the Board for the CSR Committee.

Major accomplishments of the CSR Committee in 2021

For the period from January 1 to December 31, 2021, the committee met three times with an attendance rate of 100% for the year and reviewed the following issues:

- 2020 non-financial statement including a review of the Group's environmental, labour and social indicators and the structure of the 2021 non-financial statement;
- Chapter 4 of the Universal Registration Document and the PwC verification report;
- 2020 CSR audit plan;
- CSR risk assessment;
- EssilorLuxottica Mission: review of various actions in progress and action plans;
- Group CSR program (Eyes on The Planet) and main operational projects.

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

At its meeting of May 21, 2021, the Board of Directors decided to renew the mandate of:

- Leonardo Del Vecchio as Chairman;
- Francesco Milleri as EssilorLuxottica Chief Executive Officer; and
- Paul du Saillant as EssilorLuxottica Deputy Chief Executive Officer.

The Chief Executive Officer is vested with full powers to act in all circumstances in the name of EssilorLuxottica. He 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 Internal Rules of the EssilorLuxottica Board of Directors.

However, in application of Article 3.2 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.

3.2 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.

3.2.1 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 provides for a limit on voting rights of 31% for any shareholder, based on a formula disclosed in the bylaws.

3.2.2 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 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.

3.2.3 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 to the Board of Directors in respect of share capital and the use made of these delegations.

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

Type of delegation	Date of Shareholders' Meeting (resolution no.)	Duration (Date of expiration)	Maximum authorized amount
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)]	June 25, 2020 (12th)	26 months (August 24, 2022) This delegation ended on May 21, 2021	0.5% of the share capital (at the date of issue)
Increase in share capital reserved to employees (members of a Company savings plan)[(a)]	May 21, 2021 (18th)	26 months (July 20, 2023)	0.5% of the share capital (at the date of issue)
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) This delegation ended on May 21, 2021	2.5% of the share capital (at the award date)
Bonus share award (performance shares) for the benefit of employees and executive corporate officers	May 21, 2021 (15th)	38 months (July 20, 2024)	2.5% of the share capital (at the award date)
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)
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)
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) This delegation ended on May 21, 2021	5% of the share capital at the date of the General Meeting, *i.e.* May 16, 2019
Delegation of authority to issue shares and securities entailing a share capital increase with preferential subscription rights	May 21, 2021 (16th)	26 months (July 20, 2023)	5% of the share capital at the date of the General Meeting, *i.e.* May 21, 2021
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) This delegation ended on May 21, 2021	€500 million
Delegation of authority to increase the share capital by capitalization of premiums, reserves, profits or other rights	May 21, 2021 (17th)	26 months (July 20, 2023)	€500 million
BUYBACK BY THE COMPANY OF ITS OWN SHARES			
Purchase by the Company of its own shares	June 25, 2020 (11th)	18 months (December 24, 2021) This delegation ended on May 21, 2021	10% of the share capital at the date of purchase
Purchase by the Company of its own shares	May 21, 2021 (10th)	18 months (November 20, 2022)	10% of the share capital at the date of purchase
REDUCTION IN THE SHARE CAPITAL BY CANCELLATION OF SHARES			
Cancellation of shares acquired by the Company under Article L.225-209 (now Article L.22-10-62) of the French Commercial Code	June 25, 2020 (13th)	26 months (August 24, 2022) This delegation ended on May 21, 2021	10% of the share capital at the date of cancellation by 24-month periods
Cancellation of shares acquired by the Company under Article L.22-10-62 of the French Commercial Code	May 21, 2021 (14th)	26 months (July 24, 2023)	10% of the share capital at the date of cancellation by 24-month periods

(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.

3.2.4 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:

3.2.4.1 Structure of the Company's share capital

The structure of the Company's share capital is detailed in Section 6.2.1.

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**").

3.2.4.2 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 6.1 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, 2021, this cap is applicable to Delfin (see Section 6.2.1 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.

3.2.4.3 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 6.2.1 of this Universal Registration Document.

Crossing of legal and statutory thresholds in 2020

The crossing of legal thresholds occurred in 2021 are listed in Section 6.3 of this Universal Registration Document.

3.2.4.4 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

The following principles apply to the appointment of the Directors:

- the members of the Board of Directors of EssilorLuxottica will be appointed for a term of office of three years; and
- 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 Nomination 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.

3.2.4.5 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 3.2.3, granted to the Board of Directors, stipulate that they may not be used during public offerings.

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

Internal shareholders and partners own 4.40% of the share capital and 4.50% of the voting rights, as of December 31, 2021. 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.

3.2.4.7 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.

3.3 Compensation of corporate officers

3.3.1 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 will be subject to the approval of the Annual Shareholders' Meeting of May 25, 2022, in the tenth (compensation policy of the members of Board of Directors), eleventh, twelfth and thirteenth resolutions (compensation policy for Corporate Officers).

Reminder of the changes in governance since the creation of the EssilorLuxottica group

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.

The combination agreement put in place since that date expired at the Annual Meeting of May 21, 2021. The Board of Directors, appointed at the end of such Annual Meeting, nominated:

- Leonardo Del Vecchio as Chairman of the Board of Directors;
- Francesco Milleri as Chief Executive Officer;
- Paul du Saillant as Deputy Chief Executive Officer.

2022 compensation policy

In order to prepare the compensation policy for 2022, the Nomination and Compensation Committee reviewed the compensation policy in force since the Annual Meeting of May 21, 2021, analyzed concerns expressed by the main shareholders and stakeholders during the approval of 2021 compensation policy and took note of market trends. Discussions were held with stakeholders to better understand their expectations.

The Nomination and Compensation committee decided to recommend that the Board of Directors:

- Confirm the general principles of the 2021 compensation policy, in particular the correlation between compensation and the Company's sustainable performance in the interest of the shareholders and of all stakeholders ;
- Maintain the structure and levels of compensation of the corporate officers for 2022.

Therefore, the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer for 2022 will be strictly identical to that of 2021, subject to changes in the performance criteria relating to annual variable compensation detailed below:

	Fixed compensation	Annual variable compensation	Long-term incentive
Leonardo Del Vecchio Chairman of the Board of Directors	**€500,000**	None, in line with the AFEP-MEDEF Code	None, in line with the AFEP-MEDEF Code
Francesco Milleri Chief Executive Officer	**€1,500,000**	Target: **100% of fixed compensation** Maximum: **200% of fixed compensation**	Maximum 50,000 performance shares
Paul du Saillant Deputy Chief Executive Officer	**€1,250,000**	Target: **100% of fixed compensation** Maximum: **200% of fixed compensation**	Maximum 35,000 performance shares

3.3.1.1 General principles

3.3.1.1.1 Main aims of the policy

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 "see more and be more" by addressing their vision needs and style aspirations while creating value for its employees and communities.

Inventing solutions that correct, protect and enhance the sight of each consumer requires operational excellence and the relentless commitment of the Group's 180,000 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 corporate officers and Directors performing duties within the Group receive compensation for their office as Director or committee member.

b) For Non-Executive Corporate Officer (Chairman of the Board of Directors)

The Chairman of the Board of Directors organizes and leads the work and meetings of the Board of Directors and report 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.

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 strategy;
- compensation must be considered as a whole: all components (cash compensation, long-term incentive, employee benefits and, where appropriate, 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.

3.3.1.1.2 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 Nomination 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 annual amount allocated to members of the Board of Directors 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 of the Board of Directors) and Executive Corporate Officers (Chief Executive Officer and Deputy Chief Executive Officer)

Role of the Nomination and Compensation Committee

When drafting the compensation policy for the Company's corporate officers, the Nomination 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 Nomination 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;
- carefully considers the compensation and employment conditions of the Group's employees with a view to ensuring the consistency of the Group's policy.

Annual work cycle of the Nomination and Compensation Committee

February-March	Recommendations regarding the previous year's compensation: • Evaluation of annual variable compensation after reviewing financial and non-financial results • Draft resolutions to be submitted to the Annual Shareholders' Meeting on the components of compensation awarded Recommendations regarding the current year's compensation: • Amount of fixed compensation • Performance criteria and amount of annual variable compensation • Performance criteria and amount of long-term variable compensation • Supported, where appropriate, by a benchmarking study of the Executive Corporate Officers' compensation carried out by an external, independent consultancy firm • Draft resolution to be submitted to the Annual Shareholders' Meeting on the compensation policy
May	Preparation of the Annual Meeting: • Presentation of the resolutions on compensation • Consideration of first feedback from proxy advisors and investors on the resolutions relating to compensation
September-November	Recommendation regarding employee shareholding plans: • Performance share awards/long-term incentive plans • Information on the deployment of other employee shareholding plans (Boost, Company Savings Plan, etc.) • Information on the delivery of performance share plans of prior fiscal years Preparation of the compensation policy for the following year: • Report on the results of the Annual Meeting, on proxy advisors' and investors' remarks • Presentation of market trends in compensation and of the practices of companies of a comparable size, operating in comparable sectors, by an external, independent consultancy firm • Discussion of priorities in terms of compensation for the following fiscal year and possible changes to the compensation policy (benchmark, etc.)

The Nomination 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 corporate social responsibility practices, charitable initiatives and employee shareholding.
- The Nomination 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 Annual 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 Annual Meeting.
- On the basis of ambitious objectives, the Nomination 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 Nomination 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 Nomination 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 3.4).

Role of the Board of Directors

On the basis of the work and the recommendations of the Nomination 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.

3.3.1.1.3 Managing conflicts of interest

In order to prevent conflicts of interest, the corporate officers do not attend Nomination 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 3.1.2.1), 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 3.1.1.4.

3.3.1.2 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.

3.3.1.2.1 Members of the Board of Directors of EssilorLuxottica

The compensation policy for members of the Board of Directors builds on the policy approved by the Annual Shareholders' Meeting of May 21, 2021.

For the 2022 fiscal year, a fixed maximum amount of €2,000,000 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 committee s and the actual presence of the members at Board and committee meetings, pursuant to the rules summarized 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 Nomination and Compensation Committee	€15,000	€15,000
Member of the Nomination 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

The amounts shown above are determined on a full-year basis.

Pursuant to Article 5 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 the presentation of supporting documents and under the Group's standard travel conditions set out in the expenses policy applicable to all of the Group's employees.

In addition, given the current health context and changes to working methods, Directors are now compensated regardless of how they participate (for example by videoconferencing techniques). The Board of Directors favors for attending meetings in person whenever possible, but takes into account health restrictions which have made it difficult to travel, particularly across borders, and changes in communication methods, which allow Directors to participate in meetings and discussions under conditions as good as those of in-person meetings.

3.3.1.2.2 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) or post-termination benefits (termination benefits, non-compete payment).

In accordance with the recommendation of the Nomination and Compensation Committee, the Board of Directors decided to maintain the fixed annual compensation of the Chairman at €500,000.

This compensation constitutes the entire compensation to be paid to him by EssilorLuxottica or one of its subsidiaries.

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, which do not confer any executive powers, the Chairman works 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 3.3.1.2.1.

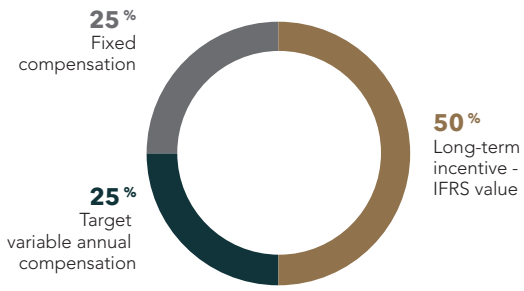
3.3.1.2.3 Chief Executive Officer and Deputy Chief Executive Officer

Overview

	2021 compensation policy	2022 compensation policy
Fixed compensation	Chief Executive Officer: **€1,250,000** from January 1, 2021 to May 21, 2021 and **€1,500,000** from May 22, 2021 Deputy Chief Executive Officer: **€1,250,000**	Chief Executive Officer: Unchanged since May 22, 2021 Deputy Chief Executive Officer: Unchanged
Annual variable compensation	Target: 100% of fixed compensation Maximum: 200% of fixed compensation	Unchanged
	Performance conditions: • Group adjusted Earnings per share (EPS) growth • Revenue growth (at constant exchange rates, excluding strategic acquisitions) • Unlocking of synergies • Corporate Social Responsibility: Reduction in greenhouse gas emissions	Performance conditions: • Group adjusted Earnings per share (EPS) growth • Revenue growth (at constant exchange rates, excluding strategic acquisitions) • **Adjusted *Operating profit* as a percentage of revenue** • ***Control of General and administrative* expenses** • Corporate social responsibility: reduction in greenhouse gas emissions and waste valorization
Long-term incentive (LTI)	Chief Executive Officer: maximum **50,000** performance shares Deputy Chief Executive Officer: maximum **35,000** performance shares	Unchanged
	Performance conditions: • Annualized growth in share price • Penalty in the event of underperformance compared with the EuroStoxx 50 index	Unchanged

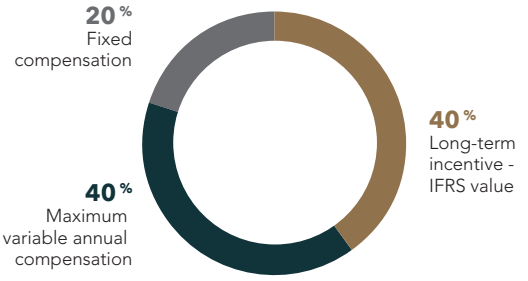
Approximately three quarters of the total annual compensation of the Executive Corporate Officers is subject to performance conditions, of which nearly half depend on long-term performance.

Target structure*



* The target structure takes into account the target variable annual compensation (100% of fixed compensation) and the award of performance shares valued in accordance with IFRS. The effective structure for 2022 is 24% of fixed compensation, 24% of annual variable compensation and 52% of Long-Term Incentive for the Chief Executive Officer and 26% of fixed compensation, 26% of annual variable compensation and 48% of Long-Term Incentive for the Deputy Chief Executive Officer.

Maximum structure**



** The maximum structure takes into account the maximum variable annual compensation (200% of fixed compensation) and the award of performance shares valued in accordance with IFRS. The effective structure for 2022 is 19% of fixed compensation, 38% of annual variable compensation and 43% of Long-Term Incentive for the Chief Executive Officer, and 21% of fixed compensation, 41% of annual variable compensation and 38% of Long-Term Incentive for the Deputy Chief Executive Officer.

Benchmarking

The Nomination and Compensation Committee uses independent specialist firms to measure the competitiveness of its compensation for Executive Corporate Officers.

Their surveys provide the Nomination 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.

Reminder: the total compensation of the Chief Executive Officer was at the market median in the last compensation benchmarking study (presented in Section 2.3.1.2.3 of the 2020 Universal Registration Document).

The compensation levels for the role of Chief Executive Officer were as follow:

	Market Median	F. Milleri
Fixed compensation	€1,270,000	€1,500,000
Cash compensation (fixed + target bonus)	€2,945,000	€3,000,000
Total compensation (fixed + target bonus + long-term incentive valued with IFRS)	€6,100,000	€6,327,500(1)

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 fixed annual gross compensation for 2022 is set at:

- €1,500,000 for Francesco Milleri, Chief Executive Officer;
- €1,250,000 for Paul du Saillant, Deputy Chief Executive Officer.

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 2022 will be paid in 2023, subject to approval by shareholders at the Annual Meeting to be held in 2023 to approve the financial statements for the year ending December 31, 2022.

For 2022, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, decided to retain the following five criteria:

Objectives	Rationale/Link with strategy	Weighting	Nature of objective
Group(2) adjusted(3) Earnings per share (EPS) growth	This indicator reflects the Company's overall performance and the value created for the shareholders.	40%	Quantifiable financial
Revenue growth (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 eye care industry.	20%	Quantifiable financial
Adjusted(3) *Operating profit* as a percentage of revenue	This indicator reflects the Company's business performance and the profitability of its business model.	20%	Quantifiable financial
Control of *General and administrative* expenses(3)	This indicator reflects the control of costs when implementing the strategy while ensuring the sound management of the Company.	10%	Quantifiable financial
Corporate social responsibility	This indicator reflects the fight against climate change and the first public commitments taken through the "Eyes on the Planet" sustainability program.	10%	Quantifiable nonfinancial-

(1) On the basis of the IFRS valuation of performance shares to a price per share of €66.55.
(2) Calculated on Group Net Profit, i.e. Net Profit after minorities.
(3) Adjusted measures or figures: adjusted from the expenses or income related to the combination of Essilor and Luxottica, the acquisition of GrandVision 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.

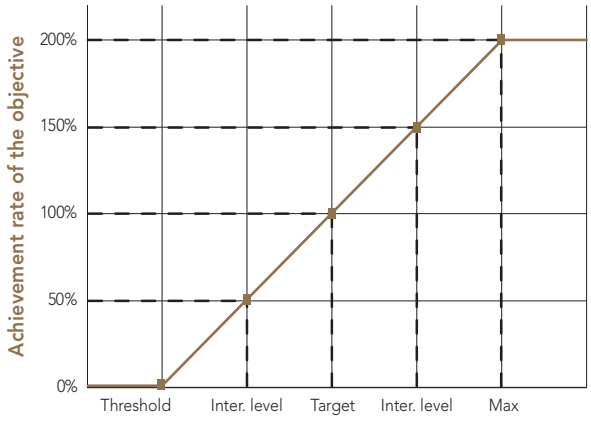
The Board of Directors approved a variable component based exclusively on quantifiable objectives, including 90% of financial objectives and 10% related to corporate social responsibility.

As the amount of synergies to be achieved is included in the 2022 budget, this criterion was not retained in 2022. Two new financial criteria are proposed: adjusted[1] Operating profit as a percentage of revenue and control of General and administrative expenses[1].

In 2022, this corporate social responsibility objective will reflect EssilorLuxottica fight against climate change in line with the first public commitments taken through the "Eyes on the Plane" sustainability program on:

- Carbon neutrality: a reduction in greenhouse gas emissions (Scope 1 & 2) target has been set for 2022 fiscal year, which is in line with carbon neutrality objective to be reached in direct operations from 2023 in Europe and by 2025 for the entire Group;
- Circular economy: a target for valorized waste has been set for 2022 fiscal year, reflecting the Group's determination to move towards a circular economy, by leveraging efforts on waste valorization.

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 each of these five 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). Each criterion is evaluated independently.

On the recommendation of the Nomination and Compensation Committee, the Board of Directors is afforded a certain degree of discretion to adapt and/or modify the calculation grid, upwards or downwards, in exceptional circumstances. The Board of Directors may exercise this discretion in accordance with this compensation policy, without having to comply with the conditions required for the application of the legal derogation provided for in Article L.22-10-8, III, paragraph 2 of the French Commercial Code, as it simply has a certain degree of leeway with respect to the assessment. Exceptional circumstances include any significant change in the Group's scope of consolidation or in the scope of responsibility of the relevant Executive Corporate Officer, a change of accounting method or any major external event impacting the Group's business that could not have been anticipated at the date when the targets were set. The Board will ensure that any adaptations or modifications that are made remain aligned with the general principles described in Section 3.3.1.1. 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. Where it exercises this discretionary power, the Board of Directors will make public the adjustments or modifications made after the meeting at which they were decided and provide a detailed explanation thereof.

Clawback clause

The Board of Directors has the possibility to request 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 in question 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.

On the recommendation of the Nomination and Compensation Committee, the Board of Directors approved an award in October 2022 to the Executive Corporate Officers identical to that of 2021, namely:

- maximum 50,000 performance shares to the Chief Executive Officer;
- maximum 35,000 performance shares to the Deputy Chief Executive Officer.

Performance conditions

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.

(1) Adjusted measures or figures: adjusted from the expenses or income related to the combination of Essilor and Luxottica, the acquisition of GrandVision 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.

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 grows but underperforms 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%	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%	
• 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 3.3.1.1.1, 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 underperformance 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.

In the event of death or disability, under the plan rules applicable to all beneficiaries, the performance conditions are deemed to be met.

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 accordance with the plan's terms, for all beneficiaries.

In the event of non-renewal of a term of office for a reason other than misconduct during the vesting period of the performance shares, the Board of Directors may decide to remove the employment condition, providing 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 granted each year.

Mandatory shareholding policy and rules applicable to Executive Corporate Officers

The Chief Executive Officer and the Deputy Chief Executive Officer 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.

Moreover, they are required to keep, for the duration of their term of office, one-third of their vested performance shares. 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 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 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 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 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 effectively 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

Employment contract and corporate office

As from the Annual Meeting of May 21, 2021, any employee who is promoted to Chief Executive Officer must resign from their position of employment. The Deputy Chief Executive Officer is permitted to maintain an employment contract, pursuant to the provisions of the AFEP-MEDEF Code.

Accordingly, Francesco Milleri terminated his employment contract with effect from his appointment as Chief Executive Officer by the Board of Directors' meeting that followed the Annual General Meeting of May 21, 2021.

Paul du Saillant has held a permanent employment contract with Essilor International SAS since November 1, 2008. Following his appointment as Chief Executive Officer of Essilor International SAS on March 30, 2020, his employment contract was suspended. It was decided to maintain the suspension of his employment contract upon his appointment as Deputy Chief Executive Officer of EssilorLuxottica, in accordance with the AFEP-MEDEF Code.

Termination benefits upon termination of corporate office

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):
  - all cases of forced departure, irrespective of the type of departure (removal, resignation request, non-renewal, etc.) will be deemed cases of forced departure giving rise to the payment of the termination benefit, except in the case of serious or gross misconduct. No termination benefit will be paid in the event of gross misconduct or gross negligence, resignation or where the beneficiary is able to claim a full pension, in accordance with the AFEP-MEDEF Code;
- this may only be paid in the event of a forced departure and is fully subject to the achievement of a performance condition as set out below:
  - The right to receive the termination benefit is subject to meeting a performance condition duly noted by the Board of Directors at the time of or after the termination of duties. Performance conditions are measured using the average achievement rate of the objectives for the annual variable component of the Executive Corporate Officers' compensation over the three years prior to their departure. The annual objectives are those set by the Board of Directors for Executive Corporate Officers and used to calculate their 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 objectives that are aligned with the Group's strategy,
  - 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.

Case of an Executive Corporate Officer without an employment contract – Applied to the Chief Executive Officer (Francesco Milleri)

The principles for paying the termination benefit upon termination of the aforementioned corporate office apply to the Chief Executive Officer or to any Executive Corporate Officer who does not have an employment contract.

Case of an Executive Corporate Officer with a suspended employment contract – Applied to the Deputy Chief Executive Officer (Paul du Saillant)

In the specific case of an Executive Corporate Officer with a suspended employment contract that includes a severance payment, the severance payment will comprise:

- a severance payment required under law or related to the collective bargaining agreement (not subject to performance conditions);
- a supra-legal severance payment for the corporate office that is wholly subject to a performance condition, under the same conditions as described above for the Chief Executive Officer.

In any event, 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).

As a reminder, the amount of the severance payment to which Paul du Saillant could be entitled under the collective bargaining agreement in the event of dismissal, would represent 5.54 months of the compensation awarded under his suspended employment contract (average monthly salary and of any contractual benefits received by Paul du Saillant during the twelve of three (which is more favorable) months immediately preceding the notice of his dismissal).

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.

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 would retire or would be 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, predefined rules, and contributes to building momentum and trust in relations with the officer, in the best interests of all stakeholders. The payment of this non-compete payment was authorized by the Board of Directors on May 21, 2021 as part of the procedure for related party agreements.

Following the appointment of Paul du Saillant as Deputy Chief Executive Officer, the non-compete payment mentioned in his employment contract has been tightened to ensure compliance with the recommendations of the AFEP-MEDEF Code.

Under his employment contract, the Deputy Chief Executive is eligible for a non-compete payment, paid in installments over the period of application of the clause in an amount equal to 60% of his gross compensation (fixed + variable due or received), for respecting a non-compete obligation of 12 to 24 months from the termination date of his employment contract. Accordingly:

- 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.

Benefits in kind

The Executive Corporate Officers are eligible for the death/disability, health insurance and defined contribution pension plans in force within the EssilorLuxottica group under the same conditions as those applicable to the category of employees to which they are assimilated for the purpose of determining benefits and other components of their compensation.

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

The Executive Corporate Officers are eligible for a company car with a driver and are entitled to reimbursement, upon presentation of receipts, of accommodation, travel and assignment expenses incurred in the performance of their duties.

In addition, on the recommendation of the Nomination and Compensation Committee, the Board of Directors may decide, after considering the specific circumstances of the Executive Corporate Officers, to provide them with company accommodation or grant them a housing allowance in the form of a lump sum payment.

Compensation policy for appointed Executive Corporate Officers

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, appointed after the Annual Shareholders' Meeting of May 25, 2022. 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 Nomination 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 3.3.1.1) 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 Nomination 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 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.

3.3.2 2021 compensation of corporate officers

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, a non-executive position, until the Annual Meeting of May 21, 2021. In order to respect the equal powers, set out in the combination agreement in force at the time, 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, a non-executive position.

On the same date, 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 the appointment of a new Board of Directors at the Annual Meeting to be held on May 21, 2021.

On May 21, 2021, the date from which the governance structure set out in the combination agreement was no longer applicable, the Board of Directors, as reconstituted at the close of the Annual Meeting of May 21, 2021, decided to reappoint Leonardo Del Vecchio, Francesco Milleri and Paul du Saillant to their respective positions as Chairman of the Board of Directors, a non-executive position, Chief Executive Officer and Deputy Chief Executive Officer.

3.3.2.1 2021 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 Nomination and Compensation Committee.

In accordance with the allocation rules for the compensation of members of the Board of Directors described in Section 3.3.1.2.1, the total amount of annual compensation due to the Board of Directors' members in 2021 amounted to €1,634,234, which is less than the maximum amount of €2,000,000, authorized by the Annual Meeting of November 29, 2018.

The compensation of members of the Board of Directors, in respect of their roles as Directors, is established as shown in the table below, given that non-Executive Directors did not receive any compensation other than the compensation listed below. Details of the compensation paid in or awarded in respect of 2021 to Executive Corporate Officers are provided in Section 3.3.2.2.

	Gross amount allocated in respect of 2020 *(These amounts reflect the Board of Directors' decision of April 18, 2020 to reduce its members' compensation by 50% for fiscal year 2020)*	**Gross amount allocated in respect of 2021**
MEMBERS OF THE BOARD OF DIRECTORS PRESENT FOR THE ENTIRE YEAR 2021		
R. Bardin	€72,500	€145,000
L. Del Vecchio	€50,000	€100,000
P. du Saillant	€40,804	€101,949
J. Favre	€55,000	€116,586
F. Milleri	€60,000	€105,847
C. Scocchia	€62,500	€123,051
DIRECTORS REPRESENTING EMPLOYEES ON THE BOARD OF DIRECTORS [(a)]		
M. Bard	N/A	€27,500
S. Brown	N/A	€27,500
L. Pereira Ascençao	€46,250	€68,602
D. Zablocki	€50,000	€72,500
MEMBERS OF THE BOARD OF DIRECTORS APPOINTED AFTER THE ANNUAL MEETING OF MAY 21, 2021		
J-L. Biamonti	N/A	€82,379
M-C. Coisne	N/A	€61,022
J. Gonzalo	N/A	*José Gonzalo has decided to waive any compensation to which he may be entitled in respect of his directorship at EssilorLuxottica*
S. Piramal	N/A	€76,277
N. von Siemens	N/A	€70,175
A. Zappia	N/A	€79,328
MEMBERS OF THE BOARD OF DIRECTORS APPOINTED UNTIL THE ANNUAL MEETING OF MAY 21, 2021		
G. Giallombardo	€57,500	€44,825
A. Messemer	€68,500	€48,535
G. Mion	€68,857	€47,151
L. Morselli	€67,500	€48,723
O. Pécoux	€76,313	€56,519
S. Pucci	€50,000	€38,978
H. Sagnières [(b)]	€58,549	€38,978
J. Wong	€58,750	€52,809
TOTAL	**€937,023**	**€1,634,234**

(a) The terms of office of Léonel Pereira Ascençao and Delphine Zablocki expired on September 20, 2021. They were replaced by Margot Bard and Sébastien Brown, with effect from September 22, 2021.
(b) Hubert Sagnières received €403,667 in voluntary retirement benefits, as defined in the collective bargaining agreement applicable within Essilor International SAS, in accordance with his reinstated employment contract, which was terminated due to his retirement (equivalent to four months' contractual compensation).

3.3.2.2 2021 compensation of the Executive Corporate Officers (Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer)

3.3.2.2.1 Structure of the 2021 compensation of the Executive Corporate Officers

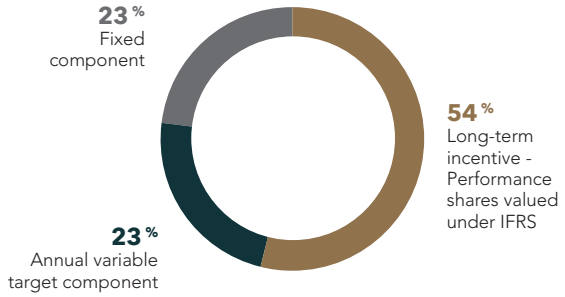
As a reminder, the 2021 compensation structure of Leonardo Del Vecchio, Francesco Milleri and Paul du Saillant for the performance of their duties as Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officer, respectively, is as follows:

	Leonardo Del Vecchio Chairman of the Board of Directors	Francesco Milleri Chief Executive Officer	Paul du Saillant Deputy Chief Executive Officer
Fixed annual compensation	**€500,000**	January 1 to May 21, 2021: **€1,250,000** As from May 22, 2021: **€1,500,000*** *i.e.*, an annualized pro-rated amount over the two periods of **€1,402,244**	**€1,250,000**
Annual variable compensation	None, in line with the AFEP-MEDEF Code	Target: **100% of fixed compensation** Maximum: **200% of fixed compensation** *i.e.*, an annualized pro-rated target amount of **€1,402,244**	Target: **100% of fixed compensation** Maximum: **200% of fixed compensation** *i.e.*, a target amount of **€1,250,000**
Long-term incentive	None, in line with the AFEP-MEDEF Code	**50,000** performance shares	**35,000** performance shares

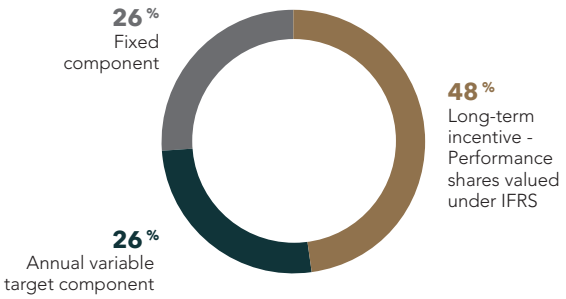
* It is specified that, in accordance with the compensation policy approved at the Annual Meeting of May 21, 2021, the Chief Executive Officer's fixed compensation was determined taking into account the new governance structure put in place since the Annual Meeting of May 21, 2021, Francesco Milleri's experience, his in-depth knowledge of the Company and of the sector, in keeping with comparable companies (see Section 2.3.1.2.3, paragraph *Benchmarking* of the 2020 Universal Registration Document).

2021 compensation structure for Francesco Milleri, Chief Executive Officer, and Paul du Saillant, Deputy Chief Executive Officer

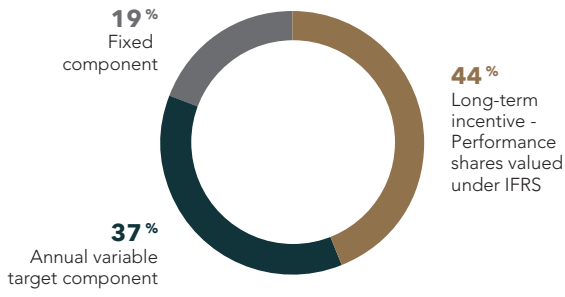
Compensation target for Francesco Milleri



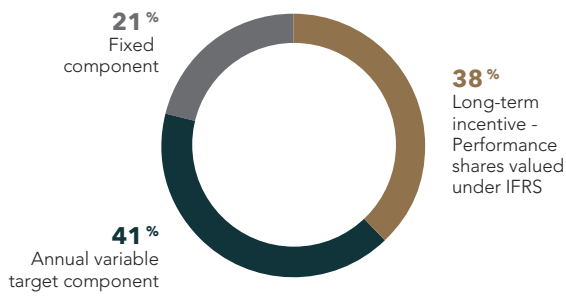
Compensation target for Paul du Saillant



Compensation maximum for Francesco Milleri



Compensation maximum for Paul du Saillant



The compensation presented above for Leonardo Del Vecchio, Francesco Milleri and Paul du Saillant constitutes the entire compensation paid to them by EssilorLuxottica or one of its subsidiaries. It should be noted that almost three quarters of the total annual compensation of the Executive Corporate Officers is subject to performance conditions, of which nearly half depend on long-term performance.

Hubert Sagnières, as the Vice-Chairman of the Board of Directors, did not benefit from any compensation other than that for his position as Director, as set out in Section 3.3.1.2.1. He did not receive any supplementary pension, death/disability, health insurance or post-termination benefits (termination benefits, non-compete payment) for his duties as Vice-Chairman.

3.3.2.2.2 Summary of 2021 compensation of the Executive Corporate Officers

	Leonardo Del Vecchio Chairman of the Board of Directors	Francesco Milleri Chief Executive Officer	Paul du Saillant Deputy Chief Executive Officer
ANNUAL CASH COMPENSATION			
Fixed	€500,000	€1,402,244	€1,250,000
Target variable component	n/a	€1,402,244	€1,250,000
Target cash compensation	**€500,000**	**€2,804,488**	**€2,500,000**
Variable component due	n/a	€2,773,639	€2,472,500
% achievement against target	n/a	197.8%[(a)]	197.8%[(a)]
Maximum % (for reference)	n/a	200%	200%
Cash compensation due	**€500,000**	**€4,175,883**	**€3,722,500**
LONG-TERM INCENTIVE PLAN			
Performance shares awarded	**n/a**	**50,000**	**35,000**
As a % of total number of shares awarded	n/a	1.7%	1.2%
As a % of share capital at December 31 for the year	n/a	0.011%	0.008%
IFRS valuation of performance shares[(b)]	n/a	€3,327,500	€2,329,250
OTHER COMPENSATION			
Directors' compensation	€100,000	€105,847	€101,949
EMPLOYEE BENEFITS			
Benefits in kind	€0	€0	€0
Type			
Employer contributions to Group plans (health insurance, death/disability insurance, defined contribution pension plan)	€ 0	€12,369	€30,341
DEFERRED BENEFIT OBLIGATIONS			
Supplementary defined benefit "loyalty-based" pension plan	No	No	Yes, without acquiring any new rights
Non-compete payment	No	Yes	Yes
Termination benefits	No	With respect to the corporate office	With respect to his suspended employment contract

(a) Details of the achievement rate of the quantitative and qualitative criteria are presented in Appendix 1 below.
(b) *i.e.*, on the basis of the IFRS valuation, a price per share of €66.55.

It should be noted that:

- when Francesco Milleri's employment contract was terminated as Chief Executive Officer of Luxottica S.p.A., he was entitled to the payment of the balance of his holidays in the amount of €28,837 in 2021;
- in 2021, Paul du Saillant received the remaining balance of his temporary cash pension allowance in the amount of €214,508 due in 2020 for his duties as Chief Executive Officer of Essilor International SAS. This temporary allowance had been put in place following the termination of the supplementary defined benefit pension plan on December 31, 2019, pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019. It was cancelled following his appointment as Deputy Chief Executive Officer of EssilorLuxottica on December 17, 2020.

3.3.2.2.3 2021 compensation appendices

Six explanatory appendices are provided in addition to this summary table on 2021 compensation. They pertain to:

1. the 2021 variable component;
2. the 2021 performance share plan;
3. the supplementary defined benefit pension plan;
4. the termination benefits related to corporate office or suspended contract;
5. the non-compete payment;
6. Group plans and benefits in kind.

Appendix 1: 2021 variable component

The annual variable compensation of the Chief Executive Officer and the Deputy Chief Executive Officer for 2021 was determined in accordance with the principles set out in the 2021 compensation policy described in Section 2.3.1. of the 2020 Universal Registration Document and was approved by the Annual Meeting of May 21, 2021 (under the eighth resolution with respect to the period before the Annual Meeting and the ninth resolution with respect to the period after the Annual Meeting).

Payment of this variable component will be submitted for approval at the Annual Shareholders' Meeting to be held on May 25, 2022.

The target bonus for Francesco Milleri and Paul du Saillant as Chief Executive Officer and Deputy Chief Executive Officer, respectively, for 2021 was equal to 100% of their fixed compensation, *i.e.* €1,402,244 and €1,250,000 respectively.

The annual variable compensation for 2021 was based on the following four performance criteria approved by the Board of Directors on March 11, 2021:

- Group adjusted Earnings per share (EPS) growth (50%);
- Revenue growth (at constant exchange rates, excluding strategic acquisitions) (20%);
- Unlocking of synergies (20%);
- Corporate Social Responsibility based on the reduction in greenhouse gas emissions (10%).

Company performance for 2021

The performance criteria result for the 2021 fiscal year are as follows:

Weighting	Description	% achievement from 0% to 200% of the target	Weighted % achievement
W		**A**	**W x A**
50%	Group[1] adjusted[2] Earnings per share (EPS) growth	200%	100%
20%	Revenue growth (at constant exchange rates, excluding strategic acquisitions)	200%	40%
20%	Unlocking of synergies	200%	40%
10%	Corporate social responsibility	178%	17.8%
100%			**197.8%**

Achievement in amount

	Base Salary for 2021 fiscal year (BS)	Target Bonus (% BS)	Weighted % achievement	Achievement in amount
Chief Executive Officer	€1,402,244	100%	197.8%	€ 2,773,639
Deputy Chief Executive Officer	€1,250,000	100%	197.8%	€ 2,472,500

(1) Calculated on Group Net Profit, *i.e.* Net Profit after minorities.
(2) Adjusted measures or figures: adjusted from the expenses or income related to the combination of Essilor and Luxottica, the acquisition of GrandVision 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.

Analysis of 2021 performance

Financial Performance

2021 was marked by an exceptional performance. The Company's extraordinary recovery in 2021, where each quarter beat the previous one in terms of revenue growth, at current exchange rates. Rising Covid vaccination levels, the restoring macro-economic environment and the Company's improved governance and better execution of its strategy underpinned the rampant growth trajectory.

Revenue growth translated into a material increase in margins during the year, thanks to the operating leverage which typically characterizes the Company's vertically-integrated business model, as well as the extraordinary cost containment measures put in place during Covid-19, which were gradually removed as the business recovered.

In light of the sound performance of the second and third quarters, EssilorLuxottica upgraded twice its full year 2021 guidance, once in July 2021 and then in October 2021.

The three financial objectives have been each met at 200%.

Corporate social responsibility

The Corporate social and environmental responsibility objective reflects EssilorLuxottica's fight against climate change and its commitment to achieve carbon neutrality across our direct operations by 2025, starting in Europe by 2023.

The objective for 2021 was related to the reduction in greenhouse gas emissions(1).

Throughout 2021, the Group:

- invested in renewable energy
- funded initiatives to protect and restore natural ecosystems and promote as well as promoting the well-being of local communities: forestation projects in Agordo and in Jiangxi Province in China.
- improved the energy efficiency of manufacturing processes and existing buildings

All these actions have resulted in a 178% achievement rate for this criterion.

As a reminder, the achievement rate of the annual variable portion of the Executive Corporate Officers(2)' compensation over the last two years was 0% for 2019(3) and 22.9% for 2020.

Payment of the variable component due for the fiscal year 2021 is subject to the approval of the Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2021.

Appendix 2: Performance share plan

The Annual Meeting of May 21, 2021 authorized the Board of Directors, in its fifteenth resolution, to grant performance shares to employees and corporate officers, thereby giving the Board of Directors of EssilorLuxottica the opportunity 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 2021, performance shares were awarded to 15,164 EssilorLuxottica group employees.

In addition to performance shares, the Group has voluntary shareholding programs to enable as many employees as possible to become Group shareholders, in particular through the "Boost" International Employee Shareholding Plan. In 2021, 54,000 eligible employees subscribed in 78 countries, marking a 3% rise over 2020.

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 28, 2021, the date of the award by the Board of Directors, the Initial Reference Share Price was set at €165.80 (corresponding to the average of the 20 opening prices of the EssilorLuxottica share preceding the award date);
- on October 28, 2024, *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 28 and October 28, 2024.

Annualized growth in the EssilorLuxottica share price*	Average Share Price three years after the award date	Number of shares vested *(as a % of initial grant)*
<2%	Lower than €175.95	0%
between 2% and 3%	Between €175.96 and €181.17	50%
between 3% and 4%	Between €181.18 and €186.50	60%
between 4% and 5%	Between €186.51 and €191.93	70%
between 5% and 6%	Between €191.94 and €197.47	80%
between 6% and 7%	Between €197.48 and €203.11	90%
>=7%	Higher than or equal to €203.12	100%

* Annualized growth in relation to the Initial Reference Share Price of €165.80.

(1) Measured in kt CO_2.
(2) Executive Corporate Officers during these periods were Leonardo Del Vecchio and Hubert Sagnières.
(3) Following the fraud at an Essilor plant in Thaïland.

Additional performance condition applicable to Francesco Milleri and Paul du Saillant

In addition to the performance condition applicable to all beneficiaries, there is a second performance condition for Francesco Milleri and Paul du Saillant, based on a comparison between the performance of the EssilorLuxottica share in relation to the EuroStoxx 50 index.

		Number of shares vested *(as a % of initial grant)*	
Annualized growth in the EssilorLuxottica share price	**Average Share Price three years after the award date**	**If the EssilorLuxottica share outperforms the EuroStoxx 50 index**	**If the EssilorLuxottica share underperforms the EuroStoxx 50 index**
<2%	Lower than €175.95	0%	0%
between 2% and 3%	Between €175.96 and €181.17	50%	50%
between 3% and 4%	Between €181.18 and €186.50	60%	
between 4% and 5%	Between €186.51 and €191.93	70%	
between 5% and 6%	Between €191.94 and €197.47	80%	
between 6% and 7%	Between €197.48 and €203.11	90%	
>= 7%	Higher than or equal to €203.12	100%	

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.

In the event of death or disability, in accordance with the plan's terms applicable to all beneficiaries, the performance conditions are deemed to be met.

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 accordance with the plan's terms applicable to all beneficiaries.

In the event of non-renewal of a term of office for a reason other than misconduct during the vesting period of the performance shares, the Board of Directors may decide to remove the employment condition, and provides a valid reason for its decision. The Board of Directors' decision is announced at the time of departure.

Appendix 3: Supplementary defined benefit "loyalty-based" pension plan

Pursuant to the PACTE law 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 supplementary 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.

Francesco Milleri, Chief Executive Officer

Francesco Milleri is not eligible for the Company's defined benefit pension plan.

Paul du Saillant, Deputy Chief Executive Officer

Paul du Saillant recorded 11 years and two months of service at December 31, 2019. He has not accrued any additional rights since that date.

Under this plan, in view of his length of service in the Group when the plan was closed, the theoretical calculation of the annual benefits due to Paul du Saillant at December 31, 2021 would be 12.6% of the average compensation actually received in 2019, 2020 and 2021 (*i.e.*, around €206,750).

Appendix 4: Termination benefits related to corporate office or suspended contract

Francesco Milleri, Chief Executive Officer

No termination benefit was granted to Francesco Milleri for 2021.

Reminder

In accordance with the recommendations of the AFEP-MEDEF Code, as from the Annual Meeting of May 21, 2021, any employee who is promoted to Chief Executive Officer is required to resign from their position of employment. Accordingly, Francesco Milleri terminated his employment contract with effect from his appointment as Chief Executive Officer on May 21, 2021.

Until May 21, 2021, he was employed under a permanent employment contract with Luxottica Group S.p.A., which provided for a severance payment in the amount of €3,000,000. This commitment has been canceled and replaced by a termination benefit wholly subject to a performance condition as described below.

Condition for allocating a termination benefit

Any cases of forced departure, irrespective of the type of departure (removal, resignation request, non-renewal, etc.), would give rise to the payment of the termination benefit subject to a performance condition.

No payment will be made in the event of gross misconduct or gross negligence, resignation or where the beneficiary is able to claim a full pension, in accordance with the recommendations of the AFEP-MEDEF Code.

Performance condition

The potential payment of this benefit would be subject to the following performance condition.

Performance would have been measured using Francesco Milleri's average achievement rate of his target annual variable component over the three years prior to his departure. These annual objectives would be those set by the Board of Directors in respect of Francesco Milleri's role as an Executive Corporate Officer and used to calculate his annual variable compensation.

For an average performance rate of at least 50%, the termination benefit would be 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 be paid). If the average performance rate is less than 50%, no benefit will be paid.

This performance condition would be directly related to the fulfillment of the objectives underlying Francesco Milleri's annual variable compensation, in line with the compensation policy applicable to him, voted at Annual Shareholders' Meeting of May 21, 2021 which takes into account the achievement of performance targets that are aligned with the Group's strategy.

If the term of corporate office is shorter than the three-year reference period, his performance with respect to the annual objectives previously set for his duties at Luxottica Group S.p.A. may be taken into account to calculate the annual variable compensation.

Amount of the termination benefit

This termination benefit is set at maximum 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 annual variable compensation due or received).

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.

Paul du Saillant, Deputy Chief Executive Officer

No severance payment was granted to Paul du Saillant for 2021.

Reminder

Paul du Saillant's employment contract was suspended on March 30, 2020 following his appointment as Chief Executive Officer of Essilor International SAS. Upon his appointment as Deputy Chief Executive Officer of EssilorLuxottica, it was decided to maintain the suspension of his employment contract, in accordance with the AFEP-MEDEF Code.

In the specific case of Paul du Saillant with a suspended employment contract that includes a severance payment, the severance payment would comprise:

- a severance payment or dismissal payment required by law or related to the collective bargaining agreement (not subject to performance conditions);
- a supra-legal severance payment for the corporate office that is wholly subject to the following performance condition.

Condition for allocating a termination benefit

Any cases of forced departure, irrespective of the type of departure (removal, resignation request, non-renewal, etc.), would give rise to the payment of the supra-legal severance payment subject to a performance condition.

No supra-legal severance payment would be made in the event of serious or gross misconduct, followed by dismissal under the employment contract within one year of the end of the corporate office or where the beneficiary is able to claim a full pension, in accordance with the recommendations of the AFEP-MEDEF Code.

Performance conditions of the supra-legal severance payment

The supra-legal severance payment would be 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.

These annual objectives would be set by the Board of Directors in respect of Paul Saillant'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 severance payment would be 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 would be paid.

This performance condition would be directly related to the fulfillment of the objectives underlying Paul du Saillant's annual variable compensation in line with the compensation policy applicable to him, voted at Annual Shareholders' Meeting of May 21, 2021 which takes into account the achievement of performance targets that are aligned with the Group's strategy.

If the term of corporate office would be shorter than the three-year reference period, his performance with respect to the annual objectives previously set for his duties at Essilor International SAS may be taken into account to calculate the annual variable compensation.

Amount of the severance payment

In any event, the aggregate of these two payments (legal and supra-legal) 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 of the employment contract, plus one-twelfth of the last annual variable compensation due or received).

The amount of the severance payment to which Paul du Saillant could be entitled under the collective bargaining agreement in the event of dismissal, would represent 5.54 months of the compensation awarded under his suspended employment contract (average monthly salary and of any contractual benefits received by Paul du Saillant during the twelve of three (which is more favorable) months immediately preceding the notice of his dismissal).

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 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.

Appendix 5: Non-compete payment

Francesco Milleri, Chief Executive Officer

No non-compete payment was granted to Francesco Milleri for 2021.

Francesco Milleri was eligible for a non-compete payment under his employment contract with Luxottica Group S.p.A., paid in installments over the period of application of the clause in an amount of €500,000, for respecting a non-compete obligation of 12 to 24 months from the termination date of the employment contract. His employment contract with Luxottica Group S.p.A. was terminated on May 21, 2021.

As Chief Executive Officer of EssilorLuxottica, he is now 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, may not exceed the two-year cash compensation cap.

It should be noted that 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, predefined rules, and contributes to building momentum and trust in relations with the officer, in the best interests of all stakeholders.

Paul du Saillant, Deputy Chief Executive Officer

No non-compete payment was granted to Paul du Saillant for 2021.

Following the appointment of Paul du Saillant as Deputy Chief Executive Officer, the non-compete payment mentioned in his employment contract has been tightened to ensure compliance with the recommendations of the AFEP-MEDEF Code.

Under his employment contract, Paul du Saillant is eligible for a non-compete payment, paid in installments over the period of application of the clause in an amount equal to 60% of his gross compensation (fixed + variable due or received), for respecting a non-compete obligation of 12 to 24 months from the termination date of his employment contract. Accordingly:

- 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.

Appendix 6: Group plans and benefits in kind

For the year ended December 31, 2021, Francesco Milleri and Paul du Saillant were eligible for the death/disability, health insurance and defined contribution pension plans in force within the EssilorLuxottica group under the same conditions as those applicable to the category of employees to which they are assimilated for the purpose of determining benefits and other components of their compensation.

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

The Executive Corporate Officers are eligible for a company car and are entitled to reimbursement, upon presentation of receipts of travel and assignment expenses incurred in the performance of their duties, in accordance with EssilorLuxottica's internal rules. No benefits in kind were granted to Francesco Milleri and Paul du Saillant during the fiscal year 2021.

3.3.2.2.4 Maturity of the performance share award plan of November 29, 2018

On November 29, 2018, the Board of Directors granted 50,000 performance shares to Leonardo Del Vecchio, Executive Chairman of EssilorLuxottica until December 17, 2020 and Chairman of the Board of Directors of EssilorLuxottica from December 17, 2020, according to the following terms and conditions:

The vesting of these shares was linked to a condition of continued presence and the achievement of a double performance condition:

1. The first performance condition, applicable to all beneficiaries of the plan, related to annualized growth in the share price, which had to be equal to or greater than 7% for all the shares initially granted to vest.

Initial reference share price	Average of the 20 opening prices prior to November 29, 2018	€116.74
Average price	Average of the opening prices for the period from August 29 to November 29, 2021	€173.50
Annualized growth in the share price		14.1%

As the annualized growth, calculated as shown above, was greater than the performance target of 7% per year set for all the shares initially granted to vest, the first performance condition is deemed to be met at 100%.

2. The second performance condition, applicable only to beneficiaries who were Executive Corporate Officers at the time of the grant, consisted of determining an Average Ratio corresponding to the average achievement rate of the 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 shares that vested would be reduced in the same proportion.

   As the Average Ratio for the period 2018-2020 was 32.6%, 32.6% of the shares initially granted to Leonardo Del Vecchio have vested. This Average Ratio is impacted in particular by Leonardo Del Vecchio's decision to waive his variable component for 2019 in full out of solidarity with the shareholders impacted by the fraud that took place in Thailand in 2019.

Since the presence condition and the application of the double performance condition were met, Leonardo Del Vecchio became the owner of 16,300 EssilorLuxottica shares on November 29, 2021.

In addition, on November 29, 2021, the 30,025 shares granted to Paul du Saillant on November 29, 2018 also vested. At the time of the grant, Paul du Saillant was not an Executive Corporate Officer of the Company. As a result, the vesting of the shares was only subject to the performance condition applicable to all beneficiaries, namely the annualized increase in the share price.

Additional lock-up period for Executive Corporate Officers

The compensation policy provides that Executive Corporate Officers are required to keep one-third of their vested performance shares throughout their term of office.

This requirement to hold shares no longer applies when they hold a number of EssilorLuxottica shares representing an amount equivalent to 400% of their fixed annual compensation. The fixed compensation taken into account is that for the year during which the Executive Corporate Officer intends to sell performance shares.

On December 31, 2021, based on the EssilorLuxottica share value on that date (€187.24), Francesco Milleri and Paul du Saillant hold respectively 39,477 shares and 338,840 shares. The valuation of the shares held as at December 31st, 2021 by the Chief Executive Officer and the Deputy Chief Executive Officer respectively was greater than the mandatory shareholding policy mentioned above. Francesco Milleri and Paul du Saillant comply with shareholding policy applicable to Executive Corporate Officers.

3.3.2.2.5 Maturity of the cash-settled plan converted into free shares of Luxottica Group S.p.A.

On December 15, 2017, the Board of Directors of Luxottica Group S.p.A. approved the implementation of a retention plan. Delivery of shares under the plan was subject to:

- the completion of the combination between Essilor and Luxottica before December 31, 2018; and
- a condition of presence within the Group for a period of three years.

On March 7, 2019, on the recommendation of the Nomination and Compensation Committee and following the approval of the ninth resolution by the Extraordinary Meeting on November 29, 2018, the Board of Directors of EssilorLuxottica approved the conversion of the cash retention plan into a free share plan.

The Board of Directors' meeting of March 11, 2021 noted that the presence condition had been met on March 7, 2021. A total of 780,750 shares were delivered to beneficiaries on March 18, 2021, including 37,150 to Francesco Milleri.

3.3.3 AFEP-MEDEF compensation and benefits tables

Table 2 – Summary of compensation, options and shares awarded to each corporate officer

In euro (gross amount)	2021	2020
Leonardo Del Vecchio	**Chairman of the Board of Directors**	**Executive Chairman until December 17, 2020, Chairman of the Board of Directors from December 18, 2020**
Compensation due for the year (detailed in Table 3)[(a)]	€600,000	€1,232,748
Value of options granted during the year		
Value of performance shares awarded during the year[(b)]		€928,200
Francesco Milleri	**Chief Executive Officer**	**Chief Executive Officer from December 18, 2020**
Compensation due for the year (detailed in Table 3)[(a) (c)]	€4,281,730	---
Value of options granted during the year		
Value of performance shares awarded during the year[(b)]	€3,327,500	---
Paul du Saillant	**Deputy Chief Executive Officer**	**Deputy Chief Executive Officer from December 18, 2020**
Compensation due for the year (detailed in Table 3)[(a) (c)]	€3,824,449	---
Value of options granted during the year		
Value of performance shares awarded during the year[(b)]	€2,329,250	---

(a) Amount of compensation due for the fiscal year 2021, subject to approval by the Annual Shareholders' Meeting.
(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.
(c) Francesco Milleri and Paul du Saillant did not receive any compensation for the period from December 18 to December 31, 2020 for their duties as Chief Executive Officer and Deputy Chief Executive Officer, respectively.

Table 3 – Summary of compensation paid to each corporate officer

	2021		2020	
Leonardo Del Vecchio	**Chairman of the Board of Directors**		**Executive Chairman until December 17, 2020, Chairman of the Board of Directors from December 18, 2020**	
In euro (gross amount)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation[(a)]	€500,000	€500,000	€962,366	€837,365
Variable compensation[(b)]		€220,382	€220,382	€0
Exceptional compensation				
Directors' compensation[(c)(d)]	€100,000	€100,000	€50,000	€50,000
Benefits in kind:				
• car				
• unemployment insurance				
• other				
TOTAL	**€600,000**	**€820,382**	**€1,232,748**	**€887,365**

(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 variable compensation for fiscal year 2020: 23% target achievement approved by the Shareholders' Meeting of May 21, 2021.
(c) Directors' compensation for the second half of year Y can be paid in January Y+1.
(d) 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.

	2021		2020	
Francesco Milleri*	**Chief Executive Officer**		**Chief Executive Officer from December 18, 2020**	
In euro (gross amount)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed compensation[(a)]	€1,402,244	€1,402,244		
Variable compensation[(b)(c)]	€ 2,773,639	€1,304,430		
Exceptional compensation				
Directors' compensation[(d)]	€105,847	€105,847		
Benefits in kind:				
• car				
• unemployment insurance				
• other				
TOTAL	**€4,281,730**	**€2,812,521**		

(a) Francesco Milleri did not receive any compensation for the period from December 18 to December 31, 2020 for his duty as Chief Executive Officer. Francesco Milleri's fixed compensation was €1,250,000 (full year basis) from January 1, 2021 to May 21, 2021 and €1,500,000 (full year basis) with effect from May 22, 2021. The amounts shown in the table above for fiscal year 2021 correspond to compensation due pro rata for 2021.
(b) Francesco Milleri's variable compensation for fiscal year 2021: 197.8% target achievement. Variable component due subject to approval by the Shareholders' Meeting.
(c) Francesco Milleri's variable compensation as CEO of Luxottica Group S.p.A. for fiscal year 2020: 108.7% target achievement, paid in 2021.
(d) Directors' compensation for the second half of year Y can be paid in January Y+1.
* It should be noted that when Francesco Milleri's employment contract was terminated as Chief Executive Officer of Luxottica S.p.A., he was entitled to the payment of the balance of his holidays in the amount of €28,837 in 2021.

Paul du Saillant*	2021 Deputy Chief Executive Officer		2020 Deputy Chief Executive Officer from December 18, 2020	
In euro (gross amount)	Amount due	Amount paid	Amount due	Amount paid
Fixed compensation[(a)]	€1,250,00	€1,250,00		
Variable compensation[(b)(c)]	€2,472,500	€858,033		
Exceptional compensation				
Directors' compensation[(d)]	€101,949	€101,949		
Benefits in kind:				
• car				
• unemployment insurance				
• other				
TOTAL	**€3,824,449**	**€2,209,982**		

(a) Paul du Saillant did not receive any compensation for the period from December 18 to December 31, 2020 for his duty as Deputy Chief Executive Officer.
(a) Paul du Saillant's variable compensation for fiscal year 2021: 197.8% target achievement. Variable component due subject to approval by the Shareholders' Meeting.
(a) Paul du Saillant's variable compensation as CEO of Essilor International SAS. for fiscal year 2020: 94% target achievement, paid in 2021.
(a) Directors' compensation for the second half of year Y can be paid in January Y+1.
* It should be noted that in 2021, Paul du Saillant received the remaining balance of his temporary cash pension allowance in the amount of €214,508 due in 2020 for his duties as Chief Executive Officer of Essilor International SAS. This temporary allowance had been put in place following the termination of the supplementary defined benefit pension plan on December 31, 2019, pursuant to the PACTE law (Action Plan for Business Growth and Transformation) and the Government Order of July 3, 2019. It was cancelled following his appointment as Deputy Chief Executive Officer of EssilorLuxottica on May 21, 2021.

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
Francesco Milleri	50,000	66.55	10/28/2024	10/28/2024	10/28/2021	Share price + special relative performance condition for Executive Corporate Officers[(a)]
Paul du Saillant	35,000	66.55	10/28/2024	10/28/2024	10/28/2021	Share price + special relative performance condition for Executive Corporate Officers[(a)]

(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.

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
Leonardo Del Vecchio	16,300[(a)]	11/29/2018	Share price + special performance condition for Executive Corporate Officers[(d)]
Paul du Saillant	30,025[(b)]	11/29/2018	Share price
Francesco Milleri	37,150[(c)]	03/07/2019	No

(a) 16,300 performance shares out of the 50,000 vested under the November 29, 2018 plan became available on November 29, 2021.
(b) 30,025 performance shares under the November 29, 2018 plan became available on November 29, 2021.
(c) Retention plan approved by the Board of Directors of Luxottica Group S.p.A on December 15, 2017 and converted into a free share plan, following the approval of the Board of Directors of EssilorLuxottica's meeting on March 7, 2019, including 37,150 shares delivered to Francesco Milleri on March 18, 2021. Delivery of shares under the plan was subject to the completion of the combination between Essilor andLuxottica and a condition of presence within the Group for a period of three years.
(d) 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 29, 2018 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.

