



Corporate Social Responsibility Report 2012

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Letter from the Chairman



I firmly believe that economic development, and even more so a recovery from the crisis still affecting vast areas of the world's economy, must look to manufacturing companies as one of the top strong points, as a real engine for growth and consolidation.

Like the reports before it, this fifth Corporate Social Responsibility Report represents an increasingly current voyage through the values of an industrial Group now present in the furthest corners of the world: values such as the people we work with and every culture where we interact, technological innovation and environmental sustainability, customer satisfaction and the partnership relationship with our sales networks, remuneration to shareholders who invest

in the Piaggio Group and transparency and openness in financial disclosures.

All of this represents our heritage, driven every day by the people who work at our sites in Europe, India or Vietnam; and the men and women who, in all the markets where we work, contribute to the commercial success of our products through their relations with our distribution networks and customers. This heritage is evaluated daily by a growing number of diversified and informed stakeholders, who ask the Piaggio Group for transparent conduct in line with its reputation, the values and style of the conduct of a large manufacturing company with its roots in Italy and a strong global approach.

For our work we possess an industrial strategy not based on relocation, but on important investments in terms of human and financial resources, aimed at growing in the most promising areas of the world. The relationship with the areas where our products are created is further strengthened by a solid relationship with Universities, Research Centres and Local Governments, to promote development which benefits the entire community.

Our strategy to respect work, the environment and the communities which host the Group's sites was first applied in Italy, where the management of economic and social impacts resulting from the European market crisis has always been inspired by a sense of responsibility and the desire to achieve maximum possible sharing of the actions to undertake with trade unions.

Piaggio Group's challenge is to bring the best of style, technological innovation and products in the two-, three- and four-wheeler world to the entire planet, meeting the expectations and mobility needs of consumers who are very different from each other in terms of income, transportation needs and environmental sensitivity. It is a challenge that has led us to compete on a global scale which today make the Group's operations larger and solidier, thanks to the industrial and commercial presence in markets with a very high growth rate. By doing this we have created new jobs at the same time, and brought our technological and industrial know-how to countries which are now on the road to increasing affluence.

But there is no success for an enterprise or future for any company, which is not based on people like those who work for us, and who contribute on a daily basis - with their skills, their pride and their resourcefulness - to the success of our products and our brands, and for this reason they are the fundamental heritage of our Group.

Chairman and Chief Executive Officer
Roberto Colaninno

Methodological note

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

The Corporate Social Responsibility Report is prepared annually on a voluntary basis, in compliance with the “Sustainability Reporting Guidelines” (GRI-G3.1) published in 2011 by the GRI - Global Reporting Initiative. The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Information was provided and the final document was prepared involving all functions and companies of the Group, coordinated at a central level by the Group’s Consolidated Financial Statements function, under the supervision of the Business Ethics Committee.

The information and figures contained in this Corporate Social Responsibility Report 2012 refer to the subsidiaries (Italian and foreign) as of 31 December 2012 and their activities developed during 2012, unless otherwise indicated.

The figures for 2010 and 2011, taken from previous editions, are shown only for comparison. The figures in this Corporate Social Responsibility Report refer, when possible, to a three-year period, in order to allow for an evaluation of performance over time.

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

The report duly indicates when aggregate data derive from estimates. In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of Euro; Please be noted that changes and incidence in percent were calculated based on data expressed in thousands and not on the rounded figures expressed in millions.

In order to improve the effectiveness of the reporting period and guarantee the reliability of the information contained herein for all stakeholders, PricewaterhouseCoopers has been engaged to audit the information and issued a “Report on the limited audit of the Corporate Social Responsibility Report” based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 153).

To publish this Report, Piaggio developed a process based on a system of indicators in order to reach a B+ level in compliance with the GRI standard, certified by the Global Reporting Initiative body, which issued a “GRI Application Level Check Statement”.

GROUP PROFILE

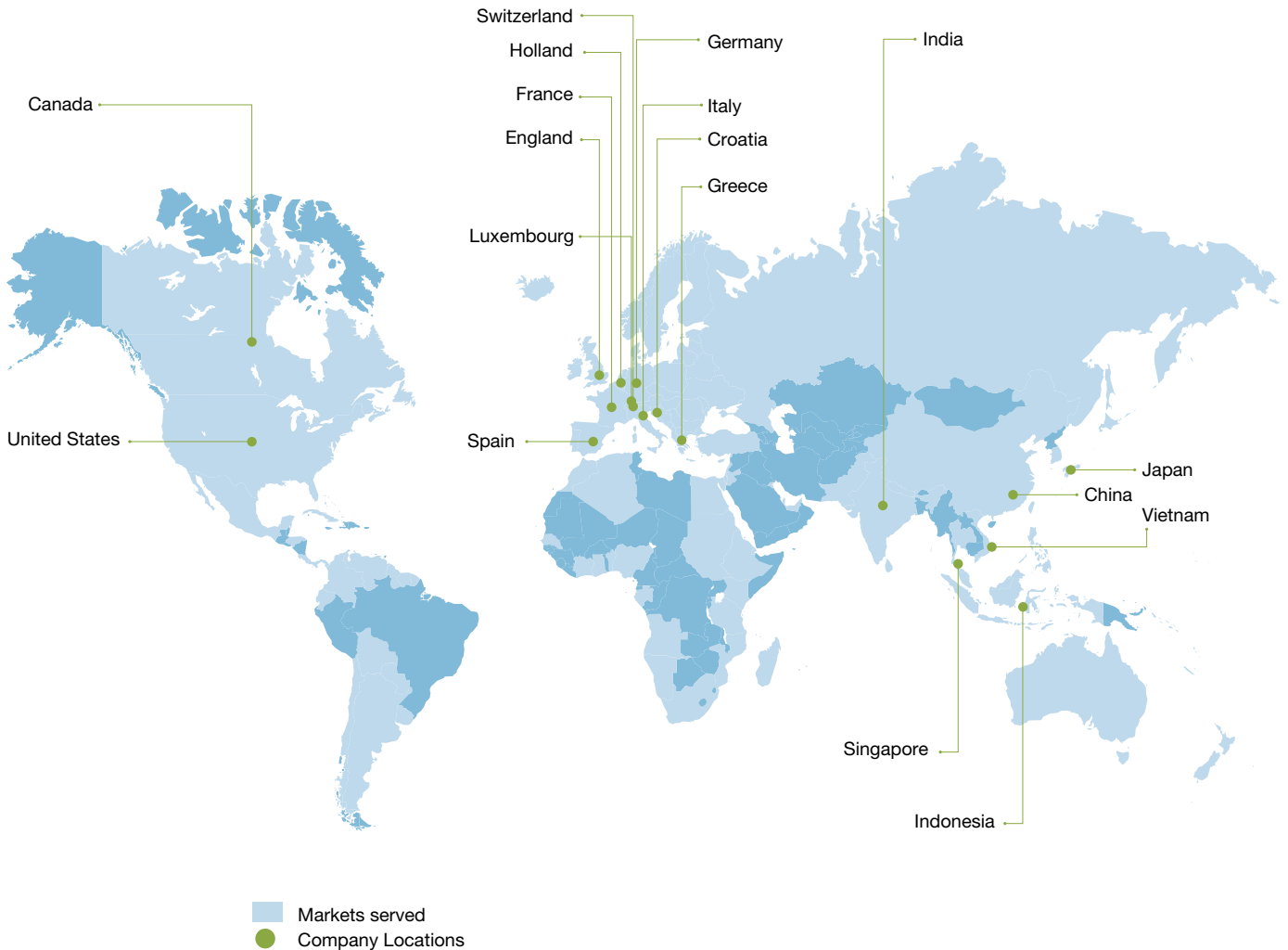
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Group profile

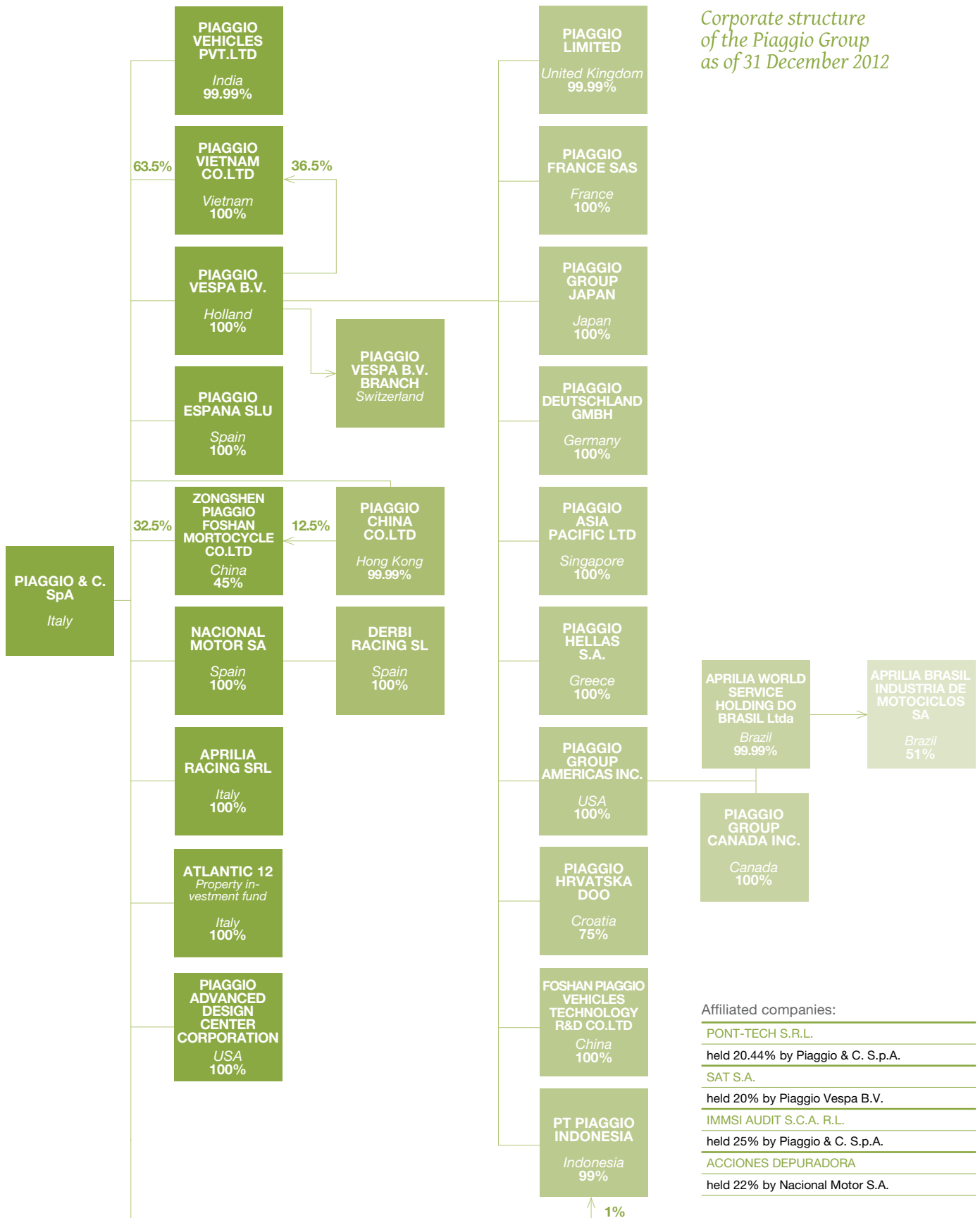
Established in 1884 and based in Pontedera (Pisa), Piaggio & C. S.p.A. is today a global player, Europe's leading manufacturer of powered two-wheelers, and an international force in the commercial vehicle sector.

The Piaggio Group was controlled at approximately 53.08 percent by the Immsi Group as of 31 December 2012, and has been traded on the Milan Stock Exchange since 11 July 2006.

As of the 2012 reporting date, the Group had 8,129 employees, possessed 6 research and development centres in Italy, India, Vietnam and China and operates through the sites in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).



Corporate structure
 of the Piaggio Group
 as of 31 December 2012



Affiliated companies:

- _____ PONT-TECH S.R.L.
- _____ held 20.44% by Piaggio & C. S.p.A.
- _____ SAT S.A.
- _____ held 20% by Piaggio Vespa B.V.
- _____ IMMSI AUDIT S.C.A. R.L.
- _____ held 25% by Piaggio & C. S.p.A.
- _____ ACCIONES DEPURADORA
- _____ held 22% by Nacional Motor S.A.

Brand

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



Ape

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



Aprilia

With a product range spanning 50cc scooters to top-performing 1,200cc motorcycles, Aprilia is the only European "full liner" brand in the powered two-wheeler segment. Over the past five years the brand has expanded its product range significantly to feature today a completely new range of vehicles and engines boasting the most advanced technology. The symbol of the new range of 2 and 4 V cylinder engines completely designed at Aprilia is the RSV4 engine which, along with Max Biaggi, made it possible to win the Manufacturer's and Rider's titles of the Superbike World Championship for the second time in 2012.

Historically tied to extraordinary performance and victories in racing, Aprilia boasts 51 world titles won in less than twenty years and in speed and off-road disciplines, and 294 victories in World Championship Grand Prix, a discipline which were the keys to success for today's greatest riders: Rossi, Biaggi, Stoner and Lorenzo. Such a wide-ranging focus on racing has led to the development of unparalleled know-how and the transfer of the best technological solutions to our production motorcycles.



Derbi

For more than eighty years Derbi has represented the first approach to the world of motorcycles for young people. The Derbi brand includes 50cc - 300cc scooters and motorcycles with small and medium engine capacity, particularly 50 and 125cc, and is a European leader thanks to technologically advanced vehicles and components and a sleek design.

With twenty-one world road racing titles to its name, Derbi is very well known in Europe and stands for excellent technical performance and superb delivery in the small and medium engine capacity sector. An established leader of the 50cc and 125cc manual transmission motorcycle segment, Derbi boasts a full range of bikes designed for city, road and off-road riding and racing.



Gilera

Gilera was established in 1909 and became a part of the Piaggio Group in 1969. The brand is extremely well known in the motorcycling world, with fourteen world road racing titles to its name. The brand features premium vehicles in terms of design, performance and technology, distinguished by their thrilling, top-performing, Italian style.

Gilera is focused on a young, sports-oriented target clientele looking for a vehicle with superior performance and a dynamic, distinctive design that caters for their mobility needs, with advanced technological solutions that offer a highly rewarding riding experience.



Moto Guzzi

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Founded in 1921, Moto Guzzi is part of Italy and the world's motorcycle history. The company's business has continued uninterrupted for more than 90 years, starting from the legendary Mandello del Lario site where the "Marchio dell'Aquila" originated in 1921.

Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and premiere sporting events. The current Moto Guzzi range features 750cc to 1,400cc touring, road enduro, custom and naked bikes, all with 90° V twin cylinder engines and final cardan drive.



Piaggio

The Piaggio brand markets the widest range of scooters in Europe under a single brand name, covering practically every type of model. Piaggio today features a full range of original, creative and smart city bikes, and has consolidated over the years a remarkable reputation for vehicles that are reliable, safe, extremely stylish and great performers.

The Piaggio brand's key values -include in particular its capacity for technological innovation, leading it to introduce the world's first three-wheeler scooter on the market, the - MP3, as well as hybrid engines. A leader in the lightweight two-wheeler segment in Europe and the United States, enjoying a strong market position and brand notoriety, Piaggio today is a fundamental lever driving the Group as a global player focused on conquering new markets in Asia.



Scarabeo

Scarabeo is one of the Piaggio Group premium brands, standing for elegance and uniqueness. A vehicle with timeless style, it can never be accused of being common and exudes a neo-vintage allure: in short, it is absolutely perfect to stand out in the crowded world of modern scooters. Since 1993 the Scarabeo brand has identified a range of high-wheel 50cc-500cc scooters with a unique, exclusive style that has made the Italian brand a symbol of trendy metropolitan mobility.



Vespa

Vespa is the expression of a uniquely distinctive lifestyle, and has today become one of the most famous and celebrated brands worldwide. The enduring success of the scooter is tied to its extraordinary historic, symbolic and iconographic heritage. Ever since the launch of the first model in 1946, the Vespa has satisfied the aspirations of customers seeking a "cult" product, a symbol of design, creativity and Italian technology, the star of movies and advertising campaigns all over the planet.

The brand's strength lies in its technical nature. The Vespa is a two-wheeler which is reliable and easy to use, and extremely sturdy thanks to its steel body making it unique in the segment. Vespa enjoys an unparalleled level of success worldwide and a consistent brand image in all the markets it operates in. In Europe and America as much as in Asia, Vespa is a byword for an exclusive, elegant, "Made in Italy" scooter.



Commercial Vehicles

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

Piaggio Commercial Vehicles today boasts an extraordinary range of petrol and turbo-diesel engines, with the latter developed and manufactured entirely within the Piaggio Group.

The main stages in the history of the Piaggio Group

1884	Piaggio & C. is established by Rinaldo Piaggio in Sestri Ponente to produce fittings for ships.
1938	Rinaldo Piaggio dies. The Company's management is passed on to his sons Armando and Enrico.
1946	The Vespa is created from the genius of Corradino d'Ascanio and an idea of Enrico Piaggio to get Italy on the move with a simple, cheap vehicle designed for everyone to use.
1948	The APE is created, Piaggio's first three-wheeler light transport vehicle.
1967	The Ciao is unveiled.
1992	Piaggio's first four-wheeler commercial vehicle, the Porter, is created.
1994	Piaggio's first maxi scooter, the Hexagon, is launched.
1995	The new Electric Porter is unveiled.
1996	The new Vespa is unveiled.
1999	The new production site in Baramati, India is opened.
2001	Derbi Nacional Motor, a well-established Spanish motorcycle manufacturer and leader in the small-engine sector, is acquired.
2003	Immsi Spa, an industrial holding and real estate Company listed on the Milan Stock Exchange and controlled by entrepreneur Roberto Colaninno, acquires control of the Piaggio Group. Roberto Colaninno is appointed Group Chairman.
2004	The final contract to acquire the Aprilia - Moto Guzzi Group is signed and the Group becomes the undisputed leader in the two-wheeler market.
2006	Piaggio & C. is listed on the Milan Stock Exchange. The first three-wheeler scooter, the Piaggio MP3, is unveiled.
2009	The new production site in Vinh Phuc, Vietnam, is opened and sales begin of the Vespa LX, manufactured at the site. The Piaggio MP3 Hybrid is unveiled.
2010	The new engine production site in Baramati, India is opened. Presentation of the Piaggio Concept NT3 2011.
2011	Start of production of the Liberty scooter in Vietnam. The Vespa 46 concept is unveiled.
2012	The new engine production site in Vinh Phuc, Vietnam is opened. The new Moto Guzzi California 1400 is unveiled. The Vespa 946 is unveiled.



Piaggio - facts and figures¹

¹ Figures are stated
as of 31 December 2012

1,406 million EUR Consolidated revenue

615.5 thousand units Vehicles sold

559.4 thousand units Vehicles Produced

176.2 million EUR EBITDA

42.1 million EUR Net profit

391.8 million EUR Net debt

8,129 Employees as of year end

147.8 million EUR Investments

59.6 million EUR Research & Development

Main events and recognitions in 2012

New Vietnam site

March 2012 - The new Vietnam engine site was inaugurated where engines will be manufactured for the Piaggio Vietnam subsidiary.

Bike of the year

March 2012 - VESPA GTS 300 SUPER was elected “**Bike of the Year 2012**” for the second year in a row in the scooter category by readers of German “Motorrad” specialised magazine at the end of a poll involving more than 39,000 readers. The Aprilia twin-engine maxi scooter SRV 850 came in third place in the same poll.

May 2012 - Aprilia RSV4 APRC was awarded the “The best superbike of the year 2012” title by two specialised French magazines “Moto Revue” and “Moto et Motards”.

Product excellence

May 2012 - Piaggio Commercial Vehicles received an award for product excellence at the 20th National Congress of the Renters Association.

September 2012 - Piaggio Vehicles Private Limited obtained certification of compliance with the ISO/TS 16949:2009 standard for suppliers’ quality system of the engine production site.

Superbike world championship 2012

October 2012 - Max Biaggi riding an Aprilia RSV4 Factory won the rider’s worldwide title and Team Aprilia the manufacturer’s championship.

October 2012 – SAP awarded Piaggio CCoE (Customer Center of Expertise) certification following an audit performed on IT systems based on control criteria, defined at a worldwide level, which mainly regarded the integration, standardisation and optimisation of the life cycle of implemented applications and support infrastructures. This recognition underlines the quality of provided services, technical competence and resources and operating efficiency. In addition, it strengthens the partnership with SAP allowing Piaggio to have a greater influence on the development of SAP products through continuous involvement during the product development phase and participation on SAP’s Advisory Board.

November 2012 – Piaggio was awarded the silver medal in the “CCoE of the Year” contest for 2012 in the Information Management category out of 2000 certified SAP customers from around the world.

KWD Webranking 2012 Italy Top 100

December 2012 – In the annual study performed by KWD Webranking in collaboration with Lunquist, which evaluates Corporate communication on the web of the top 100 Italian companies in terms of capitalisation, Piaggio ranked 8th overall.

Best Practices for Occupational Health and Safety

Dicembre 2012 – The Prefecture of Pisa awarded Piaggio the 1st Prize “*Best Practices for Occupational Health and Safety*”.

Best Practices for Occupational Health and Safety

Once again this year the Prefecture of Pisa conducted the “Best Practices for Occupational Health and Safety” contest aimed at companies which contribute to ensuring the safety of their employees during work activities, in a significant and innovative manner with initiatives and methods that go beyond just complying with the law, based on a culture of prevention now so deep-rooted on a corporate level to act as an essential company instrument. According to article 2 of the Italian Safety Act, “best practices” means “organisational or procedural solutions in line with current laws and standards of good practice, voluntarily adopted and aimed at promoting occupational health and safety through the reduction of risks and improvement of working conditions”.

The 2012 award recognised five companies: Piaggio & C. S.p.A. was awarded 1st prize for the second year in a row. The reasons given for this award: “For the innovation contributed by the introduced best practices, making it possible to reduce at the source the risk of biomechanical overloading of the upper limbs and consequent improvement of working conditions for employees”. Piaggio was also awarded the 1st “Best Practices” Prize in 2011 for implementation of an innovative microclimate monitoring system in work places. Piaggio submitted a concrete example of “best practices”, presenting a specific technical method called ERGONOMIC ANALYSIS developed with the aim of making the ergonomic design of individual work places objective (*both structurally in terms of lay-out, and organisationally in terms of balancing the individual operations based on the contents of the work to be performed by employees*), including close connection with national benchmark technical standards.

The new work tool

The method involves managing a large quantity of data from Times&Methods analysis technological activity, both from ergonomic assessments achieved with application of the OCRA analysis (i.e. identification of risk levels of biomechanical overloading of the upper limbs) developed by implementing a macro project which in the June 2011-June 2012 period involved around 1,600 work tasks. The innovation of this Ergonomic Analysis technical method is not just the application of the OCRA analysis, which is well-known and commonly used, but rather the joint application, starting in the design phase, of a Times & Methods analysis and the OCRA analysis, thus making it possible to eliminate risk at the source, before actually creating a workplace.

Effective results

This tool, in terms of the ergonomic aspect of workplaces, can thus be used to manage the risk from biomechanical overloading of the upper limbs, to minimise the impact of repetitive stress, for example when the architecture of an assembly line needs to be changed. The operating phase is being consolidating within the technical functions assigned with identifying the best lay-out for work places, including from an ergonomic standpoint.

Piaggio Group Certifications

The Piaggio Group possesses excellent environmental, quality and occupational management systems at all its production sites.

		Production sites					
		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati - Engine plant	Vinh Phuc
Certifications	UNI EN ISO 9001:2008 Quality management systems	since 1995	since 2006	since 2010	since 2010	since 2010	since 2009
	UNI EN ISO 14001:2004 Environmental management systems	since 2008	since 2008	since 2010			since 2011
	BS OHSAS 18001:2007 Occupational health and safety management systems	since 2007	since 2007	since 2010			
	ISO/TS 16946:2009 Supplier quality systems					since 2012	

1_DNV = Det Norske Veritas is one of the world's leading certification bodies, with the parent company based in Norway; since 1864 it has been operating to "safeguard life, property and the environment". It is active in 100 nations, and has 300 offices and 7,000 employees.

On 17 September 2012, the supply quality system at the Piaggio Vehicles Private Limited engine production site was awarded ISO/TS 16949:2009 for its supplier quality system.

Audits were carried out from 23 October to 29 November 2012 by the Det Norske Veritas (DNV)¹ Certification Body to confirm the validity of three certificates the Company possesses for **Quality**, the **Environment** and **Health and Safety**. These certificates rank Piaggio as one of just a few Italian manufacturers with all three certifications. The audits, which included eight DNV auditors, demonstrated the Company's commitment to its Quality, Health and Safety and Environmental policies desired by Top Management and are proof of reliability of Management Systems which are applied with the contribution of all functions and the individuals who work in them.



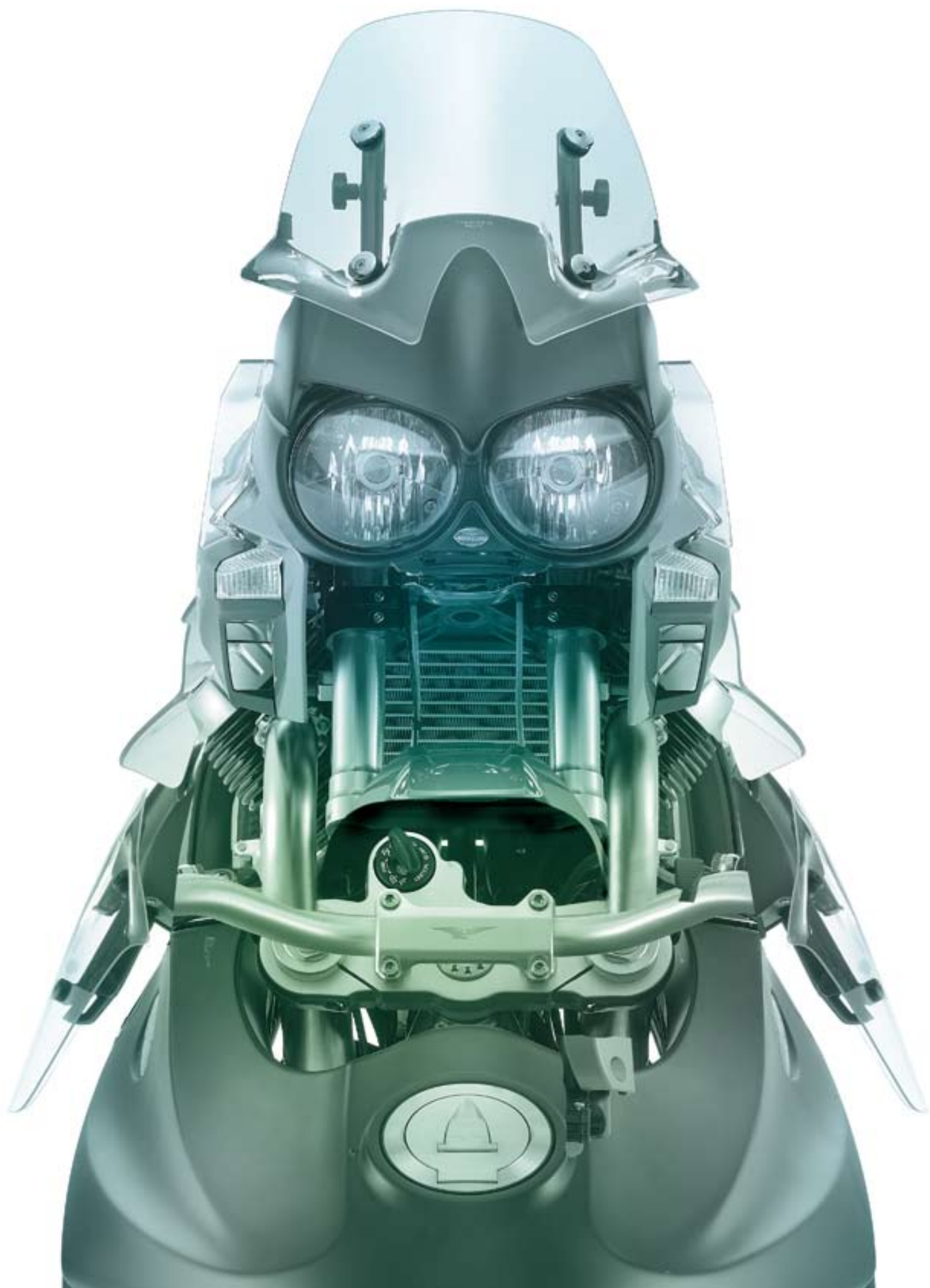
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CHOCOLAT



PIAGGIO A SUSTAINABLE GROUP

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Piaggio. A sustainable group

Piaggio is a group distinguished today by a strong international presence, but which has also been capable of preserving its Italian identity and values and a business model targeting innovation and a strong link with the places where it operates.

In its process of internationalisation, Piaggio has not only exported investments, technologies and know-how, but its way of doing business as well, which singles out social responsibility in particular. A culture of safety, respect for people and the protection of natural resources are all a common heritage within the Piaggio Group.

The Group's conduct is guided by the principles and values set forth by the Group's Code of Ethics, which all Group personnel is required to observe as well as all those who interact with the Company throughout the world.

The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.

In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.

In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social well-being.

Safeguarding the environment while carrying out all Company operations is essential for humankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive. In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.

People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met.

In order to achieve the objective of sustainable development, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. The success of a company is also closely linked to customer confidence and satisfaction: Customers must be listened to, informed and respected, establishing relations based on transparency and trust.

Piaggio's Corporate Social Responsibility Model

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

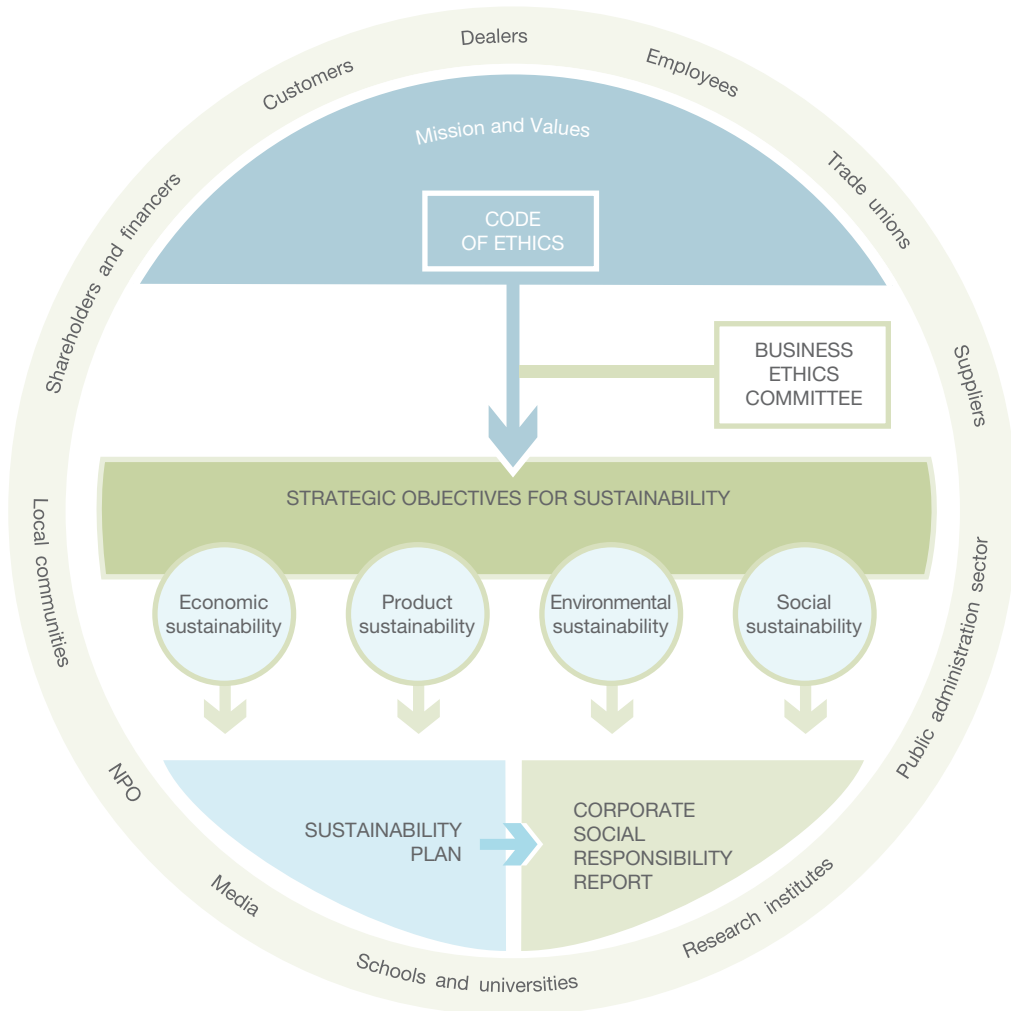
The mission and values form the basis for strategic objectives for sustainability, based on contexts that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. With these and the strategic objectives it has defined, the Group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

This plan is reported on in the Corporate Social Responsibility Report with the utmost transparency and with

a view to continually improving economic, environmental, social and product performance.

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

Piaggio's Corporate Social
Responsibility Model



Mission

The mission of the Piaggio Group is to generate value for its shareholders, clients and employees by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.

