“Global Anti Bribery and Corruption Compliance Program”

“Be transparent and keep it transparent”
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1 Why a Global “Anti Bribery and Corruption Compliance Program”?  

Luxottica is an international organization that operates in various institutional, economic, political, social and cultural settings which are continuously and rapidly evolving. Luxottica’s global presence leads to great challenges and responsibilities including its ability to abide by all applicable laws, regulations and social responsibilities in the many jurisdictions in which it operates.

Current trends show that regulatory and social environments around the world are more and more focused on specific anti-corruption legislations.

This evolution is aimed at strengthening the fight against corruption, a phenomenon that could lead to both ethical and business damages. From an ethical point of view, corruption harms the integrity of all those involved and undermines the basics of the organizations to which they belong. From a business point of view, corruption leads to sub-optimal outcomes for companies, legal risks, reputation disruption and financial costs, including fines.

Therefore everyone needs to remember that almost all countries forbid corruption, which Luxottica defines as payments and provision of any other thing of value or benefit to empowered persons - either in the private or public sector - to ensure an illicit benefit for the Company.

Breaches of law by individuals connected to a company may endanger that entity. Anti-corruption laws and regulations may provide for the imposition of administrative fines, exclusion of the Company from negotiation with public administrations, mandatory dissolution, temporary or permanent suspension of activities, as well as plant closings among other negative consequences.

With all this in mind, Luxottica initiated a Global “Anti Bribery and Corruption Compliance Program” (following “AB&C Program”), which applies globally and provides specific rules for preventing, detecting and managing corruption risks within the Group’s sphere of influence. This program complements the programs already in place including the Company’s Code of Ethics.

Directors, members of any committee of the Group’s companies, employees, and business partners (including vendors and customers) are required to be aware of corruption risk and social responsibilities, and to operate strictly in compliance with applicable laws and regulations.
The AB&C Program is a way of thinking and acting that we must affirm in our business duties. By doing so, each of us is able effectively to contribute to protect Luxottica’s ethical and responsible business conduct. Day after day.

2 Our approach

2.1 Guiding Principle

Luxottica is committed to compliance with local and international anti-corruption laws and regulations, and with the highest ethical standards in all aspects of its business dealings. In particular, Luxottica Group’s Code of Ethics states “Luxottica openly fights against corruption and all attempts at improper influence, often in partnership with governmental authorities and other public and private parties. In all business dealings, Luxottica strives for the utmost integrity and transparency.”. This statement is further strengthened through the adoption of corporate and local policies and procedures regulating areas which could be exposed to corrupt offences. This program strengthens this core commitment.

2.2 Eight Simple Rules

Areas exposed to the risk of corruption have been identified in accordance with Group activities as well as international Best Practices¹: such areas, which will be periodically re-assessed, were the starting point for developing the Eight Simple Rules for thoroughly opposing corruption in Luxottica’s sphere of influence.

We all are required to follow these simple rules in our daily work. We should be inspired by the spirit behind these rules in all aspects of work we perform and manage.

2.2.1. Conduct transparent business relationships with third parties

2.2.2. Conduct transparent relationships with public officials

2.2.3. Be transparent when giving or receiving gifts, hospitality and other benefits

¹ International best practices arise from:
  - United Nations Global Compact: a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption;
  - Organization of Economic Co-operation and Development (OECD): the organization promoting policies that improve the economic and social well-being of people around the world;
  - Transparency International (TI): the global civil society organization leading the fight against corruption. It is responsible for calculating country indexes quantifying corruption risks around the world.
2.2.4. Be transparent when giving sponsorships and charitable initiatives
2.2.5. Be transparent in dealing with political parties, trade-unions and associations
2.2.6. Be transparent when booking petty cash expenses
2.2.7. Be transparent in dealing with facilitation payments
2.2.8. Be transparent in hiring decisions

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2.2.1 Conduct transparent business relationships with third parties

We enter into business relationships exclusively with third parties that fulfill the Group’s principles of correctness, fairness, integrity, loyalty and good faith. Third parties include, for example, intermediaries, business partners and joint ventures partners. Screening of third parties is aimed at vetting and investigating their backgrounds in order to verify compliance with ethical principles. Adequate due diligence activities must be carried out by each function involved. Contract finalization is based on clear terms and conditions and includes the application of anti-corruption clauses, which ensure the third party’s commitment to anti-corruption. A third party’s conduct shall be monitored throughout the relationship to ensure full compliance with contractual provisions and Luxottica’s AB&C Program.

