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# Executive Corporate Officers' compensation

**Charenton-le-Pont, France (February 29, 2024)** – On February 14, 2024, on the recommendation of the Nomination and Compensation Committee, the Board of Directors approved:

1. the 2023 bonus of the Executive Corporate Officers
2. the 2024 compensation policy for Executive Corporate Officers

## 1. 2023 bonus of the Executive Corporate Officers

Pursuant to the Executive Corporate Officers' compensation policy approved by the Shareholders' Meeting of May 17, 2023, the Board of Directors assessed the achievement of the objectives applicable to the 2023 bonus of the Executive Corporate Officers.

The Board of Directors approved annual variable compensation of Euro 3,152,250 for Francesco Milleri and Euro 1,751,250 for Paul du Saillant, corresponding to an achievement rate of their objectives of 140.1% and reflecting the Company's good results.

Detailed calculations of the achievement of objectives are provided in Appendix 1.

Payment of the variable component due for the fiscal year 2023 is subject to the approval of the Annual Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023.

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

| 2019[1] [2] | 2020[1] | 2021 | 2022 |
|---|---|---|---|
| 0% | 22.9% | 197.8% | 162.5% |

1 The Executive Corporate Officers were Leonardo Del Vecchio and Hubert Sagnières.
2 Following the fraud at an Essilor plant in Thailand.

## 2. 2024 compensation policy for Corporate Officers

Compensation

The Board of Directors drew up the 2024 compensation policy for the Corporate Officers, which will be submitted for approval at the next Shareholders' Meeting.

Separate resolutions on the compensation policy applicable to each category of Corporate Officer will be submitted to the Annual Shareholders' Meeting of April 30, 2024:

- a resolution concerning the compensation policy applicable to members of the Board of Directors unchanged from that approved at the Annual Shareholders’ Meeting of May 17, 2023;
- two resolutions concerning the compensation policy applicable to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer respectively.

The Nomination and Compensation Committee reviews the Group’s overall compensation policy on a regular basis to ensure it takes into consideration the dynamic changes in EssilorLuxottica’s business sector and remains attractive compared to the practices of comparable companies. The correlation between compensation and the Company's sustainable performance in the interest of shareholders and all stakeholders remains the fundamental principle on which this policy is based.

The new compensation policy was inspired by in-depth discussions with investors and proxy advisors, while taking into account the Group’s future prospects. When drawing up this policy, the Board of Directors also took into account the results of the vote on the compensation of Corporate Officers at the Annual Shareholders’ Meeting of 2023, in accordance with Article R.22-10-14, I, 6 of the French Commercial Code.

Thus, in order to meet investors’ expectations, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, considered it appropriate to:

- diversify the performance conditions of the long-term incentive plan;
- introduce a clawback clause in the long-term incentive plan for Executive Corporate Officers;
- introduce a pro-rata principle for the long-term incentive plan in the event of forced departure or retirement of the Executive Corporate Officers;
- give the Board of Directors the option of waiving the non-compete clause; and
- tighten the performance measure of severance payment by introducing a minimum threshold for each year for Executive Corporate Officers.

All of these adjustments will be presented in the 2023 Universal Registration Document, which will be published on the Group's website, in section 3.3 "Compensation of Corporate Officers" of Chapter 3 "Report on Corporate Governance".

Francesco Milleri and Paul du Saillant are to remain in their respective positions of Chairman and Chief Executive Officer and Deputy Chief Executive Officer, subject to the approval of their reappointment as Directors by the Shareholders’ Meeting.

The Board of Directors, on the recommendation of the Nomination and Compensation Committee, has determined the new compensation packages of the Executive Corporate Officers for their new term of office (2024-2027), unless major events or exceptional circumstances justify modifying the compensation policy, which would of course then be subject to shareholder approval.

This proposal is based on the in-depth analysis summarized below.

Together, this French-Italian team coordinated the merger of two European champions to form a global industry leader and positioned it on a highly innovative strategic pathway.

In the face of an uncertain economic and geopolitical environment and the passing of Leonardo Del Vecchio in 2022, this management team drove the Group to maintain and strengthen its successful track record, with solid results, revenue growth exceeding targets and improved profitability.

This performance is the result of a major transformation, characterized by an expanded business scope (with the integration of GrandVision in particular), diversification, accelerated innovation (innovative solutions such as myopia management lenses) and the integration of advanced technologies and digital innovations into products and services (Ray-Ban Meta connected glasses and the new HELIX division).

The management team has also succeeded in unifying the organization, developing a generation of talented and promising leaders, mobilizing employees around shared values, developing employee shareholding (77,500 internal employee shareholders), supporting the Mission via the OneSight EssilorLuxottica Foundation (which has helped correct and protect the vision of 72 million people worldwide), and developing an ambitious sustainability program, "Eyes on the Planet", which enabled the Group to achieve carbon neutrality in Europe as early as 2023.

