PIAGGIO

CORPORATE SOCIAL RESPONSIBILITY REPORT 2009

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FROM THE CHAIRMAN

This second *Corporate Social Responsibility Report* discusses the values adopted by the Piaggio Group and their *execution*. These values are the Group's heritage, enriched each day by the ideas, passion and work of a community of people committed to creating and developing technologies, products and services in all four corners of the world, and continually appraised by *stakeholders*, who expect quality, professionalism, a focus on customer needs and on places where the Group operates.

Today - as part of the Groups' vision - social responsibility means acting and behaving transparently. This is the best response to a new citizen and consumer "awareness", to a growing need for information and ethical production. In this framework, and in relation to the report published last year, the map of sustainability indicators has been extended. The Group's foreign companies have been involved further, with reporting and performance indicators covering the entire scope of consolidated financial statements and the Group has also stepped up its focus on suppliers' *social responsibility*.

2009 was an extremely important year for Piaggio, which currently sells mopeds, scooters, motorcycles and commercial vehicles in over fifty countries. With the start up of production at its new Vihn Puc site, the Group has further consolidated its international presence and today operates from production facilities located in Italy, Spain, India and Vietnam. The Group's industrial strategy does not aim for the relocation of manufacturing facilities but the development of production sites in countries that are driving world development. Its purpose is to directly service *emerging markets* and meet the very diverse needs of their consumers. With the development of industrial activities on a global scale, the Group not only exports investments, *know how* and products, but also a way of doing business which is based on respecting work and workers, and on caring for the communities where it operates. This strategy has been adopted first and foremost in Italy. In managing the economic and social impact of the crisis in the two-, three- and four-wheeler markets, the Group has been motivated by a strong sense of responsibility and has avoided staff cuts.

Another asset of the Piaggio group, which has great social value and is one of the most important topics addressed in this report, is innovation. Innovation has been the Company's raison d'être since its foundation and has *driven* its development in recent years. Today, this means research into cutting-edge solutions for sustainable mobility and a quality life for motorcyclists. The Piaggio Group designs vehicles which not only perform brilliantly, but are safer and pollute less. With its development in recent years of the MP3 range, the launch of the world's first hybrid scooter, the MP3 Hybrid, and range of electric commercial vehicles, the Group has attained a *leadership* position worldwide in environmentally friendly vehicles.

However the Group's employees are its true mainstay. They represent an invaluable heritage. In Italy, Europe and Asia, their passion and professionalism stand for what Piaggio does best.

Roberto Colaninno
Piaggio Group Chairman and Chief Executive Officer

METHODOLOGICAL NOTE

The Corporate Social Responsibility Report of the Piaggio Group, now in its second edition, provides information on the economic, environmental and social performance of the Group and is an important form of dialogue with internal and external stakeholders.

The Corporate Social Responsibility Report is prepared annually on a voluntary basis, in compliance with the "*Sustainability Reporting Guidelines*" established by *Global Reporting Initiative* (GRI-G3) in 2006. The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Information was provided and the final document was prepared involving all functions and companies of the Group, coordinated at a central level by the Group's Consolidated Financial Statements function and supervised by the Business Ethics Committee which approved the report on 16 July 2010.

The information and data in the 2009 Corporate Social Responsibility Report refer to subsidiaries as of 31 December 2009 and their activities in 2009, unless otherwise indicated.

Data on 2008, taken from the document published in November 2009, are reported for comparative purposes only. The figures in this Corporate Social Responsibility Report refer to a period of at least two years, to allow for an evaluation of performance over time.

Financial figures are taken instead from the Consolidated Financial Statements of the Piaggio Group, which have already been audited.

As regards the comparability of 2009 data with previous periods, production and sales operations of Piaggio Vietnam officially commenced on 24 June 2009. 2009 figures therefore refer to approximately 6 months of operations at this new site.

The report also indicates when aggregate data derives from estimates.

As the Report is published, Piaggio has developed a process based on a system of indicators that conforms to level B of the GRI standard.

To improve the effectiveness of the reporting process and guarantee the reliability of information to all stakeholders, the independent auditors Deloitte were appointed to verify reported information and issue a "Report on the limited audit of the Corporate Social Responsibility Report" based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 153).

PIAGGIO IN THE WORLD

1 THE PIAGGIO GROUP

1.1 PROFILE

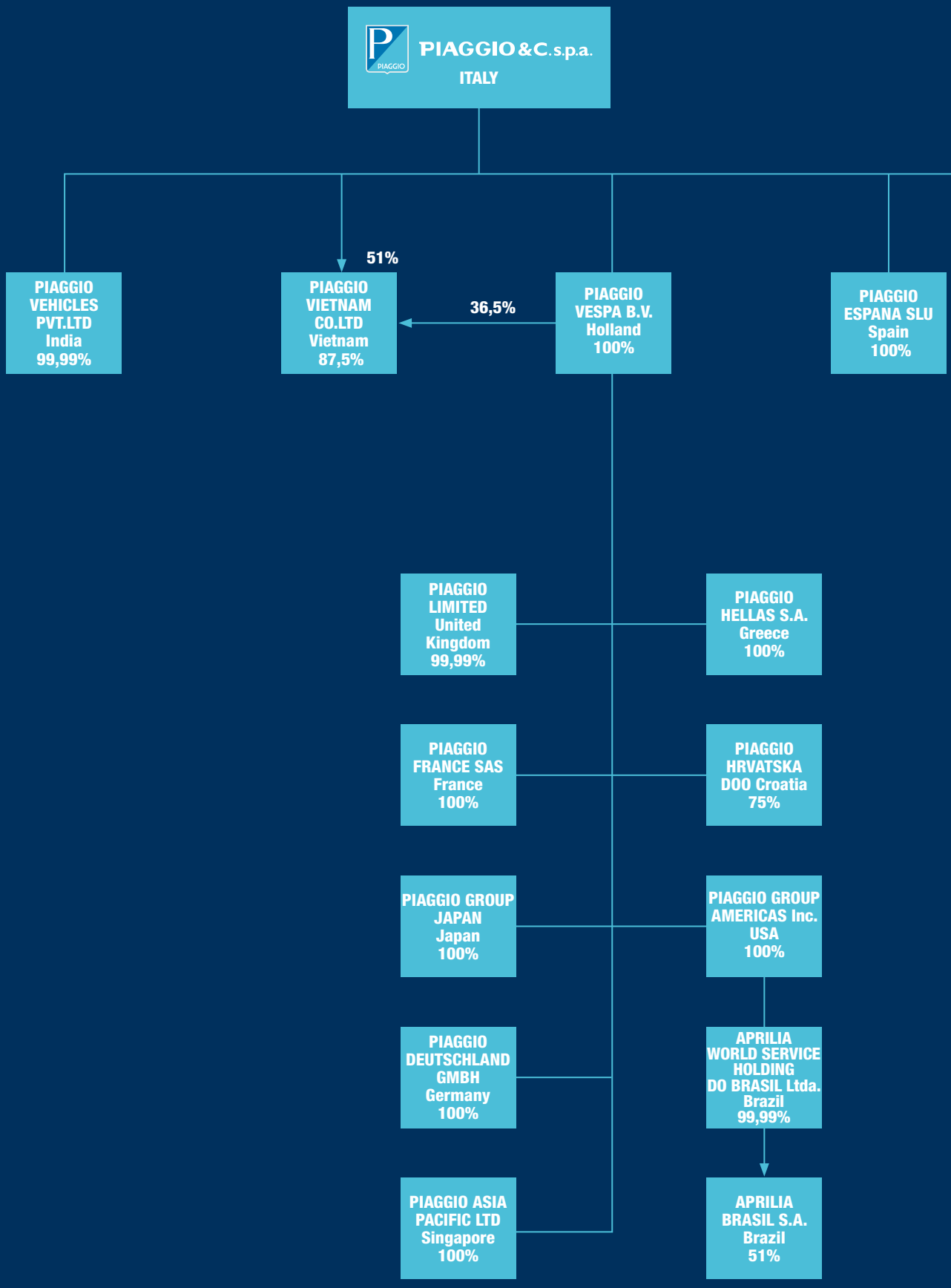
Established in 1884 and based in Pontedera (Pisa), Piaggio & C. S.p.a. is Europe's leading manufacturer of two-wheeler and three-wheeler motor vehicles.

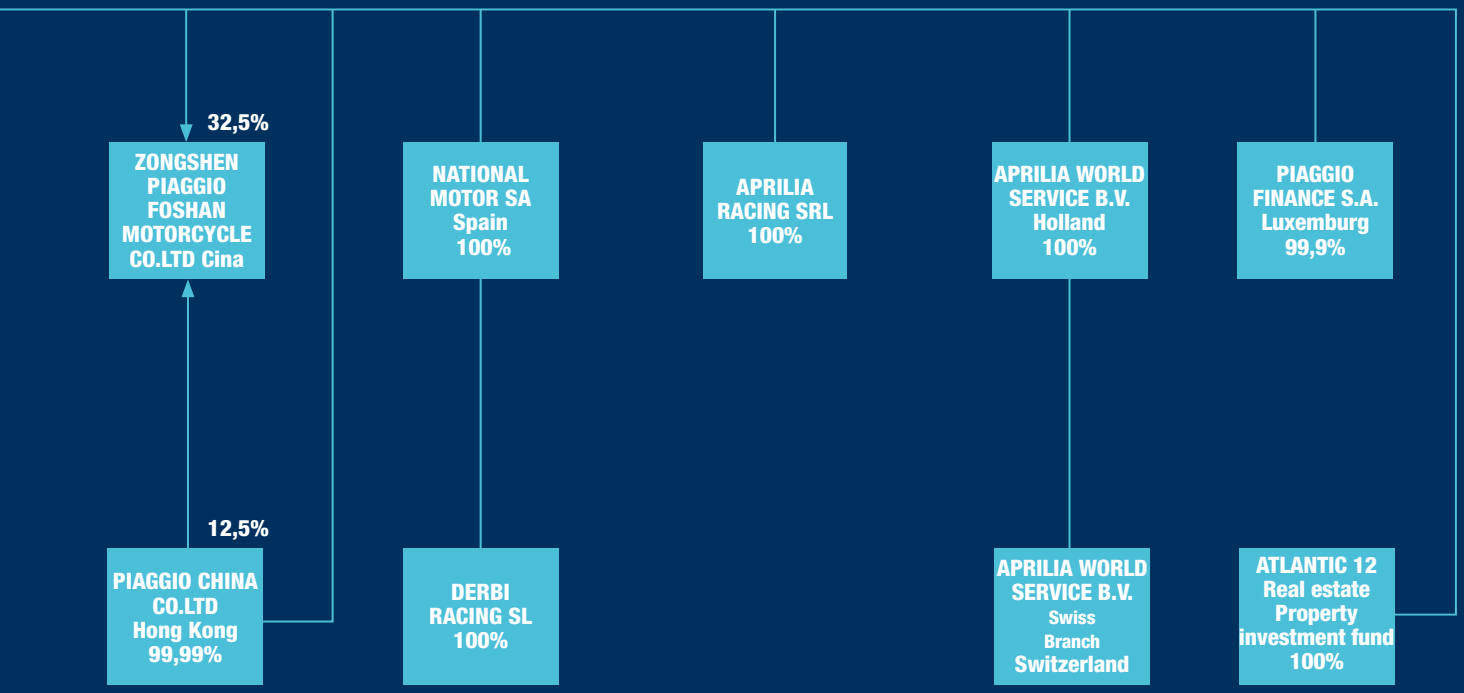
As of 31 December 2009, the Piaggio Group was controlled by more than 53% by the Immsi Group and has been listed on the Milan Stock Exchange since 11 July 2006.

At the end of 2009, the Group had a workforce of 7,300 people, 5 research and development centres in Italy, Spain, India and Vietnam and manufactured from 7 sites based in Pontedera (Pisa), Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Hanoi (Vietnam). Since 2008, the Group has based its organisational structure on its operating segments (Two-wheeler and Commercial Vehicles) which are divided into the geographical segments of Europe, the Americas and Pacific Asia for the Two-wheeler sector and Europe and India for the Commercial Vehicles sector.

The product range, sold in more than fifty nations, includes scooters, mopeds, motorcycles and three- and four-wheelers, marketed under the Ape, Aprilia, Derbi, Gilera, Moto Guzzi, Piaggio, Scarabeo, Vespa and Commercial Vehicles brands.

Company structure of the Piaggio Group As of 31 December 2009





AFFILIATED COMPANIES

- Pont-Tech S.r.l.
  (held 20.44% by Piaggio & C. S.p.A.)
- SAT S.A.
  (held 20% by Piaggio Vespa B.V.)
- IMMSI Audit S.c.a.r.l.
  (held 25% by Piaggio & C. S.p.A.)
- Acciones Depuradora
  (held 22% by Nacional Motor S.A.)

COMPANY IN LIQUIDATION

- P&D S.p.a.
  (held 100% by Piaggio & C. S.p.A.)
- Moto Laverda S.r.l.
  (held 100% by Piaggio & C. S.p.A.)
- Piaggio Portugal Ltda
  (held 100% by Piaggio Vespa B.V.)

Ape is a brand that has clocked up more than sixty years of success. It is associated in many areas of Europe and the world as the most compact, easy-to-handle and versatile light transport solution, to the extent that Piaggio has become an absolute market leader in India in this product segment.

With a product range spanning 50cc scooters to top-performing 1,200cc motorcycles, Aprilia is the only European "full liner" brand in the two-wheeler motor vehicles segment. Historically linked with remarkable performances and victories in the world of racing, Aprilia has won 43 World Speed and Motocross Championships in less than twenty years.

The Derbi brand includes 50cc - 300cc scooters and motorcycles with small and medium engine capacity, particularly 50 and 125cc, and is a European leader thanks to technologically advanced vehicles and components and a sleek design. With 19 World Speed Titles to its name, Derbi is very well known in Europe and stands for excellent technical performance and superb delivery in the small and medium engine capacity sector.

Gilera was established in 1909 and became a part of the Piaggio Group in 1969. The brand is extremely well known in the motorcycling industry, with 14 World Speed Titles to its name. At present the Group markets a range of high-performance sports scooters under this brand, covering all engine capacities, from models with small engine capacity targeting younger riders to a twin cylinder 850cc model - the, Gilera GP800 - the world's most powerful and fastest scooter.

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Established in 1921, Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and premiere sporting events. The current Moto Guzzi range includes tourers, enduro road bikes, custom and naked versions, up to 1,200 cc. All Moto Guzzis have 90° V twin cylinder engines, featuring an exclusive design with final Cardan joint drive.

The Piaggio brand markets the widest range of scooters in Europe under a single brand, covering practically every type of model. Over the years Piaggio has established and consolidated a remarkable brand reputation for vehicles that are reliable, safe, extremely stylish and great performers. The Piaggio brand's key values - include in particular its capacity for technological innovation, leading it to introduce the world's first three-wheeler scooter on the market, the - MP3, as well as, hybrid engines.

Since 1993, the Scarabeo brand has been selling a range of high-wheel 50cc to 500cc scooters, with an exclusive, unique design, making it a stylish solution for metropolitan mobility.

Since the first model was launched in 1946 Vespa - one of the most famous, leading brand worldwide - has been meeting the expectations of customers who want a cult product that stands for design, creativity and Italian technology, and that has featured in films and advertising campaigns across the globe. The brand's strength lies in its technical nature. The Vespa is a two-wheeler which is reliable and easy to use, and extremely sturdy thanks to its steel body making it unique in the segment.

This is the Group brand marketing four-wheelers that are compact yet have a high load capacity, for short-distance professional and business mobility. The four-wheeler Porter - along with the recently introduced Quargo, a heavy four-wheeler - owes its success to its wide range of commercial transport solutions that are compact, suitable for urban use and feature engines with a low or zero environmental impact.

THE MAIN STAGES IN THE HISTORY OF THE PIAGGIO GROUP	
1884	Piaggio & C. is established by Rinaldo Piaggio, son of Enrico, in Sestri Ponente to produce fittings for ships.
1938	Rinaldo Piaggio dies. The Company's management is passed on to his sons Armando and Enrico.
1946	The Vespa is created from the genius of Corradino d'Ascanio and an idea of Enrico Piaggio to get Italy on the move with a simple, cheap vehicle designed for everyone to use.
1948	The APE is created, Piaggio's first three-wheeler light transport vehicle.
1967	The Ciao is unveiled.
1992	Piaggio's first four-wheeler commercial vehicle, the Porter, is created.
1994	Piaggio's first maxi scooter, the Hexagon, is launched.
1995	The new Electric Porter is unveiled
1996	The new Vespa is unveiled.
1999	The new production site in India is opened.
2001	Derbi Nacional Motor, a well-established Spanish motorcycle manufacturer and leader in the small-engine sector, is acquired.
2003	Immsi Spa, an industrial holding and real estate Company listed on the Milan Stock Exchange and controlled by entrepreneur Roberto Colaninno acquires control of the Piaggio Group. Roberto Colaninno is appointed Group Chairman.
2004	The final contract to acquire the Aprilia - Moto Guzzi Group is signed and the Group becomes the undisputed leader in the two-wheeler market.
2006	Piaggio&C. is listed on the Milan Stock Exchange. The first three-wheeler scooter, the Piaggio MP3, is presented.
2009	The new production site in Binh Xuyen, Vietnam, is opened and sales of the Vespa LX begin, manufactured at the site. The Piaggio MP3 Hybrid is unveiled.

GILERA CELEBRATES ITS CENTENARY

Gilera is one of Italy's oldest makes of motorcycle. Established by Giuseppe Gilera in 1909, the Company opened its first small workshop in Corso XXII Marzo in Milan and later a factory in Arcore, in the province of Monza e Brianza. After the First World War, Gilera produced 500cc motorcycles and began racing with these vehicles, taking part in and winning the most prestigious international races of the time.
Like all other motorcycle manufacturers, the Second World War stopped Gilera from manufacturing. In the immediate post-war period (1946), Gilera returned to its production activities and completed its range with small and medium engined motorcycles. Between 1950 and 1957 Gilera won six Championship Riders' titles in the 500cc category, with its 4-cylinder pre-war motorcycle without a compressor ridden by Umberto Masetti, Geoff Duke and Libero Liberati, and six Championship Constructors' titles, as well as three Tourist Trophy titles, seven Italian Championships and one Milan-Taranto race. Growing costs and the first signs of a crisis which would affect the entire motorcycle industry in the space of a few years, due to the huge boom in the motorcar industry, led Gilera to stop racing in 1957, as agreed with Moto Guzzi and Mondial. On 23 November 1969 Gilera was acquired by the Piaggio Group. Hundreds of motorcyclists took part in the International Centenary Rally to celebrate 100 years of the brand, riding their Gilera motorbikes through the gates of the legendary production site at Arcore, and continuing the celebrations for a further two days in the grounds of the Villa Borromeo, Arcore and at Monza race track. Motorcycles were showcased during the event, including five vintage models on loan from the Piaggio museum, Pontedera: the 317 VT from 1909, the 350 VL Super Sport from 1926, the 4-cylinder model from 1939, the twin-cylinder model from 1957 and the Gilera 4-cylinder from 1963. A stamp exhibition on the history of motorcycles in Italy was also held, and trophies, photographs, documents, vintage crash helmets and clothing were displayed to take visitors back in time to the glorious Gilera years.

1.2 PIAGGIO - FACTS AND FIGURES

Consolidated revenue
1,486.9
million of euro

Vehicles sold
607.7
thousand

Sale network
11,000
operators

EBITDA
200.8
million of euro

Net profit
47.4
million of euro

Net debt
352.0
million of euro

Employees
as of 31 December
7,300

Investments
93.8
million of euro

Research and Development
70.0
million of euro

Data refer to 2009

1.3 MAIN EVENTS AND ACHIEVEMENTS IN 2009

Commercial Vehicle Manufacturer of the Year Award
On 20 February 2009 the Indian Piaggio subsidiary, Piaggio Vehicles Private Limited, received the "Commercial Vehicle Manufacturer of the Year Award" for its innovative contribution to the development of economic and efficient solutions for the light transport sector in India.

The MP3 Hybrid is unveiled
On 28 May 2009 the new Piaggio MP3 Hybrid was unveiled, the world's first hybrid scooter with a petrol engine and electric motor operating in synergy to reduce fuel consumption and CO_2 emissions by more than 30%[1].

Best sports motorcycle of 2009
The Aprilia RSV4 was elected the best sports motorcycle of 2009 in a referendum of readers of 12 prestigious international industry journals.

Opening of the new production site in Vietnam
On 24 June 2009 sales of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, officially got underway in Vietnam. Produced as 125 and 150cc versions, the Vespa LX is made entirely at the new Vietnam plant of the Piaggio Group, whose manufacturing activities include welding, painting, final assembly, testing and quality control.
The Piaggio Vietnam plant will be able to reach a production capacity of 100,000 units a year.

The zero-emission "Electric Lithium" Ape Calessino
In July 2009 the electric version of the Ape Calessino was unveiled.

Motorcycle Design Award
Moto Guzzi won the prestigious "Motorcycle Design Award" for its V12 prototypes unveiled at EICMA 2009.

[1] Value calculated in the WMTC cycle compared to the corresponding MP3 125 electronic injection petrol version

2 SOCIAL RESPONSIBILITY IN THE PIAGGIO GROUP

Piaggio is a Group with a strong international presence yet also capable of keeping its Italian identity, the values and a business model targeting innovation and a strong link with the places where it operates.
In its process of internationalisation, Piaggio has not only exported investments, technologies and know-how, but its way of doing business as well, which singles out social responsibility in particular. A culture of safety, respect for people and the protection of natural resources are all a common heritage within the Piaggio Group.
The Group's conduct is based on its Code of Ethics, which all parties who interact with the Group worldwide are requested to follow.
The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.
In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.
In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social well-being.
People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met.
To achieve this, growth must go beyond the boundaries of the Company. It must go further afield to reach Suppliers and Dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. Lastly, the success of a Company is closely linked to customer confidence and satisfaction. Customers must be listened to, informed and respected, establishing relations based on transparency and trust.

2.1 PIAGGIO'S CORPORATE SOCIAL RESPONSIBILITY MODEL

The Corporate Social Responsibility (CSR) model adopted by Piaggio is based on its mission and the values which have made a name for the Company over the years and which are the cornerstone of the Group's Code of Ethics, established in 2004.

Mission:

To create value for shareholders, customers and employees, operating as a global player and producing superior quality products, services and solutions, for urban and extraurban mobility, which are always adequate for changing needs and lifestyles.

To be recognised as an operator that contributes to the social and economic development of communities where it works, while respecting the need to protect the environment and safeguard social well-being.

To be a world leader in the Italian light transport sector, in terms of design, creativity and tradition. To become a European benchmark Company, recognised at an international level, for a model which targets quality, tradition and value creation.

Values:

CUSTOMERS

- Putting customer satisfaction first is the best way to ensure business continuity and development.

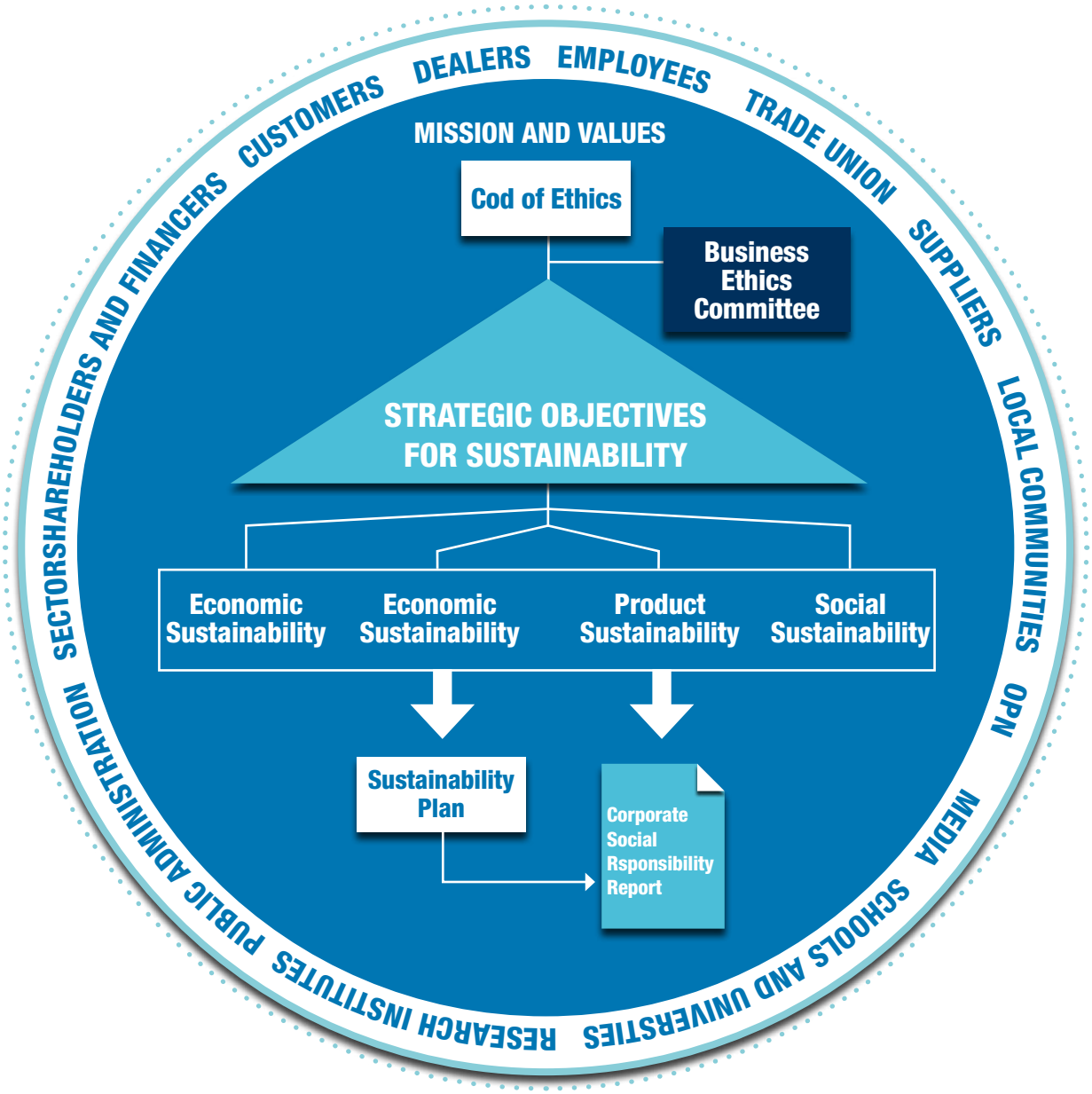
PEOPLE and TEAMS

- Respect of and a focus on human resources is the basis for strong relations geared towards people satisfaction.
- Teams are winners; teams are stronger and create the best ideas.
- Being proactive, paving the way for change and professional development.

INTEGRITY

- Image and reputation are created by promising what can be achieved and by keeping promises.
- Operating fairly and transparently to gain the trust and loyalty of our partners.

Piaggio's Corporate Social Responsibility Model



The mission and values form the basis for strategic objectives for sustainability, based on contexts that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. With these and the strategic objectives it has defined, the Group has prepared its 2010-2012 sustainability plan.

This plan is reported on in the Corporate Social Responsibility Report with the utmost transparency and with a view to continually improving economic, environmental, social and product performance.

The entire process is led by the Business Ethics Committee, which was set up in 2008.

2.2 CODE OF ETHICS

Piaggio & C has adopted a Code of Ethics since 2004. The Code is available on its web site (www.piaggiogroup.com) and is adopted by all Group companies. The Code is fundamentally important and clearly sets out the principles and values that guide the entire organisation in achieving its objectives:

- complying with the laws of countries where Piaggio operates;
- dismissing and condemning unlawful and improper behaviour;
- preventing infringements of lawfulness, transparency and openness;
- seeking excellence and market competitiveness;
- respecting, protecting and valuing human resources;
- pursuing sustainable development while respecting the environment and rights of future generations.

The Group's Code of Ethics sets out the social and ethical responsibilities of each member of the Company's organisation. In particular the ethical and social responsibilities of senior executives, middle managers, employees and suppliers are defined, in order to prevent any party, acting in the name of and on behalf of Group companies, from adopting a conduct which is irresponsible or unlawful.

2.3 BUSINESS ETHICS COMMITTEE

The Piaggio Group was the first organisation to establish a Business Ethics Committee in Italy, in 2008.

This committee develops rules and regulations for organisational conduct in line with international *best practices* on "Corporate Social Responsibility".

This is a fundamentally strategic innovation, based on the most advanced Company know-how of business ethics.

The Committee:

- monitors instruments, conduct, and relations between management and Company personnel and all stakeholders,
- measures ethical standards, which are an integral part of the good governance of a Company,
- puts in place the indications in the Code of Ethics,
- optimises relations with local communities and stakeholders,
- produces a CSR Report.

All operations concerning relations between the Piaggio Group and the external world are analysed and revised by the Committee, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of Corporate Social Responsibility today, the Committee acts as authority for investors, consumers and *opinion leaders*, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

2.4 STRATEGIC OBJECTIVES

The Piaggio Group's strategic objectives for social responsibility are based on four areas:

Transparency and economic value	• Creating value while respecting business ethics • Timely, correct, in-depth information to stakeholders
Eco-friendly, technological innovation	• Technological investments to meed the need for sustainable mobility • Innovation to develop products that are environmentally friendly, safe and cost-effective
Environmental sustainability	• Reducing energy consumption • Reducing emissions of CO_2 and other pollutants • Conserving natural resources • Waste handling and recovery
Developing human resources and the context	• Developing, training and promoting human resources so that everyone's expectations and aspirations are met • Listening to and assisting customers, to establish relations based on transparency and trust • Company working together with dealers • Working together with suppliers, through jointly developed projects • Liaising with and supporting local communities through social, cultural and educational initiatives

2.5 STAKEHOLDER INVOLVEMENT

Developing a Social Responsibility strategy goes hand in hand with defining the Company's business context and all its players (in and outside the organisation) whose activities have an impact on Company operations. In fact stakeholders are defined as having an interest in or expectations (social, economic, professional, human) of the Company.

Based on this definition, the Business Ethics Committee has identified categories of stakeholders in relation to Group operations and namely: customers, employees, shareholders and investors, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

By pursuing a constructive ongoing dialogue with its stakeholders, Piaggio aims to develop an integrated approach to managing the environment it operates in. Careful monitoring of all its stakeholders' expectations is a great opportunity for it to further improve its operations.

Map of Piaggio Group stakeholders

It is in this context that Piaggio is focussing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

Numerous functions are appointed within the Piaggio Group to maintain ongoing relations with different stakeholders.

The functions and tools used are shown below.

Coinvolgimento degli stakeholder

Stakeholder	Company function	Means of interaction
Shareholders/Financers	Investor Relator	Conference calls/road shows/Piaggio Analyst and Investor Meetings
Employees	Personnel and Organisation External Relations and Institutional Affairs	Company Intranet Piaggio InfoPoint Piaggio Net International Web Mail Appraisals and development programmes P&Co – Piaggio Magazine
Trade unions	Personnel and Organisation	Meetings Involvement in committees Defining agreements
Customers / Dealers	Sales Department	Contact centres / dealer satisfaction surveys
Suppliers	Purchasing Department	Daily relations, Suppliers' Portal
Media	External Relations and Institutional Affairs	Press releases Events and Company communication initiatives Press product launches Product test rides
Schools/ Universities / Research Institutes	Engineering and Product Development Department Foundation	Cooperation in research projects Training Work placements Meetings, presentations
Public administration sector	Engineering and Product Development Department External relations/Institutional affairs	Cooperation in research projects Information and comparison activities
Trade associations	External relations/Institutional affairs Foundation	Meetings, presentations
Local communities NPO	External Relations / Technologies Department Foundation Vespa World Club	Meetings Exhibitions / events Rallies

2.6 REPORT CONTENTS

Company management conducted an in-company survey on materiality, involving all Company functions responsible for liaising with stakeholders, so that it could identify the issues to address in this report and to bring to the attention of the Group.

The influence on stakeholder evaluations and decisions and the importance of economic, environmental and social impact were considered.

The main areas considered significant are set out in the Table on Materiality.

Particular importance has been given in the report to information on the issues considered most significant and their performance. These issues have been grouped into the following sections.

In particular, some aspects have been improved compared to the previous version of the Report:

- the Group's foreign companies have been involved fur-

Piaggio Group Table on Materiality

Corporate Social Responsibility	• career development and training • workers' health and safety • diversity and equal opportunities • customer and dealer satisfaction • a sustainable supply chain • education and the promotion of culture • relations with local areas and local communities
Product innovation and environmentally friendly mobility	• sustainable mobility • environmentally friendly innovation • consumption and CO_2 emissions of vehicles • product safety and reliability • low running costs • life cycle management
Environmental sustainability	• pollutant emissions and energy consumption of production sites • conserving natural resources • waste handling and recovery
The economic dimension of Social Responsibility	• governance and compliance • economic profitability

ther, extending the disclosure of data and performance indicators to cover the entire scope of consolidation, unless otherwise indicated;
- the Group has heightened its awareness of supplier conformity to social responsibility issues, through Vendor Assessments;
- the map of Social Responsibility indicators has been extended and conforms to level B of the GRI-G3.

2.7 CSR PLAN 2010-2012

As part of the entire Group's steadfast commitment to social responsibility, Piaggio has adopted a process of continual improvement based on a CSR plan which aims to provide the utmost transparency for stakeholders and continual improvement. The plan takes into consideration stakeholder expectations as well as international reporting standards, such as GRI and disclosure requirements of ethical investors.