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 2021.

Table 7 – Stock subscription or purchase options exercised by each corporate officer during the fiscal year

Leonardo Del Vecchio, Chairman of the Board of Directors

Leonardo Del Vecchio has no stock subscription options to exercise. Consequently, no options were exercised in fiscal year 2021.

Francesco Milleri, Chief Executive Officer

Francesco Milleri has no stock subscription options to exercise. Consequently, no options were exercised in fiscal year 2021.

Paul du Saillant, Deputy Chief Executive Officer

Paul du Saillant has no stock subscription options to exercise. Consequently, no options were exercised in fiscal year 2021.

Table 8 – History of capped performance stock subscription option awards (until 2017 inclusive) and capped performance stock purchase option awards (from 2018)

Plan	2014	2015	2016	2017	2018	2019	2020	2021
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	05/21/2021
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	10/28/2021
Total number of shares that can be subscribed/ purchased	121,505	100,023	119,392	132,016	133,203	127,117	113,536	121,868
Number of shares that can be subscribed/ purchased by the corporate officers:								
Starting point for the exercise of options	11/25/2016	12/02/2018	09/22/2019	10/03/2020	11/29/2021	Not yet known, depends on performance	10/01/2023	10/28/2024
Expiration date	11/25/2021	12/02/2022	09/22/2023	10/03/2024	11/29/2025	10/03/2026	10/01/2027	10/28/2028
Subscription/ purchase price (average of the 20 opening prices prior to the Board of Directors' meeting)	€87.16	€121.32	€114.88	€105.80	€116.74	€131.52	€110.79	€165.80
Exercise procedures[(a)]	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	Subject to conditions: 100% after three years
Number of shares subscribed/ purchased at Dec. 31, 2021	104,487	28,690	32,406	42,687	6,516	0	0	0
Cumulative number of options canceled or expired	17,018	29,428	47,658	44,482	20,685	13,968	8,682	1,935
Options remaining at Dec. 31, 2021	-	41,905	39,328	44,847	106,002	113,149	104,854	119,933

(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	2015	2016	2017	2018	2019	2020	2021
Date of Shareholders' Meeting	05/05/2015	05/05/2015	05/05/2015	11/29/2018	11/29/2018	11/29/2018	05/21/2021
Date of Board of Directors' meeting	12/02/2015	09/22/2016	10/03/2017	11/29/2018	10/03/2019	10/01/2020	05/21/2021
Total number of shares awarded	1,251,533	1,372,233	1,481,219	1,565,862	2,228,446[b]	2,138,851	2,817,295[c]
Number of shares awarded to the corporate officers:							
• Leonardo Del Vecchio				50,000	40,000	20,000	
• Francesco Milleri					35,000	35,000	50,000
• Paul du Saillant	30,000	30,005	30,005	30,005	30,005	35,045	35,000
Vesting date of shares	Resident on 12/02/2018	Resident on 09/22/2019	Resident on 10/03/2020	Not yet vested	Not yet vested	Not yet vested	Not yet vested
	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 12/02/2020	Resident on 09/22/2021	Resident on 10/03/2022	11/29/2021	Not applicable	Not applicable	Not applicable
	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Number of shares vested[a] at Dec. 31, 2021	1,110,580	1,175,993	738,408	1,346,976	4,813	3,931	0
Cumulative number of shares cancelled or expired	140,953	196,240	742,811	218,886	195,045	114,875	55,167
Shares remaining at Dec. 31, 2021	-	-	-	-	2,028,588	2,020,045	2,762,128

(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.
(c) Of which 1,849,295 performance shares as part of the annual long-term incentive plan and 968,000 shares as part of an exceptional retention plan. The shares granted under the exceptional retention plan are subject to the same presence and performance conditions as the ordinary annual plan..

Table 10 – Corporate officers – Detailed table

Leonardo Del Vecchio	
CHAIRMAN OF THE BOARD OF DIRECTORS	
Start of term	2021
End of term	2024
Employment contract	No
Compensation relating to a non-compete clause	No
Supplementary pension plan	No
Compensation or benefits that are or may be owed due to termination or change of functions	No

Francesco Milleri	
CHIEF EXECUTIVE OFFICER	
Start of term	2021
End of term	2024
Employment contract	No[(a)]
Compensation relating to a non-compete clause	Yes[(b)]
Supplementary pension plan	No
Compensation or benefits that are or may be owed due to termination or change of functions	Yes [(c)]

(a) In accordance with the AFEP-MEDEF Code, Francesco Milleri terminated his employment contract when he was appointed as Chief Executive Officer by the Board of Directors' meeting held after the Annual Shareholders' Meeting on May 21, 2021.
(b) Details of the non-compete payment provided for in respect of the corporate office are given in Appendix 5 to Section 3.3.2.2.3.
(c) Details of the severance payment provided for in respect of the corporate office are given in Appendix 4 to Section 3.3.2.2.3.

Paul du Saillant	
DEPUTY CHIEF EXECUTIVE OFFICER	
Start of term	2021
End of term	2024
Employment contract	Yes – suspended since March 30, 2020[(a)]
Compensation relating to a non-compete clause	Yes[(b)]
Supplementary pension plan	Yes[(c)]
Compensation or benefits that are or may be owed due to termination or change of functions	Yes[(d)]

(a) Paul du Saillant's employment contract was suspended on March 30, 2020 following his appointment as Chief Executive Officer of Essilor International SAS. Upon his appointment as Deputy Chief Executive Officer of EssilorLuxottica, it was decided to maintain the suspension of his employment contract, in accordance with the AFEP-MEDEF Code.
(b) Details of the non-compete payment are given in Appendix 5 to Section 3.3.2.2.3.
(c) Details of the supplementary pension plan provided for Paul du Saillant are given in Appendix 3 to Section 3.3.2.2.3.
(d) Details of the severance payment provided for in respect of the corporate office and the suspended employment contract a are given in Appendix 4 to Section 3.3.2.2.3

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 3,500 employees (i.e., approximately 75% of the employees of the Group's French entities). Luxottica France (400 employees) was included since 2019, which made it possible to calculate the ratios based on approximately 80% of the employees of the Group's French entities since 2019. For 2021, the scope used for ratios calculation does not include GrandVision, as the acquisition took place during the fiscal year. GrandVision will be included for ratios calculation as of fiscal year 2022.
- 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.

For comparison purposes, the following table presents the annual change in the corporate officers' and employees' compensation compared to the Group's performance.

	2017	2018	2019	2020	2021
THE COMPANY'S PERFORMANCE					
Final share price for the year	€114.95	€110.45	€135.80	€127.55	€187.24
Attributable net profit for the year	€833 M	€1,774 M[(a)]	€1,938 M[(a)]	€788 M[(a)(c)]	€2,060 M[(a)]
Change in attributable net profit *versus* the previous year	+2%	+113%[(b)]	+9%	-59%[(c)]	+ 171%[(d)]
EMPLOYEES'COMPENSATION					
Average compensation of employees during the year	€72,995	€73,905	€74,564	€74,919	€76,596
Change in average compensation *versus* the previous year	+1%	+1%	+1%	+0%	+2%
Median compensation of employees during the year	€56,506	€57,142	€57,800	€57,625	€56,645
Change in median compensation *versus* the previous year	+6%	+1%	+1%	-0%	-2%

(a) Adjusted *pro forma* net profit for 2018 and adjusted net profit for 2019, 2020 and 2021.
(b) Impact of the combination with Luxottica.
(c) Impact of the Covid-19 epidemic.
(d) Strong recovery in 2021 following the Covid-19 pandemic, excluding GrandVision (significant increase by 16.1% at constant exchange rates compared to 2019).

Corporate officers' compensation

	2017	2018	2019	2020	2021
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	**€4,470,633**	**€1,820,198**[(a)]	**-**	**-**	**-**
Change in compensation *versus* the previous year	+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	**61**	**60**[(e)]	**45**	**24**	
Ratio in relation to median compensation	**79**	**77**[(e)]	**57**	**32**	
CHAIRMAN OF THE BOARD OF DIRECTORS					
Leonardo Del Vecchio					**€820,382**
Change in compensation *versus* the previous year					
Ratio in relation to average compensation					**11**
Ratio in relation to median compensation					**14**
CHIEF EXECUTIVE OFFICER					
Francesco Milleri					**€6,168,857**
Change in compensation *versus* the previous year					
Ratio in relation to average compensation					**81**
Ratio in relation to median compensation					**109**
DEPUTY CHIEF EXECUTIVE OFFICER					
Paul du Saillant					**€4,753,740**
Change in compensation *versus* the previous year					
Ratio in relation to average compensation					**62**
Ratio in relation to median compensation					**84**

(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.

3.3.4 Compensation paid in 2021 or awarded in respect of 2021 to corporate officers ("Say on Pay" or "Ex-post" vote)

The purpose of the Sixth 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 2021 or awarded in respect of 2021 to corporate officers, including those whose term of office ended during 2021 and those newly appointed during 2021.

The purpose of the Seventh resolution is to submit for shareholder approval the compensation components paid in 2021 or awarded in respect of 2021 to Leonardo Del Vecchio, Chairman of the Board of Directors.

The purpose of the Eighth resolution is to submit for shareholder approval the compensation components paid in 2021 or awarded in respect of 2021 to Francesco Milleri, Chief Executive Officer.

The purpose of the Ninth resolution is to submit for shareholder approval the compensation components paid in 2021 or awarded in respect of 2021 to Paul du Saillant, Deputy Chief Executive Officer.

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*).

Sixth resolution

Approval of the report on the compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to corporate officers

The 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 3.3, paragraph *Compensation of corporate officers*.

Seventh resolution

Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Leonardo Del Vecchio, Chairman of the Board of Directors

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 2021 or awarded in respect of 2021 to Leonardo Del Vecchio, in respect of his office as Chairman of the Board of Directors, as shown in this Universal Registration Document, Section 3.3, paragraph *Compensation of corporate officers*.

The fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Leonardo Del Vecchio are summarized below.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€500,000	Gross fixed annual compensation of €500,000 approved by the Board of Directors on March 11, 2021 on the recommendation of the Nomination and Compensation Committee.
Variable compensation	N/A	Leonardo Del Vecchio does not benefit from any variable compensation.
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	€100,000	Leonardo Del Vecchio received €100,000 in respect of his directorship of EssilorLuxottica.
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.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Award of performance shares	N/A	Leonardo Del Vecchio does not benefit from performance shares.
Sign-on premium	N/A	Leonardo Del Vecchio did not benefit from any sign-on premium.
Termination benefits	N/A	Leonardo Del Vecchio is not eligible for any termination benefits.
Non-compete payment	N/A	Leonardo Del Vecchio is not eligible for a non-compete payment.
Supplementary pension plan	N/A	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	N/A	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, since his duty as Chairman of the Board of Directors.
Benefits in kind	No payment	Leonardo Del Vecchio did not receive any benefits in kind in 2021.

Eighth resolution

Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Francesco Milleri, Chief Executive Officer

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 2021 or awarded in respect of 2021 to Francesco Milleri, in respect of his office as Chief Executive Officer, as shown in this Universal Registration Document, Section 3.3, paragraph *Compensation of corporate officers*.

The fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Francesco Milleri are summarized below.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€1,402,244	Gross fixed annual compensation of €1,250,000 for the period from January 1 to May 21, 2021 and of €1,500,000 for the period from May 22 to December 31,2021 approved by the Board of Directors on March 11, 2021, on the recommendation of the Nomination and Compensation Committee. The amount of fixed compensation reported for 2021 (€1,402,244) corresponds to cumulative fixed remuneration paid in pro rata basis respectively for the period from January 1 to May 21, 2021 and from May 22 to December 31,2021.
Variable compensation	€2,773,639	**Annual variable compensation awarded in respect of 2021** At its meeting of March 10, 2022, acting on the recommendation of the Nomination 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 Francesco Milleri in respect of fiscal year 2021. In light of the financial and specific objectives approved by the Board at its meeting of March 11, 2021 and the achievements recorded as at December 31, 2021, the amount of the variable component was assessed as follows: • Group adjusted Earnings per share (EPS) growth, 200% of objective achieved; • Revenue growth (at constant exchange rates, excluding strategic acquisitions), 200% of objective achieved; • Unlocking of synergies, 200% of objective achieved; • Corporate social responsibility, 178% of objective achieved. Consequently, the amount of Francesco Milleri's variable compensation for 2021 was set at €2,773,639, *i.e.*, 197.8% of his 2021 target bonus. Details of these criteria, their respective weighting and their assessment scales are provided in Section 3.3.2, *2021 compensation of corporate officers*. **Reminder: Annual variable compensation paid in 2021 (in respect of 2020)** Francesco Milleri received an annual variable compensation of €1,304,430, *i.e.* 108.7% of target achievement, paid in 2021, in respect of his position as Chief Executive Officer of Luxottica Group S.p.A for the fiscal year 2020.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Deferred variable compensation	N/A	Francesco Milleri does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Francesco Milleri does not benefit from any multi-year variable compensation.
Directors' compensation	€105,847	Francesco Milleri received €105,847 in respect of his directorship of EssilorLuxottica and as Chairman of the Strategy Committee until May 21, 2021.
Exceptional compensation	N/A	Francesco Milleri did not benefit from any exceptional compensation.
Award of stock subscription and purchase options	N/A	Francesco Milleri does not benefit from stock options.
Award of performance shares	Number: 50,000 and accounting valuation: €3,327,500	At its October 28, 2021 meeting, in accordance with the authorization granted by the 15th resolution of the Shareholders' Meeting of May 21, 2021, and acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors awarded 50,000 performance shares to Francesco Milleri, valued at €3,327,500 according to the method used for the consolidated financial statements, *i.e.*, 1.7% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.011% of the share capital at December 31, 2021. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in Section 3.3.2, paragraph *2021 compensation of corporate officers*.
Sign-on premium	N/A	Francesco Milleri did not benefit from any sign-on premium.
Termination benefits	No payment	Francesco Milleri did not receive any termination benefits for the fiscal year 2021. For information, in accordance with the recommendations of the AFEP-MEDEF Code, Francesco Milleri terminated his employment contract with effect from his appointment as Chief Executive Officer on May 21, 2021. **Reminder** In accordance with 9th resolution approved during the Shareholders' Meeting of May 21, 2021, Francesco Milleri is eligible for a termination benefit, in the event of forced departure, in an amount of 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 annual variable compensation due or received). The termination benefits are wholly subject to a performance condition. Details of the award criteria for this benefit are provided in Section 3.3.2, paragraph *2021 compensation of corporate officers*.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Non-compete payment	No payment	Francesco Milleri did not receive any non-compete payment for the fiscal year 2021. As Chief Executive Officer of EssilorLuxottica, he is now 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), Accordingly: • 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. It should be noted that 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, predefined rules, and contributes to building momentum and trust in relations with the officer, in the best interests of all stakeholders. Details of the award criteria for this benefit are provided in Section 3.3.2, paragraph *2021 compensation of corporate officers*.
Supplementary pension plan	N/A	Francesco Milleri is not eligible for the Company's defined benefit pension plan.
Employee death/disability and health insurance plans and defined contribution pension plan		Francesco Milleri was eligible for the death/disability, health insurance and defined contribution pension plans in force within the EssilorLuxottica group under the same conditions as those applicable to the category of employees to which they are assimilated for the purpose of determining benefits and other components of their compensation for the fiscal year 2021.
Benefits in kind	No payment	Francesco Milleri did not receive any benefits in kind in 2021.

Ninth resolution

Approval of the fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Paul du Saillant, Deputy Chief Executive Officer

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 2021 or awarded in respect of 2021 to Paul du Saillant, in respect of his office as Deputy Chief Executive Officer, as shown in this Universal Registration Document, Section 3.3, paragraph *Compensation of corporate officers*.

The fixed, variable and exceptional components comprising the total compensation and benefits in kind paid in 2021 or awarded in respect of 2021 to Paul du Saillant are summarized below.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Fixed compensation	€1,250,000	Gross fixed annual compensation of €1,250,000 approved by the Board of Directors on March 11, 2021 on the recommendation of the Nomination and Compensation Committee.
Variable compensation	€2,472,500	**Annual variable compensation awarded in respect of 2021** At its meeting of March 10, 2022, acting on the recommendation of the Nomination 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 Paul du Saillant in respect of fiscal year 2021. In light of the financial and specific objectives approved by the Board at its meeting of March 11, 2021 and the achievements recorded as at December 31, 2021, the amount of the variable component was assessed as follows: • Group adjusted Earnings per share (EPS) growth, 200% of objective achieved; • Revenue growth (at constant exchange rates, excluding strategic acquisitions), 200% of objective achieved; • Unlocking of synergies, 200% of objective achieved; • Corporate social responsibility, 178% of objective achieved. Consequently, the amount of Paul du Saillant's variable compensation for 2021 was set at €2,472,500, *i.e.*, 197.8% of his 2021 target bonus. Details of these criteria, their respective weighting and their assessment scales are provided in Section 3.3.2, *2021 compensation of corporate officers*. **Reminder: Annual variable compensation paid in 2021 (in respect of 2020)** Paul du Saillant received an annual variable compensation of €858,033, *i.e.* 94% of target achievement, paid in 2021, in respect of his position as Chief Executive Officer of Essilor International SAS for the fiscal year 2020.
Deferred variable compensation	N/A	Paul du Saillant does not benefit from any deferred variable compensation.
Multi-year variable compensation	N/A	Paul du Saillant does not benefit from any multi-year variable compensation.
Directors' compensation	€101,949	Paul du Saillant received €101,949 in respect of his directorship of EssilorLuxottica and as member of the Strategy Committee until May 21, 2021.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Exceptional compensation	N/A	Paul du Saillant did not benefit from any exceptional compensation.
Award of stock subscription and purchase options	N/A	Paul du Saillant does not benefit from stock options.
Award of performance shares	Number: 35,000 and accounting valuation: €2,329,250	At its October 28, 2021 meeting, in accordance with the authorization granted by the 15th resolution of the Shareholders' Meeting of May 21, 2021, and acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors awarded 35,000 performance shares to Paul du Saillant, valued at €2,329,250 according to the method used for the consolidated financial statements, *i.e.*, 1.2% of the total number of shares awarded (the sum of the performance shares and the performance options awarded) and 0.008% of the share capital at December 31, 2021. The rules governing awards to Executive Corporate Officers and the vesting conditions for such shares are set out in Section 3.3.2, paragraph *2021 compensation of corporate officers*.
Sign-on premium	N/A	Paul du Saillant did not benefit from any sign-on premium.
Termination benefits	No payment	Paul du Saillant did not receive any termination benefits for the fiscal year 2021. For information, Paul du Saillant's employment contract was suspended on March 30, 2020 following his appointment as Chief Executive Officer of Essilor International SAS. Upon his appointment as Deputy Chief Executive Officer of EssilorLuxottica, it was decided to maintain the suspension of his employment contract, in accordance with the AFEP-MEDEF Code. **Reminder** In accordance with 9th resolution approved during the Shareholders' Meeting of May 21, 2021, Paul du Saillant is eligible for a termination benefit composed of: • a severance payment or dismissal payment required by law or related to the collective bargaining agreement (not subject to performance conditions); • a supra-legal severance payment for the corporate office that is wholly subject to the following performance condition. In any event, the aggregate of these two payments (legal and supra-legal) 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 of the employment contract, plus one-twelfth of the last annual variable compensation due or received). The amount of the severance payment to which Paul du Saillant could be entitled under the collective bargaining agreement in the event of dismissal, would represent 5.54 months of the compensation awarded under his suspended employment contract (average monthly salary and of any contractual benefits received by Paul du Saillant during the twelve of three (which is more favorable) months immediately preceding the notice of his dismissal). 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. Details of the award criteria for this benefit are provided in Section 3.3.2, paragraph *2021 compensation of corporate officers*.

Compensation components paid in 2021 or awarded in respect of 2021	Amount or accounting valuation submitted to the vote	Comments
Non-compete payment	No payment	Paul du Saillant did not receive any non-compete payment for the fiscal year 2021. Following the appointment of Paul du Saillant as Deputy Chief Executive Officer, the non-compete payment mentioned in his employment contract has been tightened to ensure compliance with the recommendations of the AFEP-MEDEF Code. Under his employment contract, Paul du Saillant is eligible for a non-compete payment, paid in installments over the period of application of the clause in an amount equal to 60% of his gross compensation (fixed + variable), for respecting a non-compete obligation of 12 to 24 months from the termination date of his employment contract. Accordingly: • 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. Details of the award criteria for this benefit are provided in Section 3.3.2, paragraph *2021 compensation of corporate officers*.
Supplementary pension plan	N/A	Paul du Saillant is eligible for the supplementary pension plan under the same conditions as those applicable to the category of employees to which they are assimilated for the purpose of determining benefits and other components of their compensation. Pursuant to the PACTE law 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. Paul du Saillant recorded 11 years and two months of service at December 31, 2019. He has not accrued any additional rights since that date. Under this plan, in view of his length of service in the Group when the plan was closed, the theoretical calculation of the annual benefits due to Paul du Saillant at December 31, 2021 would be 12.6% of the average compensation actually received in 2019, 2020 and 2021 (*i.e.*, around €206,750). Details of the award criteria for this supplementary pension plan are provided in Section 3.3.2, paragraph *2021 compensation of corporate officers*.
Employee death/disability and health insurance plans and defined contribution pension plan		Paul du Saillant was eligible for the death/disability, health insurance and defined contribution pension plans in force within the EssilorLuxottica group under the same conditions as those applicable to the category of employees to which they are assimilated for the purpose of determining benefits and other components of their compensation for the fiscal year 2021.
Benefits in kind	No payment	Paul du Saillant did not receive any benefits in kind in 2021.

3.3.5 2022 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 2022 fiscal year, representing the compensation policy applicable to them.

These principles and criteria approved by the Board of Directors on the recommendation of the Nomination and Compensation Committee are set out in the report under the above article and appear in Section 3.3.

It is hereby specified that the compensation policy for Corporate Officers, which is subject to an annual vote, is set by the Board of Directors, acting on the recommendation of the Nomination 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.

For the 2022 fiscal year, a fixed maximum amount of €2,000,000 approved by the Combined Shareholders' Meeting of November 29, 2018 will be awarded and allocated by the Board of Directors among the various members.

In accordance with Article L.22-10-8 II of the French Commercial Code, the **Tenth resolution** is to submit for shareholder approval the compensation policy applicable to the members of the Board of Diretors for the fiscal year 2022. Details of the compensation policy for members of the Board of Directors are provided in Section 3.3.

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: • group adjusted Earnings per share (EPS) growth; • revenue growth (at constant exchange rates, excluding strategic acquisitions); • adjusted *Operating profit* as a percentage of revenue; • control of *General and administrative* expenses.	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 **Eleventh resolution** is to submit for shareholder approval the compensation policy that applies to Leonardo Del Vecchio, Chairman of the Board of Directors for the fiscal year 2022.

The purpose of the **Twelfth resolution** is to submit for shareholder approval the compensation policy that applies to Francesco Milleri, Chief Executive Officer for the fiscal year 2022.

The purpose of the **Thirteenth resolution** is to submit for shareholder approval the compensation policy that applies to Paul du Saillant, Deputy Chief Executive Officer for the fiscal year 2022.

Details of all compensation policy can be found in the *Report on Corporate Governance* in Section 3.3.1.

Tenth resolution

Approval of the compensation policy applicable to the members of the Board of Directors for the fiscal year 2022

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 to the members of the Board of Directors for the fiscal year 2022, presented in this Universal Registration Document, Section 3.3.1, paragraph *Compensation of corporate officers*.

Eleventh resolution

Approval of the compensation policy applicable to Leonardo Del Vecchio, Chairman of the Board of Directors for the fiscal year 2022

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 Leonardo Del Vecchio, Chairman of the Board of Directors for the fiscal year 2022, presented in this Universal Registration Document, Section 3.3.1, paragraph *Compensation of corporate officers*.

Twelfth resolution

Approval of the compensation policy applicable to Francesco Milleri, Chief Executive Officer for the fiscal year 2022

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 Francesco Milleri, Chief Executive Officer for the fiscal year 2022, presented in this Universal Registration Document, Section 3.3.1, paragraph *Compensation of corporate officers*.

Thirteenth resolution

Approval of the compensation policy applicable to Paul du Saillant, Deputy Chief Executive Officer for the fiscal year 2022

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 Paul du Saillant, Deputy Chief Executive Officer for the fiscal year 2022, presented in this Universal Registration Document, Section 3.3.1, paragraph *Compensation of corporate officers*.

3.3.6 Summary statement of transactions in Company securities carried out by corporate officers (or persons closely related to them) in 2021

(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[a]	Chairman of the Board of Directors	Shares	Dividend payment in shares	06/21/2021	€406,023.20	3,256
			Shares	Vesting of 2018 free shares plan award	11/29/2021	-	16,300
Francesco	Milleri	Chief Executive Officer	Shares	Vesting of 2017 retention free shares plan award	03/18/2021	-	37,150
				Purchase	06/21/2021	€40,028.70	321
				Purchase	06/21/2021	€748.20	6
Paul	du Saillant	Deputy Chief Executive Officer	Shares	Vesting of 2018 free shares plan award	05/23/2021	-	8
				Dividend payment in shares	06/21/2021	€146,647.20	1,176
				Vesting of 2018 free shares plan award	11/29/2021	-	30,025
				Purchase	12/17/2021	€58,460.69	396
Margot	Bard	Director representing employees since September 21, 2021	Shares	Vesting of 2018 free shares plan award	11/29/2021	-	535
				Purchase	12/17/2021	€20,963.18	142
Romolo	Bardin	Director representing Delfin	Shares	Purchase	05/07/2021	€140,367.10	1,000
				Dividend payment in shares	06/21/2021	€7,482.00	60
				Purchase	08/02/2021	€48,399.36	300
Jean-Luc	Biamonti	Independent Director	Shares	Purchase	03/18/2021	€133,722.00	1,000
Sébastien	Brown	Director representing employees since September 21, 2021	Shares	Vesting of 2018 free shares plan award	11/29/2021	-	65
			Shares	Purchase	12/17/2021	€2,509.68	17
			Shares	Disposal	12/29/2021	€12,220.00	65
Marie Christine	Coisne Roquette	Independent Director	Shares	Purchase	09/10/2021	€171,887.30	1,000

First name	Last name	Title	Description of the financial instrument	Transaction type	Transaction date	Transaction amount	Shares
Juliette	Favre	Director representing Valoptec Association[b]	Shares	Vesting of 2018 free shares plan award	05/23/2021	-	8
				Dividend payment in shares	06/21/2021	€3,741.00	30
				Vesting of 2018 free shares plan award	11/29/2021	-	1,045
				Purchase	12/17/2021	€6,938.52	47
				Disposal	11/19/2021	€58,423.44	300
				Disposal	11/19/2021	€116,877.84	600
José	Gonzalo	Director representing BPIFRANCE	Shares	Loan	11/08/2021	-	1,000
Léonel	Pereira Ascencao	Director representing employees until September 20, 2021	Shares	Vesting of 2018 free shares plan award	05/23/2021	-	8
			Shares	Dividend payment in shares	06/21/2021	€124.7	1
Swati	Piramal	Independent Director	Shares	Purchase	09/23/2021	€173,520.00	1,000
Hubert	Sagnières	Vice Chairman until May 21, 2021	Shares	Dividend payment in shares	06/21/2021	€22,820.10	183
Nathalie	Von Siemens	Independent Director	Shares	Purchase	08/25/2021	€161,470.00	1,000
Delphine	Zablocki	Director representing employees until September 20, 2021	Shares	Vesting of 2018 free shares plan award	05/23/2021	-	8
Andrea	Zappia	Independent Director	Shares	Purchase	06/30/2021	€156,557.00	1,000

(a) In 2021, Delfin S.à.r.l, a company related to Mr. Del Vecchio, put up 3,000,000 shares as collateral and purchased 1,219,751 EssilorLuxottica shares for payment of dividends in shares.
(b) Valoptec is not an employees' shareholding representative body within the meaning of Article L.225-23 of the French Commercial Code.

3.4 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.

As in 2020 and 2021, in 2022 the Company refers to the AFEP-MEDEF Code as revised in January 2020.

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
9.5.1	**Independence criteria** *"not to be and not to have been within the previous five years:* • *an employee or executive officer of the corporation;* • *an employee, executive officer or Director of a company consolidated within the corporation;* • *an employee, executive officer or Director of the company's parent company or a company consolidated within this parent company".*	Nearly all the independent Board members in place at EssilorLuxottica prior to the May 2021 change in the Board of Directors were Board members who also served as independent Board members, either on the Luxottica or Essilor International Board of Directors prior to the combination of the two groups. This situation results from the fact that the merger of the two groups did not occur through a conventional merger, but through the implementation of an *ad hoc* structure in which Luxottica and Essilor International became two sister companies, subsidiaries of the same holding company called EssilorLuxottica, the management of which was very broadly autonomous. This is therefore a different situation from what is addressed by Article 9.5.1 of the AFEP-MEDEF Code, which aims to prevent situations in which a Board member is asked to monitor, supervise or question decisions in which s/he himself or herself has taken part as a corporate officer ("mandataire social") within a controlled subsidiary. It was to take account of the specific nature of the operation that the EssilorLuxottica Board Internal Rules stipulated from the outset that, with regard to what constitutes independence, and as an exemption from the principle set out in Article 9.5.1 of the AFEP-MEDEF Code, the fact of being or having been a Board member of Essilor International or Luxottica in the five preceding years would not affect the "independent" criterion. Accordingly, upon being appointed in 2017, Mss Scocchia, Pucci, Wong and Messemer and Mr. Pécoux were deemed by the Board of Directors to be independent members despite positions held within Luxottica and Essilor International. Subsequently, this qualification was unanimously renewed by the Board of Directors each year for each of the Board members concerned. This meant that Ms Messmer and Ms Wong and Mr. Pécoux retained their positions at Essilor International until the end of March 2020; Ms Scocchia and Ms Pucci retained their positions on the Luxottica Board of Directors until April 30, 2019 and Mr. Zappia retained his position in the Luxottica Board of Directors until April 27, 2020. For these reasons and in accordance with its rules of procedure and as a continuation of the assessment made previously, the Board of Directors meeting on February 24, 2021 considered that Ms Scocchia and Mr. Zappia (who were then being considered for appointment or reappointment as Board members) could be considered independent.

References AFEP-MEDEF Code	Recommendations	Indicative deviations within EssilorLuxottica's governance
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 have not been staggered, to ensure a smooth transition and seamless integration of the two companies in the context of the Combination. The Shareholders' Meeting held on May 21, 2021 amended Article 13 of the bylaws so that the staggered term of office of Directors only starts to apply in 2024. This allows Directors renewed and newly appointed in 2021 to have 3 full years of stability to work more efficiently.
17.1	**Composition of the Nomination and Compensation Committee** *"It is recommended that the Chairman of the Nomination and Compensation Committee be independent and that one of its members be an employee Director."*	The Chairman of the Nomination and Compensation Committee is independent. However, an employee Director is not a member of this committee. 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 the employee shareholders association Valoptec(1). 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. This principle was renewed at the Shareholders' Meeting held on May 21, 2021. 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.
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 was terminated under the conditions set out above.

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

3.5 Appendix: list of offices and responsibilities

LEONARDO DEL VECCHIO

CHAIRMAN – NON-INDEPENDENT DIRECTOR

86 years old
(Country of citizenship: Italy)
Number of shares:
395,556
Main position:
Chairman of EssilorLuxottica
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 2024

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 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, 2021

Main position

Chairman of EssilorLuxottica*

External companies (non EssilorLuxottica group)

Vice-Chairman

- Covivio S.A. (France)*

President

- Delfin S.à r.l. (Luxembourg)
- Leonardo Del Vecchio Foundation (Italy)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group

Executive Chairman

- EssilorLuxottica*
- Luxottica Group S.p.A. (Italy)

External companies (non EssilorLuxottica group)

President

- Aterno S.à r.l. (Luxembourg)

Director

- Gianni Versace S.p.A. (Italy)
- Istituto Europeo di Oncologia srl (Italy)
- Givi Holding S.p.A. (Italy)

(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.

FRANCESCO MILLERI

CHIEF EXECUTIVE OFFICER - NON-INDIPENDENT DIRECTOR

62 years old
(Country of citizenship: Italy)
Number of shares:
39,477
Main positions:
CEO of EssilorLuxottica*
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 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Francesco Milleri is Chief Executive Officer (CEO) of EssilorLuxottica.

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. He was appointed as CEO of EssilorLuxottica in December 2020.

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.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Chief Executive Officer (CEO) of EssilorLuxottica*

EssilorLuxottica group

CEO and Director

- EssilorLuxottica*
- Luxottica Group S.p.A.
- Essilor International

External companies (non EssilorLuxottica group)

Director

- IEO European Institute of Oncology (Italy)
- Leonardo Del Vecchio Foundation (Italy)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group

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)

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

PAUL DU SAILLANT

DEPUTY CHIEF EXECUTIVE OFFICER – NON-INDEPENDENT DIRECTOR

63 years old
(Country of citizenship: France)

Number of shares:
338,840

Main position:
Deputy Chief Executive Officer of EssilorLuxottica

Business address:
EssilorLuxottica – 147, rue de Paris
94220 Charenton-Le-Pont
France

First appointment as Director: March 30, 2020
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Paul du Saillant is Deputy Chief Executive Officer (Deputy CEO) of EssilorLuxottica.

He joined Essilor in 2008, after 20 years spent at Air Liquide, where he held operational and strategic leadership roles at group level across businesses, geographies, as well as R&D, engineering and IT.

Between 2002 and 2007, he served as Chief Operating Officer (COO) of Belgian Group Lhoist.

Over 13 years, he has been responsible for managing key business & corporate fonctions of the Essilor Group. In July 2010, he was appointed co-Chief Operating Officer, 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 from 2017.

In March 2020, he became Chief Executive Officer of Essilor.

While maintaining his responsibilities at Essilor, Paul du Saillant was 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. He was appointed as Deputy CEO of EssilorLuxottica in December 2020.

Paul du Saillant brings to the Board 36 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 industry, markets and technology as well as of human and sustainability aspects.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Deputy Chief Executive Officer of EssilorLuxottica*

EssilorLuxottica group

Director

- EssilorLuxottica*
- Essilor International
- Luxottica Group S.p.A.

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group susidiaries

- Essilor International

President and Chief Executive Officer
Deputy Chief Executive Officer
Chief Operating Officer

External companies (non EssilorLuxottica group)

Director

- Sibelco (Belgium)

* Listed company.

MARGOT BARD

DIRECTOR REPRESENTING EMPLOYEES

56 years old
(Country of citizenship: France)

Number of shares:
6,687

Main position:
Supply Chain Services Director at Essilor Worlwide SC Department

Business address:
81, boulevard Jean Baptiste Oudry
94000 Créteil
France

First appointment as Director: September 22, 2021
Current term ends: September 21, 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Margot Bard is Supply Chain (SC) Services Director for Essilor's Worldwide SC Department.

She joined Essilor in 2005 with the responsibility of developing and implementing logistics solutions for key accounts. As Ray-Ban RX Project Director for the past two years, she has helped roll out the first joint product line from Essilor and Luxottica.

Before joining Essilor, Margot Bard worked for the consulting firm McKinsey & Company, where she focused on implementing lean manufacturing programs on behalf of the firm's clients.

Margot Bard obtained a degree in international business from the Krakow University of Economics in 1989. She also holds a degree from the Conservatoire National des Arts et Métiers in Paris.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position
WWSC Services Director at Essilor
EssilorLuxottica group
Director representing employees
- EssilorLuxottica*

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

None

* Listed company.

ROMOLO BARDIN

NON-INDEPENDENT DIRECTOR

43 years old
(Country of citizenship: Italy)
Number of shares:
7,360
Main position:
Chief Executive Officer
of Delfin S.à r.l. (Luxembourg)
Business address:
7, rue de la Chapelle
1325 Luxembourg

First appointment as Director: October 1, 2018 (1)
Current term ends: Shareholders' Meeting 2024

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:

- 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.

He was Independent Director as well as member of the Investment Committee, Strategic Committee, Nomination Committee, Related Party Transactions Committee of Assicurazioni Generali S.p.A until January 17, 2022.

Romolo Bardin is member of the Audit and Risk Committee and member of the Nomination and Compensation Committee of EssilorLuxottica.

Romolo Bardin brings to the Board of Directors his high-level expertise in terms of strategy, management and finance, acquired during these years.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Chief Executive Officer of Delfin S.à r.l. (Luxembourg)

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Covivio S.A. (France)*
- Delfin S.à r.l. (Luxembourg)
- Luxair S.A. (Luxembourg)

External companies (Delfin S.à r.l. group)

Director

- Aterno S.à r.l. (Luxembourg)
- DFR Investment S.à r.l. (Luxembourg)
- Fondazione Leonardo Del Vecchio (Italy)
- 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 S.A. group)

Director

- Assicurazioni Generali S.p.A. (Italy)*
- Batisica S.A. (Luxembourg)
- Immeo Berlin I (Luxembourg)
- Immeo Berlin V (Luxembourg)
- Immeo Lux S.à r.l. (Luxembourg)
- Immeo Berlin Prime S.à r.l. (Luxembourg)
- Berlin Prime Commercial S.à r.l. (Luxembourg)
- Immeo Valore 4 S.à r.l. (Luxembourg)
- Immeo Valore 6 S.à r.l. (Luxembourg)
- Delfin Finance S.A (Luxembourg)

(1) Appointment effective as of October 1, 2018, date of the Combination between Essilor International (Compagnie Générale d'Optique) and Luxottica.
* Listed company.

JEAN-LUC BIAMONTI

INDEPENDENT DIRECTOR

68 years old
(Country of citizenship: Principality of Monaco)

Number of shares:
1,000

Main position:
Chairman and CEO of Monte-Carlo Société des Bains de Mer* (Principality of Monaco)

Business address:
8, rue du Gabian
98000 Monaco
Principality of Monaco

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Jean-Luc Biamonti is Chairman and CEO of Monte-Carlo Société des Bains de Mer, where he has been a Board Director since 1985 and Chairman of the Board since 1995. He is also a Director of Covivio.

After graduating from Essec Business School (Paris) and Columbia University – Business School, Jean-Luc Biamonti started his career at Nestlé in 1979. He then moved to investment banking joining successively The First Boston Corporation, Wasserstein Perella and Crédit Lyonnais Security.

In 1993, Jean-Luc Biamonti joined Goldman Sachs where he was successively responsible for investment banking activities in France and in Belgium, and for retail and consumer goods industry in Europe. He was also a partner in the firm.

In 2012, Jean-Luc Biamonti founded Calcium Capital, a private equity firm.

He is Chairman of the Audit and Risks Committee.

Jean-Luc Biamonti brings to the Board of Directors his international expertise in retail and luxury goods.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Chairman and CEO of Monte-Carlo Société des Bains de Mer* (Principality of Monaco)

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Covivio S.A. * (Paris, France)

Chairman of the Strategic Committee

- Calcium Capital (France)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

External companies (non EssilorLuxottica group)

Director, Chairman of the Audit Committee and Member of the Remunerations and Nomination Committee

- Covivio S.A. * (Paris, France)

Chairman of the Administration Committee

- Betclic Everest Group (a 50% subsidiary company of Monte-Carlo Société des Bains de Mer)

* Listed company.

SEBASTIEN BROWN

DIRECTOR REPRESENTING EMPLOYEES

28 years old
(Country of citizenship: France)

Number of shares:
125

Main position:
Industrial Performance and IT Systems Manager at Essilor (France)

Business address:
Rue Fernand Holweck – Dijon Usine
21000 Dijon
France

First appointment as Director: September 22, 2021
Current term ends: September 21, 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Sébastien Brown is the Industrial Performance and IT Systems Manager at the Essilor plant in Dijon, France. He holds a degree in industrial engineering from the Arts & Métiers ParisTech engineering school.

From 2015 to 2018, he served as a continuous improvement engineer apprentice before joining the Operational Excellence & Innovation team, where his main responsibility was to manage projects related to automation.

In 2020, Sébastien Brown was named head of the Operational Excellence Department at the Dijon site, and in 2021 his responsibilities were expanded to include IT systems and project portfolio management.

He is a member of the Management Committee at the Essilor Dijon plant.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Industrial Performance and IT Systems Manager at Essilor

EssilorLuxottica group

Director representing employees

- EssilorLuxottica*

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

None

* Listed company.

MARIE-CHRISTINE COISNE-ROQUETTE

INDEPENDENT DIRECTOR

66 years old
(Country of citizenship: France)

Number of shares:
1,000

Main position:
Chairperson of Sonepar Group and Colam Entreprendre (France)

Business address:
25, rue d'Astorg
75008 Paris
France

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Marie-Christine Coisne-Roquette is Chairperson of Sonepar Group and Colam Entreprendre. Sonepar is the worldwide leader of electrical equipment.

She has been a member of the Board of Directors of TotalEnergies since 2011, where she currently serves as its Lead Director.

Marie-Christine Coisne-Roquette started her career as an attorney in 1981, at the Paris and New York bars. In 1984, she joined the Board of Directors of the family holding, Colam Entreprendre, and subsequently acted as Chairperson of both the Colam Entreprendre Executive Board and the Sonepar Supervisory Board.

As of 2002, she has been Chairperson and CEO of Sonepar, then Chairperson of the Board of Sonepar before becoming Chairperson of Sonepar S.A.S. in May 2016. Marie-Christine Coisne-Roquette served the MEDEF (France's main employers' association) as Executive Committee member (2000-2013) and was the Chairperson of the Tax Commission from 2005 to 2013. She was also a member of the Economic, Social and Environmental Council (2013-2015).

Marie-Christine Coisne-Roquette brings to the Board of Directors her extensive international expertise in terms of strategy and management ability acquired during all her career.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Chairperson of Sonepar Group and Colam Entreprendre

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Lead Director and Chairperson of Ethics and Governance

- TotalEnergies* (France)

Director

- FONDACT (France)
- Fondation Recherche Alzheimer
- AFEP (France)

Board member and Vice Chairperson

- ANSA (Association Nationale des Sociétés par Actions – France)

Member of the Bureau and Director

- MEDEF International (France)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

External companies (non EssilorLuxottica group)

Chief Executive Officer

- Sonepack S.A.S (France)

Chairwoman

- CMI (France)

Member of the Supervisory Board

- Akuo Energy S.A.S. (France)

Legal representative of Sonepar S.A.S., Co-Manager of

- Sonedis (*société civile*) (France)

* Listed company.

JULIETTE FAVRE

NON-INDEPENDENT DIRECTOR

49 years old
(Country of citizenship: France)

Number of shares:
6,513

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 (1)
Term ended: January 20, 2022

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). She also was President of Valoptec Association(2) until December 14, 2021. 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 was appointed as Industrial Director and came 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 contributed to the Board of Directors her deep familiarity with Essilor and its manufacturing and sales operations. Her membership of the Board of Directors was a strong signal of the importance EssilorLuxottica attaches to employee share ownership.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Strategic projects Executive, Global Operation Support at Essilor International

EssilorLuxottica group

President of the Supervisory Board

- Fonds Valoptec International

External companies (non EssilorLuxottica group)

Director

- Fondation Georges Besse (France)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group

Director

- EssilorLuxottica* (until January 20, 2022)
- Essilor International
- Essilor International (Compagnie Générale d'Optique)(1)

President of the Board of Directors

- Valoptec Association(2) (until December 14, 2021)

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

JOSÉ GONZALO

INDEPENDENT DIRECTOR

56 years old
(Country of citizenship: France)

Number of shares:
1,000

Main position:
Executive Director of Direct Investment of Bpifrance Investissement (France)

Business address:
6/8, boulevard Haussmann
75009 Paris
France

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

José Gonzalo is Executive Director of Direct Investment in Small, Medium and Large Companies of Bpifrance, with a portfolio representing €25 billion in asset management. He is also a Board and Audit Committee member of CMA-CGM and a Board member of Paprec and Total Eren.

A graduate of Sciences Po Paris and the University Paris Dauphine, he has 28 years of experience in mergers and acquisitions. After starting his career in the M&A Department of La Compagnie Financière Rothschild, he joined the Orange Group where he held several executive positions.

Between 2009 and 2014, José Gonzalo served as Capgemini's Head of Mergers and Acquisitions.

José Gonzalo brings to the Board of Directors his extensive expertise and practice in terms of strategy, merger and acquisitions and management acquired during many years.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Executive Director of Direct Investment in Small, Medium and Large Companies of Bpifrance Investissement (France)

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Board & Audit Committee Member

- CMA (France)

Director

- Paprec (France)
- Total Eren (France)

Board & Remunerations, M&A Committee Member

- Diot-Siaci (France)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

External companies (non EssilorLuxottica group)

Director

- Avril (France)
- Limagrain (France)

* Listed company.

LÉONEL PEREIRA ASCENÇAO

DIRECTOR REPRESENTING EMPLOYEES

49 years old
(Country of citizenship: France and Portugal)

Number of shares:
951

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)]
Term ended: September 21, 2021

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Léonel Pereira Ascençao is Head of surfacing and glasses workshop at Essilor "Les Battants" plant in Ligny-en-Barrois (France). He joined Essilor on May 22, 1996.

With 25 years of seniority at Essilor, Léonel Pereira Ascençao started as an operator at the Essilor laboratory based in Lyon (France), where he had the opportunity to work on the production covering different positions, in 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 Ascençao 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, 2021

Main position

Workshop Manager for surfacing and lenses at Essilor International

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group

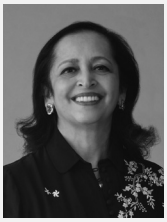
Director representing employees

- EssilorLuxottica* (until September 21, 2021)

(1) Appointment by the Central Work Council of Essilor International on September 20, 2017 for a four-year term effective from the Contribution between Essilor International (Compagnie Générale d'Optique) and Luxottica on October 1, 2018.
* Listed company.

SWATI A. PIRAMAL

INDEPENDENT DIRECTOR



65 years old
(Country of citizenship: India)
Number of shares:
1,000
Main position:
Vice Chairperson of Piramal Enterprises Limited (India)
Business address:
Piramal Tower, A wing
Ganpatrao Kadam Marg,
Lower Parel, Mumbai
400 13
India

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Swati Piramal is Vice Chairperson of Piramal Enterprises, a leading Indian multinational company in healthcare, financial services and information management.

A medicine graduate from the Mumbai University and Harvard Business School, Swati Piramal has used her background in public health and business to change the trajectory of healthcare, education, and public policy in India. One of India's leading scientists and industrialists, she is also involved in public health and innovation.

As the Director of the Piramal Foundation, Swati Piramal helps promote health in rural India, women's empowerment and community education.

She was also the first woman president of India's Apex Chamber of Commerce in 90 years, helping to influence important public policies and governance. She served as an adviser to the Indian Prime Minister in science, technology and economic policy.

Furthermore, Swati Piramal is currently in the Board of Directors of Allergan India Pvt. Ltd. (since 2001) and Nestle India Limited (since 2020). Since 2019, she is also a member of SIDRA Board of Governors.

Swati Piramal is Chairwoman of the CSR Committee of EssilorLuxottica.

Swati Piramal brings to the Board her experience in healthcare, financial services, manufacturing and academic general management with long terms perspectives, as well as a knowledge of the Indian market.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Vice Chairperson of Piramal Enterprises Limited (India)*

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Nestle India Limited* (India)
- Allergan India Pvt. Ltd. (India)
- SIDRA (Qatar)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

None

* Listed Company.

CRISTINA SCOCCHIA

INDEPENDENT DIRECTOR

48 years old
(Countryof citizenship: Italy)
Number of shares:
1,000
Main position:
Chief Executive Officer of Illycaffè (Italy)
Business address:
Via Flavia 110
34147 Trieste
Italy

First appointment as Director: October 1, 2018(1)
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Cristina Scocchia is Chief Executive Officer and member of the Board of Directors of Illycaffè.

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.

Cristina Scocchia 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, Cristina Scocchia served as Chief Executive Officer of L'Oréal Italia 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. From July 2017 to December 2021 Cristina Scocchia has acted as Chief Executive Officer of Kiko, a leading make-up Company present in 45 markets, that she has led to a successful turnaround thanks to a business plan based on product innovation, digital transformation and geographical expansion in Asia and the Middle East.

In June 2019 she was awarded the *Légion d'honneur*.

She is member of the Audit and Risk Committee of EssilorLuxottica.

Cristina Scocchia brings to the Board of Directors her extensive expertise in terms of strategy and management acquired during these years.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Chief Executive Officer of Illycaffè (Italy)

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- Illycaffè (Italy)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

External companies (non EssilorLuxottica group)

Chief Executive Officer

- Kiko S.p.A. (Italy)

Chairwoman and Chief Executive Officer

- L'Oréal Italia S.p.A. (Italy)*

Director

- Valtur S.p.A. (Italy)
- Elica S.p.A. (Italy)
- Luxottica Group S.p.A. (Italy)
- Pirelli 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.

NATHALIE VON SIEMENS

INDEPENDENT DIRECTOR

50 years old
(Country of citizenship: Germany)

Number of shares:
1,000

Main position:
Member of the Supervisory Boards of Siemens AG, Siemens Healthineers AG, Siemens Healthcare GmbH, Messer Group GmbH and TÜV Süd AG (Germany)

Business address:
Straße der Einheit 86
D-14548 Schwielowsee
Germany

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Nathalie von Siemens is a member of the Supervisory Boards of Siemens AG, Siemens Healthineers AG, Siemens Healthcare GmbH, Messer Group GmbH and TÜV Süd AG.

She also serves Boards of trustees and Boards of Directors in charitable, non for profit and public organizations.

From 2013 to March 2020, Nathalie von Siemens was the Managing Director and Spokesperson of the Board of Siemens Stiftung. Siemens Stiftung operates in the fields of development cooperation, education, and culture. Before that, Nathalie von Siemens worked at Siemens AG in the areas of leadership development, corporate strategy, investor relations and corporate communications.

Nathalie von Siemens holds a Ph.D. in philosophy and previously worked in the academic sector.

Nathalie von Siemens is member of the CSR Committee.

Nathalie von Siemens brings to the Board her experience in governing bodies of global leading companies active in various industries as well as expertise in terms of management in impact-oriented philanthropy.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

Member of the Supervisory Boards of Siemens AG*, Siemens Healthineers AG*, Siemens Healthcare GmbH, Messer Group GmbH and TÜV Süd AG

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Member of Board of Trustees

- Siemens Stiftung (Germany)

Managing Director

- Von Siemens Vermögensverwaltung GmbH (Germany)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

None

* Listed company.

DELPHINE ZABLOCKI

DIRECTOR REPRESENTING EMPLOYEES

46 years old
(Country of citizenship: France)
Number of shares:
457
Main position:
Skilled operator at Essilor International
Business address:
1, rue Fernand-Holweck
21000 Dijon
France

First appointment as Director: October 28, 2017[1]
Term ended: September 21, 2021

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Delphine Zablocki is a skilled operator at the Dijon factory (France) of Essilor. She joined 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, 2021

Main position

Skilled operator at Essilor International

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

EssilorLuxottica group

Director representing employees

- EssilorLuxottica* (until September 21, 2021)
- 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.

ANDREA ZAPPIA

INDEPENDENT DIRECTOR

58 years old
(Country of citizenship: Italy)

Number of shares:
1,000

Main position:
EVP and CEO New Markets & Businesses of Sky Group

Business address:
Grant Way, Isleworth, Middlesex TW7 5QD

First appointment as Director: May 21, 2021
Current term ends: Shareholders' Meeting 2024

PERSONAL INFORMATION – EXPERIENCE AND EXPERTISE

Andrea Zappia is EVP and CEO New Markets & Businesses of Sky Group. His responsibility expands also over SkyStudios and SkyNews. As of May 2021, he will also be a member of the Board of Directors of MCH Group.

After graduating in Economics, Andrea Zappia started his career at Procter & Gamble where he became European Group Marketing Manager. From 1996 to 2001, he was Global Sales and Marketing Director of Ferrari and Maserati; from 2001 to 2003, he was Vice President Marketing and Product Development worldwide of Fila.

Subsequently, he held several managerial positions: Vice President, Marketing, Promotion and Business Development of Sky Italia (from 2003 to 2007); Vice President Sport Channels of the Italian pay-tv (from 2007 to 2010); Managing Director Customer Group of BskyB (from 2010 to 2011).

From August 2011 to November 2018, Andrea Zappia was CEO of Sky Italia. He also served as member of the Board of Directors of Luxottica from April 2015 to April 2020.

Mr. Zappia is Chairman of the Nomination and Compensation Committee.

Andrea Zappia brings to the Board of Directors his extensive expertise in terms of strategy and management acquired during these years in key industrial sectors.

POSITIONS AND TERMS OF OFFICE HELD AS OF DECEMBER 31, 2021

Main position

EVP and CEO New Markets & Businesses of Sky Group

EssilorLuxottica group

Director

- EssilorLuxottica*

External companies (non EssilorLuxottica group)

Director

- MCH Group (Switzerland)

PAST POSITIONS AND TERMS OF OFFICE HELD OVER THE PAST FIVE YEARS

External companies (non EssilorLuxottica group)

CEO

- Sky italia (Italy)

EssilorLuxottica group

Director

- Luxottica Group (Italy)

* Listed company.

3.6 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, 2021

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 2021

In accordance with article L. 225-40 of the French commercial code, we have been informed of the following agreements previously authorized by the Board of Directors.

Non-competition agreement concluded between your Company and Mr Francesco Milleri, Chief Executive Officer

Corporate officer involved: Mr Francesco Milleri, Chief Executive Officer

Nature and purpose:

On May 21, 2021, a non-competition agreement was concluded between EssilorLuxottica and Mr Francesco Milleri. This agreement was approved by your Board of Directors on May 21, 2021.

Mr Francesco Milleri is eligible for a non-compete payment for complying with a non-compete undertaking of 20 months from the date of termination of his corporate office.

The non-compete payment would be paid in instalments 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 AFEP-MEDEF Code:

- The non-compete payment may not be paid if the officer retires or is over 65 years 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.

Reasons for his interest in the Company:

This non-competition agreement should promote Mr Francesco Milleri's long-term commitment to the Company.

Agreements previously approved by the Shareholders' Meeting

Agreements which have been already approved in prior years and which have been pursued during the last years

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

Corporate officer involved:

- Mr Hubert Sagnières, member of the Board of Directors until May 21, 2021
- Mr Olivier Pécoux, member of the Board of Directors until May 21, 2021
- Mr Leonel Pereira Ascencao, member of the Board of Directors until May 21, 2021
- Ms Juliette Favre, member of the Board of Directors during the current year
- Ms Annette Messemer, member of the Board of Directors until May 21, 2021
- Ms Jeanette Wong, member of the Board of Directors until May 21, 2021
- Ms Delphine Zablocki, member of the Board of Directors until May 21, 2021

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.

Paris-La Défense and Neuilly-sur-Seine, March 18, 2022

The Statutory Auditors

French original signed by

Mazars		PricewaterhouseCoopers Audit	
Jean-Luc Barlet	Guillaume Devaux	Stéphane Basset	Cédric Le Gal

4

Chapter 4

Financial statements

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IN BRIEF

NEW IN 2021

GRANDVISION

consolidated from July 1, 2021

New segment reporting

PS Professional Solutions

DTC Direct to Consumer

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, 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;
- the consolidated financial statements for the year ended December 31, 2020 and the Statutory Auditors' Report on the consolidated financial statements for the year, which appear respectively on pages 177-239 and 240-243 of the 2020 Universal Registration Document filed with the AMF on Friday, March 26, 2021 under number D.21-0199.

Date of the latest financial information

The latest audited financial information corresponds to fiscal years 2021 and 2020 (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.

As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component.

4.1 Consolidated Financial Statements

4.1.1 Consolidated statement of profit or loss

€ millions	Notes	2021	2020 [(a)]
Revenue	5	19,820	14,429
Cost of sales		(7,589)	(6,242)
Gross profit		**12,231**	**8,187**
Research and development		(579)	(552)
Selling		(5,700)	(4,182)
Royalties		(174)	(134)
Advertising and marketing		(1,534)	(1,156)
General and administrative		(1,982)	(1,711)
Other income/(expenses)	6	64	0
Total operating expenses		**(9,905)**	**(7,735)**
Operating profit		**2,326**	**452**
Cost of net debt	7	(111)	(119)
Other financial income/(expenses)	7	(19)	(22)
Share of profits of associates	12	3	1
Profit before taxes		**2,200**	**313**
Income taxes	8	(587)	(164)
NET PROFIT		**1,613**	**149**
of which attributable to:			
• owners of the parent		1,463	85
• non-controlling interests		150	64
Weighted average number of shares outstanding:	9		
• basic		438,815,944	435,868,811
• diluted		445,467,194	439,003,665
Earnings per share (EPS) for net profit attributable to owners of the parent (in euro):	9		
• basic		3.33	0.19
• diluted		3.28	0.19

(a) Some reclassifications have been realized to ensure consistency with the current period presentation. Those reclassifications do not affect the *Operating profit* presented for the twelve-month period ended on December 31, 2020. Please refer to the paragraph *Basis of preparation of the financial statements*.