These outstanding achievements highlight the crucial strategic and operational roles played by Francesco Milleri and Paul du Saillant.

Today, the Group is committed to continuing its transformation by integrating new visual health technologies, while confirming its role as an engine and spearhead in the eyecare and eyewear sector.

Inspired by the vision of eyeglasses as a powerful multi-function digital platform, and thanks to the acquisition of Nuance Hearing, the Group has also started developing glasses that incorporate a hearing solution to meet the needs of people with mild to moderate hearing loss, opening up new strategic prospects in a hitherto under-exploited market. Other initiatives aimed at propelling the Group beyond current boundaries and boldly shaping the sector's future are currently underway.

The Board of Directors has therefore considered it essential to recognize the quality of this management team and maintain it in place, in order to successfully pursue the ongoing transformations, meet future challenges and realize future ambitions. It has therefore decided to offer a new compensation package[1] that reflects the Group's ambitions and is designed to guarantee the commitment of these Officers over the long term.

[1] The benchmarking panel used for the Chairman and Chief Executive Officer is presented in the 2023 Universal Registration Document, which will be published on the Group's website, in section 3.3 "Compensation of Corporate Officers" of Chapter 3 "Report on Corporate Governance".

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The proposed compensation for these Officers reflects their crucial role in the Group's performance and transformation. Over 80% of this compensation is conditional on the Company's performance, ensuring that the Officers' interests are aligned with those of the Group and its shareholders.

This proposal aims to ensure that the Group's proven growth momentum, continuity and strategic stability continue, while recognizing and rewarding the quality of these Officers and their exceptional contribution to our collective success.

Key figures:

| | 2019[1] | 2023 | Comments |
|---|---|---|---|
| Revenue | € 17.39 bn | € 25.39 bn | + € 8 bn (+46%) |
| Adjusted Group Net Income | € 1.94 bn | € 2.95 bn | ~+ € 1 bn (+52%) |
| Earnings per share adjusted | € 4.46 | € 6.58 | (+48%) |
| Free Cash Flow | € 1.82 bn | € 2.39 bn | (+31%) |
| Market Capitalization *(as of December 31)* | € 59.4 bn | € 82.4 bn | + € 23 bn of value created for shareholders |
| Active Employee Shareholders | 56,000 | 77,500 | + 21,500 new employee shareholders |

**Summary of 2024 compensation policy for Executive Corporate Officers**

| | Fixed compensation | Annual variable compensation | Long-term incentive |
|---|---|---|---|
| **Francesco Milleri**<br>Chairman and Chief Executive Officer | **€ 2,100,000** | Target: **150% of fixed compensation**<br>Maximum: **300% of fixed compensation** | Maximum **100,000** performance shares |
| **Paul du Saillant**<br>Deputy Chief Executive Officer | **€ 1,350,000** | Target: **125% of fixed compensation**<br>Maximum: **250% of fixed compensation** | Maximum **45,000** performance shares |

The variable compensation of the Executive Corporate Officers for 2024 is set out below.

[1] The 2020 performance was affected by the Covid-19 pandemic. Consequently, the base year used for comparison is 2019.

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2024 bonus

The Board of Directors approved a variable component based exclusively on quantifiable objectives.

| Objectives | Weighting |
|---|---|
| Group adjusted[1] earnings per share (EPS) (at constant exchange rates[2]) | 40% |
| Revenue growth (at constant exchange rates[2], excluding strategic acquisitions) | 30% |
| Adjusted[1] operating profit as a percentage of revenue (at constant exchange rates[2]). | 30% |

Based on the recommendation of the Nomination and Compensation Committee, the Board of Directors preferred to integrate a corporate social responsibility criterion into the long-term incentive plan, the corresponding objectives are inherently in line with a sustainable approach.

As in 2023, the variable component includes a "*clawback*" clause.

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

[1] Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.
[2] Constant exchange rates: figures at constant exchange rates are calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

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2024 Long-term compensation

On the recommendations of the Nomination and Compensation Committee, the Board of Directors revised the criteria for the long-term incentive plan. Besides share price performance, the plan is now subject to a financial objective and a corporate social responsibility (CSR) commitment. The aim of this innovative move, which is the result of constructive discussions with the Group's investors, is to obtain a more comprehensive and balanced performance assessment in order to strengthen employee engagement over the long term.