To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective wellbeing of the community.

To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European Company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

Value for customers

Managing and developing a fast, flexible organisation, in which all processes, persons and external partners (suppliers and dealers) are focused on the generation of value perceivable by the client.

Value for shareholders

Achieving objectives for returns on capital employed to meet the expectations of shareholders and ensure ongoing growth.

Value of people

Nurturing the capabilities and talents of each individual, attracting and retaining the highest value resources.

Value of brands

Investing in brand strength as leverage for developing market share and building a unique and distinctive market positioning.

Customer-focussed innovation

Developing innovative products that stand out for their unique style, quality, safety, energy efficiency and low environmental impact.

Internationalisation

Becoming a truly multinational business in terms of organisation, culture, global market presence and respect for local culture in each of the countries in which the group operates, and in exemplary the way its international human resources are handled.

Code of Ethics

Piaggio & C. has adopted a Code of Ethics since 2004. The Code is available on its web site (www.piaggiogroup.com/Governance). The Code of Ethics was updated in 2012 following a review of the Organisational Model pursuant to Italian Legislative Decree 231/2001, in order to tailor it more closely to the social and ethical values that the Piaggio Group is based on and that inspire its work. The Code of Ethics, which has been disseminated extensively and is in force in all of the Group's companies, defines the principles and values which the entire company organisation takes inspiration from in a clear and transparent manner:

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

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

The articles of the Code of Ethics also set forth an important principle on how to manage relations with policy makers: "The Company does not make contributions or offer advantages and/or benefits to political parties and trade unions or to their representatives or candidates without prejudice to compliance with applicable law."

Business Ethics Committee

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

This committee develops rules and regulations for organisational conduct in line with international best practices on corporate social responsibility.

In coordinating the entire corporate responsibility process, the committee:

- › monitors instruments, conduct, and relations between management and Company personnel and all stakeholders;
- › optimises relations with local communities and stakeholders;
- › measures ethical standards, which are an integral part of the good governance of a Company;
- › implements the provisions in the Code of Ethics, including the activity concerning the receipt and management of reports of frauds that may involve employees, managers, and partners of Piaggio & C. and of Group companies;
- › produces the CSR Report and manages all activities needed for the planning, implementation, monitoring and reporting of the Group's sustainability initiatives.

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

Strategic objectives

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

Transparency and economic value	<ul style="list-style-type: none"> › Creating value while respecting business ethics › Timely, correct, in-depth information to stakeholders
Product innovation and sustainable mobility	<ul style="list-style-type: none"> › Technological investments to meet the need for sustainable mobility › Innovation to develop products that are environmentally friendly, safe and cost-effective
Environmental sustainability	<ul style="list-style-type: none"> › Reducing energy consumption › Reducing emissions of CO₂ and other pollutants › Conserving natural resources › Waste handling and recovering
Development of human resources and relations with stakeholders	<ul style="list-style-type: none"> › Developing, training and promoting human resources so that everyone's expectations and aspirations are met › Listening to and assisting customers, to establish relations based on transparency and trust › Developing Company Advocacy in co-partnership with the Dealers network › Working together with suppliers, through jointly developed projects › Engaging and supporting local communities through social, cultural and educational initiatives

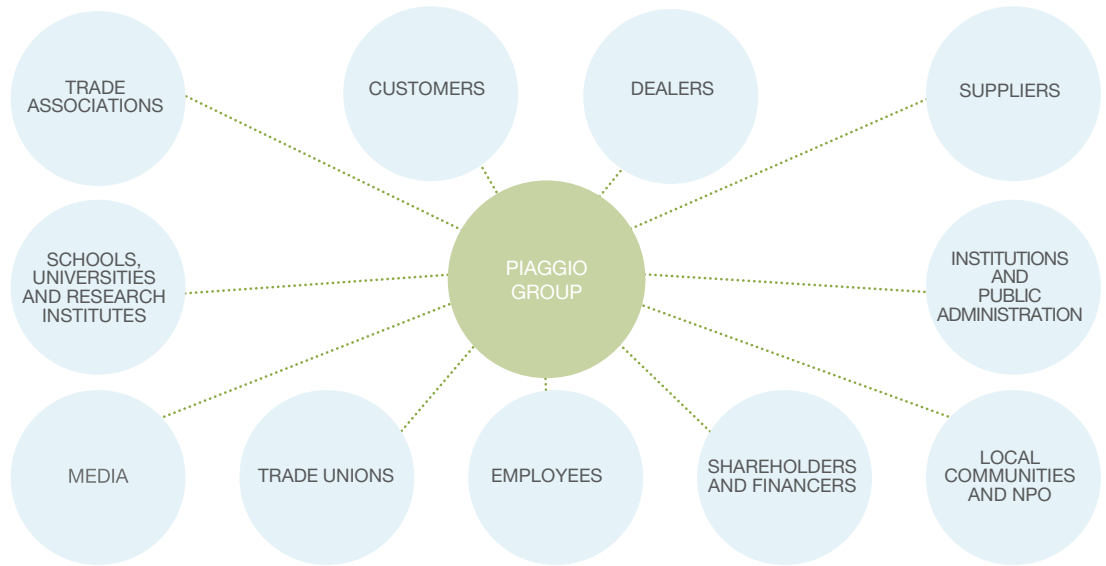
Stakeholder involvement

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

Based on this definition, the Business Ethics Committee has identified a number of categories of stakeholders in relation to Group operations and namely: customers, employees, shareholders and lenders, dealers, suppliers, trade unions, institutions and public administrations, local communities

and non-governmental organisations, schools, universities and research institutes, the media, industry organisations and trade associations.

Map of Piaggio Group stakeholders



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

The Piaggio Group's corporate website, www.piaggiogroup.com, plays a key role in communication between the company and stakeholders. This website was redesigned during 2010 to meet international best practices in institutional and financial communication, and provide transparent, timely information on the Group's corporate activities.

For three years it has ranked in the top ten of the prestigious "KWD Webranking Italy" classification, an annual survey of the best corporate websites of companies listed on the Italian Stock Exchange

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

The functions and tools used are shown below.

Stakeholder	Company function	Means of interaction
Shareholders/Lenders	› Investor Relator	› Conference calls/road shows/Piaggio Analyst and Investor Meetings
Employees	› Personnel and Organisation Management › Public Relations and Institutional Affairs	› Company Intranet › Piaggio InfoPoint › Piaggio Net International › Web Mail › Evaluation Management System › Wide - Piaggio Magazine
Trade unions	› Personnel and Organisation Management	› Meetings › Involvement in committees › Defining agreements
Dealers	› Sales Division/After-sales Business Unit › › Public Relations and Institutional Affairs	› Dealer Website › Dealer Support Services/Help desk › Wide - Piaggio Magazine
Customers	› Customer and dealer satisfaction system/Sales Division › Sales Division	› Contact center › Customer experience surveys (engagement panel) › Dealership relations development programmes to establish or consolidate advocacy and loyalty towards the Group's brands
Suppliers	› Purchasing Department	› Daily relations › Suppliers portal
Media	› Public Relations and Institutional Affairs	› Press releases › Events and Company communication initiatives › Press product launches › Product test rides › Wide – Piaggio Magazine
Schools/ Universities / Research Institutes	› Engineering and Product Development Department › Foundation	› Cooperation in research projects › Training › Work placements › Meetings, presentations
Institutions and Public Administration	› Engineering and Product Development Department › Public Relations and Institutional Affairs	› Cooperation in research projects › Information and comparison activities
Trade associations	› Public Relations and Institutional Affairs › Foundation	› Meetings, presentations
Local communities NPO	› Public Relations and Institutional Affairs / Technologies Department › Foundation › Vespa World Club › MotoGuzzi World Club	› Meetings › Exhibitions / events › Rallies

Report contents

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

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

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

Transparency and economic value	<ul style="list-style-type: none"> › Governance and compliance › Economic profitability
Product innovation and sustainable mobility	<ul style="list-style-type: none"> › Sustainable mobility › Environmentally friendly innovation › Vehicle consumption and CO₂ emissions › Product safety and reliability › Low running costs › Life cycle management
Environmental sustainability	<ul style="list-style-type: none"> › Pollutant emissions and energy consumption of production sites › Conserving natural resources › Waste handling and recovering › Logistics
Development of human resources and relations with stakeholders	<ul style="list-style-type: none"> › Career development and training › Workers' health and safety › Diversity and equal opportunity › Customer and dealer satisfaction › A sustainable supply chain › Education and culture promotion › Relations with local areas and local communities

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

2012 results and future objectives

As part of the entire Group's steadfast commitment to social responsibility, Piaggio has adopted a process of continual improvement based on a CSR plan which aims to provide the utmost transparency for stakeholders and continual improvement. For the purpose of defining the Sustainability Plan, stakeholder expectations and Group strategic objectives as well as international reporting standards, such as GRI and disclosure requirements of ethical investors, were taken into account.

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
Shareholder remuneration	<ul style="list-style-type: none"> › Distribution of dividends. 	<ul style="list-style-type: none"> › Distribution of dividends. 	<ul style="list-style-type: none"> › Distribution of dividends. 	<ul style="list-style-type: none"> › Distribution of dividends and protection of equity for shareholders.
Conducting business operations fairly and transparently	<ul style="list-style-type: none"> › Further enhancement of the corporate website in terms of contents and usability. › Continuing improvement of financial reporting. 	<ul style="list-style-type: none"> › Confirmation of the corporate website in the top ten of the prestigious "KWD Webranking Italy" classification. › Update of the Organisational, Management and Control Model and Code of Ethics. 	<ul style="list-style-type: none"> › Continuing improvement of the corporate web site. 	<ul style="list-style-type: none"> › Swift and timely compliance with laws and regulations. › Continuing improvement of the corporate web site. › Ongoing adaptation of the Code of Ethics to national and international best practices.

Product: Two-wheeler

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
<p>Study, research and development of environmentally sustainable products:</p> <ul style="list-style-type: none"> › reducing fuel consumption and emissions › increasing performance 	› Completion of UL certification to prepare for any commercial demand in the U.S.	› It was not possible to obtain the certification due to lack of specific regulations.	› Completion of UL certification to prepare for any commercial demand in the U.S.	› Installation of hybrid powertrains on new models, including four-wheeler vehicles.
	› Sale of the new "Three-Valve 125/150" engine on European models (Vespa LX followed by Vespa Quarantasei).	› Sale of the new "Three-Valve 125/150" engine on Vespa LX.	› Extension of the "Three-Valve 125/150" engine to European and Overseas models	› Research and development for new devices aimed at further reducing consumption and emissions by decreasing absorption and improving engine use.
	› Extension of the new 350 engine on the new GT X10 and MP3 350.	› Sale of X10 also in 350 version, the version for MP3 has been moved to 2013.	› Sale of the unit on other Group models.	› Extension to other models of the product range.
	› Sale of the new "High Efficiency" engine installed on the Vespa LX India.	› Sale of the new "High Efficiency" engine installed on the Vespa LX India.		› Extension of the new High Efficiency engine to other models for Asian countries.
		› Study, research and testing to improve CVT transmission, decrease organic losses, improve combustion quality, etc..	› Study of technical solutions with a view to industrialise them.	
	› Development of new 1.5 kWh modular lithium batteries.	› Completion of development of new 1.5 kWh modular lithium batteries.	› Improvement of low temperature recharging, bring the limit to -20°C.	› Study of batteries with higher energy densities, longer ranges and greater reliability. › Study of electronic control and power systems entailing lower industrial costs.
	› Distribution of Liberty e-mail to major European Corporations. › Completion of study with filing of new patent.	› Product adopted by Austrian Postal Service and Swiss Postal Service, with excellent satisfaction.	› Widely distributed. › Introduction of autonomy management software.	› Expansion of the range of electric vehicles designed for consumers (Liberty Retail etc.).

Product:
Commercial vehicles

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
<p>Developing environmentally friendly products:</p> <ul style="list-style-type: none"> › low consumption and low CO₂ emissions › good product end life recycling and recovery levels. 	<ul style="list-style-type: none"> › Start of production of ENEL Electric Porter. 	<ul style="list-style-type: none"> › Start of production for a new battery charger which offers reading of the percentage and number of recharges made with the Piaggio diagnostics tool. Vehicle communication activated with Enel charging unit. Creation of a first running prototype. Industrialisation of the SCCU control unit (for dialogue with the charging unit) together with possible future closing of trade agreements. 	<ul style="list-style-type: none"> › Type approval of Petrol and Diesel range Porter according to the Euro 5 'B' standard. › Reduction of natural gas engine emissions to 120 g. › Set up of Euro 6 engines (Petrol and Diesel). 	<ul style="list-style-type: none"> › New Electric Porter. › New City Car for Urban Mobility (NT3).
<p>Meeting demand for professional and commercial short-distance mobility, offering a last-mile transport solution:</p> <ul style="list-style-type: none"> › compact, agile, easy-to-drive vehicles, with good handling in urban environments › vehicles with a high load capacity and specific payload 	<ul style="list-style-type: none"> › Start of production of new Ape City Passenger with new 200cc engine. › Start of production of Apè Truk Plus with BNA engine. 	<ul style="list-style-type: none"> › Start of production of new Ape City Passenger with new 200 cc engine - November 2012. › Start of production of Apè Truk Plus with BNA engine - December 2012. 	<ul style="list-style-type: none"> › New Ape Calessino (Europe) with Euro 2 engine. › New Porter Mini (India) with 510 cc engine. › Weight reduction activity on entire India range. › Development of three-wheeler CKD projects for countries with high socio-economic potential (Cuba – Tunisia). 	<ul style="list-style-type: none"> › New commercial vehicle.
<p>Guaranteeing greater safety levels for commercial vehicles at all times</p>				<ul style="list-style-type: none"> › Introduction of ESP on Porter and Maxxi by the end of 2014.

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
Protecting the environment: >reducing pollutant emissions >conserving natural resources	> Completion, testing and start-up of the new two-wheeler production site in India, based on minimising the consumption of natural resources and harmful emissions and production waste.	> Start-up of the new two-wheeler site in India (April 2012).	> Creation of a water collection and recycling system for water to wash the waste depot site in Pontedera. > Removal of eternit roofs (e.g. Building 25 – Pontedera).	> Evaluation / application of new technologies with a lower environmental impact (for example, changing the painting cycle). > Final separation of the internal sewage system serving the Pontedera production site by building a new sewage system for the industrial painting wastes. > Reduction of eternit roofs (Various sites in Italy).
	> Continuation of environmental decontamination of the subsoil at the Moto Guzzi production site in Mandello del Lario, with particular reference to the demolition and decontamination of the old underground tanks.	> Continuation of environmental decontamination of the subsoil at the Moto Guzzi production site in Mandello del Lario, with particular reference to the demolition of 19 old underground tanks and decontamination of the relative areas.	> Completion of the classification and decontamination activity in the subsoil at the Moto Guzzi site in Mandello del Lario (referred to Building D area, partly demolished).	> Renovation of the Mandello del Lario production site for a more virtuous management of operations.
	> Improvement of the disposal parameters of the sewage by means of the new water treatment system (Vietnam).	> Water treatment plant (Vietnam) running at full speed as of the second half of 2012 with an improvement of water quality.		

Environment

Employees

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
Health and safety	<ul style="list-style-type: none"> › Completion of the projects on workplace ergonomics at all Italian sites. 	<ul style="list-style-type: none"> › Completion of OCRA at all Italian sites. 	<ul style="list-style-type: none"> › Completion of NIOSH at all Italian sites. 	
Personnel development	<ul style="list-style-type: none"> › Consolidation of the Piaggio Way talent program at Group level. 	<ul style="list-style-type: none"> › The program was consolidated, with actual activation of all planned development tools. 	<ul style="list-style-type: none"> › Continuation of the third year of the talent program, with addition of the Group's Young talents. 	<ul style="list-style-type: none"> › Assessment of the development tools proposed, and analysis of outcomes with a view to continuing improvement.
	<ul style="list-style-type: none"> › Assessment and consolidation of the Management Review and Succession Planning process. 	<ul style="list-style-type: none"> › The new Management Review process based on the assessment of white collars, middle management and senior management has been updated for all organisation levels at Group level. 	<ul style="list-style-type: none"> › Consolidation of Management Review and Succession Planning process. 	<ul style="list-style-type: none"> › Improvement of Management Review tools and processes and Succession Planning.
	<ul style="list-style-type: none"> › Review of the critical professional competencies to be developed and included in the relevant model, in accordance with strategic guidelines. 	<ul style="list-style-type: none"> › Recording of professional competences updated to Group level with implementation of development and training plans to improve any detected gaps. 	<ul style="list-style-type: none"> › Review of the critical professional competencies to be developed and included in the relevant model, in accordance with strategic guidelines. 	<ul style="list-style-type: none"> › Assessment and alignment of competences to strategic plan requirements.
	<ul style="list-style-type: none"> › Introduction of a Learning Management System (LMS) for all employees to use. › Outline of the company technical-professional course catalogue. 	<ul style="list-style-type: none"> › Definition of company course catalogue. 	<ul style="list-style-type: none"> › Preliminary analysis for a Learning Management System (LMS) for all employees to use. 	<ul style="list-style-type: none"> › Introduction of the LMS to all the Group.
	<ul style="list-style-type: none"> › Consolidation of SAP HR and Success Factors for managing the employee review process. 	<ul style="list-style-type: none"> › Consolidation of tool integration extended to the entire Group and start-up of new functionality development. 	<ul style="list-style-type: none"> › Consolidation of SAP HR and Success Factors for managing the employee review process. 	<ul style="list-style-type: none"> › Continuing improvement of SAP HR and Success Factors functions in field of development.

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives	Dealers
Improvement and innovation of support tools for managing dealership arrangements	<ul style="list-style-type: none"> › Portal used for interactive communication and engagement of the network in preliminary assessments of some promotional activities (e.g., on-line polls). 	<ul style="list-style-type: none"> › Dealer portal in development phase. 	<ul style="list-style-type: none"> › Dealer portal update. 	<ul style="list-style-type: none"> › Creation of dealer relationship management systems in all key markets. 	
Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives	Customers
Brand Advocacy & Loyalty	<ul style="list-style-type: none"> › Implementation of retention projects on some "critical" customer segments. 	<ul style="list-style-type: none"> › Customer care on MP3 (FR) and Moto Guzzi (ITA-FR-GER). 	<ul style="list-style-type: none"> › Addition of prevention tool used to identify potential critical customer segments and, through their customised management, to "recover them". 	<ul style="list-style-type: none"> › Leadership in service levels. 	
Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives	Suppliers
Developing cooperation with suppliers	<ul style="list-style-type: none"> › Extension of system and new Vendor Rating campaigns in India and Vietnam. › The target is to reach 150 authorised suppliers in India. 80 in Vietnam. › Extension of the qualification system to India and Vietnam. 	<ul style="list-style-type: none"> › Implementation of two Vendor Rating campaigns. In India 26 Suppliers were rated and in Vietnam 83 Suppliers. › India has 147 suppliers who have portal users, while in Vietnam there are 83. › Eight Qualification requests were approved in Vietnam. The system was not used in India. › India obtained certification of compliance with the ISO/TS 16949:2009 standard for suppliers' quality system of the engine production site. 	<ul style="list-style-type: none"> › Creation of new Vendor Rating campaigns in India and Vietnam with a higher number of Suppliers. › No increases are expected for India, while Vietnam should exceed 100 connected suppliers. › Greater development of the Quality System in Vietnam and use of the System in India. › Addition of CSR information to supplier rating including the existence of a code of ethics and CSR report. 	<ul style="list-style-type: none"> › Vietnam - Use of the supplier portal as standard for Direct Materials suppliers. 	

Commitment	2012 Objectives	2012 Results	2013 Objectives	Mid-Term Objectives
Developing relations with the media, in order to have transparent and in-depth information	<ul style="list-style-type: none"> › Managing the relationship with the world of information in Western markets and continuing the implementation of relations with media in new Asian markets.. 	<ul style="list-style-type: none"> › Consolidation of relations with the media in Western markets and strengthening of relations with those in Asian markets. 	<ul style="list-style-type: none"> › Further strengthening of relations with the media in Asian markets. 	<ul style="list-style-type: none"> › Overriding globalisation of communication activities aimed at ensuring that information is transparent and that customers' information needs are satisfied.
	<ul style="list-style-type: none"> › Continuously updating the websites making the surfing experience more appealing thanks to new multimedia contents. Making all the websites completely accessible using the various operating systems for tablets and smartphones 	<ul style="list-style-type: none"> › Expansion of the presence of Group brands on social networks. › Greater usability of web pages on tablets and smart phones. 	<ul style="list-style-type: none"> › Continuously updating the corporate and brand websites making the surfing experience more appealing thanks to new multimedia contents. Making all the websites completely accessible using the various operating systems for tablets and smartphones. 	<ul style="list-style-type: none"> › Stepping up the presence of the Group's brands in a structured way on new media and social networks (in particular Facebook and Twitter). › Total usability of the Group's websites on mobile system platforms (tablets and smartphones). › Strong interaction with the public, customers and potential customers by creating specific mailing lists, sending newsletters, etc.
	<ul style="list-style-type: none"> › Adding the digital version of Wide to the printed version; the contents can always be updated so that it is more up-to-date than the print version, thus serving as a bridge between one issue and another. 		<ul style="list-style-type: none"> › Development of the digital version of Wide magazine, which supersedes the concept of a paper edition in terms of being constantly up-to-date and with enhanced multimedia contents. 	<ul style="list-style-type: none"> › Development of localised versions in terms of contents and available languages.
Developing relations with local communities where the Group operates	<ul style="list-style-type: none"> › Continuing the consolidation of relations with political, social and economic players operating in the various sectors in which the Group is active and especially those in the area of production sites. 	<ul style="list-style-type: none"> › Foundation and Museum: development of relations with the local area; development of relations with Universities and Cultural and Scientific Associations; dissemination of culture, creativity and art; development of teaching material aimed at students. 	<ul style="list-style-type: none"> › Continuing the consolidation of relations with political, social and economic players operating in the various sectors in which the Group is active and especially those in the area of production sites. 	<ul style="list-style-type: none"> › Development of relations with local institutions to raise the competitiveness and attractiveness of the local areas in which the Piaggio Group operates. › Foundation and Museum: completion of cataloguing, conservation and restoration work on historical vehicles which belong to the various Group brands.

2012 SUPERBIKE
MAGNY-COURS





CORPORATE GOVERNANCE

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Corporate Governance

The Corporate Governance system adopted by Piaggio & C. conforms to the principles in the Corporate Governance Code of companies listed on Borsa Italiana SpA and to national and international best practices, guaranteeing the proper and responsible management of the Company, in order to promote confidence among shareholders, customers and partners.

For this purpose, in 2012 Piaggio & C. took all the appropriate measures required by the modifications in the new edition of the Corporate Governance Code for listed companies approved in December 2011. Piaggio & C. also identified and appointed the figures of Risk Manager and Compliance Officer.

LEGEND

List M/m: indicates if the Director was elected from a list voted by a majority (M) or by a minority (m).
Exec.: indicates if the Director can be classified as an executive.
Non-exec.: indicates if the Director can be classified as non-executive.
Indep.: indicates if the Director can be classified as independent in accordance with the criteria established by the Code.
Indep. CLF: indicates if the Director has the requirements of independence established in paragraph 3 of article 148 of the Consolidated Law on Finance (article 144-decies, of CONSOB Regulation on Issuers).
% BoD: indicates (in percentage terms) the attendance of the director at Board meetings.
Other offices: indicates the overall number of appointments in other companies of the Issuer's Group, in listed companies on regulated markets (including foreign), in financial, banking and insurance companies or those of significant dimensions.

The Company boards comprising the Corporate Governance system of Piaggio & C. are the Board of Directors, the Board of Statutory Auditors, the committees within the Board of Directors and the Ordinary General Meeting of Shareholders. Specifically, the Board of Directors is assisted by the Internal Control and risk management Committee, the Remuneration Committee, the Appointment Proposal Committee and the Related Party Transactions Committee. The Board of Directors has also set up a Supervisory Body pursuant to Legislative Decree no. 231/2001 as well as a Business Ethics Committee.

Role of the Board of Directors

The Company is administered by a Board of Directors (also referred to as the "Board"). The articles of association of Piaggio & C. regarding the composition and appointment of the Board require compliance with relevant provisions introduced by Law 262/2005 and Legislative Decree no. 303 of 29 December 2006.

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

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

The Board of Directors of Piaggio & C., in office as of 31 December 2012, comprised eleven members. The professional résumés of board members are filed at the registered office of the Company and are available on the Company's web site www.piaggiogroup.com/Governance.

Names and positions of Piaggio & C. Board members as of 31/12/2012

Name	Position	In office from	List M/m	Exec.	Non-Exec.	Indep	Indip. CLF	% BoD	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	13/04/2012	M	X				100	5
Matteo Colaninno	Deputy Chairman	13/04/2012	M		X			87	3
Michele Colaninno	Director	13/04/2012	M		X			87	11
Vito Varvaro	Director	13/04/2012	M		X	X	X	100	3
Daniele Discepolo	Director	13/04/2012	M		X	X	X	100	11
Mauro Gambaro	Director	13/04/2012	M		X	X	X	100	5
Andrea Paroli	Director	13/04/2012	M		X			100	4
Franco Debenedetti	Director	13/04/2012	M		X	X	X	87	5
Luca Paravicini Crespi	Director	13/04/2012	M		X	X	X	87	8
Riccardo Varaldo	Director	13/04/2012	M		X	X	X	87	1
Livio Corghi	Director	13/04/2012	M		X			87	2

The Board of Directors comprises a majority of independent, non-executive directors who, thus, due to their number and authority are able to have a significant influence on the decisions the Piaggio & C. Board makes.

These directors bring their specific competencies to Board discussions and contribute to decisions being made in the Company's interest. The independence of the independent Directors is always reviewed, as recommended by the Corporate Governance Code, by the Piaggio & C. Board of Directors on an annual basis.

Already at the moment of joining the regulated market, Piaggio & C. appointed a Lead Independent Director who, in cooperation with the Chairman of the Board of Directors, coordinates the contribution of all the independent Directors.

Committees within the Board

The Appointment Proposal Committee, the Remuneration Committee, the Internal Control and risk management Committee, and the Related Party Transactions Committee have been appointed within the Board.

Appointment Proposal Committee

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

Functions of the Appointment Proposal Committee

The Appointment Proposal Committee has the duty of ensuring that the presentation procedure for lists set by the Articles of Association takes place correctly and transparently, in respect of applicable legislation and the Articles of Association. After it has checked the presentation procedure for lists, ensuring specifically that documents filed with the lists are complete and filing deadlines are met, the committee arranges the formalities for presenting the lists to the General Meeting of Shareholders convened for the appointment of the Board of Directors or its members.

The Appointment Proposal Committee also has the duty to give the Board an opinion, if and when necessary, regarding the size and composition thereof or to express recommendations on the professional figures on the Board, as well as to propose candidates for directors in the event of co-optation, where independent Directors need to be replaced.

Remuneration Committee

All Remuneration Committee members are independent non-executive directors.

Functions of the Remuneration Committee

The Remuneration Committee has the duty to: (i) make proposals to the Board of Directors regarding the remuneration of the Chief Executive Officer and other directors who hold special positions, and set performance goals connected with the variable part of such remuneration, monitoring the application of decisions made and actual achievement of the performance goals; and (ii) periodically review the adequacy, overall consistency and concrete application of the remuneration policy for the directors and senior management with strategic responsibilities, including by using information supplied by the Chief Executive Officer.

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

Internal Control and risk management Committee

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

Functions of the Internal Control and risk management Committee

In 2012 the Internal Control and risk management Committee acted as a consultative body and put forward proposals to the Board of Directors; in particular has the following duties:

- I. assist the Board in carrying out activities relative to the internal control and risk management system, specifically in defining guidelines for the system and activities involved in periodic inspections of the system's suitability, efficacy and effective functioning;
- II. examine the work plan of the internal audit function manager and periodic interim reports sent by the latter;
- III. together with the Executive in Charge of Financial Reporting and auditors, assess the suitability of accounting standards used and their consistency in the drafting of the Consolidated Financial Statements;
- IV. assess proposals made by the independent auditors for their appointment, assess the audit plan drawn up and the results shown in the report and in the Comments and Suggestions letter;
- V. report to the Board at least half-yearly, when the interim financial statements are approved, on activities performed and on the adequacy of the internal control and risk management system;
- VI. perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

In the light of legislative reforms introduced by Italian Legislative Decree No. 39/2010 concerning the legal auditing and supervision of the financial disclosure, in 2012 the Internal Control and risk management Committee worked constantly with the Board of Statutory Auditors.

Related Party Transactions Committee

The Board of Directors of Piaggio & C. has appointed a Related Party Transactions Committee to supervise transactions of both minor and major relevance with related parties. The Committee consists exclusively of independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed by the Committee. Specifically, the members of the Related Party Transactions Committee are the same current members of the Internal Control and risk management Committee.

The Committee is responsible for the functions identified in the relevant Procedure, available on the Company's corporate website www.piaggiogroup.com in the Governance section.

Organisational model pursuant to Legislative Decree 231/2001

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

The Model consists of the Code of Ethics and Conduct Guidelines, as well as Internal Control Process Charts, divided into Instrumental and Operational processes, and the Disciplinary System. The Company has in place a special e-mail account on the corporate *Intranet* allowing Piaggio & C. employees to send a message directly to the Supervisory Body to report any relevant cases. These messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation compliant with the Model as per Legislative Decree no. 231/2001. The Model pursuant to Italian Legislative Decree 231/2001, widely distributed by e-mail to all Piaggio Group employees in Italy, as well as published on the company *intranet*, is constantly monitored and periodically updated. In particular, the Board of Directors, in its meeting of 26 October 2012, approved updates to the Model, based on new crimes introduced by the Italian Legislative Decree. Piaggio & C. has also established a "Fraud Policy" with information channels for receiving, analysing and processing reported fraud that may involve employees, directors and partners of Piaggio and Group Companies. This policy is another strategy of the Piaggio Group to prevent infringement of the principles of lawfulness, transparency, fairness and openness on which the Model is based.

The Model is available on the corporate web site www.piaggiogroup.com in the section Governance/ Governance System.

Compliance with laws and regulations

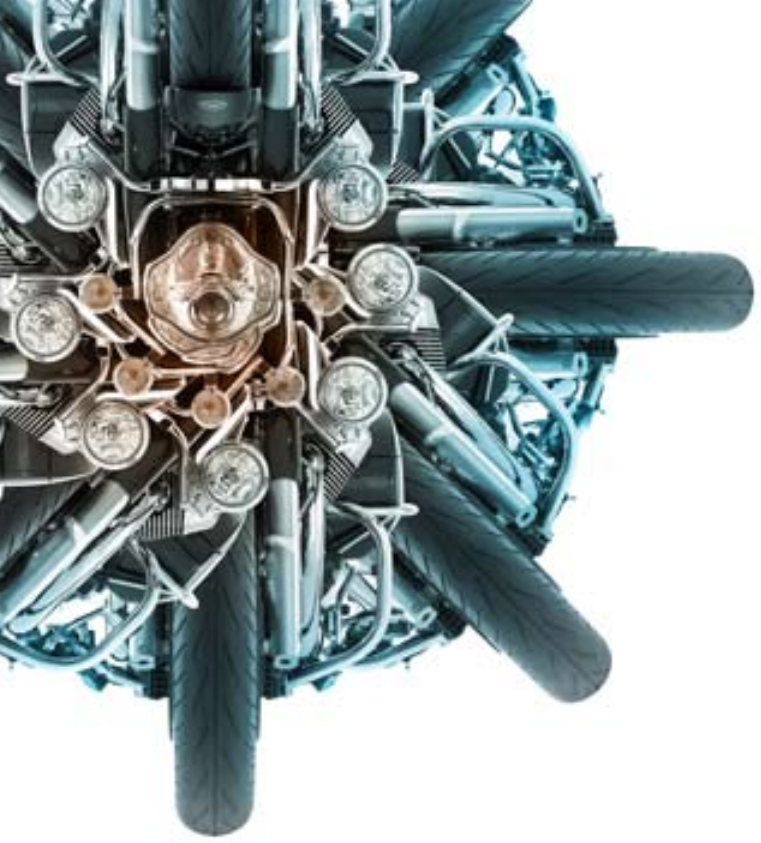
During 2012, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Piaggio Group for the breach of anti-competitive, anti-trust or monopoly laws.

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

As of 31 December 2012, there were no sanctions in place concerning non-compliance with laws and regulations, including environmental laws and regulations, marketing, advertising, promotions, sponsorships and the supply and use of products.

Finally, no cases relative to the breach of consumer privacy or loss of consumer data were reported in 2012.





ECONOMIC DIMENSION OF SUSTAINABILITY

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Economic dimension of sustainability

Integrating economic choices with those of a social and environmental nature is a fundamental commitment for the creation of value in the long term.

The creation of economic value is fundamental for a Company's operations and it is what its existence and business outlook depend on. For a manufacturing Company, creating added value is the first way to be socially responsible, and this value may benefit a plurality of stakeholders in different ways.