4.1.2 Consolidated statement of comprehensive income

€ millions	Notes	2021	2020
Net profit		**1,613**	**149**
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges		12	(1)
Net investment hedges		—	(5)
Foreign currency translation differences		1,871	(2,169)
Related tax effect	8	(3)	2
Total items that may be reclassified subsequently to profit or loss		**1,880**	**(2,173)**
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on employee benefits	23	116	9
Equity investments at FVOCI – net change in fair value		3	(4)
Related tax effect	8	(23)	(1)
Total items that will not be reclassified to profit or loss		**96**	**4**
Total other comprehensive income, net of tax		**1,977**	**(2,169)**
TOTAL COMPREHENSIVE INCOME		**3,590**	**(2,020)**
Total comprehensive income attributable to:			
• owners of the parent		3,401	(2,059)
• non-controlling interests		189	39

4.1.3 Consolidated statement of financial position

Assets

€ millions	Notes	December 31, 2021	December 31, 2020
Goodwill	10	29,412	22,658
Intangible assets	10	12,289	10,031
Property, plant and equipment	11	4,211	3,348
Right-of-use assets	11	2,930	1,753
Investments in associates	12	91	17
Other non-current assets	13	718	374
Deferred tax assets	14	498	418
Total non-current assets		**50,149**	**38,598**
Inventories	15	2,445	1,930
Trade receivables	16	2,355	2,066
Tax receivables	17	301	195
Other current assets	18	804	847
Cash and cash equivalents	19	3,293	8,683
Total current assets		**9,198**	**13,720**
Assets held for sale	20	82	—
TOTAL ASSETS		**59,428**	**52,318**

Equity and liabilities

€ millions	Notes	December 31, 2021	December 31, 2020
Share capital	21	80	79
Share premium reserve	21	22,381	22,012
Treasury shares reserve	21	(231)	(201)
Other reserves	21	11,494	10,294
Net profit attributable to owners of the parent		1,463	85
Equity attributable to owners of the parent		**35,186**	**32,268**
Equity attributable to non-controlling interests	21	811	530
Total equity		**35,997**	**32,798**
Non-current borrowings	22	8,913	9,324
Non-current lease liabilities	22	2,230	1,411
Employee benefits	23	537	484
Non-current provisions	25	222	170
Other non-current liabilities	26	143	73
Deferred tax liabilities	14	2,454	1,887
Total non-current liabilities		**14,500**	**13,349**
Current borrowings	22	1,036	633
Current lease liabilities	22	837	527
Trade payables	27	2,218	1,864
Tax payables	17	805	530
Current provisions	25	367	271
Other current liabilities	28	3,655	2,346
Total current liabilities		**8,919**	**6,171**
Liabilities held for sale	20	13	—
TOTAL EQUITY AND LIABILITIES		**59,428**	**52,318**

4.1.4 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 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)**
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)*
Shares delivered to employees and exercise of stock options	0	33	7	—	(7)	—	33	—	33
Share-based payments	—	—	—	—	156	—	156	—	156
Net sale/(net purchase) of treasury shares	—	—	(140)	—	—	—	(140)	—	(140)
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**

€ 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, 2021	**79**	**22,012**	**(201)**	**(1,576)**	**11,870**	**85**	**32,268**	**530**	**32,798**
Total comprehensive income for the period	**—**	**—**	**—**	**1,822**	**115**	**1,463**	**3,401**	**189**	**3,590**
Changes in consolidation scope and NCI	(0)	—	—	—	(213)	—	(213)	191	(22)
Acquisition of subsidiary with NCI	*(0)*	—	—	—	—	—	*(0)*	*226*	*226*
Acquisition of NCI without a change in control	—	—	—	—	*(7)*	—	*(7)*	*0*	*(7)*
Other changes related to NCI	—	—	—	—	*(206)*	—	*(206)*	*(35)*	*(241)*
Shares delivered to employees and exercise of stock options	0	34	272	—	(272)	—	34	—	34
Share-based payments	—	0	—	—	136	—	136	—	136
Net sale/(net purchase) of treasury shares	—	—	(302)	—	—	—	(302)	—	(302)
Allocation of net profit	—	—	—	—	85	(85)	—	—	—
Dividends paid	0	335	—	—	(473)	—	(138)	(100)	(237)
EQUITY AT DECEMBER 31, 2021	**80**	**22,381**	**(231)**	**246**	**11,248**	**1,463**	**35,186**	**811**	**35,997**

4.1.5 Consolidated statement of cash flows

€ millions	Notes	2021	2020
Net profit		**1,613**	**149**
Depreciation, amortization and impairment	6	2,461	2,155
(Gains)/losses from disposal of assets		2	6
Expense arising from share-based payments		160	156
Income taxes	8	587	164
Finance result, net	7	130	140
Other non-cash items		(31)	(22)
Changes in provisions		38	63
Changes in trade working capital		(197)	432
Changes in other operating receivables and payables		526	178
Taxes paid, net		(618)	(356)
Interest paid, net		(125)	(112)
Net cash flows provided by/(used in) operating activities		**4,545**	**2,953**
Purchase of property, plant and equipment and intangible assets		(1,030)	(650)
Disposal of property, plant and equipment and intangible assets		16	8
Acquisitions of businesses, net of cash acquired	3	(7,078)	(133)
Changes in other non-financial assets		(64)	8
Changes in other financial assets		97	287
Net cash flows provided by/(used in) investing activities		**(8,060)**	**(480)**
Share capital increase		34	36
(Purchase)/sale of treasury shares		(317)	(159)
Dividends paid:			
• to the owners of the parent	21	(138)	(503)
• to non-controlling interests	21	(105)	(59)
Transactions with non-controlling interests		(67)	(94)
Cash payments for principal portion of lease liabilities	22	(722)	(461)
Issuance of bonds, private placements and other long-term debts	22	57	2,981
Repayment of bonds, private placements and other long-term debts	22	(800)	—
Changes in other current and non-current borrowings	22	18	(244)
Net cash flows provided by/(used in) financing activities		**(2,040)**	**1,498**
Net increase/(decrease) in cash and cash equivalents		**(5,555)**	**3,970**
Cash and cash equivalents at the beginning of the financial year	19	8,683	4,836
Effects of exchange rate changes on cash and cash equivalents		166	(123)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**19**	**3,293**	**8,683**

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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 (France). EssilorLuxottica is registered with the Créteil Trade and Companies Register under reference 712 049 618, and is listed on the Euronext Paris stock exchange.

The Group is consolidated in the accounts of Delfin S.à r.l., a private limited liability company incorporated under the laws of Luxembourg.

The Company originates from the combination, occurred on October 1, 2018, 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"), hereinafter referred as the "EL Combination". In 2021, the Group acquired GrandVision N.V. ("GrandVision" or, together with its subsidiaries, "GrandVision Group"), a leading global optical retailer with a strong presence in Europe (see the paragraph *Significant events of the year*).

The Group is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses, with a worldwide presence across all stages of the value chain.

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 10, 2022.

Basis of preparation of the financial statements

Pursuant to the European Regulation No. 1606/2002 of July 19, 2002, these 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 application of new standards and interpretations that are effective for reporting periods beginning on January 1, 2021 (described in Note 2 – New accounting standards).

As described in Note 4 – Segment information, during the first semester of 2021 the composition of the Group's operating segments has been changed to reflect the changes in the way management makes operating decisions, allocates resources and assesses the performance of the Group. The change has been retrospectively accounted for as of January 1, 2021 and all prior period segment information has been restated to conform to the new presentation.

This change has no impact on the Group's consolidated operating results but resulted in a redefined aggregation of cash generating units (CGUs) for the purpose of goodwill allocation, monitoring and testing (see Note 10 – Goodwill and other intangibles).

Moreover, in order to provide relevant information to the users of these financial statements, the Company has continued to align its policies related to the classification of the distribution costs within the Group, as well as the costs related to restructuring projects, litigation and claims and share-base payments. Consequently, some reclassifications in the presentation of the comparative information have been realized to ensure consistency with current period presentation. €166 million have been transferred from *General and administrative* expenses to *Cost of sales* (€105 million), *Research and development* (€8 million), *Selling* (€46 million) and *Advertising and marketing* (€7 million). €10 million have been transferred from *Other income/(expenses)* to *General and administrative* expenses. Finally, €184 million have been transferred from *Selling* to *Cost of sales*. None of these reclassifications affected the *Operating profit* presented for twelve-month period ended on December 31, 2020.

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.

These consolidated financial statements represent the first set of financial statements after the acquisition of GrandVision, occurred on July 1, 2021 (this transaction as well as its main accounting impact are described, respectively, in the paragraph *Significant events of the year* and in Note 3 – Business combinations). As a result of this acquisition, the statements of profit or loss, other comprehensive income and cash flows for the year ended December 31, 2021 reflect the contribution of GrandVision Group's results of the second semester of the year whereas the comparative information presented for the year ended December 31, 2020 does not include any contribution from GrandVision. Likewise, the statements of financial position and changes in equity for the year ended December 31, 2021 incorporate GrandVision Group's assets and liabilities measured at fair value as of July 1, 2021 and the corresponding subsequent movements until the end of the year. The comparability of the financial information presented for 2021 and 2020 is therefore affected.

Moreover, as further explained in the paragraph *Significant events of the year*, Covid-19 pandemic had a significant negative impact on the Group's results in 2020, also affecting the comparability of the information presented for 2021 and 2020.

Climate and environmental risks

Due to the nature of the Group's activities, the current Group's exposure to the consequences of climate change is deemed to be limited. Nonetheless, in July 2021, the Company announced its new approach to sustainability, titled *Eyes on the Planet*, which was built around, among the others, the following pillars.

- *Eyes on Carbon*: EssilorLuxottica is working toward achieving carbon neutrality across its direct operations (scope 1 & 2 emissions) by 2025, starting in Europe by 2023. During the course of 2021, the Company invested in renewable electricity, such as solar and biomass heating systems, photovoltaic installations as well as in philanthropic initiatives (such us the major forest restoration project of 30 hectares in the foothills of the Dolomites near one of the Company's main production plant in Agordo, Italy).
- *Eyes on Circularity*: EssilorLuxottica is reassessing its production cycle, including a shift from fossil-based materials to bio-based materials, which produce fewer emissions, biodegrade, and are easier to recycle. This is reflected in the Company's investment in Mazzucchelli 1849 S.p.A. (see Note 12 – Investments in associates) to develop and produce a highly sustainable type of acetate as well as Arnette and Costa's new sustainable collections.

The deployment of these initiatives is reflected into the Group's accounts in the form of operating expenses and investments accounted for during the course of the year and it has been taken into account, when necessary, in the estimations used by management in the preparation of these consolidated financial statements, in particular in the 2022 budget and the medium-term projections used to perform 2021 annual impairment tests (see Note 10.1 – Impairment tests).

No other climate-related material impacts were reflected into 2021 financial statements.

Significant events of the year

Acquisition of GrandVision

Antitrust authorities approvals

In 2019 and 2020, the proposed acquisition of GrandVision N.V. by EssilorLuxottica announced on July 31, 2019 (the "Proposed Acquisition") was unconditionally cleared by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil. During the first semester of 2021, the Proposed Acquisition was cleared by the remaining antitrust authorities:

- 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);
- on April 9, 2021, the Chilean market regulator FNE (Fiscalía Nacional Económica) cleared the Proposed Acquisition following the commitment to divest, prior to the completion of the deal, GrandVision's Chilean operations under the banner Rotter Y Krauss; and
- on June 10, 2021, the Turkish Competition Authority (TCA) gave its clearance after EssilorLuxottica made certain behavioural commitments with regards to the conduct of its business in Turkey.

With the conditional approval of the Turkish Competition Authority, all regulatory approvals for closing of the Proposed Acquisition were obtained.

On December 17, 2021, EssilorLuxottica, GrandVision and Vision Group, one of the largest distribution networks for Italian opticians and a retail player under the VisionOttica banner, announced that they entered into an agreement for Vision Group to acquire the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country.

On December 23, 2021, EssilorLuxottica, GrandVision and the Optic Retail International Group BENE, a member of MPG Austria ("ORIG/MPG"), announced that they entered into an agreement for ORIG/MPG to acquire 142 EyeWish stores in the Netherlands and 35 GrandOptical stores in Belgium.

Both transactions followed the commitments agreed upon with the European Commission on March 23, 2021. Moreover, both agreements also provide for transitional agreements to support the business continuity of the divested perimeters following the implementation of the corresponding transactions.

Completion of those transactions is subject to the approval of the European Commission. Both transactions are expected to close in the first semester of 2022 (see Note 34 – Subsequent events). All the assets and liabilities related to the businesses to be disposed are classified as held for sale in EssilorLuxottica's statement of financial position as of December 31, 2021 (see Note 20 – Assets and liabilities held for sale).

Description of the transaction and subsequent steps

On July 30, 2019, Hal Optical Investments B.V. ("HAL"), a major shareholder of GrandVision – at that time holding approximately 76.72% of the issued ordinary shares of GrandVision – entered into a block trade agreement with EssilorLuxottica (the "Block Trade Agreement" or "BTA") with regard to the sale of HAL's entire share interest in GrandVision to EssilorLuxottica (the "**Initial Acquisition**"). GrandVision supported the transaction under the terms of a support agreement with EssilorLuxottica entered into on the same date (the "Support Agreement").

Closing of the transaction was subject to various conditions, including obtaining antitrust clearance in the relevant jurisdictions (see previous paragraph).

On July 1, 2021, the Initial Acquisition was successfully completed. EssilorLuxottica acquired 195,203,728 GrandVision's shares at a price of €28.42 per share paid in cash, representing a total consideration of €5.5 billion.

As of the closing of the Initial Acquisition, EssilorLuxottica owned approximately 76.72% of the issued ordinary shares of GrandVision. Consequently, it was under the obligation to launch a mandatory cash public offer under the Dutch public offer rules over the remaining issued and outstanding shares of GrandVision.

On September 7 and 20, 2021, EssilorLuxottica acquired, respectively, 16,902,305 and 8,431,388 GrandVision ordinary shares from multiple shareholders represented each time by a single broker. Those shares were acquired at the same price paid by EssilorLuxottica under the BTA, *i.e.* €28.42 per share paid in cash (€720 million in total). Combined with the 195,203,728 shares already held by EssilorLuxottica, the aggregate stake in the share capital of GrandVision held by EssilorLuxottica on September 20, 2021 consisted of 220,537,421 shares, representing approximately 86.67% of GrandVision's share capital.

On October 7, 2021, EssilorLuxottica and GrandVision jointly announced the launch of the recommended mandatory public offer to all holders of GrandVision's ordinary shares at an offer price of €28.42 per share in cash (the "**Offer**").

The Offer acceptance period began on October 8, 2021 and ended on December 3, 2021. During the acceptance period, 33,225,412 GrandVision's ordinary shares have been tendered under the Offer, representing an interest of approximately 13.06% in GrandVision's share capital and an aggregate value of approximately €944 million (settled on **December 8, 2021**).

A post-acceptance period was launched on December 7, 2021 ending on December 20, 2021. During the post-acceptance period, 268,744 GrandVision's ordinary shares have been tendered under the Offer, representing an interest of approximately 0.11% of the issued share capital of GrandVision and an aggregate value of approximately €8 million (settled on **December 23, 2021**).

Taking into account: (a) the 33,494,156 ordinary shares of GrandVision tendered in the Offer, and (b) the 220,537,421 ordinary shares of GrandVision already held by EssilorLuxottica prior to the Offer, at the end of the Offer EssilorLuxottica directly held 254,031,577 ordinary shares of GrandVision, representing 99.84% of GrandVision's share capital. Combined with the 141,893 treasury shares held by GrandVision, the aggregate stake held by EssilorLuxottica represented 99.89% of the issued and outstanding shares of GrandVision.

Having acquired more than 95% of the issued and outstanding shares of GrandVision, EssilorLuxottica announced its intention to delist GrandVision's shares from Euronext Amsterdam as well as to initiate a compulsory buy-out procedure in accordance with the Dutch Civil Code to buy-out the holders of GrandVision's shares that have not tendered their shares under the Offer. In such procedure, initiated on December 22, 2021, any remaining minority shareholders of GrandVision have been offered the Offer price, *i.e.* €28.42 per share.

Euronext approved the delisting of GrandVision's shares from Euronext Amsterdam, which took place on **January 10, 2022** (last trading day on January 7, 2022).

Rationale for the transaction

GrandVision is a leading global optical retailer with more than 7,200 stores worldwide (with a strong presence in Europe) and a growing online presence. GrandVision consolidated revenue in 2020 and 2019 amounted to €3,481 million and 4,039 million, respectively. GrandVision offers customers expert eyecare services along with a large selection of prescription eyeglasses, sunglasses, contact lenses and eyecare products.

The activities of EssilorLuxottica and GrandVision are highly complementary. The transaction gives EssilorLuxottica an opportunity to strengthen its direct-to-consumer business, benefiting from GrandVision's technologies, competencies and human capital.

Expanding its retail operations, while maintaining strong wholesale distribution, EssilorLuxottica increases its capacity to drive consumer engagement more effectively, to raise the standard of in-store experience, resulting in more regular eye exams, up-to-date prescriptions and an increased availability of multiple tailored vision care products to meet all of their vision and style needs.

At the same time, GrandVision benefits from EssilorLuxottica's outstanding product innovation, manufacturing and commercialization, integrated IT system, brand portfolio, state-of-the-art supply chain, talent development and digital tools and expertise to foster a closer and increasingly omnichannel relationship with GrandVision's more than 150 million consumers around the world.

Accounting of the transaction

The transaction meets the definition of business combination as provided for in IFRS 3 *Business Combinations* and has been accounted accordingly in EssilorLuxottica's consolidated financial statements as of the acquisition date (*i.e.* July 1, 2021).

Refer to Note 3 – Business combinations for further details.

Legal proceedings

In July 2020, EssilorLuxottica first, and GrandVision and HAL right after, initiated, respectively, legal proceedings and an arbitration process against each other. On June 21, 2021, those proceedings were solved in favour of EssilorLuxottica that decided to pursue and close the Initial Acquisition on July 1, 2021. Further information on the evolution of those legal proceedings can be found in Note 30 – Contingencies and commitments (paragraph 30.2 *Litigation and contingent liabilities*).

Changes in management and in the composition of the Board of Directors

Since the EL Combination date, EssilorLuxottica's governance was structured based on the principles established in the Combination Agreement dated January 15, 2017 (as described in the Report on Corporate Governance included in the 2020 Universal Registration Document published by the Company on March 26, 2021).

In particular:

- eight of the sixteen members of EssilorLuxottica Board of Directors had to be nominated by Essilor (including the Company's Vice-Chairman and the Deputy Chief Executive Officer - "Deputy CEO"), while the other eight members had to be nominated by Delfin S.à r.l. (including the Company's Chairman and the Chief Executive Officer – "CEO");
- the Company's Chairman had the same powers as the Vice-Chairman;
- the Company's CEO had the same powers as the Deputy CEO.

As per the Combination Agreement, the governance structure described above (*equal powers principle*) had to be applied only until the date of the Annual Shareholders' Meeting called in 2021 to approve 2020 EssilorLuxottica's financial statements.

At the Annual Shareholders' Meeting held on May 21, 2021, shareholders approved all the names of the proposed directors who now sit on the new Board of Directors of the Company.

During its first meeting held on May 21, 2021, the Board of Directors appointed Mr. Leonardo Del Vecchio as Chairman of the Board, Mr. Francesco Milleri as CEO and Mr. Paul du Saillant as Deputy CEO of EssilorLuxottica.

The changes described above triggered the re-assessment of the Group' Chief Operating Decision Marker – CODM as per the IFRS 8 *Operating Segments* definition as well as the composition of the Group's operating segments (see Note 4 – Segment information).

Dividend distribution

The Annual Shareholdings' Meeting of EssilorLuxottica held on May 21, 2021 approved the distribution of 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.

The Annual Shareholders' Meeting decided to grant to the shareholders the option to receive their *final dividend* in newly issued shares at a price of €124.70 per share (so-called *scrip dividend*). This price corresponds to 90% of the average of the opening prices quoted on Euronext Paris over the twenty trading days preceding the date of the Annual Shareholders' Meeting less the *final dividend* to be distributed for the financial year ended on December 31, 2020, this total being rounded up to the next euro cent.

The period to opt for payment of the dividend in newly issued shares was open from June 1, 2021, up to, and including, June 14, 2021. At the end of that period, 310,329,574 dividend rights were exercised in favor of the payment of the 2020 *final dividend* in shares. Accordingly, on June 21, 2021, 2,687,685 new EssilorLuxottica's shares were issued, delivered and admitted to trading on Euronext Paris. Those new share confer the same rights as the existing shares and carry current dividend rights conferring the right to any distribution paid out as from the date of their issuance.

The total cash dividend paid to the shareholders who did not opt for the *scrip dividend* amounted to €138 million and was paid on the same date, June 21, 2021.

See Note 21 – Equity for additional information.

Decision of the French Competition Authority against Luxottica

On July 22, 2021, the French Competition Authority issued a decision against several eyewear industry players, including Luxottica.

The Authority imposed to Luxottica a €125 million sanction for the Group's conduct which took place between 2005 and 2014 in the optical frames and sunglasses sector in France. That decision closed an investigation initiated in 2005 which was considered insufficient by the French Competition Authority in 2017.

On September 10, 2021, the Company appealed the decision.

On December 14, 2021, €125 million were transferred to the French Authorities pending the decision on appeal. That cash-out was considered as a *deposit* made to a public authority in the context of the overall procedure and it has been accounted for as such in the Company's financial statements (see Note 13 – Other non-current assets).

The cash-out is recorded within the *Net cash flows provided by/ (used in) operating activities* in the consolidated statement of cash flows.

Further information related to the case as well as to the risk assessment performed by management is disclosed in the dedicated paragraph in Note 30 – Contingencies and commitments (30.2.3 *Alleged anti-competitive practices*).

Share buyback program

On August 31, 2021, 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 2,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from August 31, 2021 up until October 29, 2021. EssilorLuxottica launched this share buyback program in accordance to the 10th resolution approved by the Annual Shareholders' Meeting of May 21, 2021.

2,000,000 EssilorLuxottica's shares were acquired over the announced period at an average price of €166.72 per share for a total cash out of approximately €335 million, including financial transaction taxes and fees (see Note 21 – Equity).

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 24 – Share-based payments).

Covid-19 update

The Covid-19 pandemic had significant negative impacts on EssilorLuxottica's 2020 results, in particular in the first semester of the year, affecting business activities and revenues reported in all geographies and business segments. In 2021, notwithstanding the Covid-19 pandemic continued to affect certain business activities in the first part of the year, the Group's performance showed a return to growth. The comparability of the financial information presented for 2021 and 2020 is therefore affected.

The Group reported total revenue of €19,820 million in 2021 compared to €14,429 million in 2020 representing a 37.4% increase. Breakdown by segment and geographical area is presented in Note 4 – Segment information.

The Group capitalized on the rebound occurred in some geographical areas (especially US) while constantly supporting its employees and their families in need in those other areas where the Covid-19 pandemic continued to affect business activities.

Some of the initiatives put in place to protect the Group's human capital in 2020 were extended to the first semester of 2021. Moreover, over the same period, the Group benefited from governmental grants and other forms of governmental assistance. The related impacts were recognized in the statement of profit or loss of the period for an overall not significant amount if compared with the amounts recognized in 2020 (*i.e.* costs amounting to approximately €160 million and subsidies amounting to approximately €137 million).

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;
- 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. 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*.

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 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, 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.

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 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 the Professional Solutions segment, the Group's customers are mainly the professionals of the eyecare industry (distributors, opticians, independents, third-party e-commerce platforms, etc…), whereas, in the Direct to Consumer segment, the Group mainly sells its goods and/or provides its services directly to the end end consumer (either through the network of physical stores or the online channel operated by the Group).

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 *Direct to Consumer* 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 contract 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

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.

1.4.5. Sub-lease income (accounted for in accordance with IFRS 16)

Some entities in the Group's *Direct to Consumer* 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 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;
- 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 14 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 3 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. Leases

The lease contracts relate mainly to the leases of stores operated by the Group and leases of stores that are subleased to the Group's franchisees. Lease contract also include leases for offices, warehouses, vehicles and equipment.

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.

1.15.1. Lessee accounting

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, over a similar term and in a similar economic environment, the funds necessary to acquire an asset of a similar value to the right-of use asset) 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, in accordance with IFRS 16, 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.

1.15.2. Lessor accounting

The Group subleases some of its right-of-use assets to franchisees or other third parties. When substantially all the risks and rewards are transferred to the lessee, the sublease is classified as finance lease, otherwise the sublease is classified as an operating lease (see paragraph *Sub-lease income* (accounted for in accordance with IFRS 16)).

When the sublease is classified as finance lease, the right-of-use asset in the head lease is derecognized and a lease receivable is recognized. The lease receivable is initially measured at the present value of future lease receipts. Any difference on initial recognition of finance sublease is recorded in the consolidated statement of profit or loss. Subsequently, the interest income and interest expense are accrued on the lease receivable and lease liability respectively applying the effective interest method.

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 mainly 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, cancelled 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.

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. Provisions

Provisions 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 IFRIC 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.

The full fair value of a hedging derivate is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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, 2021 or early applied by the Group

2.1.1. Amendments and interpretations effective from January 1, 2021

The Group adopted the following amendments endorsed by the European Union and effective for annual periods beginning on January 1, 2021. The adoption of these amendments by the Group had no material impact.

- 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 and endorsed on January 13, 2021)
- Amendments to IFRS 4 *Insurance Contracts* – Deferral of IFRS 9 (issued on June 25, 2020 and endorsed on December 15, 2020)

Moreover, the Group has taken into account the clarifications included in the Agenda Decision published by the IFRS Interpretations Committee (IFRIC) in May 2021 when measuring employee benefit obligations (*Attributing Benefit to Periods of Service* - IAS 19); the related impact on the financial position as of December 31, 2021 is a non-material decrease in employees benefits obligation, accounted for in 2021.

As regards to the clarifications included in the Agenda Decision published by the IFRIC in April 2021 concerning the recognition of the costs of configuring or customizing software used in a SaaS (Software as a Service) arrangement (recognition as intangible assets *versus* expenses), their potential impacts are currently being analyzed, although they are not expected to be significant.

2.1.2. Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021

The Group decided to apply in its 2021 consolidated financial statements the Amendment to IFRS 16 *Leases* – Covid-19-Related Rent Concessions beyond June 30, 2021 (issued on March 31, 2021 endorsed on August 30, 2021 and effective from annual periods beginning on or after April 1, 2021), as permitted by paragraph C1C of the amended standard.

This Amendment extended the application of the *practical expedient* introduced following the Covid-19 pandemic (*i.e.* lessees were exempted 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 were allowed to account for such rent concessions as if they were not lease modifications) to Covid-19-related rent concessions that reduce lease payments due on or before June 30, 2022, provided that there were no substantive changes to other terms and conditions of the lease.

As required by the amended standard, 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, 2021 and not yet adopted by the Group

The following standards and amendments, that are effective for annual periods beginning after January 1, 2021 have already been endorsed by the European Union.

- IFRS 17 *Insurance Contracts* (issued on May 18, 2017) including Amendments to IFRS 17 (issued on June 25, 2020), both endorsed on November 19, 2021 and effective from annual periods beginning on January 1, 2023

Their potential impacts on the Group consolidated financial statements are currently being analyzed.

Note 3 Business combinations

3.1. Acquisition of GrandVision

3.1.1. Description of the transaction

The main steps of the acquisition of GrandVision by EssilorLuxottica (herein after referred as the "GV Acquisition") are described in the paragraph *Significant events of the year* and summarized below.

- On July 1, 2021, EssilorLuxottica acquired 195,203,728 GrandVision's shares at a price of €28.42 per share paid in cash, representing a total consideration of approximately €5.5 billion (the "**Initial Acquisition**"). At that date the Company owned approximately 76.72% of the issued ordinary shares of GrandVision, consequently, it was under the obligation to launch a mandatory cash public offer under the Dutch public offer rules over the remaining issued and outstanding shares of GrandVision.
- On September 7 and 20, 2021, EssilorLuxottica acquired, respectively, 16,902,305 and 8,431,388 GrandVision ordinary shares from multiple shareholders at the same price per share, *i.e.* €28.42 per share paid in cash, €720 million in total (the "**Subsequent Acquisitions**"). The aggregate stake in the share capital of GrandVision held by EssilorLuxottica at that time consisted of 220,537,421 shares, representing approximately 86.67% of GrandVision's share capital.
- On October 7, 2021, EssilorLuxottica launched the recommended mandatory public offer to all holders of GrandVision's ordinary shares at an offer price of €28.42 per share in cash (the "**Offer**").
- From October 8 to December 20, 2021, 33,494,156 GrandVision's ordinary shares have been tendered under the Offer, representing an interest of approximately 13.16% in GrandVision's share capital and an aggregate value of approximately €952 million (33,225,412 shares were settled on December 8, 2021 while 268,744 shares were settled on December 23, 2021).

As of December 31, 2021, EssilorLuxottica directly held 254,031,577 ordinary shares of GrandVision, representing 99.84% of GrandVision's share capital. Combined with the 141.893 treasury shares held by GrandVision, the aggregate stake held by EssilorLuxottica represented 99.89% of the issued and outstanding shares of GrandVision.

A compulsory procedure to buy-out the holders of GrandVision's shares that have not tendered their shares under the Offer have been initiated (the "**Buy-Out**"). Through such procedure, any remaining minority shareholders of GrandVision will be offered the Offer price, *i.e.* €28.42 per share.

3.1.2. Accounting of the acquisition and subsequent transactions

Single-transaction accounting

From an accounting standpoint EssilorLuxottica gained control over GrandVision on July 1, 2021 (*i.e.* the acquisition date) as a result of the Initial Acquisition.

However, in case of a sequence of transactions that begins with an acquirer gaining control over another entity, followed by acquiring additional ownership interests shortly thereafter (especially when there is a regulatory requirement for that acquirer to make an offer to the non-controlling shareholders of the acquiree), the initial acquisition of the controlling stake and the subsequent transactions can be treated as a single linked transaction.

With regard to the GV Acquisition: the Subsequent Acquisitions, the Offer and the Buy-Out arise from the same transaction by which control over GrandVision was gained, *i.e.* the Initial Acquisition. Moreover:

- the option over GrandVision's remaining interest and its subsequent acquisition was not negotiated separately by the non-controlling shareholders of GrandVision;
- the Offer period was relatively short; and
- the price per share offered for all the transactions subsequent to the Initial Acquisition was fixed and consistent with the price paid for GrandVision's controlling interest (*i.e.* €28.42 per share).

Considering all those factors, management decided to account for the GV Acquisition as if all ownership interests in GrandVision (100%) were acquired at the acquisition date (July 1, 2021) as part of the transaction to gain control, the Initial Acquisition (so called *linked-transaction accounting*).

As consented by IFRS 3, the GV Acquisition has been accounted on a provisional basis. The Group may adjust the provisional amounts recognized as soon as it receives the additional information about facts and circumstances that existed as of the acquisition date within one year from the acquisition date.

Any differences compared to the provisional amounts will be recognized as a retrospective adjustment against goodwill if recorded within twelve months from the acquisition date.

Consideration transferred

Since the GV Acquisition is accounted for as a single linked transaction, the consideration transferred fair value as of July 1, 2021 is the sum of the actual amount paid for the Initial Transaction and the present value of the amount expected to be paid for the Subsequent Acquisitions, the Offer and the Buy-Out.

€ millions	Number of shares	Price per share	Fair value
GrandVision's issued and outstanding shares as of July 1, 2021[(a)]	253,870,647	€28.42	7,215
Price adjustment as provided for in the BTA			(17)
CONSIDERATION TRANSFERRED			**7,198**

(a) Total number of GrandVision's shares excluding those directly owned by GrandVision (treasury shares) as of July 1, 2021.

A financial liability amounting to the present value of the amount expected to be paid for the Subsequent Acquisitions, the Offer and the Buy-Out was recognized as of July 1, 2021. That liability has been reduced in the course of the second semester of the year when the Subsequent Acquisitions and the Offer took place. As of December 31, 2021, the outstanding financial liability amounted to €8 million corresponding to the future cash-out required to settle the Buy-Out procedure.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognized assets acquired and liabilities assumed determined on a provisional basis at the date of acquisition (July 1, 2021).

€ millions	Notes	Fair value
Intangible assets	10	2,733
Of which trade names, trademarks and brands	*10*	*1,555*
Of which customer relationships	*10*	*1,001*
Of which other intangible assets	*10*	*177*
Property, plant and equipment	11	455
Right-of-use assets	11	1,200
Investments in associates		1
Other non-current assets		91
Deferred tax assets	14	37
Inventories		390
Trade receivables		169
Tax receivables		39
Other current assets		141
Cash and cash equivalents		200
Assets held for sale		65
Total identifiable assets		**5,521**
Non-current borrowings	22	277
Non-current lease liabilities	22	835
Employee benefits	23	133
Non-current provisions	25	15
Other non-current liabilities		21
Deferred tax liabilities	14	616
Current borrowings	22	398
Current lease liabilities	22	331
Trade payables		226
Tax payables		50
Current provisions	25	75
Other current liabilities		522
Total identifiable liabilities		**3,500**
NET IDENTIFIABLE ASSETS		**2,021**

The description of the main intangible assets recognized on a provisional basis in the context of the purchase price allocation is as follows:

- **Trade names, trademarks and brands:** GrandVision operates more than 30 major optical retail brands (banners) across more than 40 countries. In particular, in Belgium, Denmark, Finland, France, The Netherlands, Norway, Mexico, Spain, Sweden and Switzerland, GrandVision operates through retail banners that serves the mid-to high market. The value of those banners has been evaluated based on their market positioning and market share.
- **Customer relationships:** GrandVision has a practice of establishing relationships with its retail customers generating recurring profits; customer relationships have therefore been recognized and valued by geographical area.

The fair value of those intangible assets has been measured applying the *relief-from-royalty* method and *multi-period excess earnings* method. The *relief-from-royalty* method considers the discounted royalty payments that are expected to be avoided as a result of the brand/trade names being owned. The *multi-period excess earnings* method considers the present value of net cash flows expected to be generated by the customer relationship, by excluding any cash flows related to contributory asset.

Moreover, according to IFRS 3 paragraph 24, EssilorLuxottica recognized and measured the deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination in accordance with IAS 12 – *Income Taxes*, considering the applicable tax rate of the entities/area to which the assets and liabilities belong.

The amounts described above have been measured on a preliminary basis and reflect the provisional outputs of the valuation work performed by EssilorLuxottica with the support of an independent valuation expert.

If new information about facts and circumstances that existed at the acquisition date (provided that it is obtained within one year from the acquisition date) requires adjustments to the above amounts and/or the recognition of additional assets and liabilities, then the accounting for the acquisition will be retrospectively adjusted.

Goodwill

Goodwill arising from the GV Acquisition has been determined as the sum of the consideration transferred and the amount of non-controlling interest in GrandVision minus the net identifiable assets acquired and liabilities assumed measured in accordance with IFRS 3.

€ millions	Fair value
Consideration transferred	7,198
Non-controlling interests based on the proportionate interest in the recognized net assets of the subsidiaries of GrandVision	227
Identifiable assets acquired and liabilities assumed	2,021
GOODWILL	**5,404**

The goodwill is attributable mainly to the ability of the Group to renew its customer base, to the skills and technical talent of GrandVision's work force and the synergies and potential new business expected to be achieved with the integration of GrandVision's operations.

Due to the nature of GrandVision's business the entire goodwill arising from the GV Acquisition has been allocated to the group of CGUs DTC Optical.

Acquisition-related costs and other information

The Group incurred acquisition-related costs related to non-recurring legal, advisory, accounting, valuation, banking and other professional or consulting services provided in the context of the GV Acquisition.

Those costs were accounted for in accordance with IFRS 3, *i.e.* recognized as expenses in the periods in which they were incurred and the services were received. Acquisition-related costs accounted for in *General and administrative* expenses in the consolidated statement of profit or loss for the year ended December 31, 2021 amounted to €38 million before tax, while the cumulative amount of transaction costs incurred by EssilorLuxottica until December 31, 2021 is €70 million (€21 million recognized in 2020 and €11 million recognized in 2019).

GrandVision contributed revenue of €2,062 million and a net profit of €66 million (including the amortization of the new intangibles recognized in the context of the business combination accounting) to the Group's 2021 results (*i.e.* GrandVision's results for the six-month period ended December 31, 2021). On an unaudited *pro forma* basis, if the acquisition had occurred on January 1, 2021, management estimates that consolidated revenue of the Group would have been €21,498 million, and consolidated net profit for the year would have been €1,680 million.

3.2. Other business combinations

The main business combinations, other than the GV Acquisition, that occurred during the year are listed in the table below (also referred as "Other business combinations").

Name	Country	Acquisition month	Consolidation method	% interest	% consolidated
Immobiliare TPZ S.p.A.	Italy	March 2021	Full consolidation	100%	100%
Bayou Ophtalmic	United States	May 2021	Full consolidation	100%	100%
Lenstec Optical Group Limited	United Kingdom	October 2021	Full consolidation	100%	100%

The impact of Other business combinations on the consolidated statement of financial position as of December 31, 2021, as well as on the consolidated statement of profit or loss and the consolidated statement of cash flows for the year 2021 is presented in the table below.

€ millions	**Total**
Intangible assets	9
Property, plant and equipment	6
Right-of-use assets	21
Other non-current assets	0
Current assets	12
Cash and cash equivalents	5
Total assets acquired at fair value (A)	**53**
Non-current borrowings	3
Other non-current liabilities	3
Non-current and current lease liabilities	10
Current borrowings	0
Other current liabilities	8
Total liabilities assumed at fair value (B)	**25**
FAIR VALUE OF NET ASSETS ACQUIRED (C=A-B)	**29**
Consideration for the acquisitions (D)	52
Equity attributable to non-controlling interests (E)	—
Fair value of net assets acquired (C)	29
GOODWILL RECOGNIZED (F=D+E-C)	**23**
Consideration for the acquisition (D)	(52)
Deferred payments (G)	8
Acquired cash (H)	5
CASH FLOW FROM THE ACQUISITIONS, NET OF CASH ACQUIRED (I=D+G+H)	**(39)**

€ millions	**Total**
CONTRIBUTION TO 2021 CONSOLIDATED REVENUE	**9**
CONTRIBUTION TO 2021 NET PROFIT	**(1)**

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 2020.

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 Other business combinations did not cause the Group to incur any significant acquisition costs towards third parties.

On an unaudited *pro forma* basis, had those Other business combinations occurred at the beginning of the year, revenue contributed by the acquisitions to the consolidated statement of profit or loss for the year ended December 31, 2021 would have been €42 million.

Note 4 Segment information

4.1. Information by segment

On May 21, 2021, Mr. Francesco Milleri and Mr. Paul du Saillant were appointed as Chief Executive Officer (CEO) and Deputy CEO of EssilorLuxottica respectively, the latter reporting to the CEO (see paragraph *Significant events of the year*). On the same day, an internal organizational announcement confirmed that the Deputy CEO co-manages the holding company with the CEO and oversees the wholesale business.

Those changes triggered the re-assessment of the Group' Chief Operating Decision Maker (CODM) as per the IFRS 8 *Operating Segments* definition (*i.e.* the person in charge of making decision about resources allocation and assessing the performance of the operating segments of an entity).

EssilorLuxottica's CEO, Mr. Milleri, has been identified as the Group's CODM.

As an additional change driven by the simplified governance, the CEO decided to review the Group's performance from a different perspective. Moving away from the former operating segment view, which was linked to the legacy of Essilor and Luxottica, the new view considers the Group as a vertically integrated player whose performance is assessed based on its approach to the market (*distribution channel* approach). On one side the supply of products and services to all third party professionals of the eyecare industry, and on the other side, the business with a direct relationship with the end consumer.

This new approach has led to determine the following two new operating segments that are consistent with the way the Group is currently managed and with the information reviewed by the CODM and shared with EssilorLuxottica's Board of Directors:

- **Professional Solutions** ("PS"): representing the wholesale business of the Group, *i.e.* the supply of the Group's products and services to all the professionals of the eyecare industry (distributors, opticians, independents, third-party e-commerce platforms, etc.); and
- **Direct to Consumer** ("DTC"): representing the retail business of the Group, *i.e.* the supply of the Group products and services directly to the end consumer either through the network of physical stores operated by the Group (brick and mortar) or the online channel (e-commerce).

Information about other Group's activities that are not reportable has been combined and disclosed in the *"Corporate costs and other"* category. It mainly refers to the costs related to corporate headquarters as well as to the amortization of intangible assets acquired in business combinations as the impact of those costs are not included in the profitability measures used by the CODM for the purposes of making decisions about allocating resources to segments and assessing their performance.

The change has been retrospectively accounted for as of January 1, 2021 and all prior period segment information has been restated to conform to the new presentation.

In accordance with IFRS 8, segment information disclosed in these consolidated financial statements is in line with the information provided internally to the CEO, in its role of CODM, for the purpose of managing operations, taking decisions and analysing operational performance. Such information is prepared in accordance with the IFRS applied by the Group in its consolidated financial statements. Assets and liabilities by operating segment are not included in the data reviewed by the CODM and so this information is not reported.

Following the GV Acquisition, GrandVision's results of the second semester of 2021 have been integrated in the Group segment reporting, mainly affecting the Direct to Consumer segment.

Information by operating segment for the twelve-month period ended December 31, 2021 as well as restated information by operating segment for the twelve-month period ended December 31, 2020 is as follows.

Year ended December 31, 2021

€ millions	Professional Solutions	Direct to Consumer	Corporate costs and other	2021
Revenue	**10,443**	**9,377**	**—**	**19,820**
Operating profit before depreciation of intangible assets acquired in business combinations[(a)]	1,958	1,594	(354)	3,198
Amortization of intangible assets acquired in business combinations				(872)
OPERATING PROFIT				**2,326**
Cost of net debt				(111)
Other financial income/(expenses)				(19)
Share of profits (loss) of associates				3
Income taxes				(587)
NET PROFIT				**1,613**
Acquisitions of property, plant and equipment and intangible assets	649	487	—	1,136
Amortization, depreciation and impairment	(575)	(976)	(909)	(2,461)

(a) The *Operating profit* of the Professional Solutions segment is related to the revenue generated with third-party customers only, excluding the "manufacturing profit" generated on the intercompany revenue with the Direct to Consumer segment. The *Operating profit* of the Direct to Consumer segment is related to retail revenue, considering the cost of goods acquired from the Professional Solutions segment at manufacturing cost, thus including the relevant "manufacturing profit" attributable to this revenue.

Year ended December 31, 2020

€ millions	Professional Solutions	Direct to Consumer	Corporate costs and other	2020
Revenue	**8,512**	**5,917**	**—**	**14,429**
Operating profit before depreciation of intangible assets acquired in business combinations[(a)]	910	615	(285)	1,240
Amortization 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	523	159	—	682
Amortization, depreciation and impairment	(597)	(769)	(788)	(2,155)

(a) The *Operating profit* of the Professional Solutions segment is related to the revenue generated with third-party customers only, excluding the "manufacturing profit" generated on the intercompany revenue with the Direct to Consumer segment. The *Operating profit* of the Direct to Consumer segment is related to retail revenue, considering the cost of goods acquired from the Professional Solutions 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**, **EMEA** (*i.e.* Europe Middle East Africa, including Turkey and Russia), **Asia-Pacific** 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	2021	2020[b]	December 31, 2021	December 31, 2020
North America	9,835	7,901	5,005	5,505
EMEA	6,386	3,657	14,852	7,971
Asia-Pacific	2,542	2,156	837	2,023
Latin America	1,058	715	42	441
TOTAL	**19,820**	**14,429**	**20,737**	**15,940**

(a) Non-current assets excluding goodwill.
(b) The geographical breakdown of revenue for 2020 has been aligned to the geographical areas identified for 2021 disclosure.

The main countries in which the Group operated are the United States for North America (revenue amounting to €9,178 million for the year ended December 31, 2021, €7,379 million in 2020) and France, Italy, United Kingdom and Ireland for Europe (cumulated revenue amounting to €3,038 million for the year ended December 31, 2021, €1,881 million in 2020).

Note 5 Revenue

The breakdown of revenue by category is as follows:

€ millions	2021	2020
Sales of products	18,414	13,257
Managed vision care	1,096	987
Eye-exam and related professional fees	174	103
Income from franchisee royalties	105	58
Sub-lease income	31	25
REVENUE	**19,820**	**14,429**

The reconciliation between the breakdown by category of the Group's revenue and its two operating segments for the twelve-month period ended December 31, 2021 is as follows:

€ millions	Professional Solutions	Direct to Consumer	2021
Sales of products	10,443	7,971	18,414
Managed vision care	—	1,096	1,096
Eye-exam and related professional fees	—	174	174
Income from franchisee royalties	—	105	105
Sub-lease income	—	31	31
REVENUE	**10,443**	**9,377**	**19,820**

The reconciliation between the breakdown by category of the Group's revenue and its two operating segments for the twelve-month period ended December 31, 2020 is as follows:

€ millions	Professional Solutions	Direct to Consumer	2020
Sales of products	8,512	4,745	13,257
Managed vision care	—	987	987
Eye-exam and related professional fees	—	103	103
Income from franchisee royalties	—	58	58
Sub-lease income	—	25	25
REVENUE	**8,512**	**5,917**	**14,429**

For information on contract assets and contract liabilities, see Notes 13 – Other non-current assets, 18 – Other current assets, 26 – Other non-current liabilities and 28 – Other current liabilities.

Note 6 Operating income and expenses

6.1. Depreciation, amortization and impairment loss

For the period ended December 31, 2021, the depreciation, amortization and impairment loss of *Property, plant and equipment*, *Intangible assets* and *Right-of-use assets* amount to €2,461 million (€2,155 million for 2020).

6.2. Leases

Depreciation and rent expenses related to leases recognized within the *Operating profit* are as follows:

€ millions	2021	2020
Depreciation expenses on right-of-use assets	(706)	(561)
Rent expenses – short term leases	(10)	(8)
Rent expenses – low value leases	(34)	(21)
Rent expenses – variable leases payments[(a)]	(390)	(284)
TOTAL AMOUNTS RECOGNIZED IN OPERATING PROFIT	**(1,138)**	**(874)**

(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 2021 is a decrease in *Rent expenses – variable leases payments* amounting to €36 million (€55 million in 2020).

6.3. Personnel costs

Personnel costs amount to €6,335 million (€4,838 million for 2020) including €210 million related to share-based payment expenses (€168 million for 2020).

The number of employees as of the end of the reporting period is as follows:

Number of employees at closing date	December 31, 2021	December 31, 2020
North America	42,208	46,105
EMEA	68,765	35,703
Asia-Pacific	48,449	48,006
Latin America	23,262	14,698
TOTAL NUMBER OF EMPLOYEES	**182,684**	**144,512**

6.4. Other income and expenses

Other operating income and expenses are as follows:

€ millions	2021	2020
Capital gains/(losses) on disposals of operations and assets	(2)	(6)
Other	66	6
OTHER INCOME/(EXPENSES)	**64**	**0**

The line *Other* reported in the table above mainly includes:

- an income of approximately €62 million representing the funds recovered on Group's bank accounts in 2021 related to the fraudulent financial activities discovered in December 2019 in one of the Group's plants in Thailand (the "EMTC fraud"); the overall negative impact recorded in 2019 amounted to €185 million and approximately €24 million were already recovered during the course of 2020 (see Note 30 – Contingencies and commitments, paragraph 30.2 *Litigation and contingent liabilities*);
- the positive effect resulting from changes in consolidation scope and other non-recurring income, for an aggregate amount of €6 million; and
- an expense of approximately €7 million resulting from the valuation of the business to be disposed according to the remedies agreed with the European Commission in the context of the GrandVision acquisition (see paragraph *Significant events of the year* as well as Note 20 – Assets and Liabilities held for sale).

In 2020, the line *Other* reported above mainly included restructuring costs following Costa's integration into Luxottica brand portfolio for €10 million and additional €8 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), partially offset by the income of €24 million representing the funds recovered on Group's bank accounts related to the EMTC fraud.

Note 7 Financial income and expenses

Financial income and expenses are as follows:

€ millions	2021	2020
Interest on debt and borrowings and related derivatives	(89)	(91)
Interest on leases liabilities	(52)	(50)
Interest income	30	22
Cost of net debt	**(111)**	**(119)**
Dividend income	0	2
Foreign exchange gains or losses	(11)	(19)
Interest income on lease receivables	0	—
Other	(8)	(4)
Other financial income/(expenses)	**(19)**	**(22)**
FINANCIAL RESULT	**(130)**	**(140)**

Note 8 Income taxes

The amount of income taxes recognized in the statement of profit or loss is as follows:

€ millions	2021	2020
Current year tax (expense) benefit	(783)	(341)
Deferred taxes	197	177
INCOME TAXES	**(587)**	**(164)**

The amount of income taxes recognized in other comprehensive income is as follows:

	2021			2020		
€ 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	12	(3)	9	(1)	0	(0)
Net investment hedges	—	—	—	(5)	1	(4)
Foreign currency translation differences	1,871	—	1,871	(2,169)	—	(2,169)
Total (A)	**1,883**	**(3)**	**1,880**	**(2,175)**	**2**	**(2,173)**
Items that will not be reclassified to profit or loss						
Actuarial gain/(loss) on employee benefits	116	(17)	100	9	(2)	7
Equity investments at FVOCI - net change in fair value	3	(6)	(3)	(4)	1	(3)
Total (B)	**119**	**(23)**	**96**	**6**	**(1)**	**4**
TOTAL (A+B)	**2,002**	**(26)**	**1,977**	**(2,169)**	**0**	**(2,169)**

The reconciliation between the statutory tax rate and the effective rate is as follows:

As a % of profit before tax	2021	2020
Statutory income tax rate in %	28.41%	32.02%
Non-taxable income and tax incentives[(a)]	-3.77%	-29.39%
Withholding and other taxes	0.68%	4.35%
Tax rate changes	0.18%	7.48%
Net effect of unrecognized tax losses	1.32%	2.74%
Prior year tax adjustments	1.64%	9.54%
Aggregate effect of different tax rates in foreign jurisdictions	-2.95%	-4.73%
Others (net)[(a)]	1.16%	30.44%
EFFECTIVE INCOME TAX RATE	**26.67%**	**52.44%**

(a) In 2020, it 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 €1,463 million (a net profit of €85 million in 2020), while the 2021 average number of ordinary shares outstanding used for the calculation of basic earnings per share is 438,815,944 (435,868,811 in 2020).

€ millions	2021	2020
Net profit used for the calculation	1,463	85
Weighted average number of ordinary shares	438,815,944	435,868,811
BASIC EARNINGS PER SHARE *(in euro)*	**3.33**	**0.19**

The average number of ordinary shares outstanding used to calculate diluted earnings per share is as follows:

	2021	2020
Weighted average number of ordinary shares	438,815,944	435,868,811
Dilutive effect of stock subscription options	105,182	23,606
Dilutive effect of share grants	6,546,068	3,111,248
Diluted weighted average number of ordinary shares	445,467,194	439,003,665
DILUTED EARNINGS PER SHARE *(in euro)*	**3.28**	**0.19**

As of December 31, 2021:

- 264,764 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 (5,354,440 as of December 31, 2020);
- 119,933 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 (533,883 as of December 31, 2020).

Note 10 Goodwill and other intangible assets

Changes in *Goodwill* and *Intangible assets* for the year ended December 31, 2021 and 2020 are as follows:

€ millions	Goodwill	Trade names, trademarks and brands	Technologies	Customer relationships	Other	Total
Balance as of January 1, 2021						
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 January 1, 2021	**22,658**	**3,061**	**2,303**	**4,178**	**489**	**32,689**
Additions	—	33	—	—	220	253
Business combinations	5,424	1,563	—	1,014	180	8,181
of which GV Acquisition	*5,404*	*1,555*	—	*1,001*	*177*	*8,137*
of which other business combinations	*20*	*9*	—	*13*	*3*	*44*
Amortization and impairment losses	—	(201)	(269)	(407)	(251)	(1,128)
Divestments and assets classified as held for sale	(6)	(7)	—	(0)	0	(13)
Translation differences and other	1,337	131	(47)	226	73	1,719
Total changes	**6,754**	**1,520**	**(317)**	**833**	**222**	**9,012**
Balance as of December 31, 2021						
Historical Cost	29,412	6,402	2,858	6,413	2,331	47,416
Accumulated amortization and impairment	—	(1,821)	(871)	(1,402)	(1,620)	(5,715)
NET BOOK VALUE AS OF DECEMBER 31, 2021	**29,412**	**4,581**	**1,987**	**5,010**	**711**	**41,701**

€ 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**

Most significant *Intangible assets* of the Group are related to:

(i) the Group's brands, with a total carrying amount of €4,581 million as of December 31, 2021 (€3,061 million as of December 31, 2020), including those recognized as a result of the EL Combination (with a carrying amount of €2,535 million as of December 31, 2021, €2,566 million as of December 31, 2020) and the trade names recognized in the context of the GV Acquisition (with a carrying amount of €1,526 million as of December 31, 2021);

(ii) the technologies recognized in 2018 as a result of the EL Combination, with a carrying amount of €1,969 million as of December 31, 2021 (€2,230 million as of December 31, 2020);

(iii) the customer relationships recognized in 2018 as a result of the EL Combination, with a carrying amount of €3,946 million as of December 31, 2021 (€4,054 million as of December 31, 2020) as well as the customer relationships recognized in 2021 in the context of the GV Acquisition (€943 as of December 31, 2021).

In 2021, *Goodwill* increased by €6,754 million, of which:

- €5,404 million as a result of the GV Acquisition (provisional goodwill) and €20 million from other business combinations occurred in 2021 (see Note 3 – Business combinations); and
- €1,337 million resulting from foreign currency fluctuations, including €1,133 million foreign currency fluctuations on the goodwill arising from the EL Combination (a decrease of €1,507 and €1,227 million respectively in 2020).

Goodwill for companies acquired during the year, including the goodwill arising from the GV Acquisition, is based on the provisional accounting and may be adjusted during the twelve-month period from the acquisition date.

The main increases in *Intangible assets* in 2021 resulted from the GV Acquisition (see Note 3 – Business combinations) as well as from investment in the IT infrastructure of the Group.

During 2020, the main changes in *Goodwill* and *Intangible assets*, except for the amortization and impairment recorded in the period, resulted from business combinations occurred during the year (€135 million), investment in the IT infrastructure of the Group (€139 million) as well as from foreign currency fluctuations (resulting in an overall decrease of €1,951 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 at an interim date during the annual period. Moreover, as required by IAS 36, the Group assessed whether any impairment indicator existed at the closing date. As of December 31, 2021, management did not identify any impairment indicators, accordingly no additional impairment test on Goodwill was performed at that date.

As regards to other intangible assets, specific impairment tests were performed, as of December 31, 2021, when the Group identified impairment indicators. The impairment losses on intangible assets recognized in 2021 amounted to €42 million.

10.1.1. Allocation of goodwill to groups of CGUs

As of December 31, 2020, *Goodwill* was allocated to nine groups of cash generating units (CGUs) corresponding to the analytical focus and return on investment followed by the Group's management at that time.

The changes in the governance of the Group as well as those described in Note 4 – Segment information triggered the re-assessment of the groups of CGUs to which goodwill shall be allocated. As a result of those changes, the lowest level at which the goodwill is monitored for internal management purposes is:

- the segment itself for the Professional Solutions (PS) business;
- the retail sun and retail optical businesses within the Direct to Consumer (DTC) segment.

Activities within both the PS and DTC segments were affected by the acceleration of the integration of the operating companies (Essilor and Luxottica), especially with regard to the PS segment. In fact, PS activities are run as a vertical integrated business where segment assets are combined in a single global platform serving the eyecare professional of the industry (*e.g.* global R&D programs, global supply-chain management, integrated footprint of production plants and labs). As a consequence, the level at which goodwill is monitored within the PS segment correspond to the entire PS segment.

EssilorLuxottica *Goodwill* has been reallocated accordingly using a relative value approach. The reallocation has been accounted for as of January 1, 2021.

Moreover, the Group verified that if at the date of this reallocation an impairment test had been performed on the basis of the new structure, the recoverable amount of each new group of CGUs would have been higher than its carrying amount.

The amount of *Goodwill* allocated to each groups of CGUs is reported in the following table:

€ millions	January 1, 2021	Changes	December 31, 2021
Professional Solutions	19,718	864	20,582
Direct to Consumer - Optical	1,792	5,715	7,507
Direct to Consumer - Sun	1,147	175	1,323
TOTAL	**22,658**	**6,754**	**29,412**

Changes occurred in 2021 are substantially linked to the GV Acquisition (€5,404 million increase in the DTC - Optical group of CGUs) and to foreign currency fluctuations.

10.1.2. Impairment test of goodwill

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 annual 2021 impairment test relies on 2022 budget estimate (as approved by the Company's Board of Directors on January 20, 2022) and medium-term projections as per the following key drivers:

- for the DTC segment: major remodeling of the Group's stores, optimization of digital marketing strategies for the e-commerce (new customer experience with content personalization) coupled with a full integration of GrandVision;
- for the PS segment: stronger partnerships with ECPs (through Alliance and EssilorLuxottica 360) and key accounts coupled with an improved performance in branded lenses (Varilux, Transition, Crizal) and sales force expansion dedicated to frames; and
- continuing investing in new fully integrated labs (starting with Thailand, Mexico and Brazil) and a strict focus to contrast inflation on raw materials, energy and logistic costs.

The weighted average cost of capital (WACC) applied to each group of CGUs are reported below. The growth rates used to determine terminal values, ranging between 1.3% and 1.6% (ranging from 1.5% and 2.9% in the latest impairment test performed, *i.e.* December 31, 2020), are also reported below. Those rates are in line with the long-term expected inflation in the countries where the Group operates.

In %	WACC	Growth rates
Professional Solutions	6.0%	1.6%
Direct to Consumer - Optical	6.2%	1.3%
Direct to Consumer - Sun	6.1%	1.4%

No impairment loss has been recognized in the consolidated statement of profit or loss in 2021 nor in 2020.

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 approximate WACC 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
Professional Solutions	70%	~ 9%
Direct to Consumer - Optical	57%	~ 9%
Direct to Consumer - Sun	209%	~ 17%

Moreover, with all other parameters remaining equal, a nil long-term growth rate would not generate any impairment loss on the net amount of goodwill allocated to each group of CGUs as of December 31, 2021.

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 2021 are as follows:

€ millions	Land, Buildings and related leasehold improvements	Plant, equipment, machinery	Other	Total
Balance as of January 1, 2021				
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 January 1, 2021	**1,342**	**1,210**	**796**	**3,348**
Additions	188	255	440	883
Business combinations	214	162	89	465
of which GV Acquisition	*211*	*160*	*85*	*455*
of which other business combinations	*4*	*2*	*4*	*10*
Depreciation and impairment losses	(161)	(286)	(164)	(611)
Disposals and assets classified as held for sale	(1)	(7)	(3)	(12)
Translation differences and other	146	142	(151)	137
TOTAL CHANGES	**387**	**266**	**210**	**863**
Balance as of December 31, 2021				
Historical cost	3,188	3,761	2,148	9,098
Accumulated depreciation and impairment	(1,459)	(2,285)	(1,142)	(4,887)
NET BOOK VALUE AS OF DECEMBER 31, 2021	**1,729**	**1,476**	**1,006**	**4,211**

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**

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 €445 million as of December 31, 2021 (€395 million as of December 31, 2020).

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 years ended December 31, 2021 and 2020.

€ millions	Store and other buildings	Equipment and machinery	Other	Total
Net book value January 1, 2021	**1,723**	**14**	**16**	**1,753**
Additions	443	4	11	458
Business combination	1,212	1	8	1,221
of which GV Acquisition	*1,191*	*1*	*8*	*1,200*
of which other business combinations	*21*	—	—	*21*
Depreciation and impairment losses	(698)	(10)	(14)	(722)
Divestments and assets classified as held for sale	(7)	—	(0)	(7)
Translation differences and other	230	(2)	(1)	227
NET BOOK VALUE DECEMBER 31, 2021	**2,904**	**7**	**20**	**2,930**

€ 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**

Note 12 Investments in associates

Investments in associates amount to €91 million as of December 31, 2021 (€17 million as of December 31, 2020).

The increase of the period is mainly related to the acquisition of a minority stake of around 35% of the share capital of Mazzucchelli 1849 S.p.A., a worldwide leader in the manufacture and distribution of cellulose acetate products for the eyewear industry, for a total consideration equal to €75 million. The transaction, concluded on June 11, 2021, is intended to further finance the development and production of an highly sustainable type of acetate, accessible to all market players.

For the twelve-month period ended December 31, 2021, the Group's share of profits in associates amounts to €3 million (€1 million in 2020).