EXAMPLES OF OUR “NEVER”

- We should never engage with intermediaries known to offer or pay bribes
- We should never do business with third parties refusing anti-corruption contract clauses or reference to any Code of Ethics in the contract
- We should never pay intermediaries’ commissions that appear to be unusually large for services received
- We should never accept to enter Joint Ventures or similar agreements where partners request for accounting standards not recognized by the Group
- We should never engage with third parties who require payments in black list countries (as defined by Luxottica) having their headquarters in other countries
2.2.2 Conduct transparent relationships with public officials

Luxottica does not tolerate relationships with public officials that may be perceived as ambiguous or may appear to a third party as inappropriate.

The Group does not improperly influence independent judgment and objectivity of public officials in order to obtain or favor any kind of undue benefit.

Public officials are defined as any person appointed or elected for discharging a public duty, either temporarily or permanently, at any level of government including the national level or abroad (including international organizations) or any relative of that official, any organization under his direct or indirect control or any other person or organization that we would reasonably know is a conduit for that official.

EXAMPLES OF OUR “NEVER”

- We should never agree to public officials’ requests for bribes
- We should never submit to any public officials’ requests for favors imposed as a condition for obtaining business
- We should never offer or give to public officials benefits aimed at improperly influencing their independent judgment

2.2.3 Be transparent when giving or receiving gifts, hospitality and other benefits

Gifts, hospitality and other complimentary benefits are part of our day-to-day business customs: they can be customary business courtesies. However, personal offer or acceptance of money, gifts or any kind of benefits in order to obtain undue or improper material or apparent advantages of any kind are not allowed (e.g. promises of economic advantages, favors, recommendations, promises of labor supplies...). Actions of commercial courtesy are allowed, provided they are of low value, do not compromise Luxottica’s integrity and reputation and do not influence the independent judgment of the recipient.
2.2.4 Be transparent when giving sponsorships and charitable initiatives

Luxottica participates in and provides financial backing to various initiatives, including those outside its operational business, such as sponsorships, charitable initiatives and scholarships. These various initiatives are aimed at supporting organizations or individuals in need, for example through providing financial assistance for students, organizing events to promote business and Luxottica’s brand or otherwise assisting communities or people deprived by poverty or other straits.

Screening of potential recipients and investigation of their backgrounds is aimed at avoiding that such initiatives are used for improper purposes. Adequate due diligence activities must be carried out by each function involved.

When applicable, contract finalization is based on clear terms and conditions, including anti-corruption clauses. A recipient’s conduct shall be monitored to ensure full compliance with contractual provisions and Luxottica’s AB&C Program.

EXAMPLES OF OUR “NEVER”

- We should never provide gifts to anybody that may be interpreted as improper or for the purpose of obtaining unjustified benefit
- We should never give or accept a gift which is not compliant with the law or with our corporate provisions
- We should never use entertainment or meals as a means for obtaining undue benefits (including offering repetitive items of law values to the same individual)

EXAMPLES OF OUR “NEVER”

- We should never support entities known to carry out corrupt payments
- We should never support sponsorships or charitable initiatives with a third party as a way to create hidden funds
- We should never provide scholarships to influence our counter parties
- We should never provide financial support to organizations to obtain illicit benefits
2.2.5 Be transparent in dealing with political parties, trade-unions and associations

Luxottica does not grant direct or indirect contributions to political parties, either in Italy or abroad nor to their representatives or candidates.

Moreover, Luxottica does not grant contributions to organizations where there is or could be a potential conflict of interest (such as with trade unions, consumers’ associations or environmentalist associations).