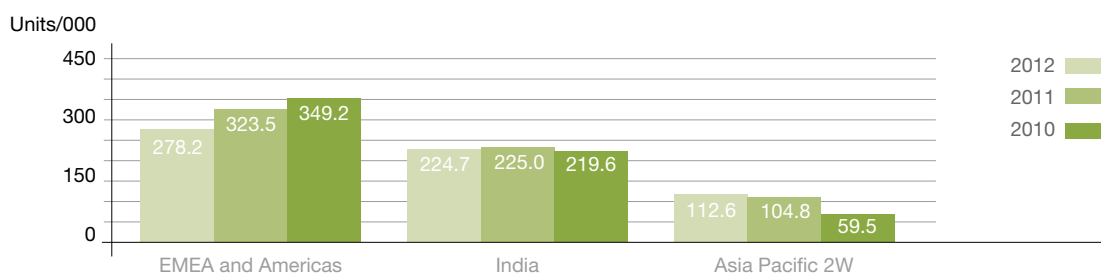
The economic dimension of acting as a company must be fully enhanced within the role that it plays for all its stakeholders. For this purpose the Piaggio Group carefully monitors the value production process and provides transparent, prompt and complete disclosures in this regard.

2012 financial and business performance

Piaggio Group sold 615,500 worldwide in 2012, with a reduction in volumes totalling around 5.8% compared to the previous year, when 653,300 vehicles were sold.

Vehicles sold	2012	2011	Change
<i>In thousands of units</i>			
Two-wheeler	406.1	415.0	(8.9)
Commercial Vehicles	209.4	238.3	(28.9)
Total vehicles	615.5	653.3	(37.7)
EMEA and Americas	278.2	323.5	(45.3)
India	224.7	225.0	(0.3)
Asia Pacific 2W	112.6	104.8	7.8
Total vehicles	615.5	653.3	(37.7)

Sales volumes by geographic area



The number of vehicles sold in the two-wheeler Asia Pacific have witnessed strong growth (+ 7.5%) thanks to the increased production capacity of the Vietnamese site, while there was a sharp decrease in the EMEA and Americas area (- 14.0%). The volumes achieved in India (- 0.1%) were substantially stable, in part thanks to the support received from launch of the Vespa in April.

In terms of the type of products sold, the decrease mainly involved commercial vehicles (- 12.1%).

Sales of two-wheeler vehicles were affected by a particularly complex market context and competitive scenario, at least as regards European markets. In particular, the two-wheeler market in EMEA registered a downturn equal to approximately 13% (- 13% for scooters and - 12% for motorcycles). The Piaggio Group maintained its market leadership in the EMEA area with a market share of 19.8%, obtained thanks to the consolidation of its position in the scooter segment (27.9% share, +0.3% over 2011), in part supported by registration of vehicles for the Poste Italiane order.

The Group achieved excellent sales results on the North American market (+ 36.4%) and in India, where the Vespa is now being marketed.

Commercial vehicle sales were affected by the simultaneous downturn of all reference markets (Italy – 32%, Europe – 13.3% and India cargo market – 9.8%).

	2012	2011	Change
<i>In millions of euro</i>			
Two-wheeler	993.3	1,025.3	(32.1)
Commercial Vehicles	412.9	491.1	(78.2)
Total net revenues	1,406.2	1,516.5	(110.3)
EMEA and Americas	837.3	933.9	(96.6)
India	357.8	395.0	(37.3)
Asia Pacific 2W	211.1	187.5	23.6
Total net revenues	1,406.2	1,516.5	(110.3)

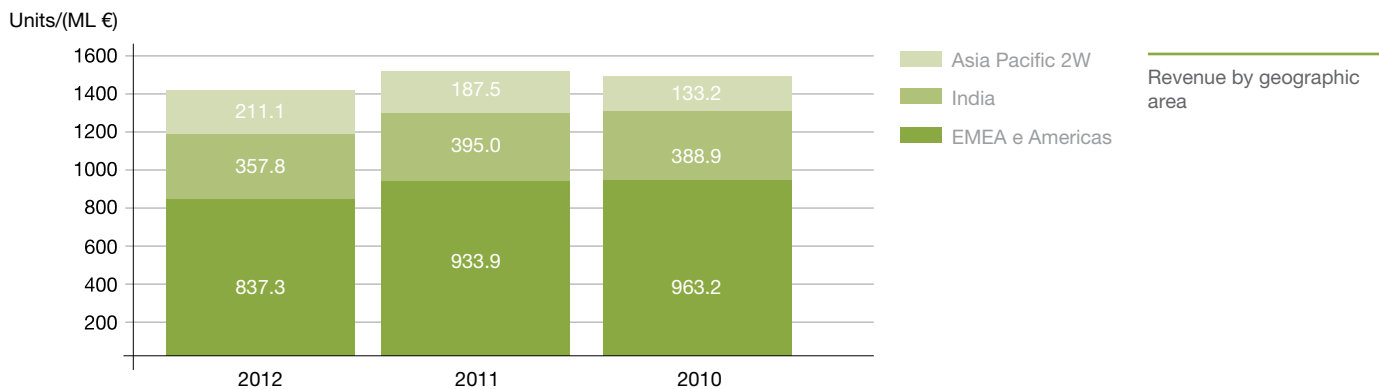
Net revenues

In terms of consolidated turnover, the Group closed 2012 with a 7.3% drop in net revenue compared to 2011, and totalling 1,406.2 million Euro.

As for the type of products sold, the downturn mainly concerned the Commercial Vehicles segment (-15.9%).

Consequently the impact of two-wheeler vehicles on total turnover increased from 67.6% in 2011 to the current 70.6%; vice versa, the impact of commercial vehicles decreased from 32.4% in 2011 to 29.4% in 2012.

The two-wheeler Asia Pacific area witnessed a significant increase in turnover (+12.6%). While revenues fell in India (-9.4%), and in EMEA and the Americas (-10.3%). As regards the latter area, America achieved an excellent performance, with turnover up by 105.1%.



Determination and distribution of Added Value

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

Net Global Added Value is distributed among stakeholders as: remuneration to human resources (direct remuneration comprising salaries, wages and post-employment benefits and indirect remuneration comprising social security contributions), remuneration to lenders (interest payable and exchange losses), remuneration to shareholders (dividends distributed), remuneration to the Public Administration sector (total taxes paid), external donations and donations to the community. The value held by the Group comprises retained earnings.

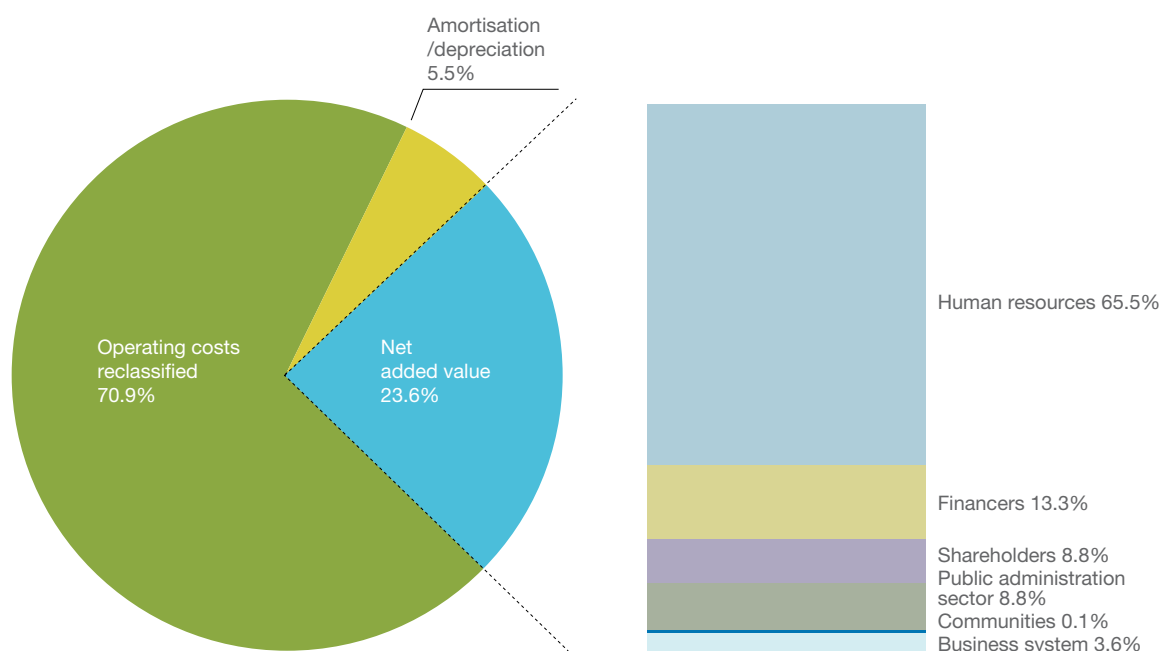
How added value is determined and distributed¹

¹ Unlike what is reported in the CSR Report 2010, some employee cost items have been reclassified in order to better report the value representing remuneration of human resources. To ensure comparability of 2012 and 2011 figures with those from previous years, the 2010 values have been recalculated using the same logic.

² Values have been restated, following the adoption of IAS 19 revised which, among others, changes the principle for recognising actuarial gains and losses relative to post-employment benefits.

	2012	2011 ²	2010 ²
figures in thousands of Euros			
Net revenues	1,406,152	1,516,463	1,485,351
Income/(loss) from investments	3,530	2,481	5,252
Financial income	13,032	17,236	22,037
Other operating income reclassified	25,082	42,736	38,508
Economic value generated	1,447,796	1,578,916	1,551,148
Operating costs reclassified	-1,026,997	-1,108,400	-1,082,039
Depreciation	-79,621	-95,013	-86,006
Net added value	341,178	375,503	383,103
Remuneration to human resources	223,419	248,356	240,203
Remuneration to lenders	45,285	45,934	54,569
Shareholder remuneration	29,877	29,893	25,684
Remuneration to the Public Administration sector	30,134	34,569	45,273
External donations and donations to the community	266	384	281
Distributed added value	328,981	359,136	366,010
Business system	12,197	16,367	17,093
Added value retained by the Group	12,197	16,367	17,093

Added value generated and distributed in 2012



The net Global Added Value generated by Piaggio in 2012 amounts to approximately EUR 341,178 thousand, equal to 24.3% of revenue. Most of this amount refers to remuneration to human resources (65.5%), followed by remuneration to lenders (13.3%) and to the Public Administration (8.8%). Compared to 2011, Global Added Value dropped by 9.1%.

Public grants and tax benefits

In 2012 the Piaggio Group benefited from government aid in the form of research grants, training grants, subsidised loans and tax benefits in the amount of EUR 4,494 thousand.

Research grants, totalling EUR 813 thousand, were obtained for research projects. The contents and results of these are commented on in the paragraph on product safety.

Training grants totalled EUR 232 thousand and were obtained by the Parent Company. Piaggio Vehicles Private Limited (India) obtained a grant for exports and its amount was calculated as a percentage of the FOB value of the exports.

	2012	2011	2010
<i>figures in thousands of Euros</i>			
Expenditure of Piaggio Group in R&D	59,600	68,500	62,900
Grants	813	1,408	2,778
Export grants	905	2,004	
Training grants	232	249	n/a

Grants obtained

Tax benefits totalling EUR 2,544 thousand were obtained by the company operating in Vietnam.

Specifically:

- › Piaggio Vietnam benefited from an exemption on income tax resulting from manufacturing activity resulting in a tax reduction of 50% compared to the rate for that activity. It should be noted that the company would also have been able to use the same type of benefit for import activity. However, that activity did not generate taxable income in 2012.

	2012	2011
<i>figures in thousands of Euros³</i>		
Tax exemption		
Piaggio Vietnam	2,544	5,464

Tax benefits
as of 31 December 2012
*3_ Values in currencies other
than the Euro have been
converted using the annual
average exchange rate*

In addition, subsidised loans were obtained for an amount totalling EUR 64,100 thousand in 2012.

	2012	2011	2010
<i>figures in thousands of Euros</i>			
Loans	64,100	1,231	7,278
- of which subsidised loans	4,100	1,231	7,278
- of which EIB loans	60,000	-	-

Subsidised funds
as of 31 December

Value for shareholders

The share capital of Piaggio & C. Spa as of 31 December 2012 totalled EUR 205,941,272.16, divided into 371,793,901 ordinary shares, Omniaholding Spa holding company possesses around 53.08%, including through the subsidiary Immsi Spa.

The Company possessed 11,726,521 treasury shares, equal to 3.15% of share capital, as of 31/12/2012. The other Company Shareholders who, as of 31 December 2012, possessed a number of shares greater than 2%, based on available information and communications received according to the Regulation on Issuers, are:

- › Diego Della Valle, with 5.34% of share capital;
- › Financière de L'Echiquier, with 4.98% of share capital.

The dividends per share paid to shareholders as remuneration of share capital are illustrated in the following table:

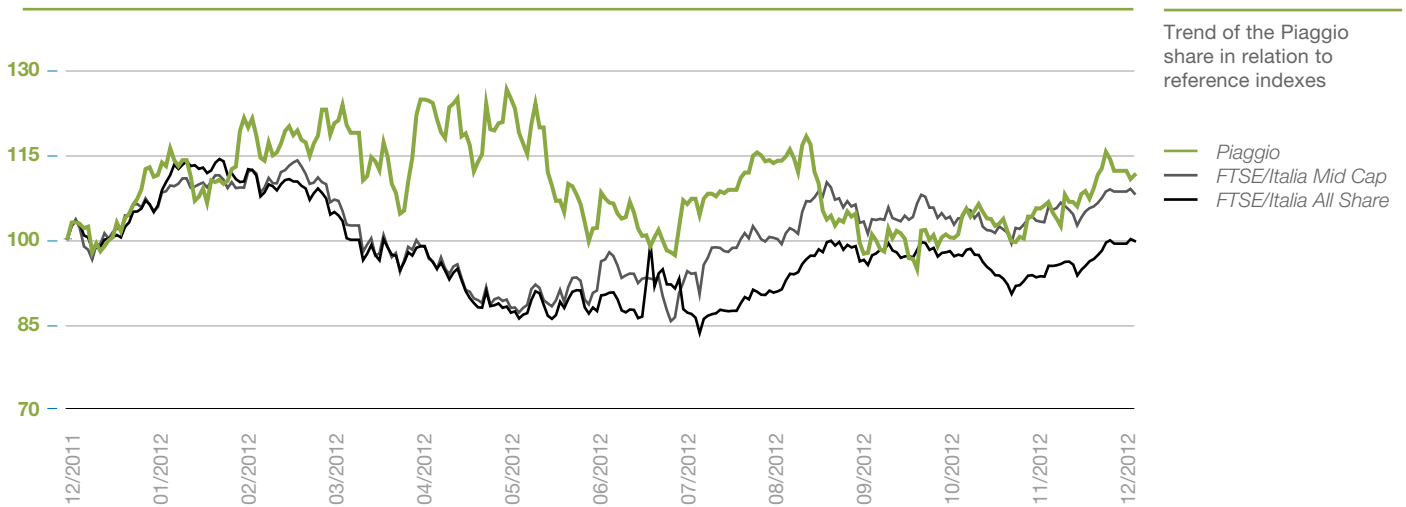
Statement of
Piaggio & C. SpA
dividends for
2010 - 2011 - 2012

Reference Financial Statements	2012	2011	2010
Detachment date	20-May-13	14-May-12	16-May-11
Payment date	23-May-13	17-May-12	19-May-11
Dividend per share (EUR)	0.092	0.082	0.07

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. In 2012, Piaggio shares gained 12%, performing better than reference indexes, as shown in the following graphs.

Price and daily volumes





Piaggio's corporate rating published by Moody's and Standard & Poor's, is Ba2 and BB-, respectively.

Communication with shareholders and Investor Relations

Piaggio considers financial disclosure to be of fundamental importance in building a relationship of trust with the financial market.

In particular its Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

In 2012, communication with the financial community was stepped up, with the Group meeting more than 160 investors on main European and North American financial markets during road shows and conferences.

Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

As in the previous year, coverage of Piaggio shares was extended in 2012, and with the start-up of activities by three international merchant banks, total coverage now comprises 15 brokers.

The Company's web site www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.

In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

The Piaggio Group website has been in the top 10 for the past three years of the prestigious "KWD Webranking Italy 2011 Top 100" classification, an annual survey of the best corporate websites of the top 100 Italian companies in terms of capitalisation.

Lastly in 2011 the Piaggio Group was awarded the financial statement Oscar in the "Listed companies and major enterprises" category.

Etica Sgr at the Piaggio financial statement shareholders' meeting on 13 April 2012

Source ETicaNews article 16 April 2012

Etica Sgr asks and Piaggio listens.

"Work still needs to be done on focussing on CSR and its reporting procedures". These were the comments made by Ugo Biggeri, chairman of Etica sgr (and of parent company Banca Etica) right after the initiative of the shareholders involved in Piaggio's shareholders' meeting held last Friday, 13 April. There is a feeling that not all of the points submitted to the management of Roberto Colaninno's motorcycle group received an answer or the attention, which was expected. In particular, the issue of gender quotas and reporting on the supplier chain.

In recent years Etica sgr has launched a model of shareholder meeting interventionism in Italy for sustainable purposes characterised by the constructive and collaborative slant of its interventions, also based on the fact of being a shareholder of the target companies.

The appointment at Piaggio was important because it opened the season of shareholders' meetings of Etica sgr, in a year when important recovery signs were expected from minorities. It was also important because, with the intervention at Piaggio, Etica sgr paved the way for coverage in twitter news of the meetings in collaboration with ETicaNews. Giving a significant impulse to concepts like wikietica (shared information) and wikigovernance.

Etica sgr was at the Piaggio shareholders' meeting with its chairman Biggeri, the general manager Alessandra Viscovi and research area manager Francesca Colombo (both as "guests" since only the chairman is a shareholder). The meeting opened with the customary speeches of the Chairman and Chief Executive Officer Roberto Colaninno who ascertained the presence (at least 10 people) of represented shares (for 118 shareholders, for a total of 74.5% of share capital). Then he briefly described the Group's operations. Piaggio's image is still that of a family-run company with few shareholders in attendance at the shareholders' meeting, including the fact that it has a reduced float: Omniaholding (Colaninno) at 53% plus 5% each for Diego Della Valle and Financière de l'Échiquier. A company which is in good health, especially considering the general economic crisis. This health is also due to a progressive movement of production and turnover towards Asia. Before voting on the items on the agenda (including the financial statements and nomination of the Board of Directors), time was given for shareholders' speeches: three in all. Biggeri was the second to speak. He immediately expressed his appreciation for the company and management, anticipating his positive vote on "all the points on the agenda". He then pointed out the added value of having Etica sgr as a shareholder, "For the Piaggio shareholders it is important to know that the company is one of 9 investible companies of Etica sgr". This is also true for the network of sustainable international investors who view Etica sgr as a point of reference for Italy. The Head of Etica sgr then praised Piaggio for not having approved bonuses or variable extraordinary remuneration even when faced with enticing results, for the high number of independent directors among the candidates for the board of directors and for the level of corporate-environmental reporting.

His praises were followed with a few clarifications. Even these were expressed using a fairly proactive and conciliatory approach. The first regarded the supplier chain, partly in light of the company's strong presence in the Far East, "We are requesting," Biggeri stated, "specific policies and monitoring on compliance with human rights in certain countries, and we are asking what the results were from the 2010 addition of a request to suppliers for information on compliance with sustainability principles". Since Piaggio is active in areas like China and Vietnam, "we are asking that reporting be extended to these countries in corporate social governance reports". Biggeri next discussed the issue of gender quotas (a law concerning these quotas will become effective during the summer of 2012). Thus, after the nomination of the current Board of Directors. For this reason, Etica sgr expressed, "regret for not seeing a female candidate for the board". He pointed out that anticipating the law would have been an opportunity to take advantage of. Lastly, the chairman of Etica sgr agreed with the request made by another shareholder regarding the separation of the offices of Chairman and Chief Executive Officer, both held by Colaninno. This due to the fact that it is one of the basic principles of corporate governance on an international level.

This point was where Colaninno's objections began. The manager rejected the request to separate the offices since "at this time this is not the problem of the economy". "I am answering ... an ethics centre – Colaninno said, before correcting himself, referring to Etica sgr – recalling the ethical figure of an entrepreneur according to Luigi Einaudi, that is one who wants development and the growth of a company, more than money. I am the equivalent of this figure", he explained, "since I have invested a lot of money in this company, and if I was not an entrepreneur I would not keep so much equity here". What the economy needs is an entrepreneur, "Today we need people who create jobs". This is the basis for the idea that his dual office at Piaggio is functional for his acting as entrepreneur. Moreover, according to Colaninno, this overlapping of roles is not as opposed in the U.S.A., France and Germany. The manager from Mantua then dealt with the issue of environmental investments in Pontedera ("an inverter") and respect for employees ("U.N. rights", he said). On this last point he also addressed the media harshly "who make accusations without knowing what they are talking about". Listing a series of situations where the group "has brought its own values" to manufacturing areas in Asia, in particular the construction of housing next to the plants of the joint venture in China, where "salaries have risen by 5-6 times in seven years". Colaninno did not discuss reporting strategies and policies or compliance with CSR principles in the Asian plants, and along the supplier chain. Nor did he mention the problem of gender quotas. He then discussed other topics: no bond in the near future and Indonesia as the target for manufacturing allocation within three years.

Other answers followed to the written questions submitted by shareholders. Then a majority vote approved all of the points on the agenda. No comments were made regarding remuneration. The shareholders' meeting was adjourned at 5 p.m.





TECHNOLOGICAL INNOVATION AND SUSTAINABLE MOBILITY

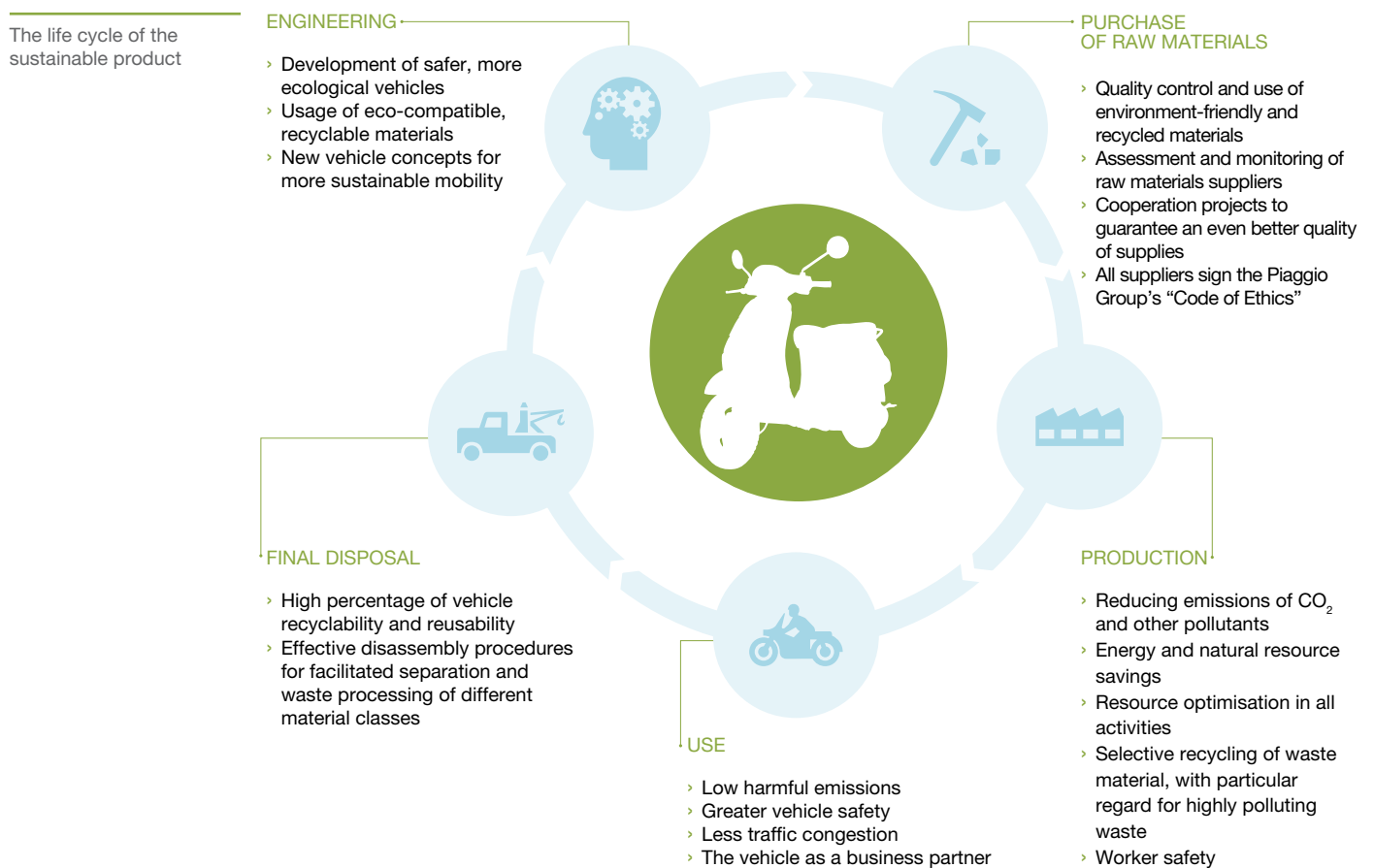
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Technological innovation and sustainable mobility

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, ensuring customers excellent levels of performance.

In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.



During its life cycle, every product interacts directly and indirectly on both the health and safety of people and the environment understood as ecosystem quality.

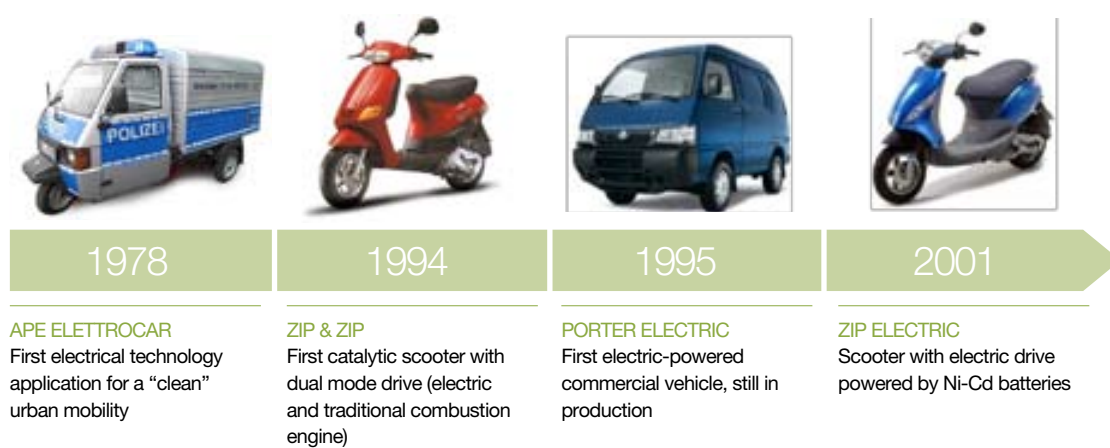
For this reason the Piaggio Group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products.

This ongoing effort is aimed at designing and offering vehicles that are always at the cutting edge of:

- › **ecology**, products that can cut the emissions of pollutant gases and CO₂ in urban and extra-urban areas; this goal is pursued by further developing conventional engine technologies (increasingly sophisticated internal combustion engines) as well as by using renewable and sustainable energy sources;

- › **reliability and safety**, vehicles that allow a growing number of people to get about town easily, while contributing to ease traffic congestion and ensuring high levels of active, passive and preventive safety;
- › **recyclability**, products that reduce the environmental impact at the end of their life cycle to a minimum;
- › **cost-effectiveness**, vehicles with low running and maintenance costs per kilometre.

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



Piaggio – An "electric" story

The entire Piaggio Group is thoroughly committed to zero impact engines, as reflected by the extensive range of hybrid or full electric products available for all its brands.



Piaggio – A zero-emissions range

This general vision covers the Group's two business sectors: the Two-wheeler business (scooters and motorcycles) and Commercial Vehicles business. Accordingly, the Two-wheeler and Commercial Vehicle sectors are presented separately in the following sections, along with the actions taken by the Company to guarantee the sustainability of its products.

Partnerships with universities and research centres

The Piaggio Group has always acknowledged the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products.

Universities and research centres are perhaps the ideal place for this type of cooperation. For this reason the Piaggio Group has always been engaged on many fronts to consolidate the synergy between the world of research and its industrial sector.

In 2012 the Group had exchange and research relations with: Pisa University, Florence University, Bologna University, Modena and Reggio Emilia University, Milan Polytechnic, Padua University, Perugia University, University of Rome Tor Vergata, Sapienza University of Rome, Engines Institute of the National Research Council in Naples, COMETA Research Consortium of Catania, Athens University, the Hellenic Institute of Transport of Athens, the Fraunhofer IAO (Stuttgart University).

Partnerships with Italian Universities and Research Centres in 2012

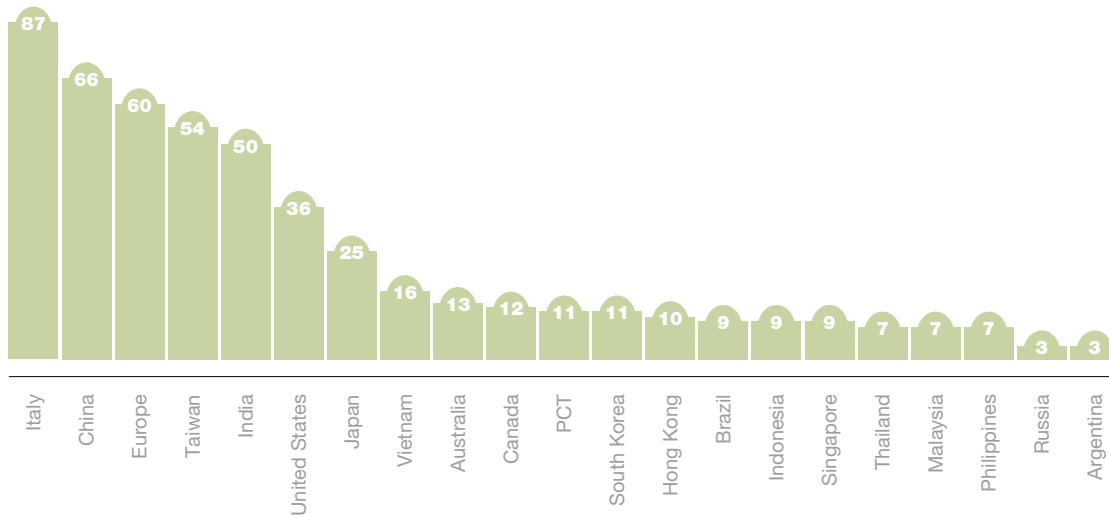


The objective of these partnerships is to support continuing innovation through:

- › partnerships in research and development projects;
- › participation in European and national projects;
- › experimental research dissertations.

Industrial patent rights

Intense research and development work has led to many new patents being filed in countries where the Group operates¹, bringing the total number of patents held to 505 (+16% compared to 2011).



Piaggio Group patents
as of 31/12/2012
(total of 505 applications)

The 60 European applications
have originated 136 national
applications



¹ Under the Patent Cooperation Treaty (PCT), patents can be "reserved" internationally, by specifying the priority date and owner, before then filing the patent application within a certain number of months with national or regional offices, requesting that each country examine and grant the patent

Main patents filed by the Piaggio Group in 2012

Title	Scope	Countries
Electronic method and system for automatic autonomy management for vehicles and, in particular, electric vehicles (Smart Battery Range Management for SmartPhone).	Vehicle management	PCT, Taiwan
Four-wheeler vehicles (technical NT3)	New vehicles	Europe, India
Tensioning device	Engine management	PCT, Taiwan
Improved polyolefin composition	Environmental sustainability	Europe
Adjustable seat for motorcycles	Vehicle comfort	Italy
Scooter - SRV 850	Design	Australia, Canada, China, Japan, Hong Kong, India, Taiwan, United States, Vietnam.
Scooter - XGT	Design	Australia, Brazil, Canada, China, Japan, Hong Kong, India, Indonesia, Singapore, Taiwan, United States, Vietnam.
Vespa 946	Design	Australia, Argentina, Brazil, Canada, China, South Korea, Philippines, Japan, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan, United States, Vietnam.
Motorcycle – Guzzi California	Design	European Community, Brazil, China, Japan, India, United States.
Motorcycle – DorsoEnduro	Design	European Community
Scooter – ARA	Design	European Community
Scooter – new Vespa 946 + headlight + seat	Design	European Community
Assembly comprising a seat and seat compartment for motorcycles	Vehicle component (XGT)	Italy

Two-wheeler Business

Sustainable mobility

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

Rapid and often chaotic urbanisation, which is not always supported by the development of a public transport network, has increased the number of vehicles on roads and, as a result, traffic congestion and the amount of pollutants emitted in urban contexts.

This awareness underpins the Piaggio Group's commitment to providing mobility solutions designed to reduce air pollution and to improving the quality of life in towns and cities by reducing traffic congestion and noise pollution.

Extending the use of environment-friendly two and three wheeler vehicles is Piaggio's answer to these needs.

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

Making two-wheeler vehicles safer and more comfortable may increase their use and, at the same time, decrease the number of cars on the road, which in turn cuts fuel consumption and harmful emissions by approximately 50% (in the same traffic conditions²).

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.

MUSS Project

The MUSS (Safe and Sustainable Urban Mobility) Project, presented as part of the "Industria 2015" tender of the Italian Ministry for Economic Development and which began in April 2010, aims to develop innovative solutions for environmental compatibility and a more sustainable urban transport.

