



**CORPORATE SOCIAL
RESPONSIBILITY REPORT 2008**



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1. From the Chairman	Page 5
Methodological note	Page 7
<hr/>	
2. The Piaggio Group	Page 9
2.1 Mission and values	Page 12
2.2 Piaggio: a legend of today and tomorrow	Page 12
2.3 Piaggio: an Italian and international success story	Page 15
<hr/>	
3. Sustainability in the Piaggio Group	Page 19
3.1 Definition of stakeholders	Page 20
3.2 Business Ethics Committee	Page 21
3.3 Code of Ethics	Page 22
3.4 Corporate Governance	Page 22
3.5 Integrated Quality, Environment and Safety System	Page 24
<hr/>	
4. The economic dimension of sustainability	Page 27
4.1 Facts and figures	Page 27
4.2 Financial markets and relations with shareholders	Page 33
<hr/>	
5. Product sustainability	Page 37
5.1 The world of the 2-wheeler	Page 39
5.2 Commercial vehicles	Page 49
5.3 Product reliability and quality	Page 60
<hr/>	
6. Environmental sustainability	Page 67
6.1 Production systems	Page 68
6.2 Reducing energy consumption and using renewable energies	Page 71
6.3 Reducing emissions of CO ₂ and other pollutants	Page 71
6.4 Conserving water resources	Page 73
6.5 Waste management and recycling	Page 74
<hr/>	
7. The value of people at Piaggio	Page 77
7.1 Personnel management policies	Page 78
7.2 Developing human capital	Page 83
7.3 Personnel dialogue and involvement	Page 88
7.4 Health and safety	Page 90
7.5 Industrial relations	Page 95
<hr/>	
8. The social dimension of responsibility	Page 99
8.1 Supplier relations	Page 99
8.2 Customers and dealers	Page 100
8.3 Partnerships with universities, research centres and industry associations	Page 104
8.4 Support for local communities, foundations and humanitarian projects	Page 108
8.5 Commitment to sport	Page 114
<hr/>	
9. Table of GRI-G3 indicators	Page 117
Auditing Company's Report	Page 130

From the Chairman

Piaggio Group 2008 Corporate Social Responsibility Report

Social role and value are second nature to the Piaggio Group: a community of people, ideas and passions that create technologies, products and “dreams” in all four corners of the world.

In its Company mission, the Group *“aims to be an operator that contributes to the social and economic development of communities where it operates, acting to safeguard the environment, the well-being of society and the values in its Code of Ethics”*.

The huge commitment our Group makes on a daily basis to developing corporate social responsibility has led this year to the publication of Piaggio’s first Corporate Social Responsibility Report.

Since the early 1990’s, Piaggio has made its mark in bringing together production and social responsibility, through the intense work of the Piaggio Foundation. With its Museum and Historical Archive, the Foundation is one of the first examples in Italy of placing value in a Company’s historical heritage and promoting culture in the community.

However the Group’s vision today must make a strong connection between corporate social responsibility and radically new parameters. For a Company, being socially responsible means being entirely transparent and this is the best response to a new citizen and consumer “awareness” and an increasing demand for information and production ethics. These are now the main drivers of “doing business”, the values that are steering leading companies worldwide out of the financial and economic crisis.

The most important contents of this report include two fundamental assets of the social value of the Piaggio Group, which I would like to highlight: innovation and the Group’s connection with the place where it operates.

Innovation is the *raison d’être* of the Company since it was established and is its driver for growth, which today takes place through the research and development of cutting edge solutions that can improve the quality of customers’ lives. In particular, the Group is committed to providing a solution to new “sustainable mobility” requirements, designing vehicles that not only perform well but are also safe and ecological, and even “zero emission” vehicles.

In this framework, I would like to draw attention to the important results achieved in 2008, with the design of the new hybrid engine for the MP3 completed. This will enable the first hybrid scooter worldwide to be marketed from autumn 2009.

The link with the place where the Group operates – stems from a strong sense of belonging and identification linking the Company and communities where its production sites are located. Today this translates as proudly exporting values such as culture, creativity and Italian style - which have always set the Group apart - throughout the world.

The rewarding relationship with places where Piaggio Group products are made is further consolidated by the universities, organisations, associations and local authorities that Piaggio works with, in strategic partnerships that promote development and well-being for the entire community.

However, the true bedrock of the Piaggio Group is its men and women, its “great team” that shapes the Group’s successes each day with passion and pride. These men and women are an invaluable asset and the most important value for Piaggio, guaranteeing the future of the Company.



METHODOLOGICAL NOTE

Piaggio has always been committed to safety, quality, environmental issues and the well-being of its employees and partners. In other words, it is committed to being socially accountable for its operations and to demonstrate that they are transparent and may be verified by external sources, it considers a Sustainability Report as the most appropriate tool. The Group has produced its 2008 Sustainability Report to be accountable to all stakeholders for actions taken to improve its capacity to generate value, considering its responsibilities in economic and financial terms, as well as in other areas. In particular, the main segments of analysis in this Sustainability Report refer to products, the environment, personnel and social commitment.

In defining and preparing this Report, the Piaggio Group has followed national and international best practices on Corporate Responsibility and edition G3 of the Sustainability Reporting Guidelines produced by Global Reporting Initiative (GRI).

The GRI Reporting Framework is a universally accepted model for reporting the economic, environmental and social performance of an organisation. It includes practices which are common to different types of organisations and has a content which is both general and sector-specific, with the purpose of reporting the sustainability performance of an organisation.

The data in this Report, which is prepared annually, refer to subsidiaries at 31 December 2008, unless otherwise indicated.

Numerical data in this Sustainability Report refer to a reporting period of 2007-2008, in order to evaluate dynamic performance over time. Financial figures are taken instead from the Consolidated Financial Statements of the Piaggio Group, which have already been audited.

To improve the effectiveness of the reporting process and guarantee the reliability of information to all stakeholders, an external, independent body has been appointed to verify reported information and issue a certificate of conformity (published in this report).

As this Report is published, Piaggio has developed a process based on a system of indicators that conforms to a C+ GRI application level, and has set itself the goal of achieving a B+ application level over the next three years.



2 • The Piaggio Group

Established in 1884 and based in Pontedera (Pisa), Piaggio & C. S.p.a. is Europe's leading manufacturer of 2-wheeled and 3-wheeled motor vehicles, and ranks as one of the world's top four players in its core market.

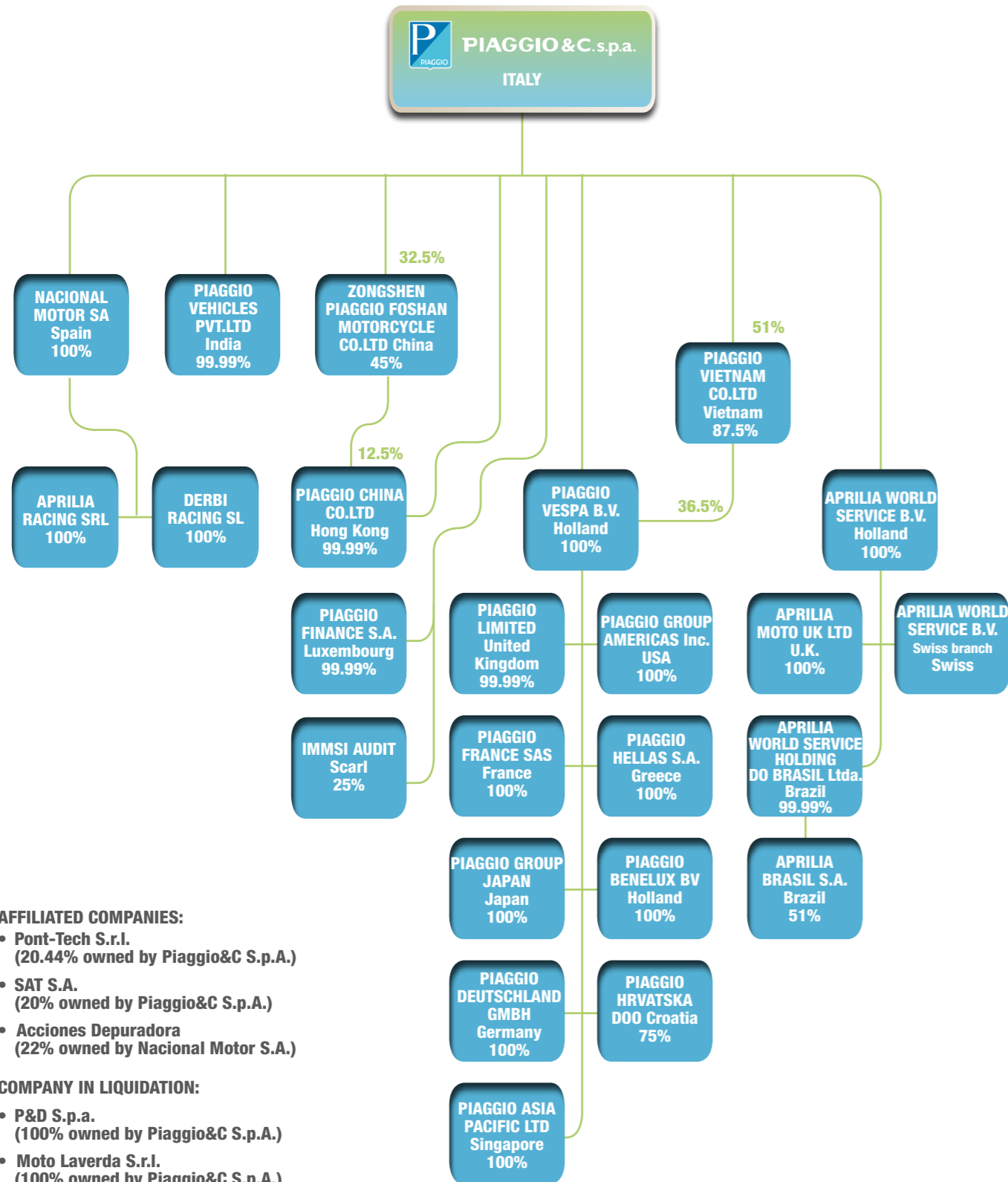
The Piaggio Group, comprising 24 companies at 31 December 2008, is controlled by more than 54% by the industrial holding Immsi S.p.A, and has been listed on the Milan Stock Exchange (Piaggio & C. S.p.A. ordinary shares) since 11 July 2006.

7 brand one group

One group,
seven brands -
to meet all urban
mobility needs



Company structure of the Piaggio Group at 31/12/2008



AFFILIATED COMPANIES:

- Pont-Tech S.r.l. (20.44% owned by Piaggio&C S.p.A.)
- SAT S.A. (20% owned by Piaggio&C S.p.A.)
- Acciones Depuradora (22% owned by Nacional Motor S.A.)

COMPANY IN LIQUIDATION:

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

The product range, sold in more than fifty nations, includes scooters, mopeds and motorcycles from 50cc to 1,200cc, marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the 3- and 4-wheeled light transport sector, with its Ape, Porter and Quargo ranges, all under the "Piaggio Commercial Vehicles" brand. The Piaggio Group employs approximately 7,000 people across the globe. It develops its products at 4 research and development centres located in Italy, Spain and India, and manufactures at seven sites based in Pontedera (Pisa), Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain) and Baramati (India) (and from 2009

in Vietnam, in the province of Vinh Phuc). In commercial terms, the Group operates on international markets with a structure that is divided per business segment (Two-wheeler sector and Commercial Vehicles), and further divided by geographical segment (Europe, the Americas and Asia for the Two-wheeler sector, Europe and India for the Commercial Vehicles sector). In industrial terms, Piaggio operates in Europe and India out of production facilities located in Europe for the Two-wheeler market and in Europe and India for the Commercial Vehicles sector, which are specialised per business line (scooters, motorcycles, commercial vehicles, engines).


Piaggio Group Brands


















2.1 MISSION AND VALUES

Piaggio aims to strengthen its position as a world player in the Italian-manufactured light transport sector, in terms of design, creativity and tradition.

Piaggio's mission embraces key actions for a strategy that is sustainable and of value for its stakeholders:

- Operating as a **global player**, delivering top quality products, services and solutions for urban and out-of-town mobility that constantly adapt to evolving needs and lifestyles.
- Contributing to the **social and economic development** of the communities where it works, safeguarding the environment and general well-being, and the values in its Code of Ethics.
- Facing the challenge from global competitors, building up a leadership position based on **a capacity for innovation and development**, achieved by an organisation where creativity and talent can come to the fore.

In adopting this vision, the Company can rely on values recognised internally as drivers of its success:

- **Value for customers:** creating a swift, flexible organisation, where all processes, persons and external partners (suppliers, dealers) are focussed on generating customer-perceived value.
- **Value for shareholders:** developing returns on invested capital, in order to meet the expectations of shareholders and guaranteeing a continuity of development.

- **Value of people:** valuing the abilities and talent of every person, recruiting and retaining the best resources.
- **Value of brands:** investing in brand value as a driver for developing operations on markets and a competitive edge that is unique and distinctive.
- **Customer-focussed innovation:** developing innovative products, with a recognisable quality, safety, consumption and low environmental impact.
- **Internationalisation:** acting as a global business with a global organisation, culture and presence on world markets and managing the Group's human resources at an international level.

2.2 PIAGGIO: A LEGEND OF TODAY AND TOMORROW

Piaggio was established in Genoa, a thriving industrial city in the late nineteenth century, and flourished during the most important stages of domestic and international economic growth, achieving an established position on the complex light transport market.

The history of Piaggio is the history of a brand that has expanded in very close contact with the place where it operates, with a very strong sense of belonging, involving in particular Pontedera and the entire area around the factory. This sense of belonging has played a key role in the Company's strategy to consolidate and revive operations over the last decade, as has teamwork and awareness that Piaggio is the custodian of a remarkable historical tradition in the world of manufacturing and innovation, where history and strategy are a winning combination for today, and for tomorrow.

MAIN STAGES IN THE HISTORY OF THE PIAGGIO GROUP

1882	Enrico Piaggio establishes a timber yard in Sestri Levante (Genoa) to supply ships.
1884	Piaggio & C. is established by Rinaldo Piaggio, son of Enrico, in Sestri Ponente to produce fittings for ships.
1916	Operations commence for the aviation industry. The vision Rinaldo Piaggio gives his Company soon becomes clear: to help create jobs and contribute to the economic development of the country.
1924	The facility at Pontedera is acquired, and the production of Piaggio patented engines and vehicles commences.
1938	Rinaldo Piaggio dies. The Company's management is passed on to his sons Armando and Enrico. Armando takes on the production facilities in Liguria, which operate for the aviation and railway industries, while Enrico manages the sites at Pisa and Pontedera, nurturing the ambitious project to make Italy mobile with a vehicle that is simple, cheap and can be used by everyone. To develop his idea, Enrico commissions Corradino D'Ascanio, the brilliant aeronautical engineer and genius behind the first modern helicopter.
1946	The Vespa is created, and after an initial tepid response it becomes a huge international success. In the space of 10 years Piaggio sells one million units.
1948	The APE is created, Piaggio's first three-wheeled light transport vehicle.
1964	IAM, the aviation and railway division, splits from Piaggio & C., the division which develops and manufactures scooters and commercial vehicles.
1967	The Ciao motorcycle is created.
1969	Piaggio takes over Gilera, one of Europe's most long-standing and renowned motorcycle manufacturers.
1973	The Bravo motorcycle is created.
1981	Piaggio's Vespa faces a minor crisis, offset by the introduction of several new models.
1990	Piaggio brings out the Sfera, the first plastic-body scooter. Giovanni Alberto Agnelli is elected Chairman of the Group.
1992	Piaggio's first 4-wheeled commercial vehicle, the Porter, is created.
1994	Piaggio's first maxi scooter, the Hexagon, is launched.
1996	The new Vespa is presented.
1997	Giovanni Alberto Agnelli dies prematurely.
1999	Control of the Company passes to the financial group Morgan Grenfell Private Equity. The new production site in India is inaugurated.
2000	Piaggio USA opens its first Vespa Boutique in Los Angeles, marking the return of Piaggio and the Vespa to the States, which today counts more than 60 Vespa Boutiques.
2001	Piaggio acquires Derbi Nacional Motor, a well-established Spanish motorcycle manufacturer and leader in the small-engined sector. The Gilera brand returns to the racing circuit and immediately scores a remarkable victory with Manuel Poggiali winning a world title.
2003	Immsi S.p.A., an industrial holding and real estate Company listed on the Milan stock exchange and controlled by entrepreneur Roberto Colaninno, acquires management control of the Piaggio Group and Roberto Colaninno is appointed Group Chairman.
2004	Piaggio signs a strategic agreement with the Chinese Group Zongshen to manufacture and market Italian-technology engines, vehicles and components for the Asian market. Piaggio also signs the final contract to acquire the Aprilia - Moto Guzzi Group, becoming the undisputed leader in the 2-wheeler market.
2006	Piaggio & C. shares are listed on the Milan Stock Exchange. The first 3-wheeler scooter, the Piaggio MP3, is presented.
2008	The organisational structure of the Piaggio Group is revised, with the Group now organised by Business segment (Two-wheeler sector and Commercial Vehicles) and geographical segment. Aprilia wins the constructors' title in the 125cc and 250cc classes of the world championships. The Italian rider Marco Simoncelli, with his Gilera, wins the 250cc world title and the French champion Mike Di Meglio, riding a Derbi, wins the 125cc world title. In October, the production unit at Hanoi, Vietnam, is completed. The design of a new hybrid engine for the MP3, to be marketed in the autumn of 2009, is completed.

Made in Italy

Design, creativity and tradition have made Piaggio a world player in the Italian light mobility sector

60 YEARS OF APE

In 2008, the Ape celebrated its 60th anniversary. Originating from the brilliant insight of Enrico Piaggio and Corradino D'Ascanio, Piaggio's «three-wheeler» has accompanied many people in their work, life and leisure time. An Italian success story, with more than 2 million units sold in Europe alone, given new exotic, colourful names, from the "rickshaw" in Mumbai (India) to the "tuctuc" in Bangkok (Thailand) and exported as far as the seafront at Brighton in the United Kingdom.

It is 1948 and the Second World War has come to an end. The Italian economy is starting to recover and Enrico Piaggio has commissioned Corradino D'Ascanio, an aeronautical engineer and the designer of the Vespa, to create a three-wheeled van based on the famous scooter.

The first Ape model has many Vespa components, such as the front shield, the handlebar and 125cc engine, while at the back it features an original two wheels with deck capable of transporting a 200 kg load. The 170,000 lire price tag is considerable, seeing that the average annual salary in Italy is 139,152 lire, but Enrico Piaggio has brought the idea of payment by instalments from the United States to Italy, so customers can pay for their Ape as they build up their businesses. The first clients are small and medium-sized town tradesmen, who hurry to customise their Ape vans with their firm's logos and slogans. The Ape swiftly takes over the countryside. In the immediate post-war period, 45% of the nation's economy is based on agriculture, and the Ape becomes a part of the Italian landscape.

As time passes, the Ape becomes a must-have not only for work. The Ape gains a huge following and is used for the most extravagant exploits. In the 1960's, the Ape Calesse becomes a fashion item and vehicle of choice for actors, artists and famous people to get about the narrow streets of Capri, Ischia and Portofino.



Today the Ape is a well-established product worldwide and is marketed in 36 countries. Also built in India, the Ape is still a hard-working van used from the Italian Apennines to Asian markets.

On 29 and 30 November 2008 at Pontedera, Ape celebrated sixty successful years. The Piaggio Museum hosted events, including an "APE rally", a treasure hunt in the area involving numerous Ape fans and owners and a presentation on the past and future of the Ape "3 Ruote, 1000 Storie" (3 Wheels, A thousand tales), with testimonials, personal experiences and daily successes of people who all have a link with the Ape. The celebrations continued with the inauguration of the "Mostra Ape", an exhibition of photographs, as well as a display of vintage vehicles and parade of Ape owners through Pontedera.

2.3 PIAGGIO: AN ITALIAN AND INTERNATIONAL SUCCESS STORY

"The history and successes of Piaggio, like its more unfortunate episodes and toughest times, are closely linked to an Italian spirit which is second nature to the Company.

Because Piaggio has put down roots in an economic, social and cultural context that is highly creative and it has seized on this creative vein to expand on world markets." (Giovanni Alberto Agnelli)

Over the years, Piaggio has created some of the finest products in the history of mechanics worldwide, which reflect the creativity, innovation and effort that have always united the Group's players and are symbolic of their Italian spirit.

Through its brands, Piaggio promotes an Italian style that is globally recognised and reputed, and through its products, it has helped to create and to spread this style over more than one hundred years.

Piaggio is synonymous with everyday freedom and with products that combine ease of use and functionality with all the appeal of Italian design.

Vespa is one of the most prestigious brands in the world. It is the expression of a uniquely distinctive lifestyle; a symbol of an industrial boom, of freedom and light-heartedness, an icon of the "Dolce Vita".

Vespa stands for Italian design, for a creative and inventive vein which is thoroughly Italian. Vespa is design, fashion and society. Vespa is an enduring success.

Ape is the hard-working, light, agile and versatile vehicle. With its unique design, the Ape is synonymous with fun, a cheerful style and Italian manufacturing.

Capable of changing and adapting to diverse contexts, since 1948 the Ape has accompanied the development of society in Italy and the world.

Gilera is the Italian brand synonymous with style and a sporting spirit, for junior and young adult motorcyclists who live life and motorcycling with passion and a desire for challenge.

Technology, style, innovation and dedication: these are the qualities which have transformed a small factory established in the late 1960's into a European motorcycle manufacturer at the cutting edge of industry.

Aprilia has always distinguished itself in the motorcycling world introducing some of the most important technological innovations, such as the first catalytic converter for scooters, the clean technology of the Ditech electronic injection engine and the fuel injection twin cylinder in the off-road sector.

Likewise, it has made a name for itself in the world of racing, winning 40 world titles, including 33 MotoGP titles to date, and gaining a reputation for its competitive abilities combined with an extremely high level of technological innovation.

Moto Guzzi is synonymous with aristocracy in the motorcycling world, dating back some 85 years to the legendary production site at Mandello del Lario, where the "Brand of the Eagle" was established in 1921. Moto Guzzi's philosophy is based on two guiding principles:

Italian Style

Piaggio products stand for creativity, innovation and hard work: an Italian style that has won the world over

pure riding pleasure and the utmost attention to design. Contrary to the logic of haste and speed, Moto Guzzi motorcycles embody a different lifestyle where real and powerful emotions can come to the fore: the joy of motorcycling, enfolded in the steady throb of the 90° V twin cylinder engine – the real signature of the bike from Mandello – where Italian creativity and technology are at their best. Today Moto Guzzi has returned to its origins, on the strength of an unrivalled heritage and invigorated by the use of cutting edge technologies.

The link between Piaggio and its Italian spirit is even stronger if we consider its brands and historical identity, yet the Group's international vocation is just as significant. The Piaggio Group has a commercial presence in over 50 countries, in Europe, India, Asia and America and operates out of production facilities located in Italy, Spain, India and Vietnam (operative since 2009).

India

In 1998 Piaggio decided to invest in India, establishing the industrial **joint venture** Piaggio Greaves Vehicles Private Ltd (currently Piaggio Vehicles Ltd) with Greaves Ltd, an Indian Company, involved, among others, in developing and manufacturing engines. In 2001 Piaggio decided to acquire Greaves Ltd's entire share in the **joint venture**, so as to guarantee independ-

ent operations in India, gradually developing products in the Commercial Vehicles sector, and in particular for its 3-wheeler range. Today the Piaggio Group manufactures over one hundred thousand vehicles a year at its production facilities in India, and has firmly established itself in the country.

In 2008 works began to construct a new engine manufacturing site, scheduled for start up in 2010.

Spain

In 2001, the Group also acquired the entire share capital of the Spanish Company Nacional Motor S.A., and consequently ownership of the Derbi brand, which manufactures and distributes scooters and motorcycles particularly in the small engine capacity segment.

The Company is also established in the motorcycling world and particularly in the 125cc world championships.

Vietnam

The Piaggio Group has been in Vietnam since 2007. The area where the new plant now stands, in the province of Vinh Phuc, was officially inaugurated on 9 October 2007 after just two years of work.

The site will manufacture Vespa scooters for the local market and ASEAN region, with production starting in 2009.

THE VESPA

The Vespa (Italian for "wasp") came into being because of Enrico Piaggio's wish to create a simple, low cost vehicle that everyone could use, including women. He was assisted in his enterprise by Corradino D'Ascanio, the brilliant aeronautical engineer who designed the first modern helicopter.

The first prototype of the Vespa was made in Pontedera in 1946. Enrico Piaggio himself named the scooter. Standing in front of the prototype, with its wide central part where the rider sat and the "narrow" waist, he exclaimed: "it looks like a wasp!". And thus the Vespa was born.

The Vespa was soon presented to the public, to a mixed reception. Yet Enrico Piaggio went ahead and started the mass production of two thousand units of the Vespa 98cc, available in two versions and at two prices: 55,000 lire for the "standard" model and 61,000 lire for the "de luxe" model. The Vespa's debut was chronicled by the US newsreel Movietone, while Italians glimpsed the Vespa for the first time on the pages of the magazine Motor and on the cover of the black and white magazine La Moto of 16 April 1946, and could see it for themselves at the Milan Trade Exhibition in the same year.

The Vespa miracle had become a reality and production steadily increased. Piaggio's scooter became a part of life for people from all classes and of all ages. In 1946, 2,484 vehicles were put onto the market. In 1948, the figure stood at 19,822 vehicles, and production continued to expand in the 1950's. Foreign markets watched the arrival of the scooter with interest, and both the public and press expressed curiosity and admiration. The Times called it "a completely Italian product, such as we have not seen since the Roman chariot".