Note 13 Other non-current assets

Other non-current assets are described as follows:

€ millions	December 31, 2021	December 31, 2020
Other non-financial assets	477	262
Financial lease receivables	46	—
Other financial assets	194	112
OTHER NON-CURRENT ASSETS	**718**	**374**

The balance of Other non-financial assets as of December 31, 2021 includes €125 million transferred to the French Competition Authority in the context of the procedure against Luxottica, its subsidiary Alain Mikli and other competitors. As mentioned in the paragraph *Significant events of the year*, the Authority imposed to Luxottica a €125 million sanction, paid on December 14, 2021, for the Group's conduct which took place between 2005 and 2014 in the optical frames and sunglasses sector in France. The Company appealed the decision confident that it will successfully demonstrate that the decision is wrong both from a factual and a legal perspective (see 30.2.3 *Alleged anti-competitive practices*). The payment was therefore considered as a *deposit* made to a public authority in the context of the overall procedure and it has been accounted accordingly (taking into consideration the expected timing for/of the conclusion of the procedure). In fact, that *deposit* gives the Company a right to obtain future economic benefits, either by receiving a cash refund or by using the payment to settle the final liability once the Authority will issue its final decision (*i.e.* no more appeals available).

Moreover, Other non-financial assets also include security deposits with a corresponding carrying amount of €99 million (€72 million as of December 31, 2020), non-current advance payments related to royalties for €34 million (€49 million as of December 31, 2020), net defined benefit asset related to US pension plans for €51 million (see Note 23 – Employee benefits) and non-current trade receivables for €36 million (€34 million as of December 31, 2020).

Non-current contract assets included in other non-financial assets amount to €20 million (€15 million as of December 31, 2020).

Financial lease receivables mainly relate to GrandVision's leases of stores that are subleased to the Group's franchisees.

Other financial assets mainly include the carrying amount of non-consolidated companies. The increase of the period is linked to the acquisition of non-controlling interest in companies operating in the optical retail industry (financial investments).

Note 14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

€ millions	December 31, 2021	December 31, 2020
Deferred tax assets	498	418
Deferred tax liabilities	2,454	(1,887)
DEFERRED TAX ASSETS/LIABILITIES (NET)	**(1,956)**	**(1,470)**

Changes in deferred taxes are as follows:

€ millions	2021	2020
Position as of January 1	**(1,470)**	**(1,708)**
Tax charged/credited to profit or loss	197	177
Tax charged/credited to other comprehensive income	(9)	6
Tax charged/credited to equity	(20)	(13)
Business combinations	(580)	—
of which GV Acquisition	*(579)*	—
of which other business combinations	*(0)*	—
Exchange rate difference and other movements	(75)	68
POSITION AS OF DECEMBER 31	**(1,956)**	**(1,470)**

For information on the effect of the GV Acquisition on deferred tax assets and liabilities see Note 3 – Business combinations.

Deferred taxes by nature are as follows:

€ millions	December 31, 2021	December 31, 2020
Elimination of inter-company profits	243	191
Differences in depreciation periods (PP&E)	(530)	(553)
Temporarily non-deductible provisions	261	219
Employee-related reserves	102	91
Other intangible assets	(2,474)	(1,751)
Assets recognized on tax loss carryforward	166	112
Leases	255	232
Other	21	(11)
TOTAL	**(1,956)**	**(1,470)**

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. As of December 31, 2021, the Group did not recognize deferred tax assets of €410 million (€155 million as of December 31, 2020) 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, 2021	December 31, 2020
Raw material, supplies and packaging	676	555
Work in progress	101	82
Finished Goods	2,130	1,681
Inventories - Gross	**2,907**	**2,318**
Inventory obsolescence reserve	(462)	(388)
INVENTORIES (NET)	**2,445**	**1,930**

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 2020 annual financial statement to assess its inventory obsolescence reserve as of December 31, 2021. Sales expectations, among other factors, were considered in the assessment.

In the year ended December 31, 2021, a provision on inventories has been booked for €111 million (€192 million for 2020).

Note 16 Trade receivables

Trade receivables are as follows:

€ millions	December 31, 2021	December 31, 2020
Trade receivables – gross	2,575	2,200
Bad debt provision	(220)	(134)
TRADE RECEIVABLES (NET)	**2,355**	**2,066**

Note 17 Tax receivables and tax payables

Tax receivables and tax payables are as follows:

€ millions	December 31, 2021	December 31, 2020
Tax receivables	301	195
Tax payables	(805)	(530)

As of December 31, 2021 and 2020, *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, 2021	December 31, 2020
Social and sales tax receivable	259	227
Advances to suppliers	82	62
Prepaid expenses	195	132
Other	212	182
Total other current non-financial assets	**747**	**603**
Derivative financial instruments	42	43
Short-term investments	—	200
Financial lease receivables	14	—
Other	0	0
Total other current financial assets	**57**	**244**
OTHER CURRENT ASSETS	**804**	**847**

The decrease in Other current financial assets compared to the balance as of December 31, 2020 is mainly due to a transfer of fund from a short-term investment to cash equivalents for approximately €200 million.

As of December 31, 2021, contract assets included in other current assets amount to €20 million (€19 million as of December 31, 2020).

Note 19 Cash and cash equivalents

Cash and cash equivalents are as follows:

€ millions	December 31, 2021	December 31, 2020
Cash in hand and at bank	1,588	4,182
Time deposits	1,705	3,999
Money market funds	—	502
CASH AND CASH EQUIVALENTS	**3,293**	**8,683**

As mentioned in the paragraph *Significant events of the year*, €7.2 billion of the cash and cash equivalents available as of the end of the reporting period was used to acquired GrandVision (€5.5 billion for the Initial Acquisition on July 1, 2021, €0.7 billion for the Subsequent Acquisitions and €1.0 billion for the Offer).

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.

Note 20 Assets and liabilities held for sale

As mentioned in the paragraph *Significant events of the year*, the European Commission granted its final approval to the GV Acquisition subject to the divestment of GrandVision's optical retail businesses in Belgium, the Netherlands, and Italy as well as of all EssilorLuxottica's "VistaSì" stores in Italy.

At the end of the year, EssilorLuxottica and GrandVision entered into two agreements to sell those businesses to third parties. Completion of the transactions is expected for the first quarter of 2022 (subject to the approval of the European Commission).

All the assets and liabilities related to those businesses have been considered as a *disposal group* according to the requirement of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, the carrying amount of those assets and liabilities has been isolated in the dedicated lines within the statement of financial position (*Assets held for sale* and *Liabilities held for sale*) and measured at its fair value less costs to sell taking into consideration the share purchase agreement signed in December 2021.

Note 21 Equity

21.1. Number of shares

The changes in number of shares between January 1 and December 31 for the years 2021 and 2020 are as follows:

In number of shares	2021	2020
Number of shares as of January 1	**439,005,894**	**437,564,431**
Scrip dividend	2,687,685	—
Delivery of performance shares[(a)]	493,564	1,078,950
Employee stock ownership plan	177,863	316,961
Exercise of stock options[(a)]	77,914	45,552
NUMBER OF SHARES AS OF DECEMBER 31	**442,442,920**	**439,005,894**

(a) In 2021 the amount includes 517,887 shares which were delivered but not yet registered as of December 31, 2021; in 2020 the amount included 5,246 shares delivered but not yet registered as of December 31, 2020.

21.2. Share capital and Share premium reserve

The share capital of the Company amounted to €80 million as of December 31, 2021 and was comprised of 442,442,920 ordinary shares with a par value of €0.18 each.

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 changes in share capital and share premium reserve (issue of ordinary shares) are described below;

- *scrip dividend*: refers to the issuance of 2,687,685 shares as a consequence of the distribution of the *final dividend* related to 2020 (see paragraph 21.5 *Dividends*) resulting in an increase of the share capital and the share premium reserve of €0.5 million and €335 million respectively;
- *delivery of performance shares*: refers to the issuance of 493,564 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 177,863 shares reserved for participants in the EssilorLuxottica's employee stock ownership plans, resulting in a corresponding increase in the share capital and in the share premium reserve for €26 million;
- *exercise of stock options*: refers to 77,914 shares issued following the exercise of stock options granted to employees, resulting in a corresponding increase in the share capital and in the share premium reserve for €8 million.

21.3. Treasury shares reserve

The changes in number of treasury shares for the year ended December 31, 2021 are as follows:

In number of shares	December 31, 2020	Options exercised	Restricted shares vested	Performance shares vested	Shares sold (Boost plan)	Shares purchased (Buy-back)	December 31, 2021
Treasury shares	1,986,459	(6,516)	(780,750)	(1,432,283)	(384,149)	2,000,000	1,382,761

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, 2021, the Group held 1,382,761 of the Company's shares valued at €231 million.

As of December 31, 2020, the Group held 1,986,459 of the Company's shares valued at €201 million.

From August 31, 2021 to October 13, 2021, 2 million shares for an average price of €166.72 and for a total amount of €335 million have been repurchased in the context of the share buyback program announced on August 31, 2021 (see paragraph *Significant events of the year*).

During the period from January 1, 2021 to December 31, 2021 the Group accounted for a decrease of €304 million in the treasury shares reserve mainly due to the delivery of 2,213,033 treasury shares for both performance and restricted share plans and the sale of 384,149 treasury shares to EssilorLuxottica employees as part of the international employee shares plan (so called "Boost").

21.4. Retained earnings and other reserves

Retained earnings and other reserves amount to €11,248 million as of December 31, 2021 (€11,870 million as of December 31, 2020).

The main changes accounted in the period refer to the dividend distribution described in the following paragraph (€473 million decrease compared to December 31, 2020), the delivery of shares to employees in the context of share-based plan served with treasury shares (€272 million decrease compared to December 31, 2020) and to transactions with non-controlling interests (€213 million decrease compared to December 31, 2020) partially counterbalanced by share-based payments costs recorded in 2021 (€136 million increase compared to December 31, 2020) and the allocation of 2020 net profit attributable to owners of the parent (€85 million).

21.5. Dividends

As mentioned in the paragraph *Significant events of the year*, the Annual Shareholdings' Meeting of EssilorLuxottica held on May 21, 2021 approved the distribution of 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.

The Annual Shareholders' Meeting decided to grant to the shareholders the option to receive their dividend in newly issued shares at a price of €124.70 per share (so-called *scrip dividend*). At the end of the option period, 310,329,574 dividend rights were exercised in favour of the payment of the 2020 *final dividend* in shares. Accordingly, on June 21, 2021, 2,687,685 new EssilorLuxottica's shares were issued, delivered and admitted to trading on Euronext Paris.

The total dividend distributed to EssilorLuxottica shareholders in 2021 amounted to €473 million, of which €138 million paid in cash on June 21, 2021 to those shareholders who did not opt for the *scrip dividend*.

No dividend was distributed to EssilorLuxottica shareholders in 2020 except for the *interim dividend* for the year 2020 paid on December 28, 2020 and amounting to €503 million.

The total dividend distributed to non-controlling shareholders over the year amounted to €100 million (€59 million in 2020).

21.6. Non-controlling interests

Equity attributable to non-controlling interests amounted to €811 million as of December 31, 2021 and €530 million as of December 31, 2020.

The following table provides a reconciliation of the changes in non-controlling interests over the year. The most significant variation results from the acquisition of non-controlling interests in the context of the GV Acquisition (see Note 3 – Business combinations).

€ millions	2021	2020
Position as of January 1	**530**	**536**
Total comprehensive income of the period	189	39
Changes in consolidation scope and NCI	191	14
Acquisition of subsidiaries with NCI	*226*	*16*
Acquisition of NCI without a change in control	*0*	—
Other changes related to NCI	*(35)*	*(1)*
Dividends paid	(100)	(59)
POSITION AS OF DECEMBER 31	**811**	**530**

Note 22 Financial debt, including lease liabilities

Total financial debt is €13,017 million and €11,895 million as of December 31, 2021 and 2020, respectively.

The changes in financial debt during the years ended December 31, 2021 and 2020 are as follows:

€ millions	Balance as of January 1, 2021	GV Acquisition	Other scope effects	Change in financing flows[a]	Translation differences	Other[b]	Balance as of December 31, 2021
Non-current borrowings	9,324	277	3	(294)	12	(409)	8,913
Non-current lease liabilities	1,411	835	10	(1)	72	(97)	2,230
Total non-current financial debt	**10,735**	**1,112**	**13**	**(294)**	**84**	**(505)**	**11,144**
Current borrowings	633	398	(0)	(432)	35	402	1,036
Current lease liabilities	527	331	0	(722)	24	677	837
Total current financial debt	**1,160**	**729**	**0**	**(1,154)**	**59**	**1,079**	**1,874**
TOTAL FINANCIAL DEBT	**11,895**	**1,841**	**13**	**(1,448)**	**143**	**574**	**13,017**

(a) The total change in financing flow corresponds to the *Issuance of bonds, private placements and other long-term debts, 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, 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, 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).

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 effects of the GV Acquisition compensated by the repayment of €500 million Eurobond (nominal value) matured on April 9, 2021.

22.1. Non-current borrowings

The table below summarizes the Group's non-current borrowings as of December 31, 2021.

€ millions	December 31, 2021	December 31, 2020	Face value	Currency	Nominal interest rate	Issue date (mm/dd/yyyy)	Maturity (mm/dd/yyyy)
Eurobond[a]	986	985	1,000	EUR	0.75%	11/27/2019	11/27/2031
Eurobond[b]	1,242	1,241	1,250	EUR	0.50%	06/05/2020	06/05/2028
Eurobond[a]	1,487	1,485	1,500	EUR	0.38%	11/27/2019	11/27/2027
US private placement	83	76	100	USD	2.65%	01/05/2017	01/05/2027
Eurobond[b]	1,244	1,243	1,250	EUR	0.38%	06/05/2020	01/05/2026
Eurobond[a]	1,491	1,489	1,500	EUR	0.13%	11/27/2019	05/27/2025
Eurobond	322	335	300	EUR	2.375%	04/09/2014	04/09/2024
Eurobond	499	498	500	EUR	2.625%	02/10/2014	02/10/2024
Eurobond[b]	499	499	500	EUR	0.25%	06/05/2020	01/05/2024
US private placement	27	25	30	USD	3.40%	11/05/2013	11/04/2023
Eurobond[a]	999	1,000	1,000	EUR	0.00%	11/27/2019	05/27/2023
Eurodollar bond	—	247	300	USD	2.50%	06/30/2017	06/30/2022
US private placement	—	161	200	USD	2.05%	01/05/2017	01/05/2022
Other	34	42					
NON-CURRENT BORROWINGS	**8,913**	**9,324**					

(a) Those lines refer to the 5BIL Bonds issued on November 27, 2019.
(b) Those lines refer to the 3BIL Bonds issued on June 5, 2020.

As of December 31, 2021, non-current borrowings decreased by €411 million compared to December 31, 2020, mainly due to reclassifications from non-current to current borrowings (USD 300 million Eurodollar bond and USD 200 million US Private placement due within 12 months from the reporting date).

The Group's debt agreements contain certain financial covenants (for more details see Note 29 – Financial instruments and management of market risks). As of December 31, 2021, the Company was in compliance with these financial covenants.

22.2. Current borrowings

As of December 31, 2020, the Group's short-term funding structure was as follows:

€ millions	December 31, 2021	December 31, 2020	Face value	Currency	Nominal interest rate	Issue date (mm/dd/yyyy)	Maturity (mm/dd/yyyy)
Eurodollar bond	266	—	300	USD	2.50%	06/30/2017	06/30/2022
US private placement	177	—	200	USD	2.05%	01/05/2017	01/05/2022
Commercial paper	416	—	416	EUR	(0.40%)	09/10/2021	03/03/2022
Eurobond[(a)]	—	502	500	EUR	1.75%	04/09/2014	04/09/2021
Other[(a)]	178	131					
CURRENT BORROWINGS	**1,036**	**633**					

(a) Changes compared to December 31, 2020 balances are reported within the line *Repayment of bonds, private placements and other long-term debts* and *Changes in other current and non-current borrowings* in the consolidated statement of cash flows for the period ended December 31, 2021.

The other current borrowings correspond to short-term bank borrowings, overdraft and accrued interest, and amount to €178 million as of December 31, 2021 (€131 million as of December 31, 2020).

The main changes in the Group's current borrowings, apart from the effects of the GV Acquisition, correspond to the reclassifications from non-current borrowings described in the previous paragraph compensated by the repayment of €500 million Eurobond (nominal value) matured on April 9, 2021.

22.3. Lease liabilities

The table below provides the maturity of the Group's lease liabilities as of December 31, 2021.

€ millions	2022 (1Y)	2023 (2Y)	2024 (3Y)	2025 (4Y)	2026 (5Y)	>2026 (>5Y)	Total
Lease liabilities	837	653	472	340	240	526	3,068

22.4. Net debt

The table below summarizes the Group's Net debt as of December 31, 2021 and 2020.

€ millions	December 31, 2021	December 31, 2020
Non-current borrowings	8,913	9,324
Current borrowings	1,036	633
Total liabilities	**9,950**	**9,957**
Short-term investments[(a)]	—	(200)
Cash and cash equivalents	(3,293)	(8,683)
Total asset	**(3,293)**	**(8,883)**
Interest Rate Swap measured at fair value	(21)	(36)
Foreign exchange derivatives at fair value	(4)	—
Net debt excluding lease liabilities	**6,630**	**1,038**
Lease liabilities (current and non-current)	3,068	1,938
NET DEBT	**9,698**	**2,975**

(a) As reported in Note 18 – Other current assets.

Note 23 Employee benefits

As of December 31, 2021, net recognized employee benefit obligations amount to €537 million (€484 million as of December 31, 2020).

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 to the Group employees 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. 23 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 2,801 French permanent contract employees working for the Essilor International (SAS) as of December 31, 2021.

US Pension plan

There are several types of defined benefit plans in the US. The most significant plans are described below:

- **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, 2021, there are 3 active members and 10 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.
- **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. This plan is funded.
- **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. There are no assets associated to this plan.

  The last two plans operate under the US regulatory framework. These 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.

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. There are no assets associated to this plan.

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, 2021, this plan had 207 active members and 714 non active members (including 316 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.

Moreover, as a result of the GV Acquisition, a pension arrangement, in addition to the state pension provided in Germany, for employees already employed with Apollo prior to 1994 is included in the Employee benefit balance as of December 31, 2021 (€58 million). Every service year of the employees in the plan adds an amount of 1% of their pensionable salaries to the plan. This occurs for a maximum of 25 years and is maximized in terms of pay-out.

Switzerland

Following the GV Acquisition, Swiss pension arrangements are included into the Employee benefit balance as of December 31, 2021 (€43 million). These pension arrangements (occupational pension plans) of Swiss activities are funded plans, providing benefits upon retirement, death, disability and termination. Those arrangements are the base of the second pillar of the Swiss social security system. Both employer and employees pay contributions to the pension plan.

Other

In Australia 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.

Changes in the defined benefit obligation are as follows:

€ millions	2021 Defined benefit obligation	2021 Fair value of plan assets	2021 Net liability (asset)	2020 Defined benefit obligation	2020 Fair value of plan assets	2020 Net liability (asset)
BALANCE AS OF JANUARY 1	**1,509**	**1,025**	**484**	**1,709**	**1,154**	**555**
Included in profit or loss						
Cost of services rendered in the period	58	—	58	36	—	36
Cost of past services	(7)	—	(7)	4	—	4
Interest cost (income)	4	17	(14)	21	19	2
Total movements in profit or loss	**55**	**17**	**38**	**61**	**19**	**42**
Included in OCI						
Actuarial loss (gain) arising from:				91	—	91
demographic assumptions	*(17)*	—	*(17)*	*1*	—	*1*
financial assumptions	*(41)*	—	*(41)*	*90*	—	*90*
experience adjustment	*(10)*	—	*(10)*	*(0)*	—	*(0)*
Return on plan assets excluding interest income	—	48	(48)	—	100	(100)
Translation differences and other movements	74	72	2	(158)	(86)	(72)
Total movements in OCI	**6**	**121**	**(115)**	**(67)**	**14**	**(81)**
Other						
Contributions to plan assets	1	36	(34)	—	14	(14)
Benefits paid	(283)	(263)	(20)	(134)	(115)	(18)
Business combinations	218	84	133	(61)	(60)	(1)
GV Acquisition	*218*	*84*	*133*	—	—	—
Other business combinations	*0*	*(0)*	*0*	*(61)*	*(60)*	*(1)*
Total other movements	**(64)**	**(143)**	**79**	**(194)**	**(162)**	**(33)**
TOTAL AS OF DECEMBER 31	**1,506**	**1,020**	**485**	**1,509**	**1,025**	**484**
Net defined benefit asset reclassified to other non-current assets			51			—
BALANCE AS OF DECEMBER 31			**537**			**484**

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:

	2021				2020		
In %	Eurozone	United States	Switzerland	United Kingdom	Eurozone	United States	United Kingdom
Discount rate	1.0%-1.1%	2.5%-2.9%	0.2%	2.0%	0.3%-0.5%	2.0%-2.6%	1.4%
Inflation rate	1.2%-1.8%	n.a.	1.0%	3.4%	1.0%-1.8%	n.a.	3.1%
Weighted average rate of return on plan assets	0.9%-2.1%	12.1%	0.2%	9.4%	0.7%	1.8%	6.4%
Weighted average rate of salary increases	1.8%-2.3%	1.4%-5.0%	1.3%	0.0%	2.0%-2.2%	1.4%-5.2%	0.0%

The composition by type of plan assets is as follows:

In %	December 31, 2021	December 31, 2020
Shares and equity funds	14%	36%
Bonds and fixed income funds	66%	51%
General insurance funds	12%	3%
Real estate/property	2%	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:

	Discount rate		Compensation increase	
€ millions	-50 bps	+50 bps	-100 bps	+100 bps
DBO at year end	1,654	1,468	1,531	1,585

Note 24 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	2021	2020
Performance shares	(110)	(105)
Restricted shares	(6)	(26)
Stock options subscriptions	(1)	(2)
Employee share issues	(92)	(36)
COMPENSATION COSTS ON SHARE-BASED PAYMENTS	**(210)**	**(168)**

24.1. 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 2,900,311 shares for the 2021 awards.

The following table analyzes the changes in the number of performance shares in 2021 and 2020:

In number of shares	2021	2020
Performance shares as of January 1	**6,877,561**	**6,241,727**
Performance shares vested	(1,925,847)	(1,086,467)
Performance shares canceled	(595,050)	(509,350)
Awards for the fiscal year	2,900,311	2,231,651
PERFORMANCE SHARES AS OF DECEMBER 31	**7,256,975**	**6,877,561**

The main assumptions used to measure costs related to performance shares granted in 2021 (individual and collective grants) are as follows:

- share volatility: 22.53%;
- risk-free interest rate: -0.58%;
- dividend yield: 1.65%.

Based on these assumptions, the weighted average fair value of the shares awarded in 2021 was €69.76

per share (€49.39 per share for the shares awarded in 2020).

24.2. 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 plan vested on March 7, 2021. The number of shares assigned to the beneficiaries working for the Group at that date is 780,750. Those shares are not subject to any lock-up obligation.

24.3. Stock subscription option

During 2021, 84,430 options vested, 24,909 options were cancelled, and 121,868 options were awarded. As such, the total number of options outstanding as of December 31, 2021 amounts to 570,018 (557,489 as of December 31, 2020).

With regards to the options exercised during the course of 2021, the weighted average share price of EssilorLuxottica shares was equal to €154.30 (€118.21 in 2020). The total cost accounted during the period amounted to €1 million (€2 million in 2020).

24.4. Employee share issues

In 2021, total expense incurred for employee share issues amounted to €92 million, including €30 million related to the Boost plan (the possibility to obtain existing shares of EssilorLuxottica offered to employees of foreign subsidiaries of the Group). In 2020, total expense incurred for employee share issues amounted to €36 million, including €20 million related to the Boost plan.

During 2021 the Group issued 177,863 shares to its employees (316,961 in 2020). The subscription price has been set at €147.63 per share (€90.52 in 2020), this being the average of the opening prices over the 20 trading days preceding November 24, 2021, to which a 20% discount has been applied.

In addition, the Group transferred 384,149 treasury shares to its employees as part of the Boost plan (343,334 in 2020).

Note 25 Provisions (current and non-current)

The balances as of December 31, 2021 and 2020 are detailed below:

€ millions	December 31, 2021	December 31, 2020
Warranty and returns	134	119
Litigations	222	158
Self-insurance	27	28
Restructuring and other	206	135
TOTAL PROVISIONS	**589**	**441**
of which current provisions	*367*	*271*
of which non-current provisions	*222*	*170*

The changes in provision for the years ended December 31, 2021 and 2020, are as follows:

€ millions	Warranty and returns	Litigations	Self-insurance	Restructuring and other	Total
Balance as of January 1, 2021	**119**	**158**	**28**	**135**	**441**
Provisions for the period	42	22	9	142	214
Utilization and releases	(39)	(23)	(12)	(102)	(176)
Translation differences	6	8	2	2	18
Business combinations	4	54	—	33	91
of which GV Acquisition	*4*	*53*	—	*33*	*90*
of which other business combinations	—	*1*	—	*0*	*1*
Other movements	3	3	0	(4)	2
TOTAL CHANGES	**15**	**63**	**(1)**	**71**	**149**
Balance as of December 31, 2021	**134**	**222**	**27**	**206**	**589**
of which current provisions	*110*	*116*	*7*	*135*	*367*
of which non-current provisions	*25*	*106*	*20*	*71*	*222*

€ 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*

Provisions (current and non-current) increased by €149 million, including €91 million increase related to the business combinations of the period (mainly the GV Acquisition for €90 million). The accrual of the period, €214 million, was counterbalanced by utilization and releases for about €176 million.

In 2021, the Group accrued, among the others, a provision related to consequences of a strategic new investment project aimed at creating an excellence laboratory in France that will bring together in one single site some prescription laboratories as well as some distribution and mounting activities.

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 Supplettiva di Clientela*) of certain Italian companies.

Note 26 Other non-current liabilities

Other non-current liabilities as of December 31, 2021 and 2020 are detailed below:

€ millions	December 31, 2021	December 31, 2020
Liabilities related to long-term put options over non-controlling interests	64	40
Trade payables and liabilities related to long-term financial investments	30	11
Derivative financial instruments	1	—
Other	48	22
OTHER NON-CURRENT LIABILITIES	**143**	**73**

Other non-current liabilities include contract liabilities for a total amount of €27 million (€2 million as of December 31, 2020).

Note 27 Trade payables

Trade payables amount to €2,218 million (€1,864 million as of December 31, 2020).

€ millions	December 31, 2021	December 31, 2020
TRADE PAYABLES	**2,218**	**1,864**

The book value of trade payables is approximately equal to their fair value.

Note 28 Other current liabilities

Other current liabilities as of December 31, 2021 and 2020 are detailed below:

€ millions	December 31, 2021	December 31, 2020
Liabilities related to short-term put options over non-controlling interests	450	266
Liabilities related to short-term financial investments	8	39
Personnel expenses, social contribution, VAT and other indirect tax payables	1,514	1,000
Premium and discount	462	364
Payables with extended payment terms	328	41
Derivative financial instruments	16	14
Other	878	621
OTHER CURRENT LIABILITIES	**3,655**	**2,346**

As disclosed in 2020 consolidated financial statements, some subsidiaries of the Group have worked with their suppliers to revisit terms and conditions of supply, including payment terms. This activity, which continued in 2021, allowed them to extend agreed payment terms with some 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, 2021, 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* (line *Payables with extended payment terms* in the table above) for €328 million (€41 million as of December 31, 2020), 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 €179 million (€49 million as of December 31, 2020). The significant increase compared to the balance as of December 31, 2020 is linked to the consolidation of GrandVision (contract liabilities balance as of July 1, 2021 amounting to €122 million).

Note 29 Financial instruments and management of market risks

29.1. Financial instruments recognized in the consolidated statement of financial position

€ millions	Notes	Total December 31, 2021	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	194	2	78	114	—	—
Finance lease receivables *(non-current & current)*	13-18	61	—	—	61	—	—
Trade receivables	29.2.2	2,408	—	—	2,408	—	—
Other current financial assets *(excluding derivatives)*	18	0	—	—	0	—	—
Derivative financial instruments	13-18	42	12	—	—	—	31
Cash and cash equivalents	19	3,293	1,705	—	1,588	—	—
FINANCIAL INSTRUMENTS RECOGNIZED IN ASSETS		**5,999**	**1,719**	**78**	**4,171**	**—**	**31**
Non-current borrowings	22	8,913	—	—	8,913	—	—
Other non-current liabilities *(excluding derivatives)*[(a)]	26	115	8	—	43	64	—
Current borrowings	22	1,036	—	—	1,036	—	—
Trade payables	27	2,218	—	—	2,218	—	—
Other current liabilities *(excluding derivatives)*[(b)]	28	458	7	—	3	448	—
Derivative financial instruments	26-28	17	13	—	—	—	4
FINANCIAL INSTRUMENTS RECOGNIZED IN LIABILITIES		**12,757**	**27**	**—**	**12,214**	**512**	**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.

€ 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	29.2.2	2,100	—	—	2,100	—	—
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		**11,138**	**4,704**	**44**	**6,349**	**—**	**40**
Non-current borrowings	22	9,324	—	—	9,324	—	—
Other non-current liabilities *(excluding derivatives)*[(a)]	26	71	4	—	27	40	—
Current borrowings	22	633	—	—	633	—	—
Trade payables	27	1,864	—	—	1,864	—	—
Other current liabilities *(excluding derivatives)*[(b)]	28	306	39	—	0	266	—
Derivative financial instruments	26-28	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.

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 €9,109 million (€9,602 million as of December 31, 2020).

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, except for investments in listed companies whose fair value is determined based on quoted price in the related active market, *i.e.* Level 1.

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.

29.2. Counterparty risk

29.2.1. 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.

29.2.2. 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, 2021, non-provisioned past due trade receivables amount to €322 million (€395 million at the end of 2020).

€ millions	December 31, 2021	December 31, 2020
Trade receivables due within one year[(a)]	2,355	2,066
Trade receivables beyond one year[(b)]	54	34
of which:		
trade receivables not yet due	*2,087*	*1,704*
past due trade receivables	*322*	*395*

(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.

29.3. 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, 2021, 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, 2021, the Group had €2,843 million of committed credit facilities with leading banks. Drawing down these lines is not subject to any covenant, except for GrandVision's committed Revolving Credit Facility (RCF) of €600 million which requires compliance with leverage ratio as set forth in the agreement. As of December 31, 2021, none of these lines had been used.

Primary rating agencies have assigned to the Company the following rating:

	Long term	Short term	Outlook	Effective date
Moody's	A2	P-1	Stable	September 13, 2021
Standard & Poor's	A	A-1	Stable	October 21, 2021

The distribution of the Group's Net debt (excluding lease liabilities) and available credit facilities by contractual maturity at the end of 2021 was as follows:

€ millions	2022 (1Y)	2023 (2Y)	2024 (3Y)	2025 (4Y)	2026 (5Y)	>2026 (>5Y)	Total
Bonds	266	999	1,320	1,491	1,244	3,714	9,035
Commercial papers	416	—	—	—	—	—	416
Bank loans	68	6	1	17	1	—	94
Private placements	177	27	—	—	—	83	287
Overdraft	41	—	—	—	—	—	41
Others debt	70	7	0	0	0	1	77
Gross debt	**1,036**	**1,039**	**1,321**	**1,508**	**1,246**	**3,799**	**9,950**
Short-term investments	—	—	—	—	—	—	—
Cash & cash equivalents	(3,293)	—	—	—	—	—	(3,293)
Foreign exchange derivatives at fair value							(4)
Interest Rate Swap measured at fair value							(21)
Net debt (excluding lease liabilities)	**(2,257)**	**1,039**	**1,321**	**1,508**	**1,246**	**3,799**	**6,630**
Available committed syndicated credit facilities	—	—	600	—	1,750	—	2,350
Available committed bilateral bank facilities	150	343	—	—	—	—	493
Available committed bridge facilities	—	—	—	—	—	—	—

The distribution of the Group's nominal gross debt (*i.e.* face value) by contractual maturity at the end of 2021 was as follows. The amounts disclosed are the contractual undiscounted cash flows (excluding interests).

En millions d'euros	2022 (1Y)	2023 (2Y)	2024 (3Y)	2025 (4Y)	2026 (5Y)	>2016 (>5Y)	Total
Bonds	265	1,000	1,300	1,500	1,250	3,750	9,065
Commercial papers	416	—	—	—	—	—	416
Bank loans	68	6	1	17	1	—	94
Private placements	177	26	—	—	—	88	291
Overdraft	41	—	—	—	—	—	41
Others debt	70	7	0	0	0	1	77
GROSS DEBT	**1,036**	**1,039**	**1,301**	**1,517**	**1,252**	**3,839**	**9,985**

Please also refer to Note 22 – Financial debt, including lease liabilities.

29.3.1. Negative pledges and financial covenants

Some of the financing agreements of the Group (see Note 22 – 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, 2021, the Group was fully in compliance with these covenants.

29.4. 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, 2021, most of the currency hedging is managed by EssilorLuxottica and its subholding companies (Essilor, Luxottica and GrandVision). 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. The currency risk related to the translation of the results and financial positions of Group subsidiaries that have a functional currency other than the Euro, is not hedged.

29.5. 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	9,379	571	(440)	440	8,939	1,011
Short-term investments	—	—	—	—	—	—
Cash and cash equivalents	—	(3,293)	—	—	—	(3,293)
Foreign exchange derivatives at fair value	—	(4)	—	—	—	(4)
Interest Rate Swap measured at fair value	—	(21)	—	—	—	(21)
NET DEBT (EXCLUDING LEASE LIABILITIES)	**9,379**	**(2,748)**	**(440)**	**440**	**8,939**	**(2,308)**

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	8,794	(1,574)	(175)	175	8,619	(1,399)
USD	570	(455)	(265)	265	305	(190)
Other	15	(719)	—	—	15	(719)
NET DEBT (EXCLUDING LEASE LIABILITIES)	**9,379**	**(2,748)**	**(440)**	**440**	**8,939**	**(2,308)**

29.6. Derivatives financial instruments

29.6.1. Market value by nature

	December 31, 2021		December 31, 2020	
€ millions	Fair value	Nominal	Fair value	Nominal
Forward contracts	4	4,490	(6)	1,713
Currency options	—	—	—	—
Cross-currency swap	—	—	—	—
Interest rate swaps	21	690	36	544
Interest rate options (caps)	—	—	—	—
TOTAL DERIVATIVES	**25**	**5,180**	**30**	**2,258**

29.6.2. Market value by hedge strategy

	December 31, 2021		December 31, 2020	
€ millions	Assets	Liabilities	Assets	Liabilities
Cash flow hedge				
Interest rate swaps	—	(2)	—	—
Forward contracts	7	(2)	0	(2)
Fair value hedge				
Interest rate swap	24	(0)	36	(0)
Not allocated to a hedging relationship				
Forward contracts	12	(13)	7	(12)
TOTAL MARKET VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS	**42**	**(17)**	**43**	**(14)**
of which current	*42*	*(16)*	*43*	*(14)*
of which non-current	—	*(1)*	—	—

29.6.3. Foreign exchange derivatives hedging commercial and financing exposures as of December 31, 2021 (nominal amount)

	Currency purchased																	
€ millions	EUR	USD	CNY	AUD	HKD	GBP	JPY	THB	CAD	SEK	CHF	NOK	MXN	SGD	PLN	DKK	Others	Total
Currency sold																		
EUR		2,135	176	186	14	87	44	3	47	29	26	22	15	17	18	8	44	2,870
USD	536		11	0	7	0	22	63	3				9	0			6	657
GBP	204	2								13		3						222
HKD	32	17	82				4							1			4	140
JPY	68	13	1		11													93
SEK	77					5										5		87
AUD	10	1			57													68
CAD	1	65																67
NOK	39	0				2										4		46
CNY	14	10		2	4		3											33
INR	4	25																29
BRL	23	5																27
MXN	21	2																23
DKK	20					3												23
CHF	14	1																14
PLN	12	2																14
AED	10																	10
Others	48	12		2	5													67
TOTAL	**1,134**	**2,288**	**270**	**190**	**98**	**96**	**74**	**65**	**51**	**42**	**26**	**25**	**25**	**18**	**18**	**17**	**54**	**4,490**

Note 30 Contingencies and commitments

30.1. Commitments

As of December 31, 2021, the Group's contractual obligations and commitments were as follows:

€ millions	December 31, 2021	December 31, 2020
Guarantees and endorsements	112	126
Licenses	649	638
Other	89	88
TOTAL COMMITMENTS GIVEN	**850**	**852**

As part of the activities supporting the Company's Mission, Essilor International signed in March 2021 a Collaboration Agreement with Vision Catalyst Fund ("VCF"), a 1$ billion fund created in 2018 to bring eye care to all people in the Commonwealth. According to this Collaboration Agreement, Essilor International aims to support VCF by way of a donation of a maximum of 200 million pairs of free ophthalmic lenses over a period ending in 2030.

30.1.1. Guarantees and endorsements

Guarantees and endorsements mainly consist of the Company guarantees over Group subsidiaries.

30.1.2. 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 3 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, 2021	December 31, 2020
Due within 1 year	149	120
Due in 1 to 5 years	399	372
Due in more than 5 years	100	146
TOTAL	**649**	**638**

30.2. Litigation and contingent liabilities

30.2.1. 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 taken in Thailand and in many other jurisdictions in order to maximize the recovery of misappropriate funds. The overall recovery amounted to €85 million as of the date of the approval of these consolidated financial statements (approximately €24 million were recovered in 2020 and approximately €62 million were recovered in 2021).

30.2.2. 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. This was 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 did not provide this information on a voluntary basis, leaving EssilorLuxottica with no other option but to resort to legal proceedings.

EssilorLuxottica's demands for disclosure of information from both GrandVision and HAL, its majority shareholder, was dismissed by the Dutch District Court. The dismissal was confirmed on April 6, 2021 by the Court of Appeal of Amsterdam, due mainly to the disclosures ordered in the arbitral proceedings brought by HAL and GrandVision (see below).

On July 30, 2020, GrandVision and HAL have initiated an arbitration process, which the Company regarded 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 June 21, 2021, the arbitral tribunal declared that GrandVision did materially breach its obligations under the Support Agreement. Consequently, EssilorLuxottica could decide to terminate the GV Acquisition or pursue it. Given the strategic rationale, EssilorLuxottica decided to pursue and close transaction on July 1, 2021. No further legal actions are pending.

30.2.3. Alleged anti-competitive practices

French Competition Authority Investigation

Essilor

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 and a *Rapport* on July 27, 2021 alleging certain anti-competitive practices and EssilorLuxottica defending its rights. The final oral hearing took place on December 9, 2021 and EssilorLuxottica is waiting for the decision to be issued. EssilorLuxottica believes that it has very serious arguments to challenge the unfounded allegations of the Authority. 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 and the availability of further appeal proceedings, if applicable.

Luxottica

In 2015, the French Competition Authority's investigative department issued a statement of objections ("First SoO") against Luxottica, its subsidiary Alain Mikli and other competitors alleging certain anti-competitive practices. Following long proceedings, the French Competition Authority issued, on April 19, 2019, a new statement of objection ("Second SoO") as a supplement to the First SoO, and, on March 2, 2020, a *Rapport*.

The final oral hearing took place on January 13, 2021.

On July 22, 2021, the French Competition Authority issued a decision against several eyewear industry players, including Luxottica. The Authority imposes to Luxottica a €125 million sanction for the Group's conduct which took place between 2005 and 2014 in the optical frames and sunglasses sector in France.

EssilorLuxottica firmly believes it has always conducted business according to the highest standard of compliance, always supporting customers, partners as well as the entire market. As such, the Company strongly disagrees with the French Competition Authority's decision and considers the sanction groundless.

On September 10, 2021, EssilorLuxottica appealed the decision, confident that it will successfully demonstrate that the decision is wrong both from a factual and a legal perspective. Accordingly, management (assisted by its legal advisors) continue to consider the risk of a final negative outcome as not probable.

On December 14, 2021, €125 million were transferred to the French Authorities. That cash-out was considered as a *deposit* made to a public authority in the context of the overall procedure and it has been accounted for as such in the Company's financial statements (see Note 13 – Other non-current assets).

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.

30.2.4. 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.

30.2.5. Tax disputes

EssilorLuxottica is part of various tax litigations, for which provisions have already been made.

30.2.6. 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 31 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 control over the Group.

Moreover, as Delfin S.à r.l. fully consolidates EssilorLuxottica in its consolidated accounts, the Company's related parties also include Delfin's related parties.

31.1. Remuneration paid to members of the Board of Directors and key management personnel

€ millions	2021	2020
Total compensation and benefits paid	30	26
Directors' fees paid	2	2
TOTAL	**32**	**28**

The Board of Directors consisted of 14 members as of December 31, 2021 (16 members in 2020 and until May 21, 2021).

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.

31.2. Related parties' transactions

A summary of related party transactions carried out during the years ended December 31, 2021 and December 31, 2020 is provided below.

	Consolidated statement of profit or loss 2021		Balance outstanding as of December 31, 2021	
€ millions	Revenue	Costs	Assets	Liabilities
Visionweb[(a)]	2	(11)	48	3
Mazzucchelli 1849 S.p.A.[(a)]	—	(15)	0	8
Lenstec[(a)(b)]	8	(2)	—	0
Gateway Professional Network[(a)]	0	(3)	0	1
Others	1	(0)	0	0
TOTAL	**11**	**(32)**	**48**	**12**

(a) Group's associates.
(b) The company has been fully consolidated in the Group's financial statements starting from October 2021.

	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.

Note 32 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 22 – Financial debt, including lease liabilities), while the total equity comprises all components of equity (see Note 21 – Equity).

The Group's *Net debt* to *Total equity* ratio as of December 31, 2021 and 2020 was as follows:

€ millions	Notes	December 31, 2021	December 31, 2020
Net debt (A)	22	9,698	2,975
Total equity (B)		35,997	32,798
NET DEBT TO EQUITY RATIO (A)/(B)		**26.9%**	**9.1%**

Note 33 Independent auditors' fees

EssilorLuxottica FY 2021 Audit and non audit services *€ millions*	PricewaterhouseCoopers				Mazars			
	Pricewaterhouse-Coopers Audit		Network		Mazars France		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Review of interim, company and consolidated financial statements								
Parent company	1.1	44%	N/A	N/A	0.8	53%	N/A	N/A
Fully consolidated subsidiaries	1.1	44%	13.6	96%	0.6	40%	3.9	100%
Sub-total	**2.2**	**88%**	**13.6**	**96%**	**1.4**	**93%**	**3.9**	**100%**
Non audit services[(a)]								
Parent company	0.2	9%	0.0	-	0.1	7%	-	0%
Fully consolidated subsidiaries	0.1	3%	0.6	4%	0.0	0%	0.0	0%
Sub-total	**0.3**	**12%**	**0.6**	**4%**	**0.1**	**7%**	**0.0**	**0%**
TOTAL	**2.5**	**100%**	**14.3**	**100%**	**1.5**	**100%**	**3.9**	**100%**

(a) Non audit services provided by PricewaterhouseCoopers Audit during 2021 comprised:
- tax compliance services;
- issuance of the Independent third party's report on the consolidated statement of extra-financial performance;
- agreed-upon procedures and technical consultancy;
- SOC 1 and SOC 2 certification services.

Non audit services provided by Mazars during 2021 comprised:
- technical consultancy;
- services required by the law;
- tax compliance services.

EssilorLuxottica FY 2020 Audit and non audit services *€ millions*	PricewaterhouseCoopers				Mazars			
	Pricewaterhouse-Coopers Audit		Network		Mazars France		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Review of interim, company and consolidated financial statements								
Parent company	0.6	26%	N/A	N/A	0.5	31%	N/A	N/A
Fully consolidated subsidiaries	1.6	64%	9.2	92%	1.0	67%	3.5	98%
Sub-total	**2.2**	**90%**	**9.2**	**92%**	**1.5**	**98%**	**3.5**	**98%**
Non audit services[(a)]								
Parent company	0.2	8%	0.1	1%	0.0	2%	-	0%
Fully consolidated subsidiaries	0.0	2%	0.7	7%	-	0%	0.1	2%
Sub-total	**0.2**	**10%**	**0.8**	**8%**	**0.0**	**2%**	**0.1**	**2%**
TOTAL	**2.4**	**100%**	**10.0**	**100%**	**1.5**	**100%**	**3.5**	**100%**

(a) Non audit services provided by PricewaterhouseCoopers Audit during 2020 comprised:
- tax compliance services;
- issuance of the Independent third party's report on the consolidated statement of extra-financial performance;
- agreed-upon procedures and technical consultancy;
- SOC 1 and SOC 2 certification services.

Non audit services provided by Mazars during 2020 comprised:
- services required by the law;
- tax compliance services.

Note 34 Subsequent events

Subsequent events described below refer to the period from January 1, 2022 until March 10, 2022, the date of approval by EssilorLuxottica Board of Directors of these consolidated financial statements.

34.1. Share buyback program

On February 1, 2022, EssilorLuxottica announced the launch of a share buyback program reflecting the Group's confidence in its value creation and long-term prospects.

With a view to implementing this share buyback program, EssilorLuxottica granted a mandate to an investment services provider for the purchase of up to 1,500,000 EssilorLuxottica shares, depending on market conditions, over a period starting from February 1, 2022, up until March 31, 2022.

1,500,000 EssilorLuxottica's shares have been acquired during the first days of February at an average price of €174.14 per share.

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 launched this share buyback program in accordance to the 10th resolution approved by the Annual Shareholders' Meeting of May 21, 2021.

34.2. GrandVision delisting

As mentioned in the paragraph *Significant events of the year* the listing and trading of GrandVision's shares on Euronext Amsterdam terminated on January 10, 2022.

The last trading day of GrandVision shares was January 7, 2022.

34.3. Walman acquisition

On March 1, 2022, EssilorLuxottica announced the closing of its acquisition of U.S. based lab network Walman Optical, a leading lab partner to vision care practices around the country.

First announced in March 2021, the acquisition will draw on EssilorLuxottica's focus on product and service innovation to create growth opportunities for Walman Optical.

34.4. European divestment

On March 2, 2022, EssilorLuxottica, GrandVision and Vision Group, one of the largest distribution networks for Italian opticians and a retail player under the VisionOttica banner, announced that the companies have completed the transaction for Vision Group to acquire the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country. This follows the commitments agreed upon with the European Commission on March 23, 2021, as part of the acquisition of GrandVision by EssilorLuxottica. EssilorLuxottica, GrandVision and Vision Group confirmed that European Commission has approved the transaction.

34.5. Russia-Ukraine conflict

In February 2022, the conflict between Russia and Ukraine worsened and the situation is changing rapidly. Given the recent and rapid escalation of events and the imposition of additional sanctions, it is too early to determine the potential impact on the Group's operating results.

The Group's operations in Ukraine and in Russia represented respectively around 0.4% and 0.8% of the 2021 consolidated revenue.

Appendix 1

Exchange Rates

		Closing rate		Average rate	
Per EUR 1		December 31, 2021	December 31, 2020	2021	2020
AUD	Australian Dollar	1.5615	1.5896	1.5749	1.6549
BRL	Brazilian Real	6.3101	6.3735	6.3779	5.8943
CAD	Canadian Dollar	1.4393	1.5633	1.4826	1.5300
CNY	Chinese Yuan	7.1947	8.0225	7.6282	7.8747
GBP	British Pound	0.8403	0.8990	0.8596	0.8897
HKD	Hong Kong Dollar	8.8333	9.5142	9.1932	8.8587
JPY	Japanese Yen	130.3800	126.4900	129.8767	121.8458
INR	Indian Rupee	84.2292	89.6605	87.4392	84.6392
MXN	Mexican Peso	23.1438	24.4160	23.9852	24.5194
TRY	Turkish Lira	15.2335	9.1131	10.5124	8.0547
USD	US Dollar	1.1326	1.2271	1.1827	1.1422

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.

		2021		2020
Company	Country	Consolidation method	% interest	% interest
ESSILORLUXOTTICA SA	France	Legal parent[(a)]		
LUXOTTICA GROUP SPA	Italy	Accounting parent[(a)]		
La Optica S.A.	Argentina	Full consolidation	100%	GV Acquisition
ESSILOR 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 LTD	Australia	Full consolidation	75%	75%
Pearle Österreich GmbH	Austria	Full consolidation	100%	GV Acquisition
Grand Opticiens Belgium N.V.	Belgium	Full consolidation	100%	GV Acquisition
BRASILOR COMÉRCIO DE PRODUTOS ÓPTICOS E PARTICIPACOES LTDA	Brazil	Full consolidation	100%	100%
ESSILOR DA AMAZONIA E COMERCIO LTDA	Brazil	Full consolidation	100%	100%
Fotoptica Ltda	Brazil	Full consolidation	100%	GV Acquisition
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%
Superlente Franqueadora Ltda	Brazil	Full consolidation	100%	GV Acquisition
VE Bulgaria EOOD	Bulgaria	Full consolidation	100%	GV Acquisition
ESSILORLUXOTTICA CANADA INC	Canada	Full consolidation	100%	100%
NIKON OPTICAL CANADA INC	Canada	Full consolidation	50%	50%
LUXOTTICA OF CHILE SA	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%
LAFAM S.A.S.	Colombia	Full consolidation	100%	GV Acquisition
LUXOTTICA COLOMBIA SAS	Colombia	Full consolidation	100%	100%
MIRAFLEX SAS	Colombia	Full consolidation	75%	75%
SERVIOPTICA S.A.S.	Colombia	Full consolidation	100%	100%

		2021		2020
Company	Country	Consolidation method	% interest	% interest
GrandVision Cyprus Ltd.	Cyprus	Full consolidation	100%	GV Acquisition
GV CZ s.r.o.	Czech Republic	Full consolidation	100%	GV Acquisition
Synoptik A/S	Denmark	Full consolidation	63%	GV Acquisition
Instrumentarium Optika OÚ	Estonia	Full consolidation	100%	GV Acquisition
Instru Optiikka Oy	Finland	Full consolidation	100%	GV Acquisition
BBGR	France	Full consolidation	100%	100%
ESSILOR INTERNATIONAL SAS	France	Full consolidation	100%	100%
ESSILORLUXOTTICA AMERICA SAS[b]	France	Full consolidation	100%	100%
GrandVision France S.A.S.	France	Full consolidation	100%	GV Acquisition
INVOPTIC	France	Full consolidation	100%	100%
LUXOTTICA FRANCE SASU	France	Full consolidation	100%	100%
MEGA OPTIC DESIGN	France	Full consolidation	75%	75%
MIKLI DIFFUSION FRANCE SASU	France	Full consolidation	100%	100%
NOVACEL OPHTALMIQUE	France	Full consolidation	75%	75%
Solaris S.A.S.	France	Full consolidation	100%	GV Acquisition
SUNGLASS HUT FRANCE SASU	France	Full consolidation	100%	100%
Apollo Optik Holding GmbH & Co KG	Germany	Full consolidation	100%	GV Acquisition
ESSILOR GmbH	Germany	Full consolidation	100%	100%
GrandVision TechCentre Deutschland GmbH	Germany	Full consolidation	100%	GV Acquisition
LUXOTTICA GERMANY GMBH	Germany	Full consolidation	100%	100%
Robin Look GmbH	Germany	Full consolidation	100%	GV Acquisition
RUPP + HUBRACH OPTIK GMBH	Germany	Full consolidation	100%	100%
SATISLOH GmbH	Germany	Full consolidation	100%	100%
GrandVision Hellas S.A.	Greece	Full consolidation	100%	GV Acquisition
LUXOTTICA HELLAS AE	Greece	Full consolidation	70%	70%
LGL Ltd.	Guernsey	Full consolidation	100%	GV Acquisition
LUXOTTICA HONG KONG SERVICES LIMITED	Hong Kong	Full consolidation	100%	100%
GrandVision Hungary Kft.	Hungary	Full consolidation	100%	GV Acquisition
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%
Vision Express Ireland Ltd.	Ireland	Full consolidation	100%	GV Acquisition
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%
GrandVision Italy Srl.	Italy	Full consolidation	100%	GV Acquisition
L.T.L. SPA	Italy	Full consolidation	100%	100%
LUXOTTICA ITALIA SRL	Italy	Full consolidation	100%	100%

		2021		2020
Company	Country	Consolidation method	% interest	% interest
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%
GrandVision Luxembourg S.a.r.l.	Luxembourg	Full consolidation	100%	GV Acquisition
LUXOTTICA WHOLESALE MALAYSIA SDN BHD	Malaysia	Full consolidation	100%	100%
Administradora Lux, S.A de C.V.	Mexico	Full consolidation	70%	GV Acquisition
ESSILOR MEXICO S.A DE C.V.	Mexico	Full consolidation	100%	100%
GVMV, S.A de C.V.	Mexico	Full consolidation	70%	GV Acquisition
LUXOTTICA MEXICO SA DE CV	Mexico	Full consolidation	100%	100%
Optica Lux, S.A de C.V.	Mexico	Full consolidation	70%	GV Acquisition
Precision Optica, S.A.	Mexico	Full consolidation	70%	GV Acquisition
SUNGLASS HUT DE MEXICO SAPI DE CV	Mexico	Full consolidation	100%	100%
Tide Ti, S.A. de C.V.	Mexico	Full consolidation	70%	GV Acquisition
GrandOptical Monaco S.a.r.l.	Monaco	Full consolidation	100%	GV Acquisition
Solaris Monaco S.a.r.l.	Monaco	Full consolidation	100%	GV Acquisition
LUXOTTICA HOLLAND BV	Netherlands	Full consolidation	100%	100%
LUXOTTICA THE NETHERLANDS BV	Netherlands	Full consolidation	100%	100%
Brilmij Groep B.V.	Netherlands	Full consolidation	100%	GV Acquisition
Charlie Temple Europe B.V.	Netherlands	Full consolidation	67%	GV Acquisition
ESSILOR NEDERLAND BV	Netherlands	Full consolidation	100%	100%
ESSILOR NEDERLAND HOLDING BV	Netherlands	Full consolidation	100%	100%
GrandVision Finance B.V.	Netherlands	Full consolidation	100%	GV Acquisition
GrandVision IT Services B.V.	Netherlands	Full consolidation	100%	GV Acquisition
GrandVision N.V.	Netherlands	Full consolidation	100%	GV Acquisition
GrandVision Retail Holding B.V.	Netherlands	Full consolidation	100%	GV Acquisition
GrandVision Supply Chain B.V.	Netherlands	Full consolidation	100%	GV Acquisition
Optical Retail Group B.V.	Netherlands	Full consolidation	100%	GV Acquisition
Vision Ventures B.V.	Netherlands	Full consolidation	100%	GV Acquisition
Brilleland AS	Norway	Full consolidation	63%	GV Acquisition
Interoptik AS	Norway	Full consolidation	63%	GV Acquisition
OPTICAS GMO PERU SAC	Peru	Full consolidation	100%	100%
Topsa Peru SAC	Peru	Full consolidation	100%	GV Acquisition
LUXOTTICA POLAND SP ZOO	Poland	Full consolidation	100%	100%
Vision Express SP Sp.z.o.o.	Poland	Full consolidation	100%	GV Acquisition
ESSILOR PORTUGAL - Sociedade Industrial de óptica, Lda	Portugal	Full consolidation	100%	100%
GrandOptical Portugal S.A.	Portugal	Full consolidation	100%	GV Acquisition
GrandVision Portugal, Unipessoal Lda.	Portugal	Full consolidation	100%	GV Acquisition
GrandVision Supply Chain (Portugal) S.A.	Portugal	Full consolidation	100%	GV Acquisition

		2021		2020
Company	Country	Consolidation method	% interest	% interest
LUXOTTICA PORTUGAL SA	Portugal	Full consolidation	100%	100%
Solaris Portugal S.A.	Portugal	Full consolidation	100%	GV Acquisition
COMPANY GRANDVISION LLC	Russia	Full consolidation	100%	100%
Lensmaster OOO	Russia	Full consolidation	100%	GV Acquisition
LUXOTTICA RUS LLC	Russia	Full consolidation	100%	100%
OPTIC CLUB LLC	Russia	Full consolidation	100%	100%
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%
GrandOptical Slovakia s.r.o.	Slovakia	Full consolidation	100%	GV Acquisition
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%
GrandVision Spain Grupo Optico S.A.U.	Spain	Full consolidation	100%	GV Acquisition
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%
Synoptik Sweden AB	Sweden	Full consolidation	63%	GV Acquisition
ESSILOR SUISSE SA	Switzerland	Full consolidation	100%	100%
Kochoptik GmbH	Switzerland	Full consolidation	79%	GV Acquisition
Mc Optik (Schweiz) AG	Switzerland	Full consolidation	79%	GV Acquisition
SATISLOH AG	Switzerland	Full consolidation	100%	100%
SATISLOH HOLDING AG	Switzerland	Full consolidation	100%	100%
Visilab Magasins S.A.	Switzerland	Full consolidation	79%	GV Acquisition
VisilabGroup S.A.	Switzerland	Full consolidation	79%	GV Acquisition
ESSILOR MANUFACTURING (THAILAND) CO LTD	Thailand	Full consolidation	100%	100%
LUXOTTICA WHOLESALE (THAILAND) LTD	Thailand	Full consolidation	100%	100%
Atasun Optik Perakende Ticaret Anonim Şirketi	Turkey	Full consolidation	100%	GV Acquisition
LUXOTTICA GOZLUK ENDUSTRI VE TICARET ANONIM SIRKETI	Turkey	Full consolidation	100%	100%
CLASSIC OPTICAL LABORATORIES, INC.	U.S.A.	Full consolidation	100%	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 LATIN AMERICA & CARIBBEAN, INC	U.S.A.	Full consolidation	100%	100%
ESSILOR OF AMERICA, INC	U.S.A.	Full consolidation	100%	100%
ESSILORLUXOTTICA USA INC	U.S.A.	Full consolidation	100%	-
EYEBUY DIRECT, INC	U.S.A.	Full consolidation	100%	100%
EYEMED INSURANCE COMPANY	U.S.A.	Full consolidation	100%	100%

Company	Country	2021 Consolidation method	2021 % interest	2020 % interest
EYEMED VISION CARE LLC	U.S.A.	Full consolidation	100%	100%
FGX INTERNATIONAL INC.	U.S.A.	Full consolidation	100%	100%
For Eyes Optical Co. of California, Inc.	U.S.A.	Full consolidation	100%	GV Acquisition
For Eyes Optical Co. of Coconut Grove, Inc	U.S.A.	Full consolidation	100%	GV Acquisition
For Eyes Optical Co., Inc.	U.S.A.	Full consolidation	100%	GV Acquisition
FRAMES FOR AMERICA, INC.	U.S.A.	Full consolidation	100%	100%
GrandVision USA Retail Holding Corporation	U.S.A.	Full consolidation	100%	GV Acquisition
I-COAT COMPANY, LLC	U.S.A.	Full consolidation	100%	100%
Insight Optical Manufacturing Co. of Florida, Inc.	U.S.A.	Full consolidation	100%	GV Acquisition
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%
MOC ACQUISITION CORPORATION	U.S.A.	Full consolidation	84%	84%
OAKLEY INC	U.S.A.	Full consolidation	100%	100%
PREMIER OPHTHALMIC SERVICES LLC	U.S.A.	Full consolidation	80%	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%
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%
LUXOPTICA	Ukraine	Full consolidation	51%	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%
GrandVision Tech Centre UK Ltd.	United Kingdom	Full consolidation	100%	GV Acquisition
LENSTEC	United Kingdom	Full consolidation	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%
Vision Express (UK) Ltd.	United Kingdom	Full consolidation	100%	GV Acquisition
Tylor S.A.	Uruguay	Full consolidation	100%	GV Acquisition

(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) Previously Luxottica US Holdings Corp.