In 2012, the MUSS Project began the experimental development stage, with many results obtained having a tangible impact on production. In particular, the following results were achieved in the project's main macro areas:

- › The greatest contribution to reducing consumption and emissions was achieved by the optimisation of engine thermal-fluid dynamics, with particular reference to the combustion process, as well as by a reduction in organic leaks and an improvement in the performance of the CVT transmission system. The new 125/150 three valve engines were further developed and optimised, with a specific version for the Vietnamese market focussing on consumption rather than performance.
- › Research on alternative fuel engines targeted biofuels, with particular reference to bioethanol.
- › Technical solutions for hybrid plug-in and electric engines were studied and developed, to improve the performance and reliability of electronic control and energy accumulation systems, and achieve greater vehicle usability with smart autonomy management. The development of new 1.5 kWh modular (lithium) batteries was completed; a prototype comprising 4 batteries in parallel was produced and tested, studying its potential use up to 10 elements. Considerable focus was also paid to the regulatory framework at national and international level (Two-wheeler).
- › Numerical/experimental methodologies were developed in the field of engine acoustics and timbre, with the aim of designing intake and exhaust systems and engine components with acoustic emissions that are increasingly lower and "more pleasant".

2_Research conducted by the French ADEME Agency (Agence de l'Environnement et de la Maîtrise de l'Energie), in Paris on a circular route, with 31 km travelled in different traffic conditions

- › As part of weight reduction activities, calculation methodologies for structural optimisation were applied to the design of a new die-cast aluminium chassis (Moto Guzzi chassis) and also led to the development and manufacture of scooter wheel rims (Piaggio X10). Numerical/experimental activities also got underway to characterise the mechanical behaviour of scooter chassis welded joints.
- › During the second year of the project, aerodynamic simulation methodologies (CFD) were developed, with a detailed breakdown of engine components and the virtual rider model. The virtual simulation methodology was validated by comparative analysis of experimental data obtained in the wind tunnel at Perugia University. In attempting to improve and develop wind tunnel performance, a new configuration for the aerodynamic load balance was defined. A first release of the data acquisition software has been issued and instruments to display the wake have been implemented.
- › In the “Life Cycle Management” sector, Piaggio partnered Florence University in analysing the recyclability characteristics of the MP3 125 Hybrid according to ISO 22628:2002, which led to vehicle recoverability and recyclability indexes being calculated. Some vehicle components were also developed, to be moulded in PP/PE obtained from reusing post-consumption materials (Plasmix), and experimental tests were carried out following company standards.
- › In the field of active safety systems, studies and experiments led to ADD (Aprilia Dynamic Damping) semi-active electronic suspensions being used in the mass production of Guzzi (California 1400) and Aprilia (Caponord 1200) motorcycles. The ride-by-wire technology, which has been extended to most of the Group’s vehicles, has enabled functions such as cruise control, multi-map systems and ATC (Aprilia Traction Control) to be implemented. An electrically adjustable suspension was developed for the X10. An LED “light guide” headlight was also created for the X10, to increase vehicle visibility.
- › In the field of human-machine interface and on board information systems, the Piaggio Multimedia Platform info/mobility system, based on a Bluetooth® smartphone/vehicle connection, was made available to the public as an accessory for the Piaggio X10. The application software was released for iOS operating systems and a version for Android platforms is being finalised. The system implements an innovative virtual pressure sensor function, available for vehicles with ABS, that lets the rider check tyre pressure. <http://www.multimediaplatform.piaggio.com/eng/index.htm>.

PIAGGIO MULTIMEDIA PLATFORM - putting Piaggio scooters in touch with the world

The innovative multimedia platform **PIAGGIO MULTIMEDIA PLATFORM (PMP)** made its début on the Piaggio X10, the new flagship vehicle, in July 2012. Developed by Piaggio, the system connects the vehicle to a smartphone (iOS or Android), turning it into a sophisticated multifunctional on-board computer. Piaggio has once again opened a window onto the future, laying the foundations for a new way of thinking two-wheeler communication, with interesting possibilities for development and application on all Group vehicles.

The wireless connection lets users keep all vehicle parameters under control, from the customary such as speedometer and rev counter data to more technical information such as instantaneous engine power and torque, positive or negative acceleration, vehicle inclination, instantaneous and average consumption, average speed, battery voltage and so on. Riders can select the parameters they want to monitor.

PMP technology increases rider and passenger safety. The tyre control function (on ABS/ASR versions) monitors tyre wear and pressure, letting the rider know before a critical situation happens; general analysis keeps vehicle functions under control; if there is an anomaly, it suggests the best course of action to take and, if necessary, tells the rider where the nearest authorised service centre is located. For rider safety, the interaction functions are disabled when the vehicle is moving.

When the tank is low on fuel, the system automatically suggests the nearest fuel station, and sets the sat nav if requested. The PMP automatically records the vehicle position when the engine is off, making it easier to find where it is parked, in unknown areas.

The PMP records journey data on an ongoing basis, so users can easily analyse their riding style at home, on computer, if they want. They can also browse the user and maintenance manual directly on their smartphone.

Many more functions will be added in 2013.



Environmentally friendly design and production

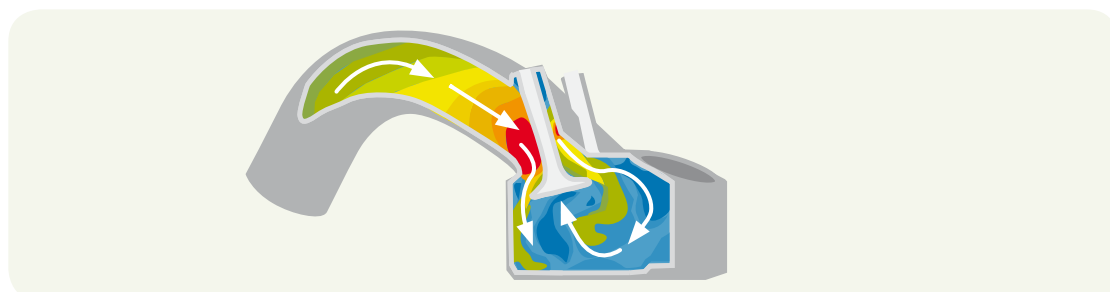
With a view to continually improving its own product range and in particular its engines, the Piaggio Group has developed solutions which draw on its wide-ranging and in-depth technical expertise, honed from decades of operations in the industry, combined with the latest fluid dynamics simulation software. This allowed the Group to obtain Euro3² type approval in 2006 for the entire range of over 50cc versions sold throughout the world, reducing both pollutant emissions (for example NO_x emissions cut by 50%) and consumption³.

In fact, the Piaggio philosophy is to maintain the highest levels of technology and regulatory compliance worldwide for all its products, even when local laws are less restrictive than European legislation. This has been pursued also with the vehicles manufactured and sold in Vietnam since June 2009. These comply with Euro 3 regulations, despite local Vietnamese laws which are less stringent than Europe.

Piaggio also plans to anticipate legal requirements in the future by upgrading production to the Euro 4 standard one year ahead of its entry into force in 2014.

The new 350 4-stroke 4 valve water cooling engines for the GT - RA “premium” and “125 and 150 three valve” segments, unveiled in 2011, are concrete proof of this commitment. In particular, the latter embodies several technical solutions aimed at capping emissions and reducing internal friction. Emissions have been reduced by adopting a unique fluid dynamics design of the suction ducts and combustion chamber, creating a “tumble” motion of the inflowing air/fuel mix that makes it possible to improve thermodynamic performance.

In addition, a thorough study was carried out to reduce internal friction (lubrication, roller rocker arms, roller bearings, etc.). The outcome has been extraordinary in terms of lower consumption, as illustrated in the following table.



2_It should be borne in mind that “Euro2 Mopeds” and “Euro3 Motor Vehicles” are the most advanced and stringent standards in force; even though the same name can be misleading, EuroX standards for cars are based on criteria entirely different from those for motorcycles and mopeds.

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

“Tumble” in Three-Valve engine combustion chamber

Modello	Consumption l/100 km (at 40 km/h)
Leader 125 electronic injection	2.50 l/100 km
New Three-Valve 125 Difference	1.9 l/100 km
Differenza	-31.3%

Comparison of the consumption of the two different 125cc engines

In recent years the most cutting-edge effort to reduce environmental impact has definitely been the development of the 125 Hybrid engine in 2009. This innovation uses a hybrid powerplant combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions. For several years now, the 125cc version has been on the market together with the 300 Hybrid model. In 2011, the new modular battery with a 30% greater capacity was developed, for different two-wheeler applications. UL safety certification is currently underway for the battery and battery charger. The development for new 1.5-kWh modular batteries is also currently at an advanced stage. In further pursuing the goal of zero emissions, 2011 saw the official unveiling of the Liberty e-mail at the

EICMA Exhibition. It is the electric version of the agile and lightweight Liberty that is already a part of the delivery fleet of institutions and companies in more than ten countries. Over 60,000 Liberty vehicles are used, among others, by the French, Spanish, Austrian, Swiss and Italian postal services. Liberty e-mail has a new, advanced 2.6 kW electric motor with a range of up to 70 km, namely a performance that is in line with that of the best 50cc 4-stroke, 4 valve combustion engines while ensuring zero pollutant and noise emissions. The Liberty e-mail has a spacious rear trunk, a front carrier to carry the mailbag and documents and a large windshield. The graphic design can be customised with the colours and logos of the institution or company. Sale started with the delivery of the first lots to various European postal services.

New vehicles – India

The Vespa manufactured and sold in India has a 125HE engine with carburettor, with type approval based on Indian Bharat stage III regulations (that differ from Euro 3 standards). At present, vehicles conforming to Bharat stage II regulations can be registered in India (these are less stringent than Bharat stage III). Plans have been made to introduce electronic injection in the future, which means vehicles will comply with Euro 3 standards as well as Bharat stage III.

New vehicles - Asia Pacific

The vehicles manufactured and sold in Vietnam and, in particular the Vespa, comply with the same requirements and standards of European vehicles, although they have functional features that make them particularly designed for the local market. These provide the same high technological, qualitative and performance standards of their European counterparts.

The engines mounted on models made in Vietnam have been specifically fine-tuned to make them more suitable for the country's specific conditions. They are rather different from Europe's and are characterised by extremely low average speeds in urban areas due to the extremely congested traffic. For these reasons, a special setting of the CVT gear change has been adopted to ensure smoother running and lower consumption (and hence also CO₂ emissions) since Vietnamese customers are not particularly interested in pure performance.

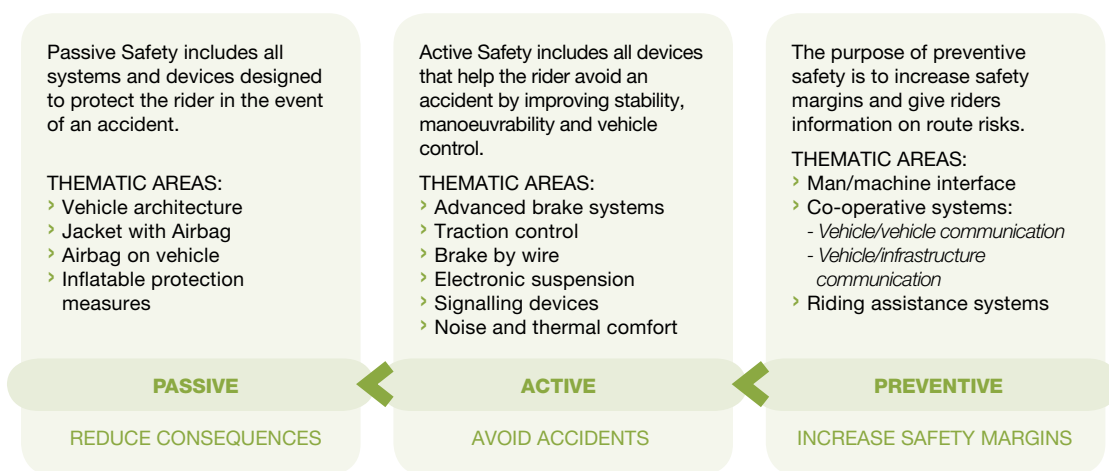
The new 125 / 150 "Three Valve" engine, complying to Euro 3 standards and currently assembled on the Vespa LX Vietnam, will also be assembled on Fly and Liberty vehicles manufactured in Vietnam, from Spring 2013 onwards. At present, vehicles conforming to Euro 2 standards can still be registered in Vietnam.

Product safety

Improving the safety of two-wheeler vehicles has always been a top priority for the Piaggio Group in its product research and development work. Introducing active, preventive, passive and post-accident safety systems for the scooter and motorcycle sector is becoming increasingly necessary, also to extend the use of two-wheeler vehicles for individual mobility.

	ACTIVE	PREVENTIVE	PASSIVE	POST CRASH
MOTORCYCLE	Suspension, brakes, ABS, ESP	Instrument interface, visibility devices	Protection, kinematics, algorithms	e-Call
RIDER	Training and education	Comfort, quick fasteners, information, visibility	Improvements to helmets and garments	
INFRASTRUCTURE	Maintenance and checks	e-Safety	Specialised in impact on riders	Maintenance and checks

Matrix approach used by Piaggio for its motor vehicle safety projects



Research and Development guidelines for vehicle safety

Piaggio continued to focus on improving the active safety of its products in 2012, extending ABS and ASR to other Group vehicles. The ABS/ASR version of the new Piaggio X10 350 and 500 features a combined, three channel ABS system, which is a first-time application for the Group's scooters, plus ASR electronic traction control. This function has also been developed for and assembled on the Aprilia SRV 850 maxi scooter with twin cylinder engine.

In 2013, the ABS system will also be assembled on the Vespa GTS 300, the MP3 full range) and the Beverly 300.

Improvements in the field of suspensions has resulted in the application of an electrically adjustable rear suspension system on the X10. The system lets the rider easily adjust the rigidity of the suspension system to load/road conditions and riding style, from the handlebar controls, for even better active safety.

Another new safety feature is the "virtual pressure sensor" installed on the PMP system to monitor tyre conditions (pressure and wear), and ensure optimal performance.

As part of its research work on preventive and dynamic safety, Piaggio's most ambitious objective is the study and development of new vehicles based on entirely new product formulas, such as three- and four-wheeler tilting vehicles that guarantee unprecedented stability even on wet or uneven road surfaces, and shorter braking distances compared to conventional scooters. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006. These new concepts, in addition to other safety devices, can achieve active and passive safety levels on a par with car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

Advantages of the MP3

› Safer to ride, as proven by measuring the vertical force applied to the front wheels

Tests proved that when changing from a smooth or paved surface to a cobbled surface, the reduction in force for the MP3 was 18% and 38% less compared to an equivalent two-wheeler vehicle

› Shorting braking distance

On a smooth surface, the MP3 has a shorting braking distance compared to an equivalent two-wheeler vehicle of 12% on smooth surfaces and 20% on uneven surfaces

› Better handling in traffic

The rider does not have to put his feet on the ground when the MP3 is stationary

Funded European projects - VERITAS Project

In 2012 (the third year of the VERITAS project) Piaggio worked on the development of a predictive model for the ergonomic analysis of two-wheeler vehicles, based on anthropometric measurements and scooter and motorcycle posture surveys, also on a sample of older users. The results were used to develop a software programme for ergonomic controls during new vehicle configuration. Tests on the software's usability in Vehicle Design are now being run. Easy access functions have been designed for man-vehicle interfaces and are planned for installation on the Piaggio Multimedia Platform, after testing.

Product recyclability

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

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

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

Use of recycled plastics

On all Piaggio Group vehicles, mass-pigmented polypropylene components (floorboard, leg shield back plate, air cleaner, etc.) can be made of recycled materials, at the discretion of the supplier. The table below gives an estimate based on an analysis (Life Cycle Management study) of a product currently on sale (Beverly 2009, vehicle technologically representative of all scooters manufactured).

Plastic materials in body parts

	%
Total weight of plastic body parts / total weight of vehicle	10
Total weight of mass-pigmented polypropylene parts (possibly of recycled materials) / total weight of vehicle	7
Total weight of mass-pigmented polypropylene parts / total weight of body parts	70

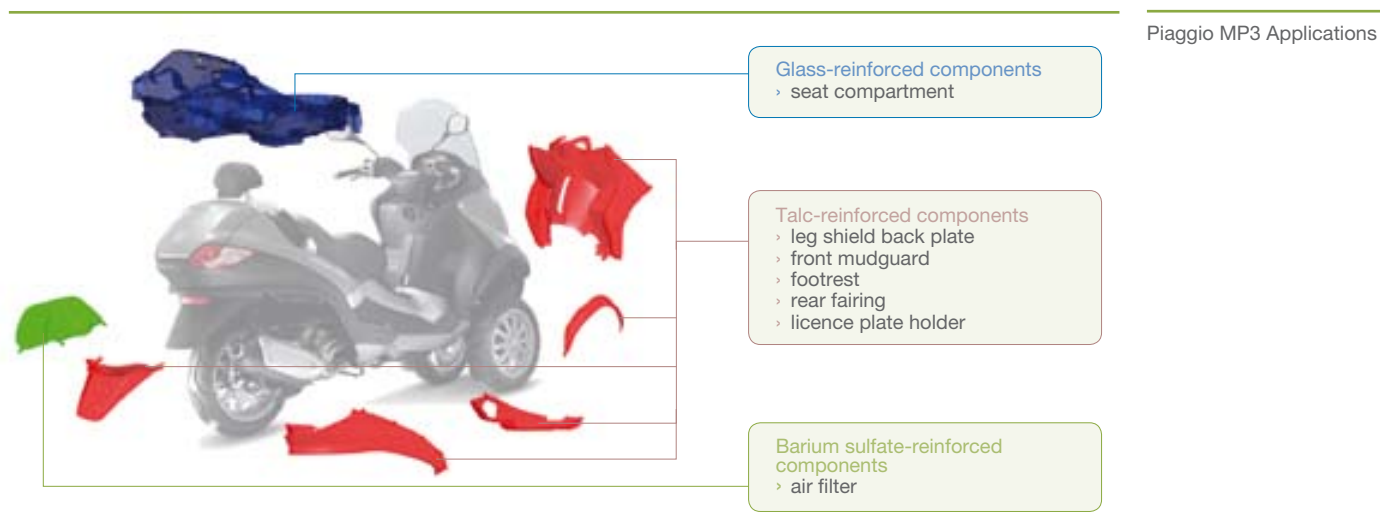
Re-Produced project

The Piaggio Group has taken part in “Re-Produced”, a project promoted by the memorandum of understanding between the Region of Tuscany, Revet S.p.A. and Corepla (National Consortium for the Recycling of Plastic). It has the objective of recovering plastic directly from unsorted waste and processing it back to quality conditions for its use in moulds for painted parts in ongoing production.

Piaggio, in partnership with Revet S.p.A. and Industrie Generali, used the new composite material called Plasmix to manufacture products. The activities focused both on painted parts (leg shield, side fairings, leg shield back plate, luggage box) and mass-pigmented parts (seat compartment, helmet compartment, engine cover, filter box). Material recycled from landfill replaces a considerable amount of virgin material (usually around 30%), with clear benefits in terms of saving on oil products and lower emissions (the heat incineration of recycled material and processing of virgin material are not necessary).

Since 2011, the percentage of recycled material used in the composite plastic has been increased to 40% for some applications. Both technical aspects, including the filing of a patent on the material developed, and commercial aspects were also finalised.

During 2012, analyses also continued to verify the technical feasibility of using recycled plastic to manufacture other components.



Piaggio MP3 Applications

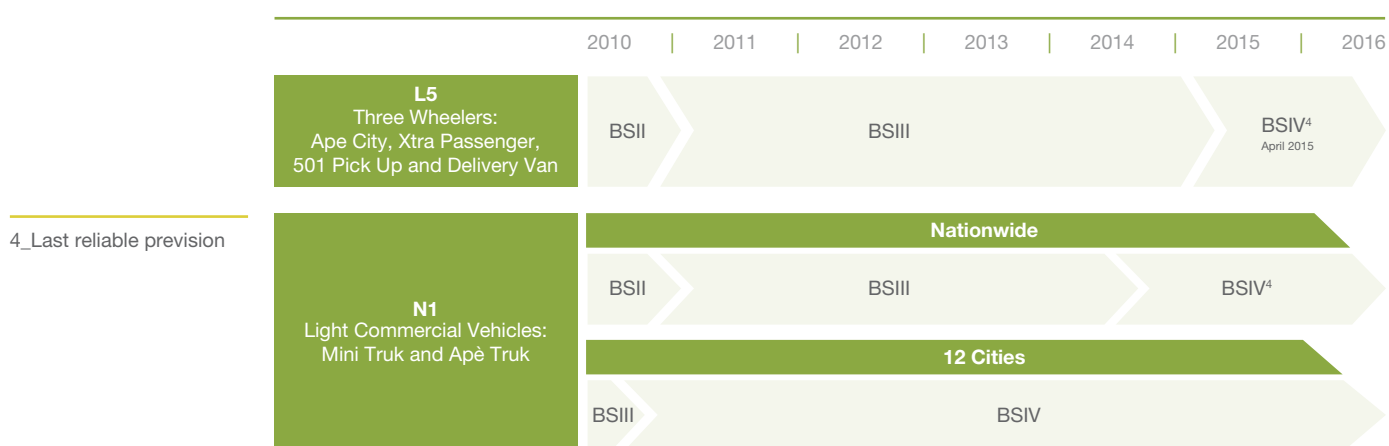
Commercial vehicles

Environmental awareness and respect

With vehicles that boast superb handling and a compact size, and the attention it pays to how its engines impact the environment, Piaggio has always set itself apart from its main competitors. The Group has always welcomed the challenge of being a company at the forefront when it comes to low environmental impact, both in Europe and India.

In particular, the Diesel BNA (Naturally Aspirated Twin-Cylinder) engine conforming to Bharat stage IV (BSIV), which went into production in December 2012, has been assembled on the Porter 1000 BNA.

Current Indian regulations call for compliance with BSIV (for Category N1 vehicles) in just 12 major cities; current forecasts estimate that BSIV standards will be extended to the rest of the Country not before mid 2014.



This choice of accelerating times is very important in a country such as India where the latest reports on the green economy have confirmed ground gas values not in line with world standards.

Plus the new three-wheeler for urban mobility in India, the new Ape City (with production getting underway in December 2012), features a new 200cc Petrol Engine complying with Bharat III.

Three versions are available: Petrol, CNG (methane) and LPG.

The latter models have been designed for use in Indian cities where ground gas values are so high that motor vehicles with alternative fuel can only be used.

In terms of consumption, the vehicles are highly competitive compared to rival products.



Road fuel consumption with the methane version is approximately 5% lower than the best competitor product.

Zero impact engines

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

In particular, more than 7,000 Porter Electric models have been sold throughout Europe since 1995.

The key factors of this success are:

	<p>COMPACT SIZE</p>	<ul style="list-style-type: none"> › ideal solution for mobility in historical city › easy to drive › reduced dimensions
	<p>EFFICIENCY</p>	<ul style="list-style-type: none"> › load capacity › modularity › cost-effectiveness
	<p>ECO-FRIENDLY</p>	<ul style="list-style-type: none"> › zero emission › less noise pollution

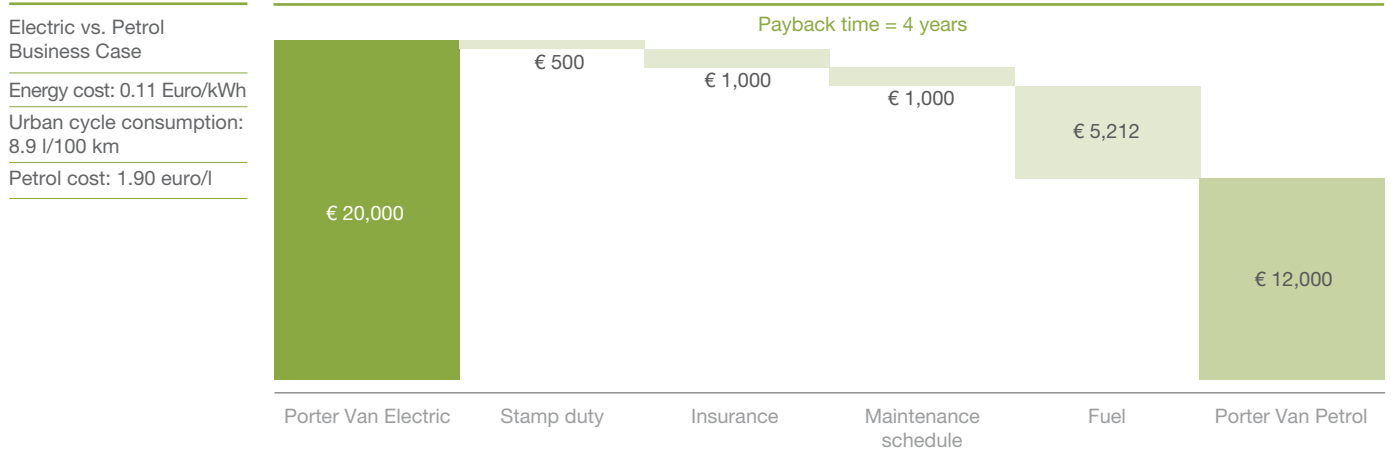
The electric factor – a key to success

Since 1995, the Full Electric technology has been developed in the Commercial Vehicles Division and further consolidated and improved where possible. This technology is still a winner as it is accessible, reliable, simple and guarantees an excellent performance in terms of both power (11 kW) and torque (55 Nm at 1,800 RPM).

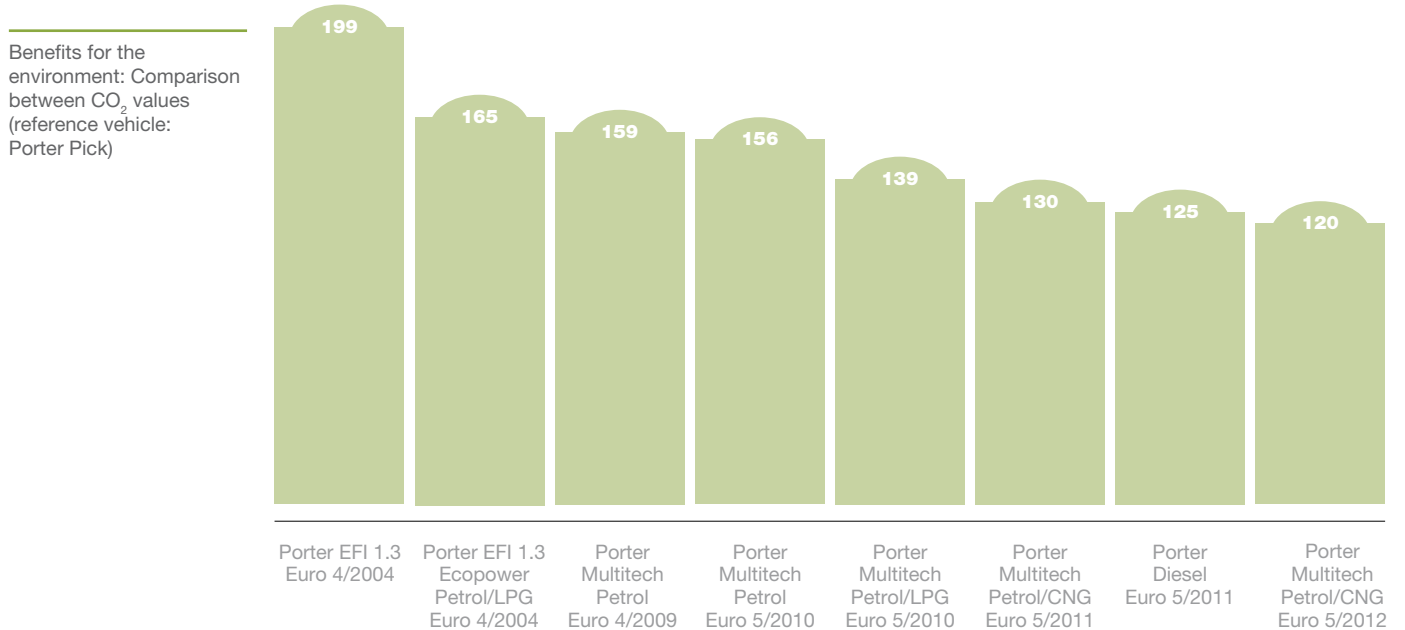
“The electric factor – technical specifications ”



The strength behind the Full Electric technology, apart from a solid technical base, is its cost-effectiveness. A Business Case was conducted in-company, comparing the economic return of a Porter Electric compared to a petrol version of the same vehicle. The same mission (Intracity, light delivery), an average daily distance of approximately 50 km and use over approximately 200 days/year, for 4 years, were considered for both vehicles.



In addition, an extremely important objective was recently achieved for CO₂ emission values for the Porter GreenPower (which runs on Petrol/Methane), with type approval obtained in December 2012 for a first-ever threshold value of 120 g/km.



Main projects with zero impact engines

The number of Zero Impact Projects boasting a huge commercial success last year proves how popular Piaggio electric vehicles are.

Some of these projects are outlined below.

Reggio Emilia & TIL project

With its 230 Electric Porters (introduced from 2001 to 2012), the town of Reggio Emilia was awarded the title “The most successful electric car friendly city in Europe” in 2003; in the same year it was also the winner of the *Global E-Visionary Award* and went on to receive the *Best Practice Award IEA* in 2005.

The electric cars are rented on an “eco-hire” basis, managed by TIL Srl (a local mobility agency). TIL is a Public Capital Company promoting the dissemination of electric cars in the area and today operates throughout Italy with a fleet of more than 450 Piaggio Porter ElectricPower vehicles.

The fleet of 230 Electric Porters is used for different purposes:



As a shuttle service



For home care and disabled passenger transport services



For the transport of goods (medicines, food products, etc.)



For waste collection and town cleaning services



For park maintenance services

Municipality of Pisa, ENEL and Poste Italiane Project

In 2011, Piaggio forged a “Zero Emissions Alliance” with the municipality of Pisa, Enel and Poste Italiane, the Italian Postal Service Company.

The alliance supports electrical mobility for postal services in the historical town centre of Pisa. The fleet of Porter ElectricPower used by Poste Italiane charges at the smart charging stations installed by Enel at its Primary Distribution Centre (CPD). The vehicles were completed and handed over during 2012.



Logistics transport at production sites project

In 2012, Piaggio sold more than 100 Piaggio Porter ElectricPower vehicles to a well-known company in the automotive industry, for its logistics services. These vehicles are used to transport materials and other items inside the production sites of this company in Italy.

This benefits of this application are: minimum noise and emissions impact, speed limit devices and the possibility to access all production areas. The business model is based on partnerships with leading manufacturers of forklift trucks and long-term hire.

Ports & terminal

The Contship Group is a major international company operating in the Container & Shipping industry for more than 40 years, and is present at major Italian ports. As from this year, Contship has an operating fleet of 15 Porter ElectricPower vehicles at its Livorno Port terminal for goods handling, immediate response, technical assistance and maintenance services.

Airports

Main Spanish airports picked the Porter Electric EcoPower and Piaggio MP3 Hybrid in 2012 as their main vehicle of choice for zero impact, on-site transport.

The new Ape Calessino Europe

The star product of the Commercial Vehicles Division in 2013 is the 'New Ape Calessino' for the Italian and European market.

The previous concepts of this vehicle, during Piaggio's history, have rightly been famous. The Ape Calessino was created during the economic boom in Italy and became particularly popular at well-known resorts such as Ponza, Ischia, Capri and Portofino.

In 2007, Piaggio restyled the Ape Calessino with a limited edition version, using nautical-themed material and finishes in marine wood whilst retaining all its traditional style.

Today, the 'New Ape Calessino' has been designed to extend its appeal to a larger range of users, to include the youth market too, and consolidate hotel and tourist industry use, whilst retaining all the style that the Ape Calessino, with its soft, round contours, conveys.



The main product features of the new Ape Calessino, are:

- › the cotton hood, folding at the rear and fixed at the front;
- › PVC seats, with soft lines and finishes that are technical yet also elegant;
- › vintage-style instruments;
- › spacious compartments and pockets in the inner partition, perfect for everyday objects;
- › colour-coordinated mirrors;
- › a bold colour palette.

Ecological and recycling potential of materials

With the introduction of the European Regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) in 2007, automotive manufacturers are required to follow AIG (Automotive Industries Guidelines) which include monitoring the use of hazardous/prohibited substances, and checking the recyclability and recoverability rates of materials used.

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

Piaggio constantly monitors the recyclability and recoverability rates of its vehicles, which a recent in-company survey estimated as 85% and 95% respectively, higher than the limit values in the Directive 2000/53/EC. The Porter Electric PVO pick-up for example has a 91% recyclability rate and a 95.8% recoverability rate. 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.

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.

Below are the recyclability and recoverability rates updated based on vehicle BOMs at November 2012, for each vehicle fitted with a Euro 5 gasoline, diesel and electric engine.

	P120	MULTITECH	EVO
Recyclability (R_{cv})	PORTER = 90.05% MAXXI = 90.94%	MAXXI = 91.1%	PORTER = 91%
Recoverability (R_{cov})	PORTER = 95.05% MAXXI = 96.03%	MAXXI = 95.9%	PORTER = 95.8%



Product quality and reliability

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/user⁵. For manufactured products, these needs generally include conformity to specifications, reliability, ease of use and maintenance.

5_ UNI ISO 9000 definition

Reliability is the ability of an item to perform a required function in established conditions and for an established period of time⁶.