The Vespa became the ultimate symbol of Italy and just four years after its debut was manufactured in Germany, Great Britain, France and Spain – a magical time which marked only the beginning. The Vespa would soon be produced in 13 countries and marketed in 114 nations worldwide.

The Vespa is not simply a sales phenomenon. It is an event embracing the development of society. During the "Dolce Vita" years, the Vespa became synonymous with scooters and foreign reporters described Italy as the country of the Vespa. In the 1970's the Vespa quickly became a symbol of freedom and light-heartedness, of a social revolution started in that decade by young people. The Vespa's role in society and in customs and conventions is apparent from its presence in hundreds of films that have helped make Italian style famous throughout the world.

Audrey Hepburn and Gregory Peck in "Roman Holiday" were the first in a long line of actors seen riding the Vespa in films including "Quadrophenia", "American Graffiti" and the more recent "The Talent of Mr. Ripley" and "The Interpreter". In photo shoots and films, the Vespa has been the travel companion of stars including Ursula Andress, Joan Collins, Marcello Mastroianni, Charlton Heston, John Wayne, Gary Cooper, Antonio Banderas, Matt Damon, Gérard Depardieu, Eddie Murphy and Nicole Kidman.

Today the Vespa is not only timeless. Its unmistakable silhouette has made it a cult object that can adapt to different styles and it embodies an outstanding design that is always contemporary and still a trend setter.

The Vespa has fired the imagination of graphic designers and advertisers since the 1940s and today is increasingly becoming an artistic expression. Some works are housed in the Piaggio museum at Pontedera, including a gigantic Px model, designed for an international exhibition and a series of Et4 models designed in 2001, which combine art and design in a competition to celebrate the world's most famous scooter.

And so the Vespa has become a symbol of Italian society, culture, fashion and customs. It is still a sign of and the dream of a society which is changing in a country that today, as in the past, wants to come to the fore.

The Vespa's appeal has not changed. It is not a question of a vintage style or the nostalgia of those who rode a scooter when they were younger. Each day, the Vespa wins over new followers, as demonstrated by the many fan clubs and rallies organised across the globe.

The Vespa has also become a part of the new media. Besides numerous Internet sites and forums, where thousands of users share their feelings and sentiments of a common experience, the Vespa has also made its way onto social networks. On Facebook alone, there are numerous groups and pages celebrating the history, evolution and interpretations of a motorcycle that has become a myth.





3 Sustainability in the Piaggio Group

Current economic and social trends have given modern-day businesses new functions compared to the recent past. Developments in market analysis, a growing consumer awareness of products on the market, the transformation of consumers from customers to citizens using product selection criteria also based on the “social” function of the manufacturer and a heightened perception of environmental issues all represent values a Company must consider.

As a result, social responsibility is leading innovator companies to adopt intangible evaluation criteria in their production chains and in their relations with stakeholders. This process is a revolution that does not alter the fundamental objectives of a business, and namely its “duty” to make investments in production processes profitable. Instead, it introduces choices that can promote initiatives and actions which generate the socially responsible function of a Company.

Transparency during every stage of operations in and outside the Company, ethics at all levels, correct product information, environmental awareness, the ability to value the dignity of people, the possibility to help the local and national economy function at its best, an understanding of the Company’s role in producing income and of the external world through social, cultural and educational initiatives are some of the indicators to pursue by a Company and its management. Piaggio is convinced that in order to be sustainable, growth must involve all

stakeholders. The Group is therefore committed to society as a whole, in terms of economic well-being, and the growth of communities where it operates.

In doing so, Piaggio first and foremost considers research and innovation as critical factors for success in investment choices and industrial and commercial initiatives. Research and innovation are led by principles that focus on safety, ecological compatibility and an awareness of end user requirements.

As for environmental issues, the Company has adopted environmentally friendly production technologies and methods, in order to reduce the environmental impact of its operations, without compromising conformity to specific applicable laws.

People are the first and most important “intangible asset” of the Company and this is why Piaggio invests in safeguarding their know-how and in their professional advancement. It ensures contributions are rightly acknowledged and that the expectations and aspirations of everyone can be met.

To be global, growth must go beyond the boundaries of the Company. It must go further afield to reach Suppliers and Dealers, with whom Piaggio wants to be a reliable partner, forging a common ground to work and grow together, to create value for the end customer. Customer satisfaction is a priority objective for the Company. Customers must be listened to, informed and respected, establishing relations based on transparency and trust.

Piaggio's support also covers social, cultural and educational initiatives designed to help people and improve their social conditions.

3.1 DEFINITION OF STAKEHOLDERS

Developing a sustainability 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, Piaggio has identified categories of stakeholders in relation to its opera-

tions and namely customers, employees, shareholders and bondholders, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and associations.

Impacts from political/legal, financial and institutional spheres, and from customers, employees, distributors and suppliers are too complex and interrelated to be managed separately. By pursuing a constructive ongoing dialogue with its stakeholders, Piaggio aims to develop an integrated approach to managing the environment it operates in.

Map of Piaggio Group stakeholders



In order to be sustainable, growth must involve all stakeholders



And careful monitoring of all its stakeholders' expectations is a great opportunity for it to further improve its operations.

The Company pays attention to the needs of its stakeholders. However real dialogue only takes place when it provides adequate, in-depth responses. And 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.

Today this challenge has become particularly broad-ranging. Stakeholders have become the starting point for defining future strategies within a framework of sustainability that also addresses issues such as internationalisation, innovation, environmental awareness, quality and transparency.

3.2 BUSINESS ETHICS COMMITTEE

A Business Ethics Committee was set up on 9 May 2008 to specifically deal with the new challenges faced by modern companies.

The purpose of the Committee is to develop rules and organisational strategies for the Piaggio Group in line with international best practices of "Corporate Social Responsibility".

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

The Committee is a unique initiative in Italy and its remit and actions are not limited to Corporate Social Responsibility such as consolidating the Charter of Values, producing the Sustainability Report and optimising relations with the local community and stakeholders.

The Committee is responsible for monitoring the actions, operations and relations of Company management and personnel as regards all stakeholders and for following indications in the Code of Ethics, as well as measuring in general ethics standards, which are an integral part of the good governance of a Company.

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

Ethics Committee

The Business Ethics Committee, a unique initiative in Italy, is the organisational part behind “Corporate Social Responsibility

Responsibility today, the Committee acts as authority for investors, consumers and opinion leaders, as it makes sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

3.3 CODE OF ETHICS

Piaggio & C. has adopted a Code of Ethics since 2004. The Code is of paramount importance and is published on its Internet site (www.piaggiogroup.com, under “Investor Relations / Corporate Governance”). Applied in all Group companies, the Code sets out the principles and values that guide activities both in and outside Piaggio & C., and namely:

- 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;
- safeguarding 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 to different groups of stakeholders are clearly

defined, in order to prevent any party, acting in the name of and on behalf of Piaggio, from adopting a conduct which is irresponsible or unlawful.

The fair and effective management of transactions and human relations supports the Company’s reputation and creates a climate of trust with the outside world.

3.4 CORPORATE GOVERNANCE

The Corporate Governance system adopted by Piaggio & C. conforms to the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. and national and international best practices.

The system deals with the Board of Directors’ role and the efficiency and effectiveness of the internal control system. The internal control system also conforms to fair and responsible governance principles, and aims to promote confidence among shareholders, clients and partners.

3.4.1 Role of the Board of Directors

The Company is governed by a Board of Directors. The bylaws of Piaggio & C. regarding the composition and appointment of the Board require compliance with relevant provisions introduced by Law 262/2005 and by Legislative Decree no. 303 of 29 December 2006.

The Board 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 at 31 December 2008, comprised eleven members.

The professional *curricula* of board members are available on the site www.piaggiogroup.com, under “Investor Relations / Company Documentation”.

3.4.2 The Internal Control System

The Internal Control System consists of direct processes to monitor the efficiency of Company operations, reliability of financial information, compliance with laws and regulations and safeguarding of Company assets.

The Board of Directors defines the guidelines of the internal control system. In fact the Board oversees the prevention and management of Company risks relative to Piaggio & C. and the Group reporting to it. It achieves this by defining control system guidelines that are suitable

NAMES AND POSITIONS OF PIAGGIO & C. BOARD MEMBERS

Name	Office	In office from	Exec.	Non-exec.	Indep.	Indep. TUF	% BoD	Other offices
Roberto Colaninno	Chairman CEO	28/08/2006	X				89	7
Matteo Colaninno	Deputy Chairman	28/08/2006		X			78	3
Gianclaudio Neri	Director			X			100	3
Michele Colaninno	Director	28/08/2006		X			89	9
Luciano Pietro La Noce	Director	28/08/2006		X			100	11
Giorgio Magnoni	Director	28/08/2006		X			67	3
Daniele Discepola	Director	28/08/2006		X	X	X	89	9
Franco Debenedetti	Director	28/08/2006		X	X	X	100	4
Riccardo Varaldo	Director	28/08/2006		X	X	X	100	3
Luca Paravicini Crespi	Director	28/08/2006		X	X	X	89	6
Gian Giacomo Attolico Trivulzio	Director	28/08/2006		X			100	5

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. TUF: indicates whether the Director has the requirements of independence established in paragraph 3 of article 148 of the Consolidated Finance Act (article 144-decies, of CONSOB’s Regulation of 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.

The number and stature of independent directors ensure that their judgement may have a significant weight upon the decision-making of Piaggio & C.’s Board. These

directors bring their specific competencies to Board discussions and contribute to decisions being made in the Company’s interest.

ble to ensure that the above risks may be properly identified and adequately measured, monitored, managed and evaluated, also in relation to safeguarding Company assets and good corporate governance.

The adequacy, efficiency and effectiveness of the internal control system is verified periodically (at least annually). In carrying out these functions, the Board is assisted by a designated Director supervising the working of the internal control system ("Designated Director") and an Internal Control Committee.

During 2008, the Internal Control Committee regularly reported to the Board on the Committee's activities, on the outcome of audits and on the workings of the Internal Control system, stating that the system was adequate for meeting the needs of the size and organisational and operational structure of the Company.

3.4.3 Organisational model pursuant to Legislative Decree 231/2001

The internal control system includes an organisational, management and control model for the purpose of preventing corporate crimes indicated in Legislative Decree 231/2001 and subsequent additions thereto, approved by the Board of Directors on 12 March 2004.

The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, subdivided into Instrumental and Oper-

ational processes, as well as the Disciplinary System. During the final part of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio employees to send a message directly to the Supervisory Body for the purpose of reporting any relevant cases. Such 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 Piaggio Group executive managers and has been published on the corporate Intranet and is available on the corporate web site of the Issuer www.piaggiogroup.com under "Investor Relations / Corporate Governance/ Governance Model".

The Model is currently being revised and updated to include new statutory offences and crimes recently introduced by laws in force (Law 123/07 and Legislative Decree 81/2008 on occupational safety, Legislative Decree 231/07 on anti-money laundering and on the prevention of handling stolen goods).

3.5 INTEGRATED QUALITY, ENVIRONMENT AND SAFETY SYSTEM

Piaggio's Integrated Quality, Environment and Safety Management System comprises a set of "tools" that, if applied rigorously, strictly and efficiently, can be used to "understand and know" the objectives and expectations

of different stakeholders and develop programmes that measure Piaggio's "reliability" in meeting social commitments and its ability in living up to expectations. During 2008 the Piaggio Group consolidated quality, environmental and safety issues at a global level.

Management activities continued in order to maintain certification awarded in conformity to international standards of excellence (UNI EN ISO 9001:2000 for quality - UNI EN ISO 14001:2004 for the environment and OHSAS 18001:1999 for occupational health and safety) for the Pontedera (Pisa), Noale (Venice) and Scorzè (Venice) sites. As a result, Piaggio is now just one of a few Italian manufacturers with all three certifications.

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.

The environment is of paramount importance for Piaggio and is considered in all Company activities, so that mankind, technology and nature can live alongside each other.

The Group's commitment to sustainable development which respects the environment is based on clear guidelines: saving natural resources, reducing the impact of production systems and products and complying with applicable laws.

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 enables it to 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. Pro-



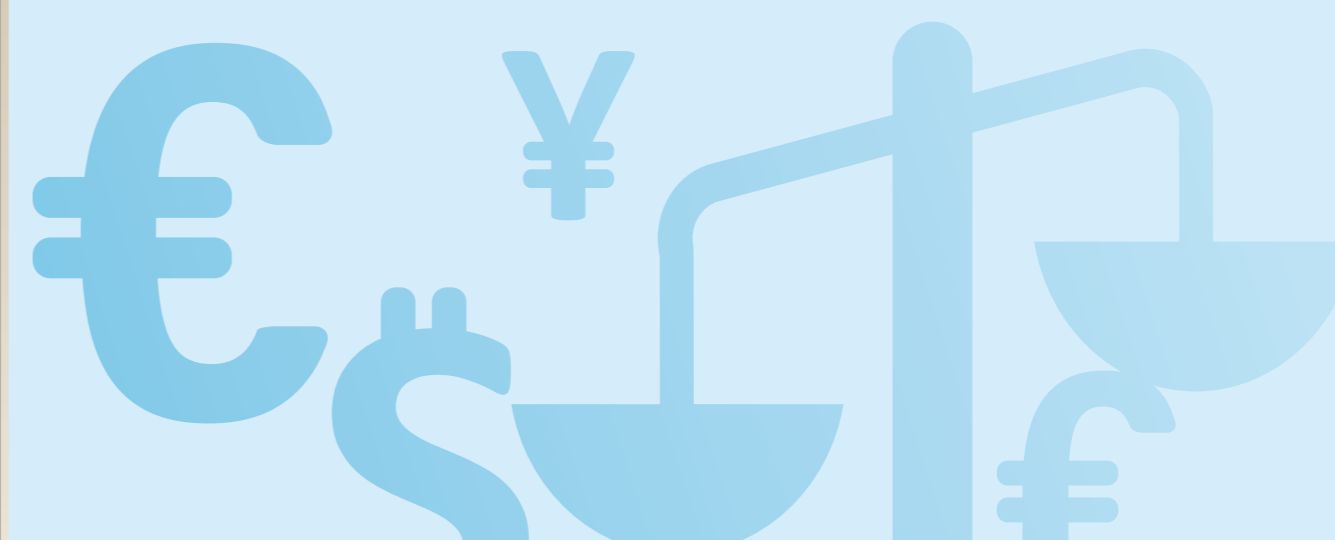
tecting and improving the health and safety of workers is integral to the Piaggio Group's operations and strategic within the framework of its more general objectives.

Piaggio is committed to complying with applicable laws in force and to pursuing objectives to improve the health and safety of its workers.

The application of law 626 and introduction of the Consolidated Occupational Health and Safety Act (Legislative Decree 81/2008) have reinforced these issues which are very much on the agenda, also for the Company.

An occupational health and safety management system allows a Company to safeguard its most important asset: its employees.

This system enables it to control occupational health and safety risks, improve business performance, establish a safer working environment for current workers and a more attractive one for future workers.



4 • The economic dimension of sustainability

Although it may seem short-sighted to think of a Company as an organisation exclusively seeking to generate a profit, the creation of economic value is fundamental for a Company's operations and it is this on which its existence and business outlook depend.

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.

In fact the creation of value for a manufacturing Company is the first way for it to be sustainable as this value may benefit a plurality of stakeholders in different ways, thanks to a socially responsible approach. The economic dimension of a Company's operations must therefore be given full value and properly contextualised within the role it performs vis-à-vis all its stakeholders.

This is even more pertinent at a time when the international economy is in difficulty, as has happened, starting in 2008 and continuing through to 2009.

In fact the need to monitor the value production process extremely carefully, reporting on this process in a transparent, timely and in-depth manner, stems from an awareness of just how tough the challenges are facing companies today.

4.1 FACTS AND FIGURES

4.1.1 2008 FINANCIAL AND BUSINESS PERFORMANCE

In 2008, the Piaggio Group sold 648,600 vehicles in the world, 470,500 of which in the two-wheeler business and 178,100 in the Commercial Vehicle business.

Value

For a manufacturing Company, the creation of value is the first way to be sustainable

Piaggio Group sales by business segment

Sales by business sector (figures in thousands of units)	2008	2007
Scooters	405.7	453.3
Motorcycles	64.8	81.4
Commercial vehicles	178.1	173.9
Total	648.6	708.5

With regard to the 2-wheeler business, such performance took place within a particularly difficult market context in the Group's main geographic reference areas. In fact demand dropped compared to the same period of the previous year in Italy (-7.1%), Europe (-6%) as well as in the United States (-6% globally but +35% in the scooter division). With respect to the above-mentioned sequence of events, consolidated net sales in 2008 reported 1,570.1 ML € (-7.2% compared to 2007). In addition to a general drop in sales in the 2-wheeler sector, such decline was also influenced by the appreciation of the euro against the dollar, the Indian rupee and the sterling, causing a negative effect of approximately 38.4 ML € on net sales compared to 2007. Lastly, it should be noted that the 5-year BMW contract (-18.0 ML € compared to the same period of the previous year) significantly contributed to this contraction in the 2-wheeler business. In the 2-wheeler sector, the Piaggio Group confirmed its position as leader of the European scooter

93%

of the economic value generated by the Piaggio Group is distributed to stakeholders

market, despite registering an overall decrease in sales of 12% in 2008. Results achieved in America were also extremely encouraging, where sales, due mainly to the success of the Vespa, increased by 27.6%.

The Commercial Vehicle sector ended 2008 with sales of 178.1 thousand units, increased by 2.4% compared to 2007.

On the European market, Piaggio sold more than 19,000 units, registering a slight downturn compared to the same period of the previous year (-1.5%). The sales trend for the Porter was positive, increasing from 6,991 units in 2007 to 7,295 in 2008, up 4.3%, even in a European market affected by the downturn.

This was achieved thanks to important initiatives taken for the product range and the new Eco-solution powerplants with low environmental impact. On the Indian 3-wheeler market, the subsidiary Piaggio Vehicles Private Limited continued to strengthen its role of reference player and market leader.

Sales for 3-wheelers went from 149,790 in 2007 to 146,114 in 2008, reporting a 2.4% decline, far less than the market decrease (8.5%). Sales on the 4-wheel Light Commercial Vehicle market with the Apé Truk increased considerably, up from 2,577 units in 2007 to 9,600 units in 2008.

Piaggio Group sales by geographical segment

Sales by geographic area (figures in thousands of Euros)	2008	2007
Italy	162.3	186.1
Rest of Europe	266.6	308.4
America	31.6	24.5
India	158.9	154.4
Asia Pacific	23.0	29.6
Others	6.3	5.5
Total	648.6	708.5

2008 consolidated EBITDA was 189.1 ML €, equal to 12.0% of revenues, on the decline compared to 226.1 ML €, equal to 13.4% of revenues in 2007.

Operating earnings reached 94.5 ML €, compared to 136.6 ML € in 2007 (-30.8%), with amortisation and depreciation for 94.5 ML € (+5.0 ML €, corresponding to an increase of 5.6% compared to 2007). Consolidated

pre-tax earnings stood at 59.6 ML € (-42.4% compared to 2007) and net profit at 43.3 ML € (-27.8% compared to 2007), after deducting taxes of 16.3 ML €, which also consider deferred taxes recorded in the financial year, also due to the merger of Moto Guzzi.

The Consolidated Net Financial Position changed from -269.8 ML € at 31 December 2007 to -359.7 ML € at 31 December 2008. The 89.9 ML € increase reflects the decision to settle Piaggio 2004-2009 warrants in cash, for a total of 64.2 ML €, the distribution of 23.5 ML € in dividends and the purchase of treasury shares for 26.1 ML €.

Piaggio Group financial highlights

Main Economic Indicators (figures in thousands of Euros)	2008	2007
Net Sales	1,507.1	1,692.1
Gross operating margin=EBITDA (from operations)	189.1	226.1
Earnings before tax	59.6	103.5
Net income	43.3	60
.Third parties	0.3	0.4
.Group	43.0	59.6
Closing Net Financial Position	-359.7	-269.8

Piaggio Group Income Statement

INCOME STATEMENT (figures in thousands of Euros)	2008	2007	Change
Net Revenues	1,507,060	1,692,126	(122,066)
<i>of which with related parties</i>	<i>58</i>	<i>1</i>	<i>57</i>
Cost for materials	936,603	1,020,442	(83,839)
<i>of which with related parties</i>	<i>43,855</i>	<i>51,202</i>	<i>(7,347)</i>
Costs for services and use of third party assets	292,920	303,560	(10,640)
<i>of which with related parties</i>	<i>1,557</i>	<i>1,393</i>	<i>164</i>
Employees costs	250,967	237,754	13,213
Depreciation of property, plant and machinery	38,073	39,802	(1,729)
Depreciation of intangible assets	56,467	49,724	6,743
Other operating income	133,474	127,487	5,987
<i>of which with related parties</i>	<i>2,035</i>	<i>4,417</i>	<i>(2,382)</i>
Other operating costs	33,993	31,754	2,239
<i>of which with related parties</i>	<i>10</i>	<i>14</i>	<i>(4)</i>
Operating income	94,511	136,577	(42,066)
Income from equity investments	12	79	(67)
Financial income	31,906	17,552	14,354
Financial charges	(66,796)	(50,679)	(16,117)
<i>of which with related parties</i>	<i>(246)</i>	<i>0</i>	<i>(246)</i>
Earnings before taxation	59,633	103,529	(43,896)
Taxation for the period	16,302	43,527	(27,225)
Earnings from continuing activities	43,331	60,002	(16,671)
Assets held for disposal: <i>profits or losses arising from assets held for disposal</i>		<i>0</i>	
Consolidated net income	43,331	60,002	(16,671)
Attributable to			
<i>Shareholders of the Parent Company</i>	<i>43,001</i>	<i>59,561</i>	<i>(16,560)</i>
<i>Minority Shareholders</i>	<i>330</i>	<i>441</i>	<i>(111)</i>
Earnings per share (figures in €)	0.11	0.15	(0.04)
Diluted earnings per share (figures in €)	0.11	0.14	(0.03)

Piaggio Group Balance Sheet Assets

Balance Sheet Assets (figures in thousands of Euros)	2008	2007	Change
Non-current assets			
Intangible assets	648,234	637,535	10,699
Property, plant and machinery	250,354	248,595	1,759
Real estate investments			0
Equity investments	239	725	(486)
Other financial assets	359	235	124
<i>of which with related parties</i>	0	58	(58)
Long-term tax receivables	8,166	7,821	345
Deferred tax assets	36,227	33,532	2,695
Trade Receivables	0	0	0
Other receivables	12,587	8,877	3,710
<i>of which with related parties</i>	799	830	(31)
Total non-current assets	956,166	937,320	18,846
Assets held for sale			0
Current assets			
Trade receivables	90,278	121,412	(31,134)
<i>of which with related parties</i>	460	2,042	(1,582)
Other receivables	21,380	20,345	1,035
<i>of which with related parties</i>	1,961	226	1,735
Short-term tax receivables	27,772	19,621	8,151
Inventories	257,961	225,529	32,432
Other financial assets	5,787	18,418	(12,631)
<i>of which with related parties</i>	45	58	(13)
Cash and cash equivalents	39,985	101,334	(61,349)
Total Current Assets	443,163	506,659	(63,496)
Total Assets	1,399,329	1,443,979	(44,650)

Piaggio Group Balance Sheet Liabilities

Balance Sheet Liabilities (figures in thousands of Euros)	2008	2007	Change
Shareholders' equity			
Share capital and reserves attributable to the shareholders of the Parent Company	396,767	470,397	(73,630)
Share capital and reserves attributable to minority shareholders	1,454	1,050	404
Total shareholders' equity	398,221	471,447	(73,226)
Non-current liabilities			
Financial liabilities falling due beyond one year	264,789	322,921	(58,132)
Trade Payables			0
Retirement funds and employee benefits	64,160	62,204	1,956
Other long-term provisions	21,678	19,969	1,709
Tax payables	166		166
Other long-term payables	5,965	20,746	(14,781)
Deferred tax liabilities	31,795	39,514	(7,719)
Total non-current liabilities	388,553	465,354	(76,801)
Current liabilities			
Financial liabilities falling due within one year	140,691	66,614	74,077
Trade Payables	362,224	347,460	14,764
<i>of which with related parties</i>	8,712	4,781	3,931
Tax payables	19,065	9,683	9,382
Other short-term payables	70,677	59,662	11,015
<i>of which with related parties</i>	600	180	420
Current portion other long-term provisions	19,898	23,759	(3,861)
Total current liabilities	612,555	507,178	105,377
Total shareholders' equity and liabilities	1,399,329	1,443,979	(44,650)

4.1.2 DETERMINATION AND DISTRIBUTION OF ECONOMIC VALUE

Economic value is the measurement of resources produced by the Piaggio Group, which are distributed among various stakeholders in different forms. In particular, operating costs indicate moneys paid to suppliers of Group companies; remuneration to staff and consultants includes salaries and wages paid by the Company to personnel; remuneration to lenders and shareholders is represented by interest payable and distributed dividends; taxes represent remuneration paid for various reasons by Piaggio to the public administration sector;

external and direct donations comprise the portion of value intended for society, while the portion of retained earnings and amortisation, depreciation and provisions represent the value retained by the Company.

The statements that determine and allocate the economic value generated by the Group have been prepared reclassifying the consolidated income statement as provided for by GRI-G3 guidelines.

The Statement has 3 levels of value: value which is generated, which is distributed and which is retained by the Group.