4.2 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 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, 2021

To the Annual Shareholders' Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders' Meeting, we have audited the accompanying consolidated financial statements of EssilorLuxottica for the year ended December 31, 2021.

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, 2021 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, 2021 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.

Fair value measurement of assets and liabilities acquired as part of the GrandVision acquisition

Risk identified

On July 1, 2021, EssilorLuxottica completed the acquisition of 76.72% of the issued ordinary shares of GrandVision. Subsequently, additional shares were acquired, notably through a recommended mandatory public offer and led the Company to hold 99.90% of the shares of GrandVision as of December 31, 2021. Having acquired more than 95% of the shares, EssilorLuxottica announced its intention to initiate a compulsory procedure to buy-out the holders of the remaining shares. In such procedure, any remaining minority shareholders of GrandVision will be offered €28.42 per share.

The Transaction, described in the note 3.1 to the Group consolidated financial statements, meets the definition of business combination as provided for in IFRS 3 Business Combinations and has been accounted accordingly in EssilorLuxottica's consolidated financial statements as of the acquisition date (i.e. July 1, 2021).

As mentioned in the note 3.1.2 to the Group consolidated financial statements, the fair-value of the consideration transferred has been established at € 7.2 billion. The Group determined the fair value of the identifiable assets acquired and liabilities assumed of GrandVision in accordance with IFRS 3. The acquisition thus resulted in the recording of €2 billion tangible and intangible assets net of liabilities assumed and a provisional goodwill recognized on the transaction of €5.4 billion. Allocation of the purchase price remains provisional as of December 31st, 2021. Judgement is involved in allocating the purchase price to the identified assets acquired and liabilities assumed. The identification and valuation exercise also requires valuation specialist skills and knowledge.

We consider the measurement of assets and liabilities recognized within the scope of the GrandVision purchase price allocation to be a key audit matter due to the materiality of the transaction and the level of judgment required from Management.

Our response

Our procedures primarily consisted in:

- obtaining the legal documentation relating to the operation, as well as the report issued by the external valuation expert engaged by Management to perform the purchase price allocation and to assist Management with the identification of assets and liabilities recognized within the scope of the GrandVision acquisition;
- performing an audit of the opening balance sheet of GrandVision as of July 1, 2021, covering the main entities included in the consolidation;

With the involvement of valuation experts in our audit team, our work consisted in:

- Assessing the appropriateness of the process used to identify liabilities, contingent liabilities and intangible assets acquired, corroborating them with (i) our discussions with Management and (ii) our understanding of the acquired business;
- Analyzing the valuation methods used by Management to measure the fair value of assets and liabilities acquired;
- Assessing the valuation assumptions used by comparing them to the source data and sector market data when available;
- Performing arithmetic controls on the various valuations carried out;
- Analyzing the consistency of the purchase price allocation taken as a whole, and of the resulting residual goodwill;
- Verifying that note 3.1 – Business combination to the Group consolidated financial statements contains the appropriate information.

Impairment test of goodwill and other intangible assets

Risk identified

As at December 31, 2021, goodwill and finite lives intangible assets net book values total €29.4 billion and €12.3 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, 2021, 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 for each intangible assets recorded in the balance sheet. As a result, the Group performed impairment tests on goodwill and only on those intangible assets for which a trigger event was identified as of December 31, 2021.

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 new 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, 2021;

- 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 as of 31 December 2021.

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that 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), prepared under the responsibility of the CEO, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica, by the Annual Shareholders' Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2021, PricewaterhouseCoopers Audit was in its thirty-nine year of uninterrupted engagement and Mazars in its fifteenth 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 18, 2022

The Statutory Auditors

French original signed by

Mazars		PricewaterhouseCoopers Audit	
Jean-Luc Barlet	Guillaume Devaux	Stéphane Basset	Cédric Le Gal

4.3 Unaudited *Pro Forma* Consolidated Financial Information

Introduction

The Unaudited *Pro Forma* Consolidated Financial Information of EssilorLuxottica (also referred as the **"Group"**) includes the unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2021 with the related explanatory notes (together the **"Unaudited *Pro Forma* Consolidated Financial Information"**). It has been prepared to represent the *pro forma* effects of the combination between EssilorLuxottica and GrandVision (the **"GV Combination"**), which occurred on July 1, 2021 as a result of the acquisition by EssilorLuxottica of approximately 76.72% of the issued ordinary shares of GrandVision (the **"Initial Acquisition"**). The Initial Acquisition was followed by the acquisition of an additional 9.96% of the issued ordinary shares of GrandVision in the month of September 2021 (the **"Subsequent Acquisitions"**) and a subsequent mandatory public offer on all the remaining issued and outstanding GrandVision shares (launched on October 8, 2021) aimed to acquire 100% of GrandVision's share capital (the **"Offer"**).

The Unaudited *Pro Forma* Consolidated Financial Information has been produced for illustrative purposes only.

The *pro forma* adjustments related to the Unaudited *Pro Forma* Consolidated Financial Information are limited to those that are (i) directly attributable to the GV Combination, and (ii) factually supportable.

The unaudited *pro forma* consolidated statement of profit or loss does not include the following items:

- any restructuring and integration costs that may be additionally incurred as a result of the GV Combination,
- any synergies, operating efficiencies and cost savings that may result from the GV Combination.

In addition, unaudited adjusted *pro forma* consolidated statement of profit or loss for the year ended December 31, 2021 is disclosed in Note 4 to the Unaudited *Pro Forma* Consolidated Financial Information. It is intended to (i) reverse the impact of the combination of Essilor and Luxottica (the "EL Combination") and the GV Combination as well as other 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 and (ii) present, on a *pro forma* basis, the adjusted indicators regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are described in Note 4 to the Unaudited *Pro Forma* Consolidated Financial Information.

In the consolidated financial information of the Group the Initial Acquisition of the controlling stake in GrandVision, the Subsequent Acquisitions and the Offer have been considered as a single transaction (so called *linked transaction*); therefore, they have been accounted for as if all ownership interests in GrandVision were acquired at the acquisition date as part of the transaction to gain control. This Unaudited *Pro Forma* Consolidated Financial Information reflects the same accounting treatment.

The unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2021 has been prepared assuming that the GV Combination had occurred on January 1, 2021. Because of its nature, the Unaudited *Pro Forma* Consolidated Financial Information addresses a hypothetical situation and is neither intended to represent or to be indicative of the result of operations that EssilorLuxottica would have achieved had the GV Combination occurred as of January 1, 2021, nor is the Unaudited *Pro Forma* Consolidated Financial Information indicative of the future operating results of the Group. The Unaudited *Pro Forma* Consolidated Financial Information is based upon certain assumptions that EssilorLuxottica believes reasonable at the date of this Document.

The Unaudited *Pro Forma* Consolidated Financial Information is derived from:

- EssilorLuxottica's consolidated statement of profit or loss for the year ended December 31, 2021 (the **"EL FY-2021 P&L"**), as disclosed in EssilorLuxottica's consolidated financial statements as of and for the year ended December 31, 2021 prepared in accordance with IFRS Standards as endorsed by the European Union (the **"EssilorLuxottica FS"**). These consolidated financial statements are included in this Universal Registration Document, together with the related audit report issued by PricewaterhouseCoopers Audit and Mazars dated March 18, 2022, which does not include any qualification;
- GrandVision's historical consolidated statement of profit or loss for the six-month period ended June 30, 2021 (the **"GV H1-2021 P&L"**), as disclosed in GrandVision's condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2021 prepared in accordance with IFRS Standards as endorsed by the European Union and more specifically in accordance with IAS 34 *Interim financial reporting* (the **"GrandVision Interim FS"**). On August 13, 2021, PricewaterhouseCoopers Accountants N.V. issued a review report on GrandVision Interim FS, which does not include any qualification.

The Unaudited *Pro Forma* Consolidated Financial Information is prepared on a basis that is consistent with the accounting policies used in the preparation of EL FY-2021 FS, including the application of new accounting standards.

Furthermore, the Unaudited *Pro Forma* Consolidated Financial Information for year ended December 31, 2021 has not been restated to reflect the full year effect of business combinations, other than the GV Combination, finalized by EssilorLuxottica or GrandVision during the course of 2021, as they are not significant.

The Unaudited *Pro Forma* Consolidated Financial Information is presented in millions of Euro. As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component.

Regulatory framework

The Unaudited *Pro Forma* Consolidated Financial Information for the year ended December 31, 2021 has been prepared on a voluntary basis. Nevertheless, it has been prepared in accordance with Annex 20 "*Pro forma* information" of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council and the Position-Recommendation DOC-2021-02 issued by the AMF.

Unaudited *pro forma* consolidated statement of profit or loss

€ millions	EL FY-2021 P&L Note 1	GV H1-2021 P&L Note 1	PPA adjustments first semester 2021 Note 2	Eliminations and other adjustments Note 3	EssilorLuxottica *pro forma* information
Revenue	19,820	1,891	-	(214) (a) (b)	21,498
Cost of sales	(7,589)	(529)	-	158 (a) (b)	(7,960)
Gross profit	**12,231**	**1,363**	**-**	**(55)**	**13,538**
% of revenue	*61.7%*				*63.0%*
Research and development	(579)	-	-	-	(579)
Selling	(5,700)	(889)	(82)	40 (b)	(6,631)
Royalties	(174)	-	-	0 (b)	(174)
Advertising and marketing	(1,534)	(120)	-	2 (b)	(1,652)
General and administrative	(1,982)	(160)	-	7 (b)	(2,134)
Other income/(expenses)	64	95	-	(95) (c)	64
Total operating expenses	**(9,905)**	**(1,074)**	**(82)**	**(46)**	**(11,106)**
Operating profit	**2,326**	**289**	**(82)**	**(101)**	**2,432**
% of revenue	*11.7%*				*11.3%*
Cost of net debt	(111)	(16)	-	0 (b)	(127)
Other financial income/(expenses)	(19)	(1)	-	0 (b)	(20)
Share of profits of associates	3	3	-	(3) (b)	3
Profit before taxes	**2,200**	**274**	**(82)**	**(104)**	**2,289**
% of revenue	*11.1%*				*10.6%*
Income taxes	(587)	(43)	21	1 (b)	(608)
Effective tax rate	*26.7%*				*26.6%*
NET PROFIT	**1,613**	**231**	**(61)**	**(103)**	**1,680**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,463**	**215**	**(57)**	**(103)**	**1,518**

See accompanying notes to the Unaudited *Pro Forma* Consolidated Financial Information.

Notes to the Unaudited *Pro Forma* Consolidated Financial Information

Note 1 EL FY-2021 P&L and GV H1-2021 P&L

These columns include: (i) EssilorLuxottica's consolidated statement of profit or loss for the year ended December 31, 2021 (**EL FY-2021 P&L**), as disclosed in EssilorLuxottica FS as of and for the year ended December 31, 2021, and (ii) GrandVision's historical consolidated statement of profit or loss for the six-month period ended June 30, 2021 (**GV H1-2021 P&L**), derived from GrandVision Interim FS as of and for the six-month period ended June 30, 2021. Both statements of profit or loss are consistent with the presentation applied in EssilorLuxottica FS.

Note 2 Purchase price allocation adjustments

The GV Combination is accounted for using the acquisition method of accounting in accordance with IFRS 3 – *Business Combinations*.

The consideration transferred has been allocated to GrandVision's assets acquired and liabilities assumed as of July 1, 2021 based upon their fair values at that date ("purchase price allocation"). These amounts have been measured on a provisional basis. If new information obtained within one year of the date of the acquisition about facts and circumstances that existed at that date identifies adjustments to these fair values, then the accounting for the acquisition may be revised.

The adjustments related to the purchase price allocation ("PPA adjustments") correspond to the incremental profit or loss impacts (for the six-month period from January 1, 2021 to June 30, 2021) resulting from the measurement of GrandVision's assets acquired and liabilities assumed at their fair value at the date of the Initial Acquisition (July 1, 2021). Those impacts are already reflected in EL FY-2021 P&L for the six-month period from July 1, 2021 to December 31, 2021.

For the purpose of the unaudited *pro forma* consolidated statement of profit or loss for the year ended December 31, 2021, the PPA adjustments related to the provisional fair value step-up on assets acquired consisted in adding the six-month period (from January 1, 2021 to June 30, 2021) amortization related to the fair value of new intangible assets recognised as a result of the GV Combination (trade names and customer relationships) after eliminating the six-month period amortization impacts relating to historical intangible assets (trade names and customer relationships) recognised in GV H1-2021 P&L.

The provisional purchase price allocation reflects the output from the valuation work performed by EssilorLuxottica with the support of an independent valuation expert. Fair values have been determined as of July 1, 2021 and have been used, as they stand, for the purpose of the Unaudited *Pro Forma* Consolidated Financial Information.

The following is a description of each significant fair value step-up on assets acquired.

€ millions	Values	Estimated weighted average useful life *(years)*	12-month amortization	6-month amortization reflected in *pro forma*
New customer relationships	1,001	9.4	(122)	(61)
New trade names	1,542	24.5	(64)	(32)
New intangibles assets recognized	**2,543**	**18.6**	**(185)**	**(93)**
(Historical carrying value of replaced intangible assets)	(156)		22	11
FAIR VALUE STEP-UP ON INTANGIBLE ASSETS	**2,387**		**(163)**	**(82)**

The €82 million reported as PPA adjustments in *Selling* represent the six-month amortization related to the fair value of customer relationships and trade names taking into account their estimated weighted average useful life, after the cancellation of the historical amortization of customer relationships and trade names recognised in GV H1-2021 P&L.

The related tax effects have also been reported as PPA adjustments. Those effects have been calculated based on the prevailing tax rate of each entity/area where fair value step-up on assets have been recognised.

Note 3 Eliminations and other adjustments

a) Reflects the elimination of the intercompany transactions between EssilorLuxottica and GrandVision for the six-month period ended June 30, 2021.

b) Represents the elimination of the contribution of the businesses disposed / to be disposed according to the remedies agreed with antitrust authorities in the context of the GV Combination. In the first semester of 2021, the proposed acquisition of GrandVision by EssilorLuxottica was cleared by the European Commission and the Chilean market regulator under the conditions described below.

- 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); in December 2021, EssilorLuxottica and GrandVision entered into two agreements for the divestment of these businesses (completion of those transactions is subject to the approval of the European Commission; both transactions are expected to close in the first quarter of 2022).
- On April 9, 2021, the Chilean market regulator FNE (Fiscalía Nacional Económica) cleared the proposed acquisition following the commitment to divest GrandVision's Chilean operations under the banner Rotter Y Krauss. GrandVision divested its Chilean operations on July 1, 2021, prior to the Initial Acquisition.

c) Represents the elimination of the gain, recognized in GV H1-2021 FS, related to remeasurement to the provisional fair value of the European business to be disposed by GrandVision as agreed with the European Commission in the context of the GV Combination (see Note 3(b) above). As from April 1, 2021, the European business to be disposed were excluded from full consolidation and accounted for as investments in associates. In GV H1-2021 P&L, GrandVision recognized a fair value up-lift on the carrying amount of those investments of approximately €95 million which is eliminated for the purpose of *pro forma* information.

Note 4 Unaudited adjusted *pro forma* consolidated statements of profit or loss for the year ended December 31, 2021

The unaudited adjusted *pro forma* consolidated statement of profit or loss for the year ended December 31, 2021 is intended to (i) offset the impact of the EL Combination, the GV Combination and other 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 and (ii) present, on a *pro forma* basis, the adjusted indicators regularly produced by EssilorLuxottica for the purpose of its financial communication. These adjustments are limited in numbers, well-identified and significant at the level of the EssilorLuxottica's consolidated performance.

€ millions	EssilorLuxottica *pro forma* information	Adjustments related to PPA impact	Other non-GAAP adjustments	EssilorLuxottica *pro forma* adjusted information
Revenue	21,498	-	-	21,498
Cost of sales	(7,960)	38	53	(7,869)
Gross profit	**13,538**	**38**	**53**	**13,628**
% of revenue	*63.0%*			*63.4%*
Research and development	(579)	257	1	(321)
Selling	(6,631)	460	65	(6,105)
Royalties	(174)	-	-	(174)
Advertising and marketing	(1,652)	90	2	(1,560)
General and administrative	(2,134)	11	123	(2,000)
Other income/(expenses)	64	-	(61)	3
Total operating expenses	**(11,106)**	**819**	**130**	**(10,157)**
Operating profit	**2,432**	**856**	**182**	**3,471**
% of revenue	*11.3%*			*16.1%*
Cost of net debt	(127)	(0)	-	(128)
Other financial income/(expenses)	(20)	-	-	(20)
Share of profits of associates	3	-	-	3
Profit before taxes	**2,289**	**856**	**182**	**3,327**
% of revenue	*10.6%*			
Income taxes	(608)	(170)	(62)	(840)
Effective tax rate	*26.6%*			*25.2%*
NET PROFIT	**1,680**	**686**	**121**	**2,487**
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,518**	**682**	**119**	**2,319**

The adjustments include:

- **adjustments related to PPA impact**: the impact of the purchase price allocation related to the EL Combination for the year ended December 31, 2021 as well as the impact of the purchase price allocation related to the GV Combination for the year ended December 31, 2021 (as disclosed in Notes 2). Those adjustments include the twelve-month impacts of (i) the use of the inventories owned by GrandVision subject to a fair-value step-up (for approximately €36 million), (ii) the incremental amortizations of intangible assets recognised as a result of the EL Combination and the GV Combination compared to existing intangible assets, (iii) the depreciation of PP&E fair value step-up recognized in the context of the EL Combination, (iv) the cost of net debt impact related to the fair value step-up of the financial liabilities, also recognized in the context of the EL Combination, and (v) related tax effects. Those effects are eliminated through the adjusted indicators that EssilorLuxottica regularly presents;
- **other non-GAAP adjustments**, as described below.

The main other non-GAAP adjustments reflected into the unaudited adjusted *pro forma* consolidated statement of profit or loss for the year period ended December 31, 2021 are related to the following transactions.

(i) Non-recurring *Cost of sales* for €53 million of which (i) approximately €50 million mainly related to restructuring and reorganization projects aiming at rationalizing the lenses laboratories footprint and the distribution network to increase the Group's operational and organizational efficiency, and (ii) €2 million corresponding to the expenses related to share-based plans granted in the context of the EL Combination to employees working for operations activities (Luxottica's restricted shares plan (LTI), vested in March 2021, and other Essilor's plans).

(ii) Non-recurring *Selling* expenses for €65 million associated with:
- impairment losses and write-off for approximately €51 million, of which €38 million resulting from the decision to progressively converge toward a common IT platform for Direct to Consumer business of the Group;
- restructuring projects in EMEA and North America as well as selling costs related to the rationalization of the distribution activities in France, for approximately €18 million in total, partially compensated by a non-recurring income of €5 million; and
- expenses related to share-based payments for about €1 million.

(iii) Non-recurring General and administrative expenses for €123 million associated with the following impacts:
- severances for approximately €11 million, mainly related to key management personnel;
- costs associated with restructuring projects for approximately €28 million, including impairment losses for approximately €11 million;
- a positive effect of €18 million resulting from: (i) the release of a contingent liability (recognised in the context of the EL Combination) related to a litigation involving a subsidiary of the Group, and (ii) the release of GrandVision's provision related to the favorable outcome of the proceedings initiated by the French Competition Authority for €10 million;
- expenses related to share-based payments for about €5 million linked to share-based plans granted in the context of the EL Combination (Luxottica's restricted shares plan (LTI) vested in March 2021 and other Essilor's plans);
- non-recurring expenses related to M&A projects for €71 million mainly linked to the transaction costs incurred in connection with the acquisition of GrandVision and the proposed acquisition of Walman; and
- other one-off costs incurred by the Group of which (i) approximately €10 million as net negative impact related to significant claims and litigations and (ii) approximately €13 million of other one-off costs linked to integration streams and (iii) approximately €3 million of other non-recurring costs.

(iv) Other income/(expenses) are adjusted for a net positive effect of €61 million mainly associated with:
- the positive effect recorded following the recovery, in the first months of 2021, of misappropriated funds from the EMTC fraud (fraudulent financial activities discovered at the end of 2019 at an Essilor's plant in Thailand) for approximately €62 million;
- the positive effect resulting from changes in consolidation scope and other non-recurring income, for an aggregate amount of €6 million; and
- a negative effect of approximately €7 million resulting from the valuation of the business to be disposed according to the remedies agreed with the European Commission in the context of the acquisition of GrandVision.

(v) Income taxes are adjusted for an amount of €(62) million corresponding mainly to the tax effects of the above-mentioned adjustments.

4.4 Statutory Auditors' report on the *pro forma* financial information

This is a free translation into English of the auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2021

To the Chief Executive Officer,

In our capacity as Statutory Auditors of your Company and in accordance with Regulation (EU) n°2017/1129 supplemented by the Commission Delegated Regulation (EU) n°2019/980, we hereby report to you on the pro forma financial information of EssilorLuxottica for the year ended December 31, 2021 set out in Section 4.3 Unaudited Pro Forma Financial Consolidated Information of the 2021 Universal Registration Document. (the "Pro Forma Financial Information").

The Pro Forma Financial Information has been prepared for the sole purpose of illustrating the impact that the combination of EssilorLuxottica and GrandVision could have had on EssilorLuxottica's consolidated income statement for the year ended December 31, 2021 if the transaction had taken effect on January 1, 2021. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation or event taken place at an earlier date than the actual or contemplated date.

It is your responsibility to prepare the Pro Forma Financial Information in accordance with the provisions of Regulation (EU) n°2017/1129 and ESMA's recommendations on Pro Forma Financial Information.

It is our responsibility to express a conclusion, based on our work, in accordance with Annex 20, Section 3 of Commission Delegated Regulation (EU) n°2019/980, as to the proper compilation of the Pro Forma Financial Information on the basis stated.

We performed those procedures that we deemed necessary according to the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagement. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the Pro Forma Financial Information, mainly consisted in ensuring that the information used to prepare the Pro Forma Information was consistent with the underlying financial information, as described in the notes to the Pro Forma Financial Information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of EssilorLuxottica to obtain the information and explanations that we deemed necessary.

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated;
- that basis is consistent with the accounting policies of the issuer.

This report has been issued solely for the purpose of the filing of the universal registration document with the French financial markets authority (Autorité des marchés financiers or "AMF") and cannot be used for any other purpose.

Neuilly-sur-Seine and Paris La Défense, on March 25, 2022

The Statutory Auditors

French original signed by

Mazars		PricewaterhouseCoopers Audit	
Jean-Luc Barlet	Guillaume Devaux	Stéphane Basset	Cédric Le Gal

4.5 Financial statements of EssilorLuxottica

The statutory financial statements for 2021 include the income statement, balance sheet, cash flow statement and notes presented below. The statutory auditors' report on the annual financial statements for 2021 is included in Section 4.7.

4.5.1 Key figures

€ millions, except per share data, which is in euros	2021	2020
Income statement		
Operating profit (loss)	(52)	(23)
Profit (loss) before non-operating items and tax	(70)	602
Profit (loss)	(153)	613
Balance sheet		
Share capital	80	79
Shareholders' equity	24,060	24,298
Net debt	10,169	4,358
Non-current assets, net	35,695	28,452
TOTAL ASSETS	**38,525**	**35,697**
Net dividend per ordinary share *(in euros)*	2.51[(a)]	2.23

(a) Subject to the decision of Shareholders at the next Annual General Meeting on May 25, 2022.

In 2021, EssilorLuxottica incurred an operating loss of €52 million (loss amounted to €23 million in 2020). This increase of the operating loss mainly comes from the personnel expenses (an increase of €33 million compared to 2020 mainly because of an increase of the cost related to the performance shares plans (PSP) awarded to employees and corporate directors of the Company (€14 million), the related social charges (€4 million) and a one-off income occurred in 2020 related to a pension curtailment (€9 million). The external purchases and expenses remain flat.

The financial loss amounted to €18 million, largely due to the cost of net debt for €37 million and partially offset by dividends from a subsidiary for €14 million.

Non-operating expense grew significantly at €105 million, almost entirely due to the net cost of the shareholding programs dedicated to Group employees and delivered with treasury shares (€82 million) of which remeasurement of the PSP (€45 million), new PSP awarded in 2021 (€18 million) and disposal of shares within the Boost program (€19 million).

4.5.2 Income Statement

€ millions	Notes	2021	2020
Reversals of depreciation, amortization and provisions		0	0
Other income		6	2
Total operating income		**6**	**2**
Other external purchases and expenses		18	17
Personnel expenses		36	3
Depreciation, amortization and provisions		0	0
Other expenses		3	4
Total operating expenses	**2**	**58**	**25**
Operating profit (loss)		**(52)**	**(23)**
Financial income	3	(18)	625
Profit (loss) before non-operating items and tax		**(70)**	**602**
Non-operating income (expense)	4	(105)	(28)
Income tax (income) expense	5	(22)	(39)
PROFIT (LOSS)		**(153)**	**613**

4.5.3 Balance Sheet

Assets

€ millions	Notes	2021 Gross amount	2021 Depreciation, amortization & provisions	2021 Net amount	2020 Net amount
Property, plant and equipment		4	1	2	3
Financial assets	6	35,692	-	35,692	28,449
Non-current assets		**35,696**	**1**	**35,695**	**28,452**
Trade and related receivables	7	2	-	2	7
Other receivables	7	992	-	992	844
Marketable securities	8	1,726	-	1,726	3,768
Cash		51	-	51	2,555
Current assets		**2,772**	**-**	**2,772**	**7,174**
Bond redemption premium		37	-	37	44
Prepaid expenses	9	21	-	21	27
TOTAL		**38,526**	**1**	**38,525**	**35,697**

Shareholders' equity & liabilities

€ millions	Notes	2021	2020
Share capital	10.1	80	79
Additional paid-in capital		22,425	22,061
Legal reserves		8	8
Other reserves		1,637	2,058
Retained earnings		0	(58)
Profit (loss) for the year		(153)	613
Interim dividend		-	(503)
Tax-driven provisions		63	40
Shareholders' equity	**10**	**24,060**	**24,298**
Provisions for contingencies and liabilities	**11**	**845**	**369**
Bonds	12.1	9,391	9,852
Short-term financing	12.1	-	-
Other financial debt (including loans from subsidiaries)	12.1	2,555	830
Financial liabilities		**11,946**	**10,682**
Trade and related payables	12.2	11	9
Accrued taxes and personnel expenses	12.2	11	10
Other liabilities	12.2	1,616	293
Operating and other liabilities		**1,638**	**312**
Foreign currency translation adjustment	13	36	36
TOTAL		**38,525**	**35,697**

4.5.4 Cash Flow Statement

€ millions	2021	2020
Profit for the fiscal year	(153)	613
Adjustments for non-cash items	761	97
Cash flow	608	710
Change in working capital[(a)]	1,197	(894)
Net cash flow from operating activities	**1,805**	**(184)**
Purchases of property, plant & equipment	(0)	(0)
Acquisition of shares in subsidiaries and affiliates and other investments[(b)]	(7,279)	(50)
Loans granted to subsidiaries	(9)	(0)
Net cash flow used in investing activities	**(7,287)**	**(50)**
Capital increase	29	36
Disposal of treasury shares	302	(134)
Dividends paid	(138)	-
Cash interim dividend	-	(503)
Increase and decrease in borrowings	(488)	2,731
Increase and decrease in loans from subsidiaries	1,763	344
Net cash flow used in financing activities	**864**	**2,474**
Change in cash and cash equivalents	(4,618)	2,240
Cash and cash equivalents at beginning of year	6,164	3,924
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,546**	**6,164**

(a) Changes in working capital are as follows - see table below:
(b) Mainly related to the GrandVision acquisition with a net cash-out amounted to €7,229 million, transaction costs included (of which €7,203 million without acquisition costs), see Note 6 - Financial assets.

€ millions	2021	2020	Changes
Operating receivables	(2)	(7)	5
Other receivables	(1,013)	(871)	(142)
Operating liabilities	22	19	3
Other liabilities	1,645	314	1,331
TOTAL WORKING CAPITAL	**651**	**(545)**	**1,197**

Cash is defined as available cash and short-term deposits net of current bank overdrafts.

4.5.5 Notes to the 2021 financial statements of EssilorLuxottica

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These notes include the balance sheet, with total assets of €38,525 million before appropriation of profit or loss for the year ended December 31, 2021, and the income statement posting a loss of €153 million.

The fiscal year covers a 12-month period, from January 1, 2021 to December 31, 2021.

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 euros, unless otherwise stated. As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component.

Significant events of the fiscal year

Acquisition of GrandVision

Approvals by antitrust authorities

In 2019 and 2020, the proposed acquisition of GrandVision N.V. ("GrandVision") by EssilorLuxottica announced on July 31, 2019 (the "Proposed Acquisition") was unconditionally cleared by antitrust authorities in the United States, Russia, Colombia, Mexico and Brazil. During the first semester of 2021, the Proposed Acquisition was cleared by the remaining antitrust authorities:

- 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);
- on April 9, 2021, the Chilean market regulator FNE (*Fiscalía Nacional Económica*) cleared the Proposed Acquisition following the commitment to divest, prior to the completion of the deal, GrandVision's Chilean operations under the banner Rotter Y Krauss; and
- on June 10, 2021, the Turkish Competition Authority (TCA) gave its clearance after EssilorLuxottica made certain behavioral commitments with regards to the conduct of its business in Turkey.

With the conditional approval of the Turkish Competition Authority, all regulatory approvals for closing of the Proposed Acquisition were obtained.

Moreover, following the commitments agreed upon with the European Commission on March 23, 2021, the Company entered into agreements for:

- the acquisition by Vision Group of the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country;
- the acquisition by Optic Retail International Group BENE, a member of MPG Austria ("ORIG/MPG") of 142 EyeWish stores in the Netherlands and 35 GrandOptical stores in Belgium.

Completion of those transactions is subject to the approval of the European Commission. Both transactions are expected to close in the first semester of 2022.

Description of the transaction and subsequent steps

On July 30, 2019, Hal Optical Investments B.V. ("HAL"), a major shareholder of GrandVision – at that time holding approximately 76.72% of the issued ordinary shares of GrandVision – entered into a block trade agreement with EssilorLuxottica (the "Block Trade Agreement" or "BTA") with regard to the sale of HAL's entire share interest in GrandVision to EssilorLuxottica (the "Initial Acquisition").

On July 1, 2021, the Initial Acquisition was successfully completed. EssilorLuxottica acquired 195,203,728 GrandVision's shares at a price of €28.42 per share paid in cash, representing a total consideration of approximately €5.5 billion. With the holding of approximately 76.72% of the issued ordinary shares of GrandVision, EssilorLuxottica was under the obligation to launch a mandatory cash public offer under the Dutch public offer rules over the remaining issued and outstanding shares of GrandVision.

On September 7 and 20, 2021, EssilorLuxottica acquired, respectively, 16,902,305 and 8,431,388 GrandVision ordinary shares from multiple shareholders represented each time by a single broker for a total amount of €720 million, corresponding to a €28.42 per share.

On October 7, 2021, EssilorLuxottica and GrandVision jointly announced the launch of the recommended mandatory public offer to all holders of GrandVision's ordinary shares at an offer price of €28.42 per share in cash (the "Offer").

Then in the framework of the mandatory public offer to all holders of GrandVision's ordinary shares launched on October 7, 2021 and closed at the end of the post acceptance period on December 20, 2021, EssilorLuxottica acquired 13.17% of the GrandVision's ordinary shares at a price of €28.42 per share, corresponding to a global amount of €952 million.

Having acquired more than 95% of the issued and outstanding shares of GrandVision, Euronext approved the delisting of GrandVision's shares from Euronext Amsterdam, which took place on January 10, 2022 (last trading day on January 7, 2022). Moreover, EssilorLuxottica initiated a compulsory buy-out procedure in accordance with the Dutch Civil Code to buy-out the holders of GrandVision's shares that have not tendered their shares under the Offer. In such procedure, initiated on December 22, 2021, any remaining minority shareholders of GrandVision will be offered the Offer price, *i.e.* €28.42 per share.

As of December 31, 2021, EssilorLuxottica owned 99.84% of the GrandVision's ordinary shares (99.89% after deduction of the GrandVision's treasury shares) amounted to €7.3 billion, capitalized transaction costs included, see Note 6 - Financial Assets.

Legal proceedings

In July 2020, EssilorLuxottica first, and GrandVision and HAL right after, initiated, respectively, legal proceedings and an arbitration process against each other. On June 21, 2021, those proceedings were solved in favor of EssilorLuxottica that decided to pursue and close the Initial Acquisition on July 1, 2021.

Changes in management and in the composition of the Board of Directors

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 combination between Essilor and Luxottica, in order to accommodate its Executive Vice-Chairman's desire to retire.

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 had 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 Annual Shareholders' Meeting called in 2021 to approve 2020 EssilorLuxottica's financial statements 2021 Annual Shareholders' Meeting.

At the Annual Shareholders' Meeting held on May 21, 2021, shareholders approved all the names of the proposed directors who now sit on the new Board of Directors of the Company. During its first meeting held on May 21, 2021, the Board of Directors appointed Mr. Leonardo Del Vecchio as Chairman of the Board, Mr. Francesco Milleri as CEO and Mr. Paul du Saillant as Deputy CEO of EssilorLuxottica.

Dividend distribution

The Annual Shareholdings' Meeting of EssilorLuxottica held on May 21, 2021 approved the distribution of 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. The Annual Shareholders' Meeting decided to grant to the shareholders the option to receive their final dividend in newly issued shares at a price of €124.70 per share (so-called scrip dividend).

Accordingly, on June 21, 2021, 2,687,685 new EssilorLuxottica's shares were issued and the total cash dividend paid to the shareholders who did not opt for the scrip dividend amounted to €138 million.

Share buyback program

On August 31, 2021, 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 2,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from August 31, 2021 up until October 29, 2021. 2,000,000 EssilorLuxottica's shares were acquired over the announced period at an average price of €167.32 for a total cash out of approximately €335 million. 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. Therefore, these shares were booked within the marketable securities, see Note 8 - Marketable securities.

Covid-19 outbreak

The Covid-19 pandemic had significant negative impacts, affecting the business activities and revenues of the Company' subsidiaries in all of the geographies, in particular in the first semester of 2020. In 2021, notwithstanding the Covid-19 pandemic continued to affect business activities in the first part of the year, the Group's performance showed a return to growth. 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. This value in use being higher than the carrying value, no Impairment was recorded in 2021.

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 change in the 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 n°. 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.

By the adoption of the amendment dated November 5, 2021 of the ANC Recommendation n°. 2013-02 of November 7, 2013, the Company decided to spread the cost related to the benefit obligation over the period on which provided services by the beneficiaries lead to benefits on not anymore over the employment period. This option was recognized by the Company as a change in accounting policy leading to a decrease of the provision for pension as of January 1, 2021. Accounting consequences are presented in Note 15.1. Pension and other post-employment benefit obligations.

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.

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. 2014-03, 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.

1.11. Climate and environmental risks

Together with its affiliated companies, EssilorLuxottica's exposure to the consequences of climate change is deemed to be limited due to the nature of the activities. Nonetheless, in July 2021, the Company announced its new approach to sustainability, titled *Eyes on the Planet*, which was built around, among the others, the following pillars.

- *Eyes on Carbon*: EssilorLuxottica is working toward achieving carbon neutrality across its direct operations (scope 1 & 2 emissions) by 2025, starting in Europe by 2023. During the course of 2021, the Company invested in renewable electricity, such as solar and biomass heating systems, photovoltaic installations as well as in philanthropic initiatives (such us the major forest restoration project of 30 hectares in the foothills of the Dolomites near one of the Company's main production plant in Agordo, Italy).
- *Eyes on Circularity*: EssilorLuxottica is reassessing its production cycle, including a shift from fossil-based materials to bio-based materials, which produce fewer emissions, biodegrade, and are easier to recycle. This is reflected in the Company's investment in Mazzucchelli 1849 S.p.A. (see Note 12 – Investments in associates) to develop and produce a highly sustainable type of acetate as well as Arnette and Costa's new sustainable collections.

The deployment of these initiatives is reflected in the 2022 budget and in the medium-term projections used to determine the value in use of the equity investments.

Note 2 Operating expenses

The other external purchases and expenses mainly comprise fees, costs for bank and consulting services and consulting as well as lease costs, increasing by €33 million compared with 2020.

This increase is driven by the personnel expenses (an increase of €33 million compared to 2020) mainly coming from:

- costs related to the performance shares plans (PSP) awarded to employees and corporate directors of the Company increasing by (€14 million);
- social charges on PSP increasing by (€4 million);
- and a one-off income occurred in 2020 related to pensions (€9 million) as presented in Note 15 Information on employees.

External purchases and expenses remain flat compared to 2020.

Note 3 Financial income

€ millions	2021	2020
Interest expenses	(37)	(43)
Dividends[(a)]	14	655
Impairment (loss) reversal	4	1
Currency exchange[(b)]	0	12
Other	0	0
TOTAL	**(18)**	**625**

(a) For fiscal year 2021, the line item Dividends comprises €14 million in payment by Essilor Korea Co., Ltd. For 2020, this line comprised a distribution of reserves from Essilor International of €647 million and €8 million in payment by Essilor Korea Co., Ltd.
(b) The line item Currency exchange in 2020 mainly included the reversal by €12 million of a portion of the foreign currency adjustment from the partial contribution of assets in 2017.

Note 4 Non-operating income (expense), net

The non-operating loss amounted by €105 million (loss amounted to € 28 million in 2020) mainly comes from:

- cost of the shareholding programs dedicated to Group employees and delivered with treasury shares (€82 million) of which remeasurement of the performance shares plans (PSP) (€45 million), new PSP awarded in 2021 (€18 million) and disposal of shares within the Boost program (€19 million). These costs are presented net of the recharges to Group entities
- tax-driven provisions on acquisition cost for €23 million and related to amortization of the capitalized acquisition costs on investments.

Note 5 Corporate income tax

5.1. Profit excluding tax assessments

€ millions	2021	2020
Profit (loss) for the year	(153)	613
Corporate income tax (income)/expense	(22)	(39)
Pre-tax profit (loss)	(175)	574
Change in tax-driven provisions	23	18
Pre-tax profit (loss), excluding tax assessments	(152)	592

5.2. Breakdown of corporate income tax

The breakdown of corporate income tax between ordinary and non-recurring items is the following:

2021 *€ millions*	Before tax	Corresponding tax	After tax
Profit (loss) from ordinary operations	(70)	22	(48)
Profit (loss) from non-recurring items	(105)	-	(105)
PROFIT (LOSS)			**(153)**

2020 *€ millions*	Before tax	Corresponding tax	After tax
Profit from ordinary operations	602	39	641
Profit (loss) from non-recurring items	(28)	-	(28)
PROFIT			**613**

5.3. Increases and reductions in future tax liabilities

5.3.1. Assets

No deferred tax assets were recognized in the balance sheet.

€ millions	2021	2020
Provisions for retirement obligations	0	1
TOTAL	**0**	**1**
Loss carry-forwards[a]	**160**	**146**
Future income tax rate	25.83%	28.41%
Corporate income tax	41	42

(a) This is the cumulative loss carry-forward of the consolidated tax group. EssilorLuxottica expects to use its loss carry-forwards.

5.3.2. Liabilities

No deferred tax liabilities were recognized in the balance sheet.

€ millions	2021	2020
Additional tax depreciation	63	40
TOTAL	**63**	**40**
Future income tax rate	25.83%	28.41%
Future tax liabilities	16	11

Note 6 Financial assets

6.1. Summary

2021 *€ millions*	Carrying amount at January 1, 2021	Increases	Decreases	Other changes	Provisions for the fiscal year	Reversals for the fiscal year	Carrying amount at December 31, 2021
Equity investments[a]	27,763	7,222	-	32	-	-	35,017
Receivables from equity investments[b]	616	773	(764)	-	-	-	625
Other long-term investments (treasury shares)[c]	42	-	(42)	-	-	-	0
Long-term portfolio securities[d]	-	50	-	-	-	-	50
Other long-term financial investments[e]	32	-	-	(32)	-	-	0
Gross value	**28,453**	**8,045**	**(806)**	**-**	**-**	**-**	**35,692**
Impairment	4	-	(4)	-	-	-	-
NET VALUE	**28,449**						**35,692**

(a) Increase in equity investments is due to the acquisition of GrandVision (99.84% of the ordinary shares), including capitalized acquisition costs for €51 million.
(b) As of December 31, 2021, receivables from equity investments correspond to a loan granted to Luxottica Group S.p.A. for €.500 million with a maturity date in February 2024 and a new loan granted in December 2021 to Luxottica France for €125 million with a maturity date in April 2024.
(c) Transfer of treasury shares reserved to Group employees under the international employee share ownership plan.
(d) EssilorLuxottica acquired a minority interest in Synsam Group, a listed Sweden company in the Optical retail industry. The interest is of 6.6%. Gross value of this investment is approximately €50 million with a fair value at year-end at €70 million, this fair value is based on the Synsam average share price in December 2021.
(e) Reclassification of the GrandVision acquisition costs which were classified as acquisition costs in progress as of December 31, 2020, the transaction being completed as of July 1, 2021.

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 3 1, 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.

6.2. Subsidiaries and equity investments

Subsidiaries and equity investments held by EssilorLuxottica at December 31, 2021 (all at least a 50% interest):

€ millions	Share capital	Other equity	Share of capital held *(%)*	Carrying amount of shares held		Loans and advances granted and not yet repaid	Guarantees and endorse-ments granted	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	3,816	100%	22,125	22,125	500	-	3,197	381	-
Essilor International (SAS)	278	6,512	100%	5,487	5,487	-	-	1,288	470	-
GrandVision N.V.	5	1,306	99.84%	7,254	7,254	-	-	13	296	-
Essilor Manufacturing India Pvt Ltd	27	7	100%	28	28	-	-	34	(9)	-
Essilor India Pvt Ltd	114	(26)	100%	115	115	-	-	48	(17)	-
Essilor Korea Co Ltd	1	28	50%	3	3	-	-	26	34	14
ONBITT Co Ltd	0	4	51%	5	5	-	-	8	2	-

Luxottica Group S.p.A. is an Italian company. With its subsidiaries, the company 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. With its subsidiaries, the company designs, manufactures and markets a wide range of lenses to improve and protect eyesight and develops and markets equipment for prescription laboratories and instruments and services for eye care professionals.
GrandVision N.V. is a Company based in The Netherlands. With its subsidiaries, the company is a global leader in optical retail through a global retail network of more than 7,200 stores in approximately 40 countries. Well-known local retail brands include Apollo-Optik, Générale d'Optique, GrandOptical, Pearle, MasVision in and Vision Express.

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, particular:

- for the Investment in Luxottica Group S.p.A. and in GrandVision, companies owned at 100% and 99.84% respectively, the value in use is based on future cash flow projections generated by its business. These future cash flow projections rely on the 2022 budget estimate and on a business plan covering a three-year period up to 2024 for Luxottica and a five-year period up to 2026 for GrandVision. The applied weighted average cost of capital (WACC) is 6.4% - (6.5% in 2020). At December 31, 2021, the value in use of each equity investment is higher than the carrying amount;
- for the Investment in Essilor International (SAS), company owned at 100%, the value in use, based on the value of the investments in the subsidiary's equity, is higher than the carrying amount as of December 31, 2021.

Note 7 Current assets

7.1. Maturities of receivables

€ millions	At December 31, 2021
More than one year	-
Less than one year	**206**
Trade and related receivables	0
Other receivables[(a)]	206
TOTAL	**206**

(a) The line item Other receivables primarily comprises €152 million invoicing of the performance share plans awarded since November 29, 2018, a tax receivables of €37 million, as well as a tax consolidation current account balance of €15 million.

7.2. Accrued income

€ millions	At December 31, 2021	At December 31, 2020
Receivables:		
• Unbilled revenue (trade receivables)	2	1
• Other receivables[(a)]	786	337
TOTAL	**788**	**338**

(a) The line item Other receivables mainly comprises accrued income for rebilling the cost of the performance share plans awarded since November 29, 2018 for €753 million as of December 31, 2021 (€325 million in 2020).

7.3. Cash instruments

€ millions	At December 31, 2021	At December 31, 2020
Hedging instruments[(a)]	28	(27)
TOTAL	**28**	**(27)**

(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

€ millions	At December 31, 2021		At December 31, 2020
	Gross	Net	Net
SICAV (open-ended collective investment scheme)[(a)]	0	0	324
Time deposit[(b)]	1,495	1,495	3,285
Treasury shares[(c)]	231	231	159
TOTAL	**1,726**	**1,726**	**3,768**

(a) SICAV are short-term investments subject to an insignificant risk of changes in value.
(b) Time deposit are another category of marketable securities subject to an insignificant risk of changes in value. At the end of 2021, all the time deposits are expressed in Euro. At the end of 2020, times deposits comprises Times of deposit in USD for USD 110 million (€90 million) and Times of deposit in Euro for €3,195 million.
(c) Treasury shares classified in Marketable securities are held with the intention to be awarded or transferred to employees and corporate directors of EssilorLuxottica, affiliated companies. The net increase by €72 million over 2021 comes from a share buyback program executed over a period starting on August 31, 2021 and ending on October 29, 2021 for €335 million partially offset by shares definitely awarded or transferred to Group's employees and corporate directors for €263 million. Variation about the quantity of treasury shares over 2021 is detailed in Note 10 - Shareholders' equity.

Note 9 Prepaid expenses

€ millions	At December 31, 2021	At December 31, 2020
Prepaid expenses related to:		
Operating	2	6
Financing[a]	18	21
TOTAL	**21**	**27**

(a) The line item corresponds to the borrowing costs.

Note 10 Shareholders' equity

10.1. Changes in share capital

	Number of shares					
	At January 1, 2021	Issued	Cancelled	Exchanged	At December 31, 2021	Par value *(in euros)*
Ordinary shares	439,000,648	2,924,385	-	-	441,925,033	0.18
TOTAL	**439,000,648**	**2,924,385**	**-**	**-**	**441,925,033**	**0.18**

Of which treasury shares

	Number of shares				
	At January 1, 2021	Share Buyback	Group employee stock transfer plan	Shares vested[b]	At December 31, 2021
Other long-term investments	436,459	-	-	(436,459)	-
Marketable securities[a]	1,550,000	2,000,000	(390,665)	(1,776,574)	1,382,761
TOTAL	**1,986,459**	**2,000,000**	**(390,665)**	**(2,213,033)**	**1,382,761**

(a) Recognized as marketable securities (see Note 8 - Marketable securities)
(b) Shares vested correspond to treasury shares definitively granted during the year to employees and corporate officers of EssilorLuxottica and related companies under performance share plans, restricted share plan and stock option plans authorized since November 29, 2018.

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, 2021	**79**	**22,061**	**1,505**	**613**	**40**	**24,298**
Capital increases:						
• Stock options	0	3	-	-	-	3
• Performance share plans	0	-	(0)	-	-	0
• FCP mutual funds	0	26	-	-	-	26
Other changes in the fiscal year	-	(0)	0	-	23	23
Profit appropriation	-	-	613	(613)	-	-
Profit for the fiscal year	-	-	-	(153)	-	(153)
Dividend paid	0	335	(473)	-	-	(138)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2021	**80**	**22,425**	**1,645**	**(153)**	**63**	**24,060**

Share capital amounted to €79,546,505.94 reflecting the increase of 2,924,385 ordinary shares as a result of the transactions related to:

- scrip dividend (2,687,685 shares);
- subscription to EssilorLuxottica group FCP mutual funds (177,863 shares);
- new shares delivered under performance share plans (30,782 shares);
- stock options exercised (28,055 shares).

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.

Stock purchase options are subject to a provision for risks for €23 million before recharge to Group subsidiaries, see Note 11 - Provisions.

The following table shows changes in the number of outstanding stock options at year-end:

	Number of stock options at January 1, 2021	Options granted	Stock options cancelled or expired	Stock options exercised	Number of stock options at December 31, 2021
Stock subscription options	204,564	-	(570)	(77,914)	126,080
Stock purchase options	352,925	121,868	(24,339)	(6,516)	443,948
TOTAL	**557,489**	**121,868**	**(24,909)**	**(84,430)**	**570,018**

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:

- 2021 awards: 2,900,311 shares;
- 2020 awards: 2,231,651 shares;
- 2019 awards: 2,322,966 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. The amount of this provision is €821 million, before recharge to Group subsidiaries as of December 31, 2021.
- 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, 2021	Performance shares granted in the period	Performance shares cancelled	Fully vested performance shares	Number of performance shares at December 31, 2021
Performance shares	6,877,561	2,900,311	(595,050)	(1,925,847)	7,256,975
TOTAL	**6,877,561**	**2,900,311**	**(595,050)**	**(1,925,847)**	**7,256,975**

10.3.3. Allocation of restricted shares to Luxottica Group's employees

The restricted shares plan which is a long-term incentive plan without any performance condition and awarded to Luxottica Group's employees was delivered by using treasury shares in March 2021.

The following table shows changes in the number of EssilorLuxottica outstanding shares subject to the restricted shares plan over 2021:

	Number of conditional shares at January 1, 2021	Shares granted in the period	Conditional shares cancelled	Fully vested conditional shares	Number of conditional shares at December 31, 2021
Restricted shares	782,650	-	(1,900)	(780,750)	-
TOTAL	**782,650**	**-**	**(1,900)**	**(780,750)**	**-**

10.3.4. Employee stock purchase plan

The main characteristics of the Employee stock ownership plan are as follows:

In €	2021	2020
Share subscription price	147.63	90.52
Total discount amount	36.91	22.63
Number of shares subscribed	177,863	316,961

Note 11 Provisions

2021 *€ millions*	Carrying amount at January 1, 2021	Provision allowances for the fiscal year	Reversals for the fiscal year (used)	Reversals for the fiscal year (not used)	Carrying amount at December 31, 2021
Provision on allocation of shares and options[(a)]	368	650	(173)	-	844
Provisions for pensions	1	1	-	(1)	1
TOTAL	**369**	**651**	**(173)**	**(1)**	**845**

(a) The provision allowances for the fiscal year for the performance shares and stock purchase options corresponds to the cost related to plans granted in 2021 (€175 million) and to the remeasurement of the performance share plans granted between November 2018 and December 2020 (€441 million) based on the financial current market conditions at year-end. Reversals booked over the year are related to performance and restricted share plans delivered in 2021 (releases related to the plan subject to a presence conditions for €75 million and the 2018 performance share plans for €98 million).

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.

Note 12 Financial liabilities

12.1. Maturities of financial liabilities

12.1.1. Breakdown of financial liabilities by maturity and category

€ millions	At December 31, 2021	At December 31, 2020
Due in less than one year	**3,029**	**1,341**
US private placements[(a)]	177	-
Bonds[(a)]	265	500
Interest on bonds and US private placements[(a)]	35	39
US commercial paper programs	-	-
Loans from subsidiaries[(b)]	2,524	761
Other financial liabilities	28	41
Due between one and five years	**5,079**	**4,260**
US private placements[(a)]	26	188
Bonds[(a)]	5,050	4,044
Other financial liabilities	3	28
Due in more than five years	**3,838**	**5,081**
US private placements[(a)]	88	81
Bonds[(a)]	3,750	5,000
TOTAL	**11,946**	**10,682**

(a) Corresponds to the balance sheet line item Bonds amounting to €9,391 million.
(b) Corresponds to loans granted by EOA Holding Co. Inc. for USD 2,030 million (€1,793 million), by Luxottica Group Spa for €535 million, by Luxottica Retail Australia Pty. Ltd for AUD 220 million (€141 million), by Luxottica South Pacific Holdings Pty. Ltd for AUD 65 million (€41 million), by Luxottica Retail New Zealand Ltd for NZD 24 million (€14 million) and the related accrued interest not yet due.

12.1.2. Breakdown of financial liabilities by currency

€ millions	At December 31, 2021	At December 31, 2020
EUR	9,394	9,401
USD	2,355	1,196
AUD	183	78
NZD	14	7
TOTAL	**11,946**	**10,682**

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	At December 31, 2021	At December 31, 2020
Due in less than one year	**1,638**	**312**
Operating liabilities	22	19
Other liabilities[(a)]	1,616	293
Due in one to five years	**-**	**-**
Due in more than five years	**-**	**-**
TOTAL	**1,638**	**312**

(a) The line item Other liabilities primarily comprises a €1,560 million current account balance between EssilorLuxottica and Essilor International (SAS) at December 31, 2021. At December 31, 2020, the balance of this current account was €247 million.

12.3. Accrued expenses

€ millions	At December 31, 2021	At December 31, 2020
Accrued interest on borrowings	35	39
Accrued taxes and personnel expenses	9	6
Other operating liabilities	9	12
TOTAL	**53**	**57**

Note 13 Foreign currency translation adjustments

€ millions	At December 31, 2021	At December 31, 2020
Foreign currency translation adjustment – unrealized currency gain[(a)]	36	36
TOTAL	**36**	**36**

(a) The partial asset contribution in 2017 generated an €80 million unrealized currency gain, partially reversed since this date.

Note 14 Off balance sheet commitments

14.1. Financial commitments

Confirmed undrawn credit lines at December 31, 2021 amounted to €2,243 million.

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, 2021
Cross country swaps (Buy USD/Sell EUR)	543	16
Forex swaps – forward purchases	2,071	1
TOTAL		**17**

14.1.2. Interest rate instruments

In millions of currency units	Notional in USD	Notional in EUR	Market value at December 31, 2021 *(€)*
Interest rate swaps – pay variable rate	300	300	16
TOTAL	**300**	**300**	**16**

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 2021

	Payments due by period			
€ millions	Less than 1 year	1 to 5 years	More than 5 years	Total
Operating leases	1	6	2	9
TOTAL	**1**	**6**	**2**	**9**

14.4. Commitment relating to the GrandVision offer

With the statutory buy-out proceedings initiated by EssilorLuxottica, the remaining outstanding shares to be acquired represents a consideration to pay amounting at approximately €8 million, corresponding to a price per share at €28.42.

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 2021 were the inflation rate (1.8%), staff turnover rate, salary increase rate (between 1.8% and 4%) and the discount rate (1.10%).

The total benefit obligation was estimated at €7 million.

€ millions	At December 31, 2021	At December 31, 2020
Present value of the obligation	7	13
Market value of fund assets	(6)	(17)
Deferred items[(a)]	(2)	(1)
PROVISION (ASSETS) RECOGNIZED IN THE BALANCE SHEET	**(1)**	**(5)**

(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

€ millions	At December 31, 2021	At December 31, 2020
Present value of the obligation	0	1
PROVISION RECOGNIZED IN THE BALANCE SHEET	**0**	**1**

15.1.3. Expense for the fiscal year

€ millions	2021	2020
Current service cost	1	1
Interest on benefit obligation	-	0
Contributions paid	-	-
Curtailment	2	(8)
Benefits paid	-	-
Actuarial gains (losses)	-	1
EXPENSE (INCOME) FOR THE FISCAL YEAR	**3**	**(6)**

The application of the amendment as of November 5, 2021 of the ANC recommendation n° 2013-02 of November 7, 2013 has been defined as a change in accounting policy of which the accounting consequence as of January 1, 2021 is a decrease of the provision for pension by €0.1 million and an increase of the retained earnings for the same amount.

15.2. Average number of employees

Breakdown of average number of employees	2021	2020
Managerial personnel	17	16
Supervisors and employees	1	1
TOTAL	**18**	**17**

15.3. Compensation of executive officers

€ millions	2021	2020
Executive bodies[a]		
Compensation received[b]	6	2
Benefit payable on retirement (actuarial value)	0	1
Supplementary retirement benefit (actuarial value)	6	11
Value of performance shares granted during the year[b]	6	2
Administrative bodies		
Compensation received	2	1

(a) The amounts shown for fiscal year 2021correspond to the compensations and benefits for Leonardo Del Vecchio, Francesco Milleri and Paul du Saillant for their respective functions of Chairman, Chief Executive Officer and Deputy Chief Executive Officer in 2021. For the year 2020, amounts corresponds 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 office 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) Compensation paid by EssilorLuxottica or by one of its subsidiaries.
(c) 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

Subsequent events described below refer to the period from January 1, 2022 until March 10, 2022, the date of approval by EssilorLuxottica Board of Directors of these financial statements.

17.1. Share buyback program

On February 1, 2022, EssilorLuxottica announced the launch of a share buyback program reflecting the Group's confidence in its value creation and long-term prospects.

With a view to implementing this share buyback program, EssilorLuxottica has granted a mandate to an investment services provider for the purchase of up to 1,500,000 EssilorLuxottica shares, depending on market conditions, over a period starting from February 1, 2022, up until March 31, 2022.

1,500,000 EssilorLuxottica's shares have been acquired during the first days of February at an average price of €174.14 per share.

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 launched this share buyback program in accordance to the 10th resolution approved by the Annual General Meeting of May 21, 2021.

1,500,000 EssilorLuxottica's shares have been acquired during the first days of February at an average price of €174.14 per share.

17.2. GrandVision delisting

As mentioned in the paragraph Significant events of the year the listing and trading of GrandVision's shares on Euronext Amsterdam terminated on January 10, 2022. The last trading day of GrandVision shares was January 7, 2022.

17.3. Walman acquisition

On March 1, 2022, EssilorLuxottica announced the closing of its acquisition of U.S. based lab network Walman Optical, a leading lab partner to vision care practices around the country. First announced in March 2021, the acquisition will draw on EssilorLuxottica's focus on product and service innovation to create growth opportunities for Walman Optical.

17.4. European divestment

On March 2, 2022, EssilorLuxottica, GrandVision and Vision Group, one of the largest distribution networks for Italian opticians and a retail player under the VisionOttica banner, announced that the companies have completed the transaction for Vision Group to acquire the VistaSì chain in Italy, including the brand and all the 99 stores, and 75 GrandVision stores in the country. This follows the commitments agreed upon with the European Commission on March 23, 2021, as part of the acquisition of GrandVision by EssilorLuxottica. EssilorLuxottica, GrandVision and Vision Group confirmed that European Commission has approved the transaction.

4.6 Other information related to the financial statements of EssilorLuxottica

4.6.1 Sumptuary expenses

Absence of sumptuary expenses.