Shareholders and financers

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Shareholder remuneration	• Increased dividend per share	• Distribution of dividends
Conducting business operations fairly and transparently	• Timely information which is complete and correct	• Upgrading of the Company Organisation and Management Model (Model 231) • New design for the web site

Environment

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Protecting the environment: - reducing pollutant emissions - conserving natural resources	• Reduction of fuel consumption and CO_2 emissions at Pontedera thanks to the replacement of two boilers in 2008 • Reduction of fuel consumption and CO_2 emissions at Baramati (India) thanks to a rational use of compressed air, the replacement of traditional light bulbs with energy-efficient bulbs, the replacement of furnace and boiler pipes in the painting department • Refurbishment of the central heating units at Mandello del Lario • Design and development of the new plant in Vietnam based on minimising the consumption of natural resources and harmful emissions and production waste	• Evaluation / application of new technologies with a lower environmental impact (for example replacing phosphatization products) • Design and development of the new engine production site in India, based on minimising the consumption of natural resources and harmful emissions and production waste

Product: Two-wheeler

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Developing environmentally friendly products: - low consumption and low CO_2 emissions - good product end life recycling and recovery levels	• Extension of electronic injection to cover over 50cc Vespa versions, reducing consumption/CO_2 emissions by more than 15% (Vespa LX 125 electronic injection versus carburettor; data relative to the type approval cycle) • Sale of the 125 Hybrid engine which further reduces consumption and CO_2 emissions: -30% with the type approval cycle, -50% with the "Hybrid Custom" cycle (MP3 125 Hybrid versus MP3 125 electronic injection.) • Design and development of the new 300cc Hybrid engine • Recyclability: voluntary conformity to ISO 22628 valid for cars (the limit of 85% of the vehicle mass being reusable/recyclable is widely exceeded) and launch of a project with the Region of Tuscany on the recycling of technopolymers from sorted waste collection to be used in Piaggio production processes	• Sale of the new 300 cc Hybrid engine • Completion of the MID2R project • Application of fluid dynamics, reduction of traction and absorbed power to reduce consumption and CO_2 emissions • Development of alternative fuel systems with a lower carbon content (LPG and natural gas) • Installation of hybrid engines on new models • Study and testing of zero CO_2 emission vehicles • Increased recyclability of polymer parts, through the experimental use of recovered reprocessed materials
Increasing safety for conventional two-wheeler vehicles, to promote this form of transport and tackle traffic problems.	• Extension of active safety devices (ABS, Ride by Wire, power control) • Study and filing of patents on dynamic control, active suspension and electronic shock absorbers • Development of an operating prototype equipped with an advanced braking system (three-channel ABS), semi-active suspension and a combined passive safety system (front airbag and inflatable jacket) and innovative man/machine interface • Development of an innovative man/machine interface (demonstrator instrument panel for MP3 Hybrid) which integrates driving aid (ADAS) and infomobility (OBIS – On Board Information System) systems. • The systematic study of vehicle dynamics by virtual simulation, with the aim of increasing intrinsic stability and safety	• Further development of active, preventive and passive safety system studies (jackets with airbag, airbag on vehicles, inflatable protections, etc.) • Completion of the SAFESPOT and SAFERIDER projects
Meeting demand for sustainable mobility with innovative product formulas (that are safe, sustainable and protect)	• Extension of the MP3 range to include the 125 Hybrid and industrial-scale production of the 300cc version.	• Extension of the MP3 range, with versions offering greater agility and protection • Further development of safe and titling vehicle formulas, with the aim of expanding the range of three/four-wheeler tilting vehicles as a valid alternative to motor vehicles

Product: Commercial vehicles

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Developing environmentally friendly products: - low consumption and low CO_2 emissions - good product end life recycling and recovery levels	• Study of new Euro 4 and Euro 5 petrol, LPG, natural gas and diesel engines to obtain an average 20% reduction in emissions (compared to current versions of the Porter) • Sale of new electric vehicles (Ape Calessino) • Recyclability: maintaining recyclability percentages (life cycle management)	• Sale of new Euro 4 and Euro 5 petrol, LPG, natural gas and diesel engines with an average 20% reduction in emissions (compared to current versions of the Porter) • Study of new electric commercial vehicles for light transport • Recyclability: providing high recycling levels for new engines
Meeting demand for professional and commercial short-distance mobility, offering a last-mile transport solution: - compact, agile, easy-to-drive vehicles, with good handling in urban environments - vehicles with a high load capacity and specific payload	• Sale of vehicles with power assisted steering and easier handling conditions (electric Porter and Porter Maxxi) • Load capacity per occupied surface area 165 kg/m^2 (Porter Maxxi - +35% compared to direct competitors)	• Study of vehicles with an increased specific load capacity
Guaranteeing greater safety levels for commercial vehicles at all times	• Study of a braking control system (ABS and EBD) to install on commercial vehicles	• Sale of vehicles with ABS and EBD • Feasibility studies of new passive/active safety systems and technologies

Customers

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Customer and dealer satisfaction	• Consolidation of the number of 100% satisfied customers • Improved response levels vis-à-vis contact centres	Implementation of tools to analyse the value of product and service features (Kano model)
Brand Advocacy & Loyalty	• Measurement of different markets and competitive comparison	Proactive caring campaigns and loyalty programmes

Employees

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Health and safety	• Reduction in injury statistics in Italy	
Personnel development	• 15,242 hours of training in Italy (+7,360 hours compared to 2008) • Extension of the “Key People” project to European subsidiaries	• Improvement and international dissemination of the Talent project • Improvement of Management Review and Succession Planning • Updating of the managerial and professional competencies model • Preparation of a training plan and introduction of a Company course catalogue • Introduction of easy-to-use computer tools to support development issues

Suppliers

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Developing cooperation with suppliers	• Launch of cooperation projects with suppliers • Definition of a vendor rating indicator for Italy	• Definition of a vendor rating indicator for Vietnam and India • Extension of the Suppliers Portal to the subsidiaries in India and Vietnam • Request for a statement from suppliers certifying the absence of harmful substances in new components supplied

The media and the community

COMMITMENT	2009 RESULTS	2010 - 2012 OBJECTIVES
Developing relations with the media, in order to have transparent and in-depth information	• Consolidation of trade union activities and corporate communication • Coordination of Group communication strategies in Italy, Europe and Asia	• Development of actions to communicate and promote Piaggio values (safe mobility, respect for the environment) • Restyled Corporate Internet and brand sites, to guarantee a better access to information and more interaction • Production and dissemination of WIDE (the new magazine of the Piaggio Group)
Developing relations with local communities where the Group operates	• Exchange of information and experiences with universities • Organisation of exhibitions and cultural events • Organisation of ecological and social events in India • Donation of 2 Ape Calessino vans to the Italian Red Cross	• Presentation of a programme of commitments planned for Vietnam • Development of a new technological pole, and independent research centre in Italy

3 CORPORATE GOVERNANCE

The Corporate Governance system adopted by Piaggio & C. conforms to the principles in the Self-Regulatory Code of companies listed on Borsa Italiana SpA and to national and international best practices, guaranteeing the proper and responsible management of the Company, in order to promote confidence among shareholders, customers and partners. The Company boards comprising the Corporate Governance system of Piaggio & C are the Board of Directors, the Board of Statutory Auditors, the internal control committees and the Ordinary General Meeting of Shareholders. The Board of Directors is assisted by the Internal Control Committee, the Remuneration Committee and the Appointment Proposals Committee. The Board of Directors has also set up a Supervisory Body pursuant to Legislative Decree no. 231/2001 as well as a Business Ethics Committee.

3.1 ROLE OF THE BOARD OF DIRECTORS

The Company is administered by a Board of Directors (also referred to as the "Board").

The articles of association of Piaggio & C. regarding the composition and appointment of the Board require compliance with relevant provisions introduced by Law 262/2005 and Legislative Decree no. 303 of 29 December 2006.

The Board of Directors is central to the corporate organisation. It is in charge of strategic and organisational functions and responsibilities, and ascertains the existence of controls needed to monitor the performance of Piaggio & C. and of Group companies reporting to it.

As part of its duties, the Board examines and approves the strategic, industrial and financial plans of Piaggio & C. and of the Group reporting to it, as well as the corporate governance system and structure of Piaggio & C. and of the Group reporting to it.

The Board of Directors of Piaggio & C., in office as of 31 December 2009, comprised eleven members.

The professional *curricula* of board members are filed at the registered office of the Company and are available on the Company's web site www.piaggiogroup.com.

Names and positions of Piaggio & C. Board members as of 31.12./2009

Name	Office	In office from	Exec.	Non-exec.	Indep.	Indep Consolidated Law on Finance	% BoD	Other offices
Roberto Colaninno	Chairman and Chief Executive Officer	16/04/2009	X				100	7
Matteo Colaninno	Deputy Chairman	16/04/2009		X			100	3
Michele Colaninno	Director	16/04/2009		X			100	9
Livio Corghi	Director	15/09/2009		X			100	5
Franco Debenedetti	Director	16/04/2009		X	X	X	91	5
Daniele Discepolo	Director	16/04/2009		X	X	X	100	9
Luciano Pietro La Noce	Director	16/04/2009		X			82	10
Giorgio Magnoni	Director	16/04/2009		X			73	1
Luca Paravicini Crespi	Director	16/04/2009		X	X	X	91	5
Riccardo Varaldo	Director	16/04/2009		X	X	X	82	2
Vito Varvaro	Director	16/04/2009		X			90	2

LEGEND
"Exec.": indicates whether the Director may be qualified as executive
"Non-exec.": indicates whether the Director may be qualified as non-executive
"Indep.": indicates whether the Director may be qualified as an independent in accordance with the provisions of the Civil Code
"Indep. Consolidated Law on Finance": indicates whether the Director has the requirements of independence established in paragraph 3 of article 148 of the Consolidated Law on Finance (article 144-decies, of Consob Regulation on Issuers)
"% BoD": indicates (in percentage terms) the attendance of the Director at Board meetings
"Other offices": indicates the overall number of offices held in other companies of the Group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.

Independent directors are also on the Board of Directors. The number and authority of these directors are such that they ensure that their opinion has a significant weight on the decisions taken by the board of Piaggio & C. and they bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

COMMITTEES WITHIN THE BOARD (PURSUANT TO ARTICLE 123-BIS, SECTION 2, LETTER D), CONSOLIDATED LAW ON FINANCE)

The Appointment Proposals Committee, the Remuneration Committee, and the Internal Control Committee have been appointed within the Board.

APPOINTMENT PROPOSALS COMMITTEE

The majority of Appointment Proposals Committee members are non-executive independent directors.

Functions of the Appointments Committee

The Appointment Proposals Committee ensures that the presentation procedure for lists set by the Articles of association takes place correctly and transparently, in compliance with applicable legislation and Bylaws.

After it has checked the presentation procedure for lists, ensuring specifically that documents filed with the lists are complete and filing deadlines are met, the committee arranges the formalities for presenting the lists to the General Meeting of Shareholders convened for the appointment of the Board of Directors or its members.

Pursuant to the application criteria under 6.C.2 c) of the Self-Regulatory Code, the Appointment Proposals Committee also gives opinions to the Board, if and when necessary, on the size and composition of the Board.

REMUNERATION COMMITTEE

The majority of Remuneration Committee members are non-executive independent directors.

Functions of the Remuneration Committee

The Remuneration Committee (i) makes proposals to the Board regarding the remuneration of the Chief Executive Officer and other directors who hold special positions, monitoring the application of decisions made; and (ii) makes general recommendations to the Board regarding the remuneration of executives with strategic responsibilities in the Piaggio Group, keeping account of information and indications given by the Chief Executive Officer and occasionally checking the criteria adopted for the remuneration of these executives.

Moreover, the Remuneration Committee has duties relating to the management of stock option plans approved by relevant Company bodies.

INTERNAL CONTROL COMMITTEE

The Internal Control Committee of Piaggio & C consists entirely of non-executive, independent board members.

Functions given to the Internal Control Committee

The Internal Control Committee is a consultative body that can put forward proposals to the Board of Directors and in particular has the following duties:

(i) assist the Board in carrying out activities relative to the internal control system, specifically in defining guidelines for the system and activities involved in periodic inspections of the system's suitability, efficacy and effective functioning;

(ii) examine the work plan of the designated internal control supervisor and the periodic interim reports sent by the latter;

(iii) together with the executive in charge of financial reporting and auditors, assess the suitability of accounting principles used and their consistency in the drafting of the Consolidated Financial Statements;

(iv) assess proposals made by the independent auditors for their appointment, assess the audit plan drawn up and

the results shown in the report and in the Comments and Suggestions letter;

(v) report to the Board at least half-yearly, when the interim financial statements are approved, on activities performed and on the adequacy of the internal control system;

(vi) perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

3.2 ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The internal control system includes the Organisational, Management and Control Model for the prevention of corporate crimes pursuant to Legislative Decree no. 231/2001 ("Model pursuant to the Legislative Decree 231/2001"), which Piaggio & C has adopted since 2004.

In 2006 the Board of Directors approved updates to the Model pursuant to Legislative Decree 231/2001 to take into account new legal provisions on corporate crimes and market abuse. The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, divided into Instrumental and Operational processes, as well as the Disciplinary System. During the last few months of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio & C employees to send a message directly to the Supervisory Body to report any relevant cases.

These messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation compliant with the Model.

The Model has been sent to all executives of the Piaggio Group, published on the Company Intranet and is available on the institutional web site www.piaggiogroup.com.

Assessments are underway to revise and update the Model, as well as the Code of Ethics and Code of Conduct to new legal requirements. Updates will be preceded by an analysis to identify processes that are sensitive to the new crimes introduced by Legislative Decree 231/2001.

In any case, processes considered sensitive and indicated in the Model are routinely monitored and controlled by the Supervisory Body as well as by Piaggio & C's Internal Audit function.

3.3 COMPLIANCE WITH LAWS AND REGULATIONS

During 2009, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the infringement of employees' rights.

No proceedings were brought against the Piaggio Group over legal actions concerning anti-competitive, anti-trust or monopoly practices.

As of 31 December 2009, there were no sanctions in place concerning non-compliance with laws and regulations, including environmental laws and regulations, marketing, advertising, promotions, sponsorships and the supply of products.

No cases relative to the infringement of consumer privacy or loss of consumer data were reported in 2009.


PIAGGIO

4 THE ECONOMIC DIMENSION OF SOCIAL RESPONSIBILITY

The creation of economic value is fundamental for a Company's operations and it is what its existence and business outlook depend on. For a manufacturing Company, creating added value is the first way to be socially responsible, and this value may benefit a plurality of stakeholders in different ways. Yet market value alone is not sufficient to provide a proper picture of the quality and complexity of a Company's management, which must be able to respond to society's needs in overall terms.
The economic dimension of a Company's operations must therefore be given full value in relation to the role it performs vis-à-vis all its stakeholders, carefully monitoring the value.

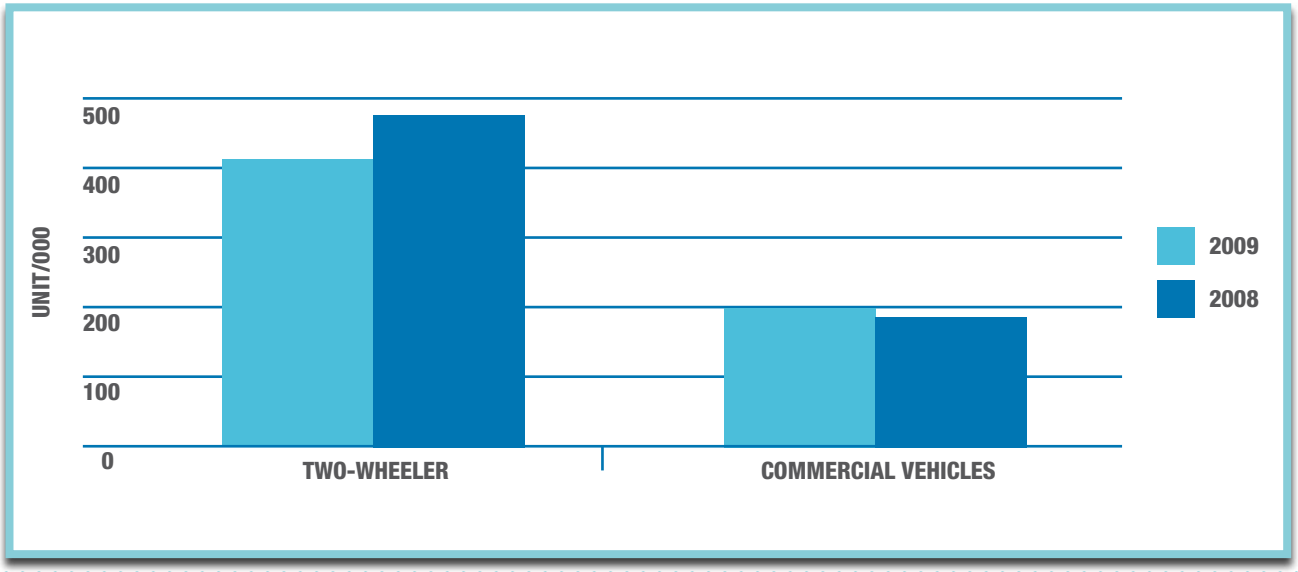
4.1 2009 FINANCIAL AND BUSINESS PERFORMANCE

In 2009, the Piaggio Group sold 607,700 vehicles worldwide, 410,300 of which in the two-wheeler business and 197,400 in the Commercial Vehicles business.

Main data by business segment

Business unit		Two-Wheeler Vehicles	Commercial Vehicles	Total
	2009	410.3	197.4	**607.7**
Sales volumes	2008	470.5	178.1	**648.6**
(units/000)	Change	(60.2)	19.3	**(41.0)**
	Change %	-12.8	10.8	**-6.3**
	2009	1,065.4	421.5	**1,486.9**
Turnover	2008	1,180.7	389.4	**1,570.1**
(ML €)	Change	(115.3)	32.1	**(83.2)**
	Change %	-9.8	8.2	**-5.3**

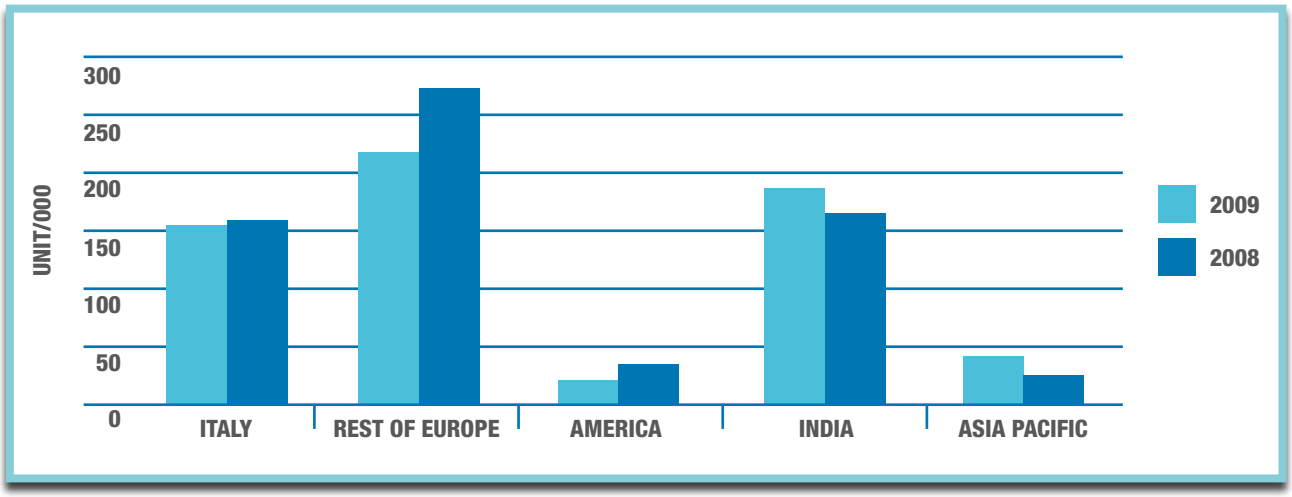
Sales Volumes



Main data by geographical segment

		ITALY	REST OF EUROPE	AMERICAS	INDIA	ASIA PACIFIC	Total
	2009	153.1	217.6	18.4	181.7	36.9	**607.7**
Sales volumes	2008	162.3	273.1	31.6	158.9	22.8	**648.6**
(units/000)	Change	(9.2)	(55.5)	(13.2)	22.8	14.1	**(41.0)**
	Change %	-5.7	-20.3	-41.7	14.3	61.8	**-6.3**
	2009	471.7	583.2	61.3	286.8	83.9	**1,486.9**
Turnover	2008	500.4	685.6	95.0	244.0	45.2	**1,570.1**
(ML €)	Change	(28.7)	(102.3)	(33.7)	42.8	38.8	**(83.2)**
	Change %	-5.7	-14.9	-35.5	17.5	85.9	**-5.3**

Sales volumes by geographical segment



With regard to the Two-Wheeler business, this performance was achieved in a particularly difficult market context in the Group's main reference areas.

In fact demand dropped compared to the same period of the previous year in Europe (- 17%) as well as in the United States (- 40% globally and - 57% in the scooter segment).

Deliveries in the Asian market grew with sales of 36,900 units, a 61.8% growth over the same period of the previous year.

On 24 June 2009, sales of the Vespa LX scooter, produced in the Vietnamese plant of Binh Xuyen, officially began in Vietnam.

Sales on the Italian market, on the other hand, decreased (- 4.7%), as in the European market (- 20.4%) and the American market (- 41.2%).

The Commercial Vehicles division closed the year with 197,400 units sold, compared to 178,100 units in 2008. The growth of 10.8% is due to the success of its Indian subsidiary, where sales increased by 14.3%.

With respect to the above events, consolidated net sales in 2009 amounted to 1,486.9 ML € (- 5.3% compared to 2008).

4.2 DETERMINATION AND DISTRIBUTION OF ADDED VALUE

Added Value is an asset produced by the Piaggio Group and distributed, in different forms, to various stakeholders.

Unlike the method used in the 2008 CSR Report to determine and allocate economic value, the method in this year's Report is based on the Global Added Value net of amortisation and depreciation. This is why 2008 values have been recalculated based on this logic, to make 2009 and 2008 results comparable.

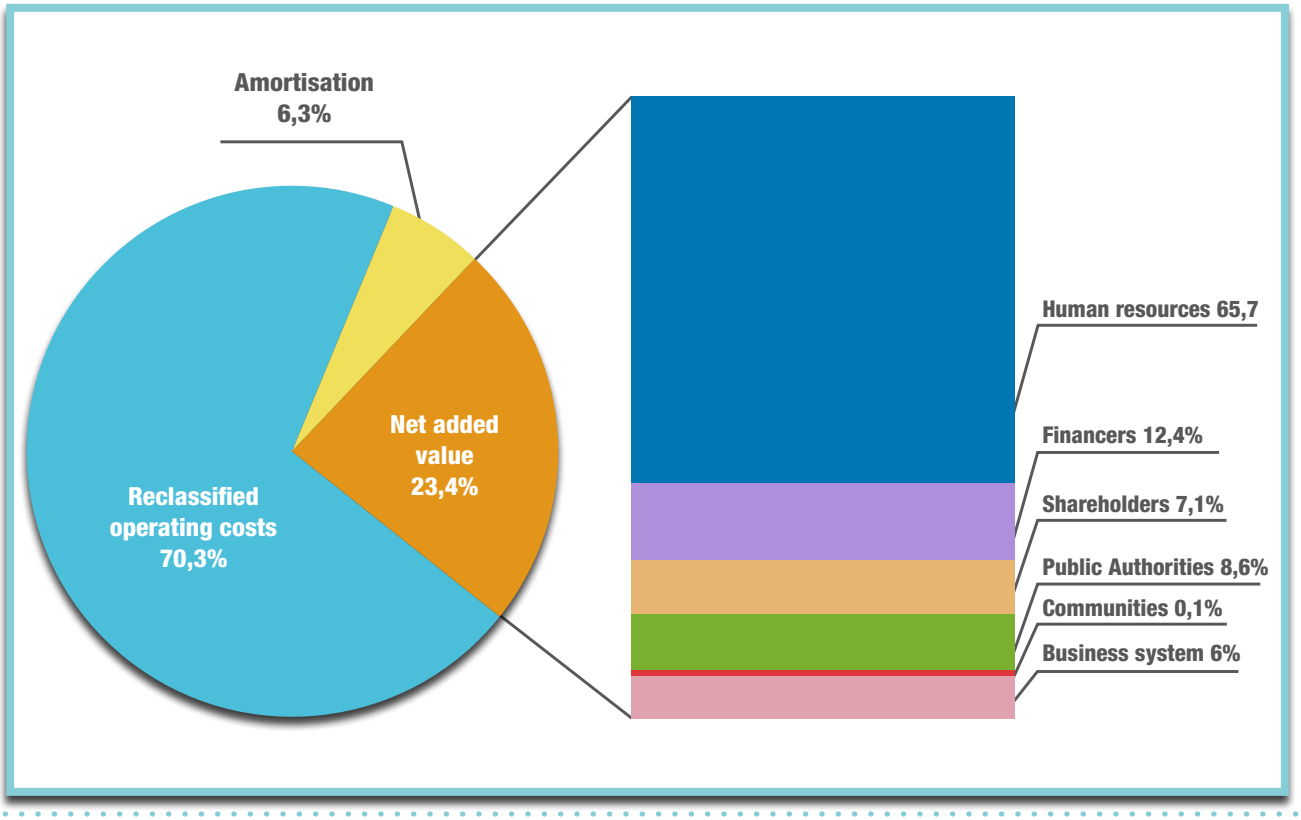
Net Global Added Value is distributed among stakeholders as: remuneration to human resources (direct remuneration comprising salaries, wages and post-employment benefits and indirect remuneration comprising Company costs), remuneration to financers (interest payable and exchange

losses), remuneration to shareholders (dividends distributed), remuneration to the Public Administration sector (total taxes paid), external donations and donations to the community. The value held by the Group comprises retained earnings.

How added value is determined and distributed

(figures in thousands of Euros)	2009	2008
Net revenues	1,486,882	1,570,060
Income/(loss) from equity investments	450	12
Financial income	14,107	31,906
Other operating income reclassified	39,449	33,567
Economic value generated	**1,540,888**	**1,635,545**
Operating costs reclassified	-1,083,603	-1,163,037
Amortisation/depreciation	-96,378	-94,540
Net added value	**360,907**	**377,968**
Remuneration to human resources	237,119	246,742
Remuneration to financers	44,885	66,796
Shareholder remuneration	25,795	22,117
Remuneration to the Public Administration sector	31,189	20,842
External donations and donations to the community	295	257
Distributed added value	**339,283**	**356,754**
Business system	21,624	21,214
Added value retained by the Group	**21,624**	**21,214**

Added value generated and distributed in 2009



The net Global Added Value generated by Piaggio in 2009 amounts to approximately EUR 360,907 thousand, equal to 24% of revenues.
Most of this amount refers to remuneration to human resources (56.7%), followed by remuneration to financers (12.4%) and to the Public Administration Sector (8.6%). Compared to 2008 figures, Global Added Value dropped by 4.9%.

4.3 VALUE FOR SHAREHOLDERS

The share capital of Piaggio&C. Spa as of 31/12/2009 was equal to EUR 205,941,272.16, divided into 396,040,908 ordinary shares of a par value of 0.52 euros each and of which the holding Company Omniaholding Spa, also through its subsidiary Immsi Spa, holds more than 53.6%.
As of 31/12/2009 treasury shares amounted to 27,547,007, equal to 6.956% of share capital.
Other Shareholders in the Company which held shares above 2% as of 31/12/2009, based on information available and disclosures received pursuant to the Issuers' Regulations, were as follows:

- Diego Della Valle, with 5.01% of share capital;
- Giorgio Girondi, with 2.431% of share capital;
- State of New Jersey Common Pension Fund D, with 2.063% of share capital;

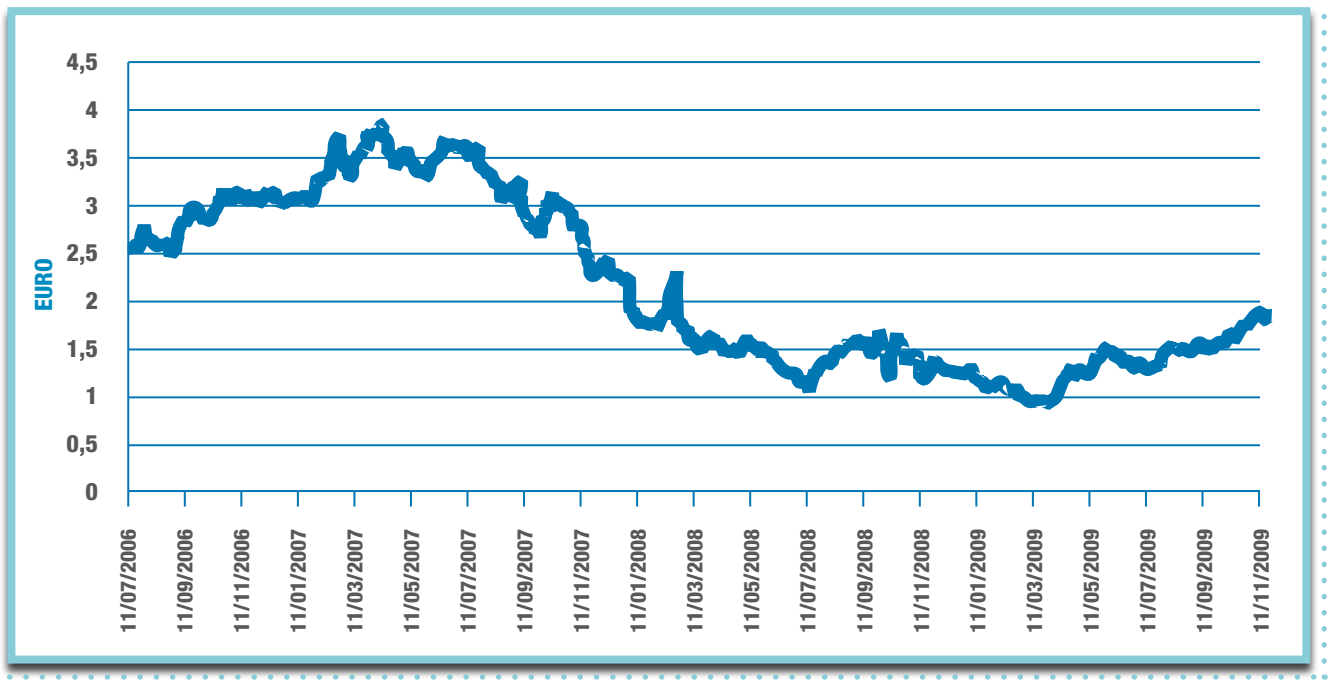
As shown in the table below, remuneration of share capital in 2009 increased to 7 eurocents for each share held.

Piaggio & C. SpA dividends for 2007 - 2008 - 2009

Reference Financial Statements	2009	2008	2007
Detachment date	17-May-10	18-May-09	19-May-08
Payment date	20-May-10	21-May-09	22-May-08
Dividend per share	0.07	0.06	0.06

Piaggio&C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. Share performance has basically reflected the trend of the Italian *equity* market, as shown in the graphs comparing the share price with respect to the Italian Stock Exchange All-share index.
The minimum price was equal to 0.9131 euros (9 March 2009), while the highest quotation was 3.92 euros (10 April 2007).
The average price in 2009 was 1.4189 euros per share. Piaggio has corporate ratings published by Standard & Poor's and Moody's.
In 2009 the two agencies confirmed their ratings of BB and Ba2, revising their outlook from "stable" to "negative ".

Piaggio Share performance



4.4 COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Since being listed on the Stock Exchange, the Company has considered continuous dialogue with the majority of Shareholders, as well as with institutional investors, an important strategy and essential for the market. It has achieved this by establishing dedicated Company structures with adequate personnel and organisational resources.

To this end, the Investor Relations department was set up to oversee relations with Shareholders and institutional investors and manage *price sensitive* information in relation to Italy's public authority regulating the securities market, CONSOB, and Borsa Italiana S.p.A.

The department maintains continuous communication with institutional and retail investors and financial analysts, providing information on the Group's financial and business performance and carefully monitoring market *consensus*.

In 2009, numerous communication initiatives with investors and analysts took place, including:

- A *Piaggio Investor Day*, to present the Group's New Strategic Plan;
- Quarterly *conference calls*, to present financial results;
- Institutional *road shows* on main financial markets;
- Site visits and other *one-to-one* meetings with analysts and investors.

Investor information is also ensured by making the most significant corporate documents available in a timely and continuous manner on the Company web site (www.piaggio.com) in the "Investor Relations" section. All press releases to the market, interim financial data approved by competent Company Boards (financial statements and consolidated financial statements, half-year report, quarterly reports), and documents distributed during meetings with professional investors, analysts and the financial community may be consulted in Italian or English.

Furthermore, Piaggio's web site contains its Articles of Association, the documents prepared for shareholder meetings, releases regarding *Internal Dealing*, the *Corporate Governance* Report and this Corporate Social Responsibility Report, as well as any other document which needs to be published on the web site in accordance with regulations in force. Piaggio has also set up an e-mail alert service for users to receive material published on its site in real time.

HY TECH

PIAGGIO
HYBRID TECHNOLOGY

5 ECO-FRIENDLY, TECHNOLOGICAL INNOVATION

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, guaranteeing their performance and levels of excellence.
To guarantee the sustainability of products, the entire life cycle must be considered, which includes design, purchasing raw materials, production and use, up until final disposal.

The Group is aware of the direct and indirect interactions each product has during its life cycle with the health and safety of people and the environment in terms of the quality of the ecosystem, and its research work targets innovative solutions to reduce pollutant emissions and increase product safety, reliability and recyclability.
Thus the Group has developed a new concept of vehicles, which is:

- *eco-friendly*, to reduce polluting gas and CO_2 emissions in urban areas, exploiting renewable, sustainable energy sources;
- *reliable and safe*, for easier movement in urban centres, helping to reduce traffic congestion and guaranteeing user safety;
- *recyclable*, to minimise environmental impact, even at the end of its useful life cycle;
- *cost-effective*, to reduce costs per kilometre compared to standard petrol-run vehicles.

This general vision covers the Group's two business sectors: the Two-wheeler business (scooters and motorcycles) and Commercial Vehicles business.
These two sectors are presented separately in the next few pages, along with the actions taken by the Company to guarantee the environmental compatibility of its products.