The vesting of the performance shares will be wholly subject to the achievement of three performance conditions measured over a period of three years:

| Objectives | Rationale | Weighting |
|---|---|---|
| **Annualized growth in the share price** | EssilorLuxottica's growth strategy must create shareholder value in the medium to long term.<br>Performance shares must therefore vest in direct proportion to the growth in the share price and the gain that this represents for shareholders.<br>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. | 40% |
| **Group adjusted(1) earnings per share (EPS) (at constant exchange rates(2))** | Adding the earnings per share (EPS) criterion in the long-term incentive plan, in addition to the annual bonus, aims to foster profitable and sustainable growth, aligning the interests of the beneficiaries with those of long-term shareholders. This balanced strategy encourages not only the achievement of immediate results, but also decisions that guarantee the future success. | 40% |
| **Corporate Social Responsibility (CSR)** | EssilorLuxottica's growth strategy includes a corporate social responsibility component with the "Eyes on the Planet" sustainability program.<br>The introduction of a CSR criterion is intended to reinforce commitment to sustainability over the long term. | 20% |

(1) Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.

(2) Constant exchange rates: figures at constant exchange rates will be calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

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**Annualized growth in the share price (40%)**

The performance scale for this objective remains unchanged from 2023 and is as follows:

- For any annualized growth in EssilorLuxottica's share price of less than 2% per year or 6.1% over 3 years, no performance shares will vest.
- If the minimum threshold of 2% growth per year is exceeded and if EssilorLuxottica outperforms the EuroStoxx 50 index, the performance shares will vest as follows:

| **Annualized growth in the EssilorLuxottica share price*** | **Number of shares vested** *(as a % of initial grant)* |
|---|---|
| • between 2% and 3% per year (i.e. between 6.1% and 9.3% after three years**) | 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, as approved by the Board of Directors.<br>** Growth as an absolute value (and not annualized) in relation to the Initial Reference Share Price. | |

- If the minimum threshold of 2% growth per year is exceeded but EssilorLuxottica underperforms compared to the EuroStoxx 50 index, the vesting of performance shares will be capped at 50%.

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To summarize, the performance condition linked to annualized growth in share price is as follows:

| Annualized growth in the EssilorLuxottica share price* | Number of shares vested (as a % of initial grant) | |
|---|---|---|
| | 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, as approved by the Board of Directors.
** Growth as an absolute value (and not annualized) in relation to the Initial Reference Share Price.

**Adjusted earnings per share (EPS) (40%)**

The achievement of the objective will be measured with respect to the Group EPS over the 3-year period 2024-2026.

The level of performance required to achieve the EPS objective is defined by the Board of Directors at the beginning of the 3-year period. It has been established in a precise, demanding and rigorous manner but cannot be made public for reasons of confidentiality.

In the event of performance below a lower limit to be set for the objective, no shares will vest under this criterion. In the event of performance exceeding the target to be set by the Board of Directors, all shares under this criterion will vest. Between these two limits, vesting will be progressive (between 0% and 100%).

**Corporate Social Responsibility (CSR) (20%)**

The performance conditions governing the long-term incentive scheme will be complemented by a specific performance indicator reflecting the Group's long-term commitment to climate change in accordance with its Eyes on the Planet sustainability program.

The assessment scale for this criterion will be meticulously defined by the Board of Directors, in line with the carbon reduction roadmap developed according to the Science Based Targets initiative, and will be disclosed when the 2024 performance share plan is announced.

In the event of performance below a lower limit to be set for the objective, no shares will vest under this criterion. In the event of performance exceeding the target to be set by the Board of Directors, all shares under this criterion will vest. Between these two limits, vesting will be progressive (between 0% and 100%).

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.

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## Appendix 1: 2023 bonus of Francesco Milleri and Paul du Saillant

| Weighting | Description | % achievement from 0% to 200% of the target | Weighted % achievement |
|---|---|---|---|
| **W** | | **A** | **W x A** |
| 40% | Group adjusted[1] earnings per share (EPS) growth (at constant exchange rates[2]) | 123.9% | 49.6% |
| 20% | Revenue growth (at constant[2] exchange rates, excluding strategic acquisitions) | 150.0% | 30.0% |
| 20% | Adjusted[1] operating profit (at constant[2] exchange rates) | 102.5% | 20.5% |
| 20% | Corporate social responsibility | 200.0% | 40.0% |
| **100%** | | | **140.1%** |

1 Adjusted measures or figures: adjusted from the expenses or income related the combination of Essilor and Luxottica (the "EL Combination"), the acquisition of GrandVision (the "GV Acquisition"), other strategic and material acquisitions, and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group's performance.

[2] Constant exchange rates: figures at constant exchange rates are calculated using the average exchange rates in effect for the corresponding period in the relevant comparative year.

***Analysis of 2023 performance***

## Financial Performance

The Company posted Euro 25,395 million in revenue for the year, up 7.1% at constant exchange rates[1]. All four regions and both segments contributed to this performance, reflecting the Group's balanced and diversified sales model.

EssilorLuxottica has thus recorded its third consecutive year of revenue growth at constant exchange rates[1] above 7%, after 7.5% in 2022 versus 2021[2] and 7.4% in 2021[2] versus 2019[2].