4.6.2 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	63	7	9	0	27	43
Total amount of invoices concerned (all taxes excluded)	2	3	2	1	3	9
Percentage of total amount of purchases of FY (all taxes included)	19.5%	0.3%	0.2%	1.1%	4.1%	4.6%
(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					

4.6.3 Profit (and other characteristic items) of the last five fiscal years

Share capital at year-end *€ millions*	At December 31, 2021	At December 31, 2020	At December 31, 2019	At December 31, 2018[e]	At December 31, 2017
Share capital	80	79	79	77	39
Number of ordinary shares outstanding	441,925,033	439,000,648	437,533,516	426,777,218	219,125,439
of which treasury shares	1,382,761	1,986,459	787,310	1,099,757	1,344,427

Transactions and results of the year *€ millions*	2021	2020	2019	2018	2017
Net revenue	-	-	-	-	-
Profit before tax and calculated expenses (amortization and provisions)	314	671	(60)	195	50
Corporate income tax	(22)	(39)	(6)	0	(19)
Profit after tax and calculated expenses (depreciation, amortization and provisions)	(153)	613	(58)	395	9
Dividends	1,111[a]	977[b]	-[c]	887[d]	333

Earnings per share *In €*	2021	2020	2019	2018[e]	2017
Earnings per share, after tax and employee profit-sharing, but before calculated expenses (depreciation, amortization and provisions), excluding treasury stock	0.76	1.62	(0.12)	0.45	0.32
Earnings per share, after tax and employee profit-sharing, calculated expenses (depreciation, amortization and provisions), excluding treasury stock	(0.35)	1.40	(0.13)	0.90	0.04
Net dividend per ordinary share	2.51[a]	2.23[b]	-[c]	2.04[d]	1.53

Personnel *€ millions, except for average number of employees*	2021	2020	2019	2018	2017
Average number of employees in the year	18	17	12	10	1
Total payroll	9	5	5	4	1
Total employee benefits	11	3	7	(2)	1

(a) Subject to the decision of shareholders at the Annual Shareholders' Meeting of May 25, 2022. The dividend will be deducted from *Other reserves*.
(b) 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 in December 2020 for a global amount of €503 million.
(c) On April 18, 2020, in light of the current Covid-19 outbreak, the Board of Directors decided not to submit a dividend for 2019 to the Annual Shareholders' Meeting of June 25, 2020.
(d) Including the proportion of distributable reserves.
(e) The 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.

4.7 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, 2021

To the Annual Shareholders' Meeting of EssilorLuxottica,

Opinion

In compliance with the engagement entrusted to us by your Annual Shareholders' Meeting, we have audited the accompanying financial statements of EssilorLuxottica for the year ended December 31, 2021.

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, 2021 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, 2021 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.

Emphasis of matter

We draw attention to the following matter described in Note 1.6 and 15.1 Pension and other post-employment benefit obligations to the financial statements relating to the application, since January 1st, 2021, the ANC recommendation n° 2013-02, amended on November 5, 2021, relating to the distribution of benefit rights for defined benefit plans. Our opinion is not modified in respect of this matter.

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 of December 31, 2021, gross and net equity investments amount to 35,017 m€ and represent 91% of the Company total assets. Equity investments are initially valued and recorded at their acquisition cost or contribution value.

As of December 31, 2021, the Luxottica Group S.p.A., Essilor International (SAS) and GrandVision N.V. investments value (which accounts for 99.6% of the Equity investments) were measured at their value in use, based on a multi-criteria approach taking into account the proportional value of the investments in the subsidiary's equity and future cash flow 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 2021 year-end value of equity investments;
- assessing key assumptions and estimates used by Management to determine the value in use, notably the discounted cash-flows used for Luxottica Group S.p.A and GrandVision N.V. investment valuations;
- verifying the appropriateness of the information included in notes 1.2 Accounting policies – Financial assets and note 6. Financial assets to the statutory financial statements.

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 the 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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that 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), prepared under the responsibility of the CEO, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Essilor International (Compagnie Générale d'Optique), subsequently renamed EssilorLuxottica, by the Annual Shareholders' Meeting held on June 14, 1983 for PricewaterhouseCoopers Audit and on May 11, 2007 for Mazars.

As at December 31, 2021, PricewaterhouseCoopers Audit was in its thirty-nine year of uninterrupted engagement and Mazars in its fifteenth year of uninterrupted engagement.

Responsibilities of Management and those charged with governance for the financial 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 18, 2022

The Statutory Auditors

French original signed by

Mazars		PricewaterhouseCoopers Audit	
Jean-Luc Barlet	Guillaume Devaux	Stéphane Basset	Cédric Le Gal

5

Chapter 5

Social, environmental and societal information

(2021 non-financial statement of EssilorLuxottica)

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5.1 EssilorLuxottica's approach to Sustainable Development

Introduction

To help everyone everywhere "see more and be more". 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. Doing good for its customers, consumers and communities while doing good for the planet is at the heart of the company-wide sustainability program called "Eyes on the Planet" launched in July 2021. Its commitments towards carbon neutrality, circularity, world sight, inclusion, and ethics reaffirm how its Mission, sustainability and business strategy are strongly intertwined at EssilorLuxottica. From fighting climate change, managing and reducing water usage at manufacturing sites, improving occupational health and safety, and ensuring equal opportunities to developing innovative inclusive business models, the "Eyes on the Planet" program consistently supports the Group Mission (See Section 5.2.3).

In executing its sustainability strategy, the Company contributes to the achievement of 13[(1)] of the 17 UN Sustainable Development Goals (SDGs) that form the 2030 Agenda. To this regard, EssilorLuxottica welcomed the UN resolution on vision. The inclusion of eye care in the Sustainable Development Goals supports EssilorLuxottica's own ambition to eliminate uncorrected poor vision in a generation.

This Chapter represents the Group's non-financial statement pursuant to article L.225-102-1 II of the French Commercial Code. Furthermore, the 2021 non-financial performance is described following the five pillars of the Company's sustainability program "Eyes on the Planet" and in accordance with other major sustainability-related regulations, such as the Duty of Care (see Section 5.2.5) and the EU Taxonomy for sustainable activities (see Section 5.1.5).

5.1.1 Business model and environmental and social challenges

At EssilorLuxottica, value creation and sustainable growth go hand-in-hand with employee well-being, environmental sustainability and social impact across regions and businesses. As described in Chapter 1 of this Universal Registration Document, 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. Together, they create a vertically integrated business that is uniquely positioned to address the evolving vision needs of all consumers and the global demand of a growing industry.

From design and engineering to store delivery, EssilorLuxottica oversees every aspect of its eyecare and eyewear businesses across all stages of the value chain, with a strong focus on manufacturing excellence, service and a geographically diversified footprint:

- *Manufacturing capabilities:* The Company's manufacturing capabilities, including 39 corrective and plano lens mass production facilities and 14 eyewear mass production plants, 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:* In total 564 prescription laboratories and edging-mounting facilities around the world, of which 486 proximity laboratories and 78 industrial laboratories including 15 integrated lens and frame laboratories that produce complete-pair offerings, make up the final link in the value chain. They are crucial for ensuring quality and conformity before the product is delivered to customers or to the Company's stores. The environmental footprint of the lens laboratories is fragmented and limited, and is derived 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, production plants, prescription lens laboratories, wholesale clients, retail stores and e-commerce customers. Most of the environmental impact of these centers – 14 lens distribution centers and 23 eyewear distribution centers – 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.
- *Professional solutions network:* The Company serves third-party eye care professionals ranging from independent opticians to optical retail banners, as well as specialty sun retailers, sport channels offering Oakley and Costa branded eyewear, apparel, footwear and accessories, and department stores and duty-free shops. EssilorLuxottica also counts among its partners third-party e-commerce platforms and independent distributors who provide vision care in remote and rural communities in underserved regions. To this regard, the Group's 2.5 New Vision Generation (2.5 NVG) inclusive business program provides vision care to underserved populations without access to conventional distribution channels (see Section 5.2.3).

  Pre and post-sale services, training and development programs, information security and data protection, digital tools that connect the Group's operations to its customers and consumers, and digital support for eye care professionals 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 social impact on local employees (*e.g.* development opportunities and mobility) and communities (*e.g.* access to quality eyecare).

(1) SDG 3 "Good health and well-being", SDG 4 "Quality education", SDG 5 "Gender equality", SDG 6 "Clean water and sanitation", SDG 7 "Affordable and clean energy", SDG 8 "Decent work and economic growth", SDG 9 "Industry, innovation and infrastructure", SDG 10 "Reduced inequalities", SDG 11 "Sustainable cities and communities", SDG 12 "Responsible consumption and production", SDG 13 "Climate action", SDG 16 "Peace, justice and strong institutions", SDG 17 "Partnerships for the goals"

- *Direct to Consumer network:* With approximately 18,000 stores globally and e-commerce platforms, EssilorLuxottica serves the end consumer with a wide range of prescription frames and sunglasses, lens options and eyecare services. Engaging websites, omnichannel solutions and continuous training for store employees translates into an increase in consumer awareness around vision care as well as digitally enhanced consumer experiences and services. The monitoring of energy consumption in 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:* EssilorLuxottica has built a powerful global R&D network supported by leading scientific, industrial and academic communities, and centered on four main initiatives: enhancing vision, upgrading eye exams, powering style and making eyewear smart. Thanks to talented and experienced teams, the Company owns more than 11,000 patents and creates over 3,500 new eyewear models every year. In this context, the Group places the emphasis on talent management and business partner relationships as well as on product sustainability.

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 5.1.4). 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 5.2.3).

5.1.2 Stakeholder engagement

EssilorLuxottica's approach to sustainable development relies heavily on the environmental and social impact 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. The EssilorLuxottica Code of Ethics sets forth principles that apply to all its employees, contractors, vendors and suppliers everywhere and in every circumstance.

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;
- involve stakeholders in strategic decisions through customer satisfaction surveys, employee opinion surveys, forums, training sessions, etc.;
- inform stakeholders by providing reliable, factual data using different communication methods, including brochures, websites, annual reviews and questionnaires;
- 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 its corporate website and via social media.

The table below presents the main topics related to stakeholder engagement.

Main Stakeholders	Main Issues
Employees and representative organizations (*e.g.* trade unions)	Quality of working conditions Work-life balance Recruitment/Attracting and retaining talents 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.* eye care professional or ECPs)	High quality and innovative products High quality customer service and 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 and 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 and supplier CSR audit/responsible sourcing Respect for Human Rights
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 and 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

5.1.3 Governance

The EssilorLuxottica Corporate Social Responsibility (CSR) Committee consists of three members, two of which are Independent Directors. It is chaired by an Independent Director. 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 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 how the Company manages its economic, social and environmental impacts as well as its relationships with stakeholders.

The Committee is notably 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 and well-being, diversity and inclusion, and sustainability reporting and disclosure;
- ethics and compliance matters, including core values, principles and sustainability-related regulations.

The CSR Committee also coordinates its work with the Audit and Risk Committee for all matters related to its areas of intervention. For more details on EssilorLuxottica's CSR Committee, see Chapter 3 of this Universal Registration Document.

In 2021, the EssilorLuxottica CSR department was created, fully integrating the CSR functions of Essilor and Luxottica and directly reporting to the Chief Executive Officer, to lead efforts on environmental and social challenges and enhance the development of the company-wide sustainability strategy and roadmap.

The role of the CSR department is to involve and coordinate with other departments, functions, business units and brands in the co-construction and execution of the "Eyes on the Planet" sustainability program at global and local levels in a way that it is consistent with EssilorLuxottica's Mission and business strategy (See Section 5.2). This translates into the following main responsibilities:

- ensuring effective management of environmental and social issues along the value chain;
- advancing the Company's culture on sustainability topics while supporting communication inside and outside the organization;
- guaranteeing compliance to non-financial disclosure and other major sustainability related regulations;
- identifying and managing CSR risks in coordination with the Group Risk Management department;
- providing guidance and expertise on delivering the Group sustainability strategy at local or brand level as well as driving bottom-up actions for improving the Company's sustainability efforts on the ground;
- sensitizing the organization to sustainability-related topics, such as eco-design, human rights, and diversity and inclusion.

5.1.4 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 toward events that could negatively affect the safety or well-being of employees, consumers and other stakeholders or endanger the natural environment.

This Chapter 5 focuses on topics that were highlighted as most important during the annual CSR risk assessment, which was part of the EssilorLuxottica group-wide risk assessment 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 CSR functions of EssilorLuxottica in the last quarter of 2021. It covered all of the Company's regions, legal entities and activities (see Chapter 1 of this Universal Registration Document).

After identifying the Group risk factors having a CSR dimension within the Group risk taxonomy, an extensive review of internal and external information sources (*e.g.* regulatory and standards frameworks, rating agencies, institutional investor requests, market trends, customer expectations and sectoral risk reports) led to their breakdown into several CSR risk factors, each with a detailed definition. These factors were then assessed according to impact, likelihood and mitigating measures by cross-referencing survey results, interviews, internal workshops, external documentation and facts.

Nine CSR risk factors were identified as most relevant for the business and were regrouped into six priority categories: climate change, sustainable offering, talent management, human rights, supplier sustainability and business ethics (see Section 5.4 Methodology note).

CSR risk description and mitigation measures

The tables below describes the nine CSR risk factors and related mitigation measures for the six priority CSR risk categories:

Climate Change

CSR Risk Factor	CSR Risk Description	Mitigation Measures
Climate Resilience	Climate change is increasingly becoming a global emergency, making it necessary for businesses to be resilient. With its international footprint, the Group can be exposed to, on the one hand, natural disruptive events (*e.g.* hurricane, floods) or long-term shift in climate patterns (*e.g.* raising temperatures); and on the other hand, to regulatory or market changes related to climate transitions. Such risks may be more probable in countries defined as "at risk" due to their geographical position and strategic relevance for the Group's production. The difficulties in adapting to related consequences may lead to business disruptions or higher operational costs.	EssilorLuxottica has designed a physical climate risk model and a framework of climate resilience review to assess the risk exposure of key manufacturing sites. To mitigate the risks, the Group is continuously monitoring and updating its Business Continuity Plans and Disaster Recovery Plans, scheduling climate risk investigations before building facilities and providing alternative scenarios in case the Group's main facilities are forced to close for several months. 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. To assess the progress of different programs, the Group monitors specific indicators such as the number of climate resilience reviews performed during the year. For further details, see Section 5.2.1.
Carbon Neutrality	The Group may encounter difficulties in reaching its carbon neutrality goal as it could indeed face challenges implementing actions to reduce carbon emissions across its business. The risk may be exacerbated by the Group's inability to track the effectiveness of existing actions and consequent missed opportunities. Moreover, delays in delivering the EssilorLuxottica climate roadmap may be caused by a lack of proper organization, expertise and resources, further impacting the Group reputation and its external perception.	In line with the "Eyes on the Planet" programme, EssilorLuxottica has developed a Carbon Neutrality roadmap to limit its reliance on fossil fuels and reduce its greenhouse gas (hereafter GHG) emissions. Key actions include: • regular reporting of GHG emissions for scope 1, scope 2 and scope 3 transportation emissions; • completing the carbon footprint assessment to evaluate the Group's overall GHG portfolio; • optimizing its production process and equipment to continuously improve energy efficiency; • investing in renewable energy production (*e.g.* solar and biomass heating systems) and maximizing the use of renewable energy where possible; • reducing the CO_2 emissions of logistics activities to build a low carbon supply chain; • supporting carbon capture or carbon reduction projects beyond the value chain to contribute to the global carbon neutrality agenda. The Group has also defined various indicators to closely assess the progress of the different programs (*e.g.* energy consumption and associated scope 1 and 2 emissions, GHG reduction of green logistics initiatives). For further details, see Section 5.2.1.

Sustainable Offering

CSR Risk Factor	CSR Risk Description	Mitigation Measures
Circularity & Eco-design	EssilorLuxottica has a wide and unique range of products that requires adapted production resources and specific raw materials. In these regards, the Company may not yet fully integrate sustainability criteria (such as recycled materials) into each stage of the development and production process. As consumer expectations in terms of eco-designed products are not fully met, this risk may have a negative impact on the Company by causing it to lose competitive advantage and market share, particularly among young generations.	EssilorLuxottica is making significant efforts across the entire production cycle, including a shift from fossil-based materials to bio-based materials, which produce fewer emissions, biodegradable materials, and products easier to recycle. The Company also aims to create circular products from the very start of the innovation process using eco-design principles. To do so, it nurtures key fundamental work streams such as: • investing in breakthrough technologies; • increasing renewable content in its products; • developing eco-design with LCAs or in-house tools like the Sustainability Assessment Methodology (SAM) for the Prescription lenses; • improving process efficiencies to reduce waste generation and increasing recycling opportunities. The commitment of the Group has also led to launch specific sustainable eyewear collections, including: • Arnette's pinnacle collections, which are made using eco-friendly Bio-Acetate; • Costa del Mar's Untangled collection, which is made using recycled fishing nets. Furthermore, EssilorLuxottica believes collaboration with its stakeholders is key to redesigning its products and processes, and developing new business models. Different projects have been launched with suppliers such as Bureo to develop new sustainable frames collections and academic institutions such as ESSEC to launch the "Global Circular Economy Chair". EssilorLuxottica monitors specific indicators to follow the deployment of such programs (e.g. waste generation, deployment of SAM training program, number of collections with renewable materials). For further details, see Section 5.2.2.
Product Safety & Claims	The production of certain goods, such as lenses and frames, may include the use of chemical substances. If it is unable to guarantee customers the maximum product safety, then the Company could be exposed to potential legal proceedings, impacting its market share and reputation with key stakeholders. The Company must also ensure that product related claims are accurate and comply with advertising regulations.	Offering completely safe products is a top priority for EssilorLuxottica. The Company carefully monitors, checks and analyzes its products throughout the production process. Furthermore, EssilorLuxottica continuously works to be compliant with the laws and regulations related to product safety. The Company has also implemented a validation process for product marketing statements to ensure appropriate proof exists. For further details, see Section 5.2.2.

Talent management

CSR Risk Factor	CSR Risk Description	Mitigation Measures
Attraction and Retention / Diversity & Inclusion	Employer challenges in attracting and retaining talents are expected to continue over the years as work-from-anywhere policies gradually increase among all recruitment regions. Given the importance of CSR topics for younger generations (*e.g.* diversity, inclusion or equal opportunities), any perceived gap between the Group's communicated CSR commitments and its actual implementation could have consequences for the efficiency of its recruitment and retention capabilities.	Diversity, inclusion and equal opportunities are part of EssilorLuxottica's core values. EssilorLuxottica considers its employees as one of the key drivers for business success. The Group is truly engaged in ensuring a safe and positive working environment for its employees, by continuously planning and developing initiatives to make them feel part of a global corporate culture. The following actions have been taken: • the launch of a global online learning platform (Leonardo) offering employees a personalized learning journey with the latest digital solutions and best-in-class content; • further integration and expansion of talent development initiatives and retention measures, such as performance reviews, competitive pay and the expansion of the international Employee Shareholding Plan; • the development of well-being initiatives to improve work-life balance. The Group has also defined various indicators to closely assess the impact of different programs (*e.g.* training hours delivered, number of employees per gender and position covered). For further details, see Section 5.2.4.

Human Rights

CSR Risk Factor	CSR Risk Description	Mitigation Measures
Working Conditions, Welfare, H&S and Social Dialogue	EssilorLuxottica could be negatively impacted if employees were to perceive their working conditions as not completely safe and/or its welfare policies as inadequate and/or unsatisfactory. Such circumstances may lead to a tightening of the social dialogue and even to social conflict (*e.g.* strikes), thus exposing the Group to possible business interruption, reputational damage and legal proceedings. The risk could be exacerbated if employees have the perception that their complaints are not fully considered.	The health and safety of its employees as well as the security of its workplace is a top priority for EssilorLuxottica. The Group has implemented different internal policies and procedures to mitigate such risk, introducing measures to make the workplace safer and healthier. The Group is continuously working to be compliant with laws and regulations existing in countries where it operates. It has also obtained health and safety certification (*e.g.* ISO 45001:2018) for several production facilities, logistics sites and prescription labs. In addition, EssilorLuxottica supports its employees with a comprehensive welfare package. The Group has also defined various indicators to monitor the effectiveness of H&S programs (*e.g.* frequency and severity rates). For further details, see Section 5.2.4.

Supplier Sustainability

CSR Risk Factor	CSR Risk Description	Mitigation Measures
Ethical Business Relationship	With the Group's global and extended operational footprint, its third parties are located in many regions, with different, complex and multifaceted patterns in terms of CSR and ethics. The Company can build business relationships with suppliers based in regions where the application of human rights and environmental legislation may be limited or fall below the Group's or international standards. Reputational, legal and compliance risks may negatively impact the Group due to non-responsible behavior throughout the supply chain.	EssilorLuxottica takes an ethical approach to business that has a positive impact not only on its employees, but also on the millions of customers and consumers it serves around the planet. The Group requests suppliers to respect and adhere to the Company's commitments in the areas of ethics, labor, health, safety and the environment. To ensure this, qualified third-parties assess suppliers' performance through either a self-assessment platform or on-site audits. In addition, the Company strengthened its mitigation mechanisms with the implementation of an "Exclusion Procedure" / "Zero tolerance" principle. 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. The Procurement Department is tracking some indicators (e.g. number of audits) to identify risks, put in place mitigation measures and ensure the overall effectiveness of the program. For further details, see Section 5.2.5.

Business Ethics

CSR Risk Factor	CSR Risk Description	Mitigation Measures
CSR Regulation	EssilorLuxottica operates internationally and has the liability to fulfill different country laws and regulations. Potential gaps related to full compliance with those requirements may expose the Group to major risks that may affect business sustainability. Besides, the increasing focus on CSR topics always generates higher stakeholder expectations, and a lack of initiatives to fulfill them may lead to reputational risk.	EssilorLuxottica has implemented policies and procedures designed to facilitate its compliance with current laws and regulations. The Group carried out audits to verify compliance with the rules and regulations, with the support of specialized operators, followed by the definition of corrective measures and continuous monitoring. More specifically, the CSR department maintains a constant regulatory watch to guarantee compliance with non-financial disclosure and other major sustainability-related regulations (eg. French duty of care law, EU Taxonomy for sustainable activities, UK Modern slavery act). For further details, see Section 5.2.5.

Combined with the mitigating measures described above, EssilorLuxottica is implementing dedicated CSR policies, procedures and controls 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" and "the respect of animal welfare" have been analyzed, and none of them have been rated with high potential CSR risks for EssilorLuxottica. For more details about the Company-wide risk assessment, see Section 1.6.

5.1.5 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, article L.225-102-1, II of the French Commercial Code) as reference on its non-financial statement.

EssilorLuxottica Sustainability Reporting Protocol

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) and specific framework such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For indicators on greenhouse gas (GHG) emissions, the Company follows the GHG Protocol and the framework of the Global Logistics Emissions Council (GLEC).

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.

The document is reviewed and updated every year to ensure the most updated reporting standards are followed and support sustainability performance monitoring and management.

(i) Reporting scope

The reference scope of non-financial reporting covers all 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 covers key sustainability topics that were identified on the basis of the Group CSR risk assessment, major topics related to the "Eyes on the Planet" program 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 expectations from key accounts, rating agencies and indices and institutional investors were also considered when selecting the indicators.

See Section 5.4 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 2021, the reporting campaign was organized through a collaborative and more integrated process that was centrally managed by the corporate CSR function and followed guidelines defined by EssilorLuxottica's Reporting Protocol.

Specifically, workforce information is consolidated by the HR controlling team through the operational employee monitoring system that relies on the SAP and E-Talent platforms; training information is centrally collected via the Leonardo platform; environment, health and safety indicators of manufacturing sites and prescription laboratories are collected by the Gensuite platform and an HFM *ad-hoc* tool was used for environmental data of retail activities; risk and compliance information is collected through specific survey and Oracle-based tool CARS/SUSTAIN2.

At the beginning of the reporting campaign, the CSR team 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.

All the information presented in this chapter has been reviewed by PricewaterhouseCoopers Audit, an independent third-party organization, in accordance with regulations resulting from European Directive no. 2014/95. See Section 5.5 "Report of the Independent Third-Party Organization" for further details.

EU Taxonomy eligibility review

The EU Taxonomy Regulation is part of the EU's overall efforts to reach the objectives of the European Green Deal and make Europe climate-neutral by 2050. It provides a classification system for environmentally sustainable economic activities with the objective of increasing capital flows towards a more sustainable economy.

Following the formal adoption of the Article 8 Delegated Act in 2021, EssilorLuxottica performed a review of its activities associated with Taxonomy-eligible economic activities related to the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with the Article 8(2) Taxonomy Regulation and the Climate Delegated Act.

For the moment, the EU Taxonomy focuses on those economic activities and sectors that are responsible for almost 80% of direct greenhouse gas emissions in Europe according to Eurostat, such as energy, certain manufacturing activities, transport and buildings. In this context, EssilorLuxottica, with its vertically integrated business model covering the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses (see Section 5.1.1), considers its core economic activities not included in the Climate Delegated Act. Consequently, the Group did not generate Taxonomy-eligible turnover in 2021.

Nevertheless, as an industry leader committed to sustainability, EssilorLuxottica launched in 2021 an integrated and far-sighted sustainability program, "Eyes on the Planet", which includes the Company's commitments on climate change (see Section 5.2.1) and circular economy (see Section 5.2.2). To deploy and achieve those commitments, the Company has launched several initiatives and projects that can be considered individually as Taxonomy-eligible investments following a detailed analysis of the activities listed in the Climate Delegated Act.

The capital expenditures ("Capex") assessment for the individually eligible measures of the Taxonomy Reporting was performed considering the consolidated acquisitions of intangible assets (excluding goodwill), PP&E and the additions of rights of use assets as disclosed in the notes 10 and 11 of the 2021 consolidated financial statements included in Chapter 4 of this Univeral Registration Document.

Examples of initiatives and projects that contribute to achieving EssilorLuxottica's sustainability commitments on Climate change with assigned dedicated Capex and are considered eligible to the EU Taxonomy include the following:

- development and implementation of new process designs and frequent update of equipment and technologies in the Groups' manufacturing sites which allow the reduction of water and energy consumption in manufacturing process;
- self-production of electricity by installing and rolling out solar photovoltaic technology;
- addition of all buildings, including the construction of new manufacturing facilities aligned with the Group new building guidelines to ensure environmental performance and the obtainment of the LEED certification;
- new leases for stores and buildings.

Regarding operating expenses ("Opex"), the EU Taxonomy definition is focused on direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

As the Group has no eligible activities, the assessment for the EU Taxonomy was focused on individual measures that can impact the above-mentioned operating expenses. In 2021, total operating expenses that meet the EU Taxonomy definition represent less than 10% of the Group total consolidated operating expenses, which include *Cost of sales* and *Total operating expenses* as presented on the consolidated statement of profit or loss (see Chapter 4 of this Universal Registration Document). Therefore, the Company chose to use the materiality exemption offered by the Taxonomy Regulation and decided not to present this indicator.

The Group will continue to improve the connectivity between financial and non-financial reporting with specific reference to environmental performance and will work towards more detailed EU Taxonomy disclosures, as well as to ensure compliance with the upcoming regulations regarding corporate sustainability reporting.

5.2 Eyes on the Planet, EssilorLuxottica's sustainability program

Program description

Sustainability is deeply rooted at the core of EssilorLuxottica, both as an essential part of the Company's DNA today and key to continuing its history of corporate responsibility to help people see more, be more. Doing good for its customers, consumers and communities while doing good for the planet is at the heart of the Company-wide Sustainability program "Eyes on the Planet". First presented in 2021, the program is founded on five key pillars described below: Eyes on carbon, Eyes on circularity, Eyes on world sight, Eyes on inclusion and Eyes on ethics. Each pillar has a clear commitment and is broken down into a set of core activities which are easy to recognize in the Company's business model, offering, presence and connection with the local communities and territories. These support the Company's Mission and guide its efforts to create value in the communities where it does business around the world.

- **Eyes on Carbon:** EssilorLuxottica is committed to addressing climate change and preserving the environment by reducing energy consumption and water use within its operations, limiting carbon footprint across the value chain, and being resilient to climate-related risks. In 2021 the Company announced its journey to become carbon neutral in its direct operations in Europe by 2023 and worldwide by 2025. See Section 5.2.1.
- **Eyes on Circularity:** EssilorLuxottica is committed to optimizing the use of resources to lower its product environmental footprint across the value chain, including a shift from fossil-based materials to bio-based materials and embedding eco-design in all its product developments by 2025. The Group is also taking steps to put an end to waste following the 4Rs "Research-Reduce-Reuse-Recycle". See Section 5.2.2.
- **Eyes on World Sight:** based on its belief that good vision is a basic human right, the Group has an ambition to eliminate uncorrected poor vision in a generation and make vision care accessible to everyone, everywhere. See Section 5.2.3.
- **Eyes on Inclusion:** 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 along with the creation of a working environment that offers everybody the same opportunities on the basis of merit and without discrimination. This commitment extends into the surrounding communities, as an employer and a corporate citizen. See Section 5.2.4.
- **Eyes on Ethics:** EssilorLuxottica's vertically-integrated business model is the key to delivering its ethical approach to doing business wherever it has a presence. Drawing on the ILO Conventions and the United Nations Global Compact Principles on Human Rights, the Company is committed to respecting and promoting human rights across its entire business and value chain. See Section 5.2.5.

EssilorLuxottica 2021 sustainability highlights are reported throughout this chapter according to the corresponding pillar.

GrandVision CSR activities and contribution to "Eyes On The Planet"

As explained in Chapter 1, the acquisition of GrandVision is a major milestone in the completion of EssilorLuxottica's integrated strategy. EssilorLuxottica and GrandVision share common values and are both committed to delivering superior eyecare and eyewear to more people globally. GrandVision is a leading global optical retailer with more than 7,200 stores worldwide and a growing online presence. Its acquisition, occurred on July 1, 2021, gives EssilorLuxottica an opportunity to strengthen its direct-to-consumer business, benefiting from GrandVision's technologies, competencies and human capital. At the same time, GrandVision benefits from EssilorLuxottica's outstanding product innovation, manufacturing and commercialization, integrated IT system, brand portfolio, state-of-the-art supply chain, talent development and digital tools and expertise to foster a closer and increasingly omnichannel relationship with consumers around the world.

This complementarity also exists in the sustainability strategies and will help advance the Group sustainability program "Eyes on the Planet" and its commitments. Indeed, since 2019, GrandVision CSR activities have been articulated into the "GrandVision Cares" program. This program incorporates global and local initiatives that are well aligned and consistent with the Eyes on the Planet's five pillars and agenda.

In the field of climate change, GrandVision has been working towards reducing the environmental impact from its supply chain (*e.g.*, production, manufacturing, logistics), as well as from its store operations. For example, LED lighting is a standardized requirement within the store design specification that helps reduce electricity consumption and decrease the related CO_2 emissions.

As part of the sustainable offering workstream, GrandVision has repositioned its "DbyD" brand as its first exclusive sustainable eyewear brand, setting the foundation for further sustainable initiatives within its eyewear portfolio. The brand collection offers eyewear from bio-acetate, recycled plastic as well as titanium. Since eyeglass frames are medical devices, they need to meet strict safety regulations to fulfill all customer and market expectations. GrandVision has established a specific Quality Management System in accordance with ISO 13485, required by the Medical Device Regulation, and achieved ISO 13485 certification in 2021, proving the ability to deliver safe and effective eyewear to its customers.

Perfectly in line with EssilorLuxottica's Mission, GrandVision has been giving access to high-quality affordable eye care to more and more people around the world through its optical network and charitable activities. It also aims to advance eye care practices and innovation. For this purpose, the GrandVision Eye Care Council (GVEC) has been established in 2019. This cross-functional network includes eyecare-related experts from across the company's business, securing a broad scope of information and a diverse approach to the global eyecare agenda. The GVEC also serves as a scout for innovation and a first point of contact for relevant eyecare-related external parties.

In the field of people management, GrandVision has been taking concrete steps into establishing a culture of diversity and inclusion. As an employer of a global workforce made of approximately 70% women, gender diversity is a relevant topic on GrandVision's agenda. In 2021, GrandVision established a cross-functional, global Diversity & Inclusion (D&I) committee made up of employees of all backgrounds and experience levels to give life and broaden the company's outlook on the topic.

Totally consistent with EssilorLuxottica's Code of Ethics, GrandVision has been establishing itself as a caring corporate citizen ensuring ethical business practices across its operations and supply chain. This is founded on the GrandVision Code of Conduct that outlines ethical standards to guide everyday decision-making and provides employees with the appropriate channels for reporting ethical concerns.

In the last quarter of 2021, EssilorLuxottica started the journey to integrate GrandVision's sustainability program and practices into the Group-wide sustainability program "Eyes on the Planet". As part of this progressive integration, the Group sustainability reporting protocol was the reference basis to define a first set of common indicators that are disclosed in this chapter.

5.2.1 Eyes on Carbon

Adapting to climate change and moving toward 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 physical 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 consolidated under the "Eyes on Carbon" pillar and is recalled below according to the four key building blocks of the TCFD guidelines. Additional references are provided in the reconciliation table in Section 5.4.

Governance

Climate change topics are reviewed by the Company's CSR Committee annually. The role of the CSR Committee is stated in Chapter 3 of this Universal Registration Document and in Section 5.1.3.

At an operational level, EssilorLuxottica has specific governance structures and working groups to ensure the advancement of actions:

- A cross-functional task force including the EHS, Procurement, Logistics, R&D and CSR departments was formalized to ease collaborative projects, support key decision-making, deploy carbon reduction actions and ensure the achievement of associated targets. The work of the task force is reviewed by the co-Chief Operating Officers of the Group on a regular basis.
- A task force on climate resilience, including the Internal Audit, Manufacturing and CSR departments, was also set up to assess the maturity level of climate risk management at strategic sites through a specific climate resilience review framework designed internally.

Strategy and commitments

EssilorLuxottica's approach to tackle climate change has two main dimensions:

First, the Company continuously makes efforts across its value chain to limit and reduce its impact on the climate. These include investing in energy efficiency programs and renewable energy production, maximizing the use of renewable energy where possible, optimizing production organization and logistics flows, and innovating in the field of sustainable raw materials and low-carbon products and services.

Specifically, EssilorLuxottica announced its first climate commitment in 2021, aiming to achieve carbon neutrality for its direct operations (scope 1 and 2) by 2025, with a milestone set for Europe by 2023. To further advance climate actions and ambitions, the complete carbon footprint assessment for EssilorLuxottica has been initiated in October 2021 to prepare for a more comprehensive carbon reduction roadmap and contribute to the global net zero agenda.

Second, concerns about climate change require EssilorLuxottica to understand its climate risk exposures and develop solutions to adapt and quickly respond to the challenges posed by this issue. The Company aims to maintain good knowledge of global climate projections and assess its vulnerability to climate change risks to improve its resilience and prepare the business for potential consequences.

Risk management

Following the recommendations of the TCFD framework, two categories of climate-related risks – risks related to the physical impacts of climate change and risks related to the transition to a lower-carbon economy – are considered to prepare the Company for potential related operational, financial and reputational impacts, and build the climate resilience of its activities.

Identification and management of physical climate risks

Specific climate risk assessment has been performed to better understand climate-related risks.

A physical climate risk model was built based on five climate hazards (temperature, humidity, droughts, floods and storms) in the mid-term (2030) and long-term (2050) to assess the risk exposure of significant operations sites based on their locations. This model enables the Group to screen the physical climate risk exposure of a specific site based on its location and can support management decisions when evaluating a new building project. In 2020, a specific project was also conducted integrating in-depth climate physical risk assessment into new plant investment processes to mitigate and be better prepared for potential climate risks.

To mitigate physical climate risks, a Crisis Management team is in place for sites exposed to potential risks to manage procedures such as Business Continuity Plans or Disaster Recovery Plans, and organize dedicated training to ensure employees are prepared for potential climate-related impact. Support is also provided at the regional and corporate level to ensure coordination of different sites.

In addition, water risks are assessed in key areas where EssilorLuxottica 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 2021, 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 approximately 3% of the Company's total water use, were exposed to water risks with potential restrictions on water withdrawals imposed by local authorities, increases in the cost of water and potential questions from local stakeholders who are also dependent on these water resources.

EssilorLuxottica mitigates 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. Water reduction actions include:

- water mapping for equipment using water for main laboratories and mass production sites;
- installation of "smart" meters to accurately measure water use with different levels of granularity, which helps for structural improvements of traditional resource heavy processes, such as galvanization;
- comparison of site water performance with the benchmark process or "water model";
- closed-circuit water systems in galvanizing plants and in painting and hard-coating processes;
- defining a medium-term plan to reduce water use at site level.

The table below shows the Company's water footprint in 2021, and the evolution compared with 2020 and 2019:

	2021 (ex. GV)	2020	2019
TOTAL WATER USE *(m^3)*	**8,220,930**	**7,358,458**	**8,031,007**
Third-party water	7,022,151	6,021,045	6,512,445
Natural water	1,198,779	1,337,413	1,518,562

Note: Water data is provided on scope excluding GrandVision (GV) as further alignment of definitions and rules of reporting is needed. 2021 water use showed an increase of around 12% compared to 2020, mainly attributable to the recovery of production and business activities following the strict lockdown measures of Covid-19 during the year of 2020. To ensure consistency of data analysis, the Group's water performance has been evaluated in comparison with 2019 data: water use remained at a similar level compared to 2019.
Meanwhile, to better manage water supply and mitigate water risks, the Company uses less proportion of natural water compared to previous years.
Water data covers 54% of the Company's headcount, as these data do not include water usage in offices and retail stores due to their limited water consumption. For more information on the Company's reporting rules, please refer to Section 5.4.

Identification and management of transition climate risks

The Company may be exposed to extensive policy and regulation changes, technology limits, market shift or reputational risks throughout the global transition towards a lower-carbon economy.

To manage related risks, EssilorLuxottica closely monitors regulatory, technological and market changes, anticipates possible challenges in the future, and has implemented actions to reduce carbon footprint across the value chain, continuously studying standards and benchmarks to improve the Group climate change roadmap.

EssilorLuxottica has also implemented environmental management systems that conform to the ISO 14001 standard. As a result, 30 of its manufacturing facilities, 19 lens laboratories, two distribution centers and one corporate office are ISO 14001 certified.

In 2021, a climate resilience review framework was developed with the cooperation of the CSR and Internal Audit teams in order to understand the vulnerability of EssilorLuxottica sites to climate-related risks and assess their maturity level on climate risk management. This climate resilience review framework follows TCFD recommendations. During the year, as a pilot phase of the project, climate resilience reviews were performed at seven strategic manufacturing sites in Italy, the US, Mexico, Thailand and India, where potential climate risk exposures had been identified. These first reviews helped the Group further improve climate risk management at both corporate and local level.

(1) EssilorLuxottica water risk assessments were conducted for 38 manufacturing facilities, 57 lens prescription laboratories and four primary distribution service centers.

Key actions, metrics and targets

In line with its Eyes on Carbon commitment, the Company continuously initiates, advances and monitors different climate actions within its operations and along the value chain.

Carbon neutrality for direct operations

In 2021, EssilorLuxottica published its first climate commitment to achieve carbon neutrality for its direct operations (scope 1 and 2) by 2025, with a milestone set for Europe by 2023. The Company is focused on three key action areas to ensure the achievement of this commitment.

1. Improving energy efficiency

EssilorLuxottica's energy initiatives are led by the EHS department, with actions such as:

- a complete review of the energy efficiency of manufacturing processes and peripheral units;
- improvement of the equipment efficiency ratios (EER) by upgrading large electrical motors with higher energy efficiency class, and redefinition of the stoppage or standby conditions for equipment with the highest consumption;
- the installation of meters to monitor energy consumption in all facilities in real time and the use of specific indicators to identify priority action areas and define new projects and improvement plans;
- raising awareness and training technicians and maintenance teams;
- continuous improvement of energy efficiency of existing buildings and stores in terms of lighting, air conditioning and heating systems.

Associated with the Company's efforts to improve energy efficiency and structure its energy management systems, 12 of its manufacturing facilities, three lens laboratories, two distribution centers and one corporate office have obtained ISO 50001 certification over the years.

Following the obtainment of the Leadership in Energy and Environmental Design (LEED) certification for logistic hubs built in recent years, in 2021, the Company started to draft its "New Building Guidelines", including criteria to obtain Gold level LEED certification for all of its new manufacturing and distribution buildings. This criteria attests that the design and construction respect the surrounding ecosystem, and has already been applied to the three buildings currently under construction in France, Thailand and Mexico. In addition to LEED certification, the guidelines also contain climate-related criteria such as renewable energy consideration, air emissions, water risk management, waste management and site location selection including climate risk analysis.

The table below shows the Company's energy consumption in 2021, and the evolution compared with 2020 and 2019:

	2021 (in. GV)	**2021** (ex. GV)	**2020**	**2019**
TOTAL ENERGY CONSUMPTION *(GWh)*	**1,888.8**	**1,714.8**	**1,502.9**	**1,594.4**
Electricity	1,626.0	1,488.6	1,306.1	1,383.7
Gas	240.7	204.1	179.0	188.0
Liquid fuel	13.0	13.0	9.9	14.3
Self-produced renewable energy	6.5	6.5	5.6	5.5
Steam	2.6	2.6	2.3	2.9

Note: 2021 energy data include GrandVision and show an increase of around 25% compared to 2020. To ensure consistency of data analysis, the Group's energy performance has been evaluated excluding the scope impact of GrandVision (over 9% of the Group total energy consumption) and in comparison with 2019 data: energy consumption has increased by 7.5% compared to 2019, mainly due to the increase of production during the past year. A higher ratio of energy increase compared to 2020 is mainly related to the increase of manufacturing capacity and business activities following the strict lockdown measures of Covid-19 during the year of 2020.
Furthermore, with the Group's efforts to increase the use of renewable energy:
- the quantity of renewable energy produced on site increased by more than 15% thanks to the constant investments and gradual roll-out of photovoltaic panels and biomass heating systems;
- the amount of purchased renewable energy with Energy Attribute Certificates (EACs), included in total electricity consumption, has also increased.
2021 energy consumption information covers more than 94% of the Company's headcount. For more information on the Company's reporting rules, please refer to Section 5.4.

2. Increasing the use of renewable energy

To ensure achievement of the 2025 carbon neutral target for its direct operations, actions on renewable energy have been largely accelerated with more investment in self-produced renewable energy and a formalized renewable energy purchasing roadmap.

On self-produced renewable energy, since 2013 manufacturing and distribution sites in Italy have started to reduce GHG emissions thanks to the installment of photovoltaic panels systems and biomass heating systems. Their gradual rollout has enabled the company to more than quadruple the quota of self-generated clean energy in Italy between 2015 and 2021. In this regard, in 2021, two big photovoltaic systems entered into service at the Agordo and Sedico sites. They are estimated to produce 4,400 MWh of electricity from renewable sources and avoid 1,300 tCO_2e per year. In addition, new installations and projects are undergoing.

Since 2019, Satisloh Italy within the Equipment division also started producing renewable energy with the help of solar panels installed in its development and manufacturing plant. This project contributed to 33% of the site's energy consumption, resulting in an annual reduction of 215 tons of GHG emissions.

Shamir Portugal also has its own renewable energy production projects on site. The production of renewable energy started in June 2021.

For renewable energy sourcing, EssilorLuxottica strives to make additional positive environmental impacts whenever possible in the countries of its manufacturing facilities. For instance, since 2018, one of its export laboratories in India has gotten 70% of its energy from a neighboring solar farm.

Meanwhile, in 2021, 99% of electricity used by EssilorLuxottica sites in Poland, 95% of electricity used in Italy, 90% of electricity used in Spain, 75% of electricity used in France, 50% of electricity used in Germany, 50% of electricity used in Thailand and 40% of electricity used in the UK was sourced from renewable energy providers with Energy Attribute Certifications (EACs). Thanks to these purchased renewable energy, the Group avoided more than 124,000 tons of GHG emissions in these countries, which is not reflected in the location-based scope 2 emissions disclosed in the below table.

The table below shows EssilorLuxottica's overall scope 1 and scope 2 GHG emissions, with location based accounting methodology.

	2021 (in. GV)	**2021** (ex. GV)	**2020**	**2019**
TOTAL SCOPE 1 + 2 EMISSIONS *(tCO_2eq)*	**772,593**	**727,207**	**742,854**	**787,153**
Scope 1 emissions	**52,807**	**45,317**	**46,011**	**49,547**
Gas	49,335	41,845	42,785	44,923
Liquid fuel	3,472	3,472	3,226	4,624
Scope 2 emissions - location based	**719,786**	**681,890**	**696,843**	**737,606**
Electricity	719,483	681,587	696,580	737,272
Steam	303	303	263	334

Note: To continuously improve GHG reporting and increase the accuracy of GHG emissions calculation, the Group implemented several methodological changes in choosing the emission factors:
1) for scope 1 emissions, the Company continues to use the ADEME database for related emission factors. However, to further precise the GHG accounting practice, emission factors have been updated to exclude the associated upstream emissions (scope 3) and only include emissions of the combustion step of gas or liquid fuel. This change in emission factors has an impact of around 15% decrease of scope 1 emissions compared to the previous calculation method;
2) for scope 2 emissions, the Company switched to the most up-to-date IEA database for calculating its location-based scope 2 emissions. This methodological change has resulted in around 10% decrease of scope 2 emissions compared to the previous calculation based on the ADEME database.
Excluding the impact of GrandVision and methodological changes, and in comparison with 2019, GHG emissions increased in line with the energy increase of the Group.

3. Supporting carbon reduction projects beyond the value chain

To contribute to the global transition to net-zero status, EssilorLuxottica supported two forestry projects in Italy and China to reduce carbon emissions beyond its value chain.

In December 2020, the Company announced the launch of a first major forest restoration project covering an area of 30 hectares in the foothills of the Dolomites (Unesco World Heritage Site), which was damaged in 2018 by the severe storm Vaia and is situated behind the Company's main production plant in Agordo. Starting from the first quarter of 2021, the Company took charge of 15,000 trees and planted 2,000 new ones, using only locally sourced species to increase forest biodiversity and resilience in accordance with scientific guidance. The project was completed in October 2021, and is certified and registered on the FSC public database, with capacity of capturing and conserving 8,500 tons of CO_2 emissions. It 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.

In 2021, EssilorLuxottica also supported a forestation project in Jiangxi Province in China, which aims to convert more than 7,000 hectares of formerly logged forests into protected forest regeneration areas and preserve the biodiversity of the region. The project, verified by VCS standard, not only reduces CO_2 emissions, but also creates jobs and promotes agroforestry at local level. In 2021, EssilorLuxottica's support for the project compensated 15,000 tons of its CO_2 emissions in direct operations.

Thanks to these two projects, EssilorLuxottica contributed to the global carbon neutrality agenda and advanced its climate commitment by compensating the equivalent amount of its residual scope 1 and 2 emissions in Italy and France (excluding GrandVision), where the Company has the most significant industrial footprint in Europe.

Decarbonizing the value chain

1. Assessing EssilorLuxottica's complete carbon footprint

To further advance actions within the value chain, EssilorLuxottica initiated its first complete carbon footprint assessment during the last quarter of 2021, with the involvement of different functions across the Company such as Procurement, Logistics, EHS, R&D, Engineering, HR and Finance.

This work is instrumental in building carbon reporting capacity across different teams, and will be the base to further improve carbon accounting, initiate decarbonization actions across the Group and prepare a more comprehensive climate roadmap.

2. Reducing carbon footprint of logistics activities to build a low-carbon supply chain

EssilorLuxottica has focused particularly on the transportation and distribution of products, which accounts for one of the most important indirect carbon emissions sources. The Company has a team dedicated to "low-carbon supply chain" initiatives with carbon reporting guidelines, engagement with suppliers and action plans to reduce GHG emissions.

The Company committed to continuously monitoring the transportation market to find new and alternative solutions to reduce carbon emissions working closely with its logistics partners. In an effort to add sustainable development to the selection criteria for carriers, a specific chapter was integrated into requests for quotations and contracts from EssilorLuxottica global forwarders and local carriers. This chapter includes a questionnaire dedicated to the carrier's low carbon supply chain strategy, program and KPIs enabling measurement of the different actions to decrease carbon footprint. The main actions to consider 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 and introducing carbon neutral services.

EssilorLuxottica's low-carbon supply chain projects include:

- reducing logistics emissions through shifts in transportation modes, notably from air freight which is the Group's main source of logistics carbon emissions concerning international flows. For example, the ratio of air freight for lens transportation within Asia and from Asia to Europe and to the US decreased by switching from air to ground or from air to ocean; a test has also been performed for finished frames replenishment shipments;
- nearshoring/reshoring not only reduces transportation distance, but also allows switching from air to ground transportation for certain flows. For example, serving the US market, lens production originally managed by manufacturing sites in Ireland and Thailand has been transferred to Mexico to reduce the logistics carbon impact;
- partnerships with local providers to use alternative fuel solutions and green vehicles where available, including using LNG trucks for the middle mile (from distribution center to carrier warehouse or to airport) and electric vehicles for the last-mile in city centers;
- in 2021, EssilorLuxottica joined the carbon neutral shipment programs of its top logistic providers in North America and Europe for certain activities such as its e-commerce platforms. These services tend to maximize ground transportation to reduce environmental impact, and moreover the residual emissions are compensated with selected carbon reduction projects; in 2021, approximately 1,900 tCO_2e were compensated;
- comprehensive mapping of logistics packaging, with the main goal to eliminate plastics from shipping boxes worldwide. To advance on this front, the Company invested in brand new machines and technologies that will eliminate plastic tape and switch from plastic void fill to paper solution; both projects are planned to go live in the main distribution centers in 2022.

Meanwhile, in 2021 the supply chain team improved the mapping of all logistics flows, allowing it to better assess the carbon footprint for each of the Group's activity segments.

The table below shows EssilorLuxottica's scope 3 GHG emissions associated with the transportation of products.

	2021 (ex. GV)	2020	2019
SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION *(tCO_2eq)*	**293,958**	**194,955**	**239,753**
International flows	**211,770**	**149,696**	**184,050**
2020 perimeter	189,245	149,696	184,050
2021 new perimeter	22,525	/	/
Local flows	**82,188**	**45,259**	**55,703**
2020 perimeter	45,278	45,259	55,703
2021 new perimeter	36,910	/	/

Note: GHG emissions associated with transportation are provided on scope excluding GrandVision as further alignment of definitions and rules of reporting is needed.
In 2021, the Company extended its mapping all its logistics flows and further aligned its GHG reporting methodology for transportation. GHG emissions associated with transportation are reported under two categories: 1) international replenishments between plants, laboratories and distribution centers and 2) local distribution flows.
The emission factors for transportation are based on the GLEC database. For more information on reporting methodology please refer to Section 5.4.
In 2021, the Company continued its efforts towards lower carbon emission solutions such as:
- modal shift within the eyecare activities (e.g. from air to ocean and from air to road);
- nearshoring of production organization to reduce distance from manufacturing sites to customers;
- use of alternative fuel trucks and green last mile for local distributions.
However, GHG emissions for transportation increased significantly mainly due to:
- the important extension of the reporting perimeter, notably the inclusion of international flows for marketing materials, components and equipment, and increased local distribution reporting for North America, Asia-Pacific and Latin America;
- the positive volume effect after the activity slowdown in 2020 due to Covid-19.

3. Engaging all employees on the climate journey

EssilorLuxottica's employees are the ultimate contributors to all climate actions. Initiatives aiming to raise awareness and share practices around climate change and environmental sustainability were continued, expanded and initiated in 2021 to embark employees on the climate journey.

E-learning modules on water and energy saving and on the protection of the environment were integrated into Leonardo platform.

In addition, the climate change awareness workshops, designed to increase awareness on climate change consequences and engage employee actions, expanded their deployment during the year and reached 1,600 employees across 41 countries for a total of 400 workshops delivered since their initiation in 2020.

In 2021, a specific project was launched in conjunction with the COMET talent program to design a more comprehensive employee engagement and contribution plan for climate change.

5.2.2 Eyes on Circularity

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 for 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.

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 address social and environmental challenges. The Company aims to develop products with an ever-decreasing impact on the environment 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 circularity from product design to research of new innovative materials, developing recycling processes and upcycling products to give them a second life.

With the objective to satisfy customer preferences and demand for more sustainable products and practices, EssilorLuxottica is embarking on a journey to make its business model into a more circular one with the aim to shift from fossil-based materials to bio-based and/or recycled materials and embed eco-design in all its developments by 2025.

Operationally, a cross-functional task force including its R&D, Procurement, EHS, Logistics and CSR departments was formalized to coordinate the deployment of fundamental workstreams outlined below, ease collaborative projects, support key decision-makings, ensure program progress and facilitate alignment between functions. The work of the task force is reviewed by the co-Chief Operating Officers on a regular basis.

Designing circular product and increasing sustainable material use

EssilorLuxottica defines its innovation priorities by listening to customers and consumers, and anticipating their needs and lifestyles. Thanks to its comprehensive multi-channel go-to-market strategy, including professional solutions, physical direct-to-consumer network and e-commerce platforms as well as inclusive last-mile models, the Company is able to identify market signals and trends, and anticipate consumer demands, including product sustainability. In addition, following the acquisition of GrandVision, in 2021 EssilorLuxottica expanded its direct-to-consumer footprint in Europe and consolidated its presence in direct-to-consumer eyecare and eyewear on a global scale, presenting an opportunity for the Group to engage more effectively with consumers, and thus raising the visibility and quality of the entire eye care and eyewear industry, to the benefit of all its stakeholders. The Company's sustainability commitments to environmental and social dimensions have been inspiring strong innovation, as shown by the fundamental workstreams outlined below.

Adopting an eco-socio design approach

EssilorLuxottica aims to create circular products from the very start of the innovation process using eco-design principles.This approach and Life Cycle Assessments (LCAs) are part of the Company's wider vision on how to integrate sustainability into business and operational practices. For example, a proprietary Sustainability Assessment Methodology (SAM) has been deployed for prescription lens R&D activities to integrate sustainability criteria into each stage of the development process for technologies and products. Circularity capability, resources and process efficiency along with low-impact raw materials and societal benefits form the main pillars of the program. In 2021, 97% of researchers were trained, and 45% of research and development programs were assessed[1]. The next steps are to define the relevant criteria for the smart eyewear technologies and products in order to include them in the SAM approach.

EssilorLuxottica is also focusing on bringing transparency and clarity to the entire supply chain by developing certified LCAs with its partners, pursuant to ISO 14040 and ISO 14044 international standards. The Company is working to develop an internal "cradle to cradle" LCA tool to easily assess its materials, technologies and products, and to make sure all different sustainability drivers have been considered. The final goal of this LCA approach is to analyze the complete pair environmental footprint. In 2021, the Company invested into LCAs studies for the most used upstream materials for both frames and lenses:

- For frames materials, EssilorLuxottica performed an LCA on acetate, comparing environmental performances of the standard acetate toward bio-based acetate, both produced by EssilorLuxottica partner Mazzucchelli (for more details please see Section "Increasing renewable content"). The LCA demonstrated the lower environmental impact of bio-based acetate compared to the standard acetate, and was the first of its kind in the eyewear industry. Given these positive results, EssilorLuxottica is expanding LCAs comparative studies on bio-acetate from its major suppliers in the most important regions for acetate frame production, Italy and China. At the same time, EssilorLuxottica is promoting the lower environmental impact of bio-acetate as a key driver to its further increase in future collections. The Company also identified other priority materials to be analyzed to expand the understanding of its own environmental impacts and to identify next improvement actions accordingly.
- For lens production, the Company expanded LCA analysis to assess its most important materials (including ultra-high indexes in addition to low index), such as polycarbonate, ORMA, and MR8 lenses, and included calculation modules to assess key production processes and distribution modes.

The Company is working to integrate LCA analysis to merge frames and lenses components, starting with the already available results, as well as packaging solutions, to reach the final goal of a comprehensive LCA for the complete pair.

(1) Prescription Lenses R&D activities scope.

Investing in breakthrough technologies

EssilorLuxottica is investing in new technologies and materials to drastically reduce its impact while responding to new business opportunities. The Company has structured a distinct strategic initiative called the "Lab of the Future" to imagine what future product performances, technology platforms and material production systems will look like for prescription lenses. This initiative has already stirred up important new technology research programs in R&D. For example, it helped in moving 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 skills with the integration of experts in digital technologies to reinvent the vision care chain through digitalization. In this perspective, the development of new products continues to address the needs of all population segments and major vision issues, such as the growing global myopia pandemic. The Company launched its innovative myopia control spectacle lenses, Essilor Stellest™, that significantly slow myopia progression and axial elongation in children. For the 2.7 billion people without visual correction, living mainly in emerging countries with limited visual health structures and complex logistics chains, the Company has developed an improved version of its Ready-to-Clip™ pair of glasses, enabling low-income consumers to buy an affordable product locally and immediately after their eye test, to conveniently avoid issues with logistics and order tracking.

EssilorLuxottica is also researching and investing in breakthrough technologies at each step of its industrial processes. For example, the Company has developed and launched an innovative RX process for lens blocking called ART (Alloy Replacement Technology), completely eliminating the usage of alloy in its lens manufacturing and replacing it with a UV curable adhesive, an environmentally-friendly alternative to traditional alloy blocking. There are close to 200 ART lines worldwide, and this new technology has been set as the new standard for all new RX Labs. The Company is also investing into new R&D activities to identify additional recycling opportunities and initiatives to lower input materials. In 2021, EssilorLuxottica was able to reduce waste generated into its Barberini glass production plant, enabling it to recycle over four tons of precious glass containing rare-earth elements.

Increasing renewable content

Innovative bio-based materials have been introduced into EssilorLuxottica's portfolio of raw materials for all types of products, enabling the launch of specific collections. Thanks to the Company's investments in its supply chain, collaboration among eyewear players has increased to meet common goals on sustainability and improve visibility on environmental impact.

EssilorLuxottica expanded use of bio-based acetate frames for the 2021 collections of various brands, including Emporio Armani, Arnette, Burberry and Starck Eyes. Bio-acetate is obtained from the mix of the cellulose acetate, a synthetic fiber coming from cotton or wood pulp, and a bio-based plasticizer coming from renewable sources (cereals, beets or sugar cane). Bio-plasticizer is used in substitution of the traditional fossil-based version. The final material, the M49 produced by Mazzucchelli, has a bio-content of around 67%, calculated using the ASTM D6866 international standard, and it has been positively tested for biodegradability. As previously mentioned, EssilorLuxottica promoted and developed a "cradle to gate" Life Cycle Assessment Analysis that demonstrates the better environmental performance of bio-based acetate compared to standard acetate in all impact categories, including the Global Warming Potential (expressed in kg of CO_2eq needed for the production of 1 kilogram of bio-acetate). The study has obtained third-party critical review.

The Company also expanded use of bio-based nylon for lenses and for frames with two different percentages of bio-content, around 40% and 60% respectively. These percentages, certified through the ASTM D6866 international standard, indicate the amount of the material coming from renewable sources (*i.e.* castor oil), replacing traditional fossil-based resources. In 2021, Arnette and Burberry launched specific collections made with bio-nylon, and Costa del Mar launched a bio-based collection as part of its Kick Plastic Initiative.

Managing waste and developing recycling

Waste management is a crucial pillar of EssilorLuxottica's commitment to reducing its environmental footprint. It encompasses several initiatives to effectively reduce waste generation from industrial operations and 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, the Company has completed a waste generation analysis of its 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.