The life cycle of the sustainable product

- DEVELOPMENT OF SAFER, MORE ECOLOGICAL VEHICLES
- USAGE OF ECO-COMPATIBLE, RECYCLABLE MATERIALS
- NEW VEHICLE CONCEPTS FOR MORE SUSTAINABLE MOBILITY

- QUALITY AND ECOMPATIBILITY CONTROL FOR MATERIALS
- ASSESSMENT AND MONITORING OF RAW MATERIALS SUPPLIERS
- COOPERATION PROJECTS TO GUARANTEE AN EVEN BETTER QUALITY OF SUPPLIES
- ALL SUPPLIERS SIGN THE PIAGGIO GROUP'S "CODE OF ETHICS"

- HIGH PERCENTAGE OF VEHICLE RECYCLABILITY AND REUSABILITY
- EFFECTIVE DISASSEMBLY PROCEDURES FOR FACILITATED SEPARATION AND WASTE PROCESSING OF DIFFERENT MATERIAL CLASSES

- LOW HARMFUL EMISSIONS
- GREATER VEHICLE SAFETY
- LESS TRAFFIC CONGESTION
- THE VEHICLE AS A BUSINESS PARTNER

- LOW HARMFUL EMISSIONS
- ENERGY AND NATURAL RESOURCE SAVINGS
- RESOURCE OPTIMISATION IN ALL ACTIVITIES
- SELECTIVE RECYCLING OF WASTE MATERIAL, WITH PARTICULAR REGARD FOR HIGHLY POLLUTING WASTE
- WORKER SAFETY

The history of Piaggio's eco-friendly vehicles

1978	Ape Elettrocar
1993	Zip Bimodale, the first scooter with an internal combustion engine and electric motor
1995	Piaggio Porter Electric, the first electric-powered commercial vehicle
2002-2003	Porter LPG Euro 3 with OBD (On Board Diagnostic) system for on board pollution diagnostics.
2005	Vespa 250 GTS, the first Euro 3 type approved scooter with electronic injection Porter Methane Euro 3
2009	Sale of the MP3 Hybrid, the first hybrid scooter in the world Sale of the Ape Calessino Electric Lithium

Piaggio recognises the great value of innovation and research. Aware of the positive impact the academic world can have on its operations, the Company has been involved for several years and on many fronts in order to enhance synergies between the research community and its production activities.

Piaggio partnered numerous Italian and foreign universities and research centres in 2009 (Pisa University, Florence University, Bologna University, Modena and Reggio Emilia University, Milan Polytechnic, Padua University, Perugia University, the Fiat Research Centre, the Engines Institute of the National Research Council, Naples, the Scuola Superiore Sant'Anna di Pisa institute, Athens University, the Hellenic Institute of Transport, Athens, the Fraunhofer IAO (Stuttgart University) and the University of Prague and West Bohemia in the Czech Republic, supporting continual innovation in terms of:

- work on research and development projects (vehicle dynamics, thermal/fluid dynamics optimisation, crash simulation, electronic systems development, software development, etc.);
- joint involvement in European projects;
- experimental PhD courses (for example on the development of hybrid motors and on vehicle acoustics).

Partnerships with Italian Universities and Research Centres in 2009

5.1 THE WORLD OF THE TWO-WHEELER

5.1.1 Sustainable mobility

In recent years, public opinion and institutions have become more aware of the issues of environmental sustainability and urban and extraurban mobility.

Rapid and often chaotic urbanisation has increased the number of vehicles on roads and pollutants emitted in urban contexts.

So the Piaggio Group is committed to providing mobility solutions designed to reduce air pollution, and in general improve the quality of life in towns and cities, reducing traffic congestion and noise pollution.

It achieves this by marketing and selling environmentally friendly two/three-wheeler vehicles.

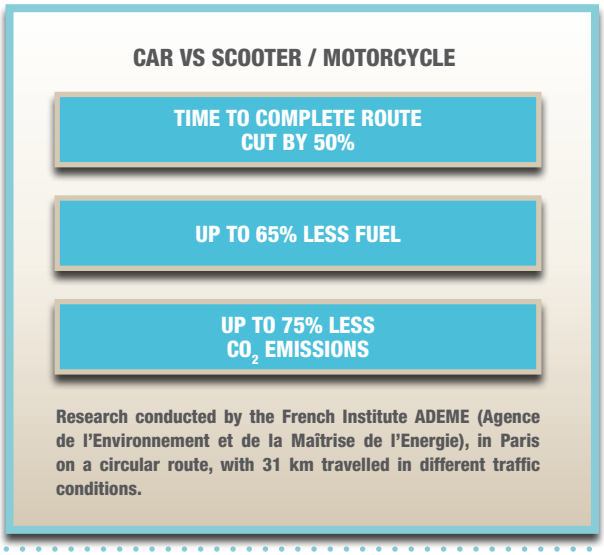
However, an increase in the use of motorcycles for individual private mobility must be accompanied by an actual increase in the safety of two-wheeler vehicles, through the study and introduction of active, passive and preventive safety systems.

Making two-wheeler vehicles safer and more comfortable may increase their use and, at the same time, decrease the number of cars on the road, which in turn cuts fuel consumption and harmful emissions by approximately 50% (in the same traffic conditions).

Piaggio is involved in numerous initiatives in the two-wheeler sector, to develop vehicles which use innovative solutions to provide eco-friendly transport that is safe and can create an interconnection system within the city.

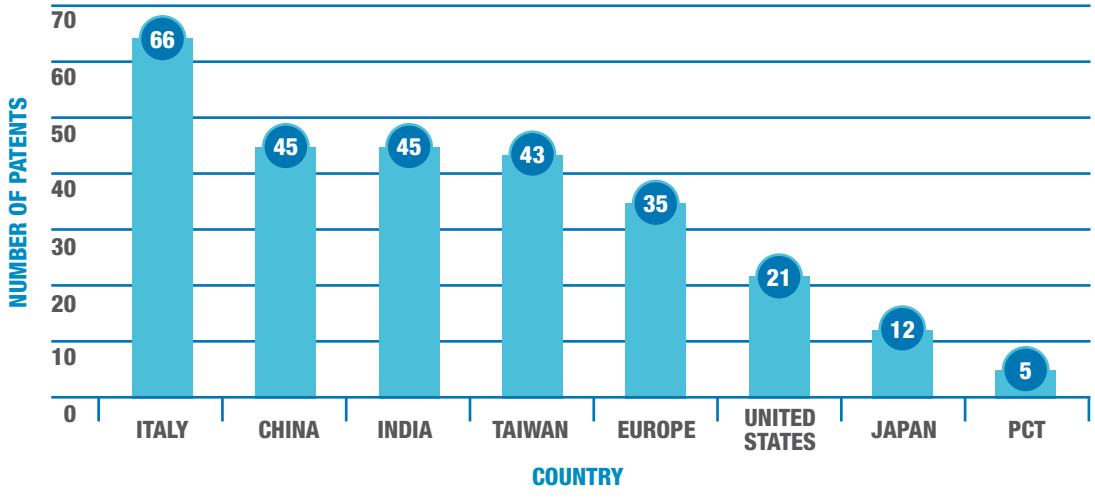
Intense research and development work in the two-wheeler business has led to 267 patents filed in countries where the Group operates.

Comparison of consumption rates, emission levels and travelling times between two-wheeler vehicles and cars



Research conducted by the French Institute ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie), in Paris on a circular route, with 31 km travelled in different traffic conditions.

Piaggio Group patents at 31/12/2009



The international patent, known as the PCT (Patent Cooperation Treaty), consists of a procedure whereby a patent can be "reserved" throughout the world, after which each nation is requested to examine and grant the patent during national or regional stages.

Some of the patents filed by the Piaggio Group - Two-Wheeler sector in 2009

Title	Scope	country
Method to manage operating procedures of a hybrid drive train and hybrid drive train using said	Hybrid engine	Hong Kong
Hybrid propulsion and drive system for motor vehicles	Hybrid engine	Europe
System for detecting vehicle seat occupants	Safety	Europe
Method and apparatus for controlling a semiactive suspension – POLIMI	Safety	Europe and the United States
Method for controlling a modular electronic steering shock absorber for a two-wheeler vehicle and apparatus for its implementation.	Safety	Italy
Drive control system and method in a two-wheeler vehicle	Safety	Italy
Integrated system to house, activate and support a motor vehicle airbag	Safety	Italy

Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the 2008 tender called by the Ministry for Economic Development. This project, which will actually commence in the first few months of 2010, targets the development of innovative solutions for environmentally friendly urban transport which is more sustainable.

The project's Research and Development activities focus on numerous objectives:

- improving drivetrains in order to reduce consumption and emissions (injection systems, systems to optimise combustion and reduce consumption, integrated engine control systems, variable geometry systems, etc.);
- studying and developing engines powered by alternative fuels, with a lower environmental impact (biogas, hybrid and electric vehicles etc.);
- improving vehicles to increase their sustainability through the study of vehicle dynamics, a reduction of vehicle weights and traction and life cycle management;
- the study and introduction of active and passive safety systems (advanced braking systems/ABS, traction control and stability, integrated electronic suspension, crash simulation and testing, vehicle and rider airbags, etc.);
- increasing thermal, acoustic and weather-related comfort as well as ergonomics (optimising man/machine interface systems and on board information systems;
- studying and devising new safe vehicles base on entirely new product formulas such as tilting three/four-wheelers.

5.1.2 Environmentally friendly design and production

With a view to continually improving its own product range and in particular its engines, the Piaggio Group has developed solutions which draw on its wide-ranging and in-depth technical expertise, honed from decades of operations in the industry, combined with the latest fluid dynamics simulation software.

Piaggio was the first Company to put a Euro 3 scooter with electronic injection on the European market: the Vespa 250 GTS, unveiled in May 2005 ahead of mandatory Euro 3 regulations which came into force on 1 January 2006.

Piaggio's technological excellence and its work with outstanding partners enabled it to obtain Euro 3 type approval in 2006 for the entire range of over 50cc versions sold throughout the world, reducing both pollutant emissions (for example NOx emissions reduced by 50%) and consumption.

In fact Piaggio maintains the highest levels of technology and regulatory compliance worldwide for all its products, even when local laws are less restrictive than European legislation. In line with this philosophy, Vespa vehicles manufactured and sold in Vietnam since June 2009 conform to Euro 3 regulations, despite local Vietnamese laws which are less stringent than Europe.

Piaggio also plans to anticipate legal requirements in the future, upgrading production to Euro 4 standards a year ahead of its entry into force, from 2013 onwards.

During 2009, electronic injection was extended to all over 50cc Vespa versions, guaranteeing customers better, smoother handling and even lower consumption and pollutant emissions.

A comparison of two Vespa models

MODEL	CONSUMPTION l/100 km (ref. WMTC cycle)	CO_2 EMISSIONS g/km (ref. WMTC cycle)
Vespa LX 125 electronic injection	3.03 l/100 km	72
Vespa 125 carburettor	3.57 l/100 km	85
Difference	-15.2%	-15.3%

THE MP3 HYBRID

On 7 July 2009 in the superb setting of the Villa Borghese, Rome, the revolutionary Piaggio three-wheeler scooter with hybrid engine, the world's first scooter using lithium batteries, was unveiled.

The MP3 Hybrid makes hybrid technology available to everyone, without having to choose between performance or environmental compatibility, short or long distances.

In fact the MP3 Hybrid is powered by a revolutionary hybrid drivetrain developed by the Piaggio Group and is the first in the world for a two-wheeler vehicle, which combines the advantages of a petrol and electric engine. The two engines not only deliver a better performance but also cut petrol consumption (the consumption of the Piaggio MP3 Hybrid is up to 60 Km/litre against 26 Km/litre for normal average engine scooters) and CO_2 emissions have decreased to just 40 g/Km compared to 90 g/Km for vehicles with conventional engines.

The MP3 Hybrid is also the first vehicle in the world which can be recharged from the mains and also runs on lithium batteries, guaranteeing a better performance, lighter structure and longer life, compared to current technologies.

A comparison of two MP3 models

MODEL	CONSUMPTION km/l (ref. WMTC cycle)	CO_2 EMISSIONS g/km (ref. WMTC cycle)
MP3 Hybrid	2.5 l/100 km	60
MP3 125 electronic injection	3.33 l/100 km	80
Difference	-25.0%	-25.0%

A range of specific accessories was also presented, designed with the vehicle's concept in mind: innovation, safety and the environment. These include the Hybrid Copter crash helmet, configured for the innovative Bluetooth communication system, the luggage box with inside light powered by small photovoltaic panels and thermal jacket with the revolutionary Motoairbag system (front airbag and inflatable jacket).

The MP3 Hybrid effortlessly showcases innovation as conceived by the Piaggio Group, not only in technological terms but also in ethical terms, with products that are honest (the client gets what is promised) safe (for the rider and other people) and eco-friendly (less environmental impact).

Over the last few years, Piaggio has made concerted efforts to reduce environmental impact by focussing on research into and the development of alternative fuel systems, and the development of a hybrid engine. Studies culminated in 2009 with the sale of the 125 Hybrid engine.

This innovation uses a hybrid powerplant combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of the two powerplants improves overall vehicle performance and drastically reduces pollutant emissions levels. Research into hybrid engines continues and in 2009 the "300cc Hybrid" was designed and developed, and will go on sale in 2010.

Piaggio is also actively involved in the research project **MID2R** funded by the Ministry of Education and Research. This project aims to develop direct injection petrol and natural gas engines. Research is based on defining, studying and designing a high pressure injection power and control

system. During 2009 the first prototypes of bi-fuel vehicles and the first 4-stroke direct injection engine were made.
As for the use of engines powered by alternative fuels, a study has been planned on relative problems and applications for 2- and 4-stroke mono- and bi-fuel engines.

RESEARCH AND DEVELOPMENT GUIDELINES FOR THE TWO-WHEELER SEGMENT

- continually improve conventional engines to reduce consumption and emissions
- study and develop alternative fuel systems with less environmental impact than petrol run engines, enabling a diversification of energy resources
- propose innovative engine formulas that can further reduce emissions
- consolidate research and gain proprietary knowledge of control electronics for hybrid and electric vehicles
- increase knowledge of batteries for hybrid and electric vehicles
- improve vehicle efficiency by reducing weights and traction
- reduce environmental impact by using environmentally friendly materials and a design focussed on product recycling and disposal *(Life Cycle Management)*

5.1.3 Product safety

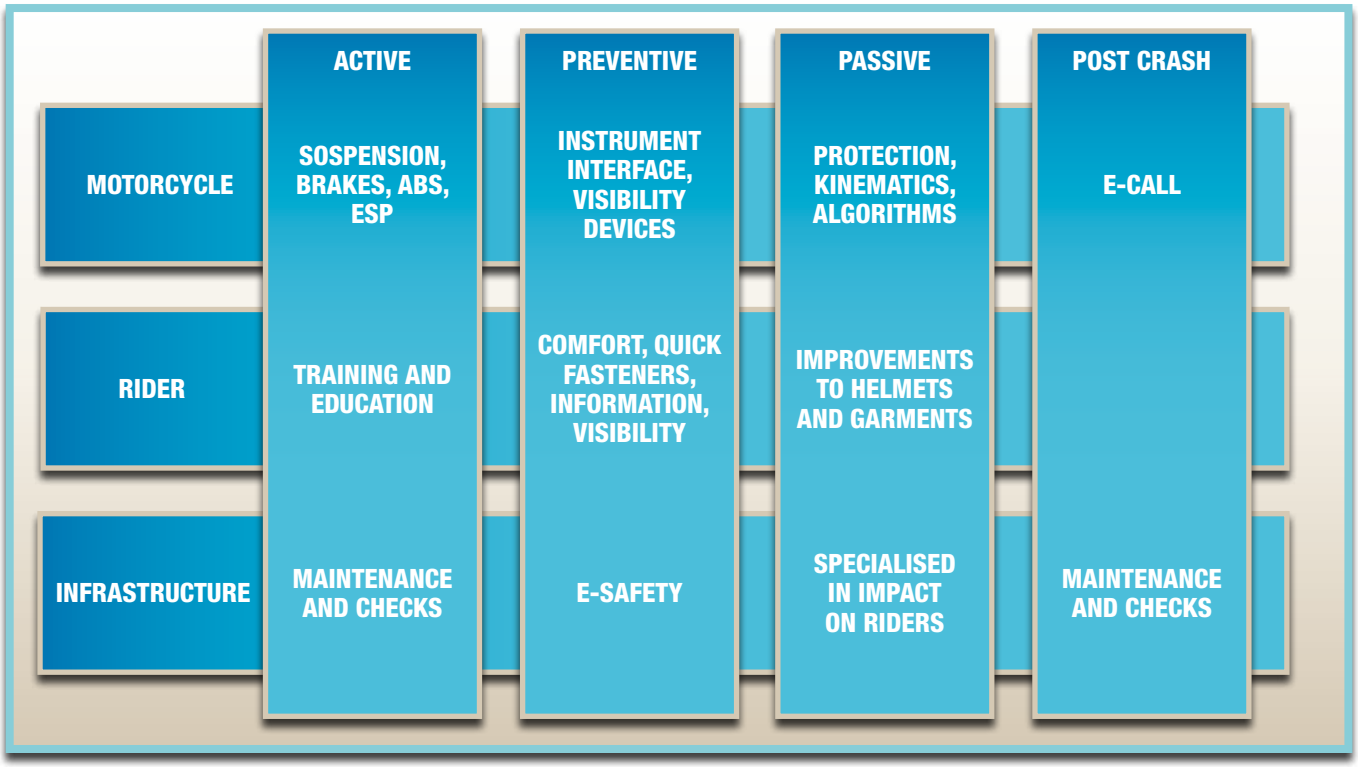
Improving the safety of two-wheeler vehicles has always been a top priority for the Piaggio Group in its product research and development work. Introducing high-technology active, preventive, passive and post-accident safety systems for the scooter and motorcycle sector is becoming increasingly necessary, and will also help extend the use of two-wheeler vehicles for individual mobility.
The Piaggio Group has always been at the forefront when it comes to improving the active safety of its products. Back in 2003 Piaggio presented the first scooter in the world fitted with electronic ABS (X9 500), followed by other models in its range of scooters (Vespa GTS) and motorcycles (Aprilia RSV1000, Shiver, Dorsoduro and Mana, Moto Guzzi Breva, Norge and Stelvio).
Several models (Beverly, Nexus, X9) have been fitted with a "combined braking" system for many years, for easier handling by less expert riders and which is essential for all users in emergency situations.
Many models were fitted with the "Ride By Wire"[2] system in 2009, with the possibility of selecting accelerator calibra-

"ZERO IMPACT"

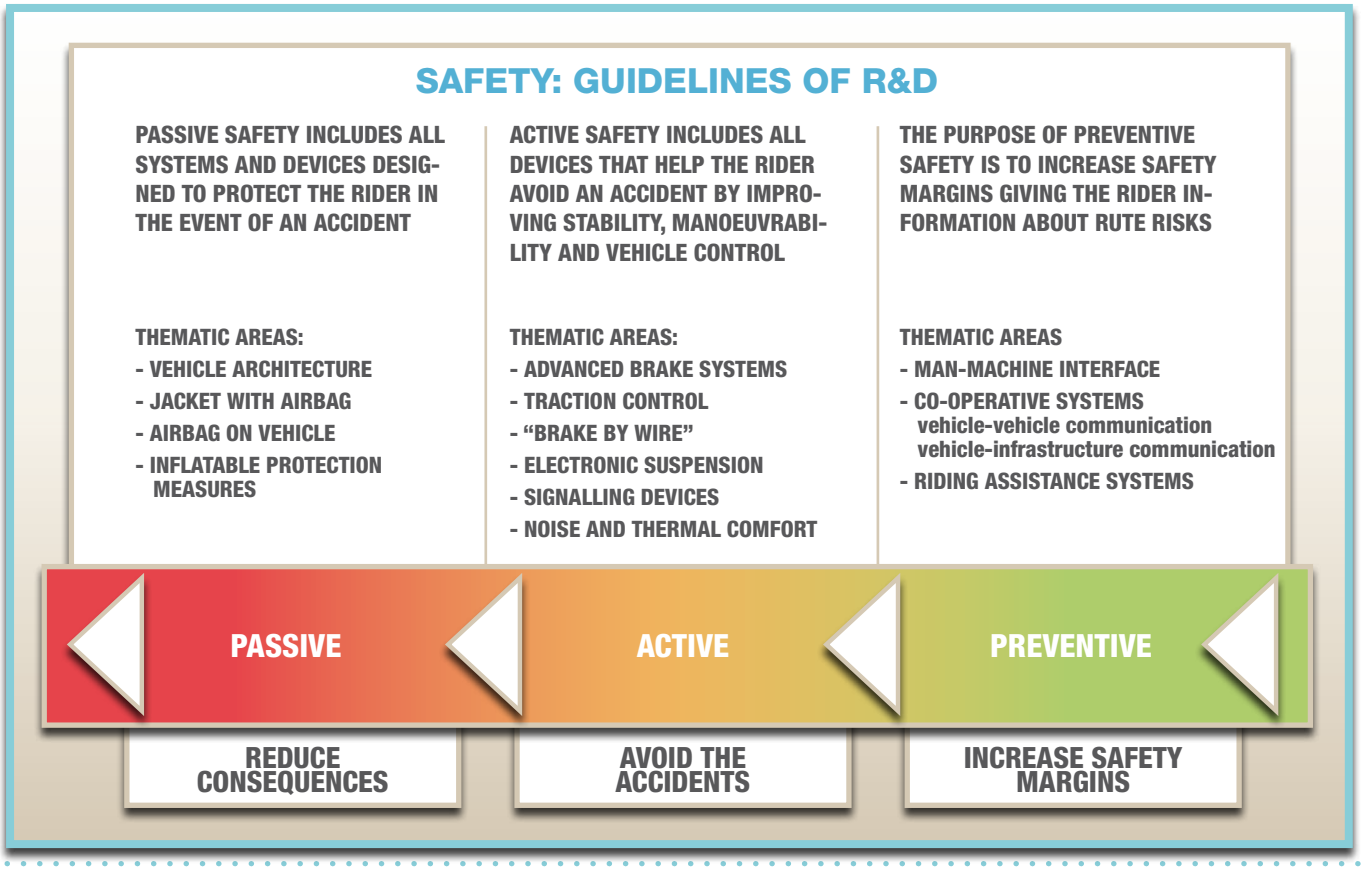
During its presentation of the MP3 Hybrid to the press on 7 July 2009, Piaggio committed to the first Italian project adopting the Kyoto Protocol: the "Zero Impact" project.
The emissions produced during test rides and the use of thirty MP3 Hybrids over one year were offset by planting 185 trees in an area of 5,000 m² in the Parco dell'Aniene park in Rome.
This initiative will requalify the area, which it is calculated will absorb approximately five tons of CO_2 over the next two years.
Piaggio is channelling its efforts into a new ethical strategy: redefining mobility to help society and our environment, increasing the synergy between ecology and technological development.

2 The "ride by wire" system, (an analogy of the "fly by wire" system used on aircraft) is an electronic device that replaces the accelerator's mechanical wire. In conventional engines, the throttle grip activates a throttle valve on the carburettor or on the electronic injection throttle body via a metal wire. In ride by wire engines, the grip, via a potentiometer and electrical connection, conveys a signal to an electronic control unit which assesses the rider's power demand (i.e. the grip position, the speed of rotation), compares it with engine parameters (number of revolutions, load, temperature, etc.) and consequently adjusts the throttle valve position (via a small electric motor) as well as start-up and ignition mapping in order to optimise engine performance in terms of response, emissions and consumption.

Matrix approach used by Piaggio for its motor vehicle safety projects



Research and Development guidelines for vehicle safety



tion based on road surface conditions. These include the MP3 Hybrid, MP3 125 RL, Aprilia Shiver 750, Aprilia RSV4 1000 and Dorsoduro. The traction control device was fitted on the Aprilia RSV4.

Over the last few years, the Piaggio Group has acquired an outstanding knowledge of electronics for semiactive suspensions, filing several international patents in association with Milan Polytechnic, and for electronic engine control (traction control and vehicle dynamics management). Motorcyclists benefit in both cases, in terms of performance and safe use.

The Group has always assured the safety, ergonomics and comfort of its products in all categories (from its 50cc scooters to high performance sports bikes), however the tilting three-wheeler Piaggio MP3 has become a new benchmark for the safety of urban motor vehicles, with sales starting in 2006.

As part of its research work on safety, Piaggio's most ambitious objective is currently the study and development of new safe vehicles based on entirely new product formulas, such as three- and four-wheeler tilting vehicles that guarantee an unprecedented stability even on wet or uneven road surfaces, and shorter stopping distances compared to conventional scooters.

These new concepts, in addition to the safety devices mentioned already, can achieve active and passive safety levels on a par with car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

ADVANTAGES OF THE MP3

- Safer to ride, as proven by measuring the vertical force applied to the front wheels
  Tests proved that when changing from a smooth or paved surface to a cobbled surface, the reduction in force for the MP3 was 18% and 38% less compared to an equivalent two-wheeler vehicle
- Shorting braking distance
  On a smooth surface, the MP3 has a shorting braking distance compared to an equivalent two-wheeler vehicle of 12% on smooth surfaces and 20% on uneven surfaces
- Better handling in traffic
  The rider does not have to put his feet on the ground when the MP3 is stationary.

Piaggio is involved in numerous European projects concerning product safety:

SAFESPOT the purpose of this project is to develop an accident prevention mechanism based on cooperative systems where cars and vulnerable users (two-wheeler vehicles, cyclists, pedestrians) communicate. This electronic system would allow a car driver to detect the position and speed of a motorcycle, and would alert the car driver and motorcyclist, displaying a potential hazard on the instrument panel of the two-wheeler vehicle. During the second year of the project, the vehicle hardware and software architecture to use in functional tests, which took place in the second half of 2009, were defined. Given the scale of the project, times were extended and activities will end in early 2010.

SIM (Safety in Motion) for the development and testing of active, preventive and passive safety systems for two/three-wheeler vehicles. The project ended on a highly successful note in November 2009 with the "Final Event" held at the Piaggio Museum. The results achieved by Piaggio and its partners in the field of active, passive and preventive safety, used on a functioning prototype fitted with an advanced braking system (three channel ABS), semi-active suspension and a combined passive safety system (front airbag and inflatable jacket) and innovative man-machine interface were presented to the public.

SAFERIDER for the study and implementation of advanced driver assistance systems (ADAS) and on board information systems (OBIS) for two-wheeler vehicles, to improve safety and driving comfort. The first stage of developing an innovative man-vehicle interface integrating these functions (demonstrator instrument panel for the hybrid MP3) was completed in 2009. The project will end in the first few months of 2010. During the second year of the project (2009) OBIS functions were developed and installed on a demo vehicle (eCall – emergency calls, telediagnostics and a weather, traffic and hazard spots information system). During the third year of the project, the effectiveness of these functions will be tested on a sample of non-expert riders and road tests.

APROSYS for the study and development of advanced passive safety systems for terrestrial vehicles (cars, motorcycles, heavy vehicles). The project was successfully completed in March 2009. The main outcome of the Aprosys - SP4 "Motorcycle Accidents" subproject was the study of the activation system of passive safety devices for motorcycles (airbags and wearable devices) by simulations and experimental crash tests between cars and motorcycles.

5.1.4 Product recyclability

Although no legislation on recyclability for two-wheelers is currently in force or is planned, the Piaggio Group has taken steps in this direction. The technologies and materials used for the design and construction of its scooters have targeted the environmental compatibility of Piaggio vehicles and an effective end of life disposal since the introduction of the Sfera 50 model (1989).

In 2007, the most representative vehicles of the range (for example the Beverly 250cc and the Vespa GTS) were analysed to make sure disassembly of main components was easy, and thus ensure a simpler disposal process for component materials. Analyses further confirmed the reduced environmental impact of Piaggio two-wheeler vehicles, even at the end of their life cycle. For a widely sold 250cc vehicle, with plastic body, the percentage of recyclable material identified was more than 90%, which is well above the figure in the ISO 22628 standard regulating road vehicle recyclability that requires at least 85% of the vehicle mass to be reusable/recyclable.

As from 2008, Piaggio has changed the title blocks of drawings and information in its bills of materials, so that materials used in constructing vehicles can be automatically checked in the future, and disassembly can be optimised for an easier disposal process.

Piaggio has been involved in a project since 2009, in association with the Region of Tuscany, to recycle technopolymers from sorted waste and use them in Piaggio production processes. Polymers from sorted waste have been used for several decades for the unpainted parts (mass pigmentation) of Piaggio products. This new project sets its sights even further and deals with the recovery of unsorted waste, its specific processing to restore it to quality conditions and use in moulds for painted parts in ongoing production. The project will help reduce waste which has to be incinerated and toxic substances from the production of plastic, and will increase the recyclability of end of life products and also cut purchase costs of raw materials.

5.2 COMMERCIAL VEHICLES

5.2.1 Social mobility

The philosophy of Piaggio Commercial Vehicles can be summed up in its brand promise: "Great little workers".

Piaggio's first commercial vehicle was created in 1948. Ape became an unrivalled "work mate", a fundamental player in the social fabric of a country which was developing. The Ape quickly moved to different parts of the world, starting in India, where it became an essential work tool and was also used to transport people (the famous Indian Ape-taxis) in a strongly expanding economy with a growing demand for mobility.

In the last sixty years, the Ape and Piaggio have come a long way, without however foregoing the philosophy and quality that have always set Piaggio vehicles apart. Today Piaggio, with a dedicated division, has consolidated its commitment in the light transport vehicle sector, channelling all its expertise and style into tackling new mobility and transport requirements in increasingly congested urban areas.

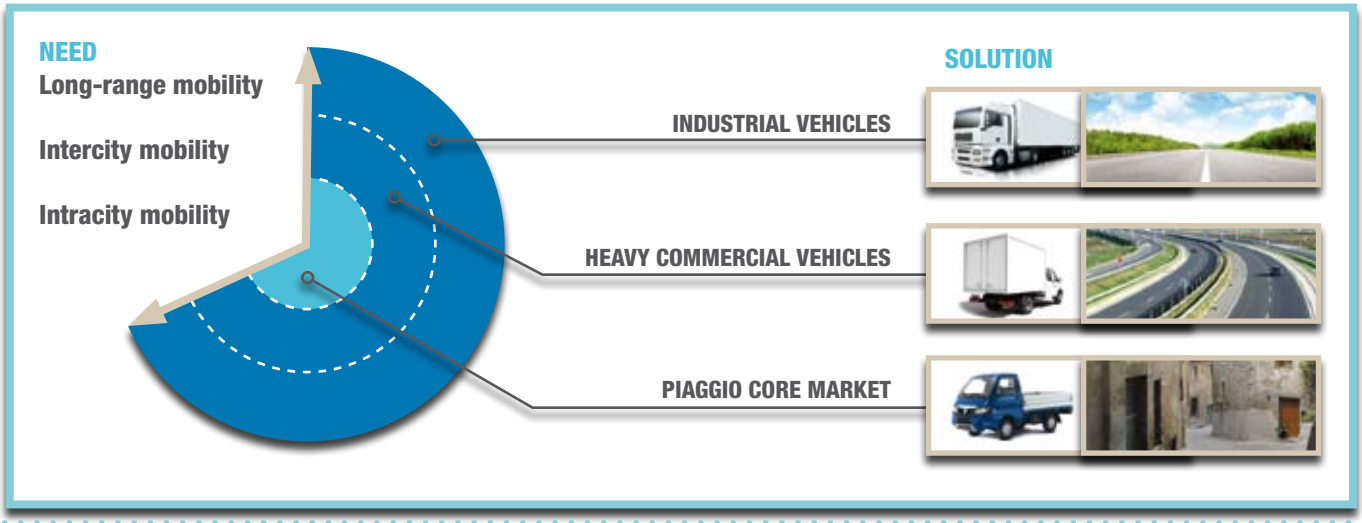
Today the Commercial Vehicles division is the partner of choice for all customers that need a vehicle for short-distance professional and business mobility.

Piaggio Commercial Vehicles are the best solution for last mile transport, i.e. transport closest to the end client, with a wide range of compact, agile and easy-to-drive vehicles that also offer an outstanding load capacity and superb handling in all environments.

Piaggio Commercial Vehicles is also a leader in the environmental field. The Group has focussed on the environmental compatibility of its vehicles for the last ten years, and on three drivers that are fundamental for product development:

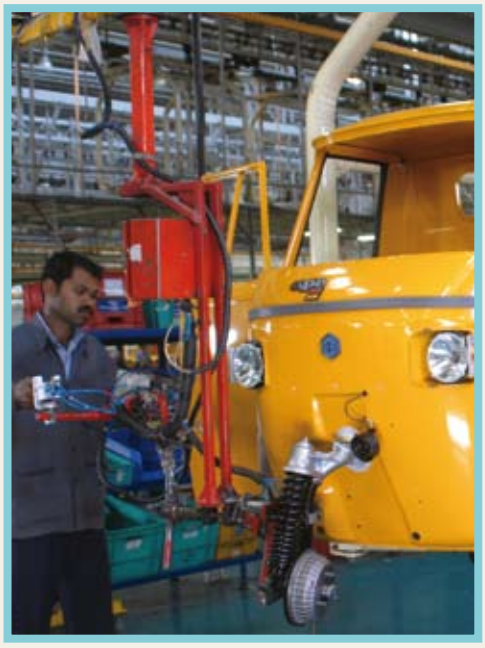
- high specific load capacity;
- low level of pollutant emissions;
- environmental compatibility and material recyclability.

Long distance, intercity and intracity mobility



PIAGGIO VEHICLES PRIVATE LIMITED RECEIVES THE COMMERCIAL VEHICLE MANUFACTURER OF THE YEAR AWARD

On 20 February 2009, during the NDTV Profit Car India & Bike India Awards held in Bombay, the Group's Indian subsidiary, Piaggio Vehicles Private Limited, received the "Commercial Vehicle Manufacturer of the Year Award" for its innovative contribution to the development of efficient, cost-effective solutions for the light transport sector in India.



The award is one of the automotive industry's most prestigious and stands for excellence in the sector. It is given to the best products, campaigns and results of the year, rightly acknowledging the work of people contributing to the success of the winners.

The award is the result of an ongoing commitment to meeting the diverse and changing needs of the Indian community, providing reliable products, which are cost-effect and can create added value for the end user.

