

ACCESSORIES

Massive fraud found at eyewear maker EssilorLuxottica's Thailand factory

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EssilorLuxottica manufacturing operations. Image credit: EssilorLuxottica

By STAFF REPORTS

EssilorLuxottica, the world's No. 1 maker of lenses and frames, said it has discovered fraudulent financial activities at one of its plants in Thailand that could lead to the group taking a \$213 million loss to its bottom line.

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The Franco-Italian group said in a statement today that its Essilor International subsidiary had taken steps to end the fraudulent activities.

"Essilor International filed complaints in Thailand and in other jurisdictions and mobilized all available internal and external resources to put an immediate end to these fraudulent activities and implement remedial actions," the company said in a statement.

"It is also carrying out comprehensive investigations and is taking all possible actions to seek to recover the misappropriated funds in order to mitigate the impact on the group.

"The employees known to date to be associated with these fraudulent activities have been terminated. Additional internal controls have been put in place at Essilor International worldwide in order to strengthen existing security processes.

EssilorLuxottica makes eyewear frames and sunglasses under license for luxury brands such as Chanel, Bulgari, Burberry, Dolce & Gabbana, Prada, Versace, Tiffany, Valentino and Giorgio Armani. The company competes with Italian rival Safilo Group and also the in-house operations of LVMH and Kering Eyewear.

Out of frame

Charenton-le-pont, France-based **EssilorLuxottica**, also direct owner and maker of Ray-Ban and Oakley glasses, was formed in 2017 from the merger of France's Essilor and Italy's Luxottica.

Both sides have continued feuding since then, and the stake taken by U.S. activist fund Third Point, with its call for better governance, have rankled.

Meanwhile, the company is gearing itself for a financial hit to its 2019 results and also due to costs from pending

litigation to recover funds.

"The financial impact is estimated to be of a maximum of Euro 190 million before insurance, pending legal actions and anticipated recovery of further funds currently frozen on various bank accounts," the company said in a statement.

"It will be recorded in the operating result of 2019 and will be treated as an adjusted item.

"The board of directors of EssilorLuxottica is informed and will monitor closely the situation with the support of advisors; it will examine any further steps to be implemented for any such fraudulent activities not to recur."

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