6_ UNI ISO 8402 definition

Pursuing continual improvement in the quality of production systems (of the Group and suppliers), auditing outgoing quality and adopting an effective product and component traceability system are essential for guaranteeing the reliability of Piaggio vehicles. In addition, the Company possesses specific functions, involved in testing the reliability of all new products from the initial design phases to marketing. Tests are not limited to laboratory testing, but also to road testing, designed based on the actual use of vehicles by Piaggio customers.

Quality certification

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

Audits performed by a certification company were conducted in November and December 2010 and completed positively aimed at being able to renew the ISO 9001:2008 Quality management system certificates for Pontedera, Noale and Scorzè and obtain the certificate for Mandello del Lario, until December 2013.

Besides the Italian production sites, ISO 9001:2008 certification was also granted to the Spanish production site of Martorelles, the Vietnamese site of Vinh Phuc and the new engines production site of Baramati (India), which was inaugurated in 2010.

Supply verification/audits

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

New suppliers are included as Piaggio suppliers only after a positive assessment of their Quality System and general Company organisation.

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

Suppliers successfully evaluated and included as qualified suppliers, also verified concerning:

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

Audits for new products are scheduled to evaluate the supplier's capacity to implement new product realisation processes and provide technical support in defining and controlling these processes.

Audits for consolidated products solve specific problems identified during production, verify the supplier's capacity to control processes involved in product realisation and periodically monitor improvement in services in terms of complaints' 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.

7_Returns, reprocessed,
selected, material
accepted as an exception

Quality control of finished 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 "customer-oriented" procedures, i.e. they monitor vehicle design as well as functions.

Staff select a sample of vehicles each day, from end products/identified products, prior to dispatch to the end client. These vehicles undergo rigorous testing and inspections on test benches and on the road, based on a standard check list. Any anomalies detected are classified with a score based on the severity of the defect and impact it could have on the end client.

The final quality status compared to the expected status is available for each model on a daily and monthly basis. A meeting is held each day between the Quality, Production, Design and Technologies departments, and other operating units involved, after specific reports have been compiled. In the meeting, all anomalies detected the previous day and in particular concerning functional defects are examined, and corrective actions, relative responsibilities and implementation times are determined.

If serious functional anomalies are detected, the dispatch of all vehicles from the same lot is immediately stopped, and a sample of vehicles from the previous lot is selected. These vehicles are then carefully retested and repaired, as necessary, before authorisation for dispatch.

Based on reports produced following controls at all Group sites, a weekly meeting is held with the Manufacturing department to:

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

Final monthly data are included in the final summary document submitted to Product Development and Strategies.

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 possible and effective.

Piaggio has adopted a system for product traceability which identifies products, components and materials in all stages of the production cycle. In particular, all components manufactured internally and externally that have a direct impact on user health and safety, the environment and compliance with 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.

Reliability tests

* Reported data are also based on processing using estimates

2012				
No. of vehicles tested	Product phases			N° km driven TOT
	Trial production	Preproduction	In production	
<i>Pontedera</i>	9	628	123	1,075,000
<i>Noale and Mandello</i>	11	7	39	350,000
<i>India</i>	33	14	18	956,000
<i>Vietnam</i>	28	45	n/a	1,230,000

To ensure the reliability of its vehicles, the first tests are performed starting from the development test



phases of products, on prototypes and trial production, aimed at verifying that the product meets the project specifications by using laboratory and road tests.

Vehicles assembled with prototype components, i.e. obtained based on drawing which are not final, are subjected to road (and other tests) in this first phase. The aim of this phase is to verify the feasibility of the project as it was conceived. At the end of this phase vehicle component/system drawings are defined and issued.

During the second trial production phase, the vehicles are assembled with components built based on the previously described vehicles and these vehicles, components and systems undergo laboratory and road testing which are aimed at checking the operating limits in terms of characteristics and performance.

There are basically two types of road tests in this phase: performance tests and duration tests. The latter are performed based on a trial production mission profile, which defines the number of kilometres and the type of routes the product will be tested on (percentage of city, out-of-town, mixed and mountain roads). Usually, vehicles are tested over long distances based on their engine capacity and degree of innovation. All of the road tests are performed by a Piaggio team of expert testers.

The vehicles are assembled in the trial production phase with components built based on the final drawings which are manufactured by previously defined suppliers (the same suppliers will later supply the parts for mass production). The objective of this phase is to check the soundness of the production process which will begin shortly. The vehicles undergo additional laboratory tests and further road tests. Based on the type of vehicles and the experience gains in the trial production phase and on other reference vehicles, a reliability mission profile is devised, which may differ from the one previously used in trial production, given the different purposes of the respective tests.

The tests are performed from a “customer” viewpoint, taking into consideration the actual use of the vehicle: 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 extra-urban 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 team⁸ meets once a week to compile and discuss a report summarising any defects identified, analyses conducted and measures taken to remedy any problems.

Each defect is assigned demerits, based on the defect type (design or functional) and severity (from minimum defects not visible to the customer to serious defects that may have an impact on vehicle integrity and driver/rider safety). Each problem is therefore assigned to a manager to be remedied. To obtain approval from the reliability team, remaining demerits of each vehicle must not exceed a given number. In any case defects with a negative impact on vehicle functions are not tolerated.

After successful reliability testing, production of the pilot series begins and a further test stage starts. a fleet, composed of a significant number of vehicles of the pilot lot (300-500) undergoes road tests aimed at identifying problems related to the production phases. Tests are performed with shorter distances and with routes more targeted to the customer profile during this phase.

Distance tests are continued on three vehicles as well as specific tests according to directives regulating

8_The reliability team comprises the reliability laboratory product supervisor, the vehicle/engine project leader, vehicle/engine test engineering and vehicle/engine product quality managers

vehicle type approval.

Post-auditing is conducted 3-6 months after the product is marketed. 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 Sales Network, diagnostics are carried out on the vehicles/engines with the problem, to identify the causes and provide information to take corrective actions, if necessary.

An annual audit is conducted on all types of vehicles and engines, and the tests indicated in directives are carried out on one vehicle per family.

Product information

In light of its field of business, the Piaggio Group must comply with several national and international regulations on product information in terms of both advertising communication (as illustrated under “Relations with the Media” in this document) and the manuals supplied with every single vehicle.

Piaggio’s LUM’s (user and maintenance booklets) provide information on how to use the vehicle correctly, while encouraging users to drive in a safe and responsible manner, for instance, by:

- › always complying with speed limits and the Highway Code;
- › using all precautions for safe driving and passive safety systems (e.g., wearing a helmet when riding motorcycles and scooters);
- › always being cautious and paying the utmost attention when driving, especially when road conditions are wet and slippery;
- › refraining from altering vehicle performance: it is forbidden by the law and dangerous for driving safety.









ENVIRONMENTAL SUSTAINABILITY

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Environmental sustainability

Environmental sustainability, just like technological innovation and customer satisfaction is one of the primary values Piaggio's work is based on in the various geographic areas where it operates.

This commitment, enacted in the Code of Ethics and stated by top management in the Group's "environmental policy" which is the basis for the environmental certification (ISO 14001:2004) programmes already undertaken and maintained at Italian sites and the Vietnamese one, is a mandatory benchmark for all company sites no matter where they are working.

Continuous improvement, including towards the environment, has led the company to create sustainable products and to use "*environmentally friendly production technologies and methods, with the aim of reducing the environmental impact of its activities*" (article 8 of the Code of Ethics) to create them.

Quantitative data on the mitigation of the environmental impact resulting from the Group's operations are reported on in the sections below. Data refer to the entire Group, with the exception of business offices in various countries, whose use of resources, emissions and waste mainly concern office activities. Since their contribution to Group data has been deemed to be marginal, these have not been included in the enclosed tables.

The Piaggio Group, which has expanded some production sites (described in detail in the following section), in addition to a strong growth in productivity, continues to pursue an environmental policy aimed at rationalising the consumption of natural resources and minimising harmful emissions and production waste. With these objectives in mind, initiatives focus on the following areas:

- › maintaining environmental certification awarded to the Group's production sites;
- › reducing energy consumption;
- › reducing emissions of CO₂ and other pollutants;
- › conserving water resources;
- › waste handling and recovery;
- › biodiversity;
- › environmental spending and investments;
- › logistics.

Production sites

The Piaggio Group has a strong international presence.

At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and engines for two-wheeler vehicles, and one for the supply of aluminium and steel components for vehicles and engines. In addition to the facilities manufacturing scooters and motorcycles, which are the most important industrial complex of the two-wheeler segment in Europe, two other sites operate in Italy for European production (Scorzè and Mandello del Lario) plus one site in Spain (Martorelles).

The Group also has its own production sites in Vietnam (at Vinh Phuc), with a site for the manufacture of two-wheeler vehicles and a site for the production of 3V engines, inaugurated in March 2012, and in India (at Baramati, in the state of Maharashtra) with a site for the manufacture of commercial vehicles and engines, in addition to a production site for Vespas for the Indian market, inaugurated in April 2012.

	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Totale
2012	180,726	31,272	6,876	9,384	227,654	103,520	559,432
2011	210,458	34,783	5,637	18,597	224,716	93,667	587,858
Change 2012-2011	-14.13%	-10.09%	21.98%	-49.54%	1.31%	10.52%	-4.84%
2010	224,933	39,236	4,482	23,788	222,035	39,948	554,422

Vehicles produced

	Pontedera	Baramati	Vinh Phuc	Totale
2012	174,981	27,757	19,070	221,808
2011	184,140	33,204	0	217,344
Change 2012-2011	-4.97%	-16.40%	n/a	2.05%

Engines produced

The Piaggio Group has defined a specific organisational structure to achieve the environmental sustainability objectives of its production sites.

The responsibilities and roles of the Environmental Management System (EMS) with Organisational Units / Functions involved are reported in the Quality, Environmental and Occupational Health and Safety Management Manuals, for sites in Italy.

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

Environmental organisational structure of Italian companies of the Piaggio Group

The Environmental 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 power of attorney to perform his duties and responsibilities, while Environmental Managers are appointed by the Personnel and Organisation Manager.

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

The subsidiaries in Vietnam and India (PVPL) have EHS (Environment Health and Safety) teams which work full-time on environmental, health and safety issues, with clearly defined roles and responsibilities. Piaggio Vietnam's EHS team is led by the Technology and Maintenance Manager who reports to the Director of Operations while a full-time employee is responsible for the management of environmental issues. The environmental team at PVPL, consisting of Senior management, engineers and operators, is part of the Maintenance Department and reports to the Director of Operations.

Environmental certifications

ISO 14001 environmental certification is a useful tool for a structured and co-ordinated approach to processes across the Group's various production sites. The system allows Piaggio to define environmental objectives and identify risks and opportunities for improvement, enabling it to guarantee compliance with all environmental laws and regulations, reduce energy costs, manage waste and raw materials, and put in place a process for the continuous improvement of its environmental performance.

In December 2010, certification of the environmental management system of the Pontedera, Noale and Scorzè production sites to ISO 14001:2004 was renewed up until December 2013, adding the Mandello del Lario site to the certified System. The 4 Italian sites underwent a maintenance examination by the certification company in autumn 2012. The outcome was positive and no "Nonconformities" were found.

The Vinh Phuc site also obtained certification to ISO 14001:2004 on January 2011.

Reduction of energy consumption

Although the structure of the Company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. In particular, in the course of reorganisation or renovations, analyses and studies are carried out to adopt equipment and methodologies that reduce the environmental impact to a minimum. In addition consumption reports are prepared on a monthly basis used to carefully monitor consumption, thus making attentive and virtuous management possible.

Systematic improvement and management plans are also implemented, for example through work instruction, to limit environmental impact and reduce consumption.

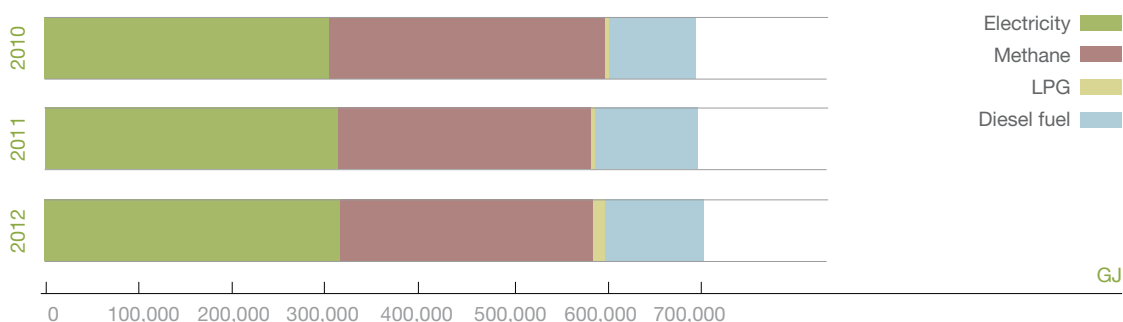
Energy consumption of Piaggio Group production sites

		Direct and indirect energy consumption						Total
		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	
Electricity (Thousands of KWh)	2012	43,153	4,308	844	1,569	26,378	11,851	88,103
	2011	44,755	4,252	797	1,582	26,284	9,974	87,644
	Change 2012-2011	-3.6%	1.3%	5.9%	-0.8%	0.4%	18.8%	0.5%
Methane/Natural Gas (Sm ³)	2010	45,608	4,887	854	2,133	25,059	7,076	85,617
	2012	6,314,949	387,872	209,090	13,384	-	-	6,925,295
	2011	6,306,359	429,212	163,531	22,905	-	-	6,922,007
Change 2012-2011	0.1%	-9.6%	27.9%	-41.6%	0.0%	0.0%	0.0%	
LPG (tons)	2010	6,827,347	467,430	187,162	39,189	-	-	7,521,128
	2012	-	-	-	-	239	23	262
	2011	-	-	-	-	30	12	42
Change 2012-2011	0.0%	0.0%	0.0%	0.0%	696.7%	91.7%	523.8%	
Diesel (Litres)*	2010	-	-	-	-	25	8	33
	2012	1,626	-	-	96,000	1,880,110	927,437	2,905,173
	2011	921	-	-	116,000	2,241,240	732,545	3,090,706
Change 2012-2011	76.5%	0.0%	0.0%	-17.2%	-16.1%	26.6%	-6.0%	
	2010	615	-	-	192,000	1,871,155	524,164	2,587,934

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

Piaggio Group energy consumption

The figures are calculated using conversion standards defined by the GRI G3 guidelines (1 gallon of diesel = 0.138 GJ; 1,000 m³ of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.



A comparison of 2012-2011 figures shows a substantial stability in electricity consumption for all European sites, which underlines how normal operating interventions are close to the physiological limit.

The Mandello del Lario, Baramati and Vinh Phuc registered an increase in consumption attributable to the production increase, coinciding, for the last two, with full speed operation of the production activities of the new Sites described in the previous section.

In terms of other energy sources a change is found more strongly linked to the periods actually worked in the various local sites.

Reducing emissions of CO₂ and other pollutants

Greenhouse gases (mainly 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.

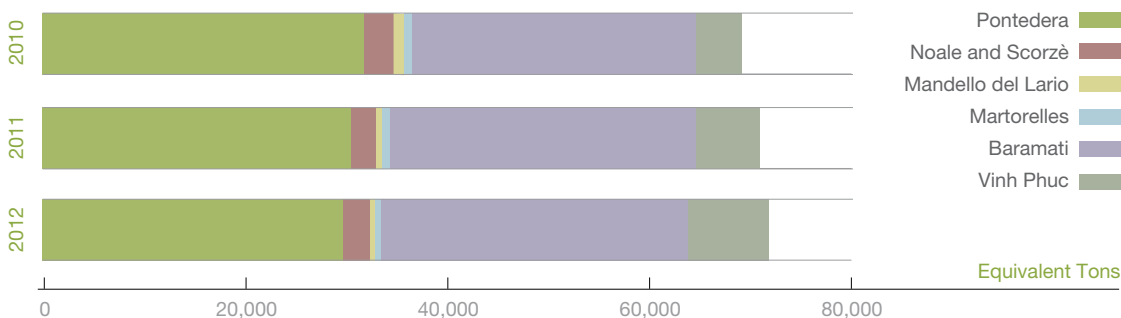
Structural interventions (replacement of boilers and renovation of distribution networks) performed in the past and described in previous reports, above all for the Pontedera and Mandello del Lario sites underline the soundness of the changes made, for 2012 a reduction in energy consumption was confirmed as had been recorded in past years.

Ton	CO ₂ from sources	Direct and indirect CO ₂ emissions						Total
		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	
2012	direct*	12,392	757	408	281	5,705	2,530	22,074
	indirect**	17,520	1,749	343	373	24,057	5,120	49,162
2011	direct*	12,374	838	319	353	6,038	1,980	21,902
	indirect**	18,170	1,726	324	377	23,971	4,309	48,876
Change 2012-2011	direct*	0.1%	-9.6%	27.9%	-20.3%	-5.5%	27.8%	0.8%
	indirect**	-3.6%	1.3%	5.9%	-0.8%	0.4%	18.8%	0.6%
2010	direct*	13,295	912	365	586	5,041	1,415	21,615
	indirect**	18,517	1,984	347	508	22,854	3,057	47,266

Direct and indirect CO₂ emissions of Piaggio Group production sites

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

** It should be noted that compared to the reports published in previous years, the figures for indirect emissions for all reference years were changed in 2012, following the use of different conversion parameters, i.e. "CO₂ Emissions from Fuel Combustion (2012 Edition), IEA, Paris".



CO₂ emissions of the Piaggio Group

13_ENEA report on relations with regions: <http://enerweb.casaccia.enea.it>

It should be noted that for the determination of gases with a greenhouse effect, diesel, fuel oil and methane sources, the conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used.

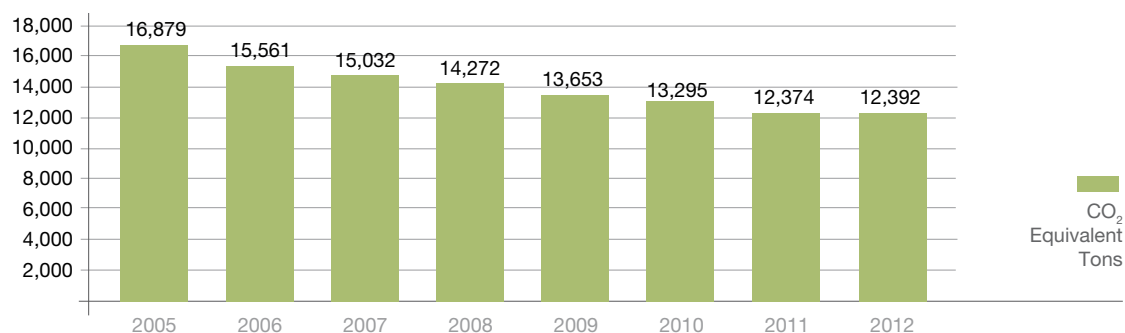
With reference to CO₂ emissions, the industrial plant at Pontedera comes under the sensitivity area classification of the "Emission Trading" directive (Directive 2003/87/EC) which implements the Kyoto Protocol. The site is classed as a "Group A" site, relative to companies releasing the lowest amount of CO₂ indicated in the Directive.

CO₂ emissions are almost entirely due to the combustion of methane and only marginally to the combustion of diesel fuel in back-up power generators.

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 2005 onwards is provided below. The quantities reported therein are certified by an audit body accredited by the Competent National Authority (CNA) with the exception of the 2012 figure, consolidated, but not yet certified, expected by the end of March 2013.

Direct CO₂ emissions of the Pontedera site



Other significant emissions of Piaggio Group production sites*

Ton	Other significant emissions						Total	
	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc		
	2012	140.0	-	-	10.3	344.0	4.4	498.7
	2011	141.0	-	-	10.8	444.0	2.9	598.7
COV	Change 2012-2011	-0.7%			-4.6%	-22.5%	51.7%	-16.7%
	2010	122	-	-	18	466	83	688.1

*Reported data are also based on processing using estimates

Although emissions of VOCs have decreased considerably in the last few years, the use of technologies with less impact on atmospheric pollution and on water resources is being evaluated. Specifically, studies are underway to further reduce the impact of painting systems.

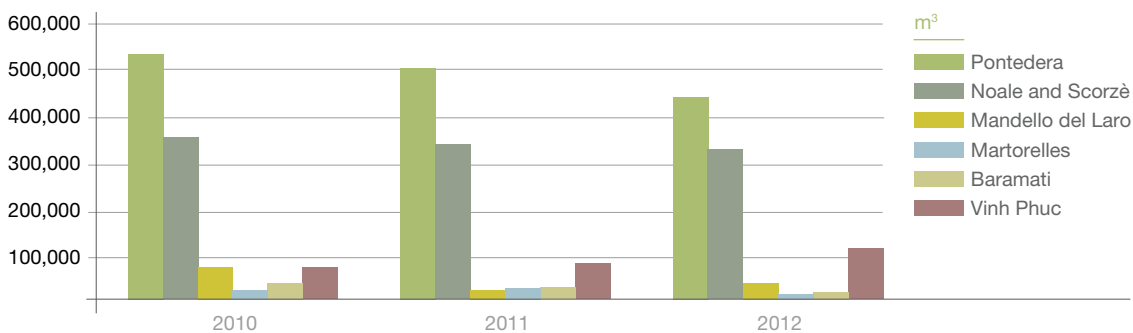
Conserving water resources

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%.

m ³		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Totale
2012	Water from wells	378,928	8,286	25,482	3,711	-	-	416,407
	Water from the mains	63,958	6,891	854	1,485	343,340	113,902	530,430
	Total	442,886	15,177	26,336	5,196	343,340	113,902	946,837
2011	Water from wells	435,121	6,199	24,101	15,624	-	-	481,045
	Water from the mains	62,416	11,219	1,047	2,017	349,289	83,670	509,658
	Total	497,537	17,417	25,148	17,641	349,289	83,670	990,703
Change 2012-2011	Total	-11.0%	-12.9%	4.7%	-70.5%	-1.7%	36.1%	-4.4%
2010	Water from wells	466,785	13,378	73,634	7,499	-	-	561,296
	Water from the mains	66,415	7,318	1,705	3,584	357,918	62,274	499,214
	Total	533,200	20,696	75,339	11,083	357,918	62,274	1,060,510

Water procurement of Piaggio Group production sites

Water consumption for the European sites is stable or dropping, and despite having already obtained drastic reduction which could lead to the conviction of having reached a level difficult to further reduce, Piaggio continues to undertake activities and tests aimed at additional reductions. These include modifications made to the Pontedera painting booths at the end of 2012, which are believed to have significant effects in the reduction of water consumption in 2013.



Water supplies of the Piaggio Group

As regards waste water, environmental respect is ensured with processes to treat and purify waste water.

Below we report the destination of waste water produced, estimated to be equivalent to the amount of water supply used, for each production site:

- › **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;
- › **Vinh Phuc:** the site has a chemical/physical purification plant to purify pre-treated waste from painting operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent. Final discharge of sewage is into the public sewer system.

In terms of recycled and reused water, only the sites of Baramati and Vinh Phuc reuse part of the drawn water. Specifically, approximately 178,779 m³ of water were recycled and reused by the Indian site in 2012, equal to 52.1% of the total amount drawn by the site. Recovery of waste water significantly increased at the Vietnamese site, both against a large increase in the amount of water used in the production cycle, which rose from 210 m³/y in 2011 to 11,192 m³/y in 2012, with the percentage recovered increasing from 0.25% to 9.8%.

Waste handling and recovering

Where possible, the Piaggio Group tries to recover rather than dispose of waste and, reconditioning and reuse have been a common practice at all sites for several years now. The Company is also committed to using environmentally compatible processes and technologies that can reduce the production of waste.

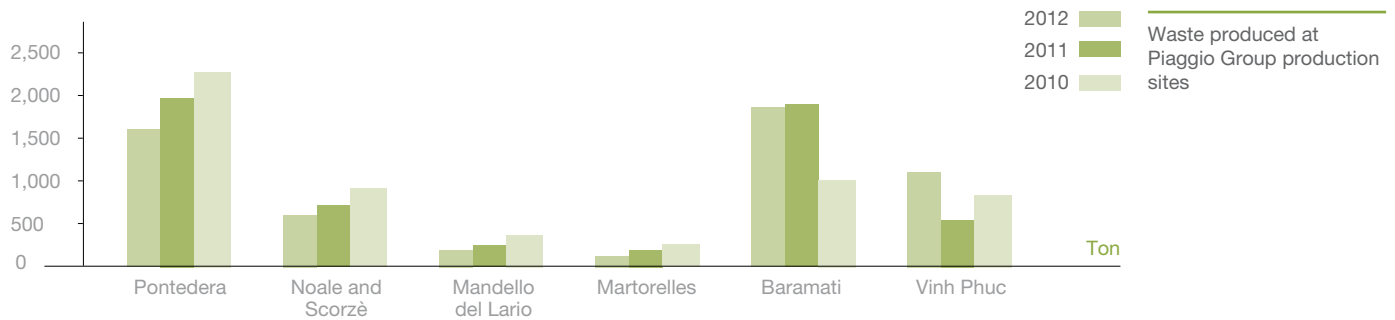
Moreover, it has a priority objective of further increasing its recovered waste/disposed of waste ratio. Sites with an environmental management system have specific procedures in place to facilitate waste disposal and recovery, thus avoiding operations that are harmful for the environment or that may affect activities.

At all other sites, general indications are based on the above mentioned procedures and modified to take into consideration applicable local regulations.

Waste produced at Piaggio Group production sites

Waste produced* (Ton)		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Totale
2012	Total waste	1,595	595	161	121	1,866	1,111	5,449
	Hazardous	15.6%	3.2%	2.2%	15.4%	23.7%	47.2%	22.9%
	For recycling	86.2%	88.4%	98.5%	59.6%	76.3%	31.4%	71.6%
2011	Total waste	1,961	706	233	195	1,884	550	5,528
	Hazardous	14.0%	3.1%	4.3%	17.3%	25.7%	35.1%	18.4%
	For recycling	87.3%	85.7%	97.9%	54.9%	34.4%	64.9%	66.1%
Change 2012-2011	Total	-18.7%	-15.7%	-30.9%	-37.9%	-1.0%	102.0%	-1.4%
2010	Total waste	2,259	924	361	248	1,008	832	5,633
	Hazardous	17.9%	3.6%	2.8%	6.8%	49.6%	40.6%	23.1%
	For recycling	84.0%	91.5%	99.6%	60.4%	59.4%	33.0%	73.3%

* Reported data are also based on processing using estimates. The classification of hazardous and non-hazardous waste differs significantly under the different laws applicable in different countries.



We report that in 2012, as in 2011, no spills or polluting events of significance occurred at any of Piaggio's production sites.

Biodiversity

Piaggio's production sites are not located in protected areas or areas with high levels of biodiversity. The sole exception is the Scorzè site, which although located in an industrial zone, conveys its waste water into the drainage basin of the Venetian Lagoon. As such the production site is subject to restrictions imposed by specific laws.

Environmental spending and investments

The Group's commitment to environmental sustainability is further proven by the EUR 859 thousand invested in the environment by Italian production sites in 2012. These investments regarded mainly projects aimed to prevent and monitor environmental aspects, impacts and risks.

	2012	2011
<i>figures in euro</i>		
Waste disposal, waste treatment and environmental restoration costs	448,886	389,000
Costs for prevention and environmental management	410,212	356,000
Total	859,098	745,000

Environmental spending and investments in Italy

Logistics

The Group implemented a distribution model aimed at benefiting from the synergies among the various distribution centres in Europe and identifying opportunities for optimisation, paying particular attention to service quality aspects.

To reduce transfer needs to a minimum the model requires that produced vehicles are stored in the distribution centre adjacent to the production site and that importing of overseas products is centralised.

To optimise distribution the model calls for targeted management of departures and routes to travel.

The procedure also disciplines:

- › the packaging collection service to manage the pick-up of packaging from dealers and its disposal according to local regulations in force;
- › the vehicles and equipment used by logistics operators certified by Piaggio, in accordance with the relevant quality standards;



- › disposal and waste sorting of waste material (e.g., due to decontainerisation) and packaging substitution;
- › replacement of vehicles for internal shuttling with others equipped with systems to cut CO₂ emissions,
- › printing of only the documents which are necessary.

The following vehicle management procedures were implemented and modified in 2012 aimed at creating synergies between the various distribution centres in Europe, paying particular attention to quality and service aspects:

Two-wheeler vehicles

- › *Transfer between CENTRES*: in order to optimise and reduce the number of trips used to transfer stock between the 4 Centres (Pontedera, Quinto di Treviso, Martorelles and Mandello) centralised management of requests has been set up maximising the quantity of vehicles to transfer in one shipment and combining with unloading/reloading and In and Out flows. A reduction of around 1/3 of the lorries used was obtained following this modification.
- › *Electronic Archive*: use of an external hard disk to archive shipping documents from the previous year. Paper copy eliminated.
- › *Sending invoices*: ban on printing invoices to issue documents and relative sending to end customer. Addition of use of Pdf printout for document use in electronic format.

Commercial Vehicles

- › *Overhaul of yard layout* used for stock. A savings of 40% on vehicle handling for transformations was achieved following this change.


The production centres in India and Vietnam also set up procedures aimed at minimising the number of trips for shipping produced vehicles and consumption of packing materials. In India, thanks to the reuse of some materials used to pack Vespa engines a reduction of 1,211 grams of solid waste per engine was obtained.





THE VALUE OF PEOPLE AT PIAGGIO

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The value of people at Piaggio

Human resources, with their skills, capacities and dedication, are a key factor in Piaggio's competitiveness and growth.

A strong focus on results, commitment to customer satisfaction, innovative drive and a sensibility for the future needs of the market are what must steer both individuals and teams in their work, with the aim of creating value for all our stakeholders. With this mentality, our people are the fundamental element that allows us to take up each and every challenge presented by an international scenario that is becoming increasingly more dynamic and competitive.

It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

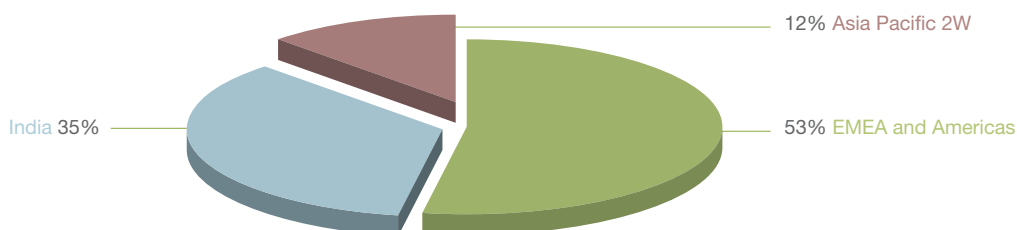
Workforce

In 2012 the Group's overall workforce grew by 6.7% compared to the previous year, despite staff adjustments in Western countries. This increase is mainly due to the new Indian plant for the production of scooters and its sales network as well as consolidation of the Vietnamese plant for engine production.

Company employees by geographic segment as of 31 December

Employee/staff numbers	2012	2011	2010
EMEA and Americas	4,318	4,356	4,647
of which Italy	3,873	3,871	4,138
India	2,814	2,331	2,400
Asia Pacific 2W	997	932	482
Total	8,129	7,619	7,529

Company workforce by geographical segment as of 31 December 2012



Company employees by professional category as of 31 December

Employee/staff numbers	2012	2011	2010
Senior Management	96	97	107
Middle Management	573	515	487
White collars	2,214	2,127	2,076
Blue collars	5,246	4,880	4,859
Total	8,129	7,619	7,529

Company employees by education level as of 31 December 2012



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

Employee/staff numbers	2012	2011	2010
Senior Management	95	100	109
Middle Management	574	504	465
White collars	2,202	2,100	2,088
Blue collars	5,477	5,033	4,939
Total	8,348	7,737	7,601

Average number of
Company employees by
professional category

The average number of employees is therefore historically higher than the average number at the end of the year, with the same scope of consolidation.

An entering turnover rate of 4.21% and leaving turnover rate of 3.28% was recorded in Italy in 2012.

Employee/ staff numbers	Staff as of 31 December 2012	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Senior Management	68	1	-	-	-	1	-	1	1.47%
Middle Management	218	3	-	-	2	1	-	3	1.38%
White collars	989	23	11	19	15	-	-	34	3.44%
Blue collars*	2,598	45	80	16	49	45	15	125	4.81%
Total	3,873	72	91	35	66	47	15	163	4.21%
Leavers									
Senior Management	68	5	-	-	1	1	3	5	7.35%
Middle Management	218	13	3	-	5	3	8	16	7.34%
White collars	989	52	19	3	24	6	38	71	7.18%
Blue collars*	2,598	27	8	1	5	5	24	35	1.35%
Total	3,873	97	30	4	35	15	73	127	3.28%

Company employee
turnover in Italy as of 31
December 2012¹

* Figures for the blue collars
category do not include fixed-
term contracts and special
"work-entry" contracts

Personnel management policies

The central importance of human resources and the development of core competencies for the growth of our business represent the underlying foundations of our relationship with our employees, shaping company policy for the placement, development, training and rewarding of staff. The Policies which were updated in 2011, underwent a consolidation process in 2012.

Recruitment and internal mobility

The Recruitment process is aimed at aligning instruments and methods to the company's strategic decisions, interpreting changes in progress regarding the internal organisation, external job market, reference market for the company's business, laws, society and technology.

Reviews

Importance is placed on using transparent criteria and methods used for reviewing employees. Such reviews focus on:

- > performance,
- > managerial and professional competencies,
- > potential

in relation to the employee's role, company needs and possible development paths.