The Company may, however, allow certain payments for proper lobbying efforts when approved by the Legal Department.

As a private matter, employees are free to engage in political activities as they see fit, but such activities may not be carried out at work or using Company resources.

EXAMPLES OF OUR “NEVER”

- We should never involve ourselves in political initiatives on behalf of Luxottica or that may be perceived as on behalf of Luxottica
- We should never provide contributions to consumers’ associations or trade unions that could give rise to potential conflicts of interest

2.2.6 Be transparent when booking petty cash expenses

Petty cash, by its nature, can easily be a mechanism for making corrupt payments and as such all petty cash transactions, including outlays and replenishments, must be approved in accordance with Company policies and procedures and recorded in a timely manner.

All such transactions must be adequately supported by appropriate evidence.

Incorrectly accounting for corrupt payments may lead to significant additional fines and penalties in addition to fines and penalties imposed for the corrupt payment.

EXAMPLES OF OUR “NEVER”

- We should never use petty cash for reimbursing expenses lacking appropriate supporting documentation
- We should never voluntarily delay recording of petty cash expenses
2.2.7  Be transparent in dealing with facilitation payments

Luxottica does not allow payments to public officials for the purpose of facilitating or expediting performance of a routine governmental action to which the Company is already entitled (so called “facilitation payments”).

If questions arise regarding this policy, contact the Legal and Compliance Departments. Under no circumstances may “facilitation payments” be made without first consulting the Legal Department.

EXAMPLES OF OUR “NEVER”

- We **should never** carry out unlawful facilitation payments
- We **should never** mis-record facilitation payments in the limited circumstances where they may be permitted after consultation with the Legal Department
- We **should never** use entertainment or meals as a means for obtaining undue benefits (including offering repetitive items of law values to the same individual)

2.2.8  Be transparent in hiring decisions

Hiring can be a means for indirect corrupt influence, and, as such, each decision concerning human resources selection is taken on the basis of merit, skills and other professional criteria recognized by the Company.

Contract finalization is based on clear terms and conditions, and includes reference to our Code of Ethics, which ensure employees’ commitment to anti-corruption.

EXAMPLES OF OUR “NEVER”

- We **should never** hire an individual as a favor to public officials
- We **should never** hire an individual who refuses anti-corruption contract clauses or reference to our Code of Ethics in his or her contract
- We **should never** hire an individual known to carry out corruption payments
3 Anti Bribery and Corruption Governance

To facilitate the Company to abide by anti-corruption laws and regulations, Luxottica defines organizational structure, roles and responsibilities, and promotes compliance and awareness of the AB&C Program.

While anti-corruption is our collective responsibility, Anti-Corruption Governance is the primary responsibility of the Corporate Compliance Department, in conjunction with the Corporate Legal Department. Compliance department, responsible at the country level, complement this governance structure.

Anti-Bribery and Corruption Governance at Luxottica is composed of the following processes:

1. Inventory / Update of Regulatory and Compliance Requirements
2. Risk Identification and Assessment
3. Policies and Procedures Design and Update
4. Non-compliance Notifications
5. Compliance Audit
6. Compliance Reporting
7. Training and Awareness
8. Disciplinary Measures

3.1 Inventory / Update of Regulatory and Compliance Requirements

Business lines, with support from local compliance department, the Legal Department and the Corporate Compliance Department, is in charge of monitoring applicable anti-corruption requirements.

The purpose of this phase is to have a clear framework of applicable anti-corruption laws so that our activities and the AB&C Program:
- are compliant with applicable local laws and regulations;
- meet or exceed local industry standards.

In case of changes in local legislation, market environment or industry trends, new requirements must be communicated to the Corporate Compliance Department and the Anti-Corruption Governance infrastructure will be reviewed to evaluate its compliance and effectiveness.
In case of misalignments arising from gap analyses performed from time to time, corrective actions will be adopted.