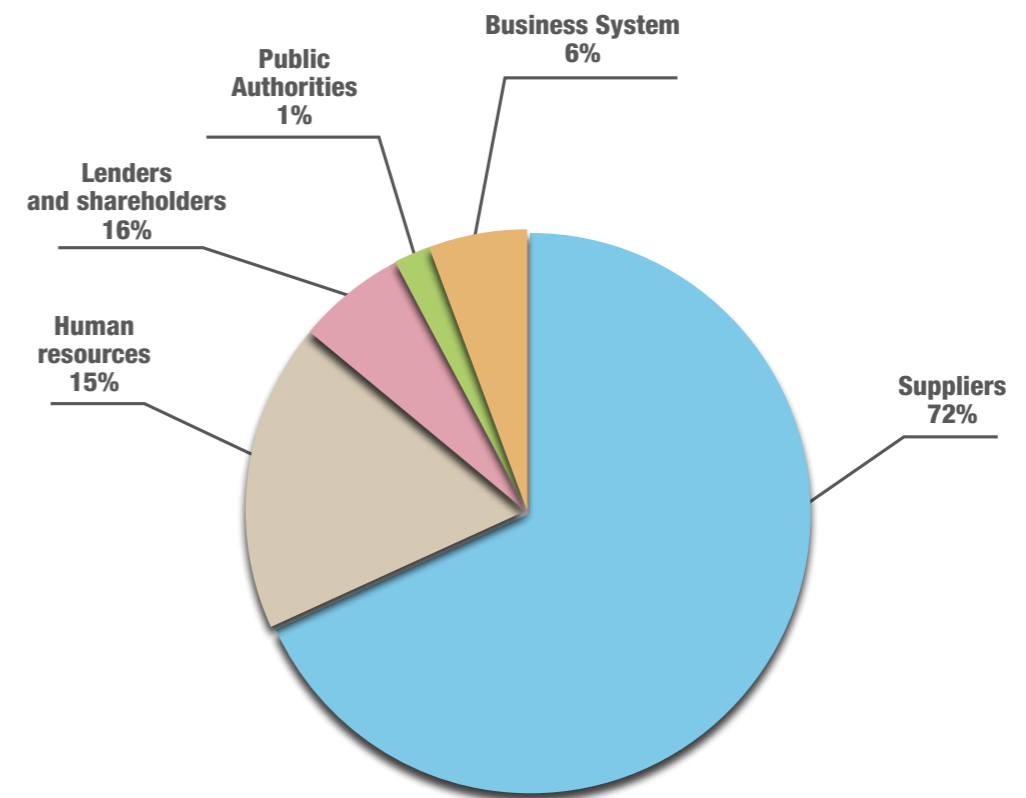
Statement of the determination and distribution of Economic Value generated by the Piaggio Group

(figures in thousands of Euros)	2008	2007
Economic value generated by the Group	1,635,545	1,738,027
Net revenues	1,570,060	1,692,126
Financial income	31,906	17,552
Income/(loss) from equity investments	12	79
Other operating income	39,835	32,496
Write-down of receivables	(4,006)	(2,625)
Impairment losses on assets	(2,262)	(1,601)
Economic value distributed by the Group	1,539,204	1,630,690
Operating costs	1,182,450	1,276,990
Remuneration for staff and consultants	246,742	231,239
Remuneration for lenders and shareholders	88,913	74,172
Remuneration for the public administration sector	20,842	48,178
Donations	257	111
Economic value retained by the Group	96,341	107,337
Amortisation	94,540	89,526
Provisions	16,259	15,508
Increases for own works	(35,672)	(34,206)
Retained earnings	21,214	36,509

In 2008 the economic value generated by the Piaggio Group was equal to 1,635,545 thousand euros, of which 94% was distributed to stakeholders in different forms and the remaining 6% was retained by the Group.



Distribution of Piaggio Group Added Value to Stakeholders for 2008



4.2 FINANCIAL MARKETS AND RELATIONS WITH SHAREHOLDERS

4.2.1 SHAREHOLDERS/COMPOSITION OF SHARE CAPITAL

The share capital of Piaggio & C. S.p.A. at 31/12/2008 was equal to 205,941,272.16 euros, divided into 396,040,908 ordinary shares with a par value of 0.52 euros each and of which Immsi S.p.A., which is controlled by the financial Company Omniaholding S.p.A., holds more than 54%.

At 31/12/2008 treasury shares amounted to 27,372,977, equal to 6.91% of share capital. Other Shareholders in the Company which, at 31/12/2008, held a number of shares above 2%, 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 2.14% of share capital;

- Intesa Sanpaolo S.p.A., with 2.510% of share capital.

As shown in the table below, remuneration of share capital paid for 2007, equal to 6 eurocents for each share held, was confirmed in 2008.

Summary of Piaggio & C. S.p.A. dividends for 2007 and 2008

Dividends	2007	2008
Reference balance		
Ex-dividend date	19 May 2008	18 May 2009
Payment date	22 May 2008	21 May 2009
Dividend per share	0.06	0.06

4.2.2 VALUE OF SHARES

Piaggio & C. S.p.A. 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 com-

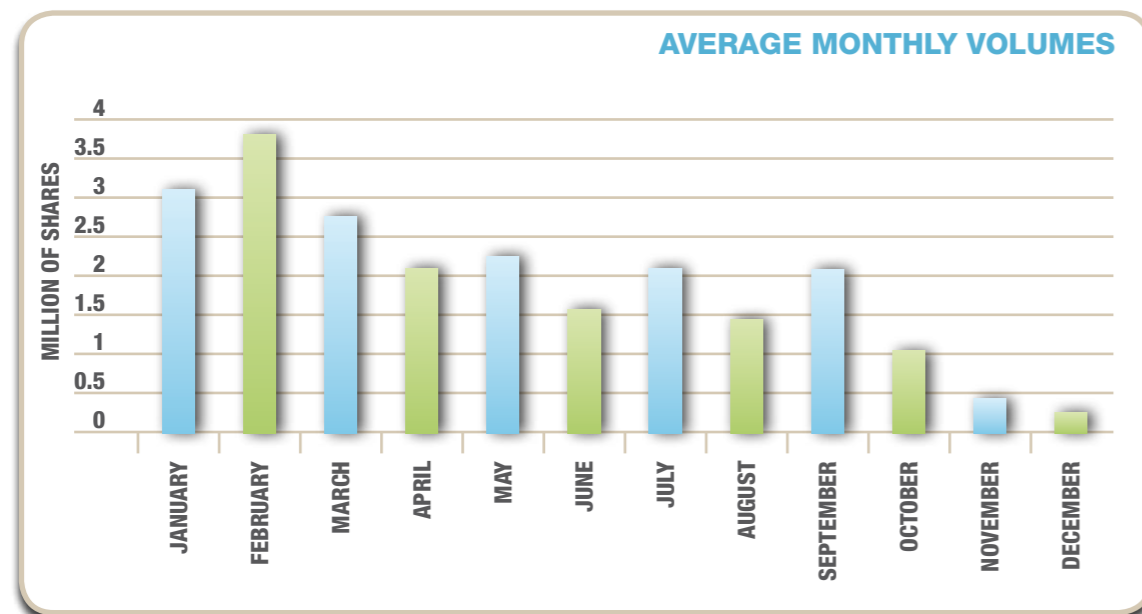
paring the share price with respect to the Italian Stock Exchange All-share index. The minimum price was equal to 1.02 euros (16 July 2008), while the highest quotation was 3.92 euros (10 April 2007). The average price

for the period was 2.3754 euros per share. Piaggio has corporate ratings published by Standard & Poor's and Moody's. In 2008 the two agencies confirmed their ratings of BB and Ba2 with a "stable" outlook respectively.

Trend of the Piaggio share price and Italian Stock Exchange All-Share index



Mean monthly volumes of shares exchanged on the share market (millions of shares) for 2008



4.2.3 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. This dialogue is based on a reciprocal understanding of roles and takes place through 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 2008, numerous communication initiatives with investors and analysts took place, including:

- A Piaggio Analyst and Investor Meeting, 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.

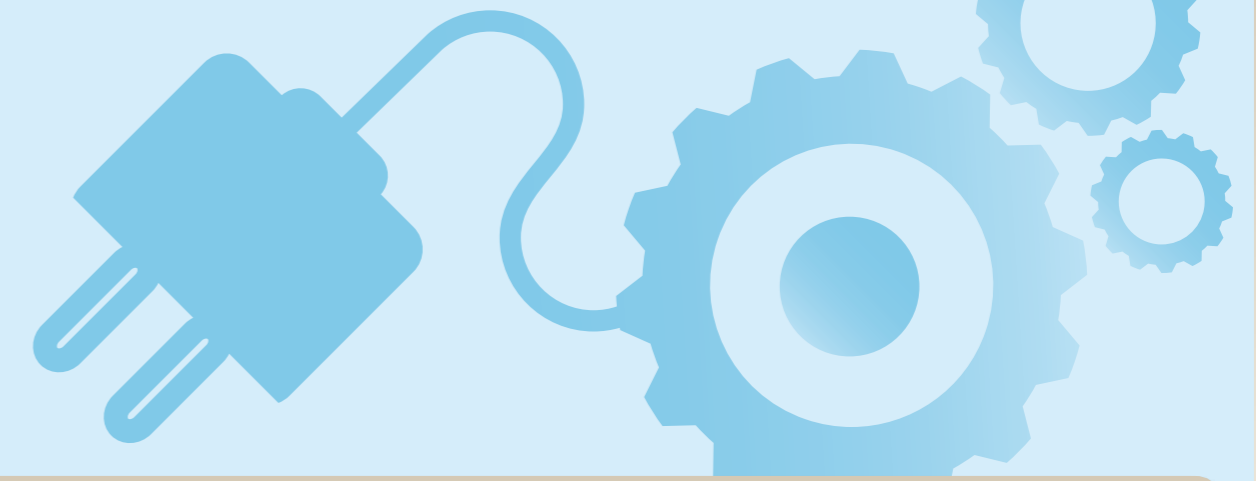
Investor information is also ensured by making the most significant corporate documents available in a timely and continuous manner on the Company web site (www.piaggio.com) in the "Investor Relations" section.

All press releases to the market, interim financial data approved by competent corporate bodies (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 Bylaws, the documents prepared for shareholder meetings, releases regarding Internal Dealing, the Corporate Governance Report and this Sustainability Report, as well as any other document which needs to be published on the web site in accordance with applicable regulations.

To update the market in a timely fashion, the Company has set up an e-mail alert service that allows subject matter released on the web site to be received in real time.





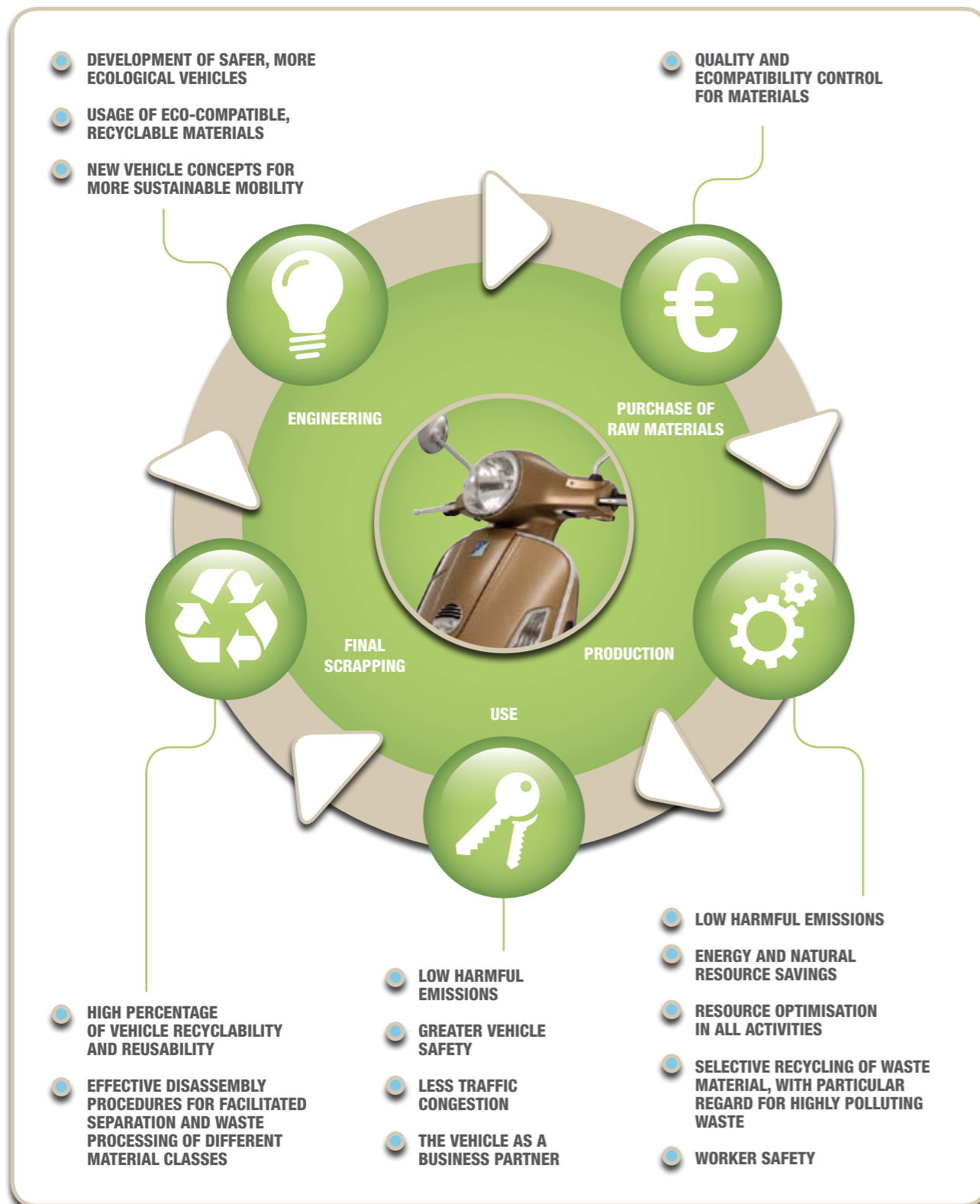
5 • Product sustainability

Piaggio identifies sustainability first and foremost with the sustainability of its own products. In fact, every product brings about direct and indirect interactions during its life cycle, which impact the health and safety of people, the environment, intended as the quality of the ecosystem

and impoverishment of resources, as well as the economic and social system. 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 life cycle of the sustainable product



In fact, meeting the need for a “new” mobility, reducing the environmental and social impact of its vehicles is an essential objective of the Group.

In this framework, the Group’s research activities target innovative solutions to reduce pollutant and acoustic emissions and increase product safety, reliability and recycling potential.

Thus a new concept has been developed, of a vehicle which is:

- **eco-friendly**, to reduce polluting gas and CO₂ 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 reduce environmental impact, even at the end of its useful life cycle;
- **cost-effective**, reducing costs per kilometre compared to standard petrol-run vehicles.

This general vision is divided according to the Group’s two business sectors: the 2-wheeler (scooters and motorcycles) and Commercial Vehicle sectors.

Accordingly, the 2-wheeler and Commercial Vehicle sectors are presented separately in the next few pages, along with the actions taken by the Company to guarantee the sustainability of its products.

The history of Piaggio’s eco-friendly vehicles

1978	Ape Elettrocar
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
2008	Design of the MP3 Hybrid engine, the first hybrid scooter in the world

Sure

Piaggio’s research targets vehicles that are increasingly ecological, reliable, safe, recyclable and cost-effective.

5.1 THE WORLD OF THE 2-WHEELER

5.1.1 SUSTAINABLE MOBILITY

The public and institutions have become far more aware of environmental issues over the last few years and in particular of the “sustainability” of urban and extraurban mobility, which is closely related to environmental problems and an increasing social impact.

In 2008, the number of people worldwide living in urban centres exceeded those living in non-urban areas. An increase in vehicles in urban centres and traffic congestion, along with more polluting agents being emitted into the urban fabric are the consequence of a rapid and often chaotic urbanisation.

Although traffic is not the first element responsible for urban pollution, it does play a major part.

It is therefore important to step up efforts to make urban mobility more “sustainable”, to reduce air pollution and more in general improve the quality of life in towns and cities, seeking solutions that can reduce traffic congestion and noise pollution. In fact, most traffic congestion is due to vehicles used for individual mobility, which generally transport less than 25% their payload and waste approximately 50% of their time in queues or jams with

the engine on. Recent research has proven the advantage of using two-wheeled vehicles in an urban environment, in terms of travelling time and emissions/consumption.

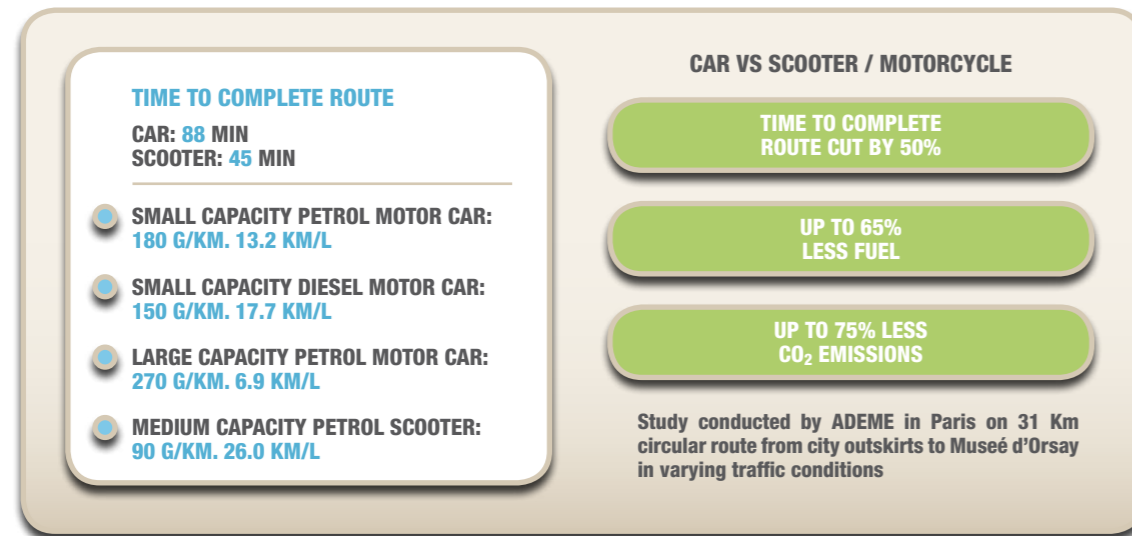
Traffic is streamlined, congestion is decreased and tail-back times, for other vehicles as well, are reduced¹.

However, an increase in the use of motorcycles for individual private mobility must be accompanied by an actual increase in the safety of two-wheeled vehicles,

through the study and introduction of active, passive and preventive safety systems.

Making two-wheeled vehicles safer and more comfortable in and outside towns and cities may increase their use and, at the same time, decrease the number of cars on the road, which in turn cuts consumption and harmful emissions by approximately 50% (in the same traffic conditions). This percentage could be further improved if the increase in two-wheeled vehicles were such that

Comparison of consumption rates, emission levels and travelling times between two-wheeled vehicles and cars²



² Important results of a study conducted by the French Institute ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie), which, in comparing the urban use of two-wheeled vehicles and cars in Paris, clearly shows the benefits of using scooters.

- 50% harmful emissions

An increased use of 2-wheelers, thanks to safer, more comfortable vehicles, could lead to a reduction in harmful emissions of approximately 50%

¹ See ADEME survey in Paris or Piaggio survey in Florence and Milan 2007.

it considerably changed traffic conditions, making traffic lighter, to the benefit of people still using cars, but above all the urban environment.

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.

5.1.2 DESIGN AND SUSTAINABLE PRODUCTION

Piaggio is committed to a challenge - giving its customers products that not only guarantee performance, reliability and safety, but also the assurance that they are respecting the environment.

With a view to continually improving its product range, the Piaggio Group has developed solutions fashioned from decades of engineering tradition combined with the latest design software applications.

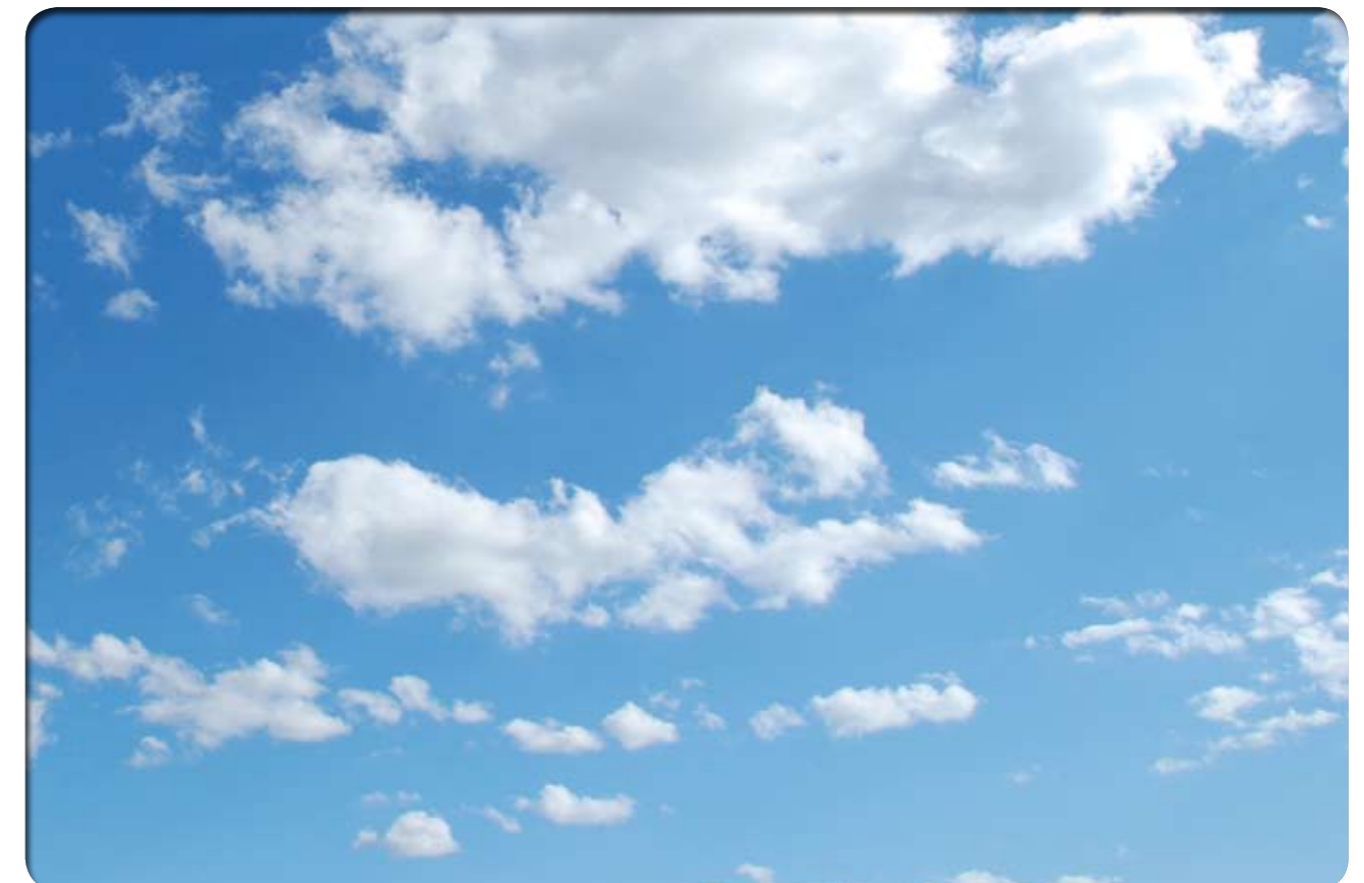
Partnered by outstanding players, the Group has developed a virtual engine enabling it to optimise all aspects

of engines from as early on as the concept stage, and to considerably cut times needed to put engines on the market that guarantee even better consumption and emission rates.

Piaggio's technological excellence and research and development efforts have ensured that its entire range of number-plated vehicles conforms to Euro 3 standards, reducing both pollutant emissions (for example NOx emissions were cut by 50%) as well as consumption.

In this framework, Piaggio was the first Company to present a Euro 3 scooter with electronic injection system on the European market. The Vespa 250 GTS was unveiled in May 2005, before Euro 3 standards came into force on 1 January 2006. Electronic injection was gradually extended to 125cc vehicles (water and air cooled) as well, to improve their characteristics and performance, even though they are already Euro 3 compliant.

The table below summarises the main technological innovations adopted for two-wheeled vehicles enabling consumption and CO₂ emissions to be reduced, whilst maintaining high safety and performance levels.



MAIN TECHNOLOGICAL INNOVATIONS ADOPTED FOR TWO-WHEELED VEHICLES IN RECENT YEARS

Technological innovation	Effects	Application examples
2005 Electronic injection with lambda probe	A drastic reduction in pollutants (Euro 3 compliance) without affecting performance; improved handling.	QUASAR range (water cooled, medium engine capacity): - 250cc injection: average reduction in CO ₂ emissions and consumption equal to 15%. - 300cc: improved performance, above all as regards torque, without any effect on consumption, while improving efficiency and reducing noise emissions.
2006 Closed loop technology extended to injection engines	Euro 3 compliance, with a 10% reduction in consumption, with the same performance levels.	“Master” range: - 460cc, 400cc and 492cc: the control unit has been directly integrated with the throttle body, for significant advantages in terms of system layout, simplicity and reliability.
2008 Piaggio 850cc 90° V twin engine	Piaggio was able to develop the fastest scooter in the world with a high level of comfort and low consumption. The powerplant installed on the GP800 is fitted with an innovative final drive with cardan joint to suspend the engine block inside the chassis guaranteeing the utmost rider and passenger comfort. The twin spark plug for each cylinder, combined with electronic injection, guarantees enhanced operating regularity and combustion efficiency.	DUEL engine: - In the Aprilia Mana version, the speed variator uses an additional electronic control for automatic gears with 7 ratios. Compared with conventional engines, the revolutionary drive system considerably improves active safety and in the case of sudden gear downshifts, the rear wheel cannot lock.
2008 Throttle grip ride by wire control	Torque control is automatically optimised by the control unit in all riding conditions, eliminating fuel waste (no excess petrol), reducing pollutant and CO2 emissions and eliminating slippage under acceleration.	Aprilia Shiver 750cc and MP3 125ie: - Although comparison with an equivalent conventional powerplant is not possible, a 10% decrease in consumption for the combined cycle has been estimated for the 750cc model, thanks to the Ride By Wire (RBW) system and electronic injection (for example on the MP3 125ie, the RBW system cuts consumption by 5% compared to an already efficient Euro 3 125ie version). - Fully electronic throttle grip management means that important active and preventive safety devices can be fitted, such as rear wheel sliding control during acceleration and adaptive cruise control.
2008 4 stroke 4 valve, air cooled 50cc engine	With 4.35 HP, this is the most powerful four stroke engine in its category, and despite a power increase of more than 23% compared to the 2 valve configuration, consumption and emission levels are the same as a four stroke engine.	Vespa 50 'S'

In the engine sector, the Piaggio Group has powered ahead in reducing environmental impact. Its greatest achievement though has been its research targeting the development and marketing of the first hybrid powerplant for scooters worldwide (the Hybrid MP3), i.e. a unit that combines an advanced electronic injection internal combustion engine with an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions.