Career development

The Group promotes the development of its human resources and keeps a “portfolio” of resources ready and able to cover key management and professional positions. Career ladders and development paths are based primarily on the review of an employee’s conduct, performance, competencies and potential.

Training

To promote the growth of core competencies, training is provided for all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the growth of business and the corporate culture.

Rewards

The Group rewards people and their work on the basis of competitive, fair and merit-based criteria that are transparent, and able to motivate and retain the human resources that contribute the most to achieving the company’s results.

Communication and engagement

A “two-way” communication channel is always open between the company and its people, through which:

- › important information and messages are announced in order for people to understand and implement company strategies;
- › people can voice their thoughts, enabling the company to gauge the internal climate and keep employee satisfaction and motivation high.

Diversity and equal opportunity

The Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with law and contractual requirement, and in keeping with the customs, practices and usages of each country in which the company operates.

Industrial relations

Workers and their representatives are encouraged to contribute to the pursuit of the company’s objectives, while promoting the underlying values of the company and its competitive standing in full compliance with existing regulations and collective labour agreements.

Competitive organisation

Organisational innovation is pursued as a means of sharpening the company’s competitive advantage and promoting the creation of a lean, customer-oriented organisation that generates value and works in an integrated way with a network of all the partners (supplier, dealers) that contribute to the company’s value chain.

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 the laws in force in the geographic areas where it operates.

Piaggio does not resort to child labour according to the age limits in force in the various countries or to 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*.

Measures of Piaggio Vietnam to improve the work environment

Piaggio Vietnam is strongly committed to the consolidation of bonds between the company and employees and the improvement of workplace climate. The main initiatives are:

- › annual organisation of events for employees such as Women’s Day, summer party and year end party. In addition a football tournament was developed with trade unions during 2012, aimed at developing team work;
- › training and activities to develop technical, professional and management skills;
- › a health insurance programme for managers and their families;
- › a free shuttle service from home to the plant and back and an allowance for travel time.

Diversity and equal opportunity

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting difference as part of the shared substratum of company culture. The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the Company.

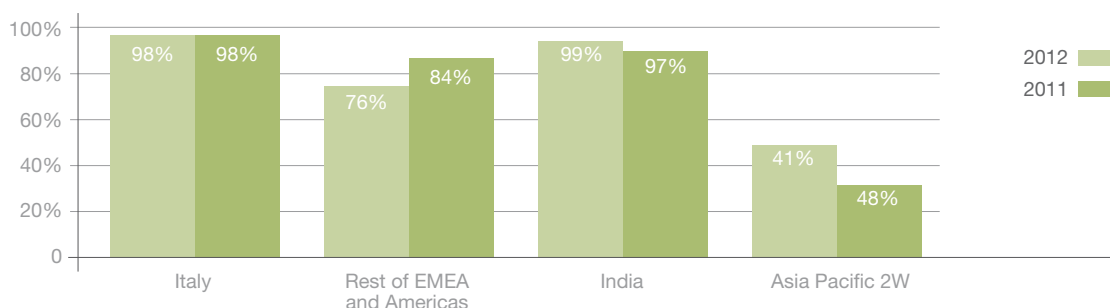
The company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international spirit and a truly multinational organisation in which all employees can benefit from equal opportunities.

For these reasons, human resources management – and in particular:

- › strategies and policies concerning employees,
- › the recruitment and placement process,
- › development, career and training tools,
- › reward policies,
- › talent management programmes,

is conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.

Piaggio has not adopted specific procedures for the recruitment and placement of local residents where operations are located, focusing instead on the characteristics and experience of candidates and the requirements of the role to be filled. The Group does, however, ensure the development of staff from local communities, as illustrated in the following table¹.



¹ Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C. SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.

Percentage of senior management positions filled by local nationals by geographical segment as of 31 December 2012

In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

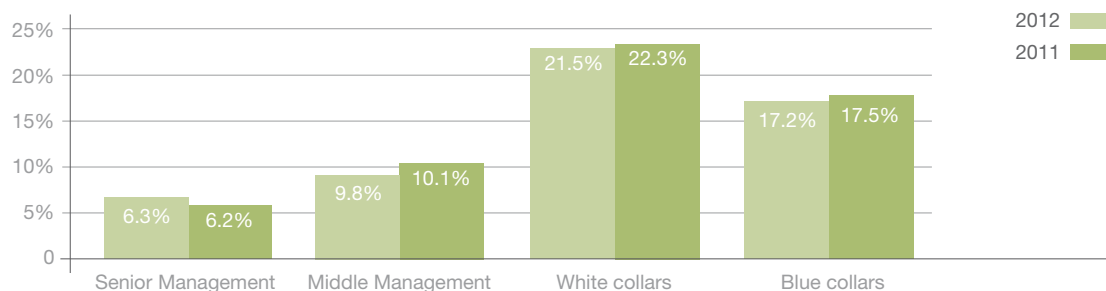
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. They account for a significant percentage of white collars (21.5%) and blue collars (17.2%), and a lower percentage of higher-ranking positions.

Company employees by gender and geographic segment as of 31 December

Employee/staff numbers	2012		2011	
	Men	Women	Men	Women
EMEA and Americas	3,068	1,250	3,146	1,210
<i>of which Italy</i>	2,731	1,142	2,778	1,093
India	2,787	27	2,311	20
Asia Pacific 2W	835	162	776	156
Total	6,690	1,439	6,233	1,386

Percentage of women accounting for the workforce as of 31 December 2012



Company employees by contract type, gender and geographical segment as of 31 December 2012

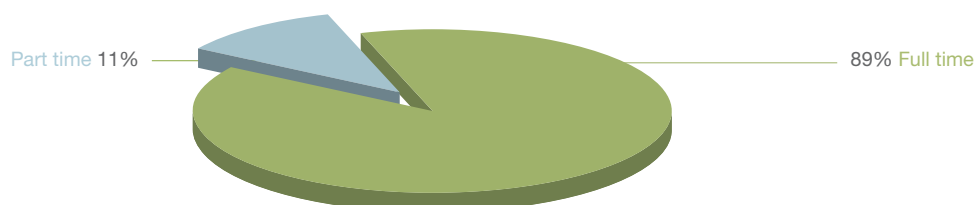
Employee/staff numbers	Fixed-term contract			Open-ended contract		
	Men	Women	Total	Men	Women	Total
EMEA and Americas	27	6	33	3,041	1,244	4,285
<i>of which Italy</i>	2	0	2	2,729	1,142	3,871
India	1,386	0	1,386	1,401	27	1,428
Asia Pacific 2W	577	99	676	258	63	321
Total	1,990	105	2,095	4,700	1,334	6,034

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full time work.

Company employees by profession, gender and geographical segment as of 31 December 2012

Employee/staff numbers	Full time			Part time		
	Total	Men	Women	Total	Women	Total
EMEA and Americas	2,847	910	3,757	221	340	561
<i>of which Italy</i>	2,615	822	3,437	116	320	436
India	2,787	27	2,814	0	0	0
Asia Pacific 2W	835	162	997	0	0	0
Total	6,469	1,099	7,568	221	340	561

Part-time employment in Italy as of 31 December 2012



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 in Italy and are becoming increasingly popular with employees.

In 2012, 436 employees were working an alternative to full-time hours in Italy: in particular, 3.8% of the workforce was employed with a part-time contract, and 7.4% on a job-share contract.

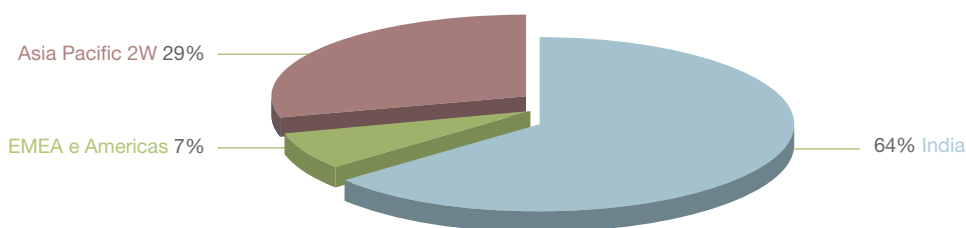
The promotion of part-time and job share contracts in Piaggio has undoubtedly helped working mothers who want to spend more time bringing up their children or on family commitments.

Young employees

Most Company employees in the group are in the 30 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.

n. persone		<31	31-40	41-50	>50	Total
2012	Senior Management	-	7	39	50	96
	Middle Management	1	201	254	117	573
	White collars	478	925	536	275	2,214
	Blue collars	2,123	1,213	1,059	851	5,246
	Total	2,602	2,346	1,888	1,293	8,129
2011	Senior Management	-	13	40	44	97
	Middle Management	2	193	209	111	515
	White collars	510	801	526	290	2,127
	Blue collars	2,045	1,061	987	787	4,880
	Total	2,557	2,068	1,762	1,232	7,619
2010	Senior Management	-	12	48	47	107
	Middle Management	2	172	197	116	487
	White collars	496	796	469	315	2,076
	Blue collars	1,672	1,326	927	934	4,859
	Total	2,170	2,306	1,641	1,412	7,529

Company employees by professional category and age bracket as of 31 December



Company employees up to 30 years of age by geographic segment as of 31 December 2012

People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. 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 also forged alliances with social cooperatives, convinced that work can contribute to personal development.

The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

Employee/staff numbers	2012	2011	2010
Middle Management	1	2	2
White collars	9	10	11
Intermediate/blue collars	134	136	154
Total	144	148	167
Percentage out of total employees	3.7%	3.8%	4.0%

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

In 2012, 144 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 3.7% of the total work force.

Developing human capital

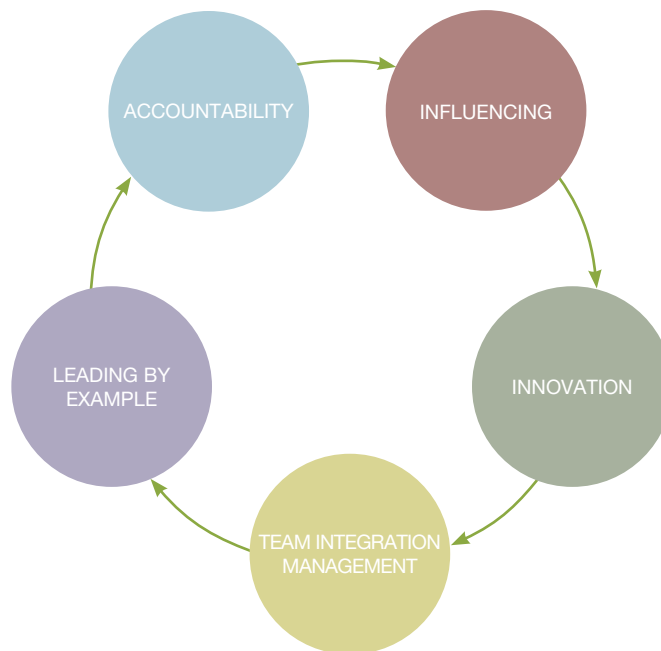
The development of the core competencies required by a changing business and market is a priority for the Piaggio Group. This is why the development of people and careers are rooted in building, maintaining and developing these competencies.

The Group's managerial competencies model

On the basis of the Group's strategic plan and in line with its core values, Piaggio has identified a managerial competencies model that represents the set of skills to be implemented day by day to ensure personal success and the success of the company.

This model is touchstone of reference for the entire Group for the development of the company culture and the growth of our people. The model was fine-tuned in 2012 and managerial competences continued to be widely distributed to Group employees and managers.

The Group's managerial competencies model



The Group's professional competencies model

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.

The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping people acquire the level of competence required by their role.

The professional system was enhanced in 2012 with specific roles for foreign operating units and used as a basis for the evaluation and systematic development of professional competences for all Group employees and managers.

In addition mapping of technical-professional competences was updated at Group level and development and training plans were developed to improve gaps found in 2012.

Reviews

On the basis of the position they hold, staff reviews focus on the following key aspects, taking into account professional growth and company objectives reached:

- › managerial and professional competencies;
- › performance;
- › potential;
- › international mindset.

Review outcomes are directly shared and discussed by reviewers with the people they review, and may form the basis of a development and training plan. Employees are reviewed by comparing their competencies, as evidenced by concrete and observable action in their everyday work, with the company's competencies model. The review process is managed in an integrated way, and provides the information necessary for full management reviews and a gap analysis of professional competencies, which are conducted uniformly across the Group. Performance reviews are conducted using specific tools in relation to the employee's role and responsibilities in the company.

Specifically:

- › for top and middle managers, performance reviews are based on quantitative and qualitative objectives for the year, set as part of a reward system;
- › for white collars, performance reviews are of a qualitative nature, based on overall results achieved during the previous year.

In both cases, performance reviews affect development paths and career opportunities, as well as rewards (see "reward policies" section).

During 2012, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all office and managerial staff, assisted by computer tools (SAP HR and Success Factors) for the real-time management of all evaluations, for human capital development purposes.

Geographical segment	Italy	Rest of EMEA and Americas	India	Asia Pacific 2W
Senior Management	90%	100%	100%	not applicable
Middle Management	99%	100%	100%	100%
White collars	100%	100%	100%	100%
Blue collars	8%	not applicable	0%	100%

Percentage of employees who received performance and career development reviews in 2012²

2_The definition of this indicator considered all employees who had worked at least six months during the year and had not left the company before six months from the evaluation.

Potential is systematically assessed in young talent, managers and people earmarked to cover top management positions in the Group. Specific assessment tools are used for each profile reviewed, involving sophisticated assessment techniques (such as in-basket exercises, aptitude tests, role playing and interviews) conducted by external consultants so as to ensure the greatest objectiveness.

Development paths

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by Piaggio includes:

- › development plans, which identify the action to be taken for the growth of the employee;
- › job rotation and participation in strategic or international projects;
- › management and professional training (see "training" section)
- › Piaggio Way - the talent management programme (see "talent management" section)

Development actions aimed at reinforcing the Company's internationalisation were consolidated in 2012,

in particular with the increase of assignments and job rotation in the Group's Asian companies.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level. To this end, tools for monitoring and managing succession plans for key Group roles were consolidated in 2012.

Training

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 priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focused on competitive excellence (see "Developing Human Capital" section).

Management training focuses on management techniques, managerial skills and/or company strategy. Such training is planned on a yearly basis so as to:

- › develop and boost the capacity of young new-recruits to deal with critical innovation and organisational change;
- › provide Group managers with the tools and methods to manage the results and organisational resources necessary to effectively interpret their role based on the Company's vision and business needs;
- › values talented resources with specific initiatives for their professional advancement.

In 2012 a Piaggio course catalogue was consolidated. It features training courses targeting different professional levels of the company, and formed the basis for providing training during the year.

Professional training focuses on boosting the technical and specialist skills required for specific roles, with the aim of harmoniously consolidating the competencies identified by the Piaggio model for each professional group in the company. Professional training is planned annually on the basis of a review of the competencies found in the company and an analysis of training needs, conducted together with individual company functions.

Piaggio also values the sharing of its know-how by organising training events managed by internal trainers, with a view to encouraging the exchange of the advanced methods and knowledge developed within company, so as to promote continuing improvement.

The year 2012 witnessed a growth in training activity, with 93,906 hours of training provided to all employees across the Group, approximately equal to 1.5 day's worth of training per capita. Training focussed on the launch of the new Product Lifecycle Management system, involving Company R&D areas.

Alongside training in the classroom, on-the-job training is also provided, especially in production areas.

Thematic area	2012*	2011*
Managerial training	26,824	16,937
Technical – professional training	34,806	19,333
Linguistic training	9,629	10,360
Safety and environmental training	22,647	5,334
Total	93,906	51,964

Hours of training by
training area

**The figure does not include
hours of on-the-job training.*

Professional category	2012*	2011*
Senior Management	1,618	2,255
Middle Management	16,137	8,645
White collars	48,771	33,260
Blue collars	19,890	7,445
Project workers	7,490	360
Total	93,906	51,964
Total per-capita	11.5	6.8

Total training hours by
professional category

**The figure does not include
hours of on-the-job training.*



Reward policies

Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are transparent and used in review processes (see “Developing Human Capital” section).

The Group reward system is differentiated for the different professional groups in the company, and consists of a salary component, an objective-based incentive system and benefits. More specifically, rewards are contemplated for executives, managers, professionals, new graduate recruits and people participating in talent management programmes.

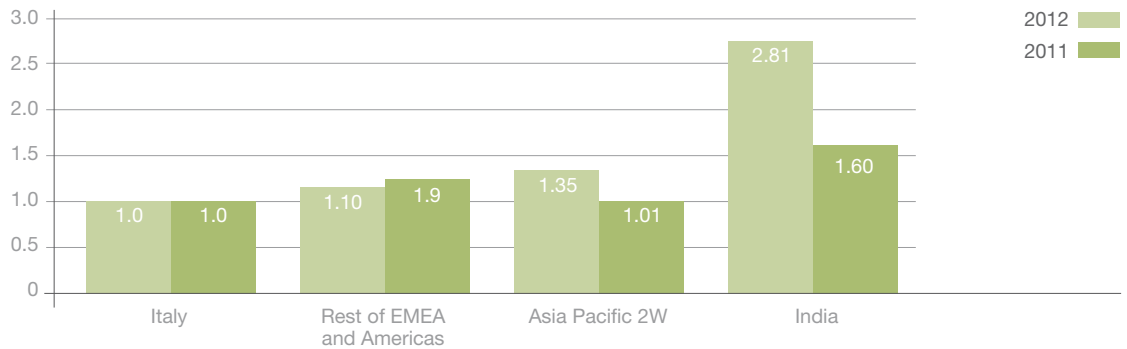
Salary packages

Piaggio offers new recruits and all its employees a salary package in line with the best market practices. Accordingly, Piaggio has adopted a structured salary review process that involves:

- › comparing salaries with market benchmarks, considering the market positioning of the company as a whole and the weight carried by individual organisational roles. Comparisons are conducted using internationally-recognised methods, with the support of specialist consultants;
- › setting out guidelines for the salary review process that take into account company results and focus on merit-based, fair and competitive criteria;
- › identification of fixed and variable salary components, in accordance with guidelines and in consideration of employee review outcomes and retention needs.

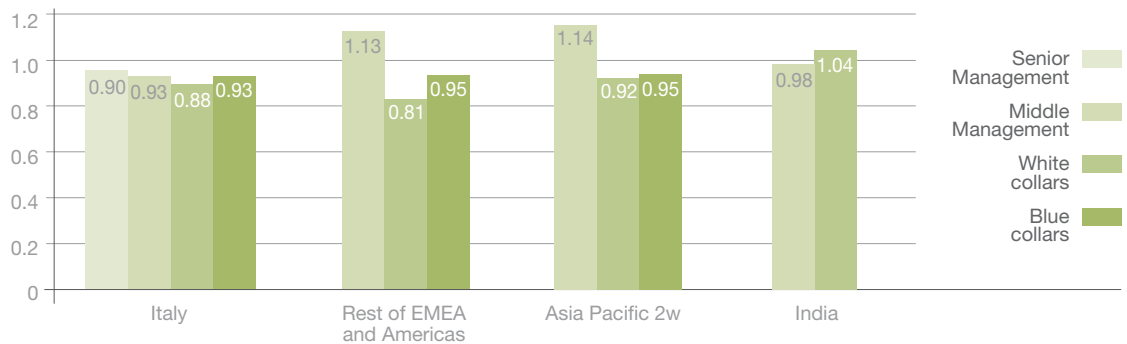
Ratio of standard minimum wages for new recruits to the local minimum wage³

3_Figures include all blue-collar workers on open-ended, full-time contracts at all Group production sites. Figures on the EMEA and Americas take into account Spain alone, as there are no blue collars in the EMEA and Americas.



Ratio of average basic salaries for women to average basic salaries for men of the same professional category⁴

4_Figures for Asia-Pacific 2W do not include expatriate staff, which are included in figures for Italy. Categories not reported in individual geographic segments do not have any women employees.



Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is explicitly forbidden by the Code of Ethics.

An analysis was performed on a single country basis where Piaggio works did not reveal any significant differences between the basic salary and remuneration of men compared to women with the same category, experience and assigned duties.

Objective-based incentive systems

The company uses incentive systems to reward the achievement of outstanding results that exceed company targets. Specifically, Piaggio adopts the following systems:

- › MBO for executives;

- › Performance Management for managers,

in which the size of the reward is based on the achievement of a set of quantitative and qualitative objectives.

The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Benefits

Piaggio offers a benefits package in line with the best local market practices, which is structured on an organisational basis. Benefits include, by way of example:

- › company car;

- › private health insurance.

Benefits are offered to full-time, part-time and temporary employees without distinction.

Talent management: the Piaggio Way programme

The Piaggio Way talent management programme was launched in 2010 and it is one of the development tools adopted by the Group to ensure the growth of key internal resources. The objective of the programme is to identify people in the Group that show high potential, great motivation in their work, and the courage to try new approaches.

The programme was improved in all Group units on a worldwide level during 2012 with strong participation from Asian and Indian talents.

Lasting a maximum of four years, the programme is distinguished by its:

- › high selection bar to be included and to remain in the programme;

- › overriding focus on managerial competencies, performance and potential;

- › fast-lane approach to developing management skills and internationalisation.

Talented people placed on the programme fall into two categories:

- › Young Talent: young people with high potential, who have been with the company for more than one year;

- › Managerial Talent: young managers with financial and operating responsibility.

They are given fast-lane access to development, involving:

- › job rotation;

- › strategic and international projects;

- › events involving top management;

- › coaching;

- › personalised training.

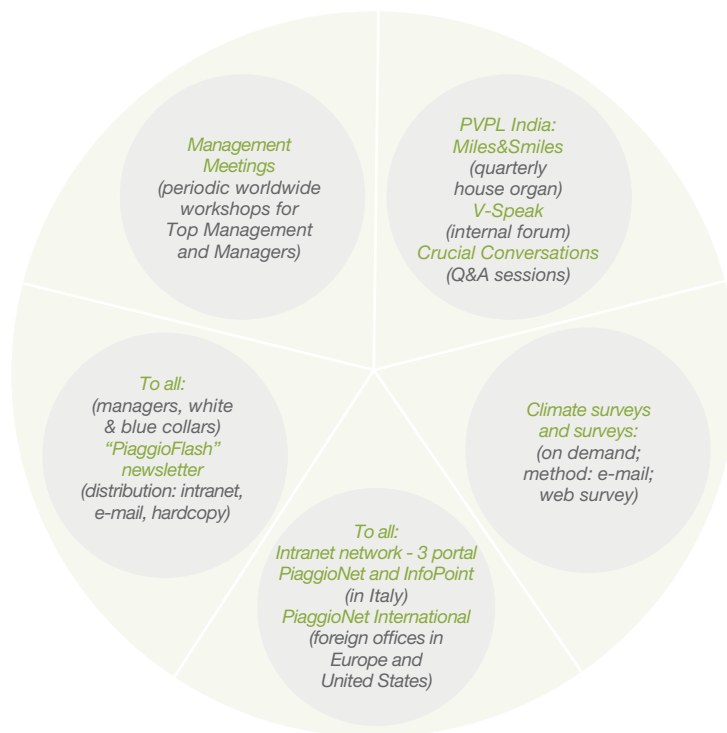
To remain on the programme participants undergo a structured annual Talent Review conducted with the involvement of Piaggio top management.

Personnel dialogue and involvement

Piaggio's communication and dialogue policy aims to create a two-way dialogue between the Company and people to convey and make clear to everyone messages and information that are fundamental for understanding the Company's direction and objectives, and for listening to people. The goal is to establish and improve employee motivation over time, so that everyone channels their energies in the same direction as that of the Company.

In this framework which integrates different social and cultural contexts, numerous two-way, top-down and bottom-up communication tools are used.

Piaggio Group's internal communication tools
(A global vision)



Two-way communication tools include:

- › “PiaggioNet” Intranet: the portal offers information (on-line daily newspaper with company news and current events, sent to employees of Italian and foreign offices) and services for personnel (for example: managing working hours and transfers, organisational instructions and user manuals, a staff market, vehicle and merchandise prices, institutional and product press releases, photo gallery of product ranges and events, a daily press review, etc.). In 2012, the Group's Intranet portal published 857 news items on its home page, and had 147,221 hits (total number of readers of both portals: PiaggioNet and InfoPoint).
- › Piaggio InfoPoint: web points in the Piaggio Group's production sites in Italy, which may be accessed by blue collars using their Company badge, to log on and the Intranet and use its services (reading news, checking labelling, a staff market, vehicle and merchandise prices, institutional and product press releases, sending messages to Company contacts via Web Mail, etc.). The news published on the PiaggioNet home page are also published on the InfoPoint home page: thus company news is distributed to the entire organisation and made available to all employees (managers, white collars and blue collars).
- › PiaggioNet International: the contents of the sections and news are published in English, specifically selected and intended for employees of the Group's European sites and in the United States, with

extension to Asian sites. In 2012 246 news items were publishing on the international portal home page, which registered 2,475 hits.

- › 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.
- › V-Speak: an in-house forum dedicated to the employees of the Indian PVPL subsidiary, designed to establish open, transparent communication within the organisation. The forum gives people the chance to learn more about the organisation, express new ideas, and share experiences and best practices.
- › Crucial Conversations: the initiative is aimed at improving interactions and work between functions, and encouraging reciprocal knowledge of company activities. The sessions include managers of various company functions who present activities and objectives to selected target groups, who then interact with the speakers through a series of Q&A. Twelve Crucial Conversations sessions were completed in 2012.

Top-down communication tools include:

- › PiaggioFlash: a periodic newsletter distributed in all of the Piaggio Group's Italian production plants (in hardcopy and softcopy via e-mail and published on the intranet), it provides information on promotions and offers (in-house on vehicles and merchandise, and agreements with external companies) available for employees. In 2012 thirteen newsletters were published.
- › Miles & Smiles: an internal, quarterly magazine for employees at the Piaggio Group's Indian PVPL plant, providing information on company activities and providing visibility to people and teams.
- › Management meeting: periodic top management workshops with managers on the general trend of the Group and its main strategies and company objectives.

Dialogue and bottom-up communication:

WIDE Survey on-line: in July 2011 an on-line survey was launched - published on the Group's websites (www.piaggio.com and www.piaggiogroup.com) in Italian and English, dedicated to Wide Piaggio Magazine, a quarterly magazine published in 2010 and 2011. A questionnaire was used to ask readers to express their opinion of the magazine; the survey continued in 2012. The results from the on-line questionnaires filled in by the readers were collected in periodic reports and assessed with the aim of repositioning and developing the publication.



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.

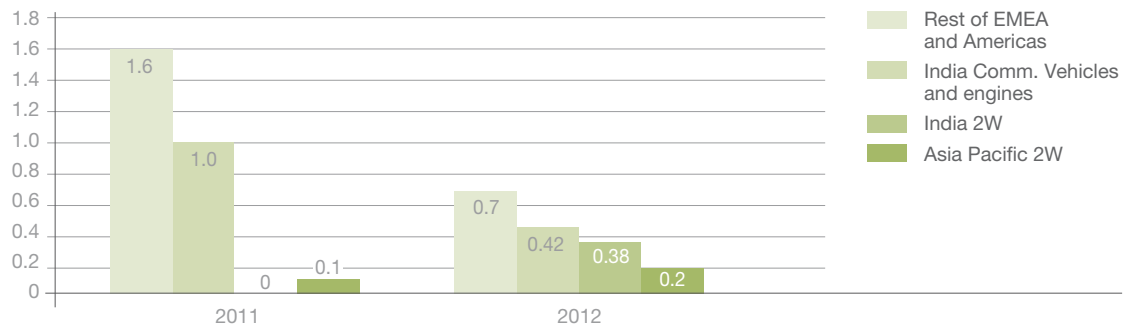
Accident Frequency Index in Italy

Production sites	2012	2011	2010	2009	2008
Pontedera	3.3	3.0	2.4	2.6	3.3
Noale and Scorzè	0.9	1.7	0.9	1.3	1.7
Mandello del Lario	3.2	3.1	3.5	1.2	3.3

Accident frequency index in the rest of the world^{5 6}

5_The accident frequency index provides the number of accidents for 100,000 hours worked according to the formula (number of cases / hours worked) x 100,000.

6_The figure relating to the Rest of Emea and Americas refers only to the Rest of Emea. Please be noted that in 2012 there were no accidents in the Americas area.



In 2012 the accident frequency index in Italy was equal to 3.0, a result more or less in line with those of recent years, though slightly worse. An analysis of the results will help define the initiatives that must be implemented in 2013 to consolidate this trend.

Based on the data on the causes, nature, location and severity of the injury that are entered in the dedicated form on the company intranet network, it is possible to stratify the information in order to launch activities that can lead to improvements aimed at reducing the frequency and severity of injuries.

To remain consistent with what has been defined to date and 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 seven Employers appointed for Company areas and a group of senior 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 Group has prepared high health and safety standards for the subsidiaries in Vietnam and India as well, by identifying local Safety Managers who, in collaboration with the central site for Group operating procedures, ensure constant monitoring in order to improve collective awareness of the issue. The Occupational Health and Safety Management System that has been implemented at Piaggio includes a rather large body of documents that comprises the relevant Manual outlining the policies issued by the Management, which are implemented in the Management Procedures (covering the entire company organisation), in the Operating Procedures (which regard only some company structures) and

Work Instructions that illustrate how every single operation is to be carried out correctly.

Then there is a safety management IT system that has been developed over the last few years, 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 electronic “risk condition reporting” available on the company intranet network, which allows company managers to report any risk conditions, 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 as well as of “near misses”, which are a key element in preventing dangerous situations that can lead to serious injuries from occurring.

Great importance is attached to emergency management. As set forth by existing regulations, every site has a plan that comprises the analysis of the main risks, the operating procedures to be applied during the different types of emergency, the roles and actions that the duly appointed and trained staff must implement, and the communication protocols. Of course, the efficiency of this organisational system is tested during many drills that involve Piaggio’s various sites to varying degrees.

In addition, there is a broad range of equipment for fire detection and extinguishing that include smoke detectors, automatic extinguishing systems, sirens, fire extinguishers, hydrants and a fire hydrant water network. The fire exits, escape routes and all the aforementioned systems are clearly signalled.

An important activity which has been completely defined during 2011, and consolidated in 2012, is without doubt the definition of a technical-management system used to limit the risk of “thermal stress” by implementing four points:

Measurement – installation of 7 microclimatic stations in the production units;

Calculation – a central unit displays in real time the WBGT index, thus making it possible to compare it to the benchmark (TLV) for each production unit according to UNI EN 27243:96;

Adoption – granting of “extra breaks” when the monitoring systems detects that the trend is approaching said benchmarks;

Information – to workers on both calculation parameters and operating procedures; information is also provided on contingent situations and the relevant organisational measures that are decided. Safety Representatives can access the data logged every hour.

This procedure has been acknowledged as a “Good Practice in workplace risk prevention” within the framework of a competition called by the Prefecture of Pisa and organised together with the provincial authorities, the Municipality of Pisa, the Provincial Employment Office, INAIL (Italian Workers’ Compensation Authority), INPS (National Social Security Institute), ASL5 (Local Health Unit #5), CNR (National Research Council), Fire Department, Chamber of Commerce, the CGIL-CISL-UIL trade unions, Unione Industriale (Manufacturers’ Association), Confartigianato (Craftsmen’s Association), CNA (Italian National Federation of Craftsmen and SMEs) and other professional associations.

In 2012 Piaggio again participated in the “Buone Prassi” (Good Practice) competition called by the Prefecture of Pisa and was again awarded the 1st prize presenting a specific technical method, called Ergonomic Analysis, in order to make ergonomic design of individual workplaces objective (both structurally in terms of lay-out, and organisationally in terms of balancing the individual operations based on the contents of the work to be performed by employees) including closely connected with national benchmark technical standards.

This method is currently implemented at national Piaggio plants, i.e. at the Pontedera plant (Piaggio-Vespa-Gilera brand production), Scorzè plant (Aprilia brand production) and Mandello del Lario plant (Moto Guzzi brand production).

The method entails management of enormous quantities of data from:

- › technological Times & Methods analysis activity;
- › ergonomic evaluations from application of OCRA analysis.

Application of the OCRA analysis to evaluation ergonomic risk levels of all the workplaces required planning and implementation of a macro project which involved the Workers' Safety Representatives through detailed information and progressive communications on the actual operations in production workshops, as well as the achieved results. The project was also presented to the Local Health Unit 5 of Pisa, Valdera Area Prevention Department, at a specific meeting held on 28 July 2011 where the main aims and extended analysis campaign for identifying ergonomic risk were described.

That stated, it is necessary to point out that the innovation of this Ergonomic Analysis technical method is not just the application of the OCRA analysis, which is well-known and commonly used, but rather the joint application, starting in the design phase, of a Times & Methods analysis and the OCRA analysis, thus making it possible to eliminate risk at the source, before actually creating a workplace.

For the operational management of this method, which requires processing a significant amount of data from the above analyses, an IT tool has been created, designed, implemented and installed on a Piaggio company server.

This tool, in terms of the ergonomic aspect of workplaces, can thus be used to manage the risk from biomechanical overloading of the upper limbs, i.e.:

- › for each assembly line (where a certain mix of vehicles is assembled) and related to all the workplaces making up the line, the following phases are implemented:
 - analysis, by videotaping the individual operations performed at each position, to determine the intrinsic OCRA index;
 - calculation of the OCRA index for each position for each type of vehicle assembled;
 - calculation of the OCRA index for each type of vehicle assembled for each position;
 - calculation of the compound OCRA index for each position based on the mix of assembled vehicles.

