

Corporate Governance and Corporate Ownership Report

in accordance with Article 123-bis of the Consolidated Law on Finance, Article 89-bis of the Consob Regulation on Issuers and Article IA.2.6 of the Instructions to the Stock Exchange Regulations

Issuer: **Piaggio & C. S.p.A.**
Web site: **www.piaggiogroup.com**

Financial year to which the Report refers: **2010**
Date of approval of the report: **7 March 2011**

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Glossary

Code: the Corporate Governance Code for listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A. The Code is available at www.borsaitaliana.it, in the section Borsa Italiana/Regulations/Corporate Governance.

Civil code: the Italian Civil Code.

Board: the Issuer's Board of Directors.

Issuer or Company: the Issuer of the listed shares to which the Report refers.

Financial year: the financial year to which the Report refers.

Instructions to the Stock Exchange Regulations: the instructions to the Regulations for Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations: the Regulations of the Stock Market organised and managed by Borsa Italiana S.p.A.

Consob regulation on Issuers: the Regulations issued by Consob by Resolution No. 11971 of 1999 (and amendments thereto) concerning Issuers.

Consob Regulations on Markets: the Regulations issued by Consob by Resolution no. 16191 of 2007 (and amendments thereto) concerning markets.

Report: the corporate governance report that companies are required to prepare pursuant to Article 123-bis of the Consolidated Law on Finance, Article 89-bis of the Consob Regulation on Issuers and Article IA.2.6. of the Instructions to the Stock Exchange Regulations.

The Consolidated Law on Finance: Legislative decree dated 24 February 1998, n. 58 (Consolidated Finance Act).

Issuer profile

Funded in 1884, the Issuer, having its registered office in Pontedera (Pisa), is now one of the leading world manufacturers of two-wheeled motor vehicles.

The Issuer is one of the four biggest manufacturers in the market of reference. The product range includes scooters, mopeds and motorcycles from 50 to 1,200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the 3 and 4-wheeled light transport sector with the Ape, Porter and Quargo vehicles.

The Issuer is organised in accordance with the traditional administration and control model contemplated in Articles 2380-bis et seq. of the Civil Code, with powers reserved respectively to the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Issuer's Chairman and Chief Executive Officer is Roberto Colaninno, the Deputy Chairman Matteo Colaninno, and the Finance General Manager Michele Pallottini¹.

1_On 26 February 2010 the Board of Directors appointed Maurizio Roman General Manager in charge for Product Development and Strategies. Mr Roman resigned on 13 January 2011.



02. Information on the Corporate Ownership structure (pursuant to article 123-bis of the Consolidated Law on Finance)

a) Share capital structure (Article 123-bis, subsection 1(a), Consolidated Law on Finance)

The Issuer has a share capital of Euro 205,941,272.16, fully subscribed and paid up, and divided into 371,793,901 shares with no stated par value. Each share carries the right to one vote, is indivisible, and was issued in dematerialised form.

Categories of shares that make up the share capital:

	N° of shares	% of share capital	Listed (indicate the markets) / not listed	Rights and obligations
Ordinary shares	371,793,901	100	Screen-based Stock Market	Each share gives the right to one vote. The shareholders rights and obligations are those provided in arts. 2346 et seq of the Civil Code.

Option rights assigned to executives of the Issuer and its Italian and foreign subsidiaries and to executive directors of those subsidiaries totalled 8,430,000 as of 31 December 2010, and 7,930,000 as of the date of this Report. The options entitle their holders to purchase treasury shares held by the Issuer, and were issued under the Incentive Plan approved by the shareholders of the Issuer on 7 May 2007 and amended by resolution of the shareholders on 16 April 2010, and disclosed to the market in statements released in accordance with Article 84-bis of the Consob Regulation on Issuers. The general details of the Incentive Plan are described in the Report on Operations and in written statements released by the Issuer in accordance with Article 84-bis of the Consob Regulation on Issuers. The documents can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the *Governance* section.

b) Restrictions on the transfer of securities (Article 123-bis, subsection 1(b), Consolidated Law on Finance)

There are no securities transfer restrictions.

c) Significant equity investments in the share capital (Article 123-bis, subsection 1(c), Consolidated Law on Finance)

As of 31 December 2010, the Issuer held a total of 4,882,711 treasury shares, equal to 1.31% of the share capital. At the same date, significant equity investments in the Issuer's share capital, as disclosed in accordance with Article 120 of the Consolidated Law on Finance, were held by the following shareholders:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	53.588	53.588
	Omniaholding S.p.A.	0.025	0.025
	Totale	53.613	53.613
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.010	5.010
	Totale	5.010	5.010
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	2.063	2.063
	Totale	2.063	2.063
Financiere de l'Echiquier ⁽¹⁾	Financiere de l'Echiquier	2.032	2.032
	Totale	2.032	2.032

⁽¹⁾On 23 February 2011 Financiere de l'Echiquier disclosed that it held interests amounting to 5.014% of the Company's share capital.