The table below shows the Company's waste generation in 2021, and the evolution compared with 2020 and 2019:

	2021 (ex. GV)	2020	2019
TOTAL WASTE GENERATION *(tons)*	**108,996**	**99,751**	**104,255**
Total non-hazardous waste	**69,073**	**62,941**	**70,487**
Sent to material recycling	22,916	19,819	22,519
Sent to incineration with energy recovery	11,897	10,051	10,762
Sent to incineration without energy recovery	3,176	2,935	3,281
Sent to landfill	31,084	30,136	33,925
Total hazardous waste	**39,893**	**36,810**	**33,768**
Sent to material recycling	3,599	3,433	3,686
Sent to incineration with energy recovery	3,836	2,630	3,354
Sent to incineration without energy recovery	1,611	1,880	2,324
Sent to landfill	30,847	28,867	24,404
WASTE RECOVERY/RECYCLE RATE	**39%**	**36%**	**39%**

Note: Waste data is provided on scope excluding GrandVision as further alignment of definitions and rules of reporting is needed.
Reported waste generation increased by 9% due to the increased production volume compared to 2020 which was impacted by Covid-19.
Overall, 39% of the Company's total waste has been recycled or recovered in 2021, in line with initiatives to continuously increase waste valorization.
2021 waste generation data covers 48% of the Company's headcount (excluding GrandVision), as these data do not include offices, retail stores and small laboratories due to unavailability of quantitative information. For more information on the Company's reporting rules, please refer to Section 5.4.

Improving process efficiencies to reduce waste generation

EssilorLuxottica focuses on new industrial solutions to reduce in-house scraps to limit waste and the use of plastic as much as possible. Waste reduction is mainly achieved through a strategy combining improvement of manufacturing yields (quality management, continuous improvement, eco-design, production processes optimization and reusing opportunities) with the promotion of the "4Rs". The 4Rs include researching, reducing the volume of materials used in the various processes (manufacturing, distribution), reusing and recycling raw materials and packaging. To quote few examples by way of illustration:

- Eco-design has been applied to reduce waste in many applications; for instance a mold design optimization for sun lenses reduces scraps (sprues) generated during the molding process. Eco-design innovation reduces 4% to 11% of the input material for lens production, depending on the type of material (polycarbonate and polyamide). Annually, the initiative results in more than 10 tons of avoided waste. The project was developed in Italy in the Lauriano plant, and then scaled to other regions such as the Tristar plant in China.
- Continuous process optimization has led the Company to scale the compacting of polycarbonate shavings and residues from the surfacing process to reduce the weight of waste and recover water. The water is then filtered and reinjected into the prescription laboratory's in-house system, following a circular approach. 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 in main prescription laboratories.
- For frames production, EssilorLuxottica developed and tested a three-injection molding technology, which is a fast process that generates a low amount of scrap and combines two different high bio-content types of nylon, both with a bio-based content above 55%. The reported percentage is calculated according to the ASTM D6866 international standard method.

EssilorLuxottica's manufacturing flexibility and improved demand forecasting capabilities are also key for the reduction of waste in its plants. Over the years, it has introduced a retro-planning approach for the creation and launch of each eyewear collection, allowing it to better plan production volumes and thereby avoid the situation of manufacturing more units than needed. In more recent years, the Company 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 wastewater treatment systems.

Increasing recycling opportunities

EssilorLuxottica's circularity goal 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. The Company is developing new projects to initiate new recycling loops for its material waste, such as from frame/lens to frame/lens or packaging. For example, the Company has launched an in-house process in Italy to recycle and compound nylon plastic scraps derived from the injection manufacturing of frames into black raw nylon. Recycled nylon was introduced in 2020 for the Emporio Armani collection "R-EA (Recycled Emporio Armani)," which continued production in 2021. Beyond R-EA, recycled nylon was also used in 2021 for the Tory Burch "Recycled Eyewear Collection". The Agordo plant where the internal recycling process takes place has received International Sustainability & Carbon Certification (ISCC) for the Circular Economy. The third-party certification ensures, through the mass balance approach, the traceability of the material through all the production phases: from waste collection to the injection molding process. The recycled granule maintains the high standards of quality and performance of the original. Now the Company is working to extend the ISCC certification scheme to other regions (China and Brazil).

EssilorLuxottica circular economy journey is shared with ecosystem actors to join forces to limit plastic waste. In 2021, EssilorLuxottica signed a partnership agreement with Mazzucchelli to increase processes efficiency and limit the companies' environmental footprint. The partnership started focusing on opportunities to limit plastic waste, and Mazzucchelli started providing EssilorLuxottica with a low-impact recycled acetate resulting from a recycling technology known as Carbon Renewal Technology (CRT). The recycled acetate is then processed by EssilorLuxottica to produce high-quality recycled acetate frames, and both partners have obtained the ISCC(1) Plus certification. The certification has been recognized thanks to the development of specific internal processes to track recycled materials within production processes. The Company is working to extend the certification in other Italian plants and other regions. The final goal is to scale up opportunities to recover generated waste, creating a closed loop toward a circular economy.

Packaging was also thoroughly explored during the year, following the "4Rs" approach. In 2021, the Company promoted and developed several initiatives aimed at avoiding the use of single-use plastic:

- "Research": EssilorLuxottica is continuously researching alternative bio-based materials to substitute fossil-based ones and studying new design solutions. Design innovations are aimed at creating "easy to disassemble" and "mono-material" packaging through the reduction of layers and components, and thinking of a less impactful "end of life" for the products as well as designing cases that can be creatively reused, giving them a second life. This stream also includes the efforts to replace the plastic sleeve that protects temples and cloth using paper.
- "Reuse" and "Recycle": EssilorLuxottica worked to increase the use of certified recycled materials through the identification of a reference set of certifications: FSC for paper and GOTS and GRS for fibers (organics and synthetics). In 2021, many brands launched collections using certified recycled materials with different percentages of recycled content, among them: Tory Burch, Emporio Armani, Giorgio Armani, Arnette.
- "Reduce": The Company removed or reduced some packaging components; for example: replacing the case with the pouch and the information note with a QR code, reducing the types of labels on the boxes, and developing new solutions like foldable cases and stackable boxes to optimize the space needed for shipments.

Many other projects are under development to find new possibilities to recover and regenerate obsolete polymeric materials, derived of scraps from manufacturing processes and warehouse stocks.

Advancing wastewater control

The quantity and quality of water discharges are monitored and managed, whenever relevant. EssilorLuxottica has invested in onsite wastewater treatment systems at its facilities, which integrate treatment and recycling of wastewater into a single flow or complete process.

In addition, suspended materials parameters are also monitored within the "Wastewater Model" program, 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. It also helps create opportunities for water close loop solutions.

To reduce water usage and recover the wastewater, onsite closed-circuit water recycling systems are installed for lens generation prescription process in seven lines in the Company's main lens prescription plant in Italy and allow to reprocess industrial effluents and extract high quality water.

(1) The ISCC PLUS is a sustainability certification program for bio-based and circular (recycled) raw materials.

Ensuring high product standards

Guaranteeing product safety & quality

For EssilorLuxottica, product safety is an absolute priority and 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 its customers, patients and consumers with maximum product safety and efficiency, EssilorLuxottica performs, with ever increasing efforts, all the tests required to ensure compliance with the international regulations concerning chemical substances, medical and consumer products, using both in-house laboratories and third-party certified facilities. In 2021, the Company's central laboratories confirmed their accreditation according to the ISO/IEC 17025 standard for the competence of testing laboratories. During the year, EssilorLuxottica worked to acquire the necessary internal skills to manage active wearable devices regulatory frameworks, and develop shared and common guidelines for the qualification of these new products using new internal test equipment and procedures. In the context of a constantly evolving regulatory world, EssilorLuxottica has developed a proactive organization that allows anticipation of requirements linked to European Regulation evolution, new UK regulations generated by Brexit or the Swiss exit from EU regulatory recognition. As part of the ever-increasing importance of environmental responsibility and waste recycling issues, the new European guidelines for marking and identifying the materials used for packaging manufacturing have been implemented, in order to indicate to the consumer how to correctly dispose of the packaging waste. Quality systems are in place to meet regulations across the product life cycle. In a medical environment for prescription lenses, the Company is moving toward an adapted quality system. To this regard, in 2021, EssilorLuxottica obtained 23 ISO 13485 certifications for its key lens factories. It is also developing programs to receive structured feedback from customers and end consumers to continuously improve their satisfaction.

With 18,160 trademarks, 11,000 patents and designs owned, intellectual property is one of EssilorLuxottica's most important assets, and ensures the excellence, uniqueness, and superiority of its products. It is based on the registration and maintenance of the Company's trademarks and patents across the world. As described in Chapter 1, the protection of intellectual property rights also involves combating counterfeiting. The worldwide proliferation of counterfeiting not only threatens official sales channels and company reputation, 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, the Company 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, EssilorLuxottica 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. It is passive and emits no radio waves, making it safe for health. It also does not record personal data, and only delivers information on the products.

Applying 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 product communication is accurate and complies with the applicable regulations in effect, specifically with regards to advertising. This may involve a link with 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, the Company offers training (face-to-face or e-learning) for its salesforce, retailers, licensees and eye care 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 prescription products and services are based on wearer tests carried out with representative panels that take real-life and experimental conditions into account.

Working collectively toward a circular economy

With increasing pressure on raw materials, tightening of industry regulations and changing consumer behavior, EssilorLuxottica is looking to adapt its business models in a radical way. To make the circular economy a priority in its value chains and tackle the most present stakes in the optical industry, EssilorLuxottica is always looking for new and better ways to efficiently use resources and reach its environmental goals. The Company believes collaboration with its stakeholders is key to redesign its products and processes, and develop new business models to allow more bio-based and recycled content, making it easier to disassemble and reuse materials.

Partnering with suppliers to find new materials and solutions

R&D and Engineering teams are always looking to extend their supply sources of secondary or innovative raw materials working with multiple industries, thus reducing the use of virgin or fossil-based materials. Multiple projects are currently developed with suppliers. For example, EssilorLuxottica in partnership with Bureo, has developed Costa Del Mar Untangled collection 2.0 of sustainable frames made of 97% to 100% recycled fishing nets. Discarded fishing nets are collected from commercial fishing ports in South America and Bureo is responsible for the recycling of the nets down into a raw material in the form of pellets. The recycled raw material is then used to produce recycled frames by EssilorLuxottica, combining them with mineral glass lenses, avoiding the use of any new plastic materials and providing superior lens clarity and durability.

In 2021, bold moves were taken by EssilorLuxottica, such as its investment in Mazzuchelli 1849 which allows the Company to produce a highly sustainable type of acetate accessible for all market players. The agreement provides for the acquisition by EssilorLuxottica of a minority stake of around 35% of the share capital of Mazzuchelli, to further finance the development of the project in Mazzuchelli production plants, increasing the offer of high quality and sustainable eyewear.

Enabling customers and consumers to extend products life cycle

One of the key enablers to prolonging the life of products is the possibility to repair, upgrade and adapt consumers lenses and frames. Many brands within the Company are currently providing repair services. In 2021 with the "S&V for the planet" program, the Salmoiraghi & Viganò retail brand launched a new product longevity program where the final consumer can extend or give a new life to the kids frames through a complete renewal of the frames and substitution of brand new RX lenses.

Other retail stores are going to enforce repair and renewal services for eyewear to make EssilorLuxottica products everlasting, both from a technical and emotional point of view.

Joining forces with peers to build circular schemes

EssilorLuxottica internal experts are also engaging with an entire ecosystem (academic, start-ups etc.) to build innovative solutions that require collaborative actions such as end-of-life management. For example, along with ESSEC Business School, L'Oréal and Bouygues, EssilorLuxottica jointly launched the first international research chair devoted to the circular economy, the "Global Circular Economy Chair". The aim of the Chair is to train future Chief Circular Economy Officers, create global strategies for circular transformation of businesses and contribute to the emergence of an open and international ecosystem of companies, start-ups, think tanks, academic institutions and government bodies. It will also contribute to public debate for the introduction of future regulations in Europe and worldwide as well as focus on raising awareness on the circular economy and creating concrete case studies while developing fundamental research.

5.2.3 Eyes on World Sight

EssilorLuxottica's Mission is to help people around the world "see more and be more". The Mission drives the Group's strategy and is at the heart of its principles and values. It inspires the Group's integrated approach to sustainable development and its ambition to eliminate poor vision in a generation.

The Group outlined a detailed roadmap to achieving this ambition in its 2019 report "Eliminating Poor Vision in a Generation: What will it take to eliminate uncorrected refractive errors by 2050", launched alongside the United Nations' General Assembly. Despite the ongoing challenges faced by the world due to the Covid-19 pandemic, EssilorLuxottica remains resolute in its commitment to this ambition, and the billions of people set to benefit from it.

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.

Since 2013, the Group has created sustainable access[3] to vision care for 477 million people in developing communities at the base of the pyramid by establishing more than 19,000 inclusive businesses or primary vision care entrepreneurs and 210 Sustainable Vision Centers. Training and empowering people to become entrepreneurial primary vision care providers in rural communities creates sustainable access to vision care, it also improves livelihoods and promotes skills development. Through these efforts, more than 47 million people at the base of the pyramid have had their vision corrected and/or protected.

The pandemic's ongoing global impact has further underlined the need to strengthen the resilience of health systems and the disparity of access to basic healthcare in many regions and countries. The same can be said of eye care services, which is why in July 2021, EssilorLuxottica and its partners welcomed the historic passing of the United Nations' Resolution to make eye care accessible to all by 2030.

As a member of the United Nations Friends of Vision secretariat, OneSight a not-for-profit organization of which EssilorLuxottica is a founding partner, played an active role in drafting the first-ever UN Resolution on Vision. OneSight also actively urged multiple member states to ensure their understanding of the proposed resolution, secure their support and advance multiple countries to co-sponsorship level. Following the unanimous passage of the resolution, EssilorLuxottica and its partners have been in conversations with many of the countries where they operate to discuss how to support solid action to follow up on the resolution. In Bangladesh, where the International Agency for the Prevention of Blindness (IAPB) has its initial pilot plans, OneSight contributed to the planning process and will share data from the vision centers supported by EssilorLuxottica in partnership with BRAC, an international development organization based in Bangladesh.

To complete the integration and consolidation of the primary philanthropic and advocacy entities supported by EssilorLuxottica, work began in 2021 to create a unified global vision care foundation with a network of chapters in key countries and regions. The organization which will launch in 2022 will help ensure the Group's investments and activities are more cohesive and efficient to reach more people in need. This will also help drive more impactful engagement of external partners, Governments, NGOs as well as internal brands, employees, customers and consumers with the company's Mission and associated activities.

EssilorLuxottica has made good progress in pursuing the priorities outlined in its 'Eliminating Poor Vision in a Generation' report:

- **creating sustainable access points;**
- **innovating for affordable solutions;**
- **funding subsidized and free services;**
- **raising awareness.**

These efforts have been strengthened and accelerated by partnerships with like-minded governments, NGOs and other organizations.

Creating sustainable access points

To date the Group has created over 19,000 sustainable access points throughout Asia, Africa and Latin America. Despite ongoing pandemic restrictions disproportionately impacting key regions, the resilience of the in-country teams delivered a strong recovery.

China's "Eye Partner" program recovered quickly to provide critical vision care to rural communities. It is on track to recruit and train 5,800 Eye Partners in as many townships to provide sustainable access to vision care to 240 million people by the end of 2022. The Eye Partner program offers professional skills training, access to affordable quality glasses through 2.5 New Vision Generation (2.5NVG) and business/marketing expertise to successful recruits. This not only helps to raise the standard of vision care in rural communities, it also promotes the sustainability of services by improving the livelihoods of service providers.

(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.
(3) Sustainable access is defined as permanent access created for population living within one days travel of a visioncare access point.

In Bangladesh, the partnership with MetLife Foundation is progressing and on track to train over 1,000 new primary vision care providers by 2022. The $1 million partnership between MetLife Foundation and EssilorLuxottica's social impact fund, which is creating sustainable livelihoods and improving access to vision care among rural communities, adopted a pooled funding approach. The partnership demonstrates an innovative philanthropic model whereby two foundations with different development agendas (vision care and financial health) have come together to scale and accelerate impact during times of need.

To further professionalize primary vision care in Indonesia, EssilorLuxottica partnered with ARO GAPOPIN, the academy of Optometry and Optometry Refraction. The Group's social impact fund provided 50 scholarships and has plans to support many more, to encourage vision care micro-entrepreneurs to upgrade their skills and be professionally certified with a Refractive Optometry (RO) qualification. RO is a three-year course, which requires significant financial commitment. The scholarships offered cover half of the tuition fees of the RO course conducted at ARO GAPOPIN and help provide quality primary vision care and access to affordable vision care solutions in remote regions where there is little to no access to professional optometrists. In helping to advance the development of primary vision care providers in Indonesia by creating more sustainable access points, this partnership is a great example of how the private sector and industry organizations can come together to create real impact.

Across Africa, EssilorLuxottica continued to establish sustainable vision care through several strategies. The Group's support to provide the entire population of Zambia with sustainable access to vision care resulted in 10 permanent vision centers being established. This is on track to reaching full access in 2022, meaning 100% of Zambia's underserved communities will be able to reach a vision center within one day of travel. In South Africa, the Group partnered with CooperVision, Peek Vision and the African Eye Institute (AEI) to launch the "1 School at a Time" campaign. The initiative aims to upscale, accelerate and expand access to eye health services, screening children in KwaZulu-Natal schools and providing free spectacles as needed. In Kenya, EssilorLuxottica is training and assisting primary vision care providers named Eye Rafiki, to open their shops at existing primary health centers and community hospitals. This enables rural populations to access vision care along with other much needed primary health services.

Innovating for affordable solutions

Launched in early 2020, EssilorLuxottica's pioneering efforts in teleconsultation for its primary vision care network in India, was established to enable Eye Mitra program participants to offer enhanced vision care services to their communities. The on-demand tele-refraction platform connects rural Eye Mitra shops to urban optometrists. It facilitates real-time remote detection of refractive errors and potential eye diseases, providing rural communities with quality eye care without having to travel far from home. Amid ongoing social distancing measures, this work has become even more relevant and necessary. As well as onboarding existing Eye Mitra with this new technology, all new recruits in India are trained to use the tele-fraction platform and with plans to expand into Indonesia and Kenya. So far 800 Eye Mitra program participants have been trained in India.

Launched in 2020, the Click Check refraction tool, has now sold over 2,500 units to NGOs, hospitals, institutions and primary vision care providers. In 2021 findings of research by the world renowned Aravind Eye Hospital's research institution, LAICO, found the low cost, easy to use tool which does not use electricity, to be of high reliability when compared with subjective and auto-refraction tools. The research has been submitted for peer review publication.

Providing even greater access to basic vision screenings in times of continued social distancing restrictions, EssilorLuxottica launched the Fun Vision Tool. A mobile-based basic vision screening tool, Fun Vision checks for visual acuity, astigmatism and color vision and provides details of the nearest primary vision care provider based on the geo-location of the user detected by their mobile device. Deployed on Facebook, the Fun Vision Tool is available in English, Hindi, Bengali and Bahasa.

Providing quality vision eye care to rural communities has long been a priority for the Group. In rural areas, people usually travel significant distances to get their eyes checked. To save them a return trip, the Ready2Clip Generation I was developed to offer on-the-spot customization with symmetrical pre-cut lenses that can be easily fitted into both the left and right sides of the frame. To enable a larger population to enjoy on-the-spot customization, the Ready2Clip Generation II for children was developed. This series offers the same core benefit of on-the-spot customization with improved features such as streamlined and lightweight design for greater comfort, easy click release bridge for easier and faster assembly and different-size bridges and adjustable temples to fit a broader population of people.

Funding subsidized and free services

Despite ongoing social distancing measures limiting the scope of free vision screening events and public health resources being diverted to tackling Covid-19, EssilorLuxottica was able to maintain and advance on many impactful programs to support those most in need with free and subsidized services. The pandemic also highlighted the potential and importance of using sustainable access points to deliver cost-effective philanthropy as outlined in the "Eliminating Poor Vision in a Generation" report.

The landmark program to create the first poor vision free region in India 'Namma Kannu Namma Doddaballapura' (NKND) concluded in 2021 with the Doddaballapura Taluk region in the state of Karnataka declared poor vision free. The program began in 2018 when the Essilor Vision Foundation partnered with the Ministry of Health and Family Welfare of the Government of Karnataka, the Prerana Trust and Drishti Eye Hospital to create the first region free from poor vision. In the following three years (adhering to local pandemic restrictions throughout 2020 and 2021), a team of trained personnel conducted door to door visits screening residents' eyes for refractive errors and equipping them with a free pair of spectacles if needed. Those with complex vision correction were referred to a mobile eye camp where they would then receive customized corrective glasses within two weeks. The team visited 385 villages and 31 urban wards within the region, screening 230,000 residents and dispensing 41,000 free spectacles. In late 2021, Doddaballapura Taluk was declared as poor vision free by the state government. The successful completion of this program proves the potential of public-private partnership and collaboration to reach those most in need at scale.

Similarly, EssilorLuxottica's partnership with the Royal Government of Bhutan to make Bhutan (with a population of 772,000) the first country free of uncorrected poor vision, reached a major milestone in 2021. By April 2021, the Group delivered 400,000 pairs of glasses to provide free first-time eyewear to all Bhutanese citizens suffering from uncorrected poor vision. Despite the ongoing Covid-19 pandemic, the Bhutanese Ministry of Health was able to carry out most of its planned activities to deliver good vision to all its citizens, including vision screening camps. By April 2021, it had completed the nation-wide screening of all of its school children.

EssilorLuxottica is a founding partner of the $1 billion Vision Catalyst Fund, a multi-stakeholder initiative to bring eye care to all people in the Commonwealth and around the world. As a founding partner, the Group aims to donate 200 million pairs of lenses by 2030. In 2021, the Vision Catalyst Fund was operationalized and open to applications from NGOs for lens donations from EssilorLuxottica. Subsequently, 1.7 million pairs of lenses were approved for free vision care projects in Asia, Africa and Latin America.

The Group's Social Impact Fund celebrated a milestone in its Buy One Give One program, which was launched in 2018.

Over 2 million pairs of glasses have been pledged to people in need through vision care programs run by EssilorLuxottica and its partners thanks to the support of many of EssilorLuxottica's e-commerce sites and their consumers.

Many of EssilorLuxottica's brands supported philanthropic efforts throughout the year including Transitions and Oakley. Oakley supported five vision clinics across the U.S. featuring visits by professional athletes from Team Oakley. The series of clinics sponsored by EssilorLuxottica, Oakley, Los Angeles Chargers and, 15 and the Mahomies Foundation, delivered complimentary eye exams and glasses to hundreds of patients, mostly children, in Chicago, Los Angeles, New York and Kansas City. The clinics featured engaging activities with Oakley athletes like WNBA Player Diamond DeShields, NFL Safety Derwin James Jr., Renowned Skateboard Photographer Atiba Jefferson, BMX Athlete Nigel Sylvester, and well wishes from NFL Quarterback Patrick Mahomes. The partnership not only provided much-needed vision care in these cities, but also drove significant awareness of the need for vision care access in underserved communities.

Raising awareness

Last year, for the first time, EssilorLuxottica celebrated World Sight Day as a unified company to raise awareness about poor vision among children. Collaborating with renowned Australian artist and illustrator Karan Singh, the Group launched a campaign to raise global awareness about the importance of regular vision screenings and concrete initiatives to improve access to vision solutions. While millions of children around the world still lack access to vision care, which jeopardizes their future by reducing their ability to learn, be safe and fulfill their potential, EssilorLuxottica believes that the mobilization of all industry players is needed to raise awareness among parents and children. It's the first crucial step to fighting this epidemic. To this end, the Group's first common World Sight Day campaign aimed to draw parents' attention to the importance of regular eye exams early, and throughout their children's lives, to help them thrive and achieve their dreams for the future. Pivotal to EssilorLuxottica's campaign was the 'Put Vision First' website (putvisionfirst.com), which offered visitors the opportunity to learn more about the importance of good vision for their children's health and future, as well as to take action through an accessible online vision-screening test.

In parallel, the Group's Optical Retail brands, including LensCrafters in North America, Salmoiraghi & Viganò in Italy, and OPSM in Australia, participated in this mobilization by running a dedicated consumer campaign featuring works from the same artist. Besides, on the occasion of its 50th anniversary, Sunglass Hut reinforced its commitment to support OneSight by enabling its customers to make a charitable donation.

EssilorLuxottica also deployed a range of local initiatives throughout 2021 to ease access to screening and raise awareness on poor vision internationally. Projects were rolled out across the world including several initiatives in France, Italy, Portugal, China, the United States, Latin America, and India. These included free vision screenings and eyeglasses to underprivileged children, fundraising campaigns and dedicated classroom events in local schools, like the Kids Vision Fest in the US or an educational 3D book distribution to pupils in China.

The Group's advocacy efforts continued to focus on the need for effective awareness, advocacy, and research to break down barriers to good vision with a particular focus on children's vision and vision in road safety. EssilorLuxottica supported a partnership with Nickelodeon International to host a multichannel campaign titled "Framing the Future" to make a positive impact on children's' eye health globally. The 11-week campaign aimed at educating children about the power of sight, build empathy for others who can't see clearly or don't have access to care, and empower children to act as advocates for themselves and others. In total, the campaign reached more than 67 million households in 69 countries, deployed in three languages across on-air, digital, and social media channels.

A longstanding advocate for good vision on the road, the Company continued honoring its partnership with the Fédération Internationale de l'Automobile (FIA) to raise awareness of the importance of good vision for safe mobility.

Awareness raising activities were supported by EssilorLuxottica employees around the world. Through engaging in events, improving their knowledge of vision care on EssilorLuxottica's learning platform, Leonardo, sharing important messages on their social media and with friends and family, and many more activities, employees continued to show their support for the Group's Mission. In service of the Mission, 125 employees in 16 countries took the extra step as OneSight Ambassadors to help people "see more and be more".

5.2.4 Eyes on Inclusion

EssilorLuxottica's success is deeply intertwined with the over 180,000 employees worldwide who provide products of high technical and stylistic quality together with unparalleled levels of service. This global community embodies a unique expertise and DNA, and contributes to the Company's Mission to help people "see more and be more", 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 regions in which the Company operates in gives it a distinguishing trait, and is one of EssilorLuxottica's unique strengths.

The Company seeks to develop an environment in which everyone can thrive, feel valued and respected and constantly learn. This commitment is embedded alongside a strong culture of health and safety in the workplace and extends to the communities where employees and their families live, eye care professionals, customers and suppliers. A tangible advancement in this respect is Leonardo, the innovative learning platform open to the vision care industry that EssilorLuxottica launched in 2021, replacing Essilor University/other Essilor Platforms and Luxottica University, with the aim of contributing to the growth of the industry through learning and training. The Company believes in life-long learning, where every day brings a new chance to access a wide selection of content for every level in a variety of formats (e.g. video, podcast, virtual classrooms) in over 15 languages. As such, the search for excellence in recruitment and the development and well-being of its employees across the world are of strategic importance.

The reason behind all these efforts – described in this section – is the innate belief that plurality and diversity are sources of enrichment, and a heritage that makes the Company stronger and better able to face global challenges.

The Company's workforce

As part of the integration of GrandVision's non-financial data, the Company has identified the first set of common indicators having aligned definitions and rules of reporting. The aim was to get a basic overview of the Group's total workforce in 2021, as clearly indicated in the tables below.

Total workforce

	2021 (in. GV)	**2021** (ex. GV)	**2020**
TOTAL WORKFORCE	**193,371**	**154,437**	**151,017**
Total number of employees	182,684	143,750	140,429
Total number of agency workers	10,687	10,687	10,588

Note: The figure for EssilorLuxottica employees refers to December 31, 2021. In 2021, the total workforce increased by around 28%, mainly due the integration of GrandVision. Excluding the scope impact of GrandVision (20% of Group total headcount), the total workforce stayed at a similar level as 2020. For more information on reporting methodology and scope, please refer to Section 5.4.

Workforce breakdown by geography

	2021 (in. GV)	**2021** (ex. GV)	**2020**
TOTAL WORKFORCE	**193,371**	**154,437**	**151,017**
North America	43,476 (23%)	42,914 (28%)	43,388 (29%)
EMEA	72,032 (37%)	38,332 (25%)	37,541 (25%)
Asia, Oceania	54,186 (28%)	54,186 (35%)	52,118 (35%)
Latin America	23,677 (12%)	19,005 (12%)	17,970 (12%)

Note: The geographical breakdown of the workforce in 2021 and 2020 has been aligned to the geographical areas identified for 2021 revenue disclosure. GrandVision, which is mainly presented in Europe, has largely contributed to the increase in the EMEA region. For more information on reporting methodology and scope, please refer to Section 5.4.

The tables below detail the Company's employees according to gender, contract type, category and age.

Employee breakdown by gender

	2021 (in. GV)	2021 (ex. GV)	2020
TOTAL NUMBER OF EMPLOYEES	**182,684**	**143,750**	**140,429**
Total number of women	110,272 (60%)	82,909 (58%)	80,575 (57%)
Total number of men	72,412 (40%)	60,841 (42%)	59,854 (43%)

Note: At 31 December 2021, women represented 60% of all Group employees. Their significant increase from 2020 is mainly attributable to GrandVision, where the majority of store employees is female. Excluding GrandVision, women drew the employee increase in 2021. For more information on reporting methodology and scope, please refer to Section 5.4.

Employee breakdown by contract type

	2021 (in. GV)	2021 (ex. GV)	2020
TOTAL NUMBER OF EMPLOYEES	**182,684**	**143,750**	**140,429**
Permanent contract	150,316 (82%)	116,567 (81%)	109,910 (78%)
Fixed term contract	32,368 (18%)	27,183 (19%)	30,519 (22%)

Note: More than 80% of employees hold permanent contracts within EssilorLuxottica. For more information on reporting methodology and scope, please refer to Section 5.4.

Employee breakdown by category and by gender

	2021 (ex. GV)	2020
TOTAL NUMBER OF EMPLOYEES	**143,750**	**140,429**
Executives – Senior management	**1,813 (1.3%)**	**2,204 (1.6%)**
Women	512 (28%)	590 (27%)
Men	1,301 (72%)	1,614 (73%)
Managers/Experts – Middle management	**11,638 (8.1%)**	**10,888 (7.7%)**
Women	4,813 (41%)	4,501 (41%)
Men	6,825 (59%)	6,387 (59%)
Professional – White collars	**44,776 (31.1%)**	**42,140 (30.0%)**
Women	24,778 (55%)	22,607 (54%)
Men	19,998 (45%)	19,533 (46%)
Production/Shop staff – Blue collars	**85,523 (59.5%)**	**85,197 (60.7%)**
Women	52,806 (62%)	52,877 (62%)
Men	32,717 (38%)	32,320 (38%)

Note: Employee breakdown by category excludes GrandVision as further alignment of definitions and rules of reporting is needed. Women represent approximately 40% of management roles (senior and middle management) of the Company. Also, the proportion of women covering executive roles has slightly increased. For more information on reporting methodology and scope, please refer to Section 5.4.

Employee breakdown by age

	2021 (ex. GV)	2020
TOTAL NUMBER OF EMPLOYEES	**143,750**	**140,429**
Below 18	189 (0.1%)	130 (0.1%)
18-34	66,201 (46.0%)	66,212 (47.1%)
35-49	53,839 (37.5%)	51,521 (36.7%)
Above 50	23,521 (16.4%)	22,566 (16.1%)

Note: Employee breakdown by age excludes GrandVision. EssilorLuxottica has a centuries-old history and an incredible youth employment rate. Approximately 46% of employees are below 35, mainly working in the Company's facilities and stores. Overall, 83% of employees are under 50 years old.

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, EssilorLuxottica recruits and engages its employees with a long-term perspective in which training, development and equal opportunities for everyone 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 Group 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 based on fairness and meritocracy.

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 North America, EssilorLuxottica went on a journey of building a more diverse and inclusive culture for all employees. In early 2021, an internal Executive DEI (Diversity, Equity and Inclusion) Council as well as an employee-led Think Tank were created to help drive DEI strategy and initiatives forward. In February, Luxottica and Essilor launched a coordinated Inclusion Calendar and provided educational resources and employee spotlight interviews to build awareness and education. As a part of Inclusion Calendar celebration and commemoration months, Luxottica and Essilor co-led five virtual events across 2021; these events provided additional touchpoints for continuing education and also provided an opportunity to hear from employees of diverse backgrounds. In the Spring of 2021, Luxottica launched a virtual Unconscious Bias training through the Leonardo learning & development platform achieving 84% completion across Retail brands. Shortly after, five Business Resource Groups (BRGs) – Women, Multicultural, Persons with Disabilities, LGBTQIA+, and Veterans - were launched for Luxottica, in coordination with Essilor's existing BRGs.
- In Latin America, at Essilor Brasil, internal communication campaigns engaged employees on several topics on Diversity and Inclusion, such as Lgbtqphobia, Gender Equity, and Racism & Intersectionality. In addition, six panels brought more than 330 participants together to think and discuss other important topics such as Inclusive Language and Nonviolent Communication. At Essilor in Colombia, all employees had access to a sign language course to expand communication and include colleagues with hearing impairments. In addition, all internal videos must have a sign language interpreter. In addition, on the International Day of Persons with Disabilities (December 3rd), the Company celebrated the "Day of the Most Capable" which mobilized the entire team around the theme. At Luxottica in Brazil, a program called "Educa Retail" was launched to identify talented employees at directly managed stores and to support their professional development by providing access to academic education.
- In Greater China, the "Women talk" program engaged women professionals from Essilor and Luxottica in various interactive activities to boost cultural blending and enhance mutual understanding of EssilorLuxottica as one company.
- In Europe, Essilor France has built a community of 300 employees named "Women at Essilor". In 2021, three digital conferences animated by external speakers were set up on "professional equality", "7 inspiring women" and "we all have super powers". More than 700 employees participated in these events. As part of an engagement program, a specific initiative named "Heroes Together" was created to help Essilor employees take better care of their health with sports and wellness activities as well as advice (*e.g.* nutrition and sleep management).
- Globally, a brand-new online path focused on unconscious bias was designed and launched on the Leonardo learning & development platform in March 2021. The course is built on six different video lessons and additional online resources describing how the human brain works, how biases influence perceptions and why it is important to mitigate bias in our daily lives. The online path received approximately 190,573 completions at global level and it was complemented by virtual workshops delivered by Leonardo trainers.

In 2021, EssilorLuxottica earned a spot on the Financial Times "Diversity Leaders list 2022", 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, disability and sexual or political orientation, disability. For instance, the Company has been supporting of people with disabilities for a long time. In France, thanks to the deployment of the Disability policy & program led by 22 "handicap" correspondents, employees with disabilities represent approximately 5% of the employee population.

EssilorLuxottica also has a firm commitment to compensating employees equally for the same work, as professional roles and promotions are evaluated and assigned to guarantee a workplace based on fairness and meritocracy. 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 support 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, which brings concrete solutions to achieve better work-life harmony (*e.g.* extension of a fully paid paternity leave, childcare services, and school support).

Education and people 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 anda rising importance of emerging countries and areas that require specific expertise, the Company offers its employees and customers a personalized learning journey with the latest digital solutions and best-in-class content through its online learning platform, Leonardo.

Following the combination of Essilor and Luxottica, the Company leveraged the knowledge and expertise from each side to both build a global team and a shared platform that can serve the workforce of the future. In May 2021, 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.

The platform is accessible to over 180,000 EssilorLuxottica employees and nearly 270,000 opticians and sales associates healing from Luxottica's wholesale clients worldwide. Over the course of 2022, access to the Leonardo platform will be extended to Essilor client eye care professionals (ECPs) globally, to ensure all group clients enjoy the same opportunity to learn.

Leonardo offers an intuitive, user-friendly experience across all devices, accessible any time. The content delivered by industry experts spans the areas of eyewear and eye care, lenses and optics, brand storytelling and business and people management, amounting to over 7,000 hours of content in over 15 languages.

A great value added of Leonardo is its eye care educational offer. As the eye care industry evolves and changes at an ever-increasing rate, eye care professionals must be able to keep up and meet new needs, requirements and expectations of patients in the future. The content available on Leonardo covers medical and scientific topics, from the fundamentals of visual optics, the most common ocular conditions and how they can be treated to clinical practice management, eye exams, prescriptions, and understanding the innovative technology and science behind products and more.

Through Leonardo, EssilorLuxottica aims to make learning a daily routine, enabling people to learn through their preferred format: interactive modules, videos, podcasts, readings and virtual classrooms. Leonardo offers a "blended approach" that combines online content and live sessions, designed both to optimize the level of interactivity of the learners and to adapt to everyone's needs.

At EssilorLuxottica, the introduction or development of new skills, the opportunity to improve existing competences and the support for extensive ways of thinking have always been a core element of its learning and development approach globally. In 2021, the Company delivered approximately 1,3 million hours of educational training to employees, managers and directors around the world through virtual classrooms and digital modules. The "See more, learn more" virtual classroom series, started in 2020, continued over the year, addressing topics such as "Managing the change process", "Building resilience", "Managing hybrid teams" amongst others, and enrolling more than 800 participants. In addition, 320 people attended Global Learning programs such as "Manager as coach", "Success with presentations", as a follow up of 2020 initiatives at Essilor. 2021 was also the year of the launch of a unique global language learning platform Speexx, which can be accessed freely through Leonardo.

Following the digitalization approach, EssilorLuxottica introduced a new training service available on Leonardo for both its wholesale clients and store employees named "New to your store". This is a customized service, which provides training snippets on every model shipped to any door, including style details, inspiration mood board and media content. A revolutionary service that redefines the training on single styles, making it more accessible and intuitive.

Training hours and number of employees trained

	2021 (ex. GV)	2020	2019
TOTAL TRAINING HOURS DELIVERED	**2,165,534**	**1,444,546**	**2,024,723**
Centrally managed training hours	**1,309,670**	**655,437**	**737,709**
Locally managed training hours	**855,864**	**789,109**	**1,287,014**
Production/Shop staff – Blue Collars	562,458	479,674	821,751
Other Categories	293,406	309,435	465,263
Number of employees trained through centrally managed programs	**81,244**	**81,688**	**81,514**
Number of employees trained through locally managed programs	**60,851**	**56,381**	**87,497**
Production/Shop staff – Blue Collars	37,927	33,523	57,634
Other Categories	22,924	22,858	29,863

Note: Total training hours increased by around 50% in 2021, even though part of the locally managed training hours covered only ten months of data from January to October due to the change of reporting organization. The significant increase of training hours is mainly due to the recovery of business activities following the strict lockdown measures of Covid-19 during the year of 2020.
To this regard, it is worth reminding that in 2020 , the majority of classroom training was transformed to online training, both at global and local level. This led in 2021 to an increase of around 100% of centrally managed training hours through Leonardo, the innovative learning platform launched in 2021: approximately 1.3 million hours of educational trainings were delivered through virtual classrooms and digital modules, representing around 60% of the total Company training hours during the year. Over 81,000 employees were trained, in line with last year's level.
Local training was delivered in classroom settings where possible or through third-parties e-learning solutions. With more than 60,000 employees trained, more than 850,000 training hours were delivered, among which around 65% were dedicated for blue collar workers.

Talent management

Talent development

For EssilorLuxottica, talent development is a top priority. In 2021 the Company introduced different activities that support growth and career development, such as:

- Performance review: the Luxottica process to set goals and assess performance tripled the number of employees in scope, involving also the US, Latin America, Asia, Australia, New Zealand and the remaining countries in EMEA as well as the Retail network. The Performance review system and tool is now available in 37 countries, and more than 7,000 hours of training have been delivered to support managers and their teams in the process.
- Talent review: potential evaluation and talent review involved in 2021 almost 9,000 people in 34 countries all over the world, also involving the retail population for the first time.
- Facilitation and promotion of internal mobility opportunities through talent programs like COMET, SeeUp and FinHance. COMET enables 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 internal mentors and coaches. "SeeUp" saw its second edition in 2021: it is designed to increase internal mobility and motivate employees to own their careers by providing a deeper understanding of talent management initiatives and career management best practices under an overarching digital umbrella. Through the support of a core team, these activities have guided more than 1,000 employees in powering up their career conversations by creating personal branding, building networks, and understanding internal opportunities available in different functions. FinHance is a development program aimed at promoting international career opportunities addressed to the most talented people within the Company's global finance community. It involves six young Talents based in five different countries; in three years they will rotate across three different functions and will be supported by a local buddy, a senior mentor, a community of practice and a dedicated training plan.
- A "development toolkit" is in place to support the growth of the Company's talents. It includes initiatives such as mentoring, virtual coffee chats with EssilorLuxottica leaders, peer-coaching, shadowing and a hackathon. Starting from September 2021, all these Luxottica initiatives have been rebranded as EssilorLuxottica involving colleagues from both legal entities: 432 for the Mentoring program, 260 for the coffee chat, 48 for Finance Next Generation just as examples. In total, more than 800 people in 36 countries were involved.

Talent attraction

EssilorLuxottica is committed to offering an engaging and motivating workplace where everyone can unleash their full potential and express their unique individuality. 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 EssilorLuxottica's employer value proposition.

For this reason, the Company accelerated the integration of the talent attraction strategy aimed at communicating the benefit of the combination and creating a cohesive identity of the Group. Several initiatives have been developed at EssilorLuxottica to attract, retain and engage talents.

- Development of an EssilorLuxottica Value Proposition that represents the promise of EssilorLuxottica as an employer of choice and the value that a career within the Group can bring from a professional and personal standpoint.
- While the careers section on Essilor and Luxottica's websites and the respective LinkedIn pages offer transparent access to the opportunities available and enable candidates to apply online, the new EssilorLuxottica Linkedin page is aimed at communicating the latest news and career opportunities as one Company.

- Regular presence on international campuses of top-ranking universities and management schools (*e.g.* MIT, Harvard, NYU, Columbia University, HEC, ESSEC, ESADE, Bocconi University, Politecnico di Milano and MIP, Fudan, PolyU Hong Kong, University of Sydney, 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 ETP (Emerging Talent Program) and Operations Talent Program target new graduates. In 2021, the ETP's trainees completed two global rotations in various international offices, settling into their permanent positions. Additionally, the Operations Talent Program saw the launch of another class of young international trainees from STEM fields, who have set on a two-year path starting at the heart of Luxottica Operations Headquarters.

Specific talent attraction projects are also developed at a local level. These include Luxottica's eyeFWD in North America, Campus Program in Italy and EYE Launch in Australia, which in 2021 were executed online in response to Covid-19. The latter is designed to give optometry graduates a broader understanding of building and maintaining a successful career upon graduation. EYE Launch is a two-day graduate induction program. It is the first part of Luxottica's two-year graduate development pathway, designed to ensure new optometry graduates are well equipped to start their careers effectively.

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. EssilorLuxottica has 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. For 2021, 28 mass production plants, 12 lens laboratories, two logistic centers and one corporate office were certified ISO 45001:2018.

The EHS policies of the Company are also shared and implemented to minimize health and safety risks to employees, customers and local communities.

Since 2020, EssilorLuxottica and its operating subsidiaries have 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 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, the EHS department and Crisis Management Teams (CMTs) created, implemented, and constantly updated guidelines for each company division (*e.g.* Operations, Retail, Wholesale). The indications of those guidelines were immediately implemented in local protocols to handle all aspects linked to the management of workplace 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. Very often the Group implemented stricter than national/local requirements with the primary aim of ensuring 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 continue to be run.

Once Covid-19 vaccines started to become available, EssilorLuxottica developed a common approach to support Covid-19 vaccination campaigns launched by local authorities, with actions ranging from communication to employees about the benefits of vaccination to assistance to off-site clinics or set-up of on-site vaccination centers. The Group continues its actions to limit the impacts of this pandemic and frequently adapt them as the successive variants spread across the countries.

The Company's journey towards zero work-related accidents

EssilorLuxottica is committed to achieving 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, the Group has designed policies, action plans, procedures and on-site audits aimed at reducing the frequency and severity of accidents.

Meanwhile, the Group keeps continuous expansion and deployment of safety guidelines and programs such as road safety, automation at the workplace and Behavior Based Safety (BBS) across the Group. In addition, health and safety requirements, such as safe machines and processes, ergonomic workstations and chemicals management, are part of the innovation process of the Company to prevent accident risks at an early stage.

Additionally, dedicated training programs have been essential in achieving the zero-work related accidents target to develop a culture of accident prevention at its production and logistics sites. This includes the Safety Corners, which are designated locations for posting information on health and safety matters and reporting unsafe or risky situations for workers.

The Company takes all work-related injuries seriously. Information on work-related injuries are shown in the table below:

	2021 (ex. GV)	2020	2019
TOTAL NUMBER OF WORK-RELATED INJURIES	**557**	**603**	**862**
Total number of work-related injuries with absence	**322**	**300**	**406**
Employees	298	282	372
Agency workers	24	18	34
Total number of work-related injuries without absence	**235**	**303**	**456**
Employees	231	279	412
Agency workers	4	24	44
NUMBER OF LOST DAYS DUE TO WORK-RELATED INJURIES WITH ABSENCE	**10,560**	**9,689**	**11,563**
Employees	10,171	9,241	10,913
Agency workers	389	448	650
TOTAL NUMBER OF CASES OF OCCUPATIONAL ILLNESSES WITH ABSENCE	**33**	**-**	**-**
Employees	33	-	-
Agency workers	0	-	-
NUMBER OF LOST DAYS DUE TO OCCUPATIONAL ILLNESS	**979**	**-**	**-**
Employees	979	-	-
Agency workers	0	-	-
FREQUENCY RATE FOR WORK-RELATED INJURIES WITH ABSENCE	**1.7**	**1.5**	**1.7**
Employees	1.7	1.5	1.8
Agency workers	1.6	1.3	1.5
SEVERITY RATE FOR WORK-RELATED INJURIES WITH ABSENCE	**0.06**	**0.05**	**0.05**
Employees	0.06	0.05	0.05
Agency workers	0.03	0.03	0.03
TOTAL RECORDABLE INCIDENT RATE	**2.9**	**3.1**	**3.7**
Employees	3.0	3.1	3.7
Agency workers	1.8	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. Starting from 2021, cases of occupational illnesses with absence and lost days due to occupational illness are disclosed as a new indicator.
Work-related injuries information covers 57% of the Company's total headcount (excluding GrandVision) 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.
557 work-related injuries were reported in 2021, with a decrease of 7% compared to 2020, as a consequence, the total recordable incident rate has decreased for both employees and agency workers. This is partially linked to reduced presence of workers due to the Covid-19 pandemic.
The frequency rate for work-related injuries with absence has increased slightly compared to 2020, however is consistent with 2019 level prior to Covid-19 pandemic; the severity rate for work-related injuries with absence remained at a similar 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 and occupational illnesses, as well as the reporting scope, please refer to Section 5.4.

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 previous employee share ownership initiatives "Boost", the coverage of this yearly campaign was extended to welcome employee shareholders from five more countries, and new subscribers are now taking part from Bangladesh, Benin, Latvia, Morocco and Ukraine. As a result, today nearly 67,000 of the Group's employees in 85 countries hold a financial stake in the Company, a steady rise up from approximately 63,000 in 2020 and 56,000 in 2019. In addition, more than 11,000 employee retirees are also shareholders showing their engagement and confidence in the Company. Also on the rise, approximately 20,000 employee shareholders are members of Valoptec, the independent employee shareholder association that supports EssilorLuxottica's values as well as contributes to its governance.

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 5.2.5).

EssilorLuxottica is driven by a strong sense of responsibility and corporate citizenship, and continues to pursue its commitment towards the local communities and territories where it operates. It supports initiatives that span many areas, such as community outreach programs, cultural heritage preservation and philanthropy. Some of the most significant initiatives to promote and protect cultural, social, and environmental heritage include:

- Luxottica for Art, launched in 2020, that has the objectives of protecting and preserving cultural heritage and of promoting culture during the unprecedented times of the pandemic by displaying artistic pieces on urban large screens of the Company in Milan, London, and New York;
- the organization, through the Alain Mikli brand, of initiatives that make art accessible to people with visual disabilities. This includes the first exhibition after the reopening of the Musée Carnavalet - History of Paris with the Foundation Henri Cartier-Bresson.

The Company takes pride in combating social exclusion and helping families and individuals by guaranteeing their livelihoods. This also increasingly strengthened its bond with the people and with the territory where it operates. In Italy, for example, a social inclusion project was launched in 2019 for meal delivery service: over 73,000 meals have been delivered since the start of the project, with an average of over 118 meals per day. This ability to respond to the needs of local communities is a hallmark of EssilorLuxottica's culture of inclusion.

5.2.5 Eyes on Ethics

Having a direct relationship with customers and consumers around the world, EssilorLuxottica has a responsibility to lead by example. The Group 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. More specifically, EssilorLuxottica maintains a very high level of vigilance and proactivity, with action plans, in three main topics: responsible supplier sustainability, human rights and business ethics.

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 Company's reputation. EssilorLuxottica's supplier sustainability approach is rooted in the principles stated in the Company's Code of Ethics and respect of international regulations 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 environment.

In 2021 the Group continued to leverage, unify and extend the supplier sustainability standards and initiatives already specific to the Essilor Supplier Sustainability Program (SSP) and Luxottica Responsible Sourcing and Manufacturing (LRSM) program, including the following key dimensions:

- ensuring suppliers acknowledge and respect of the Code of Ethics, specific supplier charter, and legal compliance on topics such as human rights and labor standards, environment, health and safety;
- evaluating supplier's environmental and social performance;
- engaging suppliers on initiatives that will have a positive impact on people and the environment;
- training buyers and suppliers on sustainability principles and practices.

The implementation of the various parts of the supplier sustainability initiatives is guaranteed by a dedicated team within the company's Sourcing and Procurement department. This function relies on regional purchasing managers to ensure the successful implementation and monitoring of the program.

Given its inter-departmental nature, the program brings together representatives of the Sourcing, Internal Audit, Manufacturing, Quality, CSR, Risk Management, Asset Protection and Compliance departments in a Steering Committee, which periodically evaluates the status of the program and discusses further steps to take.

Performance assessment

Supplier performance and risk assessment are at the core of EssilorLuxottica's supplier sustainability actions. To ensure this, qualified third-parties (*e.g.* Intertek, BSCI, SGS) audit suppliers' compliance with the Company's ethical working principles as well as environmental and social responsibilities. In this respect, two methods are being used.

First method, mainly applied to the Group eyecare activities, is to assess supplier's performance through 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, the Company gives a score to them based on four different categories: opportunity, engaged, medium risk (30-44) and high risk (<30). 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 a request to implement a progress plan and annual assessments to counteract the risk. To do so, suppliers may call on EssilorLuxottica'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, EssilorLuxottica may have to terminate its business relationship with that supplier. During the year, EssilorLuxottica conducted 165 assessments in total.

Second method, mainly applied to Group eyewear activities and apparel footwear and accessories (AFA) category, is to perform on-site supplier audits directly with the collaboration of Sourcing, Risk Management, Asset Protection and Compliance functions and supported by third-party auditors (*e.g.* Intertek, BSCI) in charge of monitoring suppliers' compliance with the company's standards and 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. This approach is aimed at preventing the risk of serious cases of non-compliance with sensitive topics, including child labor, use of forced labor and corruption, when selecting and monitoring suppliers. This method 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, 52 current and potential eyewear suppliers were subject to audits in 2021 and major instances of non-compliance were identified for six suppliers. The split of audits has been the following:

- two follow-up audit due to unsatisfactory results of an audit from the previous year;
- seven preventive audits, in order to qualify new suppliers or to establish a number of alternative suppliers in the event of particularly critical situations;
- 43 maintenance audits, in order to continue to be qualified as the company's suppliers.

The audit process on AFA suppliers continued in 2021, with 41 audits on production plants of suppliers located in Asia-Pacific, Latin America and Europe. Only two instances of non-compliance were identified.

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 EssilorLuxottica follow strict exclusion tools to ensure high risk or non-compliant suppliers are ruled out from the sourcing and procurement process.

In this regard, the Company strengthened its mitigation mechanisms with the implementation of an "Exclusion Procedure" / "Zero tolerance" principle. 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. This mechanism is in place to guarantee appropriate monitoring of high-risk suppliers, and ending with the definition of 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 situations where non-conformity is systemic and not occasional.

Engagement and training

To support and strengthen the supplier sustainability programs and ensure alignment with the Company's standards, EssilorLuxottica have in place training and awareness initiatives targeting suppliers and the purchasing community.

In 2021, online training tools launched for both professional buyers and suppliers have been made available on the Leonardo learning platform. Moving forward, EssilorLuxottica will continue building up its global program to further align and strengthen the organization and management of supplier sustainability.

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 its subsidiaries within the scope of financial consolidation[1].

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.

As EssilorLuxottica has a long history of responsibility towards its 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.

(1) GrandVision will be included in the 2022 Vigilance Plan along with the integration process.

Company's commitment to promote human rights and protect the environment across the whole value chain

EssilorLuxottica is built upon two centuries of innovation and human endeavor. 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) and international standards such as the United Nations Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. 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 is deeply intertwined with the Company's Mission and was strengthened in recent years in the context of growth and expansion in new countries.

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 is committed to complying with all applicable legislation and regulations and aims to continuously improve health and safety policies and procedures across countries through information and training and by fostering responsible behaviors of all workers through the application of company-wide safety procedures and vigilant preventive actions.

Furthermore, in order to reduce its environmental risks and impacts and to have a process framework which guarantees regulatory compliance and meets stakeholder expectations, EssilorLuxottica applies environmental best practices that conform to ISO 14001 certification and facilitates management of the related impacts.

However, the Company operates in geographic regions where the application of legislation in relation to human rights and the environment 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 to work with 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. In addition, EssilorLuxottica has implemented an Anti-Bribery & Corruption compliance program which provides 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 to ensure continued identification of associated risks, update of policies and internal procedures, making of commitments and implementations of actions "on the ground" to mitigate risks all along its value chain (*e.g* Essilor's Human Rights policy, Luxottica's Responsible Sourcing & Manufacturing program). 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 to the environment is supported at the highest levels of the Company, by the Board of Directors.

In particular, the CSR Committee has been updated on specific topics including the CSR risk assessment and the management of sustainability issues. 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 5.1.3 and Chapter 3 of this Universal Registration Document.

Operationally, the CSR department of EssilorLuxottica coordinates the deployment of the "Eyes on The Planet" program and oversees cross-functional issues including human rights. This is intended to support the operational functions (mainly HR, EHS, Risk Management, 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 department of EssilorLuxottica is 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. This department relies on a network of correspondents present locally on production and distribution sites to oversee the operation of environment, health and safety management.

For EssilorLuxottica, supply chain efficiency is key to be able to guarantee the highest quality for its products and services which contribute to maintaining and enhancing its reputation. The Company has defined standards of ethics, labor, health, safety and the environment and requests all of its suppliers to adhere to these (see Section Supplier Sustainability).

Lastly, EssilorLuxottica aims to further involve its stakeholders and to go beyond the actions already undertaken. This is evident from its regular discussions with representatives from civil society, its support of NGOs and its participation in roundtable discussions. For example, the Company 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 and improve the integration of human rights into business practices, and the BSR (Business for Social Responsibility), an international network which shares best practices and facilitates dialogue with stakeholders. EssilorLuxottica 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.

The Company's risk assessment process (see Chapter 1), which incorporates the CSR risk assessment (see Section 5.1.4), was applied to these areas: human rights and fundamental freedoms, individual health, safety and security and the environment. The Company assesses its risk exposure either via specific risk mapping in relation to human rights or directly via specific programs that apply to both manufacturing sites and suppliers globally (see Section Supplier Sustainability).

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 main 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 described in Section Supplier Sustainability.

For more details on the measures of prevention, mitigation and/or remediation implemented, as well as on progress made in 2021, please refer, for clarity and readability purposes only, to the following sections:

Risk family	Sections
Challenges relating to human rights and fundamental freedoms	Equal opportunities and people development Employee shareholding Supplier sustainability
Challenges relating to the health and safety of individuals	Health and safety Supplier sustainability
Environmental challenges	Water management Waste management 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 face-to-face training (many have been conducted digitally due to Covid-19). For example, more than 2,000 employees at EssilorLuxottica have followed e-learning modules on "Business and Human Rights". Many training courses were also delivered on key aspects of environmental management.

In addition, EssilorLuxottica created a dedicated "Human Rights" Audit Program to review risks relating to human rights, fundamental freedoms, health and safety at work and the environment, which could be generated either by the company's business or by its suppliers and subcontractors. In 2021, 20 entities were audited covering around 12.5% of EssilorLuxottica's Global headcount (excluding GrandVision). Results and key findings of these audits are shared with function leaders and contribute to adapting Group and local roadmaps. In 2022, EssilorLuxottica will continue to carry out audits on human rights topics across its entities which have been identified as most at risk and so as to include the largest number of Company employees.

Regular assessment of subsidiaries, suppliers and subcontractors

The risk assessments as presented above are regularly updated following monitoring work carried out by 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 required to report annually on key indicators related to human rights, the environment, and associated risks are monitored (see Section 5.1.5).

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 can send an alert via the direct manager, the HR manager or the compliance department, their country or regional or business manager, a staff representative of the entity. They can also use EssilorLuxottica's whistleblowing systems deployed throughout the Company, which allow employees to report concerns, including any in relation to human rights and the environment through dedicated channels or email addresses.

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 related risks. Below is a summary of key indicators:

Theme	KPI	2021 (ex. GV)	2020
Challenges relating to human rights and fundamental freedoms	Number of employees and agency workers below age 16	0	5
	Cumulative number of employees having completed "Code of Ethics" trainings at EssilorLuxottica[1]	10,479	6,027
	Cumulative number of EssilorLuxottica employees having completed "Business and Human Rights" training[2]	2,401	1,696
	Percentage of eyecare strategic suppliers having completed CSR assessment	94%	100%
	Percentage of eyecare preferred suppliers which acknowledge the Supplier Charter	91%	100%
	Percentage of eyewear spending covered by LRSM program	93%	93%
	Of which: percentage of eyewear spending covered by on-site audits	81%	83%
	Of which: percentage of eyewear spending covered by training and/or awareness initiatives	50%	50%
	Percentage of AFA spending covered by on-site audits	62%	65%
Environmental challenges	Number of chemical spills	2	1
Challenges relating to the health and safety of individuals	Number of work-related fatalities - employees and agency workers	0	0
	Frequency rate of work-related injuries with absence - employees and agency workers	1.7	1.5
	Severity rate of work-related injuries with absence - employees and agency workers	0.06	0.05
	Total recordable incident rate - employees and agency workers	2.9	3.1

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 the Company has 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 about its compliance with competition rules; it 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 this approach, the EssilorLuxottica Code of Ethics 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, EssilorLuxottica promotes its Anti-Bribery & Corruption Program, and supports all actions 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. Operationally, the Compliance department of EssilorLuxottica has 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 1 of this Universal Registration Document).

(1) To ensure consistency in data analysis, 2020 figure has been restated following the launch of Leonardo platform.
(2) To ensure consistency in data analysis, 2020 figure has been restated following the launch of Leonardo platform.

Prevention of corruption

In terms of anti-corruption, the Compliance department of EssilorLuxottica oversees the definition of guidelines and rules of conduct 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 local level that regulate the areas that could possibly be exposed to corruption crimes.