The fiercely competitive scenario in which Piaggio is a player, along with increasingly rigorous standards (a further reduction in pollutant emissions with Euro 4 and Euro 5 compliance is expected) have led the Company to study innovative solutions with a very limited environmental impact, such as hybrid, electric, gasoline direct injection (GDI) engines or engines powered with alternative fuels such as methane gas and bioethanol.

In particular Piaggio has committed to demanding research and development work aimed at:

- improving conventional powerplants to reduce consumption and emissions;
- studying and developing systems using alternative fuels with less environmental impact compared to petrol;
- developing highly innovative engine formulas capable of further reducing emissions;
- improving the efficiency of vehicles by reducing weights and traction;
- reducing environmental impact by using eco-friendly materials and a design targeting product recycling and disposal (*Life Cycle Management*).

Piaggio is also actively involved in research projects financed by the Italian Ministry of Education and Research (for example the MID2R project for GDI and methane gas), the Tuscany region (Lambda Ion project - active control of combustion using ionising currents), and successfully presented its MUSS project (Safe, Sustainable Urban Mobility) for the 2008 competition held by the Ministry for Economic Development, which will enable it to fully investigate key issues relating to the improvement of powerplants and vehicles.

Euro 3

Piaggio was the first Company to present a Euro 3 compliant scooter with electronic injection on the European market

5.1.3 PRODUCT SAFETY

Improving the safety of two-wheeled 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-wheeled vehicles for individual mobility.

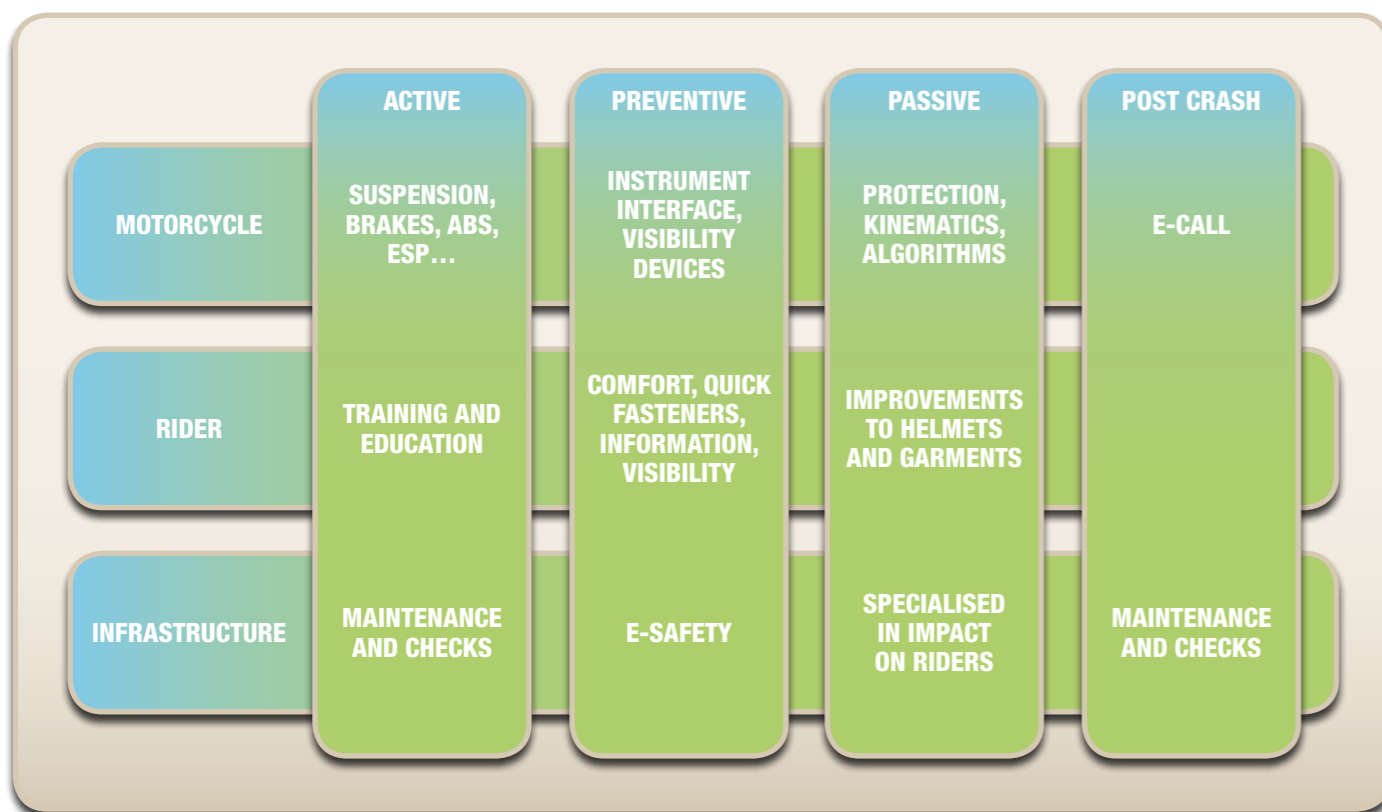
The Piaggio Group has always been at the forefront when it comes to improving the active safety of its products. Back in 2003 Piaggio presented the first scooter in the world fitted with electronic ABS (X9 500), followed by

other models in its range of scooters (Vespa GTS) and motorcycles (Aprilia RSV1000, Shiver, Dorsoduro and Mana, Moto Guzzi Brevia, 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 for all users in emergency situations.

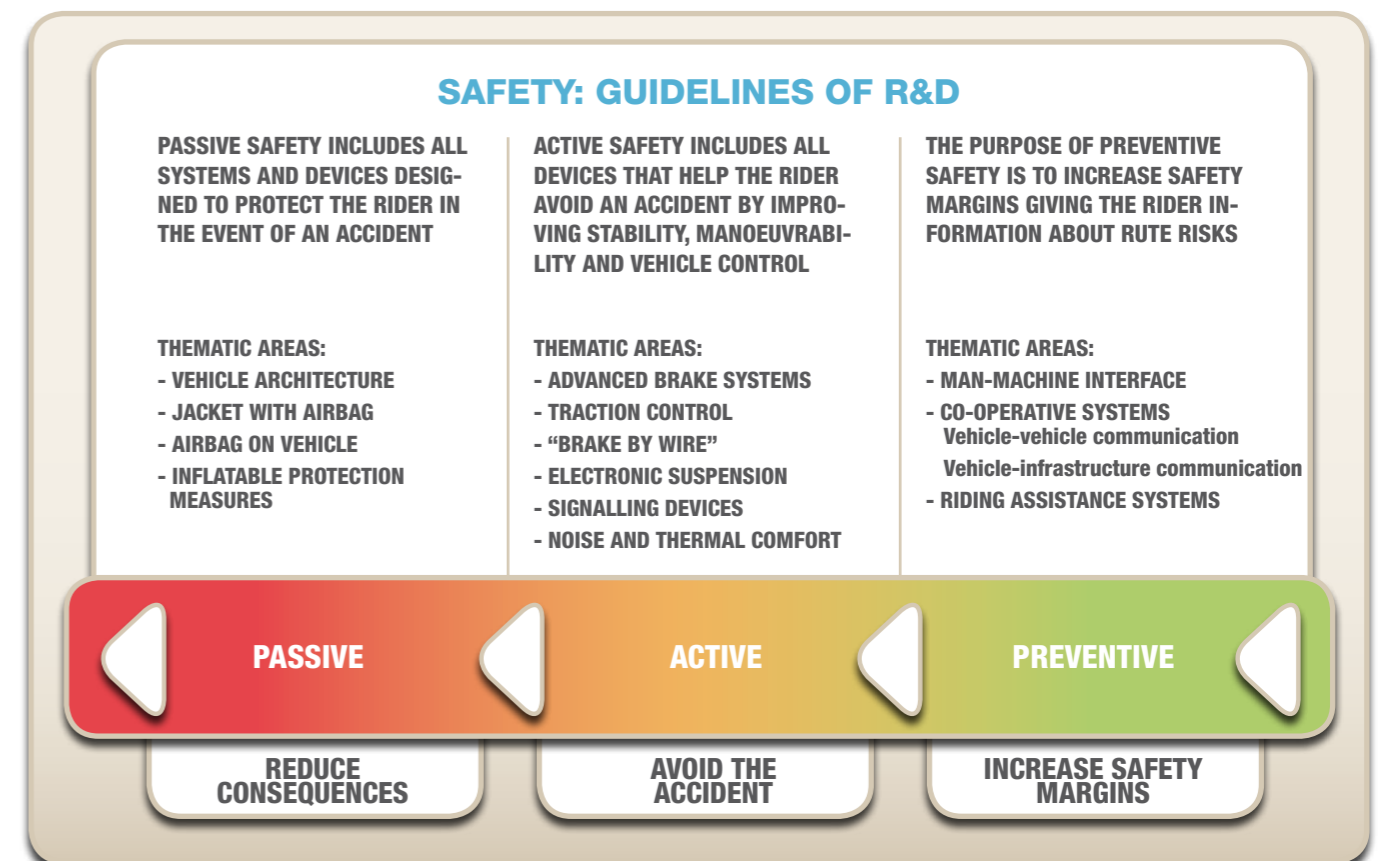
Many versions feature the “Ride By Wire”³ system, with the possibility to select accelerator calibration depending on road conditions (Aprilia Shiver, RSV1000, Mana850, Dorsoduro) and are therefore configured for Traction Control, which is already standard on the RSV1000. Moreover, numerous models (Moto Guzzi Brevia Norge

Matrix approach used by Piaggio for its motor vehicle safety projects



³ 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.

Research and Development guidelines for vehicle safety



and Stelvio, Aprilia RSV1000, Piaggio NRG and Gilera Runner) feature a LED taillight which reduces activation times and response times of people driving/riding behind.

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 3-wheeled Piaggio MP3 has become a new benchmark for the safety of urban motor vehicles. Indeed Piaggio’s most ambitious objective today in its safety research work is the study and development of new, safe products based on entirely new formulas, such as tilting 3- and 4-wheeled vehicles.

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

terms of size, emissions and consumption. Piaggio is involved in numerous European projects concerning product safety:

- **APROSYS (Advanced PROtection SYStem):** the aim of this project is to improve the passive safety of two-wheeled vehicles by integrating a system that can recognise a hazardous situation and activate a safety device, such as an airbag jacket.
- **WATCH-OVER and SAFESPOT:** the purpose of this project is to develop an accident prevention mechanism based on cooperative systems where cars and vulnerable users (two-wheeled vehicles, cyclists, pedestrians) communicate. In fact, as most accidents involve cars and the main causes are attributable to human error, this electronic system would allow the driver to detect a motorcycle’s position and speed, alerting the car driver and motorcyclist, sending the

same potential hazard signal to the two-wheeled vehicle's display. A prototype vehicle equipped with a preventive anti-collision system based on radio frequency devices will be developed and tested.

- **SIM (Safety in Motion)** for the development and testing of active, preventive and passive safety systems for 2/3-wheeled vehicles. The objective of the project is to test integrated (active, passive and preventive) safety systems on conventional scooters and on new concepts of tilting vehicles in order to develop two vehicle prototypes: the MP3 400, a three-wheeler with active and preventive safety system, and the MP3 250, a tilting 3-wheeler with integrated passive safety system. In addition, new technologies to improve two-wheeled vehicle safety and comfort are being experimented: semi-active suspension, bend stability control systems and braking with an evolved ABS, integrated front airbag-air jacket systems and an innovative man-vehicle interface capable of not compromising safety (a hazard from the possible distraction caused by these devices), and of responding to the growing need for information and functions managed using unconventional communication channels (Bluetooth stereo in the helmet, Head-up display, GPS, etc.). During 2008, the first tests on the ABS installation⁴ and TCS⁵ were carried out. A prototype of a man-vehicle interface was developed and first dynamic tests with a front airbag were conducted.
- **SAFERIDER** for the study and implementation of advanced driver assistance systems (ADAS) and in-vehicle information systems (IVIS) for two-wheeled vehicles, to improve safety and driving comfort. Two prototypes will be developed (Piaggio MP3 250 and Gilera Fuoco 800) equipped with tele-diagnostics and e-call modules, a navigation system and a Weather,

⁴ "Advanced Braking System" or "Anti Blocking System", depending on the system; the first system simplifies braking, making it safer. The second system is electronic and prevents wheel blocking during braking.

⁵ Traction Control System: an electronic device that works on the engine, via the ride by wire control unit, preventing rear wheel grip loss during acceleration by reducing petrol.

Traffic and Black Spot Warnings module. The first stage of developing an innovative man-vehicle interface integrating these functions (demonstrator instrument panel for the hybrid MP3) commenced in 2008.

ABS

Scooters and motorcycles with new, hi-technology active, preventive, passive and post-accident safety systems
In 2003 Piaggio presented the first scooter in the world with electronic ABS



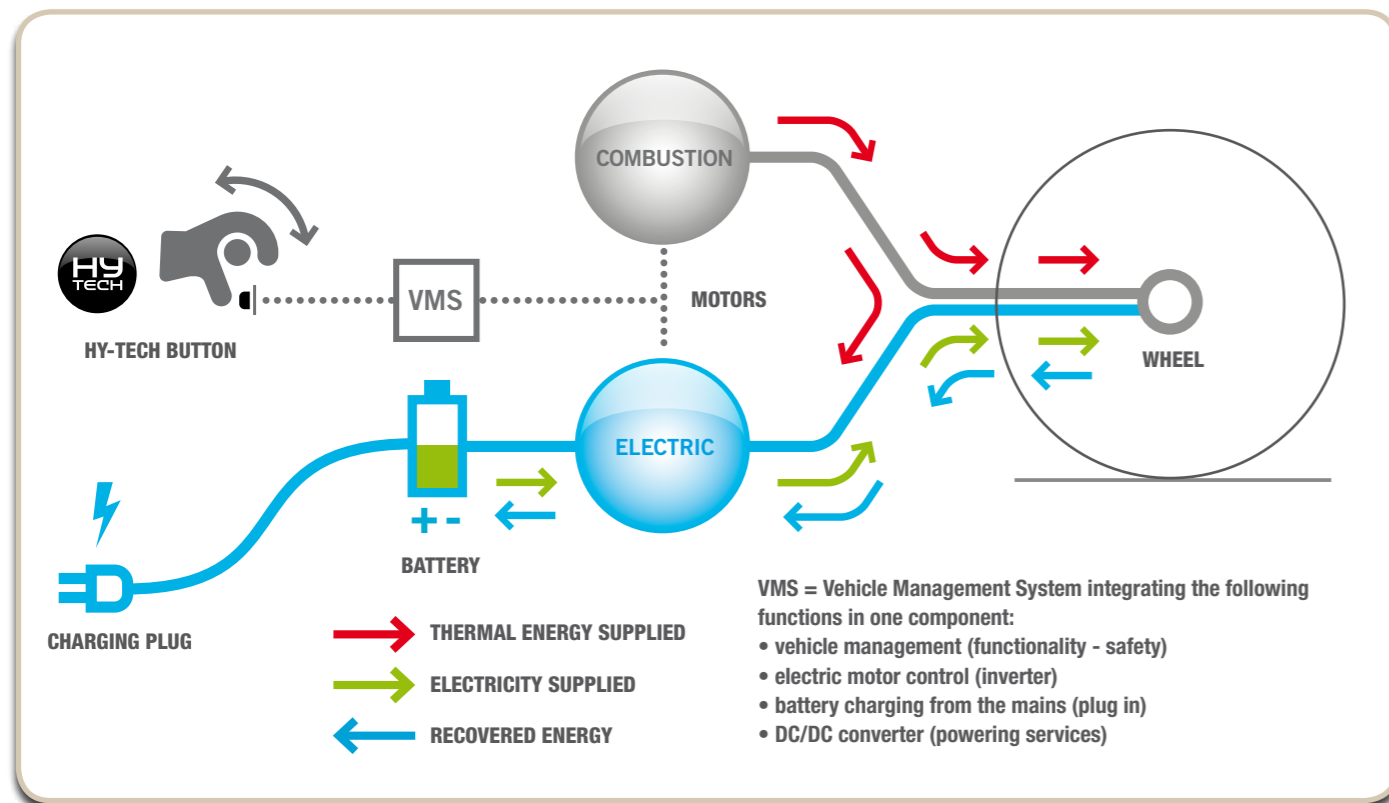
MP3: The first hybrid scooter in the world

The presentation of the MP3 in 2006 revolutionised the classic concept of the scooter. More surface contact with the ground where needed, smoother handling, less sensitivity to disturbance. These are the features of the new Piaggio vehicle which, thanks to a technology where the two front wheels are independent and tilting, combines all the comfort of a car with the freedom of a scooter. The new vehicle mixes the fun and dynamics of a conventional scooter with an excellent road holding that only a three-wheeler can deliver. The articulated quadrilateral suspension system, another Piaggio patented invention, guarantees unprecedented stability, even on wet or uneven terrain. Plus the MP3 performs superbly well when it comes to braking, reducing the stopping distance by more than 20% compared to normal scooters. The RL version has an electro hydraulic blocking system for the front suspension which can be used as a vehicle stand, to solve parking problems. This new scooter, selling over 40,000 units by the end of 2008, also stands out for numerous smaller innovations. Its electronics are fundamentally important and regulate injection, accelerator control and the cooling system. Consumption and handling are streamlined, as well as maintenance, with servicing at 10,000 km instead of 6,000 km. The hybrid version of the MP3 was presented during the 2008 edition of EICMA (the International Bicycle and Motorcycle Exhibition). This version is the first hybrid vehicle with lithium batteries and the only scooter in the world with a parallel hybrid technology, that combines an ultra-modern, low environmental impact petrol engine with a latest generation electric motor. The electric motor performs three fundamental functions. It assists the petrol engine, delivering additional power, improving performance and decreasing consumption and emissions. It can work alone, transforming the vehicle into an emission-free electric scooter that can silently travel in traffic-restricted areas. It can also recharge the battery when braking, recovering energy and improving performance, and when ridden.

As proof of Piaggio's commitment to the environment and eco-friendly mobility, the new MP3 hybrid delivers an even better performance, and lower petrol consumption, travelling at up to 60 km/l, while CO₂ emissions are reduced to under 40 g/km (the lowest consumption and emissions in the category).

The MP3 is a symbolic vehicle, combining the technology, creativity and concrete efforts of Piaggio's know-how - to superbly interpret its concept of sustainable mobility.

Diagram illustrating the operating principle of the hybrid engine⁶



⁶ Piaggio equips the MP3 Hybrid and develops the simultaneous operation of the petrol engine and electric motor with battery charging from the mains or petrol engine.

5.1.4 PRODUCT RECYCLABILITY

Although no regulations on recycling are currently in force or planned for two-wheeled vehicles, the Piaggio Group, which has always made environmental issues very much a part of its agenda, has anticipated this need. The technologies and materials used for the design and construction of its scooters have targeted environmental compatibility and effective end of life disposal since the introduction of the Sfera 50 model (1989).

Analyses further confirm the reduced ecological impact of two-wheeled vehicles, even at the end of their life cycle.

In fact, an end-of-use test campaign was run in 2007 to verify design choices and solutions adopted. Tests were run on the most representative vehicles in the range (for example the Beverly 250cc, Vespa GTS) to see how easy the disassembly of main components was, for quicker operations and an effective separation of different mate-

rial types. Separation is entirely compatible with standard recycling technologies and the vehicle components contain no harmful substances for the environment. 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.

The special construction features of the Vespa (load bearing sheet metal body) means that separating components and recycling is even easier.

During 2008 Piaggio changed the title blocks of its drawings and information included in its bill of materials, so that controls of materials used to construct vehicles and the real time monitoring of recyclability percentages during new product development will be automatic in the future.

Moreover, internal design regulations will require the optimisation of vehicle disassembly procedures, so that material classes can be easily separated and disposal operations facilitated (all moulded items will be stamped with initials identifying their material). Piaggio supplier processes and products will be monitored systematically using a new dedicated portal, to facilitate direct contact and further control of quality and information on environmental compatibility.

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: the Ape (bee in Italian), a name whose origins are more concept-based than formal, drawing on analogies between the hard-working, productive world of the insect, and the industrial, developed, social world of mankind.

In Italy, the post-war construction years were underway and the country was working towards getting the economy back on its feet, along with the building industry, trade and the market, which was expanding above all in the economy vehicle sector.

As leading trade journals of the time commented, "The Ape van will be appreciated by a public that needs a practical, safe, cheap vehicle for light transport" (from "La Moto").

Ape became an unrivalled "work mate", a fundamental player in the social fabric of a country which was developing. Piaggio's magazine in 1949 reported on how Piaggio's three-wheeler was already contributing to "increasing the pace of trade and sales" spreading "an infectious sense of well being in all towns and cities in Italy".

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 decided to consolidate 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 cli-

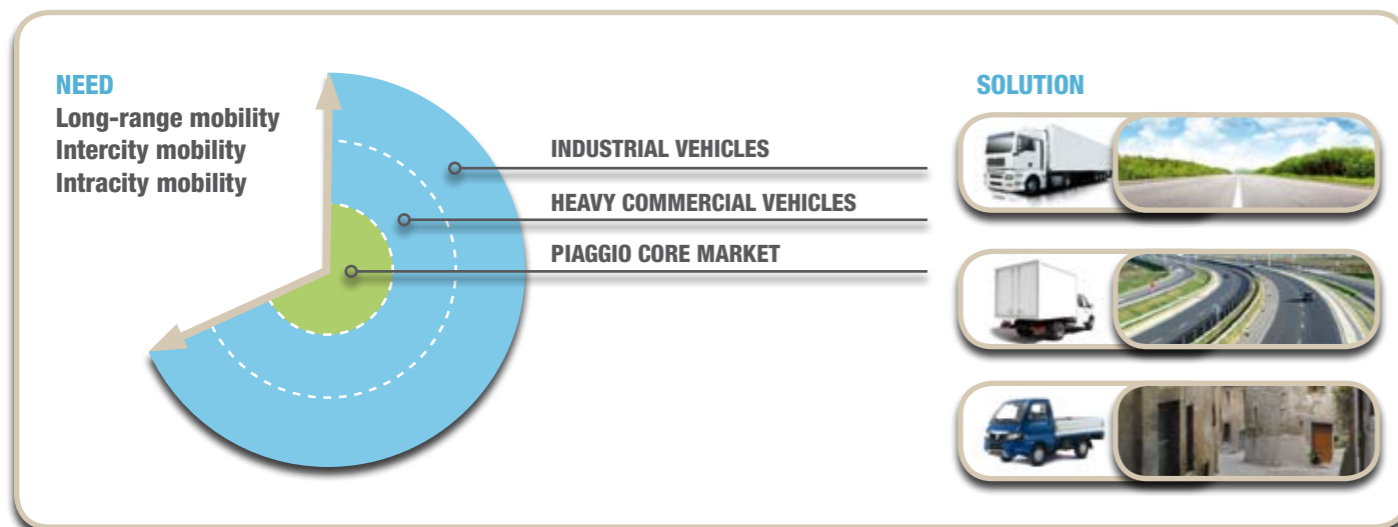
90%
recyclability

The recyclability percentage of a 250cc 2-wheeler with plastic body is above 90%, a figure which is far higher than regulatory limits for the automotive sector.

Historical evolution of the brand

<p>The Ape was conceived to offer a simple solution to the needs of the professional</p>	1948			<p>1999 New production plant in India Inauguration of international operations with the Ape brand</p>
<p>Introduction of the Ape 50 More than 1,000,000 examples of the Ape sold worldwide</p>	1969			<p>2004 Piaggio Light Transport Vehicles. Strengthened presence in the 4 wheeled market</p>
<p>Piaggio Porter The first 4 wheeled commercial vehicle</p>	1992			<p>2008 Introduction of the Eco-solution range. New Logo</p>
<p>Piaggio Porter Electric The first electrically powered commercial vehicle</p>	1995			

Long distance, intercity and intracity mobility



ent, 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.