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.

In October and November 2012, the Piaggio Group was audited by the certification company for the purposes of maintaining the Group's OHSAS 18001: 2007 (Occupational Health & Safety) certification until December 2013 for Pontedera, Noale-Scorzè and Mandello del Lario. The outcome of the audit was positive.

The audits were successful, demonstrating the compliance of the organisation and management model with the new regulations introduced by article 30 of the Consolidated Act on Occupational Health and Safety (Italian Legislative Decree 81/2008).

Information and training

A shared culture which considers safety as a basic condition for carrying out all activities is a fundamental prerequisite for preventing risks and protecting the health of workers. In this framework, numerous training initiatives are held involving all levels of the organisation.

During 2012, around 17,500 hours of training were given to personnel on accident prevention and occupational health and safety

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;
- › 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 2012, occupational medicine activities involved more than 1,800 check-ups (preventive, routine and non-routine), as well as specific tests and clinical chemistry and biological tests.

Workplace ergonomics

During 2012, Piaggio continued its “Workplace ergonomics” activities.

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

Analysis of all the workplaces in the Pontedera, Scorzè and Mandello del Lario plants were completed in 2012, identifying, if necessary, solutions to bring objective risks back to acceptable levels.

Piaggio has also worked with the local health authorities for the Pontedera site to develop the project aimed at estimating the extent of pathologies of the upper limbs and reintegrating persons with WMSDs (work-related musculoskeletal disorders) assigning them work stations that have been

suitably adapted or involve less risk. In terms of “objective risks from manual handling of loads”, Piaggio continued its extensive activity in 2012 to diagnose the jobs/workplaces which closely follows what has been defined for problems related to repetitive movements, with the intent to complete this activity during 2013 for all three Italian production sites. In this field, training activities aimed at all technical and management figures who have an impact on this aspect have continued in the meantime.

Such action bears witness to the progress made in the improvement programme, with the aim of preventing the occurrence of repetitive stress disorders in the upper limbs and pathologies related to manual lifting of loads.

Industrial relations

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

In the conviction that to be competitive, an enterprise needs to be able to respond to continuous market changes promptly and efficiently, while constantly improving the production process and overall work conditions, Piaggio has sought to put into gear all the checks and engagement mechanisms that can help fast, effective and consensual action to be taken to ensure that the best workplace safety, environmental and training solutions are found.

Collective bargaining is applied at all European production sites at both a national and company level, thus covering 100% of staff. In 2012, the Group and workers’ representatives at a Company level met regularly to find common solutions to the effects on workers of measures taken to meet market needs. A number of trade union agreements were signed to manage complex situations requiring the use of social shock absorbers provided for by law.

Employees may freely join trade unions, according to procedures established by local regulations and the rules of various trade union organisations. In most European countries, systems exist where workers directly elect representatives. In Italy for example trade union representatives (RSU) are elected by all employees (excluding Senior Management) from lists submitted by trade union organisations. Elections are held every three years at a production unit level.

Trade unionisation in Italy

	2012*			2011*			2010		
	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario
FIOM	354	157	42	348	177	41	435	188	42
UILM	310	1	2	307	1	2	328	1	2
FIM	354	131	26	313	126	28	319	123	28
UGL	139	-	-	126	0	0	81	0	0
CGIL/CISL/UIIL	2	-	-	2	0	0	2	0	0
Total number of employees who are members of a trade union	1,159	289	70	1,096	304	71	1,165	312	72
	38.60%	45.65%	66.00%	37.50%	45.50%	66.40%	37.50%	42.70%	64.80%

* figures including the Via don Mazzolari site (Pontedera)

In Spain, trade unions are present in both Nacional Motor and the Spanish branch Piaggio & C. S.p.A., with representatives elected directly by employees.

The following trade unions are active: UGT, CCOO, CGT, UTIM; Trade union members account for 41% of employees at Nacional Motor, and 18% at the Piaggio branch.

Forms of worker representation also exist in Vietnam and India at the company level.

At Piaggio Vietnam, an Executive Committee of Trade Unions is active, elected by employees of single production units and trade union representatives at a company level are supervised by the provincial trade union organisation of Vinh Phuc. 13 trade union representatives are active, selected during meetings at a provincial level and elected by company employees.

At present, no collective company agreement is in place and the Executive Committee of Trade Unions has not undertaken any bargaining procedures.

During 2012 meetings between Executive Committee of Trade Unions and Management were aimed at searching for common solutions for a better balance between work and home life (illness, marriage and maternity).

In India, trade union representatives consist of a mixed board of company employees and non-employees. The trade union organisation has a hierarchical structure and in part comprises company employees. There are 16 trade union representatives, of which 9 (factory delegates) are appointed by employees and 7 directly by the external structure. A collective company agreement was signed in April 2008, and negotiations are underway to renew it.

Piaggio uses open-ended contracts as its reference model. Considering the difficult situation faced by global markets throughout 2012, the trade union agreements allow the Company to resort to different types of employment contracts provided for in the contractual provisions so as to reconcile employment stability with flexible production management.

In reference to Italian laws, Law 92/2012 “Labour market reform” introduced significant innovations as regards contracts, dismissals and social safety net measures and Law 214/2011 substantially changed the rules for meeting retirement requirements.

Within a context of open and constructive discussions with trade unions, the Group periodically carried out audits at the various sites particularly focussed on scheduled work loads and production schedules, so as to evaluate the need for different types of employment contracts, as mentioned above and different scheduling procedures.

Due to the continuing negative market, in 2012 discussions also developed on the social safety net measures needed to adapt the production structure to markets trends and sales volumes, and consequently to optimise technical and staff structures and manufacturing activity; this made Solidarity Contracts necessary for the Noale and Scorzè sites, starting a downsizing process for the Noale site at the same time. A similar downsizing process at the Pontedera site was completed in March 2012.

Dialogue with the trade unions made it possible to find solutions agreed on by all parties, with trade union agreements signed.

Following the agreement signed in July 2011 between the Spanish company Nacional Motor and the Piaggio Branch at Martorelles (Barcelona), with government representatives concerning the employment regulations plan (Expediente de Regulación de Empleo), the activities performed at these sites were included in a downsizing programme.

In Italy, the use of social safety net measures (the ordinary and extraordinary wage guarantee fund, collective dismissal indemnities, ‘solidarity contracts’) is governed by statutory procedures that require by law a minimum notice period and mandatory content for notifications to trade unions.

Specifically:

- › In the case of the ordinary wage guarantee fund, where events are such that the reduction or suspension of operations cannot be postponed, the employer is required to notify trade union representatives of the expected duration of the reduction or suspension and the number of employees affected. If operations

are to be reduced by more than sixteen hours, at the request of the employer or the trade unions, a joint review is to be held to discuss the return to normal operating hours and the criteria for distributing work hours. The request is to be made within three days from the notification announcing the reduction/suspension of operations, while the review is to be held and completed within five days from the date of the request. For all other events, trade union representatives are to be informed of the decision to reduce/suspend operations in advance, the reasons why the wage guarantee scheme needs to be used, the expected duration of the measure and the number of workers affected. At the request of either one of the parties, a joint review is to be held to discuss the protection of workers' interests in relation to the business crisis, and is to be completed within twenty-five days from the request for the joint review.

- › In the case of the extraordinary wage guarantee fund, the employer is required to notify trade union representatives and the main provincial trade union organisations for the category of the activation of the procedure, informing them of the reasons for the reduction or suspension of operations, the expected duration of the measure, and the number of workers affected. Within three days a joint review is to be held, which may or may not lead to an agreement being made. Where no agreement is found or there are irregularities in the negotiation process, the procedure for accessing the wage guarantee fund cannot proceed. For companies with more than fifty employees, the negotiation process is to be concluded within twenty-five days.



- › For collective dismissal indemnities, written notice of collective dismissal is required to be sent to trade union representatives and trade associations. Copy of the written notice is also required to be sent to the Provincial Employment Office (or to the regional office if production units in more than one province are affected, or to the Ministry of Labour if more than one region is affected). The notice is required to state the reasons for collective dismissal, the number of both redundant and non-redundant workers and their job profiles, the time-frame for collective dismissal, measures envisaged for minimising the social consequences, and the method for calculating any non-statutory indemnities envisaged by collective bargaining agreements. Within seven days of the notice, trade union representatives and trade unions may request a joint review to discuss alternatives to collective dismissal and social safety measures for reskilling the workers. The review process is to be concluded within forty-five days. The employer must inform the Provincial Employment Office, or relevant office as indicated above, of the outcome of the process. Where no agreement is made with the trade unions, the Provincial Employment Office will summon the parties for a new review, which is to be concluded within thirty days.
- › As concerns so-called 'solidarity contracts', the law requires that an enterprise bargaining agreement be made with trade unions belonging to the main trade union federations at the national level in order for the social safety net to be activated

Analogous negotiation procedures with trade unions are also required by law in Spain for collective dismissals, and for mandatory and voluntary early retirement schemes (E.R.E.).

Based on supplementary agreements signed with the Trade Union organisations, employees at the Company's Italian sites are given a productivity bonus based on three indicators. Two of these - productivity and profitability - are common to all Italian sites. The third refers to the defect rate for the Pontedera site, and the level of customer satisfaction for other production sites (the Noale, Scorzè and Mandello del Lario plants). The purpose is to gradually harmonise industrial relations within the Group, whilst complying with local contexts.

In accordance with the provisions of a company trade union agreement made in 2009 for the Pontedera, Rome and Milan sites, a health insurance scheme was introduced on 1 January 2011. The scheme takes into account relevant legislative and fiscal innovations and is based on the following points:

- › the company pays a contribution of EUR 120.00 for each employee that voluntarily joins the scheme;
- › each employee that joins the scheme pays an annual contribution of EUR 40.00;
- › employees may choose to extend the insurance cover to their families by paying an additional contribution.

The features of the insurance scheme, how it works, how employees can join and the type of benefits offered were set forth by a work group consisting of trade union representatives and company representatives.

A national trade union agreement at the end of 2011 established private health insurance for metal and steel processing workers in Italy, the company will pay its portion of the loan also for 2012. Participation in the scheme is voluntary and will become effective in the early 2013.

The possibility of integrating the national insurance scheme with the one currently in place for the Pontedera site is being evaluated.

As in the previous 2 years, an agreement was signed in 2012 between the Company and the Union of Valdera Councils (which includes fifteen municipalities and thirty-six nurseries); Under the agreement, employees that enrol children under the age of three years in an accredited nursery will be entitled to a monthly contribution of EUR 160.00 or EUR 120.00 (depending on whether the child is enrolled for more or less than four hours a day) towards the fees charged by the nursery.

The Company is 100% committed to the environment and to occupational health and safety, placing the highest priority on prevention. It acknowledges 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 regard, Piaggio recognises the importance of the role and activities of workers' safety representatives at production sites in Italy and Spain, and is committed to their greater involvement and the full implementation of relevant regulations.

Although formal agreements on occupational health and safety have not been made with trade unions, the Company encourages regular meetings and training on new regulations and issues of major interest.

As concerns our other European production sites, all workers without exception are represented by an occupational health and safety committee. The appointment of a trade union representative for occupational health and safety is required by law, with the employer required to fulfil a series of notification/consultation requirements concerning occupational health and safety matters.

In India and Vietnam, local laws do not require the appointment of a specific company trade union or territorial representative for negotiating safety issues. For these production sites, no formal agreements covering occupational health and safety are in place with trade unions.







CUSTOMERS AND DEALERS

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Customers and dealers

Dealers

The dealer network in the Group's corporate social responsibility policy represents a key lever for building an enduring relationship based on trust with customers in all our main markets. Dealers are the primary interface for customer engagement and management, alongside the Group's Customer Service.

Dealers are Piaggio's partners, accompanying Piaggio in its success and guaranteeing end customer satisfaction.

That relationship hinges on tools designed to manage and develop relationships with dealers: a web-based platform for dealer training, information and engagement, the Dealer Portal and a Dealer Support Service for managing technical and sales issues faced by the network.

Dealer Portal

The Dealer Portal is a gateway to applications, information and technical documents and sales literature designed to help dealers manage their markets according to common standards and criteria. Access is personalised on the basis of the role assigned to the partner by their agency agreement. Specifically, the Dealer Portal enables dealers to:

- › obtain information on promotional and sales methods for the range of products;
- › learn and train their own staff on product maintenance and customer management techniques;
- › access technical documents and sales literature.

The Dealer Portal is normally combined with other activities, such as dealer conventions, workshops on specific issues and pilot tests on dealer panels for new projects, to ensure that dealer activities and initiatives translate into customer management methods able to build customer loyalty and develop dealers' reputations on the market.

Dealer Support Service

The Dealer Support Service provides daily assistance to ensure the optimal management of after-sales service – from the delivery of the vehicle to the management of assistance services and product warranties. The service represents the most important channel for managing our relationship with the network, and is based on a series of specialist platforms dedicated to logistics, product and accessory sales and service. The support service is delivered through a Help desk available for all major European markets: Italy, France, Spain, Germany, Great Britain, Benelux, USA, Vietnam and Indonesia.

Besides enabling service levels to be standardised for all our partners, in accordance with contractual arrangements, the platforms enable the right action to be taken and training, documentation and available information to be delivered in the most effective way.

Customers

The levers for building enduring customer relationships based on trust lie in the customer engagement tools provided by the Customer Opinion Survey and Customer Service.

These engagement tools are used to steer the efforts of the entire organisation, to ensure that the Group's history, tradition and innovation effectively enable customers' expectations to be satisfied.

The Group pursues continuous innovation in its customer relationship management tools, alongside its Executive and Dealer score cards, which are designed to ensure that shared quality and service standards for managing sales processes are taken up across the organisation (company front-end).

The "Customer and dealer satisfaction system" listens to customers, takes on board their requirements and assists the Company in satisfying these requirements.

Customer Experience

Piaggio has created and consolidated over time a customer engagement platform to understand the changing expectations of customers and gauge how effectively it meets those expectations by measuring brand reputation and customer loyalty.

The main items studied and monitored, also based on benchmarking with leading competitors are:

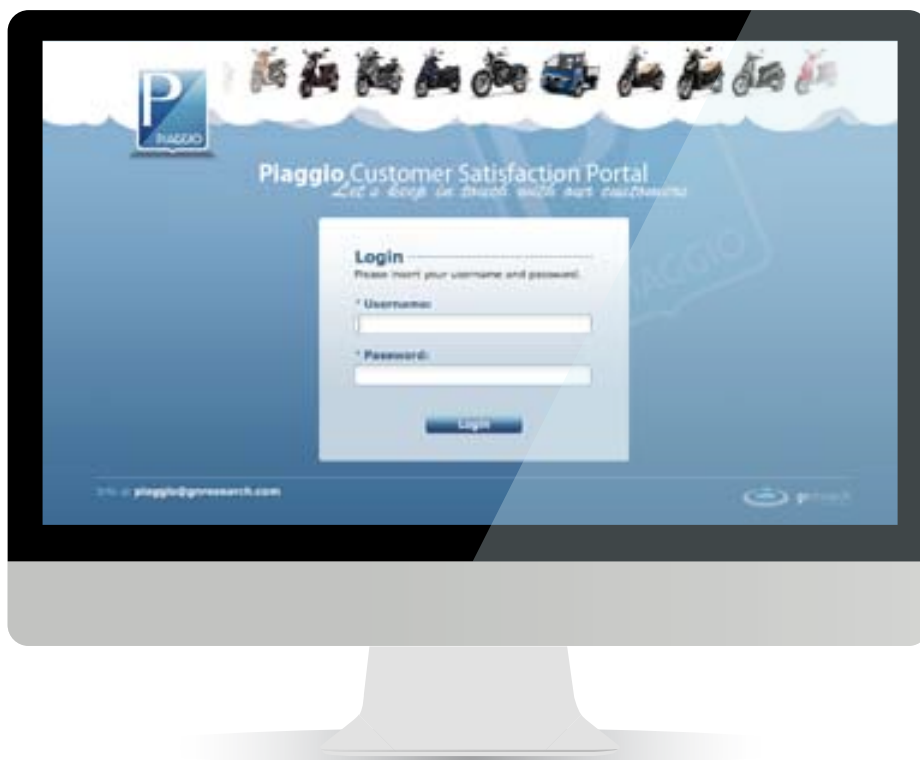
- › the motivations for choosing a brand and the fundamental features of products and services;
- › the adaptation of sales and assistance structures to satisfy specific needs;
- › the effectiveness of the sales network and services;
- › brand awareness and loyalty.

A dedicated customer engagement tool is up and running throughout the world in the form of a special Customer Experience portal, which enables customer opinions and feedback to be monitored in real time.

In 2012 approximately 36,200 customers, 7,700 of which in Vietnam and 3,600 in Indonesia, actively participated in the engagement platforms.

Besides confirming product reliability and perceived quality as key factors for customer retention, reported information was used by product development and innovation teams in addition to data from market surveys and technical tests.

In particular, any suggestions on the product's "concept" (technical characteristics) have made it possible to develop new engines that are more capable of meeting the demands of increasingly "demanding" customers especially in terms of fuel consumption: a growing need in Western countries and a must for success in Asian markets.



Home page of Customer Experience portal

All the information on customer experience is shown and managed on a “Let’s keep in touch with our customers” platform developed in 2010 and available today in all markets that are being monitored. The platform shared with commercial Front-End players (in-house and external) offers real-time monitoring of the perceived value of innovations adopted not only at a product level, but also in services in which our partners play a leading role.

In particular, improvement actions adopted by the sales network in 2012 enabled levels of excellence in dealer service during sales to be maintained, and increased standards of assistance by 8% compared to the previous year.

In 2012, web monitoring analysis was configured to measure the Group’s positioning on the Web and understand which brand markets have an evolved web presence. A systematic reading of web sentiments will be set up in 2013, as well as the monitoring of main brand markets identified as most relevant during an exploratory survey, to allow for an all-round reading of customer insight.

These indicators are instead measured on a monthly and quarterly basis in the case of new products or products which are strategic to the Group, to evaluate market feedback more quickly.

Types of indicators used by Piaggio to monitor customer satisfaction

Indicator	Measurement frequency	Analysis scope			
		Brand	Product	Sale	After-Sales
Loyalty (commitment to repurchase)	Annually every two years every three years	X	X		
Net Promoter Score Index (word of mouth)	Every three years, every two years, annually, quarterly and monthly*	X	X	X	X
Level of importance of individual satisfaction expectations	Annual and quarterly*		X	X	X
Distribution of satisfaction levels	Every three years, every two years, annually, quarterly and monthly*		X	X	X
Defect rate perceived by the customer.	Every three years, every two years, annually, quarterly and monthly*		X		
Defect severity	Every three years, every two years, annually, quarterly and monthly*		X		

* Quarterly and monthly measurements refer to new products or products of strategic importance for the Group. For services, measurements are made within one month from when the service was used.

The customer engagement platform is always paired to specific projects focused on products or to promotional initiatives (test rides, events, etc.). These initiatives are normally designed to bring customers closer to new technologies targeted at saving energy, safety and reducing pollution, which require information and education campaigns on their use so that customers can make the most of them.

Customer service

Customer service, together with the dealer network, represents the most important channel for our relationship with customers.

The Group’s Contact Center Project operates in a multichannel environment, by contact and customer targets, and also has a virtual on-line space, managed on a SAP CRM or Sale Force.com platform, for all main European markets, i.e. Italy, France, Spain, Germany, Benelux and Great Britain, as well as for the USA, Indonesia and Vietnam. The service is in the start-up stage in India.

In 2012 some 70,000 contacts were managed in Europe, with a further 5,000 in the rest of the world. Problems found in products or services accounted for 20% of calls for assistance.

The Group’s service levels in its main markets match standards of excellence in the sector, with 85% of calls managed within thirty seconds, and average resolution times below forty-eight hours.

In 2012 the CRM platform was launched in Indonesia, Holland, Belgium and Luxembourg, and customer service on the Web went live in India. The CRM platform for India is in the start-up stage.

The platforms are all characterised by standardised management of customer reports that helps set international Group-wide response standards, while allowing real-time management of all the markets and functions involved in customer management.

Vespa World Club

The Vespa Club dates back to rallies and meetings organised by groups of Vespa owners who were initially a part of other motorcycling clubs in some Italian towns and cities, but soon became clubs in their own right. Between 1947 and 1949 these clubs began to host gymkhanas, trials, parades and rallies (including the first events for women).

Initiatives then spread abroad, to Europe and overseas countries, where the Vespa had gone on sale.

In 2006, the Piaggio Group and the Fondazione Piaggio established the Vespa World Club, a non-profit association, to help Piaggio directly oversee the management of Vespa Clubs, to preserve the fleet of vintage Vespas still in circulation and help collectors find and restore vintage scooters and continue to organise rallies and great races in Europe and all over the world, guaranteeing Vespa owners outstanding-quality events.

In particular the Vespa World Club:

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

In 2012, the Vespa Club concentrated on organising a number of events:

- **Sports:** The **Vespa Rally European Championships** were held in three stages in 2012, of which one stage in Austria (with more than 100 competitors taking part in the entire championships from Italy, Belgium, Germany and Austria, and the youth sector showing a keen interest in this kind of race).
- **Tourism:** the **Vespa World Days** event, held for the first time in London, was attended by around 2,000 members and some “wild cards” who experienced all the thrill of an official Vespa World Club rally live. The **Vespa Trophy**, the award in its third edition bringing together European dealers and fan clubs to encourage greater interaction between local dealers and Vespa enthusiasts, was handed out during the Vespa World Days 2012 event. A total of 2,000 Piaggio dealers (in 18 countries) took part in the initiative, each becoming, in honour of the Vespa, a “check point” for Vespa enthusiasts to collect as many stamps as possible and win the Vespa Trophy 2012.
- **Vintage Vespa Registry:** protecting a technical, historical and cultural heritage linked to the existence of the Vespa and disseminating knowledge on the conservation of vintage Vespas that have made their mark in the history of two-wheeler worldwide, are the aims of the Vintage Vespa Registry. This year, the rally dedicated to pre-1982 Vespas was held in Milan, with the exhibition “Vespa in Mostra” (Vespa On Show) at the Science Museum from 30 June to 15 July 2012. It was a great success that bears witness once again to Piaggio’s undying appeal.

Vespa World Days 2012: more than 2,000 fans in London

After Gjøvik last year, Fatima - Portugal in 2010, Zell Am See - Austria in 2009, Cefalù - Sicily in 2008 and the Republic of San Marino in 2007, the Vespa World Days crossed the Channel, saw the White Cliffs of Dover and arrived in London, where as usual it was given a warm welcome by thousands of fans who had come to celebrate the most famous scooter in the world.

Some 2,000 Vespa fans, belonging to 150 Vespa Clubs and from more than 20 different nations, took part in the four-day event in London, to celebrate friendship, adventure and a passion for the scooter that symbolises Italy all over the world.

A long Vespa parade made its way around London on the first day, visiting the venues where the 1960 Annual European Vespa Rally Trial Championships took place (passing through Epping Forest and High Beech), to return to O2, the futuristic building next to the Royal Observatory at Greenwich. The 2,000 Vespa fans then met up in the evening at the O2 London Dome for the customary Gala Dinner.

The third edition of the Vespa Trophy, the tourist trophy launched at the Vespa World Days in Fatima, also met with great success, involving a huge number of Piaggio dealers throughout Europe. Departing the event in England, Vespa enthusiasts said goodbye with the promise of "See you again in " for Vespa World Days 2013.

Moto Guzzi World Club

The Moto Guzzi World Club was established in 2002 with a view to:

- › Promoting interest, awareness and the historic value of the Moto Guzzi brand and motorcycles;
- › Creating and developing bonds between the owners of Moto Guzzi motorcycles;
- › Organising events, meeting, conferences and competitions;
- › Promoting national and international motorcycle tourism and rediscovering and promoting local touring opportunities thanks to club activities and the exchange of information between members;
- › Creating and developing ties with non-profit organisations and other charities and sports associations with a social, humanitarian or environmental mission, which can benefit from the initiatives promoted by the Club in the motorcycling world and other sectors;
- › The Club promotes relations with the parent company and co-ordinates its own activities and those of its members with the work of other national and international brand-related clubs.

During 2012, the Moto Guzzi World Club held a national rally in Italy at Santa Maria di Leuca (Lecce) and one in Austria at Kirchberg.

In November, the new California was unveiled to all members of the Moto Guzzi World Club at the historical site in Mandello del Lario, at the same time as the motorcycle made its début at the International Bicycle and Motorcycle Exhibition, EICMA.

The Club continued its sponsorship in 2012 of a Moto Guzzi trophy for vintage motorcycles (circuit trials in safe conditions) and local meetings with national Moto Guzzi clubs.





SUPPLIERS

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Suppliers

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

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

This is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the “Code of Ethics and Guidelines for doing business”, and the Group’s direct material suppliers are periodically audited to check their actual compliance.

Over the years, Piaggio has taken the path of joint growth with its suppliers through a dedicated Vendor Assessment function and the launch and implementation of tools to manage relations between customers and suppliers, among which:

- › the Suppliers portal;
- › the Project to re-use recycled materials;
- › the Reach project;
- › the Packaging project.

Vendor Assessment

The purpose of the Vendor Assessment department within the Piaggio Group is to forge a long-lasting, mutually satisfying relationship with a network of highly qualified partners. Besides managing the Vendor Qualification Process, the Department monitors the economic, financial, business and organisational reliability of Strategic Suppliers; it optimises purchase processes, ensuring a standardised and improved efficiency at Group level, and also assesses purchase performance through Vendor Rating campaigns. Supplier relations are defined by specific Company processes comprising two fundamental stages: new supplier qualification and supplier monitoring.

New supplier qualification is an inter-functional process based on specific standards that lead to a Company being included as a Potential Supplier in the Supplier List, for its chosen goods’ category; after an initial documentary pre-qualification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical, economic/financial and business rating on goods’ categories.

Supplier monitoring takes place during at least two annual vendor rating sessions (Vendor Rating Campaigns). Performance is rated based on the quality of business relations, technical/scientific cooperation, compliance with delivery plans and the quality of supplied products. This provides a reference framework for procurement strategies and actions concerning suppliers. The process is completed assigning a “Global Supplier Rating Index” to each supplier, based on assessments made by company positions and the reliability of the supplier in economic and financial terms (involving the Purchasing, R&D, Quality, Manufacturing and Spare Parts departments for direct materials).

At present, the Global Supplier Rating indicator has been assigned to most Group suppliers of European production sites only. In 2010 and 2011 supplier ratings covered approximately 90% of expenditure on purchasing. 2012 consolidated the percentage compared to the previous year, and the Campaign for Suppliers of safety components (CF1 and CF1D) was introduced.

In the case of Group companies operating in Vietnam and India, the assessment process consists of a local assessment for the initial documentary pre-qualification and technical assessment stages, and a corporate, i.e. central level, assessment to analyse economic and financial reliability.

In 2013, start-up of the Multi Nation Financial Rating Project should be completed. This project rates not only financial and economic aspects, but also the quality of the supplier (whether Italian or foreign), which includes the reliability of Partners/Shareholders and the traceability of companies resident in tax

havens in production and administrative transactions, also with the aim of attenuating the time difference in financial information updates and the need for and use of the rating, in order to reduce possible risks of interruptions to the Group's production cycle.

In line with activities already implemented in the second half of 2011 and in 2012, Mapping of the Piaggio Group's Strategic Suppliers will continue in 2013.

Lastly, Financial Assessment of Aprilia Racing's Strategic Suppliers began in the second part of 2012 and will continue into 2013, along with an assessment of the reliability of main Sponsors of the Aprilia Racing Team.

Plans have been made to combine the Supplier Assessment with CSR information, such as the existence of a code of ethics or Social Audit, in the future.

Dialogue and interaction with suppliers is continually improved in terms of quality and tools used. The Group monitors the financial position and performance of its suppliers on a preventive and continual basis, as well as the quality of supplies to the Company, using ad hoc assessment questionnaires.

The results of these activities are presented to the Suppliers Committee (comprising the Managers of Materials and Components Purchasing, Tools and Services Purchasing, Vendor Assessment, the Managers of the Finance Department, Product Development and Technologies Department and Manufacturing and Production Technologies Department) during periodic meetings in order to identify corrective and performance improvement actions, if criticalities are identified.

Suppliers portal

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

In particular, the Portal enabled the following targets to be reached:

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

The "SRM – Suppliers Portal" system is a computer tool to exchange information and documents on purchasing materials, components, equipment and services in real time among Company functions, so as to guarantee the proper and transparent management of all purchasing process stages, from purchase requests, purchase orders, price lists and supply programmes, incoming goods, invoices and information on payments.

The Suppliers Portal has a number of benefits for both Piaggio and Suppliers. These include fewer manual activities, better quality, more accurate information, shorter Company process processing and communication times, less use of paper (including digital signatures) considerably fewer invoicing anomalies and visibility of the entire authorisation process from purchase requests to orders.

The Suppliers Portal is active in Italy, India and Vietnam. The system was launched for the Indian subsidiary in December 2010 and now has 147 suppliers registered on the portal.

The number of connected suppliers is not expected to increase considerably in 2013.

The Vietnamese subsidiary has 83 suppliers on the portal, and aims to increase this number to over 100 in 2013.

Supplier cooperation programmes

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

Project to re-use recycled materials

The project involved five suppliers of body parts for vehicles manufactured at the two-wheeler plant in Pontedera and enabled materials from recycled plastic (household containers, drums, etc.) to replace the polypropylene in a number of body parts for Vespa and MP3 production.

Reach project

The project, which came about in 2009, will test for any environmentally harmful substances in items supplied to Piaggio by component manufacturers worldwide. In 2012, the company launched the "Piaggio Green Supplier Platform" to manage Piaggio supplier/item certification, during supplier accreditation and the initial supply stage.

The system is now operating.

In this way Piaggio can receive information on any materials harmful to the environment that may be contained in the supplied products and carry out a better selection and qualification of its suppliers.

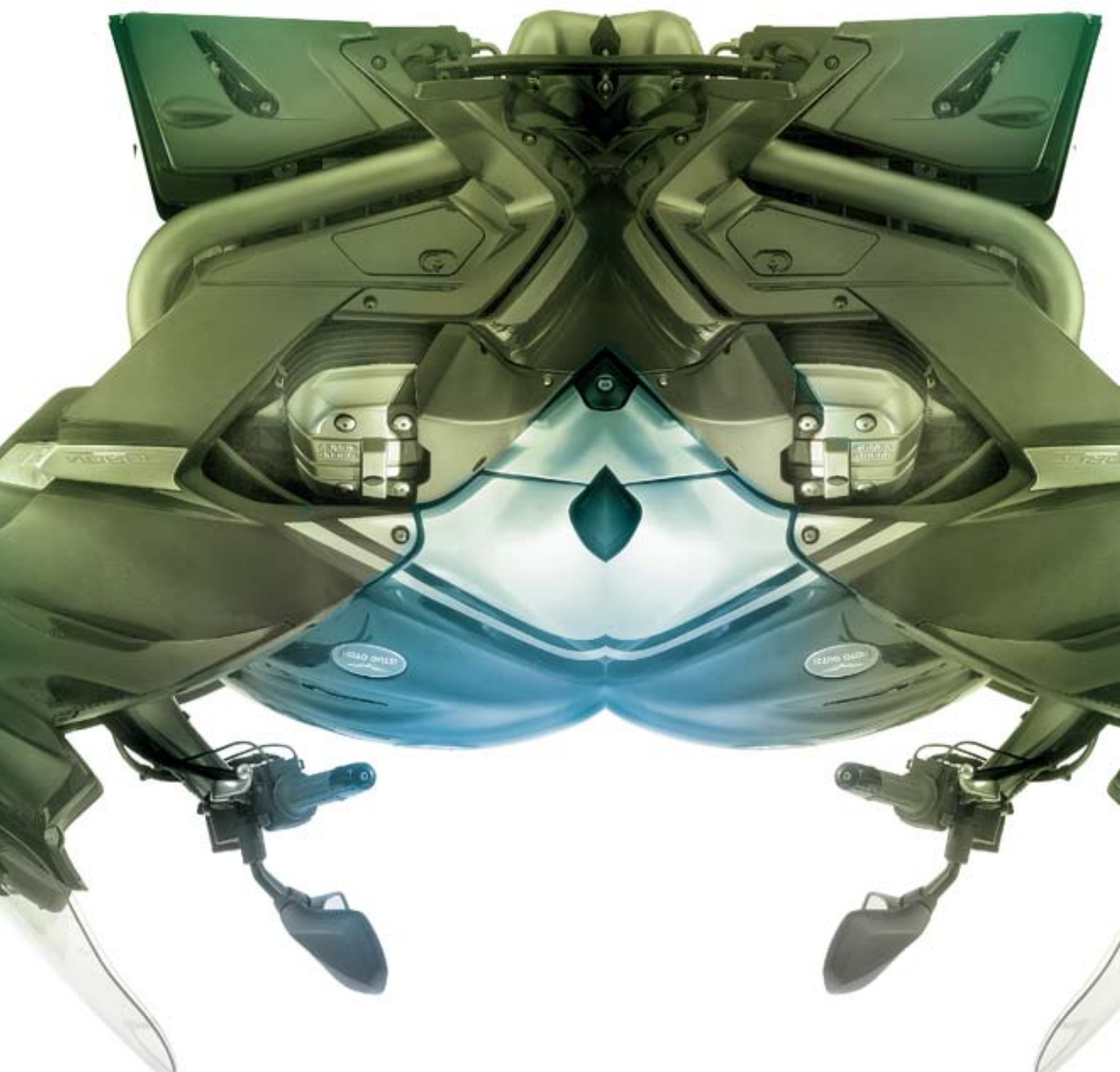
Packaging project

Great attention has been placed on the packaging used by each Group supplier so that it does not contain elements, which are potentially hazardous to packaging operators and to their health.