Piaggio Vehicles Private Limited has gained a clear leadership position on the Indian market, creating a previously unheard of demand for commercial three-wheelers. The Company introduced the revolutionary Ape three-wheeler, targeting it as a new means for providing a livelihood. This has given rise to a wealth of opportunities, quickly seized on by tradesmen and businessmen throughout the country. The public has realised that the Ape three-wheeler is a solution to their different transport needs, but above all that it is a reliable way to achieve their goals and a certain level of prosperity.

The fact that Piaggio Vehicles Private Limited has continued to expand in the last few years, achieving growth in a difficult economic climate, demonstrates the validity of customer-driven Company policies and the ability of the Company to adopt a versatile, innovative approach to the challenges of a very changeable market.

5.2.2 A compact size and high specific load capacity

Congested towns, traffic continually on the increase, historical city centres closed to vehicles. This is the critical mobility situation people face today, so they need vehicles to make their way through the metropolitan jungle as quickly and efficiently as possible, which are practical and have a good load capacity.

When it comes to commercial vehicles, agility and a compact design are winning features, but a clear contrast to the load capacity required of a commercial vehicle. This is not the case with Piaggio's Commercial Vehicles. Their compact size, easy handling and high specific load capacity make them the ideal solution for professional mobility in historical city centres, when traffic is congested or vehicles must be quiet, agile and compact.

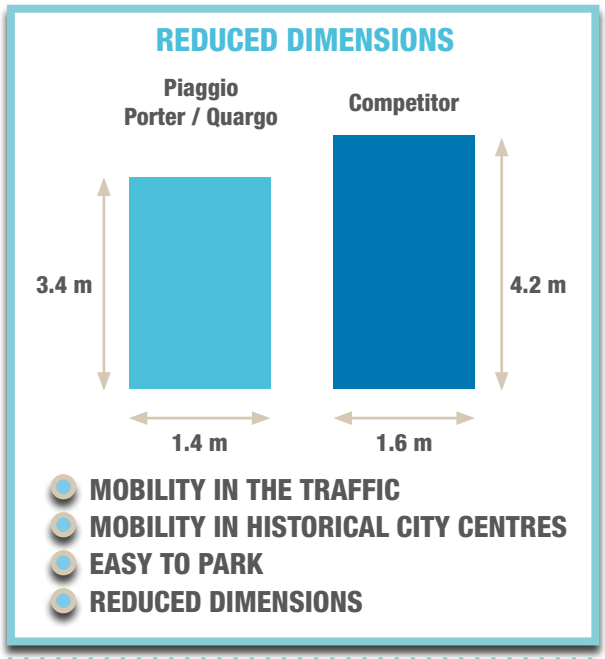
More than 50% of available space on the Porter, the top-ranking product in Piaggio's Commercial Vehicles range, is used for load capacity against a market average of 28%. This means load can be increased in relation to dimensions, and travel and transport costs minimised. In addition, the cargo deck with an all-flat configuration is more functional and every inch can be used to load cargo.

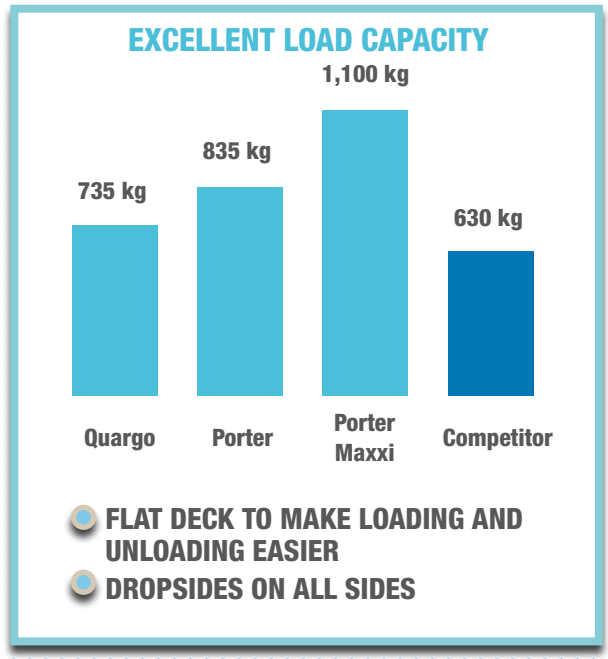
In 2008 the Porter range was expanded, with the Maxxi, the commercial vehicle offering the best ratio between load capacity and dimensions in the sector.

The Porter Maxxi has kept its compact size (1.5 m wide, just 16 cm more than the Porter) and superb handling, combining the benefits of a streamlined commercial vehicle with an operating capacity that only larger and more costly vehicles feature.

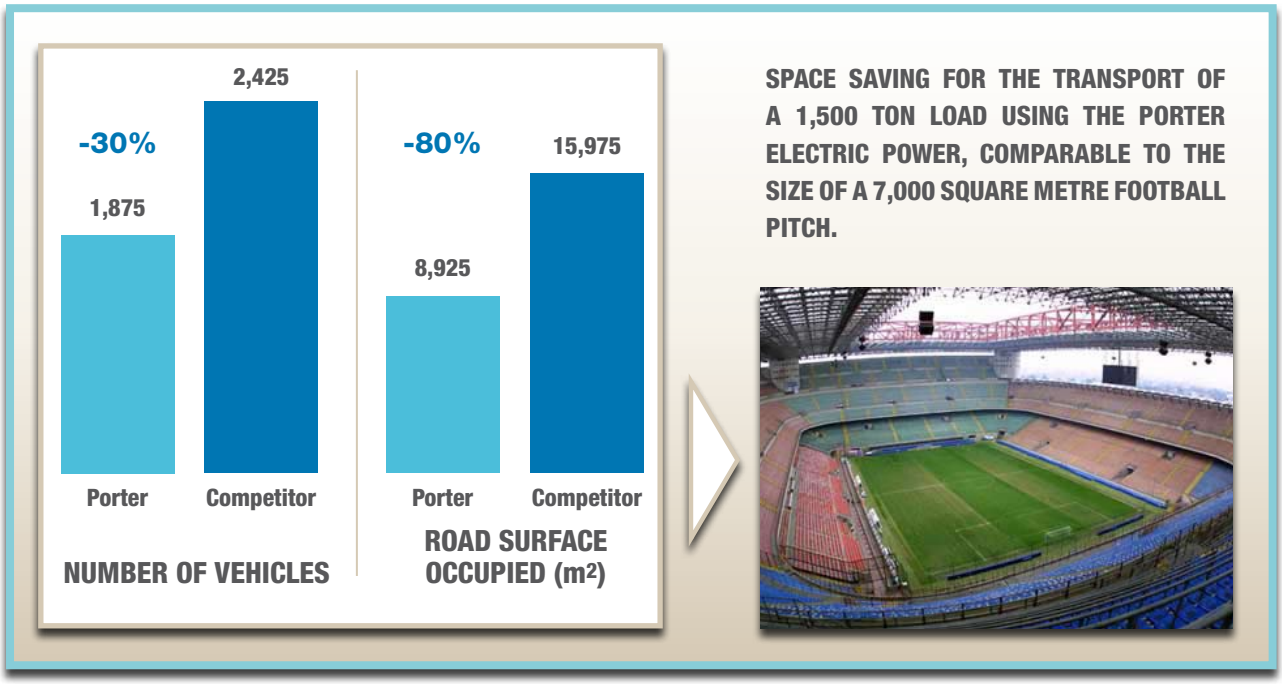
With slightly bigger dimensions, a reinforced chassis and twinned wheels guaranteeing stability and safety even when fully loaded, the new version can transport 1,100 kg, for an excellent payload capacity/overall weight ratio.

Dimensions and payload capacity of Piaggio Commercial Vehicles compared to competitors





Space saving for the transport of a 1,500 ton load using the Porter Electric Power, comparable to the size of a 7,000 square metre football pitch.



The Porter Maxxi has a specific payload that can transport 165 kg per square metre occupied, which is 35% times higher than leading competitors. This means:

- less traffic and savings, with the same type of goods transported,
- lower consumption and fewer vehicles on the roads,
- few emissions for each gram of goods transported (in the bi-fuel, petrol and LPG version, 0.18 grams of CO_2 emissions per kilo, which is approximately 18% better than the competitors).

The Porter Maxxi vs competitors

- Specific payload +35%
- Less traffic
- Lower CO_2 emissions per KG transported -18%

With a stylish design, comfort and improved handling, the chassis and mechanical structure are key features of the Porter Maxxi. The vehicle has specifically defined leaf spring suspension and a self-locking differential assembled on the rigid rear axle which can transfer 30% of engine torque to the wheel with greater grip. For customers, this means the vehicle can be used in all grip conditions, including gravel and sand.

5.2.3 Environment friendly powerplants

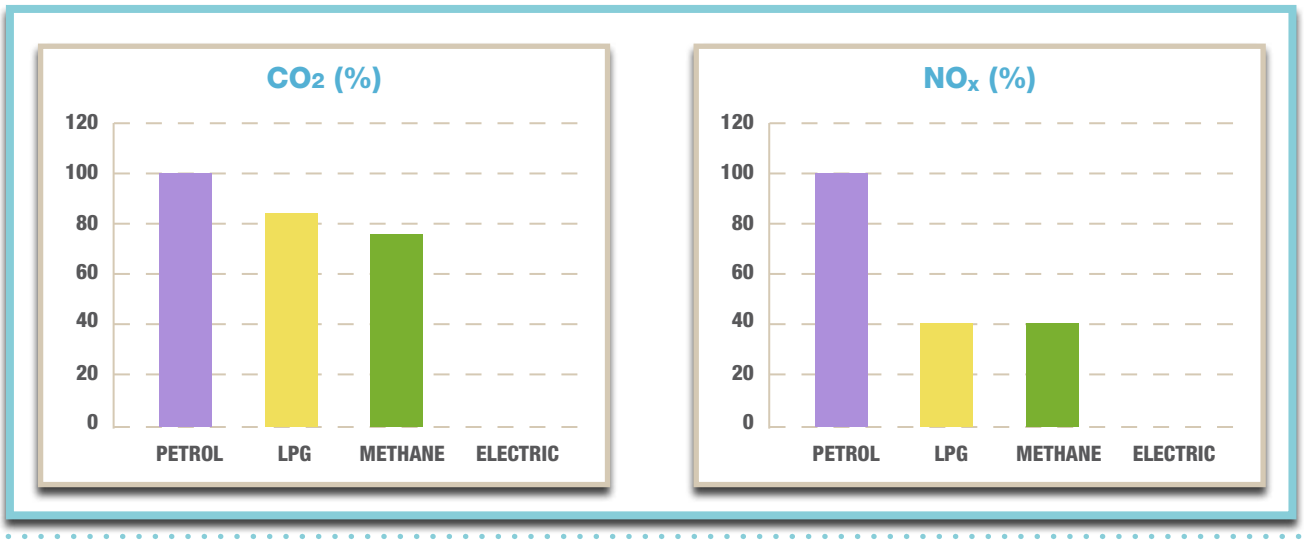
Piaggio Commercial Vehicles' dedication to reducing fuel consumption and pollutant emission levels further demonstrate its mission to be an intracity mobility specialist. In fact cutting down on these two parameters is fundamental for a sustainable transport system, above all during the "last mile" of goods handling and delivery, which has a direct impact on the quality of life in metropolitan areas and historical city centres.

Piaggio's focus on the environmental compatibility of its products dates back several decades to 1978 when it introduced the first Ape Elettrocar, featuring an electric motor and gear reduction unit with incorporated differential replacing the powerplant, and a forerunner of zero emission vehicles such as the first electric Porter unveiled by Piaggio in 1995.

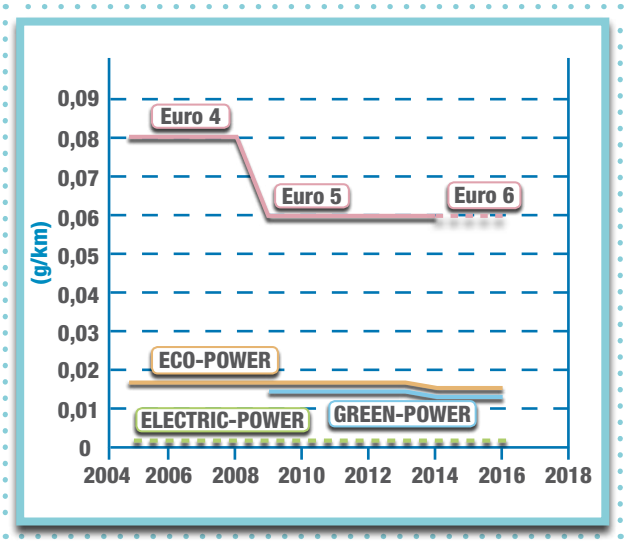
Over the years, making environment friendly vehicles has been a priority for Piaggio. In particular, it developed its "Porter Eco Solution" range in 2008, featuring the environmentally compatible, low environmental impact, powerplants: "Electric-Power" - with electric power and zero emissions, "Green Power" - its methane gas version and "Eco-Power" - the dual petrol and LPG version.

In addition to being one of the cheapest fuels available today, LPG contains no benzene, while its combustion produces no particulate and only minimal emissions. The new configuration of the LPG version engine was developed entirely in-house at Piaggio Commercial Vehicles' Pontedera plant. The Eco Solution range offers an indisputable advantage in the city, as well as a competitive edge for a commercial vehicle,

Benefits for the environment: comparison between emissions of CO_2 carbon dioxide and NO_x – nitric oxide depending on the fuel used



Eco-Solution range: comparison between NO_x emissions (nitric oxides) with respect to Euro 4, Euro 5 and Euro 6 limits



allowing unrestricted access even with traffic restrictions and anti-pollution measures in place in historical city centres. With sales of more than five thousand units, the Piaggio Porter Electric-Power is now Europe's most widely sold electric drive commercial vehicle. The zero CO_2 emission of every Porter is the same as the CO_2 disposal generated by 100 trees in one year. The fleet of Porter Electric Power vehicles in circulation produces benefits each year for the environment equivalent to those produced by 360 hectares of woods. Production got underway in 2009 for a limited series of the Ape Calessino Electric Lithium, which is one of the first vehicles on the market featuring lithium polymer batteries. In this project, the Company has studied and evaluated new technologies that will be used for new engines and above all for control electronics (also allowing for braking energy control and automatic hill starts).

The Ape Calessino Electric Lithium is a pilot project for testing new technologies in the field, which will later be transferred to the future Porter Elettrico. The use of high energy batteries will still be a key aspect. With the new generation batteries, the Porter Electric will have the same autonomy with 100 kg, which means transporting an extra 350 kg of goods.

Piaggio is also involved in the following initiatives:

- A new petrol engine (MultiTech) developed for the Porter/Porter Maxxi range. This new engine will enhance performance and efficiency and reduce consumption, and therefore CO_2 emissions by more than 20%. This engine is the platform for developing the new Eco-Solution range, which will first include the Eco-Power powerplants (bi-fuel petrol and LPG).

Petrol and LPG versions of the Multitech engine compared with engines currently on the market

Petrol	MULTITECH	CURRENT ENGINES	DIFFERENCE
Engine capacity	1308 cm^3	1300 cm^3	
Max power	53 kw@5400 rpm	48 kw@5400 rpm	
Consumption l/100 km (*)	6.7	8.6	-22.1%
CO2 emissions g/km (*)	156	199	-21.6%

LPG	MULTITECH	CURRENT ENGINES	DIFFERENCE
Engine capacity	1308 cm^3	1300 cm^3	
Max power	51 kw@5400 rpm	48 kw@5400 rpm	
Consumption l/100 km (*)	8.6	10.6	-18.9%
CO2 emissions g/km (*)	139	165	-15.8%

(*) ECE+ EUDC cycle)

- A new turbo diesel twin cylinder engine (DiTech) which will feature alongside petrol engines and bi-fuel MultiTech engines, has been developed to complete the Porter/Porter Maxxi range. With a second generation Common Rail injection system, turbocharging (turbocompressor coupled with an air/air intercooler), electronically controlled EGR (exhaust gas recirculation), oxidising catalytic converter and DPF (particulate filter) the engine already meets requirements of recent Euro 5 standards and will guarantee smooth handling and a versatile response in all conditions.

The Ditech engine compared with the engine currently on the market

Porter Diesel	DITECH	CURRENT ENGINES	DIFFERENCE
Engine capacity	1201 cm^3	1400 cm^3	
Max power	47 kw@3500 rpm	28 kw@4300 rpm	
Consumption l/100 km (*)	4.9	7.4	-33.8%

(*) ECE + EUDC cycle)

- A new aspirated diesel twin cylinder engine developed to replace the current engine on the Quargo, supplied by Lombardini. Power delivery has been calibrated to meet the needs of short-range transport. Maximum torque already at 1200 rpm, and constant up to 2250 rpm, is subsequently limited to prevent exceeding the 15 kW power limit required by law for this category of vehicle (heavy four-wheeler vehicles). The engine, although featuring a performance below that of the turbo diesel twin cylinder engine (Ditech), has the same technical solutions, including common rail electronic injection, electronically controlled EGR and an oxidising catalytic converter. The engine has been designed to meet future Euro 3 standards which should come into force for heavy four-wheeler vehicles in 2013.

The twin cylinder engine compared with the engine currently on the market

Porter Diesel	TWIN-CYLINDER	LOMBARDINI
Engine capacity	1034 cm^3	686 cm^3
Max power	15 kw@2500+3600 rpm	13 kw@4500 rpm

Piaggio's future research work will continue to target vehicles that are more environmentally friendly. Rather than restricting projects to consolidated technologies, Piaggio will explore new vehicle architectures that can tackle the challenges of urban transport, providing even more effective and green solutions to traffic problems.

5.2.4 Product safety

During 2009, an innovative braking control system (ABS and EBD) was studied and will be adopted for the Porter range as from 2010, considerably increasing active safety.

The **ABS** (Anti Block System) prevents the wheels from locking or the driver from losing control of the vehicle, when forced to brake suddenly and unable to control pressure on the brake pedal.
The main benefits of this system will be:

- improved safety and stability for the Porter, in sudden braking in emergency conditions, when braking on bends, on wet road surfaces or surfaces with a poor grip;
- shorter stopping distances. Unlike a normal scenario, braking distances on dry surfaces will decrease, because the driver feels more confident with the ABS system and pushes the brake pedal more firmly, as there is no risk of losing control of the vehicle;
- improved handling.

The benefits of the ABS system are more evident in the case

APE CALESSINO ELECTRIC LITHIUM

The legend of the Ape Calessino, which in the 1950's transported Hollywood stars around the Med, lives on in 2009 with a highly original version, the zero emission "Electric Lithium" model.
Piaggio is one of the first companies to produce a vehicle with electric drive and lithium batteries, featuring an autonomy of 75 km, a maximum speed kept to below 50 km/h in view of the vehicle's intended purpose, the possibility to travel up 20% inclines, no pollutant or CO_2 emissions, no noise pollution and very low recharging costs (recharging the batteries which will last for 75 km, costs less than 1 euro).
The new version, with highly innovative features, was developed in five stages:

- Instead of the traditional petrol engine a new alternate current, zero emission engine, with excellent performance and delivery, was developed. In particular, the torque characteristics make the vehicle agile in traffic, with excellent acceleration.
- The traditional fuel tank has been replaced by polymer lithium batteries for a light, compact, autonomous vehicle. Approximately 7 KWh of energy have been installed on board, weighing just 70 kg, with a recharging cycle which will enable the vehicle to travel approximately 75 km. The batteries can be used for 1,200 cycles, compared to a very limited number with conventional technologies. This means the batteries require no maintenance and do not have to be replaced in the first 90,000 km, offering great benefits for running costs.
- Instead of a mechanical pump, which is typical of conventional applications, an inverter has been installed which can electronically control performance, optimising consumption, handling and performance. Keeping consumption down in an electric vehicle also means increasing its autonomy.
- Instead of a gear stick, a joystick has been installed for a simple, fun and easy way to use the vehicle.
- The speed gauge has the same vintage display but is now digital, with information battery charging and status.

With these innovative features, a historical vehicle has been brought up to date with cutting-edge technologies.

of differential braking. This occurs when the two wheels on the same side of the vehicle are on surfaces with a different grip compared to the road surface (for example an iced over puddle on the edge of the road).
Figure: ABS circuit testing

EBD (Electronic Brake Distribution) is also linked to the ABS. This is an electrohydraulic version of mechanical braking correction, but far more modular and lighter.

During development, a new function, **RLP** (Rear axle anti Lift-off Protection) was also produced, which prevents the rear axle from lifting off during emergency braking.

ABS circuit testing

5.2.5 Ecological and recycling potential of materials

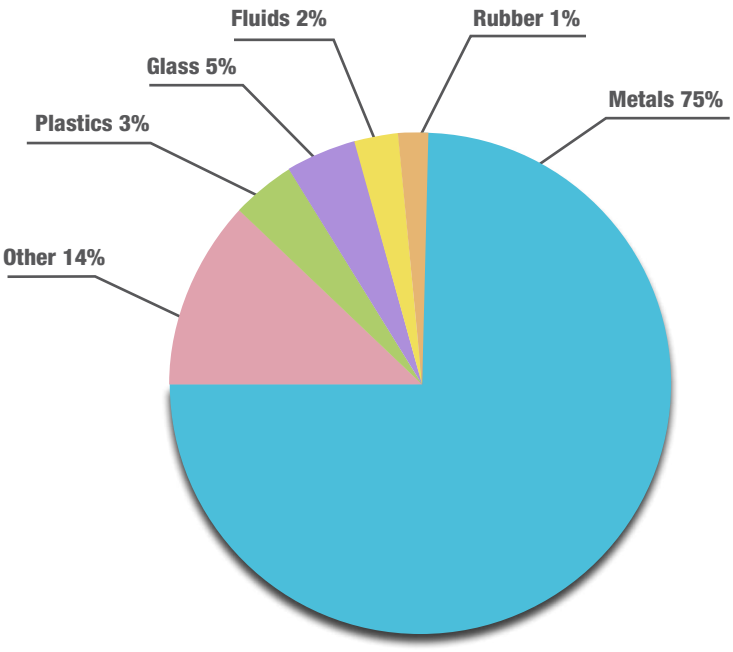
Piaggio's passion for the environment is also channelled into its commitment to guaranteeing the environmental compatibility of its commercial vehicles, from the design stage until the end of their working life.

Over the years, Piaggio has adopted a challenging process to guarantee high recyclability levels of its vehicles, achieving important results such as the limited use of materials considered hazardous (lead, chromium, mercury and cadmium) and an end-of-life vehicle disposal manual.

Piaggio constantly monitors the recyclability and recoverability rates of its vehicles, which a recent in-company survey estimated as 85% and 95% respectively, higher than the limit values in the Directive 2000/53/EC. The Porter pick-up, for example, has a 92% recyclability rate and a 95.4% recoverability rate.

The survey also paved the way for a database which updates vehicle material compositions and their recyclability and recoverability rates, from the design stage onwards, in real time.

Graph types of materials - Porter pick-up



5.3 PRODUCT RELIABILITY AND QUALITY

Quality and reliability are fundamental concepts when it comes to scooters, motorcycles and commercial vehicles, as they are the drivers behind customer satisfaction and safety.

Quality is the set of properties and characteristics of a product or service that give it the capacity to satisfy the express and implicit needs of the customer/user[3]. For manufactured products, these needs generally include conformity to specifications, reliability, ease of use and maintenance.

Reliability is the ability of an item to perform a required function in established conditions and for an established period of time[4]. Reliability has become a fundamental concept when it comes to scooters, motorcycles and commercial vehicles, as it is a driver of customer satisfaction and safety.

Pursuing continual improvement in the quality of production systems (of the Group and suppliers), auditing outgoing quality and adopting an effective product and component traceability system are essential for guaranteeing the reliability of Piaggio vehicles.

The Company also has a dedicated function, which tests the reliability of all new products, from design to marketing. Tests are not limited to laboratory testing, but also to road testing, designed based on the actual use of vehicles by Piaggio customers.

5.3.1 Quality certification

As regards quality, the Piaggio Group is committed to continually improving the performance of its processes and customer satisfaction. The Group was awarded ISO 9001 certification in 1995, a process which is a part of the Company's common culture and a resource for all Group employees. The results obtained in terms of product reliability, improving process performance, increasing customer satisfaction (internal and external customers) stem from the fact that all employees clearly understand the meaning of " quality, customer focus, continual improvement and excellence" and pursue these principles in their everyday activities.

In 2009 activities continued to maintain certification in conformity to leading international quality standards (UNI EN ISO 9001:2008). This certification concerns the Pontedera (Pisa), Noale (Venice) and Scorzè (Venice) sites.

Piaggio Vietnam's quality management system was certified to ISO 9001 in October 2009.

5.3.2 Supply verification/audits

The quality of Piaggio products depends on the quality of its supplies. The Piaggio Group is very much involved in verification and audits, in order to select new suppliers, constantly monitor quality levels and approve processes for the development of new components. Piaggio's auditors carry out these activities through scheduled audits.

New suppliers are included as Piaggio suppliers only after

3 UNI ISO 9000 definition
4 UNI ISO 8402 definition

a positive assessment of their Quality System and general Company organisation.
Audits, requested by the Purchasing Department, evaluate a potential supplier's quality system and capacity to develop the product in question.
Suppliers successfully evaluated and included as qualified suppliers, verified concerning:

- development processes for new products;
- solving supply problems identified during mass production;
- problems reported during the Piaggio vehicle warranty period.

Audits for new products are scheduled to evaluate the supplier's capacity to implement new product realisation processes and provide technical support in defining and controlling these processes.
Audits for consolidated products solve specific problems identified during production, verify the supplier's capacity to control processes involved in product realisation and periodically monitor improvement in services in terms of returns from the most critical suppliers.
Moreover, consolidated product audits are conducted to solve problems reported during the warranty period and verify the effectiveness of corrective actions defined by suppliers to prevent the recurrence of nonconformities.

5.3.3 Quality control of end products

Piaggio has a comprehensive system to monitor end product quality levels, prior to dispatch to the client. Procedures, which have been adopted at all Piaggio Group sites in Italy and abroad, are followed to constantly monitor the quality level of all vehicles manufactured, ensuring high standards for the end client. Each vehicle manufactured at Piaggio Group sites is inspected for quality control after assembly. More in-depth testing and controls are conducted on a select number of vehicles, depending on product maturity.
All tests are carried out with the customer in mind, i.e. they monitor vehicle design as well as functions.
Moreover, staff select a sample of vehicles each day, from end products/identified products, prior to dispatch to the end client. These vehicles undergo rigorous testing and inspections on test benches and on the road, based on a standard check list. Any anomalies detected are classified with a score based on the severity of the defect and impact it could have on the end client.
The final quality status compared to the expected status is available for each model on a daily and monthly basis. A meeting is held each day between the Quality, Production, Design and Technologies departments, and other operating units involved, after specific reports have been compiled. In the meeting, all anomalies detected the previous day and in particular concerning functional defects are examined, and corrective actions, relative responsibilities and implementation times are determined.
If serious functional anomalies are detected, the dispatch of all vehicles from the same lot is immediately stopped, and a sample of vehicles from the previous lot is selected. These vehicles are then carefully retested and repaired, as necessary, before authorisation for dispatch.
Based on reports produced following controls at all Group sites, a weekly meeting is held with the Manufacturing department to:

- monitor the status of controls;
- monitor defect levels by family, line and model at different sites in relation to assigned objectives;
- take corrective actions in a timely manner.

Final monthly data are included in the final summary document submitted to General Management.

5.3.4 Product traceability

Traceability is fundamental, to prevent the marketing of faulty products, identify and promptly separate lots with

suspected nonconformities and therefore make recall campaigns effective.
Piaggio has adopted a system for product traceability which identifies products, components and materials in all stages of the production cycle. In particular, all components manufactured internally and externally that have a direct impact on the health and safety of the user, environmental hygiene and type approval are identified.
The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality. This makes it possible to promptly, systematically and methodically trace any product anomalies/defects identified and their causes, and adopt effective corrective actions, broadly and specifically identifying all vehicles with components from the faulty lot and, if necessary, starting a prompt recall campaign, to protect customers.

5.3.5 Reliability tests

To guarantee the reliability of its vehicles, initial tests are conducted from as early on as product development experimental stages on prototypes and pre-series production vehicles, in laboratory and road conditions, on product compliance to design specifications.
During the pre-mass production stage, further laboratory and road tests are conducted on the products, by a team of expert Piaggio testers. Depending on the vehicle type, experience gained during the pre-production stage and other reference vehicles, the mission profile is drawn up. This is the number of kilometres and type of route for product testing (urban, extraurban, mixed, mountain conditions, etc.). Usually, vehicles are tested over long distances based on their engine capacity and degree of innovation. The tests are "customer-driven", and consider actual vehicle use: from operations at dealers before the sale is made, to the routes taken by the customer and routine maintenance indicated in the user and maintenance booklet. For example, a 50cc scooter is mainly tested on urban routes, motorcycles are tested on extraurban and mixed routes, while commercial vehicles are tested with/without loads and passengers.
Vehicles are disassembled and controlled during tests, to identify any anomalies and request appropriate improvements.
After running tests on engines with a high level of innovation or when alarms have been activated during road tests, the engine is tested again on the test bench and fully disassembled to check for wear or any criticalities.
Testers rate the vehicles during each test stage, considering performance in terms of vehicle safety, comfort and handling.[5] The reliability team meets once a week to compile and discuss a report summarising any defects identified, analyses conducted and measures taken to remedy problems.
Each defect is assigned demerits, based on the defect type (design or functional) and severity (from minimum defects not visible to the customer to serious defects that may have an impact on vehicle integrity and driver/rider safety). Each problem is therefore assigned to a manager to be remedied.
To obtain approval from the reliability team, remaining demerits of each vehicle must not exceed a given number. In any case defects with a negative impact on vehicle functions are not tolerated.
After successful reliability testing, production of the pilot series begins and a further test stage starts. A fleet of 10 to 20 vehicles from a pilot lot is tested on the road, to identify any production problems. During this stage, tests are run

at shorter distances on routes that better match customer profiles (for example a 50cc scooter is only tested on city routes). Distance tests are continued on three vehicles as well as specific tests according to directives regulating vehicle type approval.
Post-auditing is conducted 3-6 months after the product is marketed. Some vehicles are selected at random from the warehouse and tested simulating conditions of use similar to those of the customer, even when the vehicle is stationary.

2009 -2008 sample figures

	2009 FIGURES	2008 FIGURES
Test teams	24	24
No. of vehicles tested	764 new products and 1175 consolidated products	446 new products and 1,270 consolidated products
Km travelled per year*	Approximately 1,100,000	Approximately 1,000,000

* Reported data are also based on processing using estimates.

If problems are detected on the Network, diagnostics are carried out on the vehicles/engines with the problem, to identify the causes and provide information to take corrective actions, if necessary.
An annual audit is conducted on all types of vehicles and engines, and the tests indicated in directives are carried out on one vehicle per family.

5 The reliability team comprises the reliability laboratory product supervisor, the vehicle/engine project leader, vehicle/engine test engineering and vehicle/engine product quality managers.

6 ENVIRONMENTAL SUSTAINABILITY

In compliance with its Code of Ethics, the Piaggio Group operates at a global level with *"The choices of investment and of industrial and commercial initiatives [.....] based on the respect of the environment and of public health." (article 7).*
In particular *"In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities." (article 8).*

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully.
It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies.
The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact.
Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.
In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production. With these objectives in mind, initiatives focus on four areas:

- maintaining environmental certification awarded to the Group's production sites;
- reducing energy consumption;
- reducing emissions of CO_2 and other pollutants;
- conserving water resources;
- waste handling and recovering.

Quantitative data on resources used and emissions of CO_2 and other pollutants produced by Piaggio in carrying out its operations are reported on in the sections below.
Data refer to the entire Group, with the exception of business offices in various countries, whose use of resources and emissions/waste mainly concern office activities and therefore contribute marginally to Group data, and so have not been included in the attached tables.

6.1 PRODUCTION SITES

The Piaggio Group has production sites in Europe and Asia, even though manufacturing mainly takes place in Italy and in particular at its famous Pontedera site.
Other sites include Scorzè and Noale, Mandello del Lario and Martorelles (in Spain) which manufacture the Aprilia, Moto Guzzi and Derbi brands respectively, as well as the sites at Baramati in India (commercial vehicles) and at Binh Xuyen in Vietnam, where the production of Vespa LX scooters officially got underway on 24 June 2009.
The Piaggio Group has defined an organisational structure to achieve the environmental sustainability objectives of its production sites.
The responsibilities and roles of the Environmental Management System with Organisational Units / Functions involved are reported in the Quality, Environmental and Occupational Health and Safety Management Manuals, for sites in Italy.

Vehicles produced

	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	Vinh Phuch	TOTAL
2009	256,424	47,432	4,118	23,005	182,959	22,935	**537,173**
2008	297,505	90,391	6,203	40,779	158,923		**593,801**
Delta %	-13.81%	-47.53%	-33.61%	-43.59%	15.12%		**-9.59%**

Environmental organisational structure of Italian companies of the Piaggio Group

	Environmental Management System
Management Representative	Personnel, Organisation and Quality Systems Manager
Management System Manager	General Plants Operating Unit Manager
Coordination and control	Environmental Manager
Audits	Process Auditor (Internal Auditor)

The Management System Manager reports to the Management Representative (Personnel, Organisation and Quality Systems Manager) on Management System performance and all requirements for improvement. The Environmental Management System Manager, a position held by the General Plants Manager, has authority to perform relative obligations, while Environmental Managers are appointed by the Personnel and Organisation Manager.

As regards the Piaggio Group's foreign subsidiaries, the Quality Department is responsible for environmental issues at the Martorelles plant, with a Management Supervisor.

Both Piaggio Vietnam and Piaggio Vehicles Private Limited have EHS (Environment Health and Safety) teams which work full time on environmental and health and safety issues, with specific roles and responsibilities.

Piaggio Vietnam's EHS team is led by the technological and maintenance manager who reports to the Director of Operations. A person employed full-time is responsible for the management of environmental issues.

The environmental team of Piaggio Vehicles Private Limited comprising executives, engineers and operators, is part of the Maintenance Function and reports to the Director of Operations.