It was also a year of major investments: growing new product categories, with Stellest in myopia and Ray-Ban Meta in wearables, launch of the upgraded Varilux XR series, signing of new licenses with beloved brands like Moncler and Jimmy Choo, leveraging artificial and business intelligence, expanding our operations footprint and reinforcing the retail presence globally.

In terms of profitability, the Group’s performance was temporarily more under pressure in 2023, due to surging inflation at the global economy level together with the major currency headwinds as well as the addition of costs to support the aforementioned new initiatives. The adjusted gross profit[3] amounted to Euro 16,090 million in the full year, reaching 63.4% of revenue, 30 basis points lower than 2022 (or -20 basis points at constant exchange rates[1]).

The adjusted[3] operating profit reached Euro 4,178 million in the year, representing 16.5% of revenue, compared to 16.8% in 2022, a margin dilution of 30 basis points, while at constant exchange rates[1] the margin expanded by 10 basis points to 16.9% of revenue.

The adjusted[3] Group net profit amounted to Euro 2,946 million in the full year, representing 11.6% of revenue, compared to 11.7% in 2022, a margin dilution of 10 basis points, while at constant exchange rates[1] the margin expanded by 20 basis points to 11.9% of revenue.

It should be noted that the adjusted[3] operating profit and the adjusted[3] Group net profit grew respectively 7.7% and 9.4% at constant exchange rates[1] in a year where the inflationary headwinds impacted various cost items and in particular the cost of labor.

[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] Comparable or pro forma (revenue): comparable revenue includes the contribution of GrandVision’s revenue to EssilorLuxottica as if the combination between EssilorLuxottica and GrandVision (the “GV Acquisition”), as well as the disposal of businesses required by antitrust authorities in the context of the GV Acquisition, had occurred at the beginning of the year (i.e. January 1). Comparable revenue has been prepared for illustrative purposes only with the aim to provide meaningful comparable information.
[3] 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”), other strategic and material acquisitions, and other transactions that are unusual, infrequent or unrelated to the normal course of business as the impact of these events might affect the understanding of the Group’s performance.

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## Corporate social responsibility (CSR)

In 2023, in line with the progress of the Group sustainability program “Eyes on the Planet”, the Board decided, on the recommendation of the Nomination and Compensation Committee, to confirm the inclusion of a corporate social responsibility criterion in the annual variable remuneration of Executive Corporate Officers and of 15,000 eligible employees.

This CSR criterion reflected EssilorLuxottica's role in the fight against climate change and related to its public commitment to carbon neutrality made through the “Eyes on the Planet” sustainability program (see Chapter 5 of the 2023 Universal Registration Document). Specifically, the criterion was a reduction in greenhouse gas emissions (Scopes 1 and 2) measured in terms of year-on-year carbon effort pursued by the Company through the independent generation of renewable energy, the purchase of renewable energy and/or investments in Power Purchase Agreements (PPAs). In addition, a prerequisite was defined to assess the fulfillment of the CSR criterion and consisted in the achievement of Scope 1 and 2 carbon neutrality in Europe at the end of the fiscal year 2023. This was the first step in the Group's transition to carbon neutrality of its operations by 2025.

Thanks to the efforts made by EssilorLuxottica and explained in Section 5.2.1 of the 2023 Universal Registration Document, not only Scopes 1 and 2 carbon neutrality was achieved in Europe, but the initiatives and investments in the field of renewable energy led to an estimated incremental carbon reduction effort of over 80 $KtCO_2$ eq in 2023. In line with the pre-defined assessment scales for the quantitative performance objectives, the achievement rate for the CSR criterion was 200%.

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**About EssilorLuxottica**

EssilorLuxottica is a global leader in the design, manufacture and distribution of ophthalmic lenses, frames and sunglasses. Formed in 2018, its mission is to help people around the world to see more and be more by addressing their evolving vision needs and personal style aspirations. The Company brings together the complementary expertise of two industry pioneers, one in advanced lens technology and the other in the craftsmanship of iconic eyewear, to set new industry standards for vision care and the consumer experience around it. Influential eyewear brands including Ray-Ban and Oakley, lens technology brands including Varilux and Transitions, and world-class retail brands including Sunglass Hut, Lenscrafters, Salmoiraghi & Viganò and GrandVision are part of the EssilorLuxottica family. EssilorLuxottica has over 190,000 employees. In 2023, the Company generated revenue of Euro 25.4 billion. The EssilorLuxottica share trades on the Euronext Paris market and is included in the Euro Stoxx 50 and CAC 40 indices. Codes and symbols: ISIN: FR0000121667; Reuters: ESLX.PA; Bloomberg: EL:FP. For further information: www-essilorluxottica.com