3.2 Risk Identification and Assessment

The Corporate Compliance Department, supported by local compliance department, is in charge of Risk Identification and Assessment. Activities within this area are aimed at identifying the Group’s areas of exposure to corruption risks, considering local context and third parties. Risk Identification and Assessment activities are periodically performed in accordance with international best practices and considering:
- country risk profiles (e.g. political and social outlook);
- industry typology (e.g. military business, degree of government involvement);
- business trends (e.g. stability of the business);
- business significance (e.g. amount of turnover, assets in business).

3.3 Policies and Procedures Design and Update

The Corporate Compliance Department, supported by local compliance departments, is responsible for managing the AB&C Program and ensuring that anti-corruption policies and procedures are effectively designed and updated. Periodic monitoring of the Program and all the above mentioned documents are performed in order to identify and resolve gaps arising from new regulatory requirements or the absence of policies and/or procedures in areas subject to corruption risk. It is important that all the above mentioned documents are compliant with external requirements or best practices, and also consistent with the Company procedures.

3.4 Non-compliance Notifications

Notifications of actual or suspected breaches of the current AB&C Program or any other related misconduct, must be promptly reported either to superior management or through channels made available in accordance with corporate reporting provisions (i.e. whistle-blowing channels, hotlines or specific e-mail addresses). An individual reporting suspected violations may use whatever channels are appropriate under the circumstances.
Reports of violations must be supported by as much detailed evidence as possible under the circumstances.

Local compliance departments, Internal Audit Department and other deputy functions fulfill their duties in a timely manner in order to grant correct collection, verification and management of violations reported.

Retaliation against any individual who reports a violation is prohibited and the Company will take all reasonable measures to protect individuals reporting violation from retaliation.

Please refer to Annex 1 of the Luxottica’s Code of Ethics: Procedure for managing reports of breach or potential non-compliance with the Code of Ethics.

3.5 Compliance Audit

Internal Audit Department and, in ad hoc cases, the Corporate Compliance Department, supported by local compliance departments, are in charge of carrying out Compliance Audits with specific reference to anti-corruption.

Periodic auditing activities are conducted in order to verify whether measures to prevent corruption risks are adequately designed and work effectively. In addition, these are aimed at verifying non-compliance notifications received.

The final purpose is to ensure that applicable anti-corruption laws and provisions contained in this document are respected and implemented in the most efficient way within Luxottica.

3.6 Compliance Reporting

The Corporate Compliance Department, in coordination with Internal Audit Department and with support from local compliance departments and the Legal Department, is in charge of reporting the results of activities related to the AB&C Program (e.g. whistle-blowing, auditing activities, periodic reviews and updates to the documents).

Periodic reporting from the local to the corporate level shall be put in place by local compliance departments. The Corporate Compliance Department collects all reports and provides all stakeholders with accurate information, including proposed corrective actions.

A complete overview of the Company’s anti-corruption initiatives and results is necessary to understand Luxottica’s achievements and potential weaknesses which may need to be resolved.
3.7 Training and Awareness

The Corporate Compliance Department and local compliance departments will develop adequate Training and Awareness programs with reference to the AB&C Program. Training and Awareness programs are necessary to reinforce Luxottica compliance culture and specifically to enhance the understanding and awareness of anti-corruption laws. Training sessions are aimed at enabling all participants to identify and manage corruption risk in their daily duties. They might also be provided to third parties. Critical areas of risk exposure might need a specific focus: in such cases ad hoc material shall be developed. In addition, on-going diffusion of anti-corruption materials for raising awareness shall be provided through all available communication channels in accordance with the Company’s policies and procedures.

3.8 Disciplinary Measures

We are all required to comply with the provisions contained in this AB&C Program, all the time and everywhere. In the event a violation is detected, the Legal and Human Resources Departments will take prompt measures to mitigate the violation and to sanction the misconduct. Senior Management will evaluate sanctions on the basis of applicable factors, consistent with law and Company policy and procedure.

4 Global Anti Bribery and Corruption Compliance Program Update and Approval

The updating of the present Program, drafted by the Corporate Compliance Department and approved by the Board of Directors (on the basis of the Control and Risk Committee suggestion), is the responsibility of the Corporate Compliance Department.