6.2 ENVIRONMENTAL CERTIFICATION

Obtaining ISO 14001 certification within the context of the Integrated Quality, Environment and Safety Management System was an important opportunity to start team work with different Group companies on the most effective processes and practices.

In fact ISO 14001 certification demonstrates the Company's actual commitment to minimising the environmental impact of its processes and products, as well as the reliability of its environmental management system. This system allows Piaggio to adopt a structured approach to defining environmental objectives and identifying risks and opportunities for improvement. It means it can guarantee compliance with all environmental laws and regulations, to reduce energy costs, manage waste and raw materials and put in place a process to continually improve its environmental performance.

At present, the Pontedera, Noale and Scorzè plants have ISO 14001 certification, and in view of the important results achieved, the Company is working to extend certification to its site at Mandello del Lario. All employees at the plants were given guidelines on an environmentally compatible conduct when certification was awarded and a specific training course for all area employees and supervisors was held.

Piaggio Vietnam expects to obtain ISO 14001 certification for its environmental management system by the end of 2010.

During periodic audits conducted in 2009 by the certification body, positive remarks were made on the excellent control of documents certifying conformity to legal requirements and the evident commitment of Environmental Managers to implementing the environmental management system.

Vendor qualification procedures are currently being revised, and information will be collected which is relevant for the Environmental Management System.

6.3 REDUCING ENERGY CONSUMPTION AND USING RENEWABLE ENERGIES

The structure of the Company's production sites has been designed to run on fossil fuels.

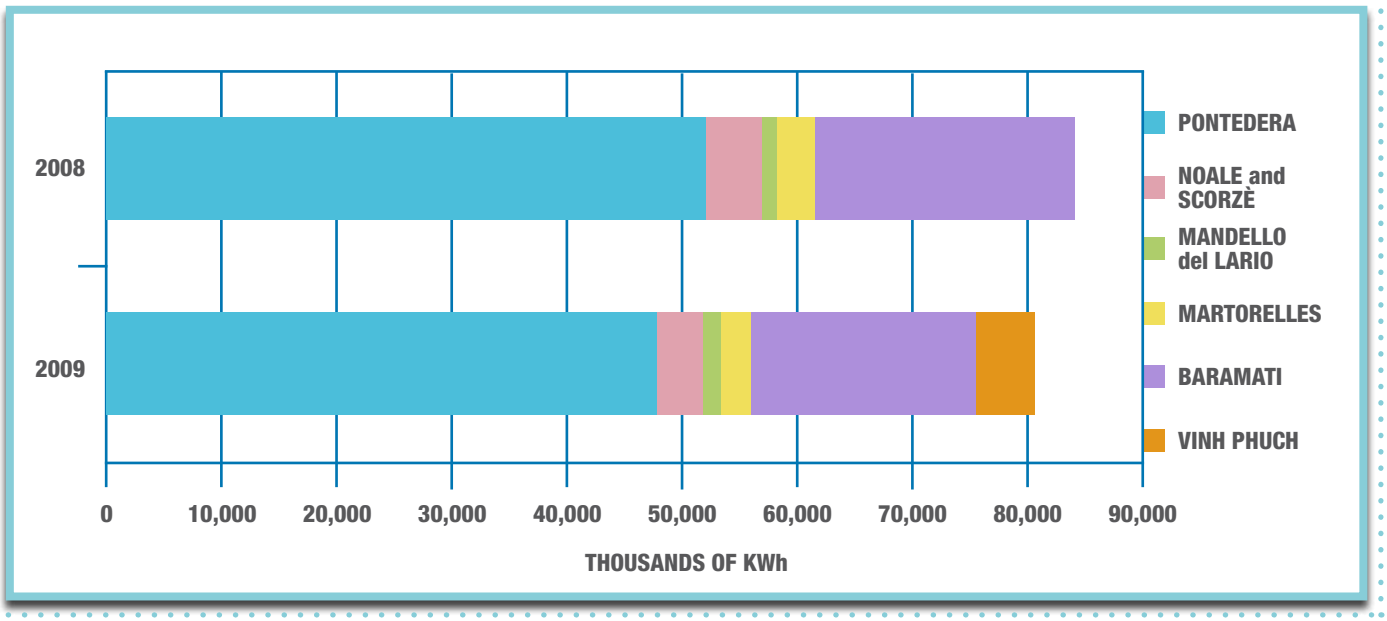
Compared to 2009-2008 data, energy consumption at all sites has decreased. This is partly due to smaller production volumes and partly to an optimised use of facilities. The considerable decrease in consumption at the Baramati site is associated with an increase in production and this is due to targeted actions such as rationalising the use of compressed air and replacing traditional light bulbs with energy efficient bulbs. Information on the Vinh Phuch site, included in this section, is affected by the site's production start-up date of 24 June 2009.

Energy consumption of production sites

		Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	Vinh Phuch	TOTAL
Electricity (Thousand KWh)	2009	47,037	4,990	967	2,421	20,551	5,922	81,888
	2008	51,194	5,438	1,282	3,633	23,078	0	84,625
	Delta %	-8.12%	-8.24%	-24.57%	-33.36%		100.00%	-7.25%
Methane/natural gas (Sm^3/l)	2009	7,011,986	454,297	158,779	37,031	-	-	7,662,093
	2008	7,246,302	555,212	229,600	106,058	-	-	8,137,172
	Delta %	-3.23%	-18.18%	-30.85%	-65.08%			-5.84%
LPG (tons)	2009					18	-	18
	2008	-	-	-	-	28	-	28
	Delta %					-35.71%		-35.71%
Diesel fuel* (litres)	2009	200				1,768,228	271,118	2,039,546
	2008	285	-	-	-	2,056,933		2,057,218
	Delta %	-29.82%				-14.04%	100.00%	-0.86%

* Light Diesel Oil and High Speed Diesel are assimilated to diesel fuel.

Consumption of electricity



6.4 REDUCING EMISSIONS OF CO_2 AND OTHER POLLUTANTS

CO_2 and Volatile Organic Compounds (VOCs) released by solvents used in painting are some of the most hazardous substances for air pollution generated by automotive operators. Although emissions of these pollutants have decreased considerably in the last few years, the use of technologies with less impact on atmospheric pollution and on water resources is being evaluated.

Projects were developed in 2009 and are currently in the evaluation or experimental application stage (e.g. replacing phosphatization products).

The replacement of two main boilers at the Pontedera plant in 2008 (reducing capacity from 70 MW to 31 MW) thanks to a better performance, considerably reduced fuel consumption and atmospheric pollution, as shown in the tables below.

Renovation work was carried out at the Mandello del Lario site during 2009, with the two heating units and two compressor rooms being refurbished. Condensation boilers were installed and consumption is expected to decrease. The new compressor rooms will also enable considerable energy savings, which will be evaluated when site renovation is completed.

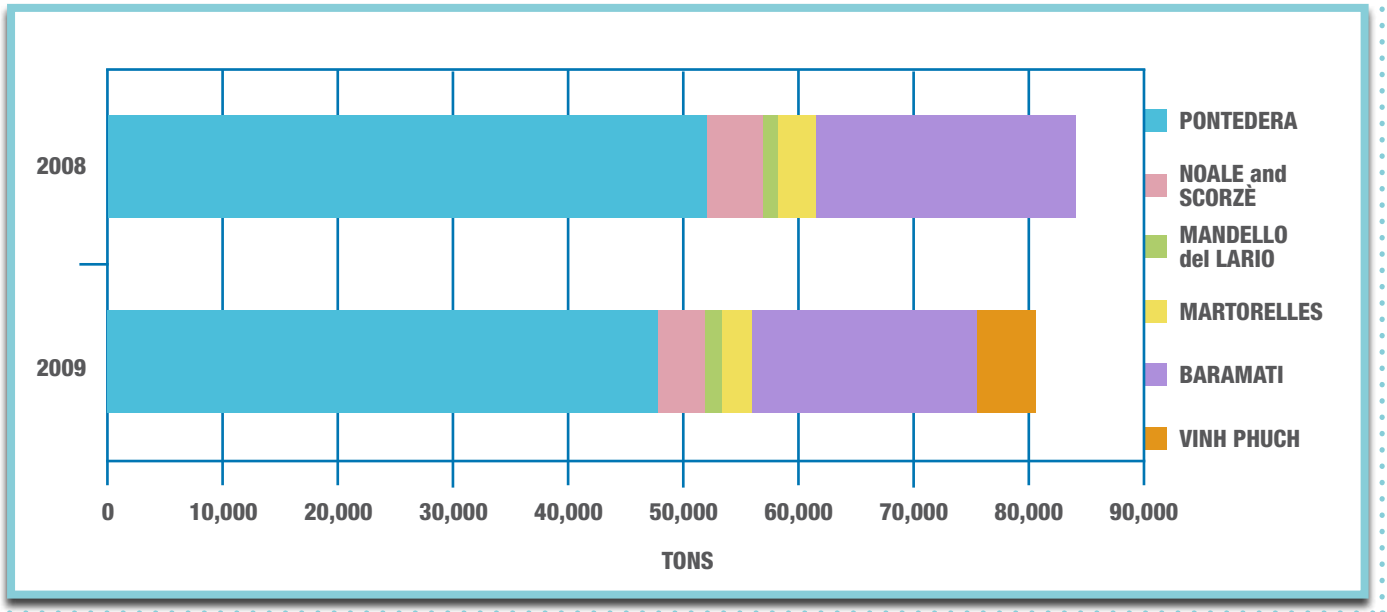
The considerable decrease in consumption at the Baramati site, associated with an increase in production, is due to targeted actions such as rationalising the use of compressed air and replacing traditional light bulbs with energy efficient

CO_2 emissions of production sites

		Pontedera	Noale and Scorzè	Mandello Del Lario	Martorelles	Baramati	Vinh Phuch	TOTAL
2009	CO_2 from direct sources*	13,653	900	309	73	4,716	714	20,365
	CO_2 (from indirect sources**)	34,619	3,673	712	1,782	15,125	4,358	60,269
2008	CO_2 (from direct sources*)	14,272	1,093	452	209	5,443	0	21,469
	CO_2 (from indirect sources**)	37,679	4,002	944	2,674	16,986	0	62,285
Delta %	CO_2 from direct sources*	-4.34%	-19.03%	-31.64%	-65.07%	-13.36%		-5.50%
	CO_2 (from indirect sources**)	-8.12%	-8.22%	-24.58%	-33.36%	-10.96%		-3.35%

* CO_2 emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG.
** CO_2 emissions deriving from the consumption of electricity.

CO_2 emission



VOC* (volatile organic compounds) emissions

VOC (Ton.)							
	Pontedera	**Noale and Scorzè**	**Mandello Del Lario**	**Martorelles**	**Baramati**	**Vinh Phuch**	**TOTAL**
2009	161	-	-	42	372	36	610
2008	180	-	-	47	274	-	502
Delta	-20			-6	98	36	109
Delta %	-10.92%			-11.86%	35.77%		21.64%

* Reported data are also based on processing using estimates.

bulbs, and replacing furnace and boiler pipes in the painting department.
The conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used to calculate emissions from diesel fuel, fuel oil and natural gas, while the conversion factor in the literature (3.2 tco_2/toe[7]) was used to calculate the CO_2 deriving from electricity.
With reference to CO_2 emissions, the industrial plant at Pontedera comes under the sensitivity area classification of the "Emission Trading" directive (Directive 2003/87/EC) which implements the Kyoto Protocol.
The site is classed as a "Group A" site, relative to companies releasing the lowest amount of CO_2 indicated in the Directive.
The monitoring and reporting of CO_2 emissions from the plant are governed by a specific Group procedure, which is periodically audited in-company and annually audited by a certification body.
A table summarising CO_2 emissions from Piaggio's plant at Pontedera for the year 2000 onwards is given below. Since 2005, amounts have been certified by a verification body accredited by the National Competent Authority (NCA).

CO_2 emissions ("Emission Trading" Directive) from the Pontedera site

Year	**2000**	**2001**	**2002**	**2003**	**2004**	**2005***	**2006***	**2007***	**2008***	**2009***
CO_2 tons equivalent	18,960	17,249	14,518	15,834	15,116	16,879	15,561	15,032	14,272	13,653

CO_2 emissions deriving from the combustion of methane and diesel fuel.
* Certified amounts

7 ENEA report on relations with regions: http://enerweb.casaccia.enea.it

6.5 CONSERVING WATER RESOURCES

Piaggio has always recognised the immense value of the natural resources it uses and has developed production processes designed to reduce water consumption. At its Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop. The inverters, which were installed in 2004 and 2005, have reduced consumption by more than 40%. The gradual reduction in water consumption over the years at all sites is general, even though structural work in the past and an optimised consumption make it difficult to decrease consumption even further. At the Baramati site, where an inverter was installed and leaks from water pipes were remedied, the decrease in water consumption may not seem particularly significant (-2.85%), however this was concurrent with an increase in production.

As regards the Martorelles plant, the considerable decrease in water consumption in 2009 (-50%) is mainly due to the reduction in production volumes.

As regards waste water, environmental respect is ensured with processes to treat and purify waste water. At Pontedera, Piaggio is taking steps to separate a part of the sewers at the plant, so that waste water from the painting and oil recovery plants will be directly conveyed to the purification plant. Although the public authorities still have to indicate the specific delivery point, Piaggio has launched the project, building 500 metres of sewers in 2006. Works are scheduled for completion as soon as the authorities identify the purification plant to treat the waste.

The handling of waste water, at each production site, is outlined below:

- **Pontedera:** all industrial and most non-industrial waste water is conveyed to a chemical/physical purification plant outside the site. After biological treatment, the waste is discharged into an open channel. A small part, from toilet facilities of the two site areas, is directly conveyed to the public sewer system;
- **Noale:** all buildings are connected to the public sewer system. The waste water is of a non-industrial origin only (from toilets and the site canteen);
- **Scorzè:** the plant is not served by the public sewer system, so waste water is biologically purified on site and then conveyed to the local Rio Desolino canal;
- **Mandello del Lario:** the plant discharges a part of waste water directly into the public sewer system (non-industrial waste water, canteen waste water, etc.), while waters used in the cooling plants are discharged into the Torrente Valletta stream;
- **Martorelles:** the plant pre-treats waste before it is conveyed to the local authority industrial waste water purification plant;
- **Baramati:** waste water is treated and used for irrigation purposes.
- **Vinh Phuch:** the site has a chemical/physical purification plant to purify pre-treated waste from painting operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent.

6.6 WASTE HANDLING AND RECOVERY

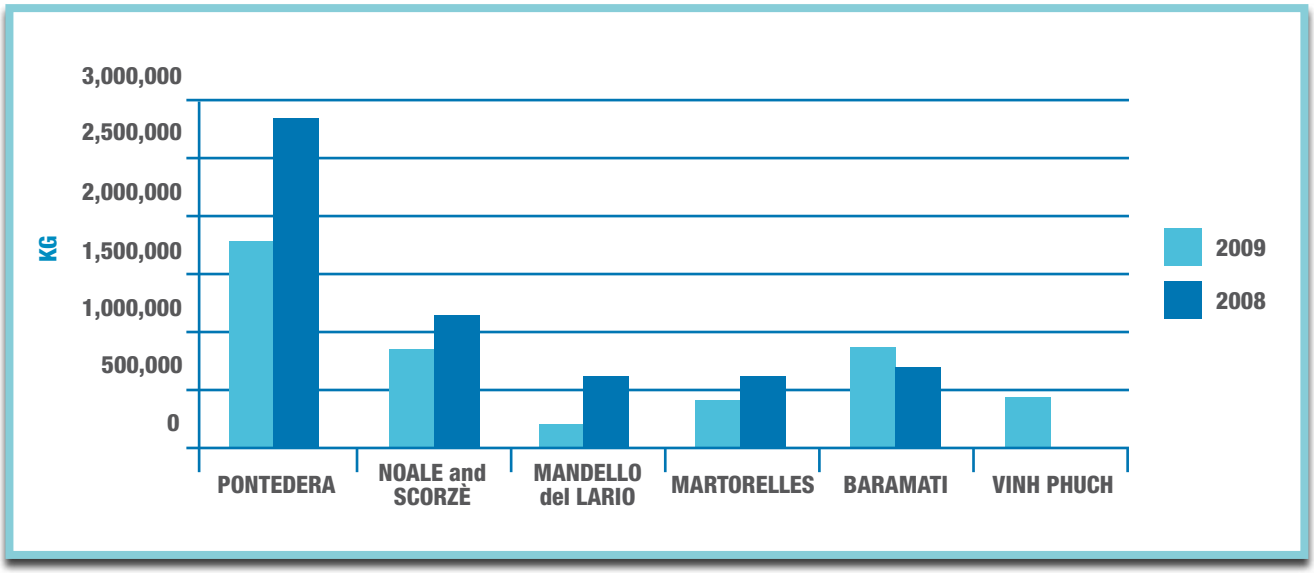
Where possible, the Piaggio Group tries to recover rather than dispose of waste and, reconditioning and reuse have been a common practice at all sites for several years now. The Company is also committed to using environmentally compatible processes and technologies that can reduce the production of waste. Moreover, it has a priority objective of further increasing its recovered waste/disposed of waste ratio. Sites with an environmental management system have procedures in place to facilitate waste disposal and recovery, thus avoiding operations that are harmful for the environment or that may affect activities. At all other sites, general

Water procurement (m^3) of production sites

		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuch	TOTAL
2009	Water from wells	537,778	3,540	85,402	7,204	-	-	633,924
	Water from the mains	73,561	10,267	2,569	4,928	370,890	40,433	502,648
	Total	611,339	13,807	87,971	12,132	370,890	40,433	1,136,572
2008	Water from wells	586,283	1,771	89,897	19,143	-		697,094
	Water from the mains	65,956	14,822	2,415	5,149	381,766		470,108
	Total	652,239	16,593	92,312	24,292	381,766		1,167,202
Delta %		-6.27%	-16.79%	-4.70%	-50.06%	-2.85%		-2.62%

indications are based on the above mentioned procedures and modified to take into consideration applicable local regulations.
Compared to 2009-2008 data, the production of waste has gone down, with the exception of India. This decrease is partly due to lower production volumes and partly to contingent situations at individual sites. For example, some production lines were decommissioned at Pontedera in 2008, with large amounts of material to be demolished. At Mandello del Lario, renovation works began in 2009, with production downtimes and a decrease in the waste produced.
At Martorelles the significant drop in the amount of waste produced is mainly due to a reduction in production volumes.
At Baramati, the increase in waste is connected to the increase in production volumes during 2009 (+15.1%).

Waste disposed of (kg)



Waste disposed of at Piaggio Group production sites in 2009

	Unit of measure-ment	Pontedera	Noale and Scorze'	Mandello del Lario	Martorelles	Baramati*	Vinh Phuch	TOTAL
Hazardous waste	Kg	286,198	46,793	6,782	46,469	149,383	284,520	820,145
Non-hazardous waste	Kg	1,501,120	878,275	192,800	371,108	716,315	163,324	3,822,942
Total waste	Kg	1,787,318	925,068	199,582	417,577	865,698	447,844	4,643,087
Waste to be recovered	Kg %	1,520,840 85.1	779,984 84.3	193,502 97.0	316,828 75.9	488,974 56.5	219,844 49.1	3,519,972 75.8
Waste to be disposed of	Kg %	266,478 14.9	145,084 15.7	6,080 3.0	100,749 24.1	376,724 44.5	228,000 50.9	1,048,543 24.2

* Reported data are also based on processing using estimates.

Waste disposed of at Piaggio Group production sites in 2008

	Unit of measure-ment	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati*	TOTAL
Hazardous waste	Kg	368,141	23,397	40,162	134,479	119,100	685,279
Non-hazardous waste	Kg	2,467,270	1,142,478	577,730	522,066	562,460	5,272,004
Total waste	Kg	2,835,411	1,165,875	617,892	656,545	681,560	5,957,283
Waste to be recovered	Kg %	2,475,892 87.3%	1,089,678 93.5%	609,006 98.6%	435,204 66.3%	347,100 50.9%	4,956,880 83.2%
Waste to be disposed of	Kg %	359,519 12.7%	76,197 6.5%	8,886 1.4%	221,341 33.7%	334,460 49.1%	1,000,403 16.8%

* Reported data are also based on processing using estimates.

VIETNAM THE NEW SITE

On 24 June 2009, Piaggio Vietnam Ltd. opened its new site in the province of Vinh Phuc to manufacture 125cc and 150cc Vespa LX scooters.
The site was built and fitted out in under two years, with an investment of over 30 million US dollars. The plant will be able to manufacture 100,000 scooters a year at full capacity, and increase this figure two fold.
The new site is the result of effective cooperation between the Italian and Vietnamese governments and between Piaggio and national and local authorities.
Facilities were designed to minimise social and environmental impact and considering the standard of working conditions, pollution prevention and reduction and health and safety.
The site is located in a well-developed industrial area, near large cities.
The land where it was built was granted as a concession by the local authorities.
The project has had no impact on biodiversity, the local population or cultures.
In its design of the new site, Piaggio Vietnam focused on preventing pollution and conserving resources. It has achieved energy saving and a sustainable use of water through an adequate design of facilities, maximising the conservation of energy, water and materials (including re-use and recycling).
The Company has adopted environmental and Company management systems and set up a team dedicated full time to the environment, health and safety, guaranteeing fair, safe and healthy working conditions for employees and temporary workers.
The Company monitors emissions, air quality, working conditions (temperature, noise and humidity), water and energy consumption and waste production every three months.
It procures water treated by the industrial

area authorities and further processes it with its deionising osmosis system, for use in the painting cycle. Average water consumption is approximately 200 m^3 a day.

The process generates 100m^3 waste water a day, which is then treated on site and used as cooling water and for gardening.

Sludge is conveyed to authorised collection centres, while waste water is discharged into the sewage system for further treatment at the local purification plant.

Piaggio Vietnam has to comply with stringent regulations on the storage, handling and sale of hazardous materials used in production processes, such as paints, solvents, sludge and other chemical additives.

Hazardous waste is transferred to authorised centres, as required by law.

Packaging material and metal waste are sold as material to be recycled. Adequate controls are carried out during storage, and the processing and amounts of solid waste produced and transported off site are routinely monitored and recorded.

The plant uses several local suppliers. Each scooter produced by Piaggio Vietnam consists of around 200 components. 90% of these are sourced from around 44 suppliers based in Vietnam.

The engines are supplied by a Chinese manufacturer which is assessing the feasibility of opening sites in Vietnam.

All local suppliers sign a Piaggio certification system concerning aspects such as conformity, quality and the environment.

Piaggio Vietnam will develop and document a programme of commitments, to formalise and consolidate its work for the community. It will be able to adopt a proactive role with local communities and establish the foundations for long-lasting and successful relations. This will also help boost the image of the Company and its operations in the eyes of the local community.

7 THE VALUE OF PEOPLE AT PIAGGIO

People are the bedrock of the Piaggio Group's competitive ability. The asset represented by their knowledge, capacity and passion for Piaggio products is fundamental to maintaining Piaggio's image and reputation on the market. The focus of people - working individually and as a team - on results, customer satisfaction, innovation and anticipating market needs is the main driver behind the leadership and value created for customers and the Company.

This is why Piaggio makes people central to its organisation and why respecting and safeguarding its people are primary objectives.

The overall number of employees in the Group increased in 2009 by 17.6% compared to the previous year. This is mainly due to the opening of the new production site in Vietnam and increased demand on the Indian market, which led to the Group taking on more staff in these areas.

Figures on the number of employees at the end of the year are not indicative of the average number of staff, as data are affected by seasonal contract workers appointed during the summer. In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.

The average number of employees is therefore historically higher than the average number at the end of the year, with the same scope of consolidation. However this was not the case in 2009, as the majority of Piaggio Vietnam employees were taken on in the second quarter of the year and because growth on the Indian market took place in the second half of the year.

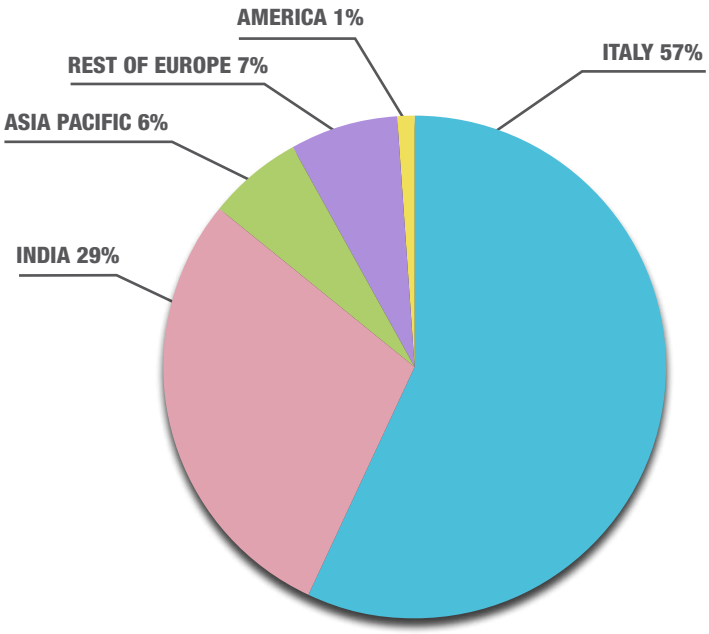
In 2009, in Italy, the Company employed 3,121 people at Pontedera, 876 at Noale and Scorzè and 134 at Mandello del Lario, the legendary production site of Moto Guzzi.

Compared to the 2008 Report, data by geographical segment includes data for Spain under the item "Rest of Europe".

Company employees by geographical segment as of 31 December

	2009	2008
Italy	4,131	4,269
Rest of Europe	535	561
Americas	64	68
India	2,126	1,205
Asia Pacific	444	105
Total	**7,300**	**6,208**

Personnel by geographical segment - 2009



Company employees by qualification as of 31 December

	2009	2008
Executives	109	112
Middle Management	441	430
White collars	2,063	1,995
Blue collars	4,687	3,671
Total	**7,300**	**6,208**

Average number of Company employees by qualification

	2009	2008
Executives	111	111
Middle Management	433	429
White collars	2,039	1,967
Blue collars	4,565	4,797
Total	**7,148**	**7,304**

7.1 PERSONNEL MANAGEMENT POLICIES

Personnel management policies are guidelines and a common reference for individual and collective behaviour, and aim to establish and disseminate within the Company a "better way" of managing resources, "steering" them towards excellence.

The policies as a whole and individually have a dual aim:

- *increase people value*: people are the first and most important "intangible asset" of the Company, and policies steer management towards investing in the advancement of people, in fully valuing and safeguarding their know-how;
- *increase value for people*: people are recipients of a "value proposal" which must inspire and motivate them to do their best, so that they see their contributions awarded and their expectations and aspirations met.

In this framework, Piaggio has developed personnel management policies that underline the value of respecting individuals, that aim for equal treatment and exclude all types of discrimination, and in particular discrimination against gender, age, nationality, ethnic origin, ideology and religious beliefs, and that are in accordance with laws, contract obligations, practices, uses and customs of each country where Piaggio operates.

PERSONNEL MANAGEMENT POLICIES

- Recruitment and internal mobility policy
- Communication and dialogue policy
- Employee appraisal policy
- Specific competencies development policy
- Professional development and career policy
- Training policy
- Rewards policy
- Strategic employees' policy
- Industrial relations policy
- Competitive organisational policy

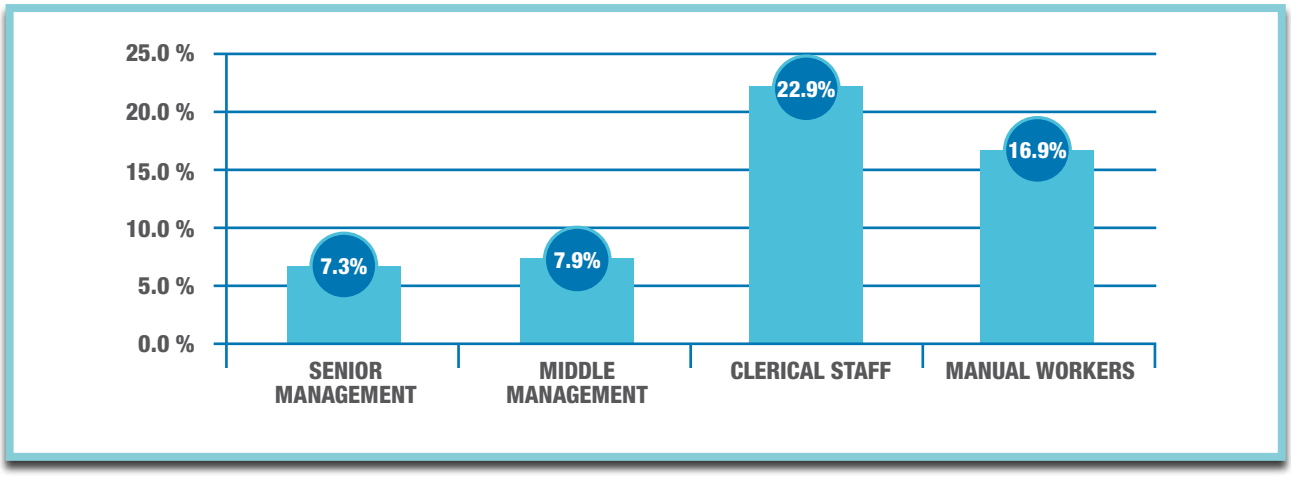
These Company policies are accompanied by flexible work strategies to promote a healthy work/home balance, initiatives to employ disabled persons and more generally all activities that promote intercultural dialogue, as well as access to services and fair treatment which is above employee diversity.

Diversity is a particularly important issue within the Group, as reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect diversity within the Company.

7.1.1 Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. They account for a significant percentage of white collars (nearly 23%) and blue collars (nearly 17%), and a lower percentage of higher-ranking positions.

Percentage of women accounting for the workforce in Italy



Male and female employees by geographical segment as of 31 December

	2009		2008	
	Male employees	Female employees	Male employees	Female employees
Italy	3,050	1,081	3,206	1,063
Rest of Europe	435	100	464	97
Americas	45	19	49	19
India*	2,104	22	1,190	15
Asia Pacific*	360	84	77	28
Total	**5,994**	**1,306**	**4,986**	**1,222**

*2008 data on India and Asia Pacific in the table differ from data in the 2008 report, due to the different classification used

Company employees by contract type (fixed-term and open-ended contracts) and geographical segment as of 31 December

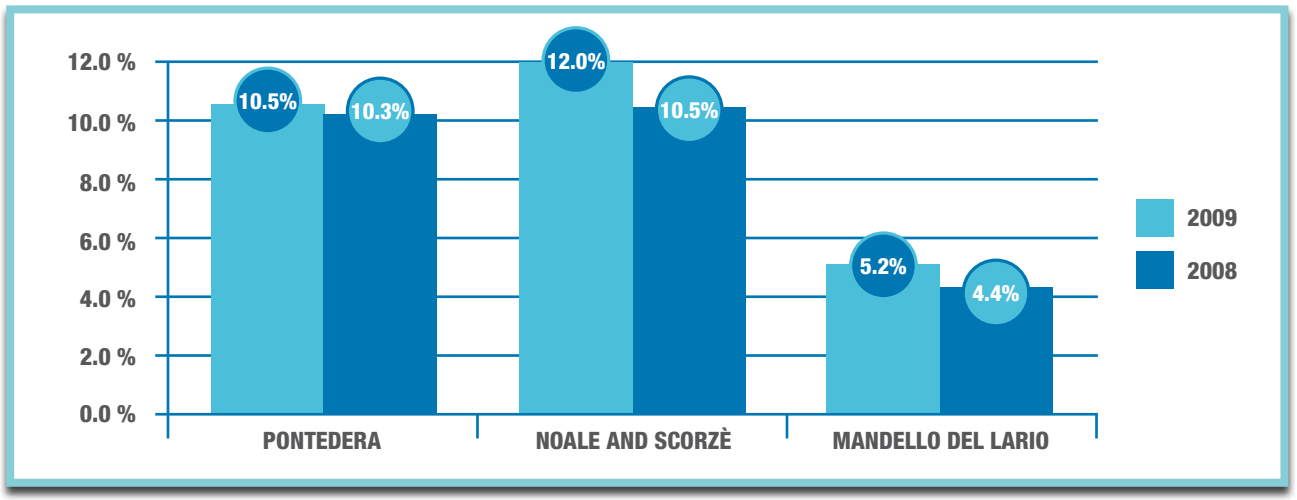
	2009		2008	
	Fixed-term contract	Open-ended contract	Fixed-term contract	Open-ended contract
Italy	20	4,111	27	4,242
Rest of Europe	0	535	4	557
Americas	1	63	2	66
India*	866	1,260	312	893
Asia pacific*	134	310	0	105
Total	**1,021**	**6,279**	**345**	**5,863**

*2008 data on India and Asia Pacific in the table differ from data in the 2008 report, due to the different classification used

Piaggio's aim over the next few years is to increase its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years and are becoming increasingly popular with employees.
In 2009, 444 employees were working an alternative to full-time hours in Italy. In particular, more than 3% of the work force was employed on a part time contract, and over 7% on a job share contract.

The promotion of part-time and job share contracts in Piaggio has undoubtedly helped working mothers who want to spend more time bringing up their children or on family commitments.

Percentage of part-time staff out of all employees in Italy



7.1.2 Young employees

Most Company employees are in the 31 - 40 years age bracket and this is a fundamental condition for more expert staff, capable of taking the initiative and handing down the skills they have learnt, to disseminate their knowledge and expertise to younger, enthusiastic employees.