Ape: for sixty years accompanying people in their work, life and leisure time

Its three wheels have plied the world's roads since the end of the Second World War, carrying all sorts of cargo. Ape represents one of the most significant chapters in the history of urban mobility and commercial transport. A one of a kind vehicle which, with its unmistakable silhouette, has become a transport icon. Ape is a part of Italian history, a product of the genius of the aeronautical engineer Corradino D'Ascanio and the far sighted vision of Enrico Piaggio. Light, agile and versatile, it has evolved over the decades without losing its unmistakable physiognomy. From the Ape A, created with the Italian post-war reconstruction in full swing, which accompanied the nation through the economic boom to the futuristic 5-wheeled Ape Pentarò from the 1960s and the Ape Car, the undisputed queen of the 1970s. To the Ape TM designed in 1982 by Giorgetto Giugiaro, and the Ape Cross, for young drivers and the Ape Calessino, icon of the Dolce Vita period and repropesed in 2007 in a limited edition with just 999 models. Ape has made and is making tracks in our urban and rural history. It is the ultimate democratic vehicle. Because it accommodates popular creativity and the notion that objects do not have one but many functions. This is why it has become



an ice-cream van, a taxi, a fruit stall, an ATM and an espresso bar. It also has a strong global spirit. From India to Italy, Egypt and China, the Ape can be turned into anything from a taxi brousse to a Krishna carrier. It is the vehicle for inhabiting the streets as diversely as possible. It can be adapted and restyled to blend in to specific cultures. And so the Ape adjusts to the most inconceivable scenarios, blending in with the urban and rural landscape of all countries in the world. In Sicily, it has become the updated version of the farm cart, in India the new elephant as well as the altar on which Bollywood versions of ancient sagas are depicted. No other vehicle best represents "soft" globalisation, adapting to the endless diversity of customs and local traditions rather than replacing them. The Ape still plays an important social role in different parts of the world, such as Cuba, where it has been marketed since 2007. The Cuban economic and financial weekly "Opciones" published two articles on the Piaggio three-wheeler in 2008, acknowledging its contribution to social programmes and energy saving in the country. Over the years, the Ape has continuously changed to better meet different mobility needs of new markets in Europe and the Far East, while retaining its original construction philosophy of a compact size, smooth handling, low price, low running costs, excellent load capacity and sturdiness. Even today, after selling 2 million units in Europe alone, the Ape is still one of the Piaggio Group's reference products.

The Ape's compact dimensions, together with a turning circle of just 3.4 m, enable it to easily reach historical city centres, narrow streets and places inaccessible to any other commercial vehicle, without sacrificing a class beating payload capacity of up to an incredible 800 Kg! Reliable and economical, with a choice of petrol and diesel engines from 50 to 422 cc, the Ape Range includes versions with handlebar or wheel steering catering for every possible professional application.



Apé Truk: the first Indian pick-up weighing less than a ton

In keeping with its tradition of providing transport solutions that meet specific needs and in view of the rapidly evolving Indian market, Piaggio launched its Apé Truk. Its aim was to give the new business generation in India a product that could meet a growing demand for 4-wheel vehicles.

After carefully evaluating the lowest end of the light transport vehicles market, which is strongly expanding in India, Piaggio identified potential demand for a pick-up weighing less than a ton, with a cost placing it between the lowest end of the light transport vehicles market and the larger 3-wheeler segment.

Featuring an attractive Italian style and modern, ergonomic design, the Apé Truk boasts a whole host of superb features: a comfortable interior similar to a car, excellent stability, a high load capacity, a lot of space from the ground, good handling on all road surfaces, an outstanding fuel consumption and low running costs.

The Apé Truk is perfect for people who aspire to improving their businesses and lifestyle. With the Apé Truk making its appearance in India, millions of entrepreneurs and traders in the SME sector have found a partner that can guarantee greater efficiency and higher profits for their businesses. And so a new chapter in the history of transport in India is unfolding.

Easy to drive

The best solution for “last mile” transport: compact, agile, easy-to-drive vehicles, with an outstanding load capacity and payload and superb handling in all environments

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.

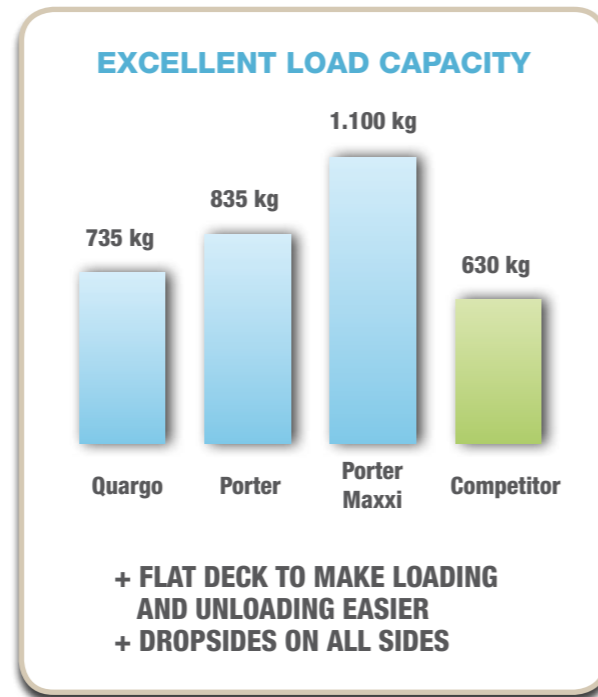
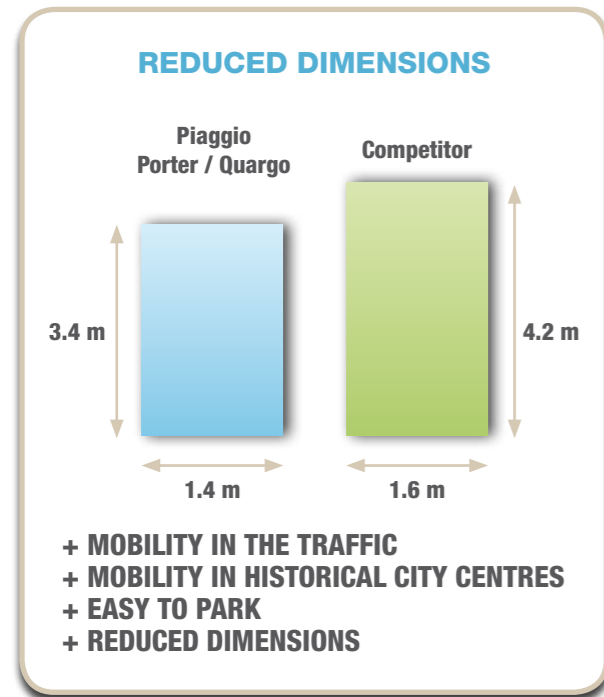
More than 50% of available space on the Porter, the top-ranking product in Piaggio’s Commercial Vehicles range, is used for load capacity against a market average of 28%.

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



Dimensions and payload capacity of Piaggio Commercial Vehicles compared to competitors



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.

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 met-

ropolitan areas and historical city centres. Piaggio's focus on the environmental compatibility of its products dates back several decades to when it introduced the first Ape Elettrocar in 1978, the forerunner of zero emission vehicles, featuring an electric motor and gear reduction unit with incorporated differential replacing the powerplant.

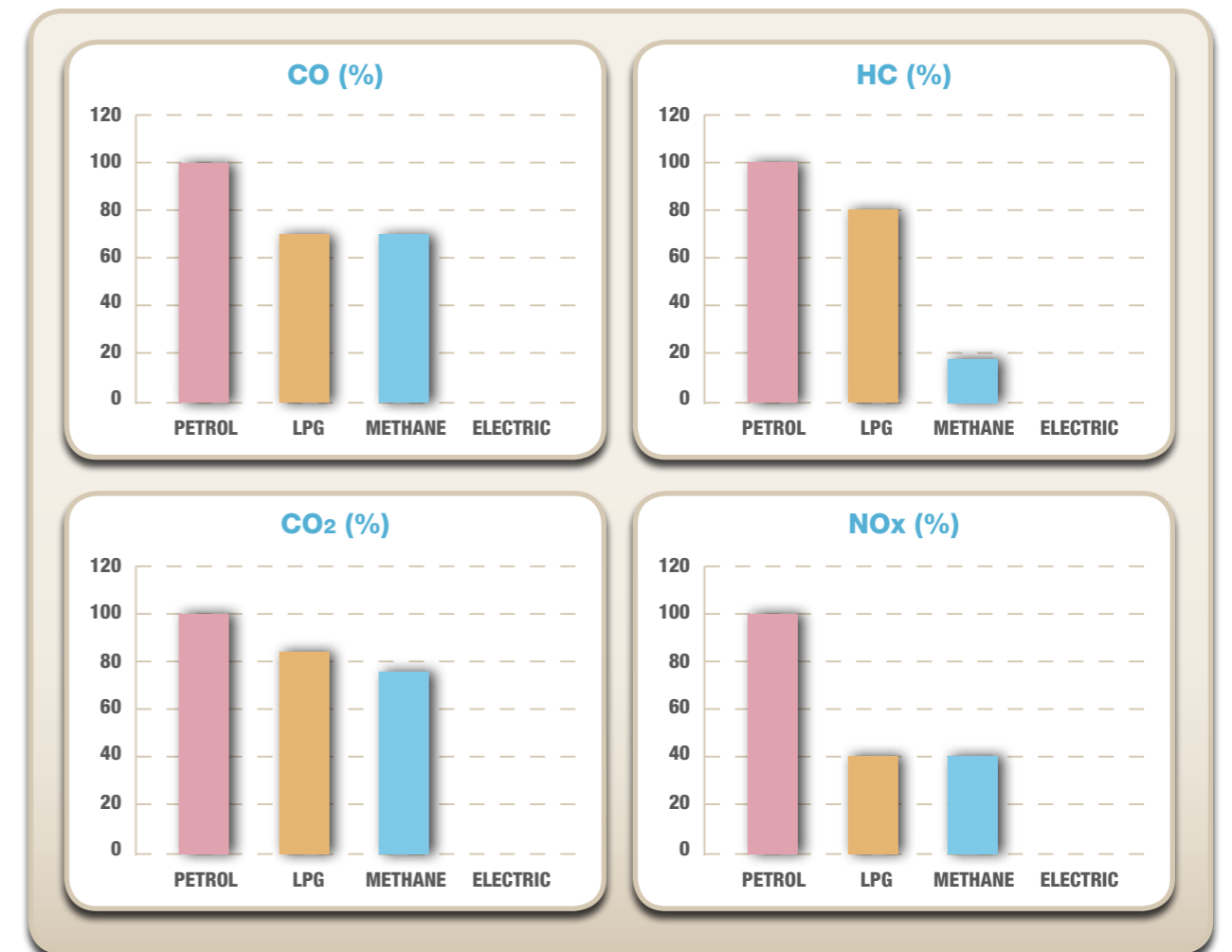
In 1995 the first electric version of the Porter came out. In recent years, making environment friendly vehicles has been a priority for Piaggio.

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.

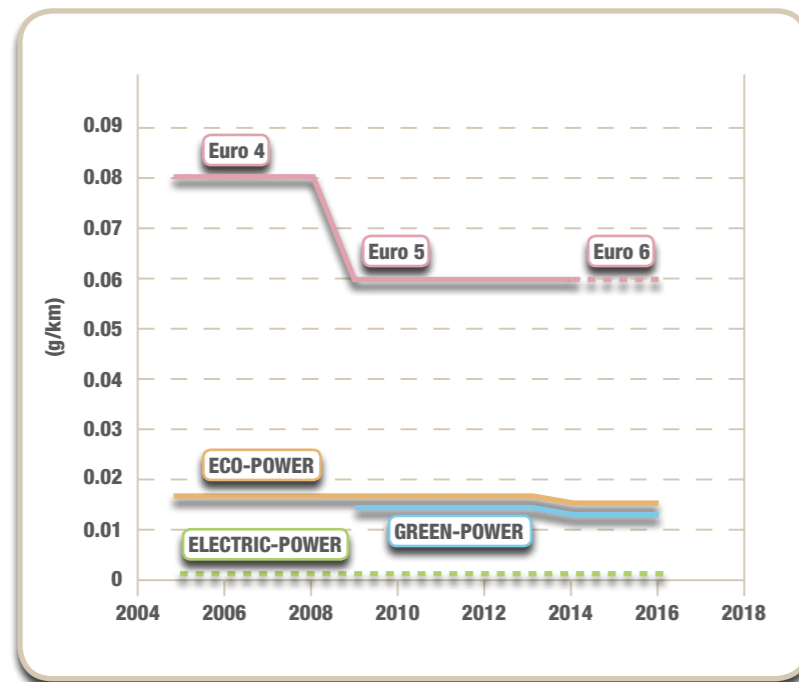
In addition to being one of the cheapest fuels available today, LPG contains no benzene, while its combustion produces no particulate and only minimal emissions.

The new configuration of the LPG version engine was developed entirely in-house at Piaggio Commercial Vehicles' Pontedera plant.

Benefits for the environment: comparison between percentages of pollutant emissions (CO – carbon monoxide, CO₂ – carbon dioxide, HC – acetylene, NOx – nitric oxide) depending on the fuel/power system used (petrol, LPG, methane gas, electric motor)



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



The Eco Solution range offers an indisputable advantage in the city, as well as a competitive edge for a commercial vehicle, 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.

Consumption and CO₂ emissions of different models in the Porter range

Model	Consumption (Ref. Ece+ eudc cycle)	Co2 emissions (Ref. Ece+ eudc cycle)
Porter Petrol	8.6 l/100km	199 g/km
Porter Eco Power (LPG)	10.6 l/100 km	165 g/km
Porter Maxi Petrol	9.4 l/100 km	223 g/km
Porter Maxi Eco Power (LPG)	11.9 l/100 km	193 g/km

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. In 2008 Piaggio forged a close alliance with the Faculty of Engineering, Pisa University, in order to evaluate the potential of hydrogen as an alternative energy carrier and start up a pilot project for a hydrogen-based Porter. Piaggio is also involved in the following initiatives:

- a new group of compact, lightweight diesel engines, with low pollutant emission and consumption levels;
- development of an electric drive system for the Porter range that can guarantee greater efficiency, a lower weight and increased specific payload capacity, thanks to the use of lithium batteries;
- new Euro 5 powerplants with petrol, LPG and methane gas versions.

A limited series of the electric version of the Ape Calessino, which will be one of the first vehicles on the market featuring lithium polymer batteries, is planned for summer 2009.



MILESTONE OF PORTER

In 1995 the first versions of the petrol-run Porter with multipoint electronic injection and catalytic converter and with diesel powertrain were presented. In the same year, in addition to its range of internal combustion engine versions, the first Porter with electric motor came out.

In 1998 the front part of the Porter was restyled and the vehicle was fitted with new Euro 2 compliant 1300 16v petrol engines and 1400 diesel engines.

Between 2002 and 2003 the new Porter Petrol and LPG Euro 3 versions were launched with OBD (On Board Diagnostics) for vehicle pollution.

In 2003 the new version of the Porter Electric came out, produced in-company at the Pontedera plant.

In 2005 the Euro 3 methane gas version of the Porter was unveiled.

In 2006 the Euro 4 petrol version of the Porter was presented to the market.

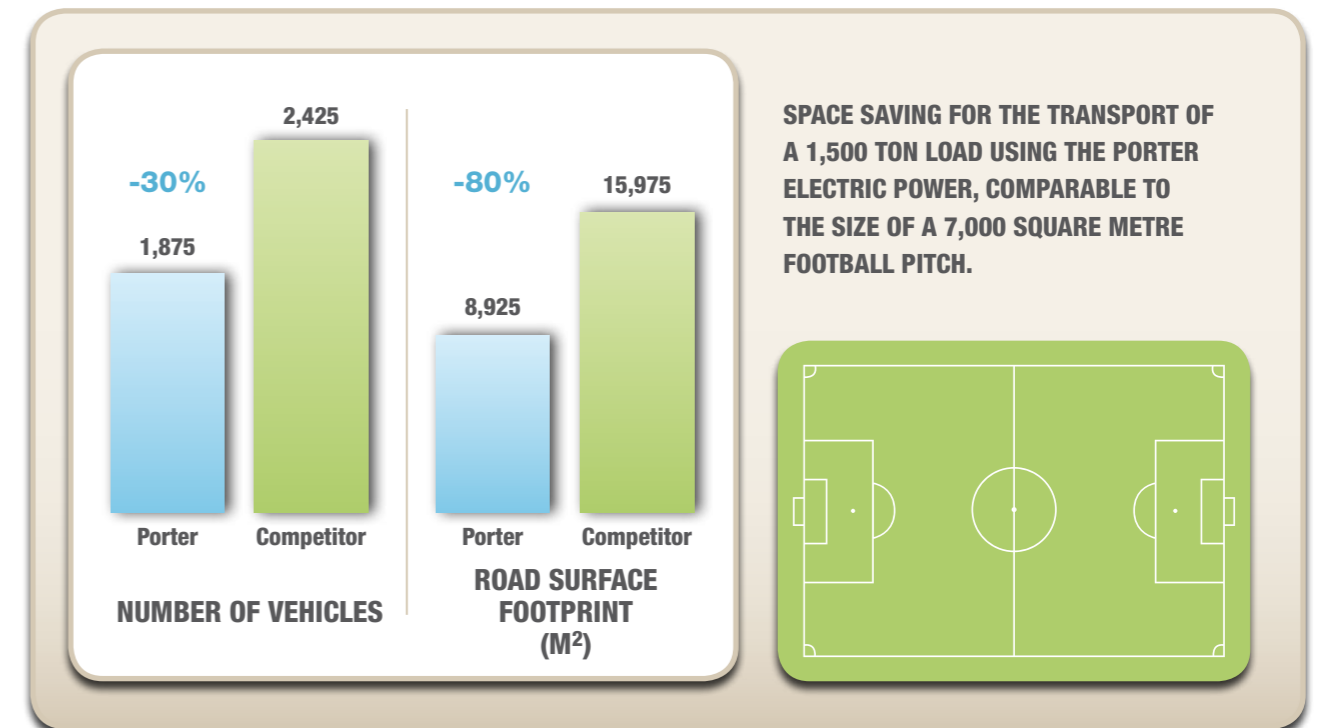
In 2008 the Porter "Eco Solutions" range was launched, presenting an updated version of the Porter Maxi, with Euro 4 petrol and LPG powerplant. The new engine configuration of the LPG version and new Porter Maxi are entirely developed in-company at Piaggio Commercial Vehicles' plant in Pontedera.



The zero CO₂ emission of a Porter is the same as the CO₂ disposal generated by 100 trees in one year

The Piaggio Porter is the ideal solution for city workers. Hailed as the business vehicle with the best load/size ratio, the Porter is the perfect solution for short-distance transport, ideal for intracity use and emblematic of Piaggio Commercial Vehicles' strategic mission ("Solutions for last mile transport"). The Porter is light, compact and as agile as a car (or even more), enabling tradesmen, transport firms and small and large businesses to work more efficiently, regardless of their cargo requirements. All features that are practically impossible to find in competitors' products and that have made the Piaggio Porter irreplaceable.

The space saving of the Porter Electric-Power, compared to competitors, when transporting a 1,500 ton load, is equivalent to a 7,000 square metre football pitch.



In production since 1995, the electric Porter is the best commercial vehicle for protected areas, pedestrian zones and historical city centres. It is ideal in small spaces, has an exceptional loading space/total space ratio and boasts zero emissions (environmental respect and unrestricted traffic access).

The electric Porter offers clear environmental benefits: the zero CO₂ emission of every Porter is the same as the CO₂ disposal generated by 100 trees in one year. 4 Porter vans produce the same environmental benefits as

a one-hectare wood. In fact, each year the fleet of Porter Electric Power vans in use today produces environmental benefits equal to those produced by 360 hectares of wood, which is an area four and a half times the size of the Villa Borghese park in Rome.

The Porter electric van not only helps the environment, but improves the quality of life in urban centres too. It is ultra silent and produces far less acoustic pollution than the same type of vehicle fitted with a conventional internal combustion engine.



Left: the fleet of Porter Electric Power vans at Piazza Prampolini, Reggio Emilia.



Right: the Villa Borghese park in Rome.

Eco compatible

1978: Piaggio develops the first Ape Elettrocar with electric motor, the forerunner of “zero emission” vehicles

2008: the “Porter Eco Solution” is introduced, with environmentally compatible, low environmental impact, powerplants

5.2.4 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, the Company has adopted a process to guarantee the recyclability 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.

(see table 1)

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/user⁷.

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 time⁸.

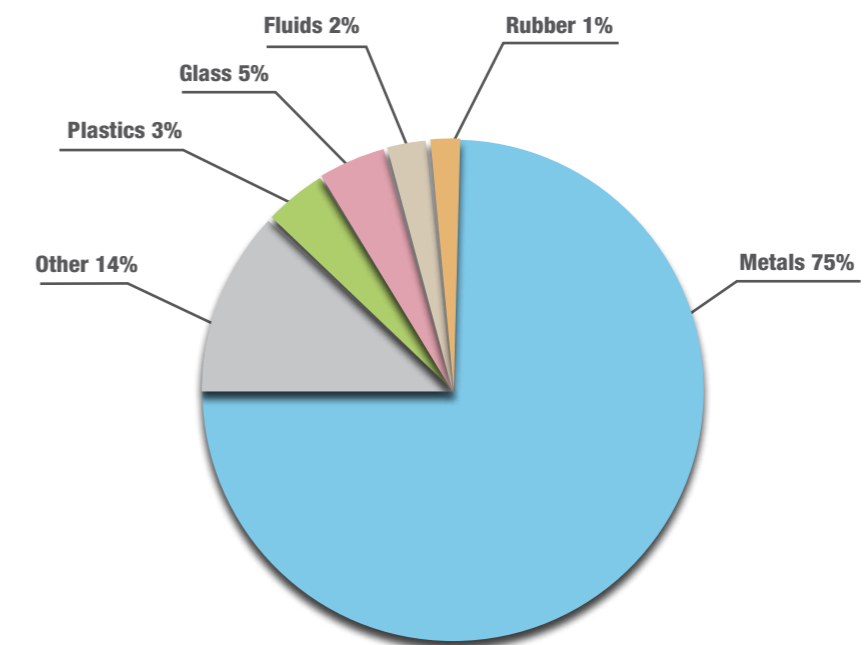
Reliability has become a fundamental concept when it comes to scooters, motorcycles and commercial vehicles, as it is a driver of customer satisfaction and safety. Pursuing continual improvement in the quality of production systems (of the Group and suppliers), auditing

⁷ UNI ISO 9000 definition

⁸ UNI ISO 8402 definition

Tab. 1

Graph types of materials - Porter pick-up



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 to test the reliability of all new products, from the initial design stages up until marketing. In addition to laboratory tests, this function conducts road tests based on how Piaggio's customers actually use their vehicles.

5.3.1 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 become Piaggio qualified suppliers only after their Quality System and general organisation have been successfully audited.

Audits, requested by the Purchasing Department, evaluate a potential supplier's quality system and capacity to develop the product in question.

If suppliers have already been successfully audited and qualified, audits are conducted for the development of

new products, to solve supply problems detected during mass production or 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.

5.3.2 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 summarised 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 after controls at all Group sites, a weekly meeting with the Manufacturing Department is held to monitor the progress of controls, the level of defects per product family, line and model at different sites in relation to assigned objectives and decide on any corrective actions in a timely manner.

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

2008 sample figures

2008 figures	
Test teams	21
No. of vehicles tested	6700 (3.1 %)

5.3.3 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.

To ensure product traceability, Piaggio has put in place a system to identify products, components and materials during all stages of the production cycle, both within the Piaggio Group and at suppliers.

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.

5.3.4 RELIABILITY TESTS

To guarantee vehicle reliability, initial tests are conducted during the experimental stages of product development, on prototypes and pre-production models. Product conformity to design specifications is verified, in tests including road tests.

During the pre-mass production stage, not only laboratory but 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. Route testing is conducted with the customer in mind, considering 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.

The reliability test team (comprising the reliability laboratory product manager, the vehicle/engine lead officer, vehicle/engine test engineering and engine/vehicle product quality managers) meets once a week to compile and discuss a specific report listing any defects



detected, analyses 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 second test stage commences. A

fleet of 10 to 20 vehicles from a pilot lot is tested again on the road, in order to identify any production problems.

Durability tests are not conducted at this stage. Only short distances are used on routes which best target the customer profile (for example a 50cc scooter is only tested on urban routes).

Distance tests are continued on three vehicles as well as specific tests according to directives regulating vehicle type approval.

A post audit is conducted 3 to 6 months after marketing the new product.

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. 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.

Lastly, an audit is conducted on all types of vehicles and engines. Each year, one vehicle per family is selected to carry out tests required by directives.

Pontedera reliability team

2008 figures	
Team	34 people, including 24 testers
No. of vehicles tested	446 new products and 1,270 consolidated products
Km travelled per year	approximately 1,000,000



Test on the road

In addition to laboratory tests, products undergo rigorous road tests conducted by a Piaggio team of expert testers, simulating conditions similar to customer use



6 • Environmental sustainability

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 Piaggio Group's commitment to protecting the environment is based first and foremost on creating sustainable products.

The previous chapter of this report described the Group's research, innovation and development activities for powertrains with a low or zero environmental impact and very high recycling percentages of materials used. An environmental strategy must be global to be significant.

This is why Piaggio also targets the sustainability of its own production systems, through investments to maximise process efficiency and replace obsolete plants.

Thanks to efforts made to minimise the impact of its own production systems, the Company is a major player in the sustainable development of areas where it operates. In doing so, it has paid a great deal of attention to sharing the most effective processes and practices with its offices and sites.

ISO 14001 is a case in point.

At present, the Pontedera, Noale and Scorzè plants have ISO 14001 certification, but in view of the important results achieved, the Company has planned to extend

certification to its other production sites. All employees at the plants were given guidelines on environmentally compatible conduct when certification was awarded and a specific training course for all area employees and supervisors was held.

The watchword for the future is *producing better*, i.e. using less energy, fewer resources and adopting processes and technologies that can prevent or reduce environmental impact on the territory.

Aware that even greater progress can be made, Piaggio is dedicated to creating a sustainable world, for today and for future generations.

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, initiatives focus on four areas:

- reducing energy consumption;
- reducing emissions of CO₂ and other pollutants;
- conserving water resources;
- handling and recovering waste.