EssilorLuxottica has 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 for both the legal entity and for any potential risk scenarios. For EssilorLuxottica, risk assessment is an essential tool that helps determine priority actions in this area. EssilorLuxottica is currently conducting a new anti-corruption risk assessment in order to update as appropriate the risk scenarios on the scale of the integrated Group; it will adapt its internal prevention procedures accordingly.

Data protection

With the impact of digital technology on EssilorLuxottica's business (*e.g.* connected objects, machine learning, artificial intelligence), as well as intragroup flows of personal data, a growing presence in e-commerce and 13,200 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 and other local legislations) in Europe, the California Consumer Privacy Act (CCPA) in the United States and its updates, and the *Lei Geral de Proteção de Dados Pessoais* (General Data Privacy Law - LGPD) in Brazil, as well as specific regulations such as The Health Insurance Portability and Accountability Act (HIPAA – privacy aspects) in the United States. This helps to ensure that the data which stakeholders have entrusted to EssilorLuxottica will be securely processed at every stage of their relationship with the Company.

EssilorLuxottica monitors the development and continuous evolution of privacy regulations all over the world in order to comply with existing and upcoming regulations (*i.e.* People's Republic of China, Australia, Singapore, South Africa, Malaysia, Canada, etc.).

EssilorLuxottica's Compliance department has created a Privacy Office and appointed Data Protection Officers who oversee the relationship with data protection authorities. It has developed a privacy compliance program aimed at the protection of personal data processed by the Group or its suppliers and subcontractors in accordance with applicable regulations. This includes the definition of privacy policies and procedures (*e.g.* privacy statement, privacy notices, data breach policy, cookies banners, etc.), the deployment of training and awareness programs to enhance the privacy culture of Group employees and the support to business teams across the world to ensure they include privacy by design when implementing new projects. The Compliance department also supports business to establish response systems to information requests from data subjects and in preventing and reacting to possible data breaches.

Competition law

As a major player in its market, EssilorLuxottica is committed to complying with the rules of competition law within its business practices. The Company has a formal Competition Law Compliance Program and has implemented a Competition program that defines principles of conduct in the management of business practices and includes specific training activities.

Proscribing tax evasion

Under the responsibility of EssilorLuxottica's Chief Financial Officer, 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 correct 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).

Alert system

In accordance with the guidelines set out in the Code of Ethics, EssilorLuxottica is working towards the definition of an integrated alert mechanism to ensure the proper monitoring of business ethics-related alerts by its employees and stakeholders. Meanwhile, the existing alert systems and whistleblowing channels of both organizations remain active to ensure the prompt and proper handling of alerts relating to various misconducts, as required by applicable regulations.

5.3 Next steps for EssilorLuxottica's sustainability program

As presented in this Non-financial Statement, 2021 was a pivotal year for the Group. The development and launch of an integrated, ambitious and far-sighted program like "Eyes on the Planet" reaffirms EssilorLuxottica position as a leader committed to sustainability.

This year, with the "Eyes on the Planet" program, EssilorLuxottica has created the foundation and dynamics to embed sustainability into the core of its business strategy and DNA, while contributing to its Mission.

The Group has determined its five sustainability strategic priorities with carbon, circularity, world sight, inclusion and ethics (see Section 5.1), defined associated commitments like being carbon neutral in its direct operations or embedding eco-design in all product development by 2025, and reaffirmed its engagements on diversity & inclusion, access to good vision and ethical behaviors. Major activities have been further improved or initiated, including an update on the CSR risks assessment and prioritization (see Section 5.1.4), the enhancement of the non-financial reporting process (see Section 5.1.5), the endorsement of major standards and regulations (*e.g.* first EU taxonomy eligibility review), the deployment of essential tools (*e.g.* Life Cycle Assessment) and the progression of key operational projects (*e.g.* renewable energy, inclusive business, bio-based materials, employee welfare and development) .

To roll out the "Eyes on The Planet" program across the organization, the Company will notably concentrate its efforts on the followings:

- constantly improve CSR risk management with the definition of specific policies, objectives and key performance indicators, in coordination with Risk Management and other departments involved in the Company's risk assessment;
- deploy central and local initiatives on each pillar of the program and expand the current set of targets, including GrandVision;
- accelerate people engagement and communication around "Eyes on The Planet", particularly by leveraging the Leonardo platform;
- continue reinforcing compliance with sustainability-related regulations, including the EU Taxonomy;
- expand and strengthen sustainability reporting with high focus on carbon accounting;
- further engage dialogue with stakeholders.

The Group will report progress and achievements related to the "Eyes on the Planet" program on a regular basis through its website, corporate communication channels and in its annual Universal Registration Document.

5.4 Methodology note and correspondence tables

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 are included in the reporting.

New entities acquired for less than one year are granted one year to be integrated into the Group reporting system. Given the significant size of GrandVision, its 2021 data were consolidated for common indicators following the reporting guidelines defined in EssilorLuxottica Reporting Protocol.

Reporting period

In principle, the reporting period is from January 1, 2021 to December 31, 2021.

For the few indicators gathered through CARS/SUSTAIN2 tool (number of agency workers and local training), the reporting period for Essilor operating scope is from January 1, 2021 to October 31, 2021.

Workforce-related indicators

The workforce reported corresponds to the total number of Company employees and agency workers at the end of the reporting period. Workforce-related indicators cover 100% of the total Group workforce.

As defined in the EssilorLuxottica Reporting Protocol, "employee" refers to a person having an employment contract directly with any entity of EssilorLuxottica; and "agency worker" refers to a person having a contract with an outside company but working directly under EssilorLuxottica orders in an EssilorLuxottica 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 0.6% of EssilorLuxottica 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). Meanwhile, for a few small sized entities not fully integrated in the Group HRIS system (accounting for around 0.4% of Group total employees), their workforce-related breakdowns were estimated based on previous year data and the regional average split.

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 EssilorLuxottica during 2021, 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 the Company'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

Environmental indicators are collected to monitor the follow up on environmental performance of the Company.

Water withdrawal refers to all water drawn into the boundaries of the Company from all sources, for any use, over the course of the reporting year. The related breakdowns are reported in m^3.

Energy consumption refers to all the primary energy consumed during the reporting period. The related breakdowns are reported in kWh and are disclosed in GWh. For certain entities who did not report energy data for the full reporting period, extrapolation and estimation was performed based on their average energy consumption of other months or average energy consumption of other sites, and with the consideration of special events during the year.

Waste generation refers to the total weight of waste evacuated or shipped out by the operation of the Company. The associated breakdowns are reported in metric tons.

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 December 2020 (v. 19.0) for scope 1 emissions calculation, the International Energy Agency (IEA) which was updated in September 2021 for scope 2 emissions calculation and the database of the GLEC framework for scope 3 emissions associated with transportation.

Scope 1

This corresponds to direct emissions resulting from the on-site combustion of fossil fuels, such as gas or liquid fuel. To continuously improve and precise the Group GHG accounting practice, scope 1 emissions only take into consideration the combustion step of gas or liquid fuel, whereas the associated upstream emissions are excluded from scope 1 emissions. The GHG emission factors were in accordance with the ADEME database (v. 19.0):

- Gas: 205 gCO_2e/kWh LCV;
- Liquid fuel: 266 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 2021 based on figures provided by the IEA database (v. 2021).

Scope 3 emissions associated with transportation

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 EssilorLuxottica transportation and freight is categorized in two types:

1. International flows for lenses, finished frames (with and without optical lenses), apparel footwear and accessories (AFA), advertising materials (POP), components, equipment and optical instruments. This flow is between main plants, laboratories or DCs of EssilorLuxottica group;
2. Local Distribution flows for all the above materials. This flow is from laboratories or DCs towards final customers (e-commerce, retail and wholesale).

Emissions related to optical instruments are excluded from 2021 reported data. For certain entities who did not report physical transportation data for the last quarter of the year (October, November and December), their GHG emissions were estimated based on the projection of their sales performance. Emissions based on estimation accounted for less than 2% of the total reported emissions associated with transportation.

Correspondence table for priority CSR risks

Group risk factors	CSR risk factors	CSR risk categories	Reference
Business interruption	Climate resilience	Climate Change	5.2.1
Business model	Carbon neutrality		
Strategic innovation & Product development	Circularity & Eco-design	Sustainable offering	5.2.2
	Product Safety & Claims		
People management	Attraction & Retention	Talent Management	5.2.4
	Diversity & Inclusion		
Corporate Compliance & Reporting	Working conditions, welfare, health and safety & Social dialogue	Human Rights	5.2.5
	Ethical business relationships	Supplier Sustainability	5.2.5
	CSR regulations	Business Ethics	5.2.5

Correspondance table with Task Force on Climate-related Financial Disclosures (TCFD)

Governance	Reference
a. Oversight by the Board of Directors of climate-related risks and opportunities	• Report on Corporate governance (Chapter 3) • Eyes on Carbon (Section 5.2.1)
b. Management's role in assessing and managing climate-related risks and opportunities	
Strategy	
a. Climate-related risks and opportunities identified over the short, medium and long term	• Business model, environmental and social challenges (Section 5.1.1) • Eyes on Carbon (Section 5.2.1)
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	
Risk management	
a. Processes for identifying and assessing climate-related risks	• Risk factors (Section 1.6) • CSR risk management (Section 5.1.4) • Eyes on Carbon (Section 5.2.1)
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	
Metrics and targets	
a. Metrics used to assess climate-related risks and opportunities, in line with the Company's risk management strategy and process	• Protocol and organization of non-financial reporting (Section 5.1.5) • Eyes on Carbon (Section 5.2.1)
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	

5.5 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial information statement

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 December 31, 2021

To the Annual Shareholders' Meeting of EssilorLuxottica,

In our capacity as Statutory Auditor of EssilorLuxottica SA (hereinafter the "Entity"), appointed as an independent third party and accredited by Cofrac (Cofrac Inspection Accreditation n°3-1060, whose scope is available at www.cofrac.fr), we conducted our work in order to provide a report expressing a limited assurance conclusion on the historical information (observed and extrapolated) of the consolidated non-financial information statement (hereinafter respectively the "Information" and the "Statement"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for year ended on December 31, 2021, 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*).

Conclusion

Based on the procedures performed, as described in the "Nature and scope of our work" section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not compliant with the applicable regulatory provisions and that the Information, taken as a whole, are not presented fairly in accordance with the Guidelines.

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 not formalised at the EssilorLuxottica level;
- there is no one policy on supplier sustainability defined at EssilorLuxottica;
- the results presented relating to business ethics, sustainable offering, supplier sustainability, talent management and human rights do not relate to identified key performance indicators for the relevant applicable policies;
- certain indicators related to GrandVision are based on estimate and extrapolated data, thus resulting in estimated results (energy consumptions).

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or established practices on which to evaluate and measure the Information permits the use of different, but acceptable, measurement techniques that may affect comparability between entities and through time.

Consequently, the Information needs to be read and understood with reference to the Guidelines, significant elements of which are available upon request from the Entity's headquarters.

Inherent Limitations in Preparing the Information

The Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and due to the quality of the external data used. Certain Information are sensitive to the methodological choices, assumptions and/or estimates used to prepare the Information presented in the Statement, particularly for GrandVision.

The Entity's responsibility

The Board of Directors is responsible for

- selecting or establishing suitable criteria for preparing the Information;
- the preparation of the Statement in accordance with the legal and regulatory provisions, including a presentation of the business model, a description of the principal nonfinancial risks, a presentation of the policies implemented considering those risks and the outcomes of those policies, including key performance indicators and if applicable the information required by Article- 8 of Regulation (EU) 2020/852 (green taxonomy);
- designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the Entity's Guidelines as mentioned above.

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. 225105 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").

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- the Entity's compliance with other applicable legal and regulatory provisions (in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax evasion legislation);
- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- the compliance of products and services with the applicable regulations.

Regulatory provisions and professional standards applicable

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

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 statutory auditors. In addition, we have implemented a system of quality control including documented policies and procedures to ensure the compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Means and resources

Our work was carried out by a team of 16 people between September 2021 and March 2022 and took a total of about 20 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about 40 interviews with people responsible for preparing the Statement, representing among others sustainable development, executive management, administration and finance, human resources, learning, health and safety, environmental and purchasing departments.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We consider that the procedures we performed were based on our professional judgment and allowed us to provide a limited level of assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities;
- 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. 225102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents information set out in article L. 225105-1 II where relevant to the principal risks and 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, including key performance indicators related to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assessed the process used to identify and confirm the principal risks and the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendix. For some risks, fight against corruption and tax evasion, human rights, sustainable procurement and scope 3 GHG emissions, our work was performed at the consolidation Entity level; for the other risks, our work was performed at the consolidation Entity level and on a selection of entities: Jiangsu Wanxin Optical Co. Ltd and Xiamen Yarui Industrial Co Ltd (China), Servioptica (Colombia), Atlanta and Foothill Ranch (United States), Agordo, Lauriano and Sedico (Manufacturing & Logistics) (Italy), Essilor France (France), ETO Mexico and SOFI (Mexico), Essilor Manufacturing Philippines Inc and Optodev (Philippines), and Essilor Manufacturing Thailand Co LTD (Thailand);
- 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 asked what internal control and risk management procedures the Entity has put in place and 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 presented in the 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 at the consolidating Entity and on a selection of entities : Jiangsu Wanxin Optical Co. Ltd and Xiamen Yarui Industrial Co Ltd (China), Servioptica (Colombia), Atlanta and Foothill Ranch (United States), Agordo, Lauriano and Sedico (Manufacturing & Logistics) (Italy), Essilor France (France), ETO Mexico and SOFI (Mexico), Essilor Manufacturing Philippines Inc and Optodev (Philippines), and Essilor Manufacturing Thailand Co LTD (Thailand); and covers between 22% and 37% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the French Institute of Statutory Auditors ("CNCC"); a higher level of assurance would have required us to carry out more extensive procedures.

Neuilly-sur-Seine, March 18, 2022

One of the Statutory Auditors

Cédric Le Gal
Partner

PricewaterhouseCoopers Audit

Stéphane Basset
Partner

Sylvain Lambert
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;
- Work-related injury frequency rate and severity rate, number of injuries, number of lost days;
- Reduction of energy consumptions and linked consumptions;
- Greenhouse gas emissions (scope 1, scope 2, scope 3);
- Reduction of water consumption and linked consumptions;
- Waste amounts;
- Number of sites which are certified ISO 50 001, ISO 14 001 and ISO 13 485;
- Percentage of strategic suppliers receiving external CSR audit;
- Percentage of preferred suppliers acknowledging Essilor International's Supplier Charter;
- Number of suppliers covered by Luxottica Responsible Sourcing and Manufacturing (LRSM) program;
- Number of audited suppliers on CSR subjects;
- Cumulative number of employees having completed "Code of Ethics" trainings at Essilorluxottica SA;
- Cumulative number of Essilorluxottica employees having completed "Business and Human Rights" training;
- Percentage of eyewear spending covered by on-site audits and by training and/or awareness initiatives (LRSM).

Qualitative information (actions and results):

- Identification of main CSR risks;
- Main World Sight initiatives (Scholarships, partnerships with CooperVision, Peek Vision and the African Eye Institute, Fun Vision Tool, China "Eye Partner" program, partnership with Nickelodeon, collaboration with Karan Singh, Ready2ClipTM Generation I development);
- GrandVision Care program and Code of Conduct of GrandVision;
- LCA on acetate for frames materials and on its most important materials for lens production, Waste generation analysis of the main manufacturing plants, International Sustainability & Carbon Certification, Quality management approach, Quality Policy;
- Main HR initiatives (virtual events and digital conferences, Unconscious Bias training, "New to your store" training, talent reviews, FinHance Program, Mentoring Program, Development of EL Value Proposition);
- Training and development of skills and talents;
- Behavior Based Safety Program;
- Main environmental initiatives (Environmental Roadmap, e-learning modules on water and energy saving, climate change awareness workshops, carbon reduction projects);
- Employee integration and inclusion of all forms of diversity;
- Main initiatives on Business Ethics (Privacy Compliance Program and a Privacy Office);
- Employee shareholding;
- Group's commitment and vigilant approach of human rights.

6

Chapter 6

Information about the Company, its share capital and stock ownership

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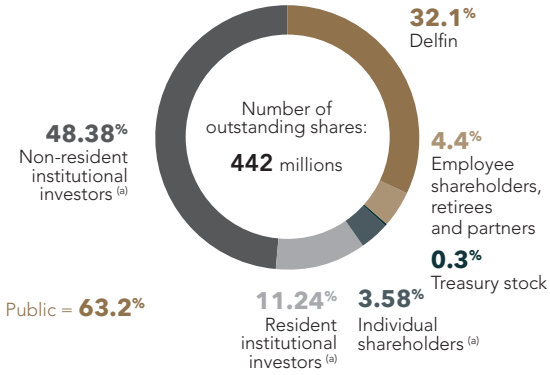
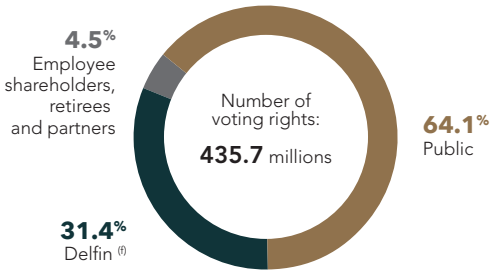
IN BRIEF

Breakdown of share capital as at December 31, 2021



Distribution of voting rights as at December 31, 2021



79,000

INTERNAL SHAREHOLDERS (b)

In **85** countries

Representing:

4.4%

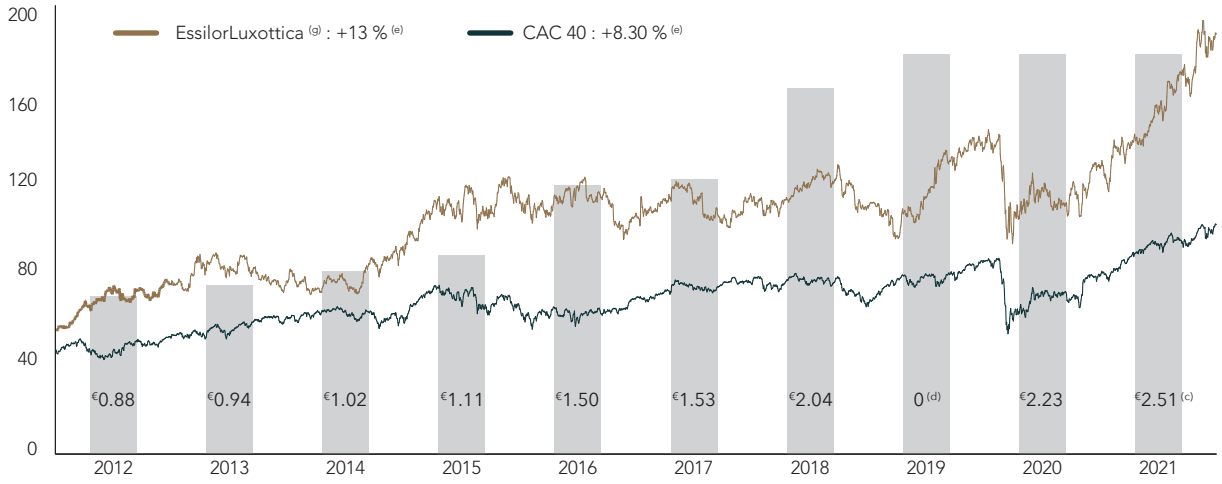
OF THE SHARE CAPITAL

4.5%

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, 2012



(a) Estimates as at December 31, 2021.
(b) Current, former and retired employees.
(c) Subject to the decision of the Annual Shareholders' Meeting of May 25, 2022.
(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 6.1.8, paragraph *Voting rights* for information on restrictions applying to Delfin.
(g) Essilor until October 1, 2018.

6.1 The Company

6.1.1 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.

6.1.2 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.

6.1.3 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.

6.1.4 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.

6.1.5 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.

6.1.6 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.

6.1.7 Fiscal year

The Company's fiscal year runs from January 1 to December 31 of each year.

6.1.8 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 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 6.2.1).

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 25, 2022.

6.1.9 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.

6.2 Share capital

6.2.1 Change in the share capital

Breakdown of share capital in 2021

As at December 31, 2021	Number of shares	%	Number of voting rights	%
Delfin	**142,056,173**	**32.1%**	**136,728,649**	**31.4%** [(c)]
• Shareholding EssilorLuxottica FCPE	4,367,553	1.0 %	4,367,553	1.0 %
• Valoptec International FCPE	3,224,926	0.7 %	3,224,926	0.7 %
• Funds outside France (Trust US, SIP, …)	968,108	0.2 %	968,108	0.2 %
• EssilorLuxottica FCPE	899,838	0.2 %	899,838	0.2 %
• Pure registered shares or administered shares held by employees	9,668,576	2.2 %	9,668,578	2.3 %
• Pure registered shares or administered shares held by partners	343,240	0.1 %	343,240	0.1 %
Internal shareholding (current, former and retired employees) and partner shareholding [(a) (b)]	**19,472,241**	**4.4 %**	**19,472,241**	**4.5 %**
Treasury shares	**1,382,761**	**0.3%**		
Free-float	**279,531,745**	**63.2%**	**279,531,745**	**64.1%**
TOTAL	**442,442,920** [(d)]	**100%**	**435,732,635**	**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 1.81%. 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 resulting 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 6.1 and 6.3.
(d) Corresponding to 441,925,033 shares delivered and registered in 2021 and 517,887 shares delivered but not registered.

Share capital as at December 31, 2021: share capital amounted to €79,546 505.94 as at December 31, 2021, divided into 441,925,033[(1)] fully paid-up ordinary shares, each with a par value of €0.18.

Moreover, from June 1st to December 31, 2021, 517,887 new shares were issued, each with a par value of €0.18 resulting from the exercise of stock options and delivery of performance shares (shares delivered but not registered as at December 31, 2021).

On March 10, 2022, the Board of Directors acknowledged the increase in share capital resulting from the issuance of these 517 887 shares, i.e. an amount of 93 219,66 euros, thereby increasing the share capital from 79 546 505,94 euros to 79 639 725,60 euros.

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 6.1.8, 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 6.1.8 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, 2021 was 435,732,635.

Changes in share capital in 2021:

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 28,055[(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 €5,049.90 excluding issue premium.
- Issue of 30,782[(2)] 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 €5,540.76 excluding issue premium

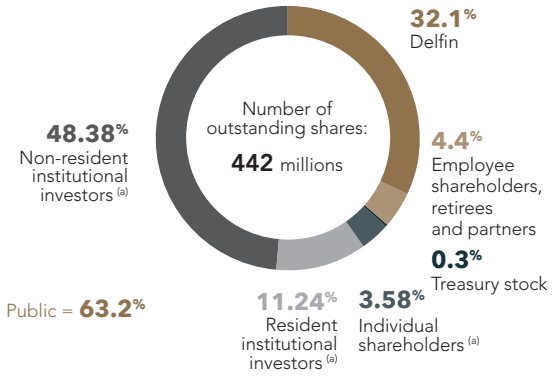
(1) Does not include 55,105 shares delivered but not registered at December 31, 2021.
(2) Does not include 462,782 shares delivered but not registered at December 31, 2021.

- Issue of 177,863 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 €32,015.34 excluding issue premium.

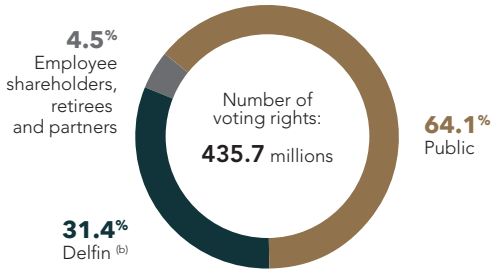
Total new shares issued: 2,924,385 new shares.

- Issue of 2,687,685 new shares with a par value of €0.18 resulting from the dividend in shares, i.e. an increase in the share capital of €483,783.30 excluding issue premium.

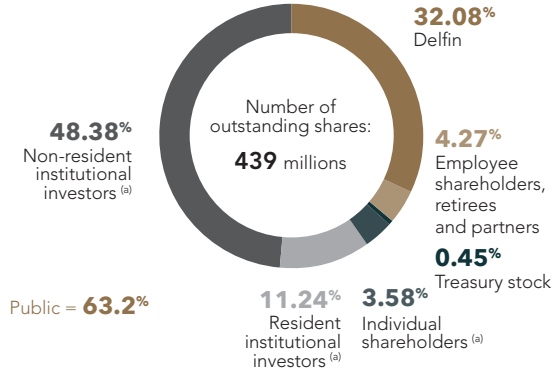
Breakdown of share capital as at December 31, 2021



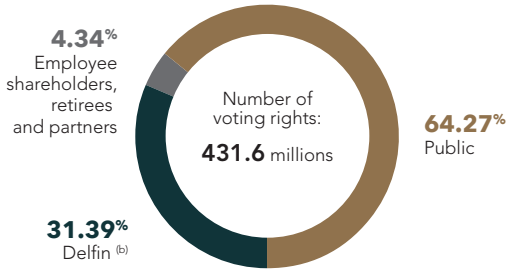
Distribution of voting rights as at December 31, 2021



Breakdown of share capital as at December 31, 2020



Distribution of voting rights as at December 31, 2020



(a) Estimates as at December 31 of the year.
(b) Please refer to Section 6.1.8, 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, 2021 regardless of the exercise price of the underlying option, the maximum dilution of the share capital would be as follows:

As at December 31, 2021	In number of shares	%	In number of voting rights	%
Share capital position at the end of the year	442,442,920		435,732,635	
Options for subscription of existing shares	126,080	0.03%	126,080	0.03%
Outstanding rights to performance shares	191,578	0.04%	191,578	0.04%
TOTAL POTENTIAL DILUTION	**317,658**	**0.07%**	**317,658**	**0.07%**
Total diluted share capital at the end of the year	442,760,578		436,050,293	

The breakdown of changes in share capital in 2021 is presented in Note 10 to the Financial statements of EssilorLuxottica (Section 4.5 of this Universal Registration Document).

The 2020 and 2019 breakdown of share capital and changes in share capital over the last five years are described in Section 6.7.

6.2.2 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 of May 21, 2021 approved the delegation of authorities granted to the Board of Directors by the Company Shareholders' Meeting for a period of 38 months, to award existing performance shares 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 May 21, 2021 to deliver bonus shares and, to a lesser extent, stock options is a key component of EssilorLuxottica's governance structure.

The Company Shareholders' Meeting of May 21, 2021 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 July 20, 2023).

Allow the Board of Directors to decide upon certain capital increases

The Company's Shareholders' Meeting of May 21, 2021 renewed the delegation granted to the Board of Directors 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;
- 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.

6.2.3 Share buyback programs

On May 21, 2021, 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 November 20, 2022.

The Shareholders' Meeting of May 25, 2022 will be asked to renew the authorization given to the Board of Directors, in accordance with Articles L. 22-10-62 et seq. of the French Commercial Code, to purchase its own shares for a further period of 18 months, *i.e.* until November 24, 2023, up to a limit of 10% of the share capital (share buyback program).

In application of the provisions of Article L.225-211 of the French Commercial Code, the Board of Directors indicates that, during the 2021 fiscal year, it did use the authorization granted by the Shareholders' Meeting of May 21, 2021, the main objectives of which were to cover the employee share ownership programs.

On August 31, 2021, with a view to implementing this share buyback program authorized by the Combined Shareholders' Meeting of May 21, 2021, EssilorLuxottica has granted a mandate to an investment services provider for the purchase of up to 2,000,000 EssilorLuxottica shares, depending on market conditions, over a period starting from August 31, 2021 up until October 29, 2021.

The 2 million shares have been repurchased for an average price of €166.82. All information relating to the shares repurchased 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 May 21, 2021 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 May 21, 2021 up to November 20, 2022. 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 25, 2022 to renew this authorization for a new maximum period of 18 months, i.e. until November 24, 2023.

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, 2021, EssilorLuxottica held 1,382,761 treasury shares, representing 0.3% of share capital. The par value of these shares was €248,896.98 and their book value was €231.1 million (*i.e.*, an average net cost of €167,13 per share).

Liquidity contract

The Company was not a party to any liquidity contracts in 2021.

Share buyback transactions

In accordance with the provisions of Article L. 225-211 of the French Commercial Code, no shares were reallocated in 2021.

	2021 Treasury shares
NUMBER OF SHARES AT START OF PERIOD – JANUARY 1	**1,986,459**
Purchase options exercised	
Delivery of performance shares	(2,219,549)
Sale of shares to employees (Boost plan)	(384,149)
Conversions of convertible bonds with delivery	
Cancellation of treasury shares	
Purchase of treasury shares	2,000,000
NUMBER OF SHARES AT END OF PERIOD – DECEMBER 31	**1,382,761**
Position as at February 28, 2022	
Percentage of capital held directly or indirectly	0,7 %
Number of shares canceled in the preceding 24 months	0
Number of shares held in the portfolio[(a)]	2,879,955
Book value of the portfolio *(in €)*	€492,784,830,36
Market value of the portfolio[(b)] *(in €)*	€451,346,547,60

(a) Including 1,500,000 shares bought betweenFebruary 1 and February 8, 2022 at an average price per share of €174.14.
(b) Based on the closing price at February 28, 2022.

There were no cancellations during 2021.

6.2.4 Share cancellations and capital reductions

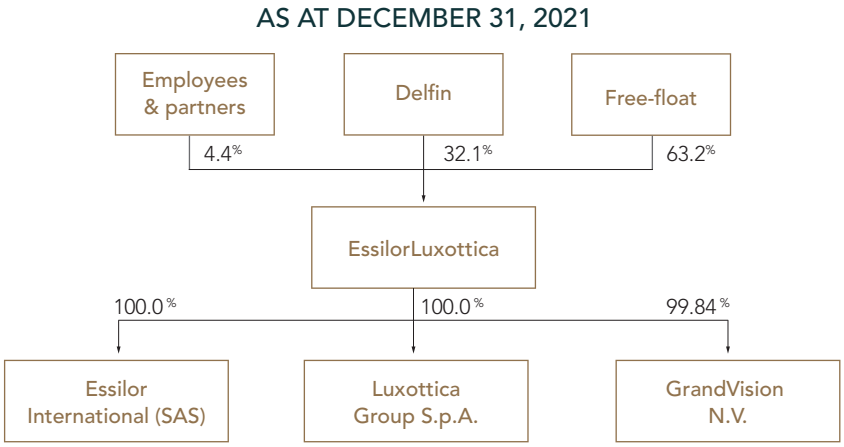
The Company's Combined Shareholders' Meeting of May 21, 2021 authorized the Board of Directors to reduce the share capital by cancelling some or all of the treasury shares held by the Company, provided that the number of shares cancelled during any 24-month period does not exceed 10% of the total share capital at the date of cancellation. The Company did not cancel any shares under this authorization in 2021. This authorization is valid for a period of 26 months, *i.e.* until July 24, 2023.

The Company's Combined Shareholders' Meeting of May 25, 2022 will renew the authorization.

6.3 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, 2021



Treasury stock accounted for 0.30% 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 6.1.8, paragraph *Voting rights* as well as in the following paragraph.

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 6.1.8, 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 6.1.8.

Theoretical calculation of Delfin voting rights as at December 31, 2021

a	Total number of shares	[N]	442,442,920	Shares held by Delfin
b	Treasury shares	[P]	1,382,761	142,056,173 = 32.1 %
c	Shares exceeding 34% of the share capital	[D]	-	442,442,920
d	Shares held by Delfin		142,056,173	
e = 31% (a-b-c)	Cap on voting rights	31% (N-P-D)	136,728,649	Delfin voting rights
f = d-e	Non-exercisable voting rights		5,327,524	136,728,649 = 31.4 %
g = a-b-f	Total number of voting rights		435,732,635	435,732,635

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 6.1.

Crossing of legal and statutory thresholds in 2021

In 2021, EssilorLuxottica received the following notifications:

- from BlackRock (notifications dated June 14, June 15, June 21, June 22, June 23, July 6, July 8, July 12, November 10, November 11, November 25, December 17, and December 20, 2021):

  On June 14, BlackRock notified the Company that "*As at June 11, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.01% (17,584,455 votes) and a capital basis is 4.01% (17,584,455 shares)*".

  On June 15, BlackRock notified the Company that "*As at June 14, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.98% (17,494,258 votes) and a capital basis is 3.98% (17,494,258 shares)*".

  On June 21, BlackRock notified the Company that "*As at June 18, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.00% (17,566,635 votes) and a capital basis is 4.00% (17,566,635 shares)*".

  On June 22, BlackRock. notified the Company that "*As at June 21, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.99% (17,518,649 votes) and a capital basis is 3.99% (17,518,649 shares)*".

  On June 23, BlackRock. notified the Company that "*As at June 22, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.02% (17,671,425 votes) and a capital basis is 4.02% (17,671,425 shares)*".

  On July 6, BlackRock. notified the Company that "*As at July 5, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.94% (17,426,321 votes) and a capital basis is 3.94% (17,426,321 shares)*".

  On July 8, BlackRock. notified the Company that"*As at July 7, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.00% (17,689,575 votes) and a capital basis is 4.00% (17,689,575 shares)*".

  On July 12, BlackRock. notified the Company that "*As at July 9, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.96% (17,495,107 votes) and a capital basis is 3.96% (17,495,107 shares)*".

  On November 10, BlackRock. notified the Company that "*As at November 9, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.00% (17,710,168 votes) and a capital basis is 4.00% (17,710,168 shares)*".

  On November 11, BlackRock. notified the Company that "*As at November 10, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.99% (17,667,620 votes) and a capital basis is 3.99% (17,667,620 shares)*".

  On November 25, BlackRock. notified the Company that "*As at November 24, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.03% (17,824,692 votes) and a capital basis is 4.03% (17,824,692 shares)*".

  On December 17, BlackRock. notified the Company that "*As at December 16, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 3.99% (17,664,160 votes) and a capital basis is 3.99% (17,664,160 shares)*".

  On December 20, BlackRock. notified the Company that "*As at December 17, 2021 BlackRock, Inc.'s holding in EssilorLuxottica on a voting basis is 4.00% (17,701,527 votes) and a capital basis is 4.00% (17,701,527 shares)*";

- from BPIfrance Investissement SAS (notification dated January 26, 2021:

  On January 26, BPIfrance Investissement SAS notified the Company that:"*on January 25, 2021 LAC 1 SLP has exceeded the statutory threshold of 1% of voting rights of the Company, which brought its stake, at that date, to 4,500,668 shares and voting rights, representing 1.02% of the Company's voting rights. This crossing of threshold results from the purchase of Company's shares on the market. LAC 1 SLP does not own any security giving future access to the Company's share capital.*";

- from T. Rowe Price Associates, Inc. (notification dated September 24, 2021):

  On September 24, 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 September 20, 2021, Advisory Clients owned 4,437,581 shares, representing 1.01% of the outstanding share capital. As of September 20, 2021, T. Rowe Price, on behalf of its Advisory Clients had the power to vote 4,387,295 shares, representing 0.99% of the voting rights".

6.4 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 and in 2021 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 180,000 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.

In 2021, the Jury also wanted to grant a special mention to EssilorLuxottica "*champion of employee ownership (for its) policy of employee ownership determined, committed and sustainable*".

Following the success of the international employee shareholding plan in 2017 and 2018, offered to Essilor International employees, EssilorLuxottica launched the new Group's first employee shareholding initiative in 2019. This international plan has gradually enabled Luxottica employees to co-invest in the Company by buying Group shares on advantageous terms: in Italy in 2019, in Greater China and India in 2020, in 22 other countries around the world in 2021. Nearly 54,000 EssilorLuxottica employees participated in 78 countries in 2021.

Despite the challenging context of the past year, the subscription rate in Boost 2021 reached over 65% of eligible employees, which is considerably above the market average 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.

As a result of these mechanisms, 80,000 employees of the Group are EssilorLuxottica internal shareholders as at the end of 2021. They represent 4.4[(1)] % of the share capital and 4.5% of the voting rights.

6.4.1 Performance shares

Rights to performance shares are presented below:

	Before the Combination [(a)]		
	As at December 31, 2021	Of which in 2021	In January 2022
Rights granted [(a)]	1,338,973		
Rights canceled [(a)]	596,842	333,321	
Rights exercised [(a)]	550,553		
• Shares issued through a capital increase		493,549	
• Treasury share account			
Rights outstanding [(a) (b)]	191,578		191,578

(a) Plans from October 03, 2017 NR to May 23, 2018 R and NR: prior to Combination.
(b) *i.e.* 0.04% of the share capital as at December 31, 2021.

(1) 1.81% within the meaning of Article L.225-102 of the Commercial Code.

	After Combination [a]		
	As at December 31, 2021	Of which in 2021	In January 2022
Rights granted [a]	9,113,970		
Rights canceled [a]	608,773	261,744	15,921
Rights exercised [a]:	1,439,800		
• Shares issued through a capital increase			
• Treasury share account		1,432,283	
Rights outstanding [a] [b]	7,065,397		7,049,476

(a) Plans from November 29, 2018 R and NR to October 28, 2021 R and NR : after Combination.
(b) *i.e.* 1,61% of the share capital as at December 31, 2021.

If the rights to performance shares are exercised, grantees will be granted existing 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.

6.4.1.1 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 2020 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 and the fifteen resolution approved by the Shareholders' Meeting of May 21, 2021;
- 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.

Shares from 2017 non resident plan and 2018 (French resident and non resident) have been fully delivered.

Performance condition

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).

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[2] 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 the plans from 2017 to May 2018, 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, retirement or economic grounds for some plans.

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 and the fifteen resolution approved by the Shareholders' Meeting of May 21, 2021, 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 October 2019, 2020 and 2021 plans, the Board of Directors decided not to impose a lock-up period.

For more information, please also see the Consolidated Group Financial Statements

(1) 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.
(2) 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.

6.4.1.2 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, 2021	Number of rights outstanding as at January 31, 2022
May 23, 2018 [(a)]	316,638		114.62	191,578	191,578
October 3, 2019 R+NR	2,228,446	80,000	131.52	2,028,188	2,017,863
November 28, 2019 Collective	94,520		137.63	84,560	84,280
October 1, 2020 R+NR	2,138,851	110,045	110,79	2,020,045	2,020,045
November 26, 2020 Collective	92,800		113,85	87,060	86,660
October 28, 2021 R+NR	2,817,295	85,000	165,8	2,762,128	2,757,612
October 28, 2021 Collective	83,916		165,8	83,016	
TOTAL	**7,771,566**	**425,045**		**7,256,575**	**7,158,038**

(a) Exceptional award for employee shareholders with the Company at May 23, 2018 R and NR.

6.4.1.3 Board of Directors members' rights to shares

Position as at December 31, 2021

	Employee members and corporate officers of the Board of Directors								
	Leonardo Del Vecchio	Hubert Sagnières	Paul du Saillant	Francesco Milleri	Leonel Pereira Ascencao	Juliette Favre	Delphine Zablocki	Margot Bard	Sébastien Brown
Shares									
Rights to performance shares									
• October 3, 2019	40,000	40,000	30,005	35,000	45	1,025	34	515	43
• November 28, 2019			20		20	20	20	20	20
• October 1, 2020	20,000	20,000	35,045	35,000	45	1,025	34	515	4
• November 26, 2020					20	20	20	20	20
• October 28, 2021			35,000	50,000	41	3,041	41	441	71
• October 28, 2021								18	18

6.4.2 Rights to restricted shares

Rights to restricted shares are presented below:

	After Combination [a]		
	As at December 31, 2021	Of which in 2021	In January 2022
Rights granted [a]	801,400		
Rights canceled [a]	20,650	1,900	
Rights exercised [a]:			
• Shares issued through a capital increase	780,750	780,750	
• Treasury share account			
Rights outstanding [a]	0		0

(a) Plan from March 7, 2019: after Combination.

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.

6.4.3 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, 2021	Of which in 2021	In January 2022
Options granted [a]	472,936		
Options canceled	138,586	570	
Options exercised [a]	208,270	77,914	2,423
Options outstanding [a] [b]	126,080		123,657

(a) Plans from November 25, 2014 to October 3, 2017: before Combination.
(b) *i.e.* 0.03% of the share capital as at December 31, 2021.

	After Combination [a]		
	As at December 31, 2021	Of which in 2021	In January 2022
Options granted [a]	495,724	121,868	
Options canceled [a]	45,270	24,339	1,854
Options exercised [a]	6,516	6,516	1,770
Options outstanding [a] [b]	443,938		440,314

(a) Plans from November 29, 2018: after Combination.
(b) *i.e.* 0.10% of the share capital as at December 31, 2021.

Stock options exercisable on the Combination Date, if exercised, trigger the issue of new ordinary Company shares.

As at December 31, 2021, the total number of shares likely to be issued by exercising stock options was 126,080.

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 6.2.5) 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, 2021	Number of options outstanding as at January 31, 2022
November 25, 2014	121,505	87.16	0	0
December 2, 2015	100,023	121.32	41,905	40,090
September 22, 2016	119,392	114.88	39,328	39,244
October 3, 2017	132,016	105.80	44,847	44,323
November 29, 2018	133,203	116.74	106,002	104,232
October 3, 2019	127,117	131.52	113,149	113,149
October 1, 2020	113,536	110.79	104,854	103,303
October 28, 2021	121,868	165.80	119,933	119,630
TOTAL	**968,660**		**570,018**	**563,971**

(a) Plans prior to that of November 25, 2014 no longer have share subscription options outstanding.
(b) Starting from the November 29, 2018 plan, delivery of treasury shares.

6.4.4 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 2021 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)	46,706	165.80	10/28/2028	10/28/2021
Rights to performance shares granted during the 2021 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)	176,118	165.80	10/28/2028	10/28/2021
Options held on the issuer and the companies referred to above, **exercised during the 2021 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)	26,227	104.66		11/25/2014 12/02/2015 09/22/2016 10/03/2017 11/29/2018

6.5 Dividend distribution

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.

2022 dividend in respect of fiscal year 2021

The Board of Directors of March 10, 2022 decided to submit to the Shareholders' Meeting to be held on May 25, 2022 a dividend of €2.51 per ordinary share for the year 2021.

Subject to the approval by the Shareholders' Meeting the dividend will be paid as from June 21, 2022, in cash or in shares, at the shareholder's discretion.

History of the overall dividend distribution and growth

Total dividends for 2021 and the previous six years were as follows:

€ million	Net income Group share	Amount distributed	Pay out ratio	Net dividend *(in €)*	Pay out date
2021	2,206 [a]	1,111 [b]	50% [b]	2.51 [b]	21/06/2022 [b]
2020	788 [c]	977 [d]	123% [d]	2.23 [d]	21/06/2021 [d]
2019	1,938 [c]	- [e]	- [e]	- [e]	- [e]
2018	1,871 [f]	887	50% [g]	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

(a) Corresponding to the adjusted Net profit attributable to owners of the parent as presented in Section 2.3..2.1, of this Universal Registration Document.
(b) Based on the number of shares as of February 28, 2022 and subject to the decision of the Annual Shareholders' Meeting on May 25, 2022.
(c) 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 of the* 2020 Universal Registration Document.
(d) An interim dividend of €1.15 per share (for a totalcash-out of €503 million) has been paid on December 28, 2020.
(e) 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 Annual Shareholders' Meeting held on June 25, 2020.
(f) Corresponding to the *pro forma* adjusted Net profit as presented in Section 3.6 of 2018 Registration Document.
(g) Pay-out ratio applied on *pro forma* adjusted Net profit attributable to owners of the parent.

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

6.6 Key stock market data

6.6.1 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.

EssilorLuxottica is also included in several sustainability indices, such as the MSCI ESG Indices, the STOXX Sustainability Indices, the FTSE4Good Series and Solactive ESG Indices.

In 2021, EssilorLuxottica received a rating of AA "Leade" in the MSCI ESG Ratings assessment.

The shares are freely transferable and cannot be jointly owned.

6.6.2 Key stock market data over 10 years

(Source: Reuters, Bloomberg)

	Share price *(in €)*			Number of outstanding shares at December 31	Market capitalization at December 31 [(a)] *(€ million)*
	Session High	Session Low	Closing price		
2021	**195.00**	**116.40**	**187.24**	**442,442,920**	**82,843**
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

(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).

6.6.3 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	In session
			Higher	Lower
2020				
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	116.4
February	21.06	2,795	140.2	117.65
March	24.14	3,269	142.8	128.95
April	14.66	2,039	143.1	135.7
May	20.42	2,867	135.3	143.58
June	18.38	2,727	157.9	140.82
July	14.82	2,279	161.86	146.74
August	13.02	2,131	167.8	157.42
September	16.5	2,789	174.28	163.56
October	16.97	2,838	179.1	157.24
November	20.95	3,881	195	175.02
December	15.29	2,793	188.64	174.68
2022				
January	18.19	3,165	192.40	161.48

6.7 Historical data

6.7.1 Breakdown of the share capital in 2019 and 2020

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 6.1 and 6.3.
(d) Corresponding to 439,000,648 shares delivered and registered in 2020 and 5,246 shares delivered but not registered.

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 6.1 and 6.3.
(c) Corresponding to 437,533,516 shares delivered and registered and 30,915 shares delivered but not registered.

6.7.2 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**
Delivery of performance share plans	30,782	6	-	79,026	439,031,430
Share subscription reserved for the Essilor group mutual funds	177,863	32	26,226	79,058	439,209,293
Exercise of stock subscription option	28,055	5	559	79,063	439,237,348
Dividend payment in newly issued shares	2,687,685	484	334,671	79,547	441,925,033
SHARE CAPITAL AS AT DECEMBER 31, 2021[(d)]				**79,547**	**441,925,033**

(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.
(d) Does not include 517,887 shares delivered but not yet registered at December 31, 2021 (5,246 shares at December 31, 2020) for a nominal value amounting to €93 thousand and issue premium amounting to €5,756 thousand.

6.7.3 History of awards of stock subscription options and rights to performance shares

With regard to performance shares, please also see Section 6.4.1.

Plan	11/25/2014	12/02/2015
Date of Shareholders' Meeting	May 11, 2012	May 5, 2015
Date of Board of Directors' Meeting	November 25, 2014	December 2, 2015
Type of plan	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 121,505	Maximum 100,023
By corporate officers		
• Hubert Sagnières		
• Laurent Vacherot		
By the top 10 employee beneficiaries	59,900	43,459
Starting point for exercising options	November 25, 2016 [d]	December 2, 2018 [e]
Date plan ends	November 25, 2021	December 2, 2022
Subscription price or purchase price *(in €)*	87.16	121.32
Number of grantees	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.	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, 2021	104,487	28,690
Stock subscription options or rights to performance shares canceled	17,018	29,428
Stock subscription options or rights to performance shares remaining	-	41,905

(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 €87.16.
(e) Options may be granted when the calculated annualized average is 2% higher than the price of €121.32.

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[d]	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, 2021	32,406	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	39,328	-	-

(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.
(d) Options may be granted when the calculated annualized average is 2% higher than the price of €114.88.

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, 2021	42,687	738,408 [(f)]	56,710[(f)]
Stock subscription options or rights to performance shares canceled	44,482	742,811	34,490
Stock subscription options or rights to performance shares remaining	44,847	-	-

(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, 2021	31,494[g]	6,516	1,346,976	81,980
Stock subscription options or rights to performance shares canceled	93,566	20,685	218,886	11,200
Stock subscription options or rights to performance shares remaining	191,578	106,002	-	-

(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, 2021	780,750	0	4,813	1,180
Stock subscription options or rights to performance shares canceled	20,650	13,968	195,045	8,780
Stock subscription options or rights to performance shares remaining	-	113,149	2,028,588	84,560

(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.

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, 2021	0	3,931	920
Stock subscription options or rights to performance shares canceled	8,682	114,875	4,820
Stock subscription options or rights to performance shares remaining	104,854	2,020,045	87,060

(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.

Plan	10/28/2021	10/28/2021	10/28/2021
Date of Shareholders' Meeting	May 21, 2021	May 21, 2021	May 21, 2021
Date of Board of Directors' Meeting	October 28, 2021	October 28, 2021	October 28, 2021
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 121,868	Maximum 2,817,295	Maximum 83,016
By corporate officers		85,000	
• Hubert Sagnières			
• Leonardo Del Vecchio			
• Paul du Saillant		35,000	
• Francesco Milleri		50,000	
By the top 10 employee beneficiaries	46,706	176,118	36
Starting point for exercising options	October 28, 2024[(c)]	October 28, 2024[(d)]	October 28, 2024[(d)]
Date plan ends	October 28, 2028	According to vesting date	According to vesting date
Subscription price or purchase price *(in €)*	165.80	NS[(b)]	NS[(b)]
Number of grantees	618	14,031	4,612
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 28, 2024.	No non-residents on this plan. Residents: award subject to employment and performance conditions. Cancellation possible. 100% saleable for registered shares as from October 28, 2024, and for the company savings plan (PEE) as from October 28, 2029 or 2031 depending on the final date of award.
Number of shares subscribed as at December 31, 2021	0	0	0
Stock subscription options or rights to performance shares canceled	1,935	55,167	0
Stock subscription options or rights to performance shares remaining	119,933	2,762,128	83,016

(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 €165.80.
(d) Shares will be granted to residents provided that the estimated annualized average price is 2% higher than €165.80

7

Chapter 7

Additional information on the Universal Registration Document

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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.

Person responsible

Francesco Milleri

Chief Executive Officer

Statutory Auditors

PricewaterhouseCoopers Audit

63, rue de Villiers

92208 Neuilly-sur-Seine

Mazars

61, rue Henri-Regnault

92075 Paris-La Défense Cedex

Trademarks

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Vision Impact Institute™ is a trademark of the Vision Impact Institute. OneSight™ is a trademark of OneSight.

7.1 Person responsible

7.1.1 Person responsible for the Universal Registration Document

Francesco Milleri, Chief Executive Officer, is the person responsible for the information given in the Universal Registration Document.

7.1.2 Statement by the person responsible for the Universal Registration Document

I declare that the information contained in this Universal Registration Document is, to my knowledge, in accordance with the facts and contains no omission that might affect its significance.

I declare that, to my 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 7.4.3 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, 2022

Francesco Milleri

7.2 Statutory Auditors

7.2.1 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 Stéphane Basset and Cédric Le 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.

7.2.2 Resignation or non-renewal

No auditors resigned in 2021.

7.3 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 2021 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 25, 2022.

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, Universal Registration Documents 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.

7.4 Cross-reference tables

7.4.1 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	387	Section 7.1.1
1.2	Declaration by those responsible for the Universal Registration Document	387	Section 7.1.2
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	386	In Brief Chapter 7
1.5	Statement without the prior approval of the competent authority	1	N/A
2	**Statutory auditors**		
2.1	Identity of the Statutory Auditors	388	Section 7.2.1
2.2	Change of Statutory Auditors	388	Section 7.2.2
3	**Risk factors**		
3.1	Description of material risks	49	Section 1.6
4	**Information about the issuer**		
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4.2	Place of registration of the issuer, registration number and legal entity identifier ("LEI")	355	Section 6.1.3
4.3	Date of incorporation and the length of life of the issuer	355	Section 6.1.2
4.4	The domicile and legal form of the issuer and telephone number of its registered office	355	Sections 6.1.1 and 6.1.4
5	**Business overview**		
5.1	Principal activities		
5.1.1	Description of the nature of the operations and principal activities	27, 32	Sections 1.4.3 and 1.4.4
5.1.2	New products and important services	21, 25	Section 1.4.2
5.2	Principal markets	19	Section 1.3
5.3	Important events in the development of the issuer's business	16, 81	Sections 1.2 and 2.1
5.4	Strategy and objectives	20	Section 1.4.1
5.5	Dependency of the issuer on patents, licenses, contracts and manufacturing process	26, 59	Sections 1.4.2 and 1.6.2
5.6	Statement of competitive position	19	Section 1.3
5.7	Investments		
5.7.1	Description of material investments	101	Section 2.6
5.7.2	Description of any material investments of the issuer that are in progress or for which firm commitments have already been made	101	Section 2.6
5.7.3	Joint ventures and undertakings in which the issuer holds a proportion of the capital	260	Section 4.1.6 Appendix 2
5.7.4	Description of any environmental issues that may affect the issuer's utilization of the tangible fixed assets	305	Chapter 5

6	**Organisational structure**		
6.1	Description of the Group and the issuer's position within the Group	48	Section 1.5
6.2	Issuer's significant subsidiaries	260	Section 4.1.6 Appendix 2
7	**Operating and financial review**		
7.1	Financial condition		
7.1.1	Development and performance of the issuer business including key performance indicators and, where appropriate, non-financial	85, 91, 98	Sections 2.2, 2.3 and 2.4
7.1.2	Indication of the future development and activities in the fields of research and development	21	Section 1.4.2
7.2	Operating results		
7.2.1	Significant factors materially affecting the income from operations	85, 91	Sections 2.2 and 2.3
7.2.2	Reasons for material changes in net sales or revenues	85, 91	Sections 2.2 and 2.3
8	**Capital resources**		
8.1	Information of the issuer's capital resources (both short term and long term)	98	Section 2.4
8.2	Source and amounts of the issuer's cash flows	98	Section 2.4
8.3	Information on the borrowing requirement and funding structure of the issuer	98	Section 2.4
8.4	Restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly the issuer's operations	N/A	N/A
8.5	Anticipated source of financing	N/A	N/A
9	**Regulatory environment**		
9.1	Description of the regulatory environment	73	Section 1.6.2
10	**Trend information**		
10.1	Description of the most significant trends and of significant changes in the financial performance of the group since the end of the last financial year	103	Section 2.8
10.2	Known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects	103	Section 2.8
11	**Profit forecasts or estimates**		
11.1	Published profit forecast of estimate	103	Section 2.8
11.2	New profit forecast or estimate, or forecast or estimation of the profit previously published pursuant to item 11.1	103	Section 2.8
11.3	Statement that the profit forecast or estimate has been compiled and prepared on a basis which is comparable with the historical financial information; consistent with the issuer's accounting policies	103	Section 2.8
12	**Administrative, management and supervisory bodies and senior management**		
12.1	Name, business address and functions or the members of the Board of Directors	173	Section 3.5
	Principal activities performed by the administrative and managing outside of the issuers	173	Section 3.5
	Family relationships	N/A	N/A
	Functions and positions occupied in the previous five years	173	Section 3.5
	Absence convictions in relation to fraudulent offences for the last five years	115	Section 3.1.1.4
	Bankruptcies, receiverships, liquidations or companies put in administration	115	Section 3.1.1.4
	Official public incrimination and/or sanctions	115	Section 3.1.1.4
12.2	Conflicts of interest	115	Section 3.1.1.4
13	**Remuneration and benefits**		
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13.2	Pensions, retirement or similar benefits	141	Section 3.3.2

14	**Board practices**		
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14.2	Service contracts	115	Section 3.1.1.4
14.3	Information on the audit committee and the remuneration committee	122	Section 3.1.2.6
14.4	Statement on the corporate governance	171	Section 3.4
14.5	Potential material impacts on the corporate governance	106, 108 and 102	In Brief Chapter 3, Section 3.1.1 and Section 2.7
15	**Employees**		
15.1	Number of employees	332	Section 5.2.4
15.2	Shareholdings and stock options	364	Section 6.4
15.3	Arrangements for involving the employees in the capital of the issuer	364	Section 6.4
16	**Major shareholders**		
16.1	Crossing of thresholds declared on amount of the shareholdings owned at the date of the Universal Registration Document	363	Section 6.3
16.2	Voting rights held by major shareholders	362	Section 6.3
16.3	Direct and indirect controls	362	Section 6.3
16.4	Arrangement which may result in a change of control of the issuer	362	Section 6.3
17	**Related party transactions**		
17.1	Detail of the related party transactions	255	Section 4.1.6 Note 31
18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**		
18.1	Historical financial information		
18.1.1	Audited historical information covering the latest three financial years and the audit report	191	Chapter 4, 2020 URD and 2019 URD
18.1.2	Change of accounting reference date	N/A	N/A
18.1.3	Accounting standards	282	Section 4.5.5 Note 1
18.1.4	Change of accounting framework	N/A	N/A
18.1.5	Financial information according to French accounting standards	276	Section 4.5
18.1.6	Consolidated financial statements	193	Section 4.1
18.1.7	Age of financial information	192	In Brief Chapter 4
18.2	Interim and other financial information	N/A	N/A
18.3	Auditing of historical annual financial information		
18.3.1	Independent auditing of the historical annual information	192	In Brief Chapter 4
18.3.2	Other information audited	N/A	N/A
18.3.3	Sources and reasons for which information has not been audited	N/A	N/A
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18.5	Dividend policy		
18.5.1	Description of the policy on dividend distribution and any restriction thereon	370	Section 6.5
18.5.2	Amount of dividend per share	370	Section 6.5
18.6	Legal and arbitration proceedings		
18.6.1	Information on any governmental, legal or arbitration proceedings which may have, or have had in the recent past significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement	254	Section 4.1.6 Note 30.2
18.7	Significant change in the issuer's financial position		
18.7.1	Description of any significant change in the financial position of the group which has occurred since the end of the last financial period	98	Section 2.4

19	**Additional information**		
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19.1.2	Information on shares not representing capital, number and main characteristics	N/A	N/A
19.1.3	Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	358	Section 6.2.1
19.1.4	Amount of any convertible securities, exchangeable securities or securities with warrants	N/A	N/A
19.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	360	Section 6.2.2
19.1.6	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate	N/A	N/A
19.1.7	History of share capital	374	Section 6.7.2
19.2	Memorandum and articles of association		
19.2.1	Register and corporate purpose	355	Section 6.1.5
19.2.2	Description of the rights, preferences and restrictions attaching to each class	N/A	N/A
19.2.3	Absence of provisions of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	362	Section 6.3
20	**Material contracts**		
20.1	Summary of materials contracts	49	Section 1.6.2
21	**Documents available**		
21.1	Statement on the documents available	388	Section 7.3

7.4.2 Annual Financial Report

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Risk factors	49	Section 1.6
Information about internal control procedures	75	Section 1.7
Information relating to share buybacks (Art. L.225-211, paragraph 2 of the French Commercial Code)	360	Section 6.2.3
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7.4.3 Cross-reference table for the registry of the Court[1]

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Financial information for the year and profit allocation	85, 91, 98 and 297	Section 2.2, 2.3, 2.4 and 4.6.3
Description of principal risks and uncertainties	49	Section 1.6
Subsequent events	102	Section 2.7
Evolution and future prospects	103	Section 2.8
Information relating to Share Capital, its evolution, employee shareholding and shares buyback	358, 362, 364	Sections 6.2, 6.3 and 6.4
Non-Financial Statements, including the vigilance plan	305	Chapter 5
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Profit (and other characteristic items) of the last five fiscal years	297	Section 4.6.3
Financial statements		
Annual financial statements	276	Section 4.5
Statutory Auditors' Report on the annual financial statements	299	Section 4.7
Consolidated financial statements	193	Section 4.1
Statutory Auditors' Report on the consolidated financial statements	265	Section 4.2

(1) As per Article L.232-23 of the French Code of Commerce (*code de commerce*).

Design:
EssilorLuxottica Creative Hub

Production:
côté corp.

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