Company employees by age bracket as of 31 December

	2009				Totale
	up to 30	31-40	41-50	> 50	
Executives	-	17	48	44	109
Middle Management	3	149	182	107	441
White collars	471	806	464	322	2,063
Blue collars	1,633	1,256	912	886	4,687
Total	**2,107**	**2,228**	**1,606**	**1,359**	**7,300**

In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as laws in force in the geographic areas where it operates. Piaggio does not promote child or forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

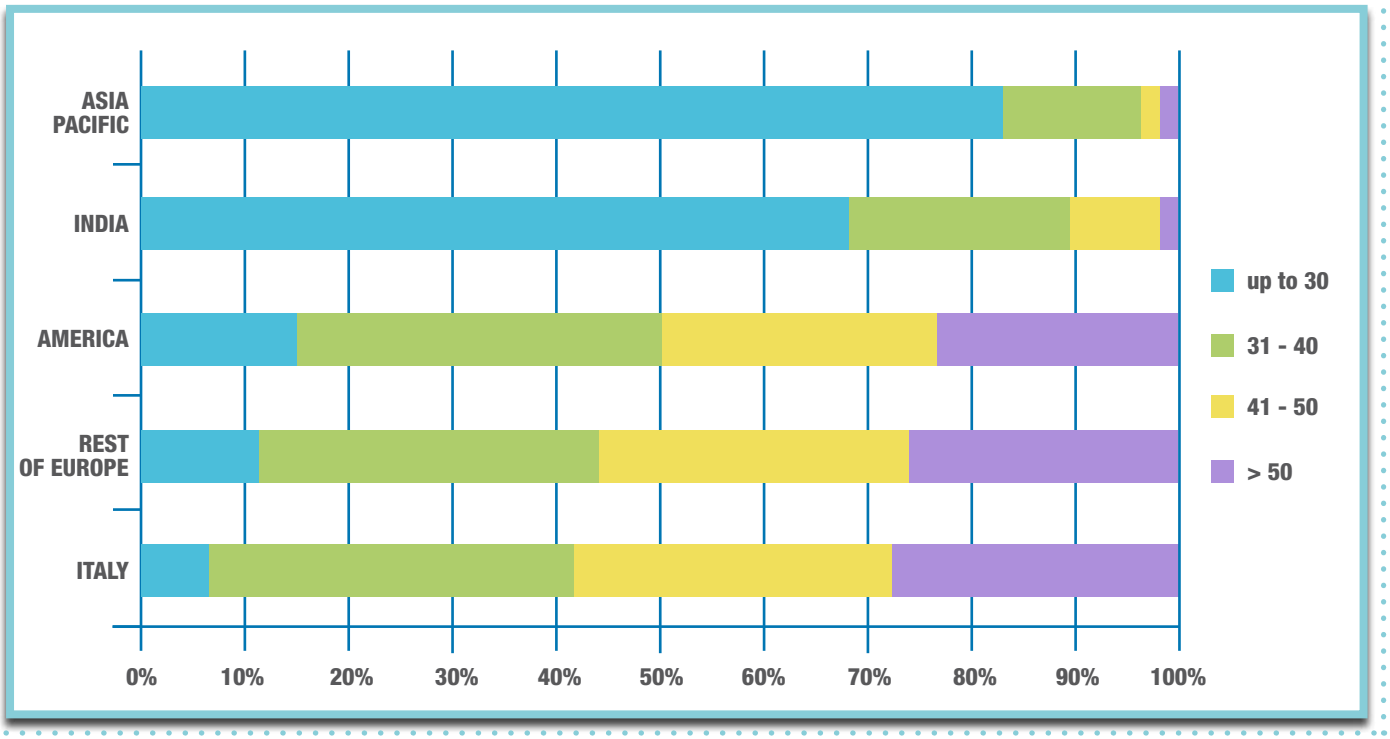
7.1.3 People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex.

Piaggio's supplementary Company contracts in Italy facilitate the recruitment and integration of people with disabilities, also through defining and applying a specific Company procedure. In agreement with trade union organisations and laws in force, which require companies to employ a certain number of people with disabilities, the Company has forged alliances with social cooperatives, convinced that work can contribute to personal development.

In 2009, 171 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the graph shows that people with disabilities account for 5% of the total work force at Pontedera and Mandello del Lario.

Distribution of company employees by age group - 2009



Employees in Italy classified as protected categories (pursuant to Law 68/1999) as of 31 December

	2009				2008			
	Middle Management	White collars	Blue collars	Percentage accounting for total employees	Middle Management	White collars	Blue collars	Percentage accounting for total employees
Pontedera	1	11	142	4.93%	2	13	143	5.07%
Noale and Scorzè	1	0	9	1.28%	1	2	11	0.45%
Mandello del Lario	0	1	6	5.22%	0	2	8	0.32%
Total	**2**	**12**	**157**	**4.14%**	**3**	**17**	**162**	**4.26%**

Note: figures for Pontedera also refer to other (non-production) sites of the Company in Italy

STAFF EVENTS

Piaggio fully recognises the value of people and offers its employees numerous, non-work related initiatives.
Its main event, which has been held each year since 1995 (also involving the Aprilia and Moto Guzzi plants in Italy since 2005) is its Christmas open day for employees and their families.
The passion of Piaggio's employees goes well beyond Italy. The Indian subsidiary organised numerous initiatives and

- include "Diwali" the "festival of lights", celebrated throughout the country with lights and firework displays. Piaggio Vehicles Private Limited, the Group's Indian Company, has been celebrating Diwali with its employees and their families for some time now, strengthening its relationship with its staff. Each year, employees and their families meet at Pune and Baramati, to enthusiastically take part in the symbolic "lighting of the lamps" and handing out of sweets and cakes at a venue resplendent with "diyas" (the traditional oil lamps) and "rangoli" (coloured floor designs).
- In June 2009 an Annual Ceremony was held awarding books and prices to the children of workers who had excelled in various sports.
- In July 2009 a *"Children's Scholarship Award"* was held for the children of Piaggio Vehicles Private Limited employees in years 10 - 12 at school, with the three best students in each year receiving an award.
- During the year, the Company also organised a two-day work orientation event for children of staff at Baramati and Pune in years 8 - 12 at school. The children did aptitude tests to rate their cognitive, reasoning, figurative, spatial, verbal and social skills, and memory and mathematical literacy. Results were then analysed by a consultant with the student and his/her parents.

7.2 DEVELOPING HUMAN CAPITAL

Human resources in terms of professional skills, know-how, knowledge of products, customers and what constitutes satisfaction, along with a capacity to keep abreast of and adapt skills to changing technologies and market needs, is the only real guarantee that Piaggio can keep producing consistently high quality results. The concepts of "skill" and "being skilled" mean having understood and developed " how " to achieve a truly outstanding result. And this is what Piaggio means when it refers to "skills as fundamental Company assets" to be identified, documented, protected, disseminated and developed.

7.2.1 Management and Skills Model

Being "skilled" is fundamental for achieving individual performance and a Company's competitive edge. Developing the specific skills required by a changing business and market is an absolute priority and this is why skills are an essential reference and cornerstone of all human resources management processes.

The Company has therefore decided to adopt, document and disseminate a "Management Model" designed to develop excellence and competitiveness within Piaggio, based on a widely adopted managerial behaviour geared towards generating perceived value for all stakeholders.

The Management Model was created to provide a clear reference and encourage better individual and collective managerial behaviour. The model is a sort of "platform" for the key processes and tools used by the Company in its intent to transform behaviour and its managerial culture. The Model has already been used in this context to introduce Piaggio's "Skills Model " and tools for improving and developing behaviour.

7.2.2 Training

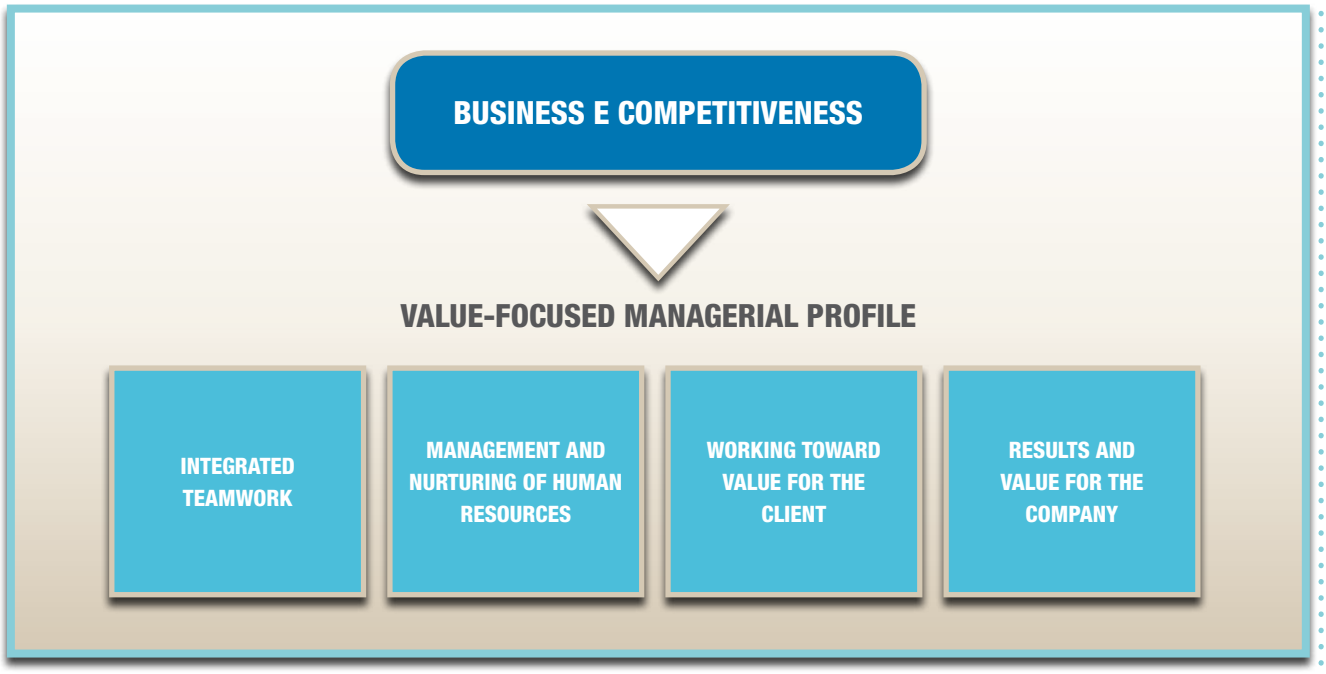
The priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focussed on competitive excellence.

Training addresses all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the Company's development and its evolving corporate culture.

In this framework, the training system includes a technical/specialist training plan and a Company training plan. The first plan is based on the requirements and needs of individual Company functions, and aims to improve specialist knowledge of roles and/or professional families. The second plan is for specific Company groups/categories (for example Executives, Middle Managers, Key People, Young Graduates), and in particular it:

- develops skills of *new graduate recruits*, consolidating their abilities to deal with critical innovation and organisational change processes;

The Piaggio Management Model



- provides *middle managers and executives* with training and methodologies to manage results and organisational resources;
- values *talented* resources with specific initiatives for their professional advancement.

2009 was an important year for training, with 15,242 hours provided in Italy for the entire Company workforce, compared to 7,882 hours in 2008, divided into different segments / areas.

2009 TRAINING PROGRAMMES
• Company Programme for Executives • Company Programme for Middle Managers • Company Programme for New, Young Recruits • Talent Development • Specific Training Measures • Managerial Training • Technological/Professional Training • Language Courses • Training with Company Trainers • Distance and e-learning

7.2.3 Performance appraisal and reward policies

The purpose of the performance appraisal process is to clearly inform all Piaggio staff of the procedures and aims of appraisals concerning their work, professional competencies and potential.

The process, which periodically involves all Middle Managers and Executives, is based on the following:

- Staff Performance Appraisals;
- Management by Objectives (MBO);
- Performance Management.

Generally speaking, reward policies aim to remunerate people and their contributions based on criteria of competitiveness, fairness and merit that are clearly perceived and motivate and retain the best people who contribute most to the Company's business and its results.

7.2.4 Career paths and succession plans

Professional career policies pursue the development of strategic Company resources in line with the evolution of the organisation and with strategies defined to compete on the market and create a portfolio of resources ready to take on key positions.

In this context, Management Review is an appraisal process used by Piaggio to:

- determine the adequacy of managerial resources, in terms of quality and quantity;
- monitor current and future coverage of key organisational positions;
- guarantee an adequate development path for resources with greater potential;
- create a portfolio of skills and resources which the Company can draw on when establishing consequent management and development initiatives.

Management review output includes "succession charts" which show the real possibilities the Company has of replacing holders of key Company positions with internal resources in the short, medium and long term.

7.2.5 Key People project

The Key People project, which identifies, manages and develops talent, was launched at the Group's Italian headquarters in 2005, with the following objectives:

- attract and retain the best resources;
- maintain and consolidate Company skills;
- support the development and advancement of Company talent, creating a precious pool of resources earmarked as the Group's future managers.

The process starts with the selection of Company talent,

TRAINING FOR PIAGGIO VEHICLES PRIVATE LIMITED MANAGERS

The Indian subsidiary Piaggio Vehicles Private Limited organised a workshop on "Company success and personal" for its managers in 2009, to help them maximise their potential and that of the organisation.
Participants tackled numerous topics such as identifying goals, self-motivation and a positive mental attitude, and were also encouraged to apply the techniques learnt and to adopt a road map and detailed plans to achieve Company and personal goals.

divided into four areas, based on experience, ability and potential:

- Young Talent: younger candidates up to 32 years, with high performance and potential levels;
- Professional Talent: professionals with a high experience and performance levels, and potential to manage work teams;
- Managerial Talent: managers responsible for organisational activities or units, with high performance management experience;
- Know How Holder: high-performance specialists with know how that is critical for the Company.

The Key People project went European-wide in 2009, based on the same methodologies as those adopted for Italy, while it was consolidated in Italy, with actions targeting high-level training and the definition of career paths for key people.
In 2010, the project will pursue internationalisation and the integration of talent, gradually extending to Group sites worldwide and incorporating some important changes.

7.3 PERSONNEL DIALOGUE AND INVOLVEMENT

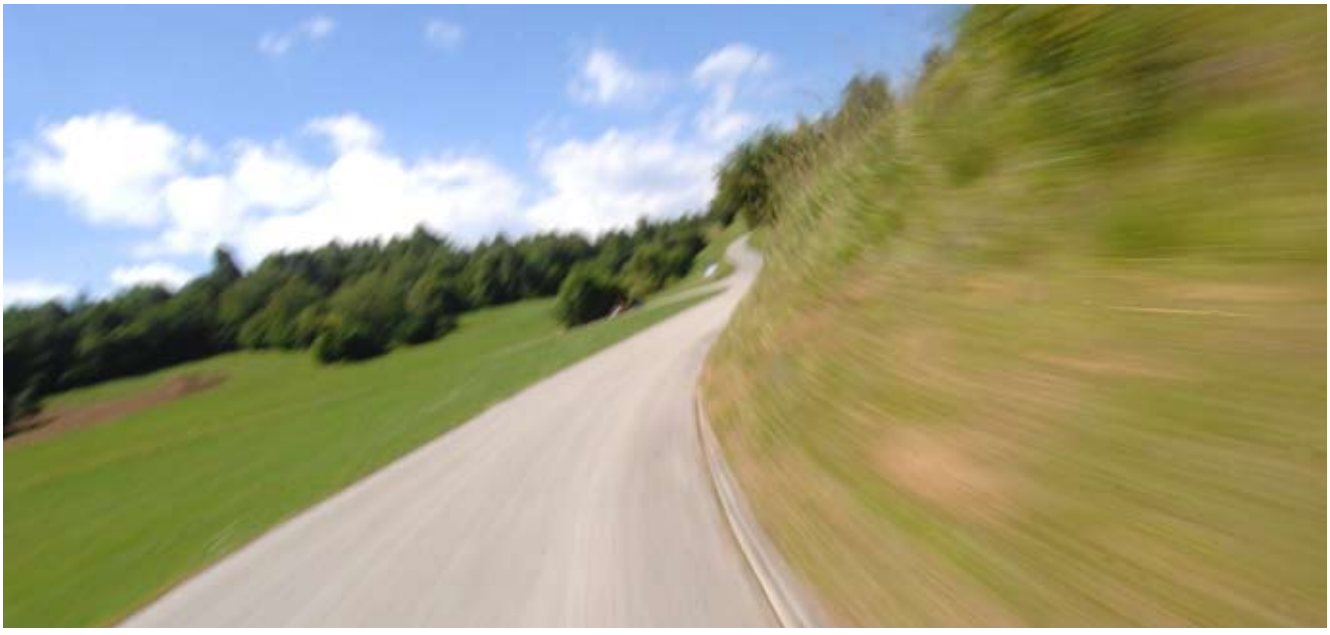
Piaggio's communication and dialogue policy aims to create a two-way dialogue between the Company and people to convey and make clear to everyone messages and information that are fundamental for understanding the Company's direction and objectives, and for listening to people. The final goal is to establish and improve employee motivation over time, so that everyone channels their energies in the same direction as that of the Company.
In this framework which integrates different social and cultural contexts, numerous two-way, top-down and bottom-up communication tools are used.

Two-way communication tools include:

- "PiaggioNet" Intranet: with information and services for personnel (for example Company news, personal data, work attendance management, employees' second-hand network etc.). In 2009, the Group's Intranet portal published 687 news items on its home page, and had 65,358 hits.
- Piaggio InfoPoint: web points, which may be accessed by blue collars using their Company badge, to log on to the "PiaggioNet" Intranet and use its services (reading news, checking labelling, sending messages to Company contacts, etc.).
- PiaggioNet International the most recent development of the Company Intranet, with contents and news published in Italian and English, for employees of the Group's European and US sites. Plans have been made to extend the PiaggioNet International service to the Group's Asian sites.
- Web Mail service: a Company messaging system to promote bottom-up communication among employees and Top Management. All Piaggio employees may send messages to Function Managers and receive replies in their personal web inbox.

Top-down communication tools include:

- P&Co – Piaggio and Company Group Edition: a Company bulletin published every three months in Italian and English and distributed in Italy and abroad.

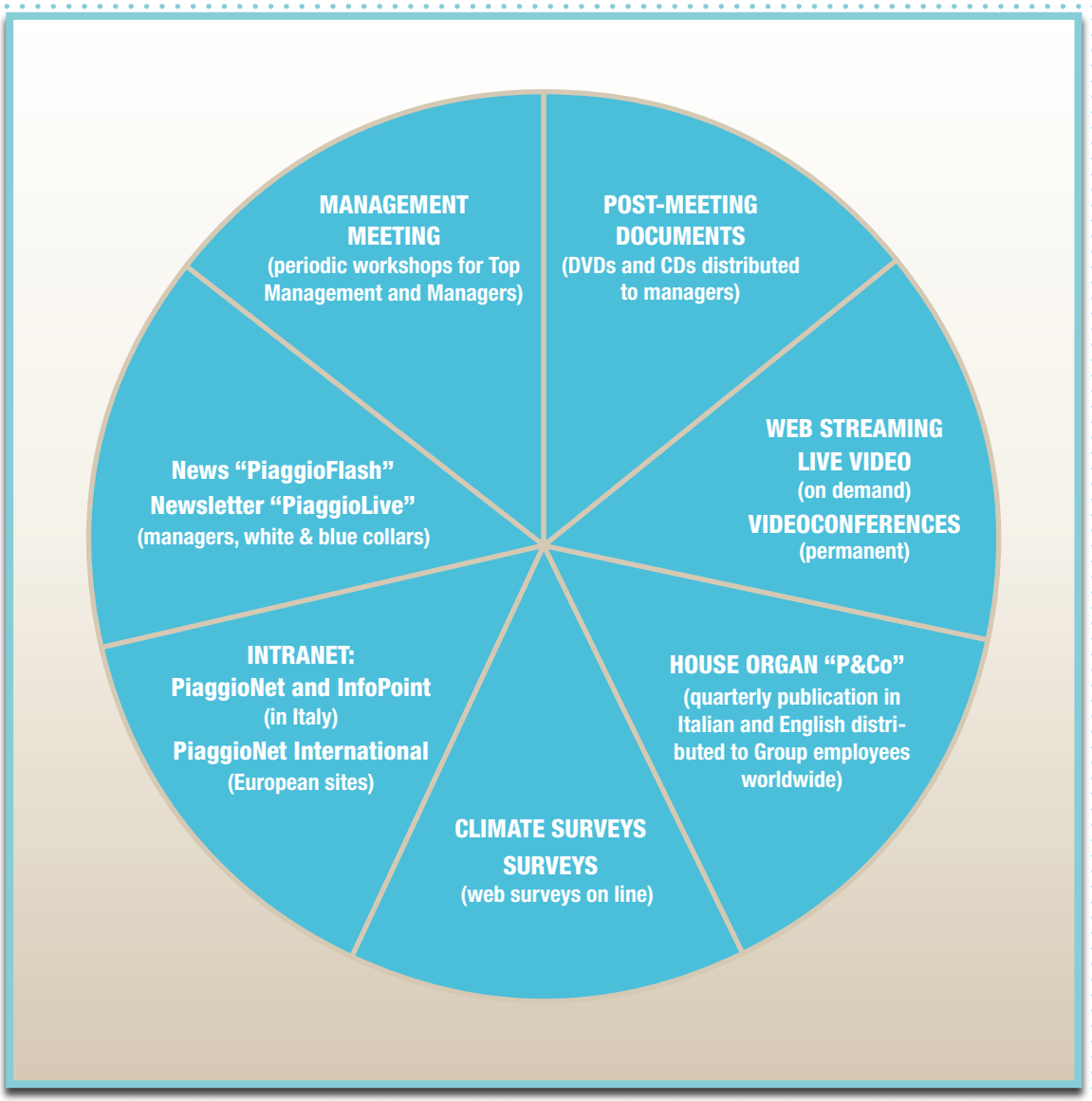


- PiaggioFlash: a newsletter distributed to the Piaggio Group's Italian sites, with information on promotions for employees and Company events.
- Piaggio Live: a multilingual newsletter distributed in Italy and abroad.
- Management meeting: periodic top management workshops with the management team on the general trend of the Group and its main strategies and guidelines.

Dialogue and bottom-up communication:

- In-company focus groups: periodic focus groups on issues of interest to the Company. In 2009, during the management meeting held at Is Molas (Sardinia) - which brought together 130 managers from 12 nations – a workshop was held with participants working in international and interfunctional teams. The teams discussed the six strategic issues inspiring the theme of the Company convention "2009-2012 Strategic Plan: Development Drivers". The results and proposals made were then presented to top management during a plenary session.
- Quick Company surveys: conducted periodically to obtain employees' opinions on specific issues. During the Is Molas management meeting, in 2009, an online web survey was held to obtain feedback on the event, which was based on an innovative format (with speeches, work team sessions, speeches by external guests followed up with debates).

Piaggio Group's internal communication tools



MANAGEMENT MEETING AT IS MOLAS

On 18-19 September 2009, the international meeting "2009-2012 Strategic Plan: Development Drivers" was held at Is Molas in Sardinia, attended by 130 managers from Italy, other European countries, India, Vietnam, China, Singapore, Japan and the United States.
The event was based on an innovative formula with speeches and work team sessions. Managers were split into interfunctional work teams to share ideas and proposals on six strategic issues.
Roberto Colaninno, the Chairman and Chief Executive Officer, also gave an address, followed up by presentations of work teams by team leaders.
The speech by Gianni Rotta, editor of the financial daily "Il sole 24 ore" was appreciated in particular and focussed on the profound changes taking place in the information and communication industries throughout the world due to the development of new technologies and increasing customer demands.

7.4 HEALTH AND SAFETY

Safeguarding and improving the health and safety of workers is integral to the Piaggio Group's operations and strategic within the framework of its more general objectives. In particular, the Group has taken concrete actions for:

- *continual developments for a safer working environment*: all aspects concerning the safety of the work environment and equipment and tools needed to carry out daily activities are considered, starting from defining new activities or revising existing ones;
- *safer behaviour*: all workers are trained, informed and familiarised, to carry out their work safely and undertake their occupational health and safety obligations; the Company achieves safety objectives through assigned duties and competencies.

Over the last decade the accident frequency index[9] has decreased considerably to a minimum value of 2.4. This is the result of activities over the last few years, ranging from the further dissemination of a safety culture, new process risk analysis and reduction methodologies and technical improvements for plants.

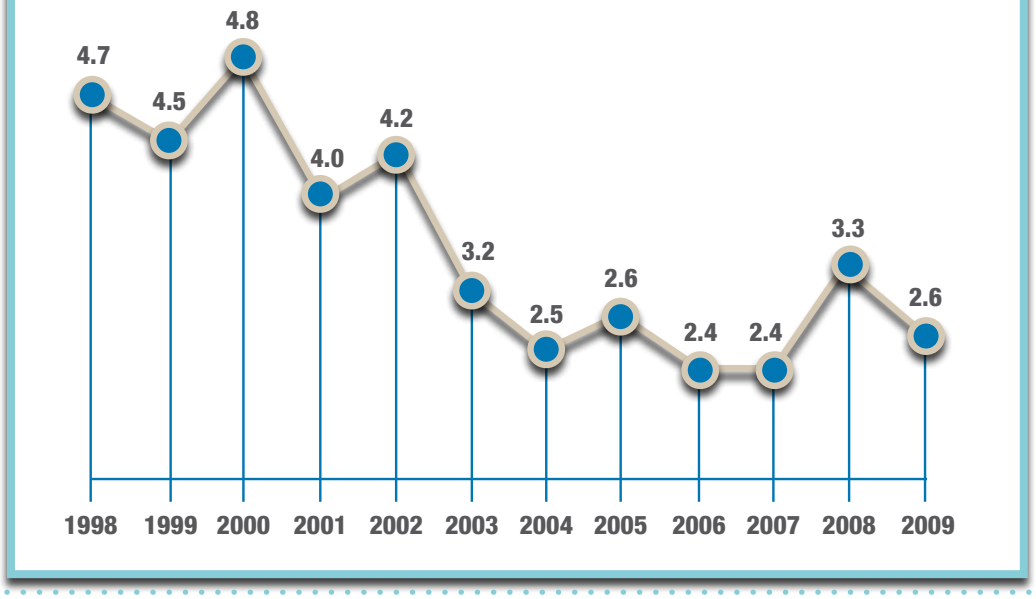
9 The accident frequency index, calculated as defined by UNI standards, indicates the number of accidents occurring per one million hours worked.

Accident frequency index (for Italy and Spain)

Group sites	2009	2008	2007
Piaggio (Pontedera)	2.6	3.3	2.4
Aprilia (Noale, Scorzè)	1.3	1.7	2.6
Moto Guzzi (Mandello del Lario)	1.2	3.3	3.3
Derbi (Martorelles)	2.7	2.0	2.0

In 2008, the accident frequency index, for the Pontedera plant only, registered an anomalous increase. This went against the trend of a decreasing index in the last decade.
Consequently, corrective actions were taken in the last part of 2008 to achieve figures in line with expected indexes. Training and information were stepped up, particularly for worker categories where a greater accident frequency index had been registered. This enabled the index to be realigned, as shown in the graph.
The table below shows the accident frequency index between 2007 and 2009 at European production sites.
A system to trace Company injuries/accidents is available on the Company's Intranet, in order to monitor accident trends. The system also supplies an important Company database which is used to accurately analyse causes of accidents and consequently help identify improvement meas-

Trend of the accident frequency index in the last decade in Italy



ures to decrease their frequency and severity. To guarantee the highest standards of occupational health and safety monitoring and undertaking of responsibilities, Piaggio has established an organisational structure in Italy, which also conforms to relevant laws in force, with five Employers appointed for Company areas and a group of managers and designated persons, supported by Prevention and Protection Service Managers and Company Doctors. Moreover, Workers' Safety Representatives are present in all Company areas.

The safety management automation process taking place over the last few years has been particularly important, making the contents of Company activities (technical matters and personnel health surveillance required by laws in force) clear and available, in line with assigned operational roles and responsibilities.

One example is the automated "managers' diary" available on the Company Intranet. Company managers report any risk conditions in this diary, thus starting up a system which allocates problems, evaluates remedial actions proposed and monitors their effectiveness, in order to guarantee the complete and thorough management of occupational safety improvement actions.

In 2008, specific management software was already being used to report on and classify improvement and training initiatives and the appointment of Company Emergency Plan positions, as well as information flows relative to eligibility certificates.

In 2009 further applications were developed including:

- noise detection: data acquisition to calculate exposure levels and provide personnel with information required by law;
- identification of the risks of handling manual loads (lifting, pulling and pushing);
- data acquisition, preparation of aspects required by law and release of information on chemical risks, with reporting on the status of disclosure required by law.

The Group has set high health and safety standards for Piaggio Vietnam and Piaggio Vehicles Private Limited as well, with the two companies conducting an assessment of potential risks and preparing an emergency management plan.

The plan covers safety standards, operating control procedures, safety/hazard signs, personnel training and continual monitoring.

Fire protection equipment/systems are installed at sites, based on their potential risks and include smoke detectors, a control room, sirens, extinguishers, hydrants and fire fighting plant. Fire exits and extinguishers are clearly marked.

Adequate personal protective equipment is provided and worn by employees, while special equipment is provided for painting units

7.4.1 Health and safety certification

After its experience in environmental management certification, Piaggio decided to gradually implement a certified Occupational Health and Safety Management System for all

its production sites in Italy. Occupational Health and Safety Management System certification is a particularly effective management tool, guaranteeing that objectives to safeguard and protect the health and safety of everyone working at Company sites are met, and helping to increase competitiveness and cut social costs.
Piaggio was awarded OHSAS 18001 certification in December 2007 for its Pontedera, Noale and Scorzè sites.
During 2009, certification maintenance audits were conducted to the schedules indicated in the certification schemes.
The audits were successful, demonstrating the effectiveness of the organisation and management model at taking into account new regulations introduced by article 30 of the Consolidated Act on Occupational Health and Safety (Legislative Decree 81/2008).

7.4.2 Information and Training

A shared culture which considers safety as a basic condition for carrying out all activities is a fundamental prerequisite for preventing risks and protecting the health of workers. In this framework, numerous training initiatives are held involving all levels of the organisation.
During 2009, 5,000 hours of training were given to personnel on accident prevention and occupational health and safety.
Continuing its objective of disseminating knowledge and operating procedures, the Group and Community Intranet platform - "Safety at work" - on the environment, health and safety, has been further developed and updated since 2008. This community, open to all personnel, with different access profiles, includes:

- a description of the Occupational Health and Safety System, indicating Company health and safety managers;
- the safety management manual, and Company procedures and operating instructions;
- the previously mentioned "Managers' Diary" to identify occupational safety improvement measures;
- various information, from instructions for handling and managing risk activities (use of chemical products, VDU operators, use of Company equipment, etc.);
- the emergency plan.

A Company brochure on occupational safety and environmental protection for all employees is also available on the Group's Intranet and its purpose is to supplement occupational safety and environmental protection training and information. The brochure refers to relevant laws and persons with responsibility and competencies within the framework of the Company's policy on the prevention and protection of the health and safety of workers. The brochure also identifies in particular general and specific risks of the metal and steel processing industry, and behaviour to limit them.
The need for workers to correctly and continuously use personal protective equipment in order to reduce residual risks that may occur during their work is widely disseminated and acknowledged.

7.4.3 Safeguarding health

Health is promoted through two main areas of action: free testing and information campaigns on healthy lifestyles.
Generally, each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.
In particular, the Company Medical Centre is based at Pontedera, where paramedics provide a healthcare service and specialist doctors provide a consultancy service for occupational medicine and specific activities.

Company Medical Centre at Pontedera (PI)

As regards healthcare services, the following are guaranteed:

- first aid and medical emergency assistance, liaising with competent public services, as necessary;
- routine healthcare (for example taking blood pressure readings, carrying out tests, etc.);
- Company health prevention campaigns, including anti-tetanus and flu vaccinations;
- additional tests for the routine health surveillance of workers.

Specialist medical check-ups, for dermatological, ophthalmological, pneumological, orthopaedic and ENT referrals.
The Medical Centre has two doctors who are specialists in occupational medicine, for more general activities. These doctors work with designated Company structures to determine and evaluate risks and put in place measures to safeguard the health of workers. They:

- ensure preventive and periodic health check-ups;

- rate eligibility for specific tasks;
- prepare and update patient notes and risk notes for workers undergoing health surveillance;
- give workers information on tests and test results;
- take part in periodic meetings on safeguarding health and safety, reporting anonymous collective results and their meaning;
- inspect work places and help set up the first aid service and health surveillance training and information activities.

In 2009, occupational medicine activities involved more than 2,000 check-ups (preventive, routine and non-routine), as well as specific tests, clinical chemistry and biological tests. Some 300 people received flu vaccinations, while 9,000 people received healthcare services.

7.4.4 Workplace ergonomics

During 2009, Piaggio continued its "Workplace ergonomics" activities.

It worked with specialists in the ergonomics of posture and movement to develop its project on the objective evaluation of the specific risk of biomechanical overload of the upper limbs and on training technical positions.

Vehicle and engine assembly lines, with over 100 work stations were analysed, identifying remedial action where necessary.

Piaggio completed specific training sessions on workplace ergonomics in 2009, involving workers and trade union representatives and workers' safety representatives.

Piaggio also worked with the local health authorities for the Pontedera site, to estimate the extent of pathologies of the upper limbs and to reintegrate persons with WMSDs (work-related musculoskeletal disorders) assigning them work stations that have been suitably adapted or involve less risk.

As for the risk assessment of the manual handling of loads, Piaggio started to analyse the first engine and vehicle assembly lines, in addition to specific duties involving pulling/pushing movements. Training for technical production staff, and namely designated officers, analysts and technological experts, also started.

7.5 INDUSTRIAL RELATIONS

The Piaggio Group recognises the role of Trade Union organisations and workers' representatives, in compliance with the laws and practices of countries where it operates and establishes relations with them based on communication and involvement, by forging a common dialogue.

The Company and trade union organisations agree that in order to be competitive, businesses need to know how to respond to continual market changes promptly and efficiently, while continually improving production process and overall work conditions. In this context, all control and communication mechanisms must deliver quick, effective shared solutions which are the best for tackling safety, environmental and training issues.

In 2009, dialogue continued between the Group and workers' representatives at a Company level, to find common solutions to the effects on workers of measures taken to meet market needs. A number of trade union agreements were signed to manage complex situations requiring the use of social shock absorbers provided for by law.

Employees may freely join trade unions, according to procedures established by local regulations and the rules of various trade union organisations.

In most European countries, systems exist where workers directly elect representatives. In Italy for example trade union representatives (RSU) are elected by all employees (excluding executives) from lists submitted by trade union organisations. Elections are held every three years at a production unit level.