At the date of this Report, the number of treasury shares held by the Issuer has not changed since 31 December 2010.

d) Securities that grant special rights (Article 123-bis, subsection 1(d), Consolidated Law on Finance)

No securities have been issued bearing special rights of control.

e) Employee share ownership: mechanism for exercising voting rights (Article 123-bis, subsection 1(c), Consolidated Law on Finance)

There is no employee share ownership scheme.

f) Restrictions on voting rights (Article 123-bis, subsection 1(f), Consolidated Law on Finance)

There are no restrictions on voting rights.

g) Shareholder agreements (Article 123-bis, subsection 1(g), Consolidated Law on Finance)

To the best of the Issuer's knowledge, as of 31 December 2010 no agreements of material relevance for the purposes of Article 122 of the Consolidated Law on Finance were in place between the Company's shareholders.

h) Changes to the Articles of Association (Article 123-bis, subsection 1(l), Consolidated Law on Finance)

Changes to the Articles of Association are governed by *pro tempore* regulations in force.

The Board of Directors has the power and capacity to decide, in accordance with the provisions of Article 2436 of the Civil Code, on matters concerning: mergers and spin offs, where defined as simplified in accordance with Articles 2505, 2505-bis, and 2506-ter, final subsection, of the Civil Code; the transfer of the registered office of the company within Italy; the reduction of share capital in the event of a withdrawal; changes to the Articles of Association to comply with statutory requirements, without prejudice to the capacity of the shareholders to adopt such resolutions at an extraordinary general meeting.

i) Delegation of powers to increase the share capital and authorisations for the acquisition of treasury shares (Article 123-bis, subsection 1(m), Consolidated Law on Finance)

› On 16 April 2009, the Shareholders' Meeting adopted a resolution authorising the purchase and disposal of treasury shares (i) for investment purposes and to stabilise price and liquidity trends of the Issuer's shares on the stock exchange, in accordance with the terms and instructions of applicable regulations and potentially in the interests of the Company, also for the intents and purposes of market practices aimed at shoring up share liquidity, as permitted by Consob under Article 180, subsection 1(c), of the Consolidated Law on Finance and Consob resolution No. 16839 of 19 March 2009; and (ii) within the scope of transactions connected with

current operations or projects consistent with the strategic guidelines that the Company intends to pursue, involving the trading of shares and/or the earmarking of the shares for convertible loan stock and/or warrants, potentially in the interests of the Company and for the intents and purposes of market practices aimed at purchasing shares to create treasury stock, as permitted by Consob under Article 180, subsection 1(c), of the Consolidated Law on Finance and Consob resolution No. 16839 of 19 March 2009.

Accordingly, for the intents and purposes of Article 2357 of the Civil Code, the shareholders gave their authorisation for the purchase of ordinary Piaggio shares, in one or more tranches and within eighteen months from the date of the resolution (therefore by 16 October 2010), up to the maximum limit contemplated by applicable statutory regulations, taking into consideration the treasury shares held by the Company and by its subsidiaries at any one time, and, as applicable, a) at a price per unit of no more than 20% below and no more than 10% above the arithmetic average of official Piaggio share prices over the ten days preceding each purchase transaction; or (b) at a price per unit of no more than 10% below and no more than 10% above the official Piaggio share price the day before a public offer for the purchase or exchange of shares is announced, where purchases are made in this way; or c) at a price per unit satisfying the trading criteria set forth by Consob resolution No. 16839 of 19 March 2009, including therein restrictions on the purchase price and daily trading volumes, where purchases are made within the scope of market practices aimed at shoring up share liquidity or aimed at purchasing shares to create treasury stock.

The shareholders also gave authorisation for the disposal of treasury shares, without a term or deadline. For more detailed information see the minutes of the Shareholders' Meeting, available on the Issuer's corporate website at www.piaggiogroup.com, in the Governance section.

As of 31 December 2009, the Issuer held a total of 27,547,007 treasury shares, equal to 6.955% of the share capital, of which 10,000,000 shares, equal to 2.52% of the share capital, were reserved for the 2007-2009 Stock Option Plan, to be allotted to the beneficiaries of the Plan in accordance with the terms and conditions of the resolution authorising the Plan, approved by the Ordinary Shareholders' Meeting on 7 May 2007.

On 16 April 2010, the shareholders approved amendments to the 2007-2009 Stock Option Plan, whereby option holders that chose to exercise their options for the purchase of ordinary Piaggio shares as of that date would be assigned newly issued shares instead of treasury shares held by the Issuer, as originally contemplated by the Plan.