The Quality, Environmental and Occupational Health and Safety Management Systems Manual, available on the Company Intranet, describes the organisational structure of functions appointed to oversee these objectives, for sites located in Italy.

The responsibilities and roles of the Environmental Management System and the Organisational Units / Functions involved are shown below.

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
Prevention and Protection Service 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 an appointed Manager.

At the Baramati plant, waste is managed by the General Maintenance Department. A committee of this department draws up a list of qualified, authorised waste management companies.

The sections below report quantitative data concerning the resources used and pollution produced by Piaggio in its operations.

The tables refer to the entire Group, apart from the plant in Vietnam, which had not yet begun to operate at full capacity in 2008, and business offices in various countries, whose use of resources and emissions/waste mainly concern office activities and therefore contribute marginally to Group data.

6.1 PRODUCTION SYSTEMS

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. In addition the Group has plants at Scorzè, Noale, Mandello del Lario, and Martorelles (Spain) – where the brands Aprilia, Moto Guzzi and Derbi came into being. The Company's robust growth has led it to expand and set up other production sites, including the plant at Baramati, in India. In 2008 works began at the famous Moto Guzzi site at Mandello del Lario to extensively revamp the plant and obtain environmental and quality certification (ISO 14001 and ISO 9001).

-CO₂

The Group's environmental strategy focuses on four areas: decreasing energy consumption, reducing CO₂ emissions, conserving water resources and recovering waste

Piaggio Group production sites in Europe and Asia (data referred to 2008)



6.2 REDUCING ENERGY CONSUMPTION AND USING RENEWABLE ENERGIES

Although the Company's production sites were designed to run on fossil fuels, Piaggio is evaluating the possibility of using alternative energy sources. In September 2006,

a photovoltaic pilot plant was installed as an experiment at the Pontedera site. In compliance with applicable Italian legislation, the energy produced is put onto the national grid. Various feasibility studies on the installation of further photovoltaic systems on the factory's roof are in the final stages.

Energy consumption rates for Piaggio Group production sites in 2008

2008 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
Electricity	KWh	51,194,317	5,437,995	1,282,363	3,632,806	23,078,304	84,625,785
	Toe	11,775	1,251	295	836	5,308	19,465
Methane/natural gas	Sm ³ /l	7,246,302	555,212	229,600	106,058	-	8,137,172
	Toe	5,942	455	188	87	-	6,672
LPG	Ton	-	-	-	-	28	28
	Toe	-	-	-	-	30	30
Diesel fuel	L	265	-	-	-	2,056,933*	2,057,198
	Toe	0.26	-	-	-	1,837*	1,837

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

Energy consumption rates for Piaggio Group production sites in 2007

2007 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
Electricity	KWh	50,887,553	5,759,944	1,535,188	4,246,491	24,195,308	86,624,484
	Toe	11,704	1,325	353	977	5,565	19,924
Methane/natural gas	Sm ³ /l	7,686,179	566,907	261,011	105,387	-	8,619,484
	Toe	6,303	465	214	86	-	7,068
LPG	Ton	-	-	-	-	-	-
	Toe	-	-	-	-	-	-
Diesel fuel	L	95	-	-	-	2,089,896	2,089,991
	Toe	0.09	-	-	-	1,850	1,850

6.3 REDUCING EMISSIONS OF CO₂ AND OTHER POLLUTANTS

CO₂ 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.

Despite a considerable decrease in the emission of these pollutants over the last few years, technical feasibility studies are underway on the use of water base paints and enamels, with the aim of further reducing atmospheric emissions of VOCs. During 2008, Piaggio replaced the two main boilers at its Pontedera plant,

CO₂ and VOCs emissions at Group production sites in 2008

2008 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
VOCs	Ton	180.49	-	-	47.37	274	501.86
CO ₂ (from direct sources)*	Ton	14,272	1,093	452	209	5,443	21,469
CO ₂ (from indirect sources)**	Ton	37,679	4,002	944	2,674	16,986	62,285

* CO₂ emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG.

** CO₂ emissions deriving from the consumption of electricity.

CO₂ and VOCs emissions at Group production sites in 2007

2007 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
VOCs	Ton	160.32	-	-	47.17	394	601.49
CO ₂ (from direct sources)*	Ton	15,032	1,109	510	206	5,438	22,295
CO ₂ (from indirect sources)**	Ton	37,453	4,239	1,130	3,125	17,808	63,755

* CO₂ emissions deriving from the combustion of methane, diesel fuel and LPG.

** CO₂ emissions deriving from the consumption of electricity.

reducing capacity from 70 MW to 31 MW. Thanks to a better performance, this will considerably reduce fuel consumption and atmospheric pollution.

Conversion criteria from the "Emission Trading" directive (Directive 2003/87/EC) were used to estimate diesel fuel, fuel oil and methane. The conversion factor in the literature (3.2 tco2/toe) was used instead to calculate the CO₂ deriving from electricity.

With reference to CO₂ 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 CO₂ indicated in the Directive.

The monitoring and reporting of CO₂ 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 CO₂ 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).

CO₂ emissions ("Emission Trading" Directive) from the Pontedera site

Year	2000	2001	2002	2003	2004	2005**	2006**	2007**	2008**
CO ₂ tons equivalent *	18,960	17,249	14,518	15,834	15,116	16,879	15,561	15,032	14,272

* CO₂ emissions deriving from the combustion of methane and diesel fuel.

** Certified quantities authorised by the NCA

-Consume

Investments to replace the two main boilers at the Pontedera site enabled consumption and pollutant emissions to be considerably reduced

6.4 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%. As regards waste water, environmental respect is ensured with processes to treat and purify waste water. Piaggio has set up a project to renovate the waste water system at the Pontedera site.

Waste water from the painting and oil recovery plants will be directly conveyed to the purification plant. The project is currently under development and 500 m of a

Water procurement at Piaggio Group production sites in 2008

2008 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
Water from wells	L	586,283	1,771	89,897	19,143	-	697,094
Water from the mains	L	65,956	14,822	2,415	5,149	381,766	470,108
Total	L	652,239	16,593	92,312	24,292	381,766	1,077,305

Water procurement at Piaggio Group production sites in 2007

2007 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
Water from wells	L	582,723	Dato non disponibile*	99,887	19,635	-	702,245
Water from the mains	L	63,291	10,141	2,015	6,400	313,282	395,129
Total	L	646,014	10,141	101,902	26,035	313,282	1,097,374

* Meter installed during the year.

waste water system have already been built. The handling of waste water, at each production site, is summarised 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 at the 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.

6.5 WASTE MANAGEMENT AND RECYCLING

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. Because of the sheer scale of the Pontedera, Noale and Scorzè sites, a series of procedures was defined to facilitate waste disposal and recovery, preventing operations that are harmful to the environment or may compromise operations at the plants.

-40%

The installation of *inverters* at the Pontedera site enabled consumption to be reduced by more than 40%

Waste produced at Piaggio Group production sites in 2008

2008 figures	Unit of measurement	Pontedera	Noale and Scorze'	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	5,950,499
Waste to be recovered	Kg (%)	2,475,892 (87%)	1,089,678 (93,5%)	609,006 (99%)	435,204 (99%)	347,100 (51%)	4,952,410 (83%)
Waste to be disposed of	Kg (%)	359,519 (13%)	76,197 (6,5%)	8,886 (1%)	221,341 (1%)	334,460 (49%)	996,650 (17%)

Waste produced at Piaggio Group production sites in 2007

2007 figures	Unit of measurement	Pontedera	Noale and Scorze'	Mandello Del Lario	Martorelles	Baramati	TOTAL
Hazardous waste	Kg	266,985	28,816	19,112	59,537	182,700	557,150
Non-hazardous waste	Kg	2,710,055	2,010,829	403,469	545,382	493,900	6,163,635
Total waste	Kg	2,977,040	2,039,645	422,581	604,919	676,600	6,720,085
Waste to be recovered	Kg (%)	2,756,782 (93%)	1,365,775 (67%)	421,881 (100%)	431,306 (71%)	330,800 (49%)	5,307,224 (79%)
Waste to be disposed of	Kg (%)	219,558 (7%)	673,870 (33%)	700 (0%)	173,613 (29%)	345,800 (51%)	1,412,861 (21%)

-Waste

Piaggio is committed to disseminating environmentally compatible processes and technologies that can reduce waste production, with the objective of increasing the amount of recycled waste



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 for Piaggio.

The overall number of employees in the Group fell in 2008 by 9.3% compared to the previous year.

This decrease is mainly attributable to the fall in demand, which led the Group to downsize its staff, particularly in areas not covered by social shock absorber policies.

Figures on the number of employees are not indicative of the average number of staff, as they are affected by seasonal contract workers appointed during the summer.

Company employees by geographical segment at 31/12/2008 and 31/12/2007

	2008	2007
Italy	4,269	4,257
Spain	248	259
Rest of Europe	313	329
Americas	68	59
India	1,205	1,914
Asia pacific	105	29
Total	6,208	6,847

Company employees by qualification at 31/12/2008 and 31/12/2007

	2008	2007
Senior Management	112	111
Middle Management	430	425
Clerical staff	1,995	1,878
Manual workers	3,671	4,433
Total	6,208	6,847

People are the bedrock of Piaggio's competitive ability

In fact the Group uses fixed-term employment contracts to handle the typical peaks in demand in the summer months.

In 2008 in Italy, the Company employed 3,127 people at Pontedera, 939 at Noale and Scorzè and 181 at Mandello del Lario, the famous production site of Moto Guzzi.

Average number of Company employees by qualification in 2008 and 2007

	2008	2007
Senior Management	111	115
Middle Management	429	412
Clerical staff	1,967	1,845
Manual workers	4,797	4,940
Total	7,304	7,312

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 an issue very much at heart of the Group, as demonstrated by its Code of Ethics, compliance with international laws on equal opportunities and policies safeguarding diversity within the Company.



Value of people

Personnel management policies aim to increase the value of people and value for people

7.1.1 FEMALE EMPLOYMENT

Female employees at Piaggio play a fundamental role at all levels of the organisational structure.

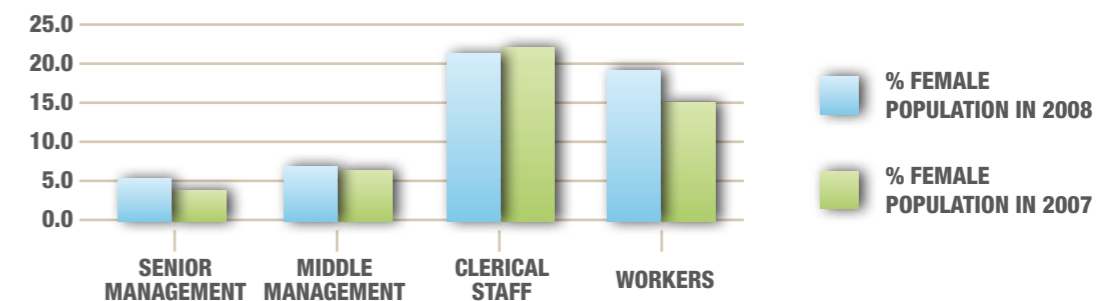
They account for a significant percentage of manual workers and clerical staff (more than 25%), and a lower percentage of higher-ranking positions.

This figure is offset by the increase recorded in 2008 compared to the previous year. In absolute terms, the number of female employees rose, apart from middle managers, with figures remaining the same.

Male and female employees by geographical segment at 31/12/2008 and 31/12/2007

	2008		2007	
	Male employees	Female employees	Male employees	Female employees
Italy	3,206	1,063	3,218	1,039
Spain	222	26	232	27
Rest of Europe	242	71	247	82
Americas	49	19	43	16
India	1,190	15	1,904	10
Asia Pacific	77	28	15	14
Total	4,986	1,222	5,659	1,188

Percentage of female employees by qualification at 31/12/2008 and 31/12/2007



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 2008, nearly 500 employees were working an alternative to full-time hours. In particular, more than 2% of the work force was employed on a part time contract, and nearly 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.

Company employees by contract type (fixed-term and open-ended contracts) and geographical segment at 31/12/2008 and 31/12/2007

	2008		2007	
	Fixed-term contract	Open-ended contract	Fixed-term contract	Open-ended contract
Italy	27	4,242	25	4,232
Spain	1	247	1	258
Rest of Europe	3	310	6	323
Americas	2	66	0	59
India	0	1,205	0	1,914
Asia Pacific	1	104	0	29
Total	34	6,174	32	6,815

Company employees by contract type (full and part time) and geographical segment at 31/12/2008 and 31/12/2007

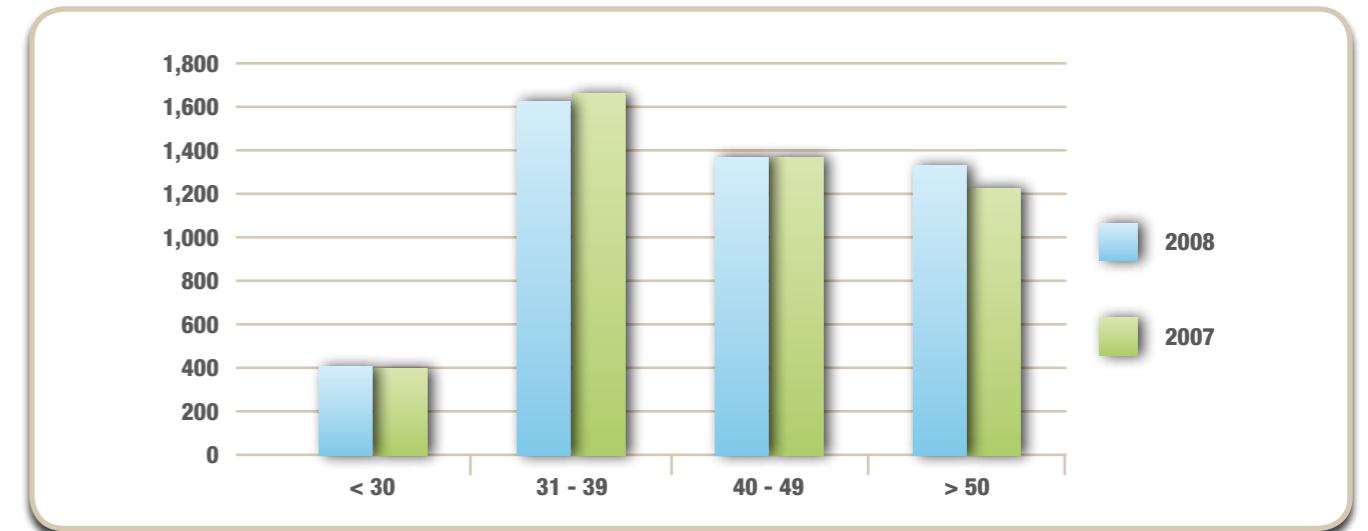
	2008		2007	
	Part Time	Full Time	Part Time	Full Time
Italy	430	3,839	395	3,862
Spain	0	248	0	259
Rest of Europe	1	312	1	328
Americas	2	66	0	59
India	0	1,205	0	1,914
Asia Pacific	1	104	1	28
Total	434	5,774	397	6,450

7.1.2 YOUNG EMPLOYEES

In 2008, the average age of Piaggio Group employees was 45 years, which has remained more or less the same compared to 2007.

The table below shows that most employees are in the 30 - 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 at 31/12/2008 and 31/12/2007



Young

A balanced organisation with younger, enthusiastic staff and more expert employees, capable of handing down the skills and abilities they have learnt over the years

Tab. 1 - Company employees by age bracket at 31/12/2008 and 31/12/2007

	2008					2007				
	< 30	31 - 39	40 - 49	> 50	TOT	< 30	31 - 39	40 - 49	> 50	TOT
Senior Management	0	13	46	44	103	0	12	47	43	102
Middle Management	5	70	129	97	301	3	79	132	97	311
Clerical staff	258	565	402	286	1,511	249	541	383	253	1,426
Manual workers	146	975	795	924	2,840	165	1,018	812	840	2,835
Totale	409	1,623	1,372	1,351	4,755	417	1,650	1,374	1,233	4,674

Note: the figures refer to approximately 75% of all Company staff, as employees in Spain and India have not been included

Distribution by age bracket differs in Italy compared to foreign sites, however this is attributable to the different types of activity carried out.

Figures for Italy are heavily influenced by production personnel, with a higher average age, while business structures of other sites have a higher number of young people that work in sales.

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

Employees in Italy, from legally protected categories (pursuant to Law 68/1999) at 31/12/2008 and 31/12/2007

	2008				2007			
	Middle Management	Clerical staff	Manual workers	% Total	Middle Management	Clerical staff	Manual workers	% Total
Pontedera	2	13	143	5.07%	3	13	136	4.88%
Noale and Scorzè	1	2	11	0.45%	1	2	12	0.48%
Mandello del Lario	0	2	8	0.32%	0	1	6	0.22%
Total	3	17	162	-	4	16	154	-

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

EVENTS FOR STAFF

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 programme includes a tour of the production site, a buffet, entertainment and the highlight - exchanging Christmas greetings and handing out gifts to the children taking part.

The Company also provides numerous services for employees. First and foremost is the nursery at the Pontedera plant. Thanks to an agreement with the local authorities, mothers and fathers working at the Pontedera site have the opportunity and convenience of a nursery next door to their workplace. Piaggio's Recreation and Cultural Club is also a welcome initiative, organising cultural, sports' and leisure events each year.

The passion of Piaggio's employees goes well beyond Italy. One of the most popular events is "Diwali", India's "festival of lights", celebrated throughout the country with lights and firework displays.

The festival is a time of year when everyone, along with friends and family, meets up. 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. In fact the number of participants and extent to which they take part in the celebration has increased each year.

In 2008, more than 300 employees and their families met 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). "Bollywood" style dances by a troupe of performers, games and dancing entertained the employees and their families, including some Italian friends and colleagues and the Chairman and Chief Executive Officer Mr Ravi Chopra who, along with his wife, took part in the celebrations. Children of all ages were entertained with a traditional costume competition, games and puppet shows.

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 2008, 182 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the graph shows that more than 5% (aggregate value) of the total work force at Pontedera is represented by people with disabilities.

7.2 DEVELOPING HUMAN CAPITAL

Human resources and the asset represented by people, their skills, abilities and potential play a central role in the Company's business vision and are integral to its strategic direction and competitive positioning on markets. 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, from recruitment to training, professional advancement and salary policies increasingly focussed on rewarding and retaining holders of a know-how that is strategic for the business.

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 Model is a "competitive asset", to use alongside products, services and other assets, and is not expressed

Piaggio Group Management Model



in terms of capabilities or professional expertise, but in terms of a behaviour to adopt on a daily basis. 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

Piaggio’s training system is based on a structure designed to create individual training actions that are part of an overall long-term project in line with business strategies and its system of values and conduct. The priority objective of training 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

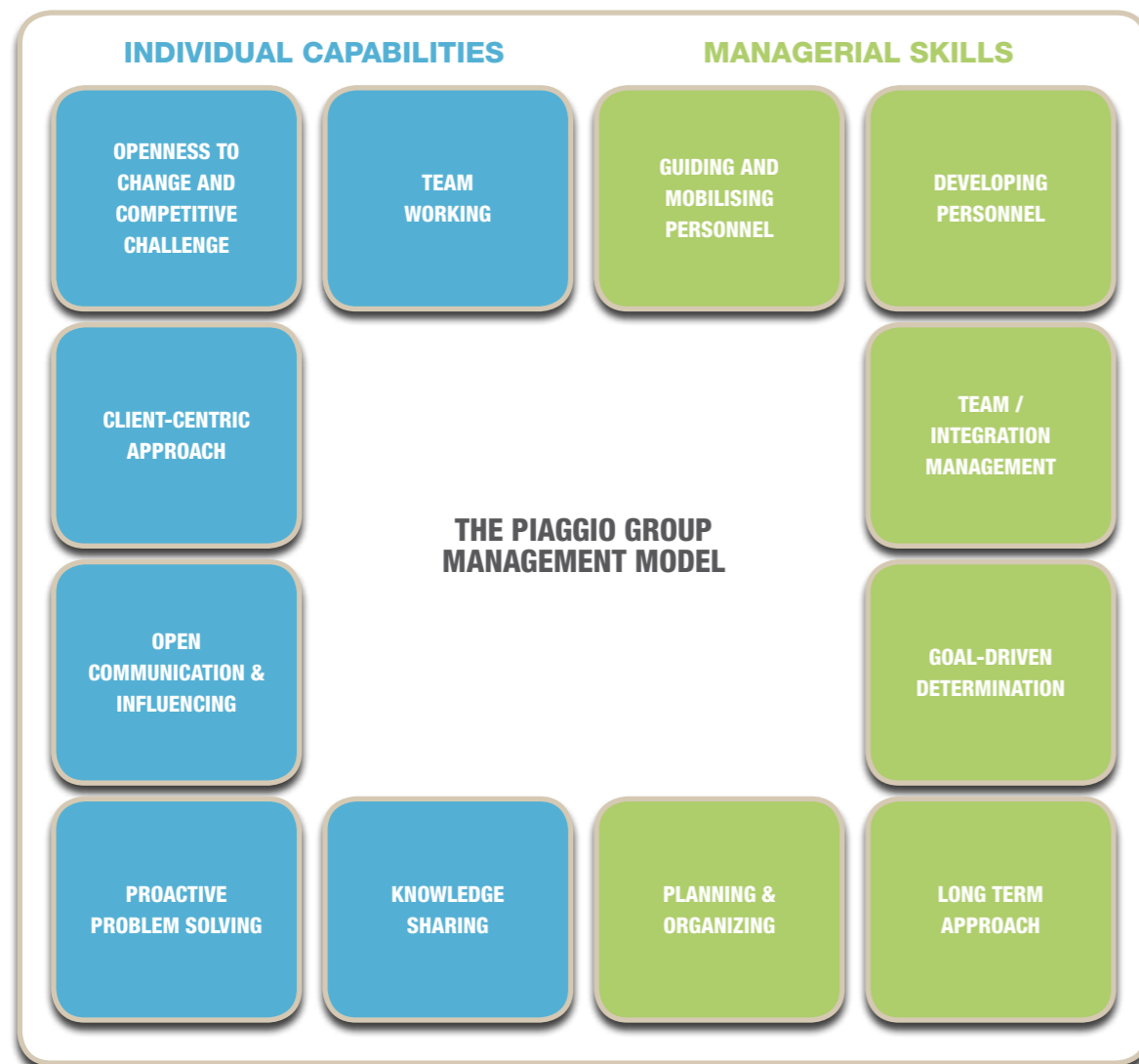
motivated to improving their own professional value in keeping with the Company’s development and its evolving corporate culture. The training system includes a *technical/specialist training* plan and a Company training plan. The first, which is based on requests and needs of individual Company functions, aims to develop specialist knowledge of roles and/or the skills in Piaggio’s “Professional Skills Dictionary” for each Professional family. The second is designed mainly to disseminate management policies, managerial models and/or specific guidelines/messages from Company management. These programmes are generally for specific Company groups/categories (for example Senior Managers, Middle Managers, Key People, Young Graduates), and in particular they:

- develop skills of *new graduate recruits*, consolidating their abilities to deal with critical innovation and organisational change processes;
- provide *middle and senior managers* with training and methodologies to manage the results and organisational resources necessary to effectively interpret their role based on the Company’s vision and business needs;
- value *talented resources* with specific initiatives for their professional advancement.

Training was consolidated in 2008, with 7,882 hours provided in Italy, compared to 5,464 hours in 2007, broken down by different segments / training areas.

2008 TRAINING PROGRAMMES
Company Programme for Senior Managers
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

Piaggio Group managerial skills



7,882 training hours

The objective of training is to increase the value of human capital comprising the know-how and expertise acquired individually and as a group. In 2008, 7,882 training hours were provided in Italy

7.2.3 PERFORMANCE APPRAISAL AND REWARD POLICIES

The purpose of the performance appraisal process is to clearly inform all people working at Piaggio of how and why they are appraised.

Clear appraisal procedures and objectives, regarding performance, professional skills and potential, are fundamental in order for personnel to understand the appraisal criteria that are important to the Company and thus motivate themselves and act accordingly.

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

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

The MBO, incentive and performance appraisal systems adopted by the Company for various employees disseminate a culture of results.

They also relate the variable part of salaries to individual results, making above all a distinction and rewarding to a greater extent people whose performance has contributed most to the Company's success and results.

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.

Rewarding

The aim of reward policies is to remunerate people based on criteria of competitiveness, fairness and merit

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.

As part of a Company strategy to support and consolidate competitiveness, develop an increasingly international business and fast-track the professional advancement of resources and their performance, the project was given new vigour in 2008 and a dedicated function was allocated to project development and monitoring. The process, open to all clerical staff, middle managers and officers of all ages, recruits Company talent, divided into 4 categories based on experience, capacity and potential:

- Young Talent: younger candidates up to 32 years, with high performance and potential levels;
- Professional Talent: professionals, with high performance levels, expertise and team management potential;
- Managerial Talent: managers with management experience and high performance levels;
- Know How Holder: high performance specialists with critical know how.

In 2008, the Company's priority was to address top management requests for customised Key People management.

Ad hoc development plans were produced, bringing employee ambitions more in line with opportunities for growth in the Group, and guaranteeing a fast-track advancement of talent.

In particular, this approach aims to:

- establish clear professional development paths, with specific timelines and objectives;
- produce ad hoc training plans;
- draw up specific and competitive retention and reward policies;
- create maximum awareness among top management;
- create job rotation opportunities and challenging opportunities for growth.

In line with the above, more than 75% of Key People in 2008 were involved in at least one professional development or targeted retention initiative.

The aim of the Key People project is to attract and retain talented resources, enhancing their skills and supporting their professional advancement

As part of a broader ranging programme for Key People, two persons with managerial talent took part in ESCP-EAP's¹ Executive MBA "General Management Program" during 2008.