Trade unionisation in Italy as of 31/12/2009 and 31/12/2008

	2009			2008		
	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario
FIOM	438	212	51	481	213	64
UILM	316	1	3	319	2	4
FIM	257	124	29	232	123	32
UGL	68	0	0	65	0	0
CGIL/CISL/UIL	4	0	0	4	0	0
Total number of employees who are members of a trade union	**1083 (35.4%)**	**339 (39.6%)**	**83 (62.4%)**	**1101 (36%)**	**338 (37%)**	**100 (56%)**

Piaggio uses open-ended contracts as its reference model. Considering the difficult situation faced by global markets throughout 2009, the Company also used different types of employment contracts provided for in labour laws at its Pontedera site, so as to reconcile employment stability with flexible production management.
In this context, the Company and workers' representatives conduct an annual review mainly of the following:

- scheduled work loads and production schedules, so as to evaluate the need for different types of employment contracts, as mentioned above;
- the possibility to change fixed-term employment contracts into open-ended contracts, for a number of workers, based on production volumes and types, as well as all Company resignations and employment trends.

During 2009, production schedules and a different market response for some types of product (motorcycles) led to workers being temporarily laid off at the Scorzè and Mandello del Lario sites, with the wage guarantee fund being used. Staff cuts were also made at the Mandello del Lario site. Dialogue with the trade unions made it possible to find solutions agreed on by all parties; trade union agreements were signed providing specific personnel training and retraining for staff who are temporarily laid off.

Based on supplementary agreements signed with the Trade Union organisations, employees at the Company's sites are given a productivity bonus based on three indicators. Two of these - productivity and profitability - are common to all Italian sites. The third refers to the defect rate at 90 days for the Pontedera site, and the level of customer satisfaction for other production sites (the Noale, Scorzè and Mandello del Lario plants). The purpose is to gradually harmonise industrial relations within the Group, whilst complying with local contexts.
During 2009, the Company and trade union organisations came to an agreement to establish a scheme supplementing the national health service scheme as from 1 January 2011, for employees at the Pontedera site. This scheme, which will be extended to employees at the Group's other production sites, will take into account new health-related laws and tax regulations and will be based on the following:

- joining the scheme is voluntary (employees and their families);
- the Company will pay 120.00 euros a year for each employee;
- an amount, to be defined, will be paid by the employee joining the scheme.

As the matter is complex, a working group is defining the characteristics, operating and membership procedures, the

type and performance of the scheme and any additional sums payable by employees and their families.
The Company is 100% committed to the environment and to occupational safety and hygiene. In particular the Company and trade union organisations consider prevention a priority value. They acknowledge that this objective requires the development and dissemination of a safety culture based on the sharing of and compliance with regulations, which is achieved by taking action in all spheres (technical, organisational, training and behavioural). In this framework, the Company and trade union organisations have confirmed the importance of the role and activities of Workers' Safety Representatives (RLS). To guarantee their involvement to a greater extent and the adoption of regulations in full, benchmarking takes place and training is held on issues of most interest.

8 CUSTOMERS AND DEALERS

In recent years, companies have had to operate on highly dynamic and fiercely competitive markets, where customer relations have become so important they now represent a critical factor for success.
Guaranteeing customer satisfaction is essential for winning over customers and maintaining confidence, and thus for competing on the market. Investing in customer relations is vital and investing in a transparent relationship based on trust is a commitment pursued by Piaggio with objectives of excellence. Likewise, a Company in the automotive industry must look after and consolidate relations with dealers, as they are the main sales channel and vehicle of communication towards customers. Dealers are Piaggio's partners, accompanying Piaggio in its success and guaranteeing end customer satisfaction.
The "Customer and dealer satisfaction system" listens to customers and dealers, takes on board their requirements and assists the Company in satisfying these requirements.
In this framework, the Group is developing customer and dealer relations management tools which will be used in conjunction with the Executive score card, designed to measure the results of *front end* process management.

8.1 CUSTOMER SATISFACTION

Customer satisfaction is a priority objective for Piaggio. It is therefore vitally important to know customer expectations and the perceived quality level of the Company's products and services, or in other words to measure customer satisfaction of the product, sales and service.

Piaggio has developed a structured study and research programme conducted in-company and with qualified partners to manage *customer opinion surveys*, to help it understand and meet the needs of its customers in the main countries where it operates. The system has been operative for more than three years for the two-wheeler and Commercial Vehicles segments, and was recently upgraded to ensure comparability with data of different reference markets (Domestic Europe, United States, Vietnam, India) and measurability of the competitive effectiveness of the Group in global terms.
The main items studied and monitored, also based on benchmarking with leading competitors are:

- determining purchase factors (main features looked for in the product, *key drivers* for the end customer);
- product satisfaction and specific sales and service satisfaction, referred to dealer activities during vehicle sales (for example courtesy, a polite welcome, a professional approach to explaining the specifications of the product range, meeting delivery times and product quality on delivery) and to garage activities for services or repairs (for example the ability to provide technical service for the product, the dealer's ability to listen and provide diagnostics, the capacity to solve technical problems);
- brand, product, sales and service point recommendability;
- *brand awareness*, and product and *brand loyalty*.

Product satisfaction is analysed in terms of the performance of *key drivers* (reliability, sturdiness, performance, road holding, running costs, etc.), and the identification of per-

ceived defects. Customer opinions and ratings are used as input in new product development processes and to accelerate improvement processes for existing products.
The growing importance of a customer-driven organisation led to surveys being revised in 2009.
In addition to a work logic by model (included in 2008), product/customer life cycle monitoring was introduced, to provide an insight into how to develop recommendability, *loyalty* and *brand awareness* based on a changing *customer experience*.
Based on the results of these market surveys, Piaggio defines objectives which are an integral part of priorities for various levels of the organisation, from product *concept* to the organisation of customer assistance programmes and eligibility/qualification standards for after-sales service officers.
All information from customer questionnaires or on customer behaviour is processed strictly in compliance with customer indications and according to data protection provisions in force in the country in question. No information is stored at a central level by the Company and data on people or customers are used for specific communication purposes.
In the first half of the year, a "customer satisfaction" portal was developed, with the pay off "Let's keep in touch with our customers". Thanks to the portal, more than 140 managers and/or partners on different markets where the Group operates can monitor customer opinions in real time and take action.

Piaggio uses various indicators, measured annually, every two years or three years (life cycle) to monitor customer satisfaction, brand *appeal*, the product defect rate, etc.
These indicators are measured monthly and quarterly, instead, in the case of new products or products which are strategic to the Group, to evaluate market feedback more quickly.
In addition to the above, actions targeting specific products/customer segments will be taken to promptly adapt the organisation and product to customer needs. These will evaluate customer expectations from as early on as the purchase stage and will target management of the entire warranty period (services and repairs under warranty); the latter approach is already applied on the Domestic Europe and Vietnamese markets.

Types of indicators used by Piaggio to monitor *Customer Satisfaction*

INDICATOR	MEASUREMENT FREQUENCY	ANALYSIS SCOPE			
		BRAND	*PRODUCT*	*SALE*	*AFTER-SALES*
Loyalty (Level of excellence)	Annually Every two years Every three years	X	X		
Net Promoter Score Index (word of mouth)	Every three years, every two years, annually, quarterly and monthly*	X	X	X	X
Level of importance of individual satisfaction expectations	Annual and quarterly *		X	X	X
Customer Satisfaction Index (CSI)	Every three years, every two years, annually, quarterly and monthly*		X	X	X
Defect rate perceived by the customer	Every three years, every two years, annually, quarterly and monthly*		X		
Defect severity	Every three years, every two years, annually, quarterly and monthly*		X		

* Quarterly and monthly measurements refer to new products or products of strategic importance for the Group. for services, data only refers to measurements (1 month from when a specific service is used).

8.2 CUSTOMER SERVICE

The "Customer and Dealer satisfaction systems" organisational unit is fundamental for listening to and assisting customers. The unit:

- uses a multi-channel system: controls a wide range of access channels, from conventional systems such as the phone and fax, to innovative ones, such as the Internet, text messages and email;
- segments, records and analyses customer contacts;
- has an "On-line customer service": a "virtual area" to contact customer service.

The Group's Contact Center Project operates in a multichannel environment, by contact and customer targets, and also has a virtual *on-line* space for all main European markets, i.e. Italy, France, Spain, Germany, Great Britain, the US and Vietnam.

Thanks to these tools, Piaggio customers can contact the Company via a number of communication channels:

- telephone: 4 international free phone numbers for Domestic Europe for the main brands (Piaggio, Vespa, Gilera, Derbi, Aprilia, Moto Guzzi, Commercial Vehicles). A free-phone number for the US and number for the Vietnamese market. At present the Piaggio Group is the only scooter manufacturer in Europe to have international free phone numbers;
- email: "*Customer Service on-line*" pages have been created for each brand on *web consumer* sites. These contain standard contact forms, which automatically create a request in the Contact Centre system. This service is currently being implemented in the US and Vietnam;
- letter and fax.

At present, the Contact Centre processes around 6,500 telephone calls and 3,500 emails each month from Italy and main European markets (France, Spain, Germany and England); enquiries concern approximately 80 models of vehicles of all Group brands.

The Group is pleased that its service levels are comparable with standards of excellence in the sector:

- 90% of incoming calls are processed;
- 90% of telephone calls are answered in 30 seconds;
- 84% of enquiries from European customers are dealt with within 24 hours.

Customer Service is also used as an indicator of operative effectiveness in terms of organisational "customer centricity" and particularly for core processes, such as: marketing, sales and after-sales.

The organisation will be able to improve, practically in real time, the effectiveness of various initiatives, based on an analysis of customer requests at an operating level (one call solution and response times) and management level (complaint rates). It must achieve this aware that leading international brands focus on these areas, in order to increase volumes and profits.

A fundamental part of this process is the development of an "End Customer Data Base" (DBCF), i.e. customer and prospects information of this central Company archive. Thanks to this data base, all Company areas that have dealings with end customers (for example Marketing, Sales and Service) can manage targeted, ad hoc initiatives, taking account of customers "value" and their history.

In the first half of 2010, the Vietnamese CRM platform, based on the salesforce.com platform, will be developed and integrated with the US and Domestic Europe platforms in a SAP-CRM environment. These platforms can process all markets and functions involved in customer management in real time.

Customer care on the Indian market is handled entirely at a dealer level. In fact no free-phone numbers to contact manufacturers are available on the market, but only to contact the dealer network.
Developing customer care activities is key to the marketing and sales policy of Piaggio Vehicles Private Ltd. and the Company has paid a great deal of attention to devising a number of customer care tools and methodologies for its network, to ensure customer satisfaction.
Its most recent initiatives include:

- the "75 Minute Service", a customer service guaranteeing customers routine maintenance in less than 75 minutes and a free vehicle wash. The initiative has been highly successful with customers and dealers, and has doubled productivity and considerably improved on average maintenance times.
- a mobile two-wheeler call-out service, as roads are very narrow and congested with traffic, so a two-wheeler can reach call-out destinations more easily;
- training courses for customers on routine vehicle maintenance;
- happy calls, to monitor customer satisfaction of services;
- customer loyalty schemes based on services for families and social events.

8.3 VESPA WORLD CLUB

The Vespa Club dates back to rallies and meetings organised by groups of Vespa owners which were initially a part of Motor Cycling Clubs in some Italian towns and cities, and soon became clubs in their own right. Between 1947 and 1949 these clubs began to host gymkhanas, trials, parades and rallies (including the first events for women).
Initiatives soon spread abroad, to Europe and overseas countries, where the Vespa had gone on sale.

In 2006, the Piaggio Group decided to directly oversee the management of Vespa Clubs, to preserve the fleet of vintage Vespas still in circulation and help collectors find and restore vintage scooters and continue to organise rallies and great races in Europe and the world, guaranteeing Vespa owners outstanding-quality events.
So the Group established the Vespa World Club, a non-profit making association, whose aim is to contribute to disseminating Vespa activities, to bring together national and international Vespa Club organisations and people who share a common interest in the Vespa.
In particular the Vespa World Club:

- promotes initiatives and coordinates social, tourist, sports and competitive events;
- establishes bodies representing national Vespa Clubs vis-à-vis all national and international organisations;
- holds trophy events, rallies, competitions, shows, exhibitions, congresses, conferences and meetings;
- deals with and acts in the interests of members;
- promotes and provides training on road safety and awareness;
- promotes studies and historical research work on relations between Vespa and the community.

In 2009, the Vespa Club organised a number of rallies (with trials held in outstandingly safe conditions) and an international rally organised by a Vespa Club for all Vespa Club members.
The most prestigious event was the Vespa World Days held at Zell Am See in Austria, with more than 5,000 enthusiasts taking part.
Trainers were also selected in 2009 to hold "Vespa Rally School" courses during 2010 rallies.
In the upcoming future, the Vespa Club will continue to organise rallies and an exhibition of vintage Vespas.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9 SUPPLIERS

Responsibility for products, for the environment, for employees and partners are all issues addressed in previous sections of this report and which have a direct or indirect impact on a plurality of stakeholders. Piaggio's commitment to society goes beyond these actions however. The Group firmly believes in the importance of its social function and relationship with the place where it operates. Over the years it has tried to achieve a balance between the expectations of its shareholders and stakeholders. For Piaggio, social responsibility is a fundamental value for a Company that aims to be a leader in its core market, by understanding and sharing the close bond linking its economic, social and public growth and that of the national and international areas where it operates.

Group relations with suppliers are based on loyalty, impartiality and respect of equal opportunities of all parties concerned.

The Piaggio Group is convinced that responsibility is a commitment which goes beyond the boundaries of the Company and must positively involve everyone in the Company-supplier chain.

This is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the "Code of Ethics and Guidelines for doing business".

Over the last few years, Piaggio has started a process of common development with suppliers, setting up a Vendor Assessment unit, launching development projects and putting in place tools to better manage customer/supplier relations. These include:

- the Piaggio-DNV project;
- the Suppliers portal;
- the Suppliers suggestion programme;
- the Project to re-use recycled materials;
- the Reach project;
- the Packaging project.

9.1 VENDOR ASSESSMENT

In 2007 Piaggio set up its Vendor Assessment unit (directly reporting to the General Director of Finance) with the strategic objective of creating a long-lasting and mutually satisfactory cooperation network with highly qualified partners. The unit monitors the economic, financial and organisational reliability of strategic suppliers, optimises procurement processes, and ensures uniform and improved efficiencies at a Group level, and assesses procurement performance. During 2009, supplier relations were defined by specific Company processes comprising two fundamental stages: new supplier qualification and supplier monitoring.

New supplier qualification is an interfunctional process based on specific regulations which include the goods' category and qualified supplier in the Supplier Register. After an initial documentary prequalification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical and economic/financial rating on goods' categories.

Supplier monitoring takes place during two annual vendor rating sessions.

Performance is rated based on the quality of business relations, technical/scientific cooperation, compliance with delivery plans and the quality of supplied products. This provides a reference framework for procurement strategies and actions concerning suppliers.

Based on the above, Piaggio has defined a **Global Vendor Rating indicator** which covers all goods' categories of direct materials purchased from the Group's suppliers. The indicator comprises ratings made by designated Company functions (R&D, Quality, Manufacturing, Purchasing) and supplier economic/financial reliability.

At present, the Global Vendor Rating indicator includes most Group suppliers of European production sites only. In terms of costs in 2009, the indicator covers approximately 80% of purchasing turnover, and is expected to increase to around 90% in 2010.

Plans have been made to include CSR information in vendor ratings in the future, such as whether suppliers have a code of ethics, Statutory Statements and ISO 14001 environmental certification.

A feasibility study and relative action plan will be prepared in 2010, to extend this rating and monitoring system to the Vietnamese and Indian subsidiaries.

Dialogue and interaction with suppliers is continually improved in terms of quality and tools used. The Group monitors the financial position and performance of its suppliers on a preventive and continual basis, as well as the quality of supplies to the Company, using ad hoc assessment questionnaires. The results are reviewed and commented on by a Committee (comprising the Vendor Assessment unit and main Company functions involved in the rating process) during meetings with suppliers held to identify possible corrective actions and performance improve actions, if critical areas are identified.

9.2 PIAGGIO-DNV PROJECT FOR STRATEGIC SUPPLIER DEVELOPMENT

The project is based on a broad partnership between Piaggio, its suppliers and the internationally renowned certification Company DNV, and aims to develop synergies and create added value both for Piaggio and its suppliers.
The project will establish an actual partnership with more "critical" suppliers, in order to assess their conditions and understand their actual capacity for growth and for improving their performance. In practical terms, each supplier will be assisted so that all improvement measures to increase the quality of processes and products intended for Piaggio can be improved. The DNV project is an excellent opportunity for suppliers to develop, with both strategic and financial benefits, by:

- consolidating business relations with Piaggio, through greater cooperation and reciprocal trust;
- improving the efficiency of processes, with a consequent reduction in costs;
- capitalising on expertise and improvements made, to the benefit of processes and products intended for other customers in addition to Piaggio.

The project was launched in October 2008, identifying a panel of strategic suppliers based on analysis of the most critical suppliers in terms of returns, defects and warranty costs. 55 suppliers were then selected in Europe and in a global sourcing area, representing around 40% of total supply volumes purchased by Piaggio, Aprilia and Moto Guzzi. Participation was significant. Suppliers realised the importance of improving the quality of production processes, not only in relation to Piaggio, but as a fundamental step towards increasing the competitive edge of their companies. The project went ahead throughout 2009 and will continue into the first half of 2010, involving seven main stages:

1. Analysing documents, defining focus and responsibility areas; the objective is to identify critical elements of suppliers' products and processes in order to define investigation areas and priorities;
2. Defining the protocol and evaluating check lists, based on collected documents;
3. Defining activities in the field (planning actions agreed on with each supplier; evaluations will be held at the site of suppliers and sub-suppliers, if involved);
4. Issuing a report. At the end of the evaluation, DNV will present a summary of results to the supplier. This will be followed up by an evaluation report identifying the strengths, weaknesses and anomalies of processes and products supplied to Piaggio. If criticalities concerning protocol requirements are detected, the supplier may be requested to define corrective actions and improvement plans;
5. Reviewing proposed corrective actions;
6. Follow-up activities to check the progress of corrective actions;
7. Consolidating results, verification, analyses and statistics. Collected data and information will be entered in a database available to Piaggio.

2009 ended on a positive note for European suppliers involved, with 45 audits conducted, 35 improvement plans prepared and approved and development of the first 3 follow-up audits by DNV.
Supplier performance for this group of suppliers improved considerably, with a 40% reduction in returns (ppm) and a 70% reduction in details generating non-quality costs (ppm).
Follow-up activities for European suppliers will be completed in 2010 and all project stages will be adopted for suppliers in the global sourcing area, with 15 audits out of a total of 16 global sourcing suppliers involved already conducted.

9.3 SUPPLIERS PORTAL

The **Suppliers Portal**, based on the **SRM-SAP system**, has been designed and implemented to continually improve the effectiveness and efficiency of Company processes.
In particular, the Portal aims to:

- forge an important partnership with suppliers, using self-service tools, connectivity and sharing documents and information;
- make purchasing processes more efficient, by implementing automatic tools and ensuring greater compliance with purchasing procedures.

The "SRM – Suppliers Portal" system is a computer tool to exchange information and documents on purchasing materials, components, equipment and services in real time among Company functions, so as to guarantee the proper and transparent management of all purchasing process stages, from purchase requests, to requests for estimates, estimates, purchase orders, incoming goods, invoices and information on payments.
The Suppliers Portal has a number of benefits for both Piaggio and Suppliers. These include fewer manual activities, better quality, more accurate information, shorter Company process processing and communication times, less use of paper (including digital signatures) considerably fewer invoicing anomalies and visibility of the entire authorisation process from purchase requests to orders.
The objective for 2010 will be to extend use of the Suppliers Portal to the subsidiaries in Vietnam and India and analysis is already underway for a feasibility study and relative timeframes.

9.4 SUPPLIER COOPERATION PROGRAMMES

Piaggio has always been convinced that the Group's success depends largely on the success of its suppliers and vice versa, even more so as each day goes by. On the one hand, competition is intensifying between Company-supplier production chains rather than between companies alone. On the other hand, quality, innovation, costs, service and end customer satisfaction are becoming more and more inextricably linked. Putting safe vehicles which are free of defects on the market goes hand in hand with the guarantee that suppliers also adopt quality management systems and processes that provide products conforming to required standards.

Suppliers suggestion programme

A unit in the Purchasing Department was set up in 2009 to encourage proposals from suppliers of direct materials, in order to reduce waste and cut costs, with value sharing of the benefits between Piaggio and suppliers.

Project to re-use recycled materials

A project was launched by the Revet Consortium in 2009 to assess the feasibility of using materials from recycled plastic (domestic containers, bins/drums, etc.) at an industrial level, for applications on motor vehicles manufactured by the Piaggio Group (e.g. some parts of the bodywork) with the concurrent cogeneration of clean energy. The firsts concrete examples of use will be at the 2R site at Pontedera during 2010.

Reach project

The project, which came about in 2009, will test for environmentally harmful substances in items supplied to Piaggio by component manufacturers worldwide.
First tests will take place in 2010 for all suppliers of the Liberty. An organisational procedure at a Group level will also be drafted, with the basic requisite that suppliers must certify the absence of environmentally harmful substances in components they supply to the Piaggio Group for each new job order.

Packaging project

The project got underway in 2009 with Piaggio Manufacturing (as part of activities in the Group's World Class Manufacturing plans) to review the packaging used by each Supplier of the Group, so that elements which are potentially hazardous to packaging operators and to their health (e.g. Silica Gel packs) would be eliminated. In 2010 the project will survey and revise the packaging used by all Group suppliers in China, India and Taiwan in compliance with defined standards.

10 RELATIONS WITH THE MEDIA, THE PUBLIC ADMINISTRATION SECTOR AND INTEGRATION WITH COMMUNITIES

10.1 RELATIONS WITH THE MEDIA

As the quality and number of its *stakeholders* are increasing - with diverse interests, cultures and expectations - the Piaggio Group considers transparent, coherent and exhaustive Company communication as a strategic business driver and above all as a cornerstone of its *reputation*, thus helping to create value. The Piaggio Group's communication activities target a broad spectrum of European and international players. The goals and types of activities range from improving knowledge and an understanding of new products to communicating the Group's values, as well as events focussing on different business lines and brands, sports' competitions, disclosure of financial performance and new Group actions. In all these activities and in this age of consumer awareness, the value of the credibility of the Group, its companies and its brands plays a leading role.

Piaggio firmly believes that this credibility is established first and foremost by reporting information on the Group's financial position and performance as timely and transparently as possible. *Price-sensitive* disclosure to the financial press, financial markets, private and institutional investors and regulatory *authorities* takes place - through structures and employees with specific responsibilities - as timely and as accurately as possible, and of course in compliance with applicable laws and regulations.

Piaggio's *reputation* is based on the values which guide its strategies and investments, and in particular technological innovation which targets product and production process safety and minimises environmental impact and the depletion of energy sources in relation to the Piaggio Group's industrial sites and conditions for using its vehicles. Customer centrality is another key element. For example information on any product recalls is as transparent, far-reaching and quick as possible, even going beyond legal obligations.

Piaggio's information activities also focus considerably on the Group's employees. Extensive restyling of the Company's press activities - based on the creation and distribution of "*Wide*", a corporate magazine with an editorial strategy, highly innovative contents and scope and which from 2010 will replace the long-standing P&CO which has been published for the last 16 years - is just one example, along with the Group's Internet and Intranet platforms, of the many activities designed to develop a sense of belonging and establish a cultural identity among the people who work for the Piaggio Group on a daily basis.

10.2 RELATIONS WITH THE PUBLIC ADMINISTRATION SECTOR AND TRADE ASSOCIATIONS

The Piaggio Group's relations with the public sector are based on transparency and benchmarking, to help develop the competitive nature of the Italian two-, three- and four-wheeler industry, promote environmentally friendly mobility and disseminate technological innovation values which benefit the safety of motorcyclists, the quality of life and environmental protection.

The Group's relations with trade associations are particularly important in Italy (within the Italian Manufacturers' Association, Confindustria and with ANCMA, the national association of manufacturers of two- and three-wheeler and accessories and parts, Federmeccanica, the Italian Federation of Metalworking Industries, Unione Industriale Pisana,

the Association of Manufacturers in the Pisa Area and Confindustria Venezia, the Venice Branch of Confindustria), in Spain, the European Union and the United States.

Acem

Piaggio is one of the founder companies of ACEM, the European Association of Motorcycle Manufacturers, established in 1994 bringing together two trade associations, already active at a European level since the early nineteen sixties. Since its inception, Piaggio has defined the guidelines and strategies of the Association. Today, the Association brings together 10 manufacturers and 14 national associations, as well as Piaggio, with a total of 22 brands being represented. The Association protects the interests of the industry and represents it in dealings with European institutions and the European Commission and Parliament, and also monitors

ESUM PROJECTT

The Piaggio Group focuses in particular on major Italian and European cities, where its objective is to establish continual dialogue with institutions and the public so that it may provide technologically advanced and environmentally friendly solutions for traffic and pollution problems.
In this context, the Piaggio Group is a part of the European eSUM project. The project is a joint initiative between the two-wheeler industry and local authorities of major European cities (Rome, Paris, London, Athens, Barcelona), the purpose of which is to identify, develop and promote good practices for improving the safety of two-wheeler users in an urban context.
Piaggio took part in two events in particular in 2009, on motorcycle safety, to promote safe vehicles such as the MP3 and their developments (e.g. the prototypes made in the SIM project).
The first event was held in Barcelona during the "XVI Fórum Barcelona de Seguridad Vial" (4 May 2009) and the second in Berlin during the "International Motorcycle Symposium 2009" (2-3 September 2009).

VERITAS

Veritas is a European project under the Seventh Framework Programme with 32 partners including CERTH (CEnter for Research & Technology Hellas), the Fiat Research Centre, PERCRO (PERCeptual RObotics, Scuola S. Anna), RE:LAB (Spin-off Modena and Reggio Emilia University), Human Solutions (Software house developing anthropometric models for virtual environments). The project is coordinated by Fraunhofer IAO (Stuttgart University).
The purpose of the project is to introduce virtual reality (VR) testing based on simulations during all stages of "assisted" technology design and development. This will allow for future products and services to be designed taking account of the disabilities and functional limits of some categories of users, such as the elderly or the disabled.
The project covers various areas of application, including the *automotive sector, work environments, infotainment, personal healthcare and smart living spaces.*
Piaggio is taking part as an end user for Motorcycle Handling, and will integrate virtual tools for ergonomic analysis in its design environment. In particular a mathematical dummy model will be developed, representing both standard as well as elderly and disabled users.
The project was approved in 2009 and research activities will commence in January 2010, lasting for 3 years.

its activities. Its work focuses on four areas: competition, safety, the environment and mobility.
The main purpose of ACEM is to promote initiatives, so that motorcycles and scooters of the future will be more environmentally compatible and safer to ride. During its 5th Annual Conference held on 1 December 2008, ACEM members committed to motorcycles and scooters equalling Euro 5 vehicles in terms of pollutant emissions, by 2015. The transition from current Euro 3 models to Euro 4 models will reduce the pollutant emissions of motorcycles and scooters by 50%. During the conference, ACEM manufacturers announced their renewed and even stronger commitment to the "EU Road Safety Chapter" on advanced braking systems, extending their initial commitment and increasing the number of models on the road to be equipped with an advanced braking system by 2015 from 50% to 75%.

10.3 COOPERATION WITH SCHOOLS AND UNIVERSITIES

As explained previously, the Piaggio Group works with an international network of laboratories, university research centres and private entities at the cutting-edge of their sectors of specialisation.
The Group partners Universities in organising research and development projects, and is also involved in *work placements* and degree dissertations as well as teaching and academic activities.
An important alliance is the teaching partnership with the Faculty of Engineering, Pisa University. Research and development technicians from Piaggio's "Product Development and Racing" department teach two afternoons a week on the courses "Motor vehicle Design and Testing" and "Industrial Product Development", which are exam subjects of the Specialist Degree Course in Terrestrial Vehicles. This initiative, now in its seventh year gives the two courses an industrial content, addressing both theoretical and practical aspects of the design and testing of motor vehicles. Students have a unique chance to experience at first hand the activities of a major Company such as Piaggio and its staff, structures, laboratories and test benches. Piaggio personnel have the satisfaction of being able to train the talent of tomorrow. All lessons are available on Piaggio's Intranet in the Technical section, with a view to improving *knowledge sharing within* the Company.
A new technological pole with an independent Research Centre is being developed, with the involvement of the Region of Tuscany. This platform for industrial and scientific partnerships will develop and disseminate skills in terms of industrial and academic research in specific advanced technological fields, contributing to the training and education of Company and university personnel. The pole will give young talent a chance to develop and will have a positive impact on employment.
The Indian subsidiary cooperates with the Polytechnic College di Baramati, providing components and mechanical vehicle parts for student training courses.

10.3.1 Pont-Tech

Pont-Tech is an organisation set up to disseminate training, innovation and technological development in the local community.
Its main activities concern economic analyses, technical consultancies and training.
Pont-Tech was established in 1996 following the initiative of Piaggio, local authorities (the Province of Pisa and Municipality of Pontedera) and local research institutes, such as the Scuola Superiore Sant'Anna of Pisa. Although the four founders are from three different sectors (public administration, the academic world and industry), they are all equally committed to and motivated about innovation and technology transfer.
Over the years, the composition of the Company has changed and new partners have joined, with a valuable contribution coming from industry associations and banks.
Training has been and still is one of Pont-Tech's key activities for establishing and consolidating profitable relations with businesses, industry associations and universities. Pont-Tech's consistently high ratings in its capacity as a Training Agency, awarded in accreditation procedures of the Region of Tuscany, and its certified Quality System for training activities, prove the quality of its work.
Pont-Tech also provides assistance for planning and implementing training programmes and monitoring possible funding (European Social Fund, national standards, interprofessional funds).
Pont-Tech's staff assist companies in identifying opportunities, preparing projects to receive funding and developing training plans.
Besides training, Pont-Tech provides technological and consultancy services focussed on innovation, intended for traditional businesses and for companies that want to penetrate different sectors with a strong market potential.
Based on its experience, Pont-Tech was selected by the local authorities of Pontedera as managing entity of CERFITT (a research and training centre for innovation and technology transfer).
The centre hosts a structure supporting new business initiatives which serves as:

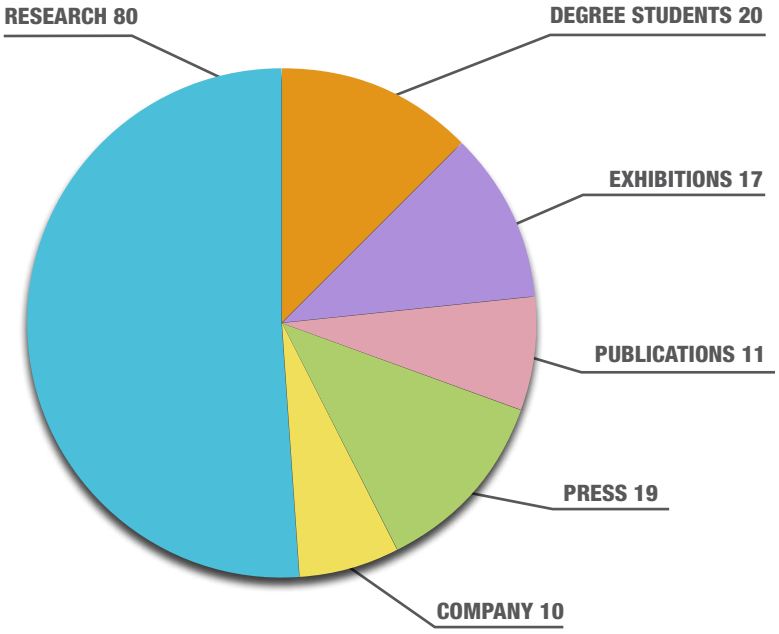
- an Incubator
- a Technological Pole
- A Virtual Office

At present the structure can accommodate 22 companies.
In conjunction with the Region of Tuscany, Pont-Tech also coordinates the "Observatory on subsupplies in the mechanical industry", a project to record and obtain basic information on companies in the Valdera area, and lay the foundations for creating a network among them.