In 2012, activities continued to revise the packaging used in current supplies, to make it compliant with Piaggio requests/needs and European regulations in force.

Activities will continue in 2013.





RELATIONS WITH THE MEDIA, PUBLIC ADMINISTRATION AND INTEGRATION WITH THE COMMUNITY

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Relations with the media, Public Administration and integration with the community

Relations with the media

The Piaggio Group acknowledges the social relevance of communication and coordinates its various activities in this area based on ethical principles.

The Corporate Social Responsibility Report is a reporting instrument of the Piaggio Group to provide information on the economic, environmental and social performance of the Group. The report is drawn up every year according to criteria of completeness and is an important communication tool. It is addressed to both internal and external stakeholders and is easily available by downloading it from the Piaggio.com web platform.

In Italy, Piaggio is a member of the UPA (Utenti Pubblicità Associati - Associated Advertising Users), an association that brings together the most important and prestigious industries and commercial and services companies that make investments in advertising. In turn, the UPA belongs to the IAP (Istituto di Autodisciplina Pubblicitaria - Self-Regulatory Institute of Advertising) which has a self-regulatory code for commercial communication and participates in the European alliance for ethical advertising.

Within the framework of the web and advertising campaigns, the Piaggio Group chooses the most suitable communication channels to convey contents based on a case-by-case assessment according to the objectives and the target while making sure not to use deceptive or untrue advertising means.

The Piaggio Group renewed and expanded its presence on the web in 2012, particularly focusing on the presence of Group brands on social networks. This is aimed at making communication more functional for the various activities of the brands, for example for new product launches and important industry trade fairs. The presence of the Group's brands has been enhanced with new functionalities primarily regarding the usability of the web pages of the various brands and the corporate page including on increasingly popular new devices such as tablets and smart phones.

Transparency and timeliness in conveying economic and financial information are two Group imperatives. Among the other initiatives, this area comprises the institutional, economic and financial communication and meeting opportunities such as the Piaggio Group Analyst and Investor Meeting during which the Company's management illustrates the Group's strategic plans to the financial communication and to the media.

Even the other activities and events aimed at the general and specialised press, for new product launches, etc. focus on transferring the Group's core values targeting a respect for the environment and safety when riding.

The subsidiary Piaggio France is a member of CSIAM - Chambre Syndicale Nationale du Motorcycle - which represent the interests of the branch offices of the world's largest manufacturers. In terms of the contents of advertising campaigns, CSIAM promotes the communication of riding situations with homologated helmets, complete equipment and conduct strictly in compliance with the highway code. The Group's other main European subsidiaries, such as Piaggio Ltd (member of MCIA - Motorcycle Industry Association in the UK), Piaggio Deutschland (member of IVM - Industrie-Verband Motorrad Deutschland) and Piaggio España (member of ANESDOR - Asociación Nacional de Empresas del Sector de Dos Ruedas), Piaggio Vespa (which belongs to the Dutch RAI), also comply with the Group's standards, actively promoting issues related to the use of two-wheelers within the framework of their respective national transportation systems, safety, and respect for the environment through events and public initiatives.

Lastly, during 2012 the consolidation operation for relations with the media in the domestic market continued, as well as further strengthening of relations with the media in Asian markets including through launches and presentation of new products to the press, and participation in motorcycle events in these countries.

Relations with the Public Administration and industry associations

The Piaggio Group develops relations with public subjects aimed at transparency and continuous discussion, to contribute to developing the competition of the Italian two-, three- and four-wheeler industry, to promote environmentally friendly mobility and disseminate the values of technological innovation to the benefit of riders' safety, quality of life and protection of the environment.

Particular focus is placed on relations with associations representing interests and industry and local associations in Italy (within the Confindustria system, in particular with ANCMA and ANFIA), the European Union and the United States.

Acem

Piaggio is one of the founder companies of ACEM, the European Association of Motorcycle Manufacturers, established in 1994. In addition to the Piaggio Group, at present 13 manufacturers and 15 national associations are part of the Association. They come from 13 European countries and more than 30 brands are represented.

The Association's activity involves protection of the interests and representation of the viewpoints of the Industry at European institutions (Commission, Council and Parliament) as well as monitoring its activities. ACEM's commitment involves mainly four areas: mobility, safety, the environment, and competitiveness / competition.

The main objective that ACEM proposes is the promotion of mobility on motor-driven two-wheelers and protection of values such as technological innovation, safety and a better relationship between mobility needs and environmental protection. ACEM is active in many safety-related initiatives for example studies on accidents involving two-wheeler vehicles, projects to train riders, campaigns to promote the use of helmets, drafting of guidelines to design infrastructures that are able to guarantee the best safety possible for riders; all activities which represent the practical application of the principles contained in the ACEM Safety Plan for Action. Moreover, in terms of the debate on mobility and the environment, ACEM works with European institutions to draft specific standards targeted for two-wheeler vehicles, such as measurement of CO₂ emissions, reduction of the limit of pollutants emitted by vehicles and periodic overhauling, making the European Union aware at the same time of the need for strong support for the development of new technological solutions which can meet future environmental challenges.

ACEM has renewed and expanded its involvement in the European Union's Road Safety Action Plan. This European Commission programme is aimed at cutting the number of accident victims in half in Europe by 2020 and involves all the players who have a role in mobility. In terms of communication, in 2012 ACEM presented "Powered Two-Wheelers, the Smart Choice for Urban Mobility", a short paper where the association sheds light on the substantial contribution that two- and three-wheelers and quadricycles can provide to development of a multi-modal mobility. This is precisely the objective cited by the European Commissions in its "Comprehensive strategy to a single European transport system" which "smaller, lighter and more specialised vehicles" should be part of. Piaggio also participated in the "Sustainable 2Wheels" event, organised during the European Mobility Week set up by the European Parliament. With its participation in this initiative, ACEM contributed to making EU, public and communication media aware of the contribution of two-wheelers to the creation of sustainable mobility and showed how a new generation of scooters and motorcycles can help solve traffic problems, thus improving the quality of life for European citizens.

Confindustria-ANCMA

ANCMA, the national association of manufacturers of two- and three-wheeler and accessories and parts, is the trade association that represents Italian manufacturers of bicycles, mopeds, motorcycles, tricycles, quadricycles and parts. Established in 1920, it is a member of Confindustria, the Italian Manufacturers' Association, and a major player in the association that represents Italian industry.

Confindustria-ANCMA acts to promote the dissemination of two- and three-wheelers and quadricycles in Italy

(and thus components and accessories), to study solutions to industry problems of an economic, technical and legal nature, assist and represent member companies to protect general or individual industry interests and collect and process data and information for member use.

Another of ANCMA's aims is to promote and encourage collaboration among its Members and make its representatives available to support agencies, administrations, institutions and commissions on a national, EU and international level.

It created two publications in 2012 which deal with different subjects but both very relevant from a safety viewpoint. The first entitled "Technological excellence and motorcycle safety", examines the main vehicle components used to guarantee the safety of users explaining their operation and technological evolution. The second, "Helmets and clothing for two-wheeler safety", is aimed at disseminating a culture of safety by promoting more responsible and careful behaviour providing an overview of the technical characteristics and use of various protective devices that the drivers/passengers can select and adapt based on the vehicle type, riding situation (city, out-of-town or racing) and their needs.

Confindustria-ANFIA

ANFIA, Associazione Nazionale Filiera Industria Automobilistica, represents Italian companies working in the manufacturing, transformation and set up fields of vehicles to transport passengers and goods and is a strategic player between both Italian and international industry and institutions.

ANFIA is one of the major industry Associations which is part of Confindustria. It works mainly in the areas of mobility, safety, the environment, energy, research and internationalisation.

The association's main activities include the promotion of economic policies targeting the automotive sector, participation in the process to define laws which govern the sector and cooperation with Italian and European private and public players, in the fields of vehicle research, design, production, transportation policies, energy consumption and road safety.

Partnerships with Schools and Universities

As described in the chapter on Technological Innovation, the Piaggio Group is connected to an international network of university and private laboratories and research centres, belonging to the most advanced groups in various specialisation areas.

The Group partners Universities in organising research and development projects, and is also involved in *work placements* and degree dissertations as well as teaching and academic activities.

An important alliance is the teaching partnership with the Faculty of Engineering, Pisa University. Research and development technicians from Piaggio's "Product Development and Racing" department teach two afternoons a week on the courses "Motor vehicle Design and Testing" and "Industrial Product Development", which are exam subjects of the Specialist Degree Course in Terrestrial Vehicles.

This initiative gives the two courses an industrial content, addressing both theoretical and practical aspects of the design and testing of motor vehicles. Students have a unique chance to experience at first hand the activities of a major Company such as Piaggio and its staff, structures, laboratories and test benches. Piaggio personnel have the satisfaction of being able to train the talent of tomorrow.

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

The Piaggio Foundation, Museum and Historical Archive

The Fondazione Piaggio is a non-profit association whose aim is to maintain a relationship between the company and its territory, through the promotion of topics such as art, design, culture, tourism and the dissemination of the company's values.

The Foundation's activities in 2012 focussed on:

- › Development and reorganisation of museum and archive collections;
- › Development of relations with the local area;
- › Promotion of the Piaggio Museum and its local area on a national and international level;
- › Development of relations with Universities and Cultural and Scientific Associations;
- › Dissemination of culture, creativity and art;
- › Development of teaching material aimed at students;
- › Reinforcement of ties with Vespa Clubs.

In order to reach an increasingly large audience, initiatives were promoted in 2012 aimed promoting the local area and enhancing its excellences, by creating events at the Museum and participation at outside events able to correctly communicate the opportunities offered by the Piaggio Museum and the local community. Agreements have been signed with tour operators making it possible to offer the Piaggio Museum as an essential part of tourism packages which include Pisa and a tour of centuries-old towns and historic villas of Tuscany.

Particular focus was placed on organising summertime event for young people, by combining cultural events with food and wine tastings and high quality concerts or plays, which have made it possible for thousands of young people to visit and enjoy the Piaggio Museum.

The Piaggio Museum takes a special interest in developing educational materials for students. A brochure was created for the first time in 2011 which can be consulted on the Museum's website. It was inserted in Didatour, the most important year book for schools of the entire area. The offering of education products was further expanded in 2012 with the addition of topics for high school students, including globalisation and international competitiveness.

More than 70 events aimed at responding to the taste of a diverse audience were organised in 2012. Some of the more representative worthy of note are the show dedicated to Ugo Nespolo, Creativity 2012 and the "Estate al Museo Piaggio" (Summer at Piaggio Museum) series of meetings.

In terms of meetings, there was the 1st oncological congress organised with USL 5 public health department, an important convention organised with the collaboration of the Confcommercio of Pisa, entitled *Economic and financial opportunities to beat the crisis*; three conventions organised by the Fondazione Piaggio "*Prisoner 307101 - The unknown history of Italian military prisoners*", "*Beyond the Risorgimento. How Vespa helped shape Italy*" and "*Let's read this: ethics, economy and politics*". Also of note was the presentation of the book *Pax Mafiosa o guerra* by Luigi Scotti, in collaboration with the Municipality of Pontedera.

The result of this full programme was a flow of visitors which numbered 34,730 in 2012.

Initiatives outside the Museum

Like every year, the Museum's vintage vehicles or exhibitions with images and material from the Piaggio archive have left the Museum to be put on display on various prestigious occasions with a great visibility. The following is a list of the initiatives:

Date	Event	Location	Vehicle
9 March - 30 June	Salvador Dali. The artist, the genius	Complesso del Vittoriano – Rome	Vespa Dali
17 March - 30 November	Being Italian. 150 years of national history	OGR – Turin	Vespa 98 2nd series, Vespa 150 GS
25 – 27 May	"Fiera millenaria" of Gonzaga and Motorcycle competition	Villa d'Este	Vespa MP5, Gilera Rondine 4 cylinder engine
30 May – 3 June	Event dedicated to Vespa and films	Centro dei borghi – Navacchio	Ciao C9T, Vespa ET3
23 June – 6 January 2013	Exhibit dedicated to fashion in Florence in the 1950s and 1960s	Museo Bardini – Florence	Vespa Roman Holiday
7 July	White night wine festival	Sala del Comune - Terricciola (PI)	Ciao C9T
28 and 29 July	HJ Event Bulgari	Hotel Capri Palace - Anacapri (NA)	Vespa Dolce Vita
8 - 10 November	Salone del Restauro	Fortezza da Basso - Florence	Vespa PX catalyzed
15 November – 9 January 2013	Exhibition Vesp... Amore Presented in collaboration with the municipality of Differdange (Luxembourg)	Espace H2O – Differdange	Vespa MP5, Vespa Roman Holiday, cutaway Vespa PK "S", Vespa 125, Vespa Sidecar 150

Historical Archive

The archive was the focus of many activities in 2012, such as the organisation of conventions, support for research and management of users, education activity, research and internal publishing activity and participation in exhibits and outside events.

Cooperation with Piaggio has also continued in activities of historical consulting, the selection and supply of images used at international exhibitions and in publications.

Commitment to sport

The Piaggio Group is involved in motorcycle races with the Aprilia brand, also considered a fundamental element for designing, developing and testing highly innovative technical solutions to be later sent for mass production.

The Piaggio Group's race team has included some of the best riders in recent years, namely Valentino Rossi, Jorge Lorenzo and Casey Stoner.

The Group took part in the Superbike World Championship with the Aprilia brand in 2012, winning both the world rider's title with Max Biaggi and the world Manufacturer's title.

Thanks to these results, Aprilia Racing has strengthened its position as the most victorious European brand in the World Championship Grand Prix among manufacturers still in business, with a 38 world titles to its name, plus the four Superbike titles won in 2010 and 2012 and the nine wins in off road disciplines (Trial and Supermoto) for a total of 51 world titles.

Charity activities and sponsorships

As part of its social commitments, Piaggio participated in the “Taurinorum Charity Rally 2012” project in 2012, this year entitled “APEMAYA: APE RACE TO THE END OF THE WORLD, FROM COLOMBIA TO MEXICO FOR CHARITY”. A trip across Central American in a Piaggio Ape, to collect funds for the Humanitas Onlus Project and CISV.

Moreover, the Group also participated in major cultural events, among which the Mantua Literature Festival and the events organised by the Vespa Club.

Piaggio along with Rocket Tour, a major worldwide charity, was heavily involved, with its donation of two Vespas, in the charity auction held in Montecarlo, to collect funds for the AIDS Free Generation, a project aimed at defeating the transmission of the HIV virus from mothers to children in Africa. The Spazio Broletto sported a custom design for the event in order to make two-wheeler fans aware of the HIV/AIDS programme.

Vespa was also a star in Thailand at the “SCOOT IN STYLE” event: an exclusive charity fashion party in Bangkok with Vespa acting as Superstar. The subject of the campaign is ‘Help save one life by giving a child a helmet’ aimed at spreading a culture of road safety.

Worth mentioning in Italy is Piaggio’s support for children through its annual contributions to municipalities and nurseries, as well as its participation in the 2012-2013 Telethon campaign.

Numerous charity initiatives have also been undertaken by our Indian and Vietnamese subsidiaries. Among those pursued in 2012 by Piaggio Vehicles Private Limited suffice it to mention:

- › the PRAGATI project involving 10 schools near the Baramati production site; they have received modern technological instruments and infrastructures to support young people through distance learning;
- › donation of 11 dumper vehicles for a value of INR 2,500k to some local communities;
- › donation of 750k INR to the Environmental Forum of India for organisation of a scientific exhibition in Baramati for local students.

Piaggio Vietnam too has proven to be very attentive to the needs of the local community of the town where the production site is based, by always positively meeting the requests for help from the local Red Cross.

Finally, over the last few years, Piaggio and the Immsi Group have supported educational and rehabilitation activities for children affected by brain damage, by making a donation to the association “*Casa del Sole Onlus*”¹ at Christmas. All employees, including staff abroad, received a Christmas card, rather than a traditional “gift”, so the initiative could be shared with all Group employees world-wide.

1_In forty years of activities, the non-profit making organisation Casa del Sole Onlus has assisted over five thousand children affected by brain damage and been a valuable source of help for their families

File Livello Testo Selezione Filtro Visualizza Finestra Aiuto
Opacità 75% Punt. 52%
TAVOLA CONCEPT GT2.jpg

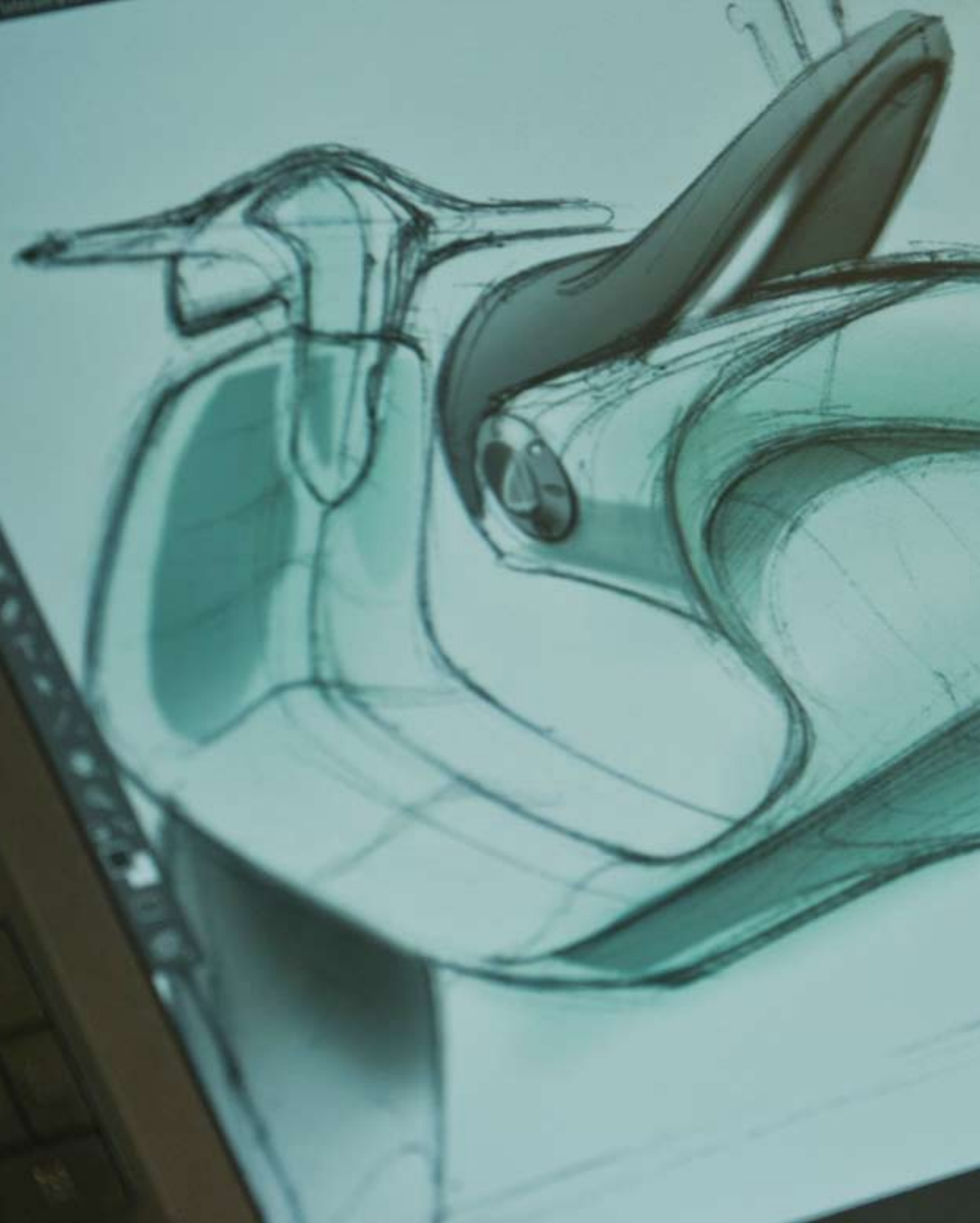




TABLE OF GRI-GR3.1 INDICATORS

Table of GRI-GR3.1 indicators

The main contents of the 2012 Corporate Social Responsibility Report are outlined below, based on the GRI-G3.1 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 2012 Corporate Social Responsibility Report, or other available documentation, where this information is included, as well as the level of coverage, indicated as follows:

- if total
- ◐ if partial
- if the indicator is not covered

Key:
 BEC11: Financial Statements 2012
 RCG11: 2012 Corporate Governance Report
 CE: Code of Ethics

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
PROFILE			
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1.2	Description of key impacts, risks, and opportunities.	●	22-24, 25-26, 28-34
2. Organizational Profile			
2.1	Name of the organization.	●	10
2.2	Primary brands, products, and/or services.	●	12-13
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	10-11
2.4	Location of organization's headquarters.	●	10
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	10
2.6	Nature of ownership and legal form.	●	10
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	10-13
2.8	Scale of the reporting organization.	●	10, 15, 44-47, 82-83, 89, 94
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	7, 11, 16, 82-83
2.10	Awards received in the reporting period.	●	16-17

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
3. Report Parameters			
<i>Report profile</i>			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	7
3.2	Date of most recent previous report (if any).	●	7
3.3	Reporting cycle (annual, biennial, etc.)	●	7
3.4	Contact point for questions regarding the report or its contents.	●	154
<i>Report scope and boundary</i>			
3.5	Process for defining report content.	●	25-28
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	7, 10-11
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	7
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	7, 10-11, 16, 82-83
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. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	7, 44-47, 76-78, 84-89, 94-104, 108-109, 111, 112-113
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	7, 44-47, 85
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	7, 16, 27, 82
<i>GRI content index</i>			
3.12	Table identifying the location of the Standard Disclosures in the report.	●	142
<i>Assurance</i>			
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	7, 151-153
4. Governance, Commitments, and Engagement			
<i>Governance</i>			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	38-41 (www.piaggiogroup.com/Governance)
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	38 (www.piaggiogroup.com/Governance)

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	●	38-39
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	25-27, 106-107
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	39, 104-105
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	38-39, 40-41
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	●	38-40
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.	●	22-25; 41
4.9	Procedures of the highest governance body for overseeing the organization'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.	●	22-25
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	24, 38-39, 40-41
<i>Commitments to external initiatives</i>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	54,82
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	134-139
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	134-136

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
<i>Stakeholder involvement</i>			
4.14	List of stakeholder groups engaged by the organization.	●	25-27
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	25-27
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	25-27, 49-50, 106-107, 112-116, 120-124, 128-130, 134-139
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	25-27, 49-50, 106-107, 112-116, 120-124, 128-130, 134-139
ECONOMIC PERFORMANCE INDICATORS			
	Core Management and verification policies and systems	●	
<i>Economic performance</i>			
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.	●	44-47
EC2	Core Financial implications and other risks and opportunities for the organization's activities due to climate change.	○	
EC3	Core Coverage of the organization's defined benefit plan obligations.	○	
EC4	Core Significant financial assistance received from government.	●	47
<i>Market presence</i>			
EC5	Add Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	●	104
EC6	Core Policy, 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 significant locations of operation.	●	95-97
<i>Indirect economic impacts</i>			
EC8	Core Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	130, 134-136, 137-138
EC9	Add Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	135-136
ENVIRONMENTAL PERFORMANCE INDICATORS			
	Core Management and verification policies and systems	●	
<i>Materials</i>			
EN1	Core Materials used by weight or volume.	○	

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure	
EN2	Core	Percentage of materials used that are recycled input materials.	●	66-67
<i>Energy</i>				
EN3	Core	Direct energy consumption by primary energy source.	●	84-85
EN4	Core	Indirect energy consumption by primary source.	●	84-85
EN5	Add	Energy saved due to conservation and efficiency improvements.	●	84
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.	●	54-56, 59-60, 63-64, 66-70, 73
EN7		Initiatives to reduce indirect energy consumption and reductions achieved.	●	84-85
<i>Water</i>				
EN8	Core	Total water withdrawal by source.	●	87-88
EN9	Add	Water sources significantly affected by withdrawal of water.	●	87-88
EN10	Add	Percentage and total volume of water recycled and reused.	○	
<i>Biodiversity</i>				
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.	●	89
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.	○	
EN13		Habitats protected or restored.	○	
EN14		Strategies, current actions, and future plans for managing impacts on biodiversity.	○	
EN15		Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	
<i>Emissions, effluents and waste</i>				
EN16	Core	Total direct and indirect greenhouse gas emissions by weight.	●	85-86
EN17	Core	Other relevant indirect greenhouse gas emissions by weight.	○	
EN18	Add	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	84-86
EN19	Core	Emissions of ozone-depleting substances by weight.	●	86
EN20	Core	NOx, SOx, and other significant air emissions by type and weight.	●	86
EN21	Core	Total water discharge by quality and destination.	●	87-88
EN22	Core	Total weight of waste by type and disposal method.	●	88-89
EN23	Core	Total number and volume of significant spills.	●	89

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure	
EN24	Add	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○	
EN25		Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○	
<i>Products and services</i>				
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	52-54, 57-62, 64-65, 66-73, 131-132
EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category.	○	66-67, 73
<i>Compliance</i>				
EN28	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	41
<i>Transport</i>				
EN29	Add	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	○	89, 91
<i>Overall</i>				
EN30	Add	Total environmental protection expenditures and investments by type.	○	89
LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	
<i>Employment</i>				
LA1	Core	Total workforce by employment type, employment contract, and region, broken down by gender.	●	94-95, 97-99
LA2	Core	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	●	95
LA3	Add.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	105
LA15	Core	Return to work and retention rates after parental leave, by gender.	○	
<i>Labor/management relations</i>				
LA4	Core	Percentage of employees covered by collective bargaining agreements.	●	113
LA5	Core	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	112-116
<i>Occupational health and safety</i>				
LA6	Add	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	116
LA7	Core	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	○	108

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
LA8	Core Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	109-114
LA9	Add Health and safety topics covered in formal agreements with trade unions.	○	113-115
<i>Training and education</i>			
LA10	Core Average hours of training per year per employee by gender, and by employee category.	○	102-103
LA11	Add Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	100-103, 105
LA12	Add Percentage of employees receiving regular performance and career development reviews, by gender.	●	101-102
<i>Diversity and equal opportunity / Equal remuneration for women and men</i>			
LA13	Core Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	●	38-39, 97-99
LA14	Core Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	●	104
HUMAN RIGHTS PERFORMANCE INDICATORS			
	Core Management and verification policies and systems	●	
<i>Investment and procurement practices</i>			
HR1	Core Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	●	128
HR2	Core Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	○	
HR3	Core Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	○	
<i>Non-discrimination</i>			
HR4	Core Total number of incidents of discrimination and actions taken.	●	41
<i>Freedom of association and collective bargaining</i>			
HR5	Core Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	○	112-114
<i>Child labor</i>			
HR6	Core Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	●	24, 128
<i>Forced and compulsory labor</i>			
HR7	Core Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	●	24, 128

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure
<i>Security practices</i>			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	○	
<i>Indigenous rights</i>			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	○	
<i>Assessment</i>			
HR10	<i>Core</i> Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	○	
<i>Remediation</i>			
HR11	<i>Core</i> Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	○	
SOCIAL PERFORMANCE INDICATORS			
	<i>Core</i> Management and verification policies and systems	●	
<i>Local communities</i>			
SO1	<i>Core</i> Percentage of operations with implemented local community engagement, impact assessments, and development programs.	○	134-136, 138-139
SO9	<i>Core</i> Operations with significant potential or actual negative impacts on local communities.	○	
SO10	<i>Core</i> Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	○	
<i>Corruption</i>			
SO2	<i>Core</i> Percentage and total number of business units analyzed for risks related to corruption.	●	24, 41
SO3	<i>Core</i> Percentage of employees trained in organization's anti-corruption policies and procedures.	●	24, 41
SO4	<i>Core</i> Actions taken in response to incidents of corruption.	●	24, 41
<i>Public policy</i>			
SO5	<i>Core</i> Public policy positions and participation in public policy development and lobbying.	○	134-136
SO6	<i>Add</i> Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	24
<i>Anti-competitive behavior</i>			
SO7	<i>Add</i> Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	●	41
<i>Compliance</i>			
SO8	<i>Core</i> Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	41

Profile Disclosure	Disclosure	Level of Reporting	Location of disclosure	
PERFORMANCE INDICATORS ON PRODUCT RESPONSIBILITY				
Core	Management and verification policies and systems	●		
<i>Customer health and safety</i>				
PR1	Core	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	54-56, 64-66, 74-78
PR2		Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	○	
<i>Product and service labelling</i>				
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	63-64, 73, 78
PR4		Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	○	
PR5	Add	<i>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</i>	●	121-123
<i>Marketing communications</i>				
PR6	Core	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	134
PR7	Add	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</i>	●	41
<i>Customer privacy</i>				
PR8	Add	<i>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</i>	●	41
<i>Compliance</i>				
PR9	Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	●	41



GRI Application Level Check Statement



Statement GRI Application Level Check

GRI hereby states that Piaggio & C. SpA has presented its report "Corporate Social Responsibility Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 5 March 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The "+" has been added to this Application Level because Piaggio & C. SpA has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on March 5th 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

Report on the limited auditing of the Corporate Social Responsibility Report



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE CORPORATE SOCIAL RESPONSIBILITY REPORT 2012

To the Shareholders of
Piaggio & C. SpA

- 1 We have carried out the limited assurance engagement of the Corporate Social Responsibility Report as of 31 December 2012 (hereafter the "Report") of the Piaggio Group (hereafter the "Group") following the verification procedures summarized in paragraph 3 of the present document. The Directors of Piaggio & C. SpA are responsible for the preparation of the Report in accordance with the "Sustainability Reporting Guidelines" GRI-G3.1 issued in 2011 by the GRI – Global Reporting Initiative, that are detailed in paragraph "Methodological note" of the Report. The Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of this report on the basis of the work performed.
- 2 Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE3000), issued by the International Auditing and Assurance Standards Board. ISAE3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants"), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures.
- 3 The verification procedures performed on the Report are summarized as follows:
 - a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2012;
 - b) analysis of the governance of sustainability issues related to the Group strategy and operations;
 - c) analysis of processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:
 - meetings and discussions with management representatives of Piaggio & C. SpA to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up;

PricewaterhouseCoopers Advisory SpA

Sede legale Milano 20122 Via Monte Beve 11 Tel. 02573911 Fax 0257391001 Cap. Soc. 1.500.000 Euro I.e. - CR: 0171/0171 e 0171/0172
Imp. Milano N. 0257391007 - Bari Ufficio Bari 70124 Via Don Luigi Guanella 27 Tel. 080420921 Fax 080420940 - Bologna Sede Firenze
50139 Via Tevere 26 Tel. 0554040211 - Firenze 50124 Viale Gramsci 25 Tel. 0554040211 Fax 0554040211 - Napoli Sede Roma del Min. Giu.
00187 Tel. 06476016 - Padova 35139 Via Vescovi 4 Tel. 049723231 Fax 0497232300 - Palermo Sede 90144 Via Marconi 110-10 Tel. 0912920213 Fax
0912920222 - Roma Sede Largo Richetti 00187 Tel. 06476016 Fax 0647601600 - Torino Sede Corso Palestro 30 Tel. 0112722211 Fax 0112722219
- Trieste Sede Viale Polverini 50 Tel. 043291401 Fax 0432914002 - Trieste Sede 34100 Via Cesare Battisti 26 Tel. 0432914011 Fax 0432914022

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- on-site verifications at the Pontedera (PI) plant.
- d) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;
- e) verification of how data and information generated by the audited local site are processed and controlled along the consolidation process;
- f) analysis of the completeness and internal consistency of qualitative information included in the Report in comparison with the reporting guidelines referred to in paragraph 1 of this report;
- g) obtaining a representation letter, signed by the legal representative of Piaggio & C. SpA, relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the guidelines identified in paragraph 1 of the present document.

This is the first sustainability report of the Group subject to an assurance engagement. Prior years' data, which are presented for comparative purposes, were not subject to assurance procedures.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

- 4 Based on the procedures carried out, nothing came to our attention that causes us to believe that the Corporate Social Responsibility Report as of 31 December 2012 of the Piaggio Group is not in compliance, in all material respects, with the "Sustainability Reporting Guidelines" GRI-G3.1 issued in 2011 by the GRI – Global Reporting Initiative that are detailed in paragraph "Methodological note" of the Report.

Florence, 18 March 2013

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.

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

*This report is available on the Internet at:
www.piaggiogroup.com*

This document was published on 27 March 2013

Contacts

Business ethics committee

E-mail: businessethics.committee@piaggio.com

Investor relations

Raffaele Lupotto – Senior Vice President,
Head of Investor Relations

E-mail: investorrelations@piaggio.com

Tel. +39 0587 272286

Fax +39 0587 276093

Press office

E-mail: press@piaggio.com

www.piaggiogroup.com



PIAGGIO & C. s.p.a.

Management and Coordination

IMMSI SpA

Share capital EUR 205,941,272.16 fully paid up

Registered office: Viale R. Piaggio 25, Pontedera (Pisa)

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