The Key People project has two important objectives for 2009:

- export its project in Europe, in order to define a transparent process for identifying Key People shared by all Group Companies, as well as shared standards of skills, and provide equal opportunities for all talented resources;
- organise its first "Key People Event", where Piaggio's Management will be directly involved in promoting the growth and advancement of Company talent, in order to make Key People visible and motivate them, creating an open dialogue with top management and promoting a strong, shared team spirit.

¹ ESCP Europe is a leading international Business school for postgraduate and executive training in Europe.

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 for steering the motivation and action of individuals, and to listen to people, measure the climate and their degree of satisfaction, with a final purpose of creating and improving motivation over time of all employees, so that they channel their energies in the same direction as that of the Company. To inform and disseminate knowledge among the 7,000 employees that operate in 15 countries worldwide (in Italy, Europe and Overseas), and to integrate diverse social and cultural realities, the Company uses numerous two-way, top-down and bottom-up communication tools.

Two-way communication tools include:

- The Company's Intranet "PiaggioNet" with information (the Intranet's daily bulletin with Company events, news and current affairs) and services for personnel (for example personal data, attendance, self-certification, work tools, phone book, transfer management, on-line curricula, forums, employees' second-hand network). More than 450 items of news

were published on the home page in 2008, and the site had nearly 73,000 visitors;

- Piaggio InfoPoints, which may be accessed by manual workers 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.). In 2008, nearly 12,000 employees accessed the Group's 14 InfoPoints;
- PiaggioNet International, the Company Intranet's most recent development, with sections and news published in main European languages, launched in November 2007 for the employees of the Company's offices and production sites in Europe and the United States. In 2008 nearly 2,700 people accessed the (multilingual) news published on the home page. 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. Most of the messages concern enquiries to personnel administration, but proposals and comments on Company life, product ranges and sometimes items of curiosity are also sent.

Services

The InfoPoints at the Italian sites of the Group enable workers to access the Group's Intranet "PiaggioNet" and use its services

Top-down communication tools include:

- P & Co. – Piaggio and Company Group Edition, a bilingual quarterly Company bulletin, which is the main source of Company information, with 7,000 copies printed and distributed to all Company employees in Italy and abroad. This publication presents Company news with a journalistic slant, relating to Company facts and events;
- PiaggioFlash, a hard and soft copy news service (e-mail to managers, also published on the Intranet) for Piaggio Group's Italian sites, with information on promotions (vehicles, accessories) and Company events;
- Piaggio Live, an electronic format multilingual newsletter for Italy and abroad (e-mail to managers, also published on the Intranet), reporting on Personnel

P&CO.

The magazine was founded in 2007 with the new title "P & Co." (P for "People" and C for "Community"). P & Co. is a forum with a mission: to value people and teams and promote an international culture, consolidating integration and team spirit within the Piaggio Group. Compared to its predecessor, the new version dedicates more articles to strategic guidelines and Company objectives, establishing a dialogue among functions/offices in all countries and providing an updated overview of the Group and its operations.

The contents of the magazine are defined by an Editorial Director in conjunction with the Internal Communications department, that oversees all editorial aspects and distribution. Two committees, with members from different Company areas, propose topics to address in the magazine.

Each issue has the following columns:

- *Close up*: Company news, with articles exploring strategic plans, new organisational set-ups, Company events (top management/managers workshop); articles by experts on a broad range of topics related to industry and the economy;
- *Overseas*: news about subsidiaries (business, markets, events) and articles by writers representing international organisations or experts from countries where the Piaggio Group operates;
- *Europe*: news and events from selling agencies, and articles by trade associations such as ACEM (the European Association of Motorcycle Manufacturers) addressing specific industry issues (urban mobility, road safety, market developments);
- *Company*: articles on managerial culture and presentations of Company departments/teams;
- *Our history*: a column edited by the Historical Archive department with articles on products and events relating to the history of the Group and its brands.

Management initiatives of particular importance to the Company;

- Management meetings, periodic workshops for top management with the management team on the general trend of the Group and its main strategies and guidelines. In order to inform the rest of the Company's employees, excerpts from top manager reports are published in P & Co. and managers are given post-meeting documentation (DVDs and CDs) to share with their staff.

Dialogue and bottom-up communication:

- Company focus groups on topics of interest to the Company. The groups are established in-company and involve a selected target and/or specific categories of Company employees;
- Quick Company surveys, conducted periodically to obtain employees' opinions on specific issues. In 2008, for example, one year on from the launch of the Group's new magazine, an on-line survey on "P & Co." was conducted, to evaluate ratings and any areas for improvement.

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 index² has decreased considerably, registering a minimum rate of 2.4.

This is the result of activities carried out in recent years, including: the further dissemination of a safety culture, new process risk analysis and reduction methodolo-

² The accident frequency index, calculated as defined by UNI standards, provides the number of accidents occurring per one million hours worked.

gies and technical improvements for plants. In 2008, the accident frequency index, for the Pontedera plant only, registered an anomalous increase.

This unfavourable circumstance was part of a general decrease in the index over the last decade, confirming a gradual more general improvement.

As in the past, 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 was registered.

The table below shows the accident frequency index between 2007 and 2008 at European production sites.

Accident frequency index (for Italy and Spain)

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

A system to trace Company injury/accident management 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 measures 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.

Moreover, specific software management applications were introduced in 2008 for:

- final reporting and cataloguing of improvement measures;
- training and appointing resources to positions in the organisation chart of the Company's Emergency Plan;
- information flows on eligibility certificates.

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.

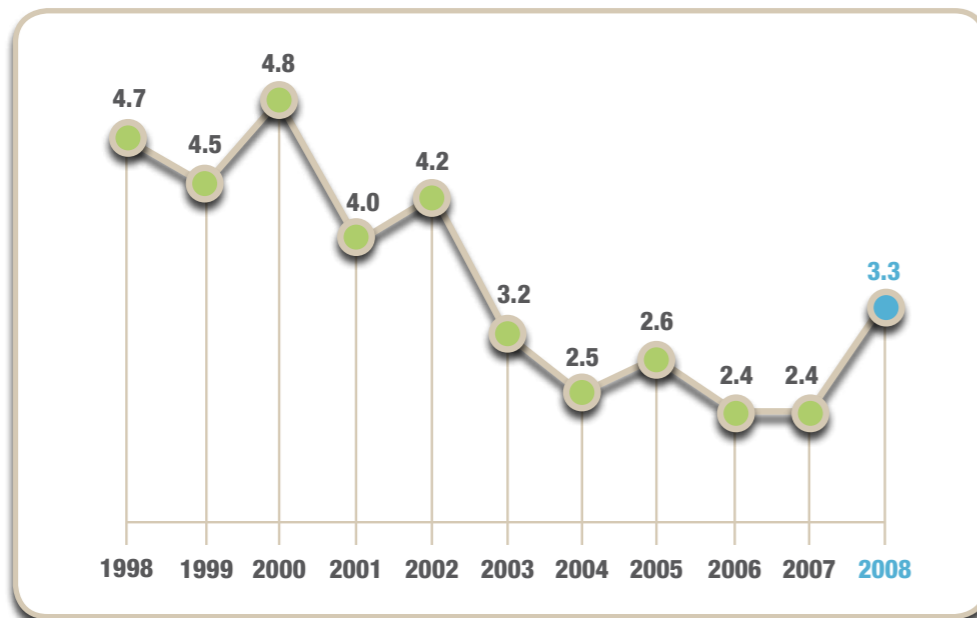
Piaggio was awarded OHSAS 18001 certification in December 2007 for its Pontedera, Noale and Scorzè sites. During 2008, the certification body conducted a scheduled maintenance audit, which was successful.

In 2009 a further audit stage is planned, with the objective of obtaining conformity to OHSAS 18001/2007, ensuring the effectiveness of the organisational and management model in relation to new requirements introduced by article 30 of the Consolidated Occupational Health and Safety Act (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: for man-

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



agement, with the aim of defining strategies, guidelines and priority actions; for line managers, to ensure that everyone adopts work procedures properly; for Company safety managers and workers' safety representatives, to continually update their skills, also in relation to technological process and product aspects; for all Company employees, to gain an awareness of residual risks associated with their activities and to ensure they adopt correct procedures when carrying out their work.

Numerous training events were held in 2008 for around 1,000 employees in Italy, who were informed of and familiarised with accident prevention and occupational health and safety issues.

Continuing its objective of disseminating knowledge and operating procedures, the Group and Community Intranet platform - "Safety at work" - on the environment, health and safety, was further developed and updated in 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.

1,000

In 2008, training on accident prevention and occupational health and safety involved approximately 1,000 employees in Italy alone

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.

As regards healthcare services, the following are guaranteed:

- first aid and medical emergency assistance, liaising with competent public services, as necessary;



Company Medical Centre at Pontedera (Pisa)

9,000

interventions

In 2008, more than 2,000 people had check-ups (preventive, routine and extraordinary check-ups) and nearly 9,000 received healthcare services at the Company Medical Centre at Pontedera

- 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 2008, 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

In 2008, the Company launched a broad-ranging project on “Workplace ergonomics”.

Piaggio has worked closely with the disciplinary research unit “Ergonomics of posture and movement” to develop the project, studying:

- criteria and systems for the assessment and ergonomic design of organised work and workplaces, equipment used in non-work and work environments;
- criteria and methods for the prevention, diagnosis and treatment of work-related locomotor system pathologies;
- criteria and methods for the adequate and dignified integration at work and in society of persons with a reduced or altered motor function;
- the development of biomedical and computer technologies for the application of specifically devised criteria and methods.



The project focuses on two main areas:

- Objectification of the “specific risk assessment”;
- Training for technical positions.

The project comprises several stages, from a questionnaire (completed in 2008) to medical check-ups, identifying “pathological” subjects and carrying out specific analyses on them, evaluating any occupational-related pathologies and relocating positive cases (scheduled for 2009).

In the “Specific risk assessment”, around 300 work stations at the Company’s operating sites were analysed and evaluated, acquiring data from check lists, video film footage and interviews. During 2008, the first 50 work stations were analysed and suitable remedial actions were taken based on results.

In 2008 Piaggio held specific training sessions on ergonomics for 50 people from the specialist Technology and Times Analysis Departments (“OCRA method – Basic training course” and “Work station redesign course”).

Piaggio also signed a protocol of agreement on work-

place ergonomics with the local health authorities, for the Pontedera site.

Under this agreement, the extent of pathologies of the upper limbs will be estimated, criteria will be developed to reintegrate persons with WMSDs (work-related musculoskeletal disorders) of an occupational and non-occupational origin assigning them work stations that have been suitably adapted or involve less risk, and workers affected by pathologies of the upper limbs will be guaranteed suitable diagnostic procedures, also for social welfare purposes.

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.

It also establishes industrial relations based on communication and involvement, by consolidating 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 the 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 2008, dialogue continued between the Group and workers' representatives at a Company level, to find common solutions to consequences on workers of measures taken to meet market needs.

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 managers) from lists submitted by trade union organisations. Elections are held every three years at a production unit level. (See table 2)

Piaggio uses open-ended contracts as its reference model. Considering the difficult situation faced by global markets in 2008, the Company also used different types of employment contracts provided for in labour laws, so as to reconcile employment stability with a 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 employ-

Dialogue

Dialogue with workers' representatives pursues shared solutions to promptly and efficiently manage the work force and market needs

ment 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.

As provided for by the Supplementary Agreement stipulated between the Company and trade union organisations, Piaggio gives its employees a performance bonus based on three indicators.

Two of these - productivity and profitability - are common to all Italian sites.

The third indicates the defect rate at 90 days for the Pontedera, Milan and Rome sites, 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 2008, 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, Milan and Rome sites.

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, the Company and trade union organisations have agreed to set up a working group by September 2009.

The group will define 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 (RSU). To guarantee their involvement to a greater extent and the adoption of regulations in full, they have agreed on a method to take action and benchmark, to verify in the first four months of 2009.

Tab. 2 - Trade unionisation in Italy at 31/12/2008 and 31/12/2007

	2008			2007		
	Pontedera	Noale and Scorzè	Mandello del Lario	Pontedera	Noale and Scorzè	Mandello del Lario
FIOM	481	213	64	501	224	62
UILM	319	2	4	312	2	4
FIM	232	123	32	215	116	28
UGL	65	0	0	53	0	0
CGIL/CISL/UIL	4	0	0	4	0	0
Total number of employees who are members of a trade union	1,101 (36%)	338 (37%)	100 (56%)	1,085 (35%)	342 (38%)	94 (47%)



8 The social dimension of responsibility

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.

In this perspective, the operations carried out by Piaggio, with a direct action on society, the community, suppliers, customers and dealers, as privileged recipients of the Group's "economic" and "social" activities are presented in the next sections.

8.1 SUPPLIER RELATIONS

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.

Over the years, Piaggio has adopted a growth strategy to share with its suppliers, setting up development projects and making available tools for optimal client-supplier management.

This strategy was given new vigour in 2008, with the "Piaggio-DNV project for the growth of strategic suppliers". 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. This in turn will increase supply performance and therefore improve Piaggio customer satisfaction. The DNV project is also

an excellent opportunity for suppliers to grow, offering both strategic and economic benefits:

- consolidating business relations with Piaggio, through greater cooperation and increased 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 will continue throughout 2009, in seven main stages:

- 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;
- defining the protocol and evaluating check lists, based on collected documents;
- 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);
- 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;
- reviewing proposed corrective actions;
- follow-up activities to check the progress of corrective actions;
- consolidating results, verification, analyses and statistics. Collected data and information will be entered in a database available to Piaggio.

The DNV project:
working with suppliers
to understand their
problems and solve
them together

8.2 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 purpose of the "Customer and dealer satisfaction system" is to listen to customers and dealers, make their needs known within the Company organisation and propose new tools and methodologies for front end process management, in order to improve organisational efficiency.

In this context, the Group has established a structured system of KPIs to measure the evolution of front end process management.

8.2.1 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. To achieve this, Piaggio conducts customer opinion surveys, based on studies and research in-company and through qualified partners, to understand and meet the needs of its customers in the main countries where it operates (the system was set up more than three years ago for the Scooter, Motorcycle and Commercial Vehicles divisions and is in use for European markets. It is now being implemented for other markets - the United States, Vietnam, India, etc.).

The main items 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);
- overall brand satisfaction, overall 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);
- the level of brand and product loyalty and recommendation.

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



Customer opinions and ratings are used as input in new product development processes and to accelerate improvement processes for existing products.

These activities are important to the Group, as confirmed by the reengineering of a part of research facilities in 2008, which switched to a work logic by model. As a result, alignment with actual customer expectations and needs can be understood, from the launch of new products onwards, and in turn, customer loyalty can be improved.

Piaggio establishes objectives based on the results of all these studies, which are integrated at various levels of the organisation down to individual dealers.

The objectives incorporate the product concept, the organisation of customer support programmes and eligibility/qualification standards for after-sales service operators.

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.

Piaggio uses various indicators, measured annually, to monitor customer satisfaction, brand appeal, the product defect rate, etc. These indicators are measured 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 initiatives, actions targeting specific products/customer segments will be taken in 2009

to promptly adapt the organisation and product to customer needs.

These actions will evaluate customer expectations from the purchase stage, and will target management of the entire warranty period (services and repairs under warranty); the latter approach is currently being trialled on

the Vietnamese market. The design of a survey system for the US market will also be completed in 2009. Analyses of the Indian market's characteristics will be completed in 2009, and plans have been made to implement specific customer satisfaction survey tools in 2010 for this market.

Types of indicators used by Piaggio to monitor customer satisfaction

INDICATOR	MEASUREMENT FREQUENCY	ANALYSIS SCOPE				
		OVERALL	BRAND	PRODUCT	SALE	AFTER-SALES
Appeal Index (Level of excellence)	Annual		X			
Net Promoter Score Index (word of mouth)	Annual and quarterly *		X	X		
Level of importance of individual satisfaction expectations	Annual and quarterly *			X		
Customer Satisfaction Index (CSI)	Annual and quarterly *	X		X	X	X
Defect rate perceived by the customer	Annual and quarterly *			X		
Defect severity	Annual and quarterly *			X		

* Quarterly measurements refer to new products or products of strategic importance for the Group.

8.2.2 CUSTOMER SERVICE

Piaggio is aware of the importance of listening to and assisting its customers, and has been extremely active in the last few years to consolidate the potential of its customer service and achieve quality standards comparable with that of other major companies. In 2005, it began to reorganise its call centre system, which up until then had worked exclusively for the Piaggio brand and the Italian market. A central structure was created to design and operate an integrated management system for Company/end customer contacts, featuring the following:

- a multi-channel system: control of 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;
- the segmentation, registration and analysis of customer contacts;

- an "On-line customer service": a "virtual area" to contact customer service.

The Group Contact Centre Project, which was set up when Aprilia and Moto Guzzi were acquired, has extended the multi-channel, contact/customer segmentation and on-line virtual area functions to all brands - going into operation for all main European markets (Italy, France, Spain, Germany and England).

During these developments, Customer Service has been committed at all times to assisting Contact Centre operators, holding training courses to guarantee reliability, professional expertise and quality of replies.

The Front office (a team of Contact Centre operators) hands over all matters it cannot directly solve to the Back Office, manned by a team with specialist technical product expertise and a knowledge of the sales network, vehicle distribution and spare parts.

Thanks to these tools, Piaggio customers can contact

the Company via a number of communication channels:

- telephone: 4 international free phone numbers for the main brands (Piaggio, Vespa, Gilera, Derbi, Aprilia, Moto Guzzi, Commercial Vehicles). 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;
- letter and fax.

At present, the Contact Centre processes around 7,000 telephone calls and 2,500 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:

- 92% of incoming calls are processed;
- 87% of telephone calls are answered in 30 seconds;
- 85% of enquiries from European customers are dealt with within 24 hours.

As part of its future strategy, Customer Service will have to improve the skills and boost the motivation of its operators in order to develop new competencies, tools and ideas to meet customer expectations to the best of its abilities. It will also have to guarantee quality contacts, based on a well-planned and implemented Contact Centre strategy, while continuing to help consolidate a client-focussed philosophy and culture within the Company. It must achieve this aware that leading international brands focus on these areas, in order to increase volumes and profits.

In 2006, based on work carried out and the reorganisation process which had begun, Customer Service promoted an initiative in-company to develop a managerial approach to handling customer relations (Customer Relationship Management - CRM).

The aim was to manage customer data so that it was integrated and shared. A fundamental part of this process was the creation of an "End Customer Data Base" (DBC), i.e. a central Company archive with all customer-related information. 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 quarter of 2007, a new system on a SAP-CRM platform was rolled out, capable of interacting with the End Customer Data Base.

The system is a European platform on which all markets and functions involved in customer management work together in real time.

In 2008 the SAP-CRM system was extended to the US market, which is now a part of this shared space.

The Contact Centre processes 7,000 phone calls each month: 92% of incoming calls are processed directly and 87% of calls are answered in 30 seconds

8.2.3 DEALER SATISFACTION

Dealer satisfaction, along with customer satisfaction, is of paramount importance for the Piaggio Group. In fact dealers are essential partners for Piaggio, because they are the main communication channel/vehicle of relations with the end customer. Piaggio therefore measures the satisfaction of its partners so that it may identify critical factors for success and indirectly improve customer satisfaction. Customer satisfaction results concerning sales and service directly related to the efficiency of the distribution network are shared with the sales network. Along with training and information, they are tools Piaggio gives its partners to improve the quality of their performance. In this context, distribution network reward systems also partly take into account different quality levels of customer service. As with customer satisfaction, dealer satisfaction is monitored in relation to tools provided by the manufacturer to manage sales and service activities as well as possible. In particular, dealers are asked to rate sales media (merchandising, brochures, marketing information etc.), assistance (technical information, training tools, spare parts catalogues, etc.) and the range of products and accessories (global scope of the range, competitiveness, etc.) supplied by Piaggio. Piaggio conducts dealer satisfaction surveys on main European markets using overall indicators measured annually (overall rating of the partnership) and analysis indicators relative to individual elements (sales support, products, accessories, technical assistance and spare parts). These surveys will be extended to other markets where Piaggio operates when the distribution network of the country in question is consolidated. The entire survey system is being redesigned. Besides measuring the DSI (Dealer Satisfaction Index), which is strictly related to the CSI (Customer Satisfaction Index) as a driver for action, the system can become a tool for evaluating Piaggio's capacity for organisational innovation, in order to consolidate its partnerships and in turn its competitive strength.

8.3 PARTNERSHIPS WITH UNIVERSITIES, RESEARCH CENTRES AND INDUSTRY ASSOCIATIONS

The Group is part of an international network of laboratories, university-run and private research centres at the cutting edge in their fields of specialisation.

The Group has forged strong alliances with universities and research centres (Universities of Pisa, Florence, Padua, Perugia, Bologna, Graz, Milan Polytechnic, Turin Polytechnic, Fiat Research Centre) and with private organisations, for funded research projects, specific consultancies or funded academic research such as doctorates.

Piaggio is also committed to actively promoting sustainable mobility based on the development and dissemination of safe, environmentally compatible vehicles, through partnerships with industry associations and local authorities.

8.3.1 PARTNERSHIPS WITH UNIVERSITIES AND RESEARCH INSTITUTES

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 creating synergies between the research community and its production activities.

In 2008 Piaggio partnered numerous Italian and foreign universities (Pisa University, Florence University, Bologna University, Milan Polytechnic, Padua University, Perugia University, the National Research Council of Naples, the Scuola Superiore Sant'Anna of Pisa and Prague and West Bohemia University in the Czech Republic) in order to support continual innovation in terms of:

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

Lessons are available on Piaggio's Intranet to improve knowledge sharing in the Company. Piaggio has planned to develop a technological pole with an independent Research Centre by 2010, partnered by some Italian universities.

All lessons are available on Piaggio's Intranet in the Technical section, with a view to improving knowledge sharing within the Company.

The development of a new technological pole, comprising an independent Research Centre, involving some Italian universities, is planned for 2010.

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.

8.3.2 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.

In this sector, during 2008, Pont-Tech oversaw the successful implementation and management of the Centre for Research and Training on Innovation and Technology Transfer, which is an incubator for innovative companies (hi-tech and spin-off firms) and a system of specialised testing and measurement laboratories.

In conjunction with the Region of Tuscany, Pont-Tech also coordinates the “Observatory on sub supplies 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.

8.3.3 ACEM

ACEM, the European Association of Motorcycle Manufacturers, was established in 1994, bringing together two industry associations already active at a European level since the early nineteen sixties.

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 its activities.

Its work focuses on four areas: competition, safety, the environment and mobility.

Piaggio is a founder Company of ACEM and from its very inception, has played a part in determining the association’s position and strategies. Today, the Association brings together 10 manufacturers and 14 national associations, as well as Piaggio, with a total of 22 brands being represented.

The main purpose of ACEM over the years has been 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 Euro 3 to Euro 5 will reduce pollutant emissions by 50%.

During the conference, several ACEM manufacturers announced their renewed and even stronger commitment to the “EU Road Safety Charter” 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%.

Members of ACEM, including Piaggio, have committed to achieving the same level of pollutant emissions as Euro 5 cars by 2015

8.3.4 PARTNERSHIP WITH THE LOCAL ADMINISTRATION SECTOR AND THE ESUM PROJECT

Dialogue is the only way to achieve sustainability. Based on this premise, Piaggio has developed its “External Relations and Institutional Affairs” department, in order to instruct, assist and support public bodies (the European Community, governments and local communities) in defining economic, industrial and environmental policies that promote sustainable mobility, and in establishing a social and political context for values relating to the mobility, ecology and energy efficiency of the Group’s

products. In fact no broad consensus on these values exists at present.

Hence the Company intends taking specific communication actions to establish a broad consensus at a political, social and public level.

In particular, it will focus on large Italian cities, where the local public administration sector has very strong powers and tools to take action. The aim is to create a channel for an ongoing dialogue so as to offer technologically advanced and environmentally compatible solutions for traffic and pollution problems.

In this framework, the Piaggio Group is also involved in the European eSum Project between industry and local authorities of major European cities, for two-wheeler road safety. The aim of the project is to identify and develop measures for safer two-wheeler urban transport in the medium and long term.

Piaggio has been invited to take part in the project to demonstrate and promote concepts of safe vehicles, such as the MP3, and prototypes developed in the SIM (Safety In Motion) project.

The Piaggio Group is involved in the European eSum Project, an initiative in association with industry and local authorities of leading European cities to develop two-wheeler road safety

8.4 SUPPORT FOR LOCAL COMMUNITIES, FOUNDATIONS AND HUMANITARIAN PROJECTS

8.4.1 THE PIAGGIO FOUNDATION, MUSEUM AND HISTORICAL ARCHIVE

The Piaggio Foundation is used by Piaggio to maintain a direct relationship with the place where it is a fundamental player, not only on a productive and economic level, but also in terms of its social, cultural and educational worth by promoting art, design, society, the language of communication and by disseminating its Company values, such as innovation and creativity, along with “social values” such as ethics, the environment, culture and training. The Piaggio Foundation is a non-profit making organisation held jointly by Piaggio and the public sector (50% Piaggio, 25% local authorities of Pontedera, 25% the Province of Pisa), and brings together the objectives of the Company and public authorities in a first ever initiative of its kind in Italy. 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 statute, 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 established 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-wheeled vehicles. The Historical Archive was the first step in the Foundation’s cultural project. In 1992, Piaggio stipulated an agreement with Pisa University for historical research on the origins of the Company. The result was an extensive and meticulous collection of documents on the history of Piaggio, not only at Pontedera but also at Genoa and all other Italian and foreign sites where Piaggio has facilities.