10.4 THE PIAGGIO FOUNDATION, MUSEUM AND HISTORICAL ARCHIVE

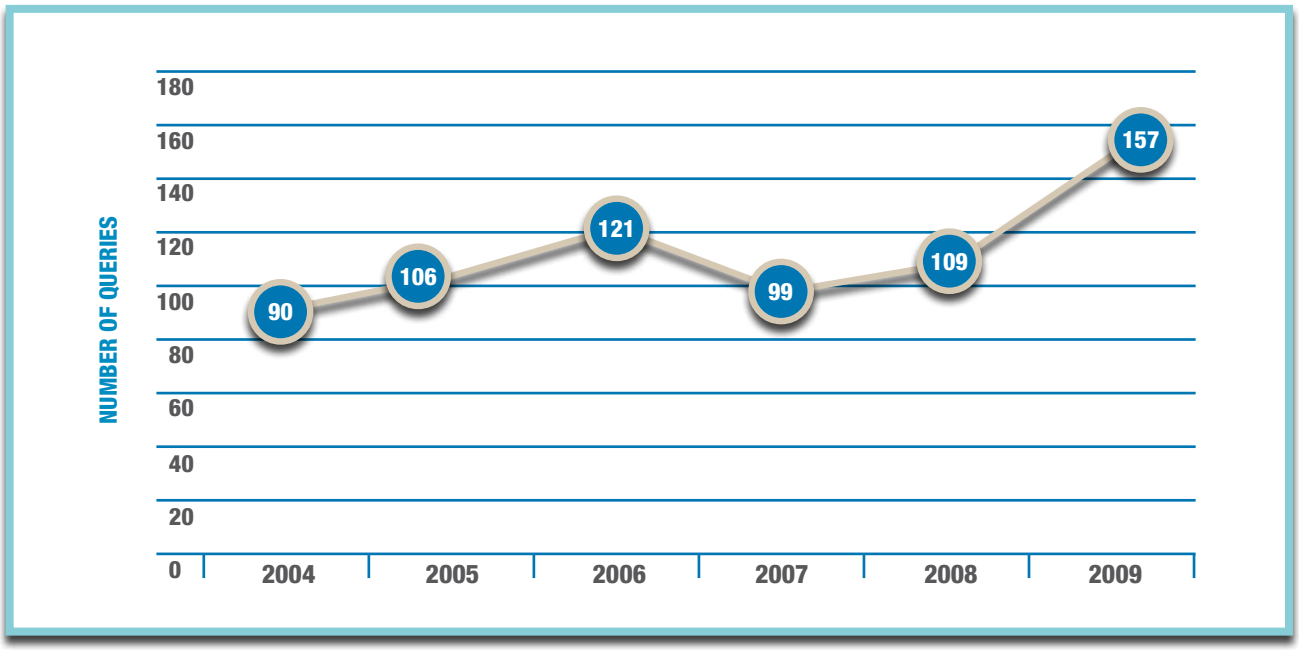
The Piaggio Foundation is used by Piaggio to maintain a direct relationship with the place where it operates, where it intends having not only a productive and economic role, but also aims to be a social, cultural and educational player, by promoting art, design, society, the language of communication and dissemination of Company values, such as innovation and creativity, ethics and the environment.
The Piaggio Foundation is a non-profit making organisation held jointly by Piaggio and the public sector (partners: 50% Piaggio, 25% local authorities of Pontedera, 25% the Province of Pisa), and brings together the objectives of the Company and public authorities. Founded in 1994, at the request of Giovanni Alberto Agnelli, Chairman at the time of the Piaggio Group, the Foundation is a forum for businesses, the local area and culture.
In fifteen years of activities and as declared in its Articles of Association, the Foundation has pursued an objective which is two-fold: managing and valuing the Piaggio Museum and Historical Archive in order to retrieve memories of the Company, and providing the local area with place where events, exhibitions, conferences and meetings on a wide range of national and international issues can be held.
The "Giovanni Alberto Agnelli" Museum and "Antonella Bechi Piaggio" Historical Archive were set up at Pontedera with the aim of conserving the social and cultural heritage of the Company acquired in over 120 years of existence, of the story of one of Italy's most important metal and steel processing companies, which has made every means of transport for people and objects, from ship fittings, to trains, buses, aeroplanes and in 1946, scooters and three- and four-wheeler vehicles.
In 2003 the "Giovanni Alberto Agnelli" Piaggio Museum and "Antonella Bechi Piaggio" Historical Archive were nominated as the Best Museum and Company Archive in Italy, in the 2003 edition of the business and culture award "Premio Impresa e Cultura".
Today the Historical Archive comprises some 5,000 files, which are being continually expanded and 13 funds which conserve Company documents from its beginnings to the present day. Company books, deeds, correspondence and documents from the secretarial staff of top management, the chairman and the production, sales and communication departments are a testament to the economic, social and civil life of Piaggio.
With its wealth of documents and nature that represents the Company, the historical archive is considered as one of the most important in Italy and the world, and is consulted and used by various experts and researchers.
It is also the main source for important publications such as the weekly supplements on the Vespa (published by RCS) and on the Ape (published by Hachette).
Along with the Historical Archive, the Museum houses a splendid collection bearing witness to the history of the Company. Designed by the architects Marco Dezzi Bardeschi and Andrea Bruno, the museum was opened on 29 March 2000, and in 2009 celebrated its first 10 years. The most significant Piaggio models from 1884 to the present day are carefully conserved in an area of 3,000 square metres and include items from the Vespa brand (from the 1945 prototypes to the "Mitologica Vespa" - Mythological Vespa - a PX designed by the artist Trafeli in 2003) and Gilera brand (from the 1909 VT 317 motorbike to the RC600 for the 1991 Paris-Dakar rally), displayed alongside the most significant products of Piaggio's comprehensive range (1930's aeroplane engines, a railcar from 1936, the 1951 P149 aeroplane, the Ape, the Pentarò and the Ciao) and latest generation vehicles. Housed in former tooling department buildings, the Museum stands next to the Piaggio factory at Pontedera

Historical archive consultation - 2009

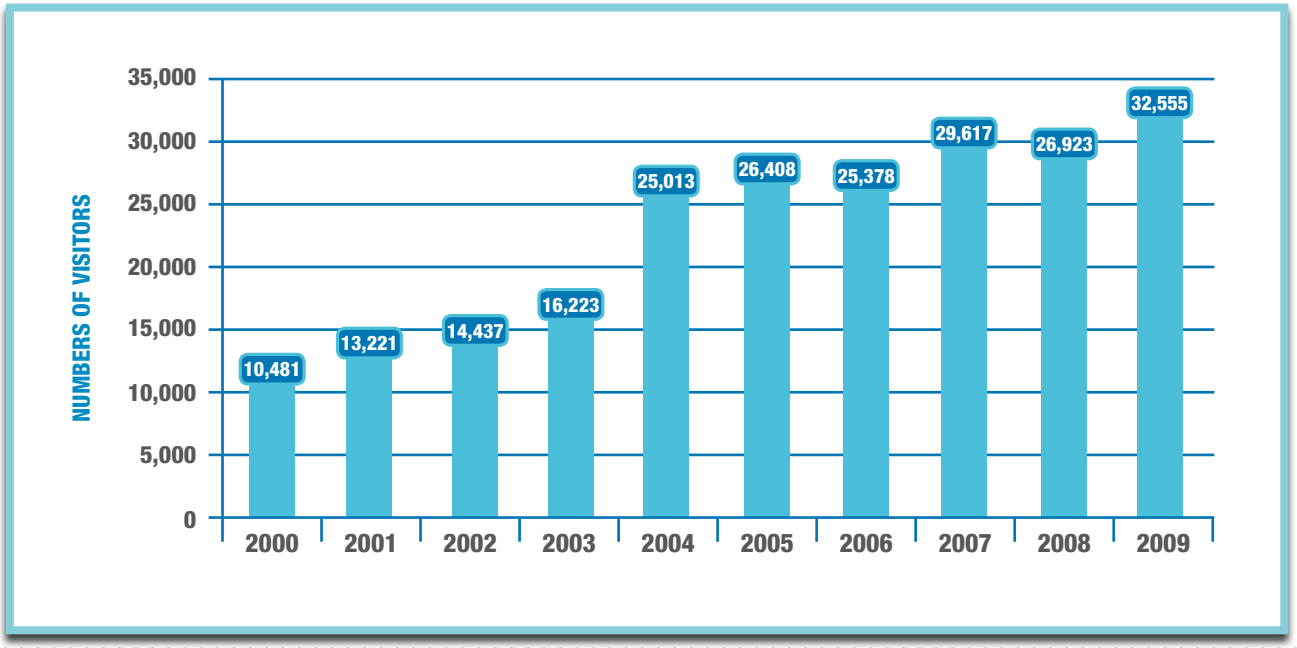


and conserves the memory of the Company and also values the intangible aspects of the Foundation's cultural mission. 2009 was a record year for the Museum, with 32,555 visitors and an absolute record for 2000-2009.
During the Museum's first ten years, the Foundation has directly involved its partners (the local authorities, the province and Piaggio) in organising conferences, seminars and meetings, courses on industrial design, on approaches to and the study of corporate historical sources and has discussed economic, legal and social issues. Its guests have included Jose Saramago, Abraham Yeoshua and Antonio Tabucchi. It has held conferences and seminars on ethics in sport, communication and the agro-food industry, with outstanding experts in their fields, including Omar Calabrese, semiolo-

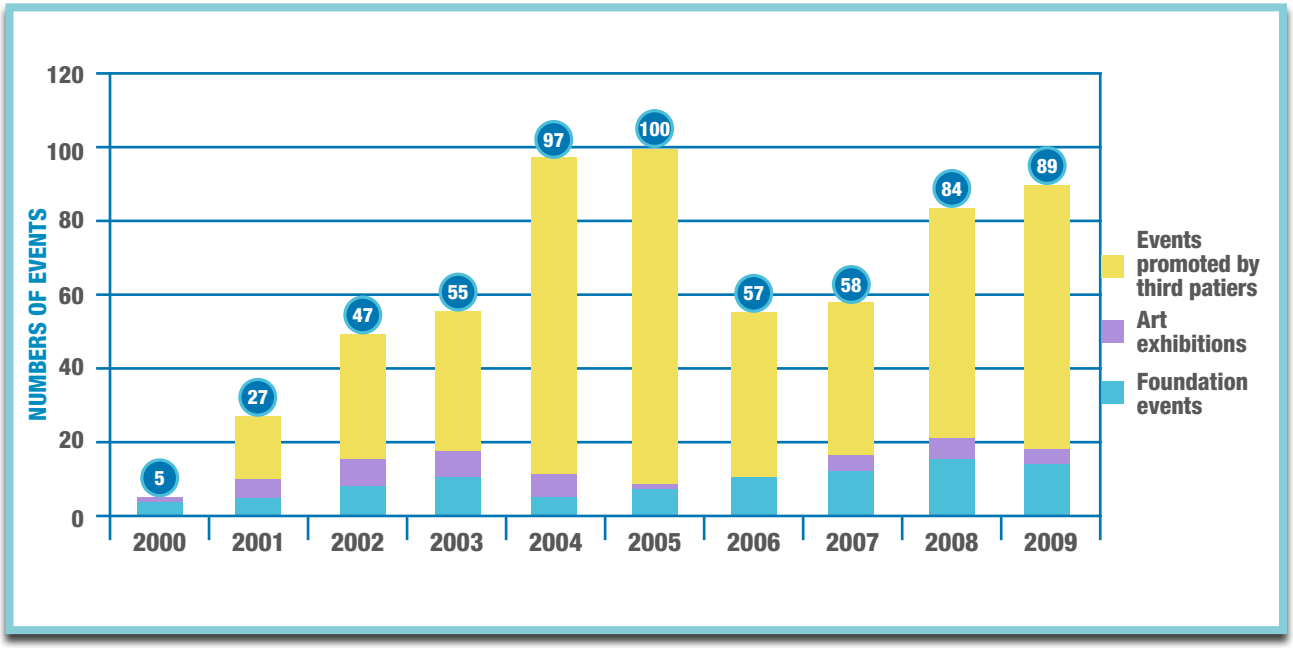
Consultation of the Historical Archive from 2004-2009



Annual number of visitors to the piaggio museum 2000-2009



Events organised by the Piaggio Foundation



gist; Silvana Annicchiarico, Director of the Trienniale di Milano; Gimondi, cyclist; Marcello Lippi, football coach; Pier Luigi Vigna, magistrate, and Pier Luigi Ciocca, economist, as well as top European industrial design experts. the driving force of the Piaggio Foundation is to create a place of excellence for some issues, including sustainable economic development and work.

As part of its global activities, the Piaggio Foundation has kept its commitment to promoting culture and training, becoming a strategic Company choice linked to Corporate Social Responsibility.

The majority of events held by the Foundation and art exhibitions are organised in association with the local authorities of Pontedera, reflecting the close ties the Company has with the local community.

In 2009, the Foundation continued work in its main areas of activity, and namely scientific events (seminars and conferences), art exhibitions and consolidating activities focussed on creativity and training.

A three-day workshop on industrial design was held as part of the Creactivity project during a business culture week. Some 300 students took part from local secondary schools, nationwide technical colleges and Italian and European universities.

As part of its scientific conferences and congresses, workshops were held on industrial archaeology, in association with AIPAI, the Italian Association for the Heritage of Industrial Archaeology and Pisa University, and on renewable energies and the economics of happiness.

The exhibition "Shh...rumori d'artista" (Shh...noises from an artist) was organised by the Piaggio Foundation in association with the Region of Tuscany and the Local Authorities of Pontedera as part of a multicultural project of the Region.

The event involved four young artists with different backgrounds (two painters, a photographer and a sculptor), who have a following but have yet to establish themselves on the art market.

The exhibition was a fascinating event, interpreting the universality of the language of art and culture. A young Iranian artist was part of the small group and the mix of different

experiences, attitudes and languages was very positive. On 27 March a scientific conference on renewable energies and social agriculture was held.
On 16 April the theatre production Solidaria was staged to a numerous public. Continuing on the theme of social awareness, the annual "Round Table on Peace" meeting was held on 28 May, while on 2 December the "AU.LE CA.RE." conference on Increasing relational abilities, for a Society capable of communicating was held in association with the Local Authorities of Pontedera, and a Round Table on multiculture and art was held on 4 December.
The exhibition "Gente di Piaggio" (Piaggio and its people) with some 200 historical photographs of the Company' activities rounded off the year.
The aim of the event, in the Museum's tenth year, is to pay tribute to the world of the work and showcase the success of the Vespa and Piaggio.
The Foundation was also involved in numerous exhibitions and external events in Italy and abroad.

Main events in which the Foundation was involved in 2009

Date	Event	location
5 March	Presentation of the Gilera Team	Monza
14-15 March	60th Congress. National Vespa Club Italy	Viareggio
14-15 March	Forlì "Old Time Show"	Forlì
12-16 March	Expo furniture Kiev	Kiev (Ukraine)
7-10 May	Milan trade show/Pisa Chamber of Commerce	Milan
20 May	Inauguration of "Vespa Milano"	Milan
30 May	Bettinelli commemoration	Crema
4-14 June	International Gilera Centenary Rally	Arcore
11-14 June	Eurovespa	Zell am See (Austria)
6-7-8 July	G 8	L'Aquila
12-13 September	Gilera GP800 Rally	Bellaria
21 September	UNESCO forum	Monza
3 October	Conference on Dorino Serafini	Pesaro
9 November	48th ICCA Motor Valley General Assembly	Florence
4 November - 31 January 2010	"Disegno e design – brevetti e creatività italiani" (Design - patents and Italian creativity) Exhibition	Rome

10.5 COMMITMENT TO SPORT

The Piaggio Group is an extremely successful player in the motor-racing world, which has always been considered a fundamental area of research for the design, development and testing of innovative technical solutions to adopt for mass production.
The Group has won six World Championship titles in the last two years, with its Aprilia, Derbi and Gilera brands, reflecting the passion and exceptional technical skills of the people working for the Piaggio Group and the competitive edge and technological innovation achieved by Piaggio in the two-wheeler industry.
The Group has produced unlimited talent over the last few years in racing. Many established champions of the last few seasons raced an Aprilia, Gilera or Derbi, going on to win world titles, including Rossi, Biaggi, Capirossi, Lorenzo, Simoncelli, Poggiali and Locatelli.
A young approach and innovation is the winning combination behind Piaggio's activities. In fact Group brands focus on minor categories, where riders are younger.
In particular, the Group competed in the 2009 World Championships with its Aprilia, Gilera and Derbi brands in the 125 and 250 cc classes, and in the 2009 World Motocross Championships with the Aprilia brand, winning the 125cc Riders' World Championship Title (Julian Simon riding an Aprilia) and the Constructors' World Championship Title in the 125cc category (Aprilia).

1949-2009 60 YEARS OF THE WORLD

The first competition of the Road Racing Championships, universally known as Grand Prix Motorcycle Racing, was held on 13 June 1949 on the Isle of Man, with leading motorcycle constructors taking part, including the Italian brands Mondial, Benelli, Moto Guzzi and Gilera and the British makes Triumph and Norton.
In the final classification of the debut World Championships, first place went to Bruno Ruffo riding a Moto Guzzi called the "Gambalunghino". The name came about from the idea of a tester and Italian rider who repaired his own motorcycle after a road accident with parts from the Gambalunga.
Umberto Masetti followed in the footsteps of Ruffo, wining the title with a 4-cylinder Gilera designed in 1947 by Piero Remor with air cooling, central gear distribution and vertical magneto ignition.
The success of Guzzi and Gilera between 1950 and 1957 was remarkable. Masetti, the English rider Duke, and Liberati rode Gilera motorcycles winning the title in the 500cc category six times.
Ruffo, Lorenzetti and Lomas won the championships 7 times with the Moto Guzzi team.
In 1957, the Mandello and Arcore racing teams stopped competing because of new regulations which abolished bell fairing and exorbitant racing costs.
In the 1960's Gilera made its debut in motocross racing, going on to important achievements with its Cross Racing Team and victory in the 1990's in the Pharaohs Rally. Gilera returned to racing in the World Championships in 2001, with Manuel Poggiali winning in the 125cc category, and Marco Simoncelli in the 250cc category in 2008.
Another two brands of the Piaggio Group have a long-standing tradition in racing and the World Championships: Aprilia, clocking up 33 World Championship titles and Derbi 19 titles.
All in all, Piaggio is a dominant player in the World Championships, with three brands that have made their mark on motor racing: Aprilia, Derbi and Gilera, winning a total of 66 world titles, in addition to the 14 titles won by Moto Guzzi in the 1950's.

In 2009, Aprilia also took part in the Superbike World Championships with the long-awaited RSV 4, a 1000cc racing bike with more than 200 Hp, powered by a V 65° engine which is unique in the world. The results achieved (the title and various races) exceeded all expectations.
The Group's commitment to promoting motor-racing among young riders led to the creation of the Junior GP Racing Dream in 2006. This project came about from an idea of Aprilia and the Italian Motorcycling and Motor sprint Federation to give riders who want to race a chance to do so at a minimum cost and with the certainty that they are competing on equal terms.
From 2006 to 2008, some 700 riders aged between 13 and 16 got the chance to race in different sessions held on Italy's main race tracks, for the largest trials ever conceived and held in Italy in the motorcycle racing industry. Paying a registration fee of approximately six thousand euros, participants received assistance, technical material and the motorcycle which they kept at the end of the competition. The winner and two other riders considered as having particular talent and technical merit were awarded the status of Aprilia official rider and will have the chance to take part free of charge in the 125 GP class of the Italian Speed Championships. In 2009, four "young riders" from the Junior GP Racing Dream will take part in these Championships.

10.6 CHARITY ACTIVITIES AND SPONSORSHIPS

In 2009 Piaggio supplied vehicles to the organisers of various political, social and cultural events held on an international scale, such as the G8 meeting at l'Aquila and the "Future of transport" meeting held in Brussels by the European Commission, and on a national scale, such as the Road Safety Campaigns organised by the Italian Red Cross, as part of

its social commitment programme. Piaggio also took part in local events including the Mantua Literature Festival, the Rome Marathon and events organised by the Vespa Club.
In Italy, Piaggio supported children with annual contributions to local authorities and nurseries, and donated two Ape Calessino models to the "Dottor Clown" hospital at the time of the earthquake in Abruzzo.
Over the last few years, Piaggio and the Immsi Group have supported educational and rehabilitation activities for children affected by brain damage, by making a donation to the association "*Casa del Sole Onlus*[1]" at Christmas.
All employees, including staff abroad, received a Christmas card, rather than a traditional "gift", so the initiative could be shared with all Group employees world-wide.
Piaggio organised a number of events abroad in 2009.
Piaggio was a partner of the Lifetime Network in the United States, celebrating the 15th edition of the Annual Month for Breast Cancer Awareness with the campaign "Stop Breast Cancer for Life: The Power of 15". Piaggio donated a pink limited edition of the Vespa LX 50 to each of the charities taking part in the campaign.
The Indian subsidiary held numerous ecological and social themed events in 2009:

- As part of activities to reduce global warming and the effects of greenhouse gases, the Company launched a campaign in July 2009 to create an ecological revolution at its production site, in the surrounding area and areas in the industrial district of Baramati, committing to planting 1,000 trees.

- More than 100 employees of the Indian Company Piaggio Vehicles Private Limited donated blood in support of the "Indian Red Cross Blood Bank" campaign in Baramati.
- In Baramati, the Company organised courses on using crash helmets for safe riding and to raise awareness of road safety among course participants, in association with the local transport authorities.

[1] In 40 years of activities, the non-profit making organisation Casa del Sole Onlus has assisted over 5,000 children affected by brain damage and been a valuable source of help for their families.

WORLD ENVIRONMENT DAY

In June 2009, Piaggio Vehicles Private Limited celebrated the "World Environment Day", organising a seminar held by two leading environmental experts, attended by more than 60 employees. The slogan of the day was "Your planet needs you".

The experts outlined the choices that can be made to help the environment:

- Protect and plant trees: plants not only enhance the landscape and homes, but also yield fruit, provide shade and oxygen.
- Recycle: give unwanted items to charities.
- Be efficient in using energy: avoid putting lamps or TVs near air conditioning thermostats as they are sensitise to heat.
- Use resources wisely: save energy and fuel and avoid wasting water and paper.
- Accelerate gently while riding/driving: aggressive riding/driving increases fuel consumption.
- Buy fresh food: tinned, pre-cooked and imported foods use up energy resources.

Participants heightened their awareness of the impact their lifestyles have on the environment.

APE CALESSINO AND THE ITALIAN RED CROSS: A SMILE FOR ABRUZZO

On *11 June 2009* Piaggio donated two Ape Calessino models to the Doctor Clown project at the base camp of San Gregorio, in the Aquila area. The Doctor Clown project is just one of the projects organised by he Italian Red Cross to help the people of Abruzzo affected by the earthquake of April.

The Ape Calessinos were customised and purposely designed with colours and designs depicting the antics of clowns. In fact the Ape has been extremely popular for more than 60 years and has always been perceived as a fun way to get about.

With its traditional robust profile, easy handling and compact size, the Ape Calessino is ideal for quickly reaching the various camps set up following the earthquake in the Abruzzo area.

11 TABLE OF GRI-G3 INDICATORS

The main contents of the 2009 Sustainability Report are outlined below, based on the GRI-G3 format: strategy and analysis, organisation profile, report parameters, governance, stakeholder involvement and economic, environmental and social performance indicators.
Each indicator is briefly described and cross-referenced to a page in the 2009 Sustainability Report (or other available documentation) where this information is included, as well as the level of coverage, indicated as follows:

● if total
◉ if partial
○ if the indicator is not covered

Key:
RCG09: 2009 Corporate Governance Report
CO: Code of Ethics

PROFILE				
PROFILE				
1.	**Strategy and analysis**			
1.1		Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	●	5
1.2		Description of key impacts, risks and opportunities	●	17-25
2.	**Organisational profile**			
2.1		Name of the organisation	●	9
2.2		Primary brands, products and/or services	●	12-13
2.3		Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	●	9-11
2.4		Location of organisation's headquarters	●	9
2.5		Number of countries where the organisation operates and names of countries where the organisation operates	●	8-9
2.6		Nature of ownership and legal form	●	9; 34
2.7		Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	●	8-9; 12
2.8		Dimension of the organisation including: number of employees, net turnover (for private organisations) or net revenues (for public sector organisations), total capitalisation broken down in terms of debt and equity (for the private sector) and quantity of products or services provided	●	9; 14; 34; 59; 69-70
2.9		Significant changes during the reporting period regarding size, structure or ownership	●	7; 10 -11; 15
2.10		Awards received in the reporting period	●	15; 102
3.	**Report parameters**			
Report profile				
3.1		Reporting period (e.g. fiscal/calendar year) for the information provided	●	7
3.2		Date of most recent Sustainability Report	●	7
3.3		Reporting cycle (annual, biennial, etc.)	●	7

GRI indicator		Description	Level of coverage	Page
PROFILE				
3.4		Contact point for questions regarding the report or its contents	●	114
Report scope and boundary				
3.5		Process for defining content including: determining materiality, prioritising topics within the report and identifying stakeholders expected to use the report	●	19-22
3.6		Define the boundary of the report (for example: countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	7
3.7		State any specific limitations on the scope or boundary of the report	●	7
3.8		Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	●	7; 10 -11; 15
3.9		Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	●	7; 32-33
3.10		Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	●	7; 22; 32 -33; 60; 69; 71
3.11		Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	7; 22; 32 -33; 60
GRI content index				
3.12		Table identifying the location of the standard disclosures in the report identifying the page numbers or web links of each section	●	106-111
Assurance				
3.13		Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s)	●	7; 112-113
Governance, commitment, engagement				
Governance				
4.1		Governance structure of the organisation, including committees under the highest governance body, responsible for specific tasks, such as setting strategy or organisational oversight	●	19; 27-29
4.2		Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)	●	27
4.3		For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organisation defines '"independent" and "non-executive"	●	27
4.4		Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	76; RCG09 (p.109-111)
4.5		Linkage between compensation for members of the highest governance body, senior managers and executives (including severance pay), and the organisation's performance (including social and environmental performance)	●	RCG09 (p.90-91)
4.6		Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	27-28; RCG09 (p.101-105
4.7		Process for determining the qualification and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	●	27-28; RCG09 (p.73-74)
4.8		Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the degree to which these are applied across the organisation in different regions and departments/units; relate to internationally agreed standards	●	17-19

11 TABLE OF GRI-G3 INDICATORS

GRI indicator		Description	Level of coverage	Page
PROFILE				
4.9		Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	●	17-19
4.10		Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	●	27-28; RCG09 (p.90-91)
Commitments to external initiatives				
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organisation	●	37-39; 66-67
4.12		Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	●	19
4.13		Membership in national and/or international trade associations	●	95-97
Stakeholder engagement				
4.14		List of stakeholder groups engaged by the organisation	●	20
4.15		Basis for identification and selection of stakeholders with whom to engage	●	19-20
4.16		Approaches to stakeholder engagement	●	19-21
4.17		Key concerns and topics that have been raised through stakeholder engagement and relative actions	●	19-22
ECONOMIC PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	17-25; 31
Performance economica				
EC1	*Core*	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	●	32-34
EC2	*Core*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	○	
EC3	*Core*	Coverage of the organisation's defined benefit plan obligations	○	
EC4	*Core*	Significant financial assistance received from government	○	
Market presence				
EC6	*Core*	Policies, practices and proportion of spending on locally-based suppliers at significant locations of operation	◉	67
EC7	*Core*	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	○	
Indirect economic impacts				
EC8	*Core*	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	●	44; 98 -101; 103-104
EC9	*Add.*	Understanding and describing significant indirect economic impacts, including the extent of impacts	◉	47-48; 66-67; 97-101
ENVIRONMENTAL PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	17-25; 59-60
Raw materials				
EN1	*Core*	Materials used by weight or volume	○	
EN2	*Core*	Percentage of materials used that are recycled or input materials	○	

GRI indicator		Description	Level of coverage	Page
PROFILE				
Energy				
EN3	*Core*	Direct energy consumption by primary energy source	●	61
EN4	*Core*	Indirect energy consumption by primary energy source	○	
EN5	*Add.*	Energy saved due to conservation and efficiency improvements	◉	60-61
EN6	*Add.*	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	42-44; 50-52
Water				
EN8	*Core*	Total water withdrawal by source	●	64
Biodiversity				
EN11	*Core*	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	○	
EN12	*Core*	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	○	
Emissions, effluents and waste				
EN16	*Core*	Total direct and indirect greenhouse gas emissions by weight	●	62-63
EN17	*Core*	Other relevant indirect greenhouse gas emissions by weight	○	
EN18	*Add.*	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	62-63
EN19	*Core*	Emissions of ozone-depleting substances by weight	●	63
EN20	*Core*	NO,SO and other significant air emissions by type and weight	○	
EN21	*Core*	Total water discharge by quality and destination	◉	64
EN22	*Core*	Total weight of waste by type and disposal method	●	65-66
EN23	*Core*	Total number and volume of significant spills	○	
EN24	*Add.*	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention and percentage of transported waste shipped internationally	●	65-66
Products and services				
EN26	*Core*	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	42-43; 47; 50-52; 54
EN27	*Core*	Percentage of products sold and their packaging materials that are reclaimed by category	○	
Compliance				
EN28	*Core*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	29
LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS				
LABOUR PRACTICES				
	Core	Management and verification policies and systems	●	17-25; 69 -70; 74-78
Employment				
LA1	*Core*	Total workforce by employment type, employment contract and region	●	69-71
LA2	*Core*	Total number and rate of employee turnover by age group, gender and region	○	
Industrial relations				
LA4	*Core*	Percentage of employees covered by collective bargaining agreements	●	82

11 TABLE OF GRI-G3 INDICATORS

GRI indicator		Description	Level of coverage	Page
PROFILE				
LA5	*Core*	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	○	
Occupational health and safety				
LA7	*Core*	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	◎	78-79
LA8	*Core*	Education, training, consulting, prevention, and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	●	80-83
LA9	*Add.*	Health and safety topics covered in formal agreements with trade unions	◎	82-83
Training and education				
LA10	*Core*	Average hours of training per year per employee by employee category	◎	75
LA11	*Add.*	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	◎	74-76
LA12	*Add.*	Percentage of employees receiving regular performance and career development reviews	◎	75
Diversity and equal opportunity				
LA13	*Core*	Composition of governance bodies and breakdown of employees per category and according to gender, age group, minority group membership, and other indicators of diversity	●	27; 70; 72-73
LA14	*Core*	Ratio of basic salary of men to women by employee category	○	
HUMAN RIGHTS PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	17-25
Investment and procurement practices				
HR1	*Core*	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	●	91
HR2	*Core*	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	○	
Non-discrimination				
HR4	*Core*	Total number of incidents of discrimination and actions taken	●	29
Freedom of association and collective bargaining				
HR5	*Core*	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	◎	81-82
Child labour				
HR6	*Core*	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	●	72; 91
Forced and compulsory labour				
HR7	*Core*	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	●	72; 91
SOCIAL PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	17-25; 98
Society				
SO1	*Core*	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	●	66-67; 98-101
Corruption				
SO2	*Core*	Percentage and total number of business units analysed for risks related to corruption	●	19; 29; CE (p.7-8; 11-12)

GRI indicator		Description	Level of coverage	Page
PROFILE				
SO3	*Core*	Percentage of employees trained in the organisation's anti-corruption policies and procedures	●	19; 29; CE (p.9-10)
SO4	*Core*	Actions taken in response to incidents of corruption	●	19; 29; CE (p.12)
Public policy				
SO5	*Core*	Public policy positions and participation in public policy development and lobbying	●	41-42; 95-97
Non-collusive conduct				
SO7	*Add.*	Total number of legal actions referred to unfair competition, anti-trust and monopoly practices and relative rulings	●	29
Compliance				
SO8	*Core*	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	29
PERFORMANCE INDICATORS ON PRODUCT RESPONSIBILITY				
	Core	Management and verification policies and systems	●	17-25; 37-39
Customer health and safety				
PR1	*Core*	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	●	38; 45 ; 52-53; 55-56
Product and service labelling				
PR3	*Core*	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	○	
PR5	*Add.*	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	◉	85-86
Marketing & communication				
PR6	*Core*	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	○	
PR7	*Add.*	Total number of incidents (divided by type) of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	●	29
Customer privacy				
PR8	*Add.*	Number of substantiated claims regarding breaches of consumer privacy and losses of customer data	●	29
Customer privacy				
Compliance				
PR9	*Core*	Monetary value of significant fines for non-compliance whit laws and regulations concerning the provision and use of products and services	●	29

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REVIEW REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

To the Shareholders
of Piaggio&C. S.p.A.

1. We have reviewed the Corporate Social Responsibility Report of the Piaggio Group (the "Group") as of 31st December 2009. The Directors of Piaggio&C. S.p.A. are responsible for the preparation of the Corporate Social Responsibility Report in accordance with "*Sustainability Reporting Guidelines*" issued in 2006 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Methodological Note". The Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. The Directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the Corporate Social Responsibility Report. Our responsibility is to issue this report based on our review.

2. We conducted our work in accordance with the criteria for review engagements established by the "*International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information*" (*ISAE 3000*), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles ("*Code of Ethics of Professional Accountants*" issued by the *International Federation of Accountants*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a Corporate Social Responsibility Report consists of making inquires, primary with company personnel responsible for the preparation of the information included in the Corporate Social Responsibility Report, analysing the Corporate Social Responsibility Report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:

   - comparing the economic and financial information and data included in the paragraph "2009 financial and business performance" of the Corporate Social Responsibility Report with those included in the Group Consolidated Financial Statements as of 31st December 2009, on which Deloitte & Touche S.p.A. issued the auditor's report dated 10th March 2010 pursuant to article 156 of Legislative Decree no. 58 of February 24th, 2010);
   - analysing how the processes underlying the generation, recording and management of quantitative data included in the Corporate Social Responsibility Report operate. In particular, we have performed the following procedures:
     - interviews and discussions with delegates of Piaggio&C. S.p.A., to gather information on the information, accounting and reporting systems used in preparing the Corporate Social Responsibility Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and trasmittal of data and information to the department responsible for the preparation of the Corporate Social Responsibility Report;

– analysis, on a sample basis, of the documentation supporting the preparation of the Corporate Social Responsibility Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system correctly manages data and information in connection with the objectives described in the Corporate Social Responsibility Report;

- analysing the compliance of the qualitative information included in the Corporate Social Responsibility Report and its overall consistency in relation to the guidelines referred to in paragraph 1 of this review report, in particular with reference to the sustainability strategy and policies and the determination of significant aspects for each stakeholder category;
- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, through analysis of the minutes of the meetings or any other available information about the significant features identified in the stakeholder involvement process;
- obtaining the representation letter signed by the Financial General Manager of Piaggio&C. S.p.A. on the compliance of the Corporate Social Responsibility Report with the guidelines referred to in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in an audit.

For the data and information relating to the Corporate Social Responsibility Report of the prior year presented for comparative purposes, reference should be made to our review report dated November 23rd, 2009.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the Corporate Social Responsibility Report of the Piaggio Group as of 31st December 2009 is not prepared, in all material respects, in accordance with the "*Corporate Social Responsibility Reporting Guidelines*" issued by GRI – *Global Reporting Initiative*, as set out in paragraph "Methodological Note".

4. We draw attention to the relevant information referred to in the paragraphs of the Corporate Social Responsibility Report of the Piaggio Group as of 31st December 2009, suggesting for the next editions:
   - a continuous extension of dialogue and involvement activities with the stakeholders;
   - a continuous extension of the reporting scope of social-environmental indicators of the Group Companies, with special reference to production sites in Asia.

Milan, July 29th, 2010

DELOITTE ERS – ENTERPRISE RISK SERVICES S.r.l.

Franco Amelio
Partner

This report has been translated into the English language solely for the convenience of international readers.

We would like to thank all colleagues who helped in preparing this document.

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The Piaggio Group respects the environment and has opted to not print this report.
The report is available on the Internet at:
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