Today the Historical Archive has thousands of documents. Several years ago the Company gave the archive documents on employees (manual workers, clerical staff and managers) working at Piaggio from 1917 to the 1970s. This archival fond is of remarkable importance for knowledge on industrial relations and reconstruction of society and the economy in the Pontedera area. The collection, in addition to the previous one and fond of drawings, places the Piaggio Historical Archive among the most extensive Company archives world-wide.

Along with the Historical Archive, the Museum was opened on 29 March 2000 in a splendid historical Company building designed by the architects Marco Dezzi Bardeschi and Andrea Bruno. 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 work places and workshops, conserves the memory of the Company and is also an open space valuing the intangible aspects of the Foundation’s cultural mission. 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”.

From 2000 to the present day, the Foundation has had many thousands of visitors each year, and nearly 30 thousand in 2008. From 2004 to 2008, 554 experts used documentation from archive materials for industrial design studies, research work, dissertations and publications. Alongside its steadfast commitment to the management and development of the Museum and Historical Archive, the Foundation works with local authorities, sports and cultural associations, to promote conferences, debates, training and educational courses, art exhibitions, concerts and theatre shows. The technical college “Industrial design” training course, with a

work placement at the Historical Archive and Piaggio Museum (2005) and the “Creativity” project on design, organised with ISIA, the Higher Institute for Artistic Industries of Florence (which began in 2006 and is in its third edition in 2008), are concrete examples of the commitment to training designers and professionals and providing learning opportunities for high school students. In addition, meetings and conferences are held on business culture, architecture, entrepreneurship and in general on the Italian and international economic and social context. 2008 event and art exhibition highlights include the touring exhibition on the Vespa “*Vespa Arte Italiana*” (Vespa Italian Art) and the exhibition of Giorgio De Chirico’s works “L’enigma della pittura” (The enigma of painting), sponsored by the Region of Tuscany and

The Piaggio Foundation is the forum for businesses, the local dimension and culture. In 2008, nearly 30,000 people visited the Piaggio Museum and 554 experts used documentation from archive materials for industrial design studies, research work, dissertations and publications

the local authorities of Pontedera and the Province of Pisa. The year ended with a one-man exhibition of the Tuscan artist Andrea Gabbriellini "Continuità discontinua" (disContinuous Continuity) and an exhibition on industrial design to mark the "Creativity" business culture week. The Foundation also promoted the training course "Society, Economy and Customs: images and creativity" in 2008 attended by 754 high school students, as well as a seminar on nanotechnologies, held by Fabio Beltrami a physicist from the Pisa research and training centre Scuola Normale di Pisa, and the seminar "Globalisation and sustainable development: economic, legal, cultural and educational aspects", with the psychologist and educationalist Jerome Seymour Bruner taking part.

The Foundation also worked on editorial initiatives. Issues no. 1 and 2, 2008, of the *Quaderni della Fondazione Piaggio (Companion Guides to the Piaggio Foundation)*

came out. These publications summarise and report on scientific initiatives taking place during the year, starting from considerations on the Business Ethics division made by Roberto Colaninno and Piaggio at the start of the year. The Foundation is also a successful player in prestigious external events. In November 2008 it took part in the exhibition "Loghi d'Italia" ("Italian logos") at Castel Sant'Angelo in Rome, in the Conference on the History of Entrepreneurship at Bocconi University, Milan and the International Conference on Business Museums organised by Museimpresa and EMYA. The Foundation has also taken part in numerous international events where the Piaggio cultural project has been presented as an example of Italian business excellence, creativity and design and the Foundation as a best practice model for businesses to forge ties with the local area, held in locations from Tel Aviv to Montreal, Buenos Aires, Shanghai, and the Budapest 2009 expo.



FOUNDATION PIAGGIO: more than 15 years of activities

Since being established, the Foundation has represented a forum where the values of creativity, innovation, design, entrepreneurship and work that have always set Piaggio apart can meet more intangible elements, such as culture, society, fashion, ethics and the environment. The activities organised by the Foundation represent a special moment for the local area to dialogue with one of Italy's leading business concerns and most important metal and steel processing companies.

In the fifteen years since its inception, the Foundation has been involved in activities ranging from the promotion of events to disseminating culture and art, training and industrial design and safe riding to the organisation of conferences on the relationship between ethics and daily life. In particular, it has held conferences on "Ethics and communication", "Ethics and sport" and "Ethics and biotechnologies". It has also organised frequent debates and meetings on science, nutrition, justice, the economy, valuing the historical and social heritage of Piaggio in order to link its sense of belonging to the place where it operates.

Some of the most important of the numerous initiatives organised by the Foundation from 1995 to 2008 are described below.

MAIN INITIATIVES ORGANISED BY THE FOUNDATION	
May 1995	"Il Filo di Arianna" ("Ariadne's Thread"), a university and careers advice programme.
September - October 1998	The art exhibition "Entr'Acte", in association with the local authorities of Pontedera and the Province of Pisa.
October 1997	"Industrial Design in European Culture", Vespa and Giugiaro.
2000	Safe riding courses for high school students, with the involvement of the former professional racer Alberto Sani.
March-April 2001	Anthological exhibition on Arturo Carmassi, in association with the local authorities of Pontedera and the Province of Pisa.
May 2001	"European Museum of the Year Award" conference on the relationship between Company archives, museums and society, with representatives from more than 300 European museums taking part. The Piaggio Museum received the EMYA (European Museum of the Year Award).
2002	History in the future: a series of material cultural conferences and meetings. Three conferences were also held on "Ethics and communication", "Ethics and biotechnologies" and "Ethics and sport".
March - April 2002	A series of conferences on "Society and culture", with the participation of Antonio Tabucchi, Maurizio Bettini and Marcello Lippi.
December 2002	"With football, in the fight against doping. Scientific evidence and strategies for the fight against doping in Italy".
December 2002 - March 2003	The exhibition "Chi Vespa... è già domani" ("A Vespa for today... for tomorrow") dedicated to 56 years of Vespa communication activities.
April - June 2004	"Meetings of the Foundation", a series of conferences held by Marco Santagata, winner of the Premio Campiello, Piero Luigi Vigna, Italy's Anti-mafia Prosecutor and Pierluigi Ciocca, Deputy Chairman of Banca d'Italia.
May - September 2004	The exhibition "Baj Idromeccanologia" ("Baj Hydromechanology") by Enrico Baj, in association with the local authorities of Pontedera and the Province of Pisa.
November 2004	120th anniversary of Piaggio and inauguration of the exhibition "Le carte raccontano: design innovazione e crescita" ("A story to tell: design innovation and growth") in the Historical Archive of the Company.
March - September 2005	Technical college training course "Higher technical qualification for industrial design", organised in association with Piaggio & C., Pisa University and other economic and local organisations.
March - June 2005	The exhibition "Luce e ombra. Caravaggismo e naturalismo" ("Light and shade. Caravaggism and naturalism") in Seventeenth century Tuscan painting, in association with the local authorities of Pontedera and the Province of Pisa.
November 2006	First "Creativity" event - an international workshop on design.
October -December 2006	Giovanni Michelucci exhibition and round table: "Disegni per la nuova città" ("Designs for a new city"), in association with the local authorities of Pontedera and the Province of Pisa.
November 2006	Conference on "Business and Culture: an expanding reality".
January - April 2007	Exhibition on art, cinema and photography entitled "Arte e lavoro '800/'900" ("Art and work in the 19th and 20th century") for the 60th anniversary of the creation of the Vespa.
April 2007	Theatre show "Made in Italy" by Vincenzo Ceramini.
November 2007	Second edition of "Creativity".
January - March 2008	Touring exhibition "VAI: Vespa Arte Italiana" ("VAI: Vespa Italian Art") produced by Valerio Dehò.
2008	Training course "Society, Economy and Customs: images and creativity" for high schools.
2008	Seminar on nanotechnologies held by the physicist Fabio Beltrami.
April-June 2008	Exhibition "L'enigma della pittura" ("The engima of painting") by Giorgio De Chirico.
June 2008	Seminar "Globalisation and sustainable development: economic, legal, cultural and educational aspects", with the psychologist and educationalist Jerome Seymour Bruner taking part.
August - September 2008	Exhibition "VespArte: arte e design per Vespa" ("VespArte: art and design for Vespa").
September - November 2008	Exhibition "Continuità discontinua" ("Discontinuous continuity") by the artist Andrea Gabbriellini.



The 2008 edition of Crea@tivity involved 800 students and other attendees, 180 people enrolled in workshops and 10 internationally renowned designers and speakers

In its third edition in 2008, Crea@tivity is an event rooted in design which continually reinvents itself, taking risks and expanding. The idea for the event stems first and foremost from the passion and need for a single cultural hub bringing together different incentives and objectives. The result is a scenario focussed on design, a forum for creativity and technology, for research, innovation and training with an international slant which favours knowledge, comparison and exchange. The event is promoted by ISIA, the Higher Institute for Artistic Industries of Florence, and the Piaggio Foundation, supported by the Directorate General for Higher Artistic and Music Training (AFAM) of the Ministry of Education, Universities and Research, as part of a National Arts Award. The purpose of Crea@tivity is to support and spread an awareness of a need for social balance, environmental protection and solidarity, with research and human resources at the forefront in this commitment. The event has become an international platform for the dissemination of a culture of innovation, driven by the desire to share experience and knowledge. The third edition of Crea@tivity was held in 2008, with two days of conferences involving Italian and European institutes, round tables, workshops and meetings with companies and designers. The event was open to professionals, companies, professors, teachers and students. Starting from social design, it focussed on different fields, such as information technology, biomedical research, nautical design, the presentation of materials and innovative technologies and new teaching and training models. The project also includes I.D.E.A., the International Design Education Award, with young talent from leading European design institutes taking part, to promote the sharing of different design scenarios which are an intrinsic part of diverse cultures and traditions, and in turn transfer expertise and continually update teaching methodologies. The purpose of I.D.E.A. is to promote and support international relations for the development of advanced research and training models and this has involved AFAM, enabling it to include an "International Design Award" in its "National Arts Award". A main exhibition, along with secondary displays, is housed at the Piaggio Museum, presenting numerous projects taking part in the award. During the 3 days of the 2008 edition of Crea@tivity, 800 students and others attended, 180 participants enrolled in workshops and 10 designers and internationally renowned speakers took part. 11 companies (including Piaggio), organisations and institutes, 5 European design institutes, 6 Italian institutes (taking part in the award) and 4 guest institutes also attended. In addition to the workshop days, 50 exhibition days on design and creativity were held, with work from design institutes presented during the 2008 edition.



The archives have been used to prepare more than 100 dissertations

The Piaggio historical archive came about from the cultural awareness of three generations of entrepreneurs and their far-sighted idea of conserving the memory and heritage of more than one hundred years of a Company, from its industrial design to communication. Today, the Archive is an open space for training and for contact with the values the Company, by tradition, has made its own: creativity, innovation and ethics. The contrast is clear, but also a winner, with history, tradition, customs and the heritage of creativity on the one hand, and modern society with all its particular aspects and challenges on the other, linked by the business spirit and experience of a Company and its products that have accompanied the lives of millions of Italians in more than one hundred years. The Archive also has a role of social responsibility, as it is the tangible expression of the Company generating social value and disseminating culture in the area. The Archive contains more than 4,000 files of business, accounting, financial, production and project documents and photographs; nearly one million film clips, business notices and calendars and a library with more than 8,000 volumes. This immense wealth may be consulted free of charge and used in dissertations (more than 100 since 2004), and exhibitions, publications and research work, as well as by the press and in-company users. Particularly successful initiatives organised by the Piaggio Historical Archive in 2008 include the teaching project "Society, Economy and Customs: images and creativity" with more than 754 students taking part from 52 high school classes in three months. The project, promoted by the Region of Tuscany and the Piaggio Foundation, is part of activities to support a cultural heritage and museum education, and was conceived to attract young people through interactive practices that integrate resources and the expertise of museums which share cultural, social and design aspects deeply rooted in their local background. The training programme involved a guided tour of the Piaggio Museum Collection, then a treasure hunt to transfer learning and the study of design, and an educational workshop on "Society and fashion". The project also included the competition "Vespa is emotion", where stories, poems, proposals for advertising campaigns and clothing lines expressing the concepts and values of Vespa were presented. A committee of Piaggio managers and its Chairman, selected the best designs for the award. The project enabled young people to access the archive and museum collections, seen as a means for recounting the history of society, the economy, customs, photography and industrial design, through research into the evolution of design and communication. In addition, the project made participants aware of the importance of conserving documentary sources for study, and of the memory of society and culture conveyed the historical heritage of a Company.

8.4.2 CHARITY ACTIVITIES AND SPONSORSHIPS

As part of its commitment to society, Piaggio takes part in social and cultural events, on a national level, such as the Giro d'Italia and Road Safety Campaigns organised by the Italian Red Cross, and on a local level, such as the Mantua Literature Festival, the Rome Marathon, the Pisa Marathon, the Pucciniano Festival and events organised by the Vespa Club.

Piaggio also funds initiatives for children each year, through donations made to local authorities and nursery schools.

For Christmas 2008, Piaggio and the Immsi Group decided to support educational and rehabilitation activities for children affected by brain damage, by making a donation to the association "Casa del Sole Onlus"¹². All employees in Italy and abroad received a Christmas card, rather than a traditional "gift", so the initiative could be shared with all Group employees world-wide.

8.5 COMMITMENT TO SPORT

The Piaggio Group is involved in motor-racing, 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.

Over the last three years, Aprilia, Derbi and Gilera have won 12 World Championships titles, demonstrating the passion and outstanding technical skills of the people who work each day at Piaggio Group and the competitive abilities and level of technological innovation which Piaggio, and its Italian products, have achieved in the two-wheeler sector.

However it is in racing that the Group has produced unlimited talent over the last few years. 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. Young riders and innovation are the winning combination behind Piaggio's activities and it is no coincidence that the Group's brands focus on "minor"

categories, where there are rider age limits.

In particular, in 2008, the Group took part in the World Championships in the 125 and 250cc categories, with the Aprilia, Gilera and Derbi brands, and with the Aprilia brand in the World Motocross Championships, winning four titles: the 250cc rider's title (Marco Simoncelli on a Gilera), the 250cc constructors' title (Aprilia), the 125cc rider's title (Mike Di Meglio on a Derbi) and the 125cc constructors' title (Aprilia).

In 2009, Aprilia will also take 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 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.

During the three editions held, 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 official Aprilia 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.

Over the last three years, 12 world championship titles have been won with Aprilia, Derbi and Gilera. Since 2006, Aprilia has promoted the Junior GP Racing Dream, enabling more than 700 youngsters between 13 and 16 years to show off their talent on the track.



¹² 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.



9 • Table of GRI-G3 indicators

The 2008 Sustainability Report of the Piaggio Group was produced in conformity to GRI-G3 guidelines of Global Reporting Initiatives. These guidelines are for voluntary use by organisations and represent a standard for contents adopted by the Group in preparing the Sustainability Report, promoting comparison over time and among similar organisations.

The main contents of the 2008 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 2008 Sustainability Report (or other avail-

able 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

As this is the first year the Group has produced a Sustainability Report, some indicators have not been covered or have been covered partially. In fact, Piaggio has chosen to adopt a transparent, gradual approach, starting from the most important information and issues of Corporate Social Responsibility, going on to give its stakeholders an increasingly complete vision and committing to improving its economic, environmental and social performance.



GRI indicator	Description	Level of coverage	Page
PROFILE			
1.	Strategy and analysis		
1.1	Statement of the vision and strategy of the organisation relative to its contribution to sustainable development	●	Letter from the Chairman, section 3
1.2	Description of key impacts, risks and opportunities	○	
2.	Organisational profile		
2.1	Name of the organisation	●	Section 2
2.2	Primary brands, products and/or services	●	Section 2
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	●	Section 2, RB08
2.4	Location of organisation's headquarters	●	Section 2
2.5	Number of countries where the organisation operates and names of countries where the organisation operates	●	Section 2
2.6	Nature of ownership and legal form	●	Section 4
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	●	Section 2, RB08
2.8	Scale of the reporting organisation including: number of employees, net sales (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	○	Section 2, RB08
2.9	Significant changes during the reporting period regarding size, structure or ownership	●	Section 2
2.10	Awards received in the reporting period	●	Section 8
3.	Report parameters		
Report profile			
3.1	Reporting period (e.g. fiscal/calendar year) for the information provided	●	Methodological note
3.2	Date of most recent Sustainability Report	n/a	
3.3	Reporting cycle (annual, biennial, etc.)	●	Methodological note
3.4	Contact point for questions regarding the report or its contents	●	Last page
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	●	Section 3

GRI indicator	Description	Level of coverage	Page
3.6	Define the boundary of the report (for example: countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	Methodological note
3.7	State any specific limitations on the scope or boundary of the report	●	Methodological note
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	●	Section 2
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	○	Methodological note
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)	n/a	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	n/a	
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	●	Section 9
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)	●	Methodological note, Sustainability Report statement
4. 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	●	Section 3, RCG07
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)	●	Section 3, RCG07
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"	●	Section 3, RCG07

GRI indicator	Description	Level of coverage	Page	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	Section 3 - 4	
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)	○		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	Section 3, RCG07	
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	●	RCG07	
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	●	Sections 2 - 3	
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	●	RCG07	
4.10	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	○		
Commitments to external initiatives				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	○		
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	●	Section 3	
4.13	Membership in national and/or international industry associations	●	Section 8	
Stakeholder engagement				
4.14	List of stakeholder groups engaged by the organisation	●	Section 3	
4.15	Basis for identification and selection of stakeholders with whom to engage	●	Section 3	
4.16	Approaches to stakeholder engagement	●	Sections 4, 7, 8	
4.17	Key concerns and topics that have been raised through stakeholder engagement and relative actions	●	Sections 3 - 4, 7 - 8	
ECONOMIC PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	RB08

GRI indicator	Description	Level of coverage	Page	
Economic performance		●	RB08	
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	●	Section 4	
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	○		
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	●	Section 8	
EC9	Core Understanding and describing significant indirect economic impacts, including the extent of impacts	○		
ENVIRONMENTAL PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	Section 6
Raw materials				
EN1	Core Materials used by weight or volume	○		
EN2	Core Percentage of materials used that are recycled or input materials	○		
Energy				
EN3	Core Direct energy consumption by primary energy source	●	Section 6	

GRI indicator	Description		Level of coverage	Page
EN4	Core	Indirect energy consumption by primary energy source	●	Section 6
EN5	Add.	Energy saved due to conservation and efficiency improvements	○	Section 6
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	●	Section 6
EN7	Add.	Initiatives to reduce indirect energy consumption and reductions achieved	●	Section 6
Water				
EN8	Core	Total water withdrawal by source	●	Section 6
EN9	Add.	Water sources significantly affected by withdrawal of water	●	Section 6
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	●	Section 6
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	○	
EN18	Add.	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	Section 6
EN19	Core	Emissions of ozone-depleting substances by weight	○	
EN20	Core	NO, SO and other significant air emissions by type and weight	○	Section 6
EN21	Core	Total water discharge by quality and destination	●	Section 6
EN22	Core	Total weight of waste by type and disposal method	●	Section 6
EN23	Core	Total number and volume of significant spills	○	

GRI indicator	Description		Level of coverage	Page
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	●	Section 6
Products and services				
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	Section 5
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	○	
SOCIAL PERFORMANCE INDICATORS				
LABOUR PRACTICES				
	Core	Management and verification policies and systems	●	Section 7
Employment				
LA1	Core	Total workforce by employment type, employment contract and region	●	Section 7
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	○	Section 7
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	○	
Occupational health and safety				
LA6	Add.	Percentage of total workforce represented in formal joint management-workers health and safety committee that monitor and advise on occupational health and safety programmes	○	Section 7

GRI indicator	Description		Level of coverage	Page
LA7	Core	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	○	Section 7
LA8	Core	Education, training, consulting, prevention, and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	●	Section 7
LA9	Add.	Health and safety topics covered in formal agreements with trade unions	●	Section 7
Training and education				
LA10	Core	Average hours of training per year per employee by employee category	●	Section 7
LA11	Add.	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	Section 7
LA12	Add.	Percentage of employees receiving regular performance and career development reviews	●	Section 7
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	●	Sections 2, 7, RCG07
LA14	Core	Ratio of basic salary of men to women by employee category	○	
HUMAN RIGHTS				
	Core	Management and verification policies and systems	○	Sections 3, 7, CE
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	●	Section 8

GRI indicator	Description		Level of coverage	Page
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	○	
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	○	
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	Not applicable (Piaggio does not resort to child labour)	
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	Not applicable (Piaggio does not resort to forced or compulsory labour)	
COMPANY				
	Core	Management and verification policies and systems	○	Section 8, CE
Society				
S01	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	●	Sections 6, 8
Corruption				
S02	Core	Percentage and total number of business units analysed for risks related to corruption	○	
S03	Core	Percentage of employees trained in the organisation's anti-corruption policies and procedures	○	
S04	Core	Actions taken in response to incidents of corruption	○	

GRI indicator	Description	Level of coverage	Page
Public policy			
S05	<i>Core</i> Public policy positions and participation in public policy development and lobbying	●	Section 8
Compliance			
S08	<i>Core</i> Monetary value of significant fines and total number of non-monetary sanctions	○	
PRODUCT RESPONSIBILITY			
	<i>Core</i> Management and verification policies and systems	●	Section 5, CE
Customer health and safety			
PR1	<i>Core</i> 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	●	Section 5
Product and service labelling			
PR3	<i>Core</i> Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	○	
PR5	<i>Add.</i> Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	○	Section 8
Marketing communications			
PR6	<i>Core</i> Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	○	
Customer privacy			
Compliance			
PR9	<i>Core</i> Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	○	

GRI indicator	Description	Level of coverage	Page
SECTOR INDICATORS: AUTOMOTIVE			
Product and Fleet Characteristics			
A4	<i>Add</i> Total number of vehicles sold by type, fuel and geographical segment	●	Section 4
Fuel efficiency			
A6	<i>Add</i> Fuel consumption by vehicle type	○	Section 5
External impacts			
A7	<i>Add</i> CO ₂ emissions by vehicle type and geographical segment, if applicable	○	Section 5
Material content			
A10	<i>Add</i> Weight of vehicles and distribution percentage of general, recyclable and renewable material of a best-selling vehicle	●	Section 5

PIAGGIO GROUP

SHARE CAPITAL 205,941,272.16 EUROS FULLY PAID UP
REGISTERED OFFICE: VIALE R. PIAGGIO 25, PONTEDERA (PISA)
PISA REGISTER OF COMPANIES AND TAX CODE 04773200011
PISA ECONOMIC AND ADMINISTRATIVE INDEX NO. 134077

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56025 PONTEDERA (PI)

**THE SUSTAINABILITY REPORT HAS BEEN DRAWN UP AND PREPARED
WITH THE
FUNDAMENTAL CONTRIBUTION OF ALL COLLEAGUES, WHO HELPED
IN
COLLECTING DATA AND INFORMATION MADE KNOWN TO ALL
READERS
OF THE REPORT.**

REVIEW REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

To the Board of Directors of
Piaggio&C. S.p.A.

- 1 We have reviewed the Corporate Social Responsibility Report of the Piaggio Group (the "Group") as of December 31, 2008, prepared, as stated in the "Methodological note" paragraph, in compliance with the "Sustainability Reporting Guidelines" established by GRI - Global Reporting Initiative in 2006. This Corporate Social Responsibility Report prepared in accordance with the above-mentioned guidelines is the responsibility of the directors. Our responsibility is to express a conclusion on the Corporate Social Responsibility Report based on our review.
- 2 We conducted our work in accordance with the criteria for review engagements established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board ("IAASB"), carrying out the following procedures:
 - verifying that the financial data and information included in the "Facts and figures" paragraph of the Corporate Social Responsibility Report correspond to those included in the Group's Consolidated Financial Statements as of December, 31 2008 on which Deloitte & Touche S.p.A. issued the auditor's report pursuant to article 156 of Legislative Decree no. 58 of February 24, 1998 on March 5, 2009;
 - 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, and on the process and internal control procedures that support the gathering, aggregation, processing and transmittal of data and information to the office responsible for the preparation the Corporate Social Responsibility Report;
 - analysis of documentation, on a test basis, supporting the preparation of the Corporate Social Responsibility Report in order to obtain a confirmation on the effectiveness of the processes in place and on their adequacy in connection with the described objectives, and that the internal control system correctly manages data and information;

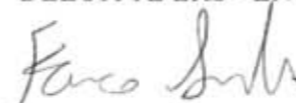
- analysing the completeness of the qualitative information included in the Corporate Social Responsibility Report and its consistency throughout;
- analysing the stakeholders' involvement process, in terms of methods used and completeness of persons involved, and analysis of the minutes of the meetings or of any other available information, with regard to the salient features identified;
- 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 indicated at paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards.

- 3 The Corporate Social Responsibility Report is in its first year of publication. Data and information relating to the previous period, presented for comparative purposes as required by the guidelines referred to at paragraph 1, have not been reviewed by an external auditor.
- 4 Based on our review, nothing has come to our attention that causes us to believe that the Piaggio Group's Corporate Social Responsibility Report as of December 31, 2008 is not in compliance with the guidelines referred to in the paragraph "Methodological note" of the Corporate Social Responsibility Report.
- 5 We draw to your attention the following matters with reference to the Corporate Social Responsibility Report as of December 31, 2008, suggesting an improvement in the next editions:
 - an extension of the dialogue with the stakeholders and a more relevant involvement of them in the preparation of the Corporate Social Responsibility Report;
 - the definition of punctual objectives of improvement to be achieved year on year;
 - a progressive extension of the reporting scope of certain socio-environmental indicators of the Group's companies, with special reference to the Asia-Pacific area.

Milan, November 23, 2009

DELOITTE ERS - ENTERPRISE RISK SERVICES S.r.l. a socio unico



Franco Amelio
Partner

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