Accordingly, the Extraordinary Shareholders' Meeting adopted a resolution retiring 24,247,007 treasury shares held by Company, via the derecognition of their nominal value, which had been purchased under authorisation of the shareholders, given in accordance with Article 2357 of the Civil Code and Article 132 of the Consolidated Law on Finance, by resolutions adopted at the Ordinary Shareholders' Meetings held on 7 May 2007, 24 June 2008, and 16 April 2009, which were no longer needed due to the amendment of the 2007-2009 Stock Option Plan.

As a consequence of the foregoing, as of the date of this Report, the Company's share capital remained unchanged in value at Euro 205,941,272.16, though was divided in 371,793,901 ordinary shares with no stated par value.

At the Extraordinary Shareholders' Meeting of 16 April 2010, the shareholders also adopted a resolution to increase the share capital, against payment and divisibly, by and no later than the deadline of 30 October 2015, by a maximum nominal amount of Euro 2,891,410.20 plus a further premium of Euro 6,673,309.80, excluding option rights in accordance with Article 2441, subsections 5 and 8 of the Civil Code and Article 134 of the Consolidated Law on Finance, via the issue of a maximum 5,220,000 new ordinary Piaggio shares with no stated par value and the same rights and exercise mechanism as outstanding shares. The newly issued shares are reserved for subscription by beneficiaries of the 2007-2009 Stock Option Plan approved by the Ordinary Shareholders' Meeting on 7 May 2007 and amended in the Ordinary Shareholders' Meeting on 16 April 2010, concerning the bonus allotment of stock options to top management of the Company and of its Italian and foreign subsidiaries.

As of 31 December 2010, the Issuer held a total of 4,882,711 treasury shares, equal to 1.31% of the share capital, of which 3,300,000 shares, equal to 0.83% of the share capital, were reserved for the 2007-2009 Stock Option Plan, to be allotted to the beneficiaries of the Plan in accordance with the

terms and conditions of the resolution authorising the Plan, approved by the Ordinary Shareholders' Meeting on 7 May 2007, as amended by resolution adopted by the Ordinary Shareholders' Meeting of 16 April 2010 to satisfy the effective needs of the 2007-2009 Stock Option Plan.

In 2010 a total of 1,582,711 shares, equal to 0.4257% of the share capital, were purchased at a weighted average price of Euro 2.1122.

Powers for the issue of financial instruments have not been vested in or delegated to the directors.

l) Change of control clauses (Article 123-bis, subsection 1(h), Consolidated Law on Finance)

The Issuer has a number of significant agreements in place which contemplate amendment or termination in the event of a change in control of the contracting party. Details of the agreements are provided in a specific section of the Financial Statements for the year ended 31 December 2010. Specifically the following agreements have been made:

- › a loan and credit facility agreement with Banca Intesa Sanpaolo S.p.A. and Mediobanca, totalling Euro 250 million;
- › a debenture loan totalling Euro 150 million, issued by the Company;
- › a framework agreement with a syndicate of banks led by Banca Intesa Sanpaolo S.p.A., acting as arranger, for Euro 70.3 million in operating credit lines;
- › a loan agreement with the European Investment Bank, totalling Euro 150 million;
- › a loan agreement with a syndicate of banks led by BNP Paribas, totalling Euro 90 million;
- › a loan agreement with International Finance Corporation to support the Group's Indian and Vietnamese subsidiaries, totalling Euro 30 million.

m) Severance indemnities for directors in the event of resignation, dismissal or termination following a public takeover bid (Article 123-bis, subsection 1(i), Consolidated Law on Finance)

In compliance with Consob recommendations concerning the remuneration and self-appraisal of governance bodies and succession plans, the Company reports that no agreements have been made between the Issuer and its directors that provide for severance indemnities in the event of the resignation or unfair dismissal/removal of a director or the termination of a director's contract following a public takeover bid.

For the effects of the termination of contract for the purposes of the 2007-2009 Stock Option Plan, see the disclosures released by the Issuer in accordance with Article 84-bis of the Consob Regulation on Issuers. The documents can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

For the additional disclosures required by Article 123-bis of the Consolidated Law on Finance, see the following sections of this Report, as indicated below.

- › For information on the appointment and replacement of directors (Article 123-bis, subsection 1(l), part one), see section 5.1;
- › For information on the key aspects of the risk management and internal control system (Article 123-bis, subsection 2(b)), see sections 11 and 13;
- › For information on the rules of procedure for shareholders' meetings, main stakeholders, shareholders' rights, and the exercise of shareholders' rights (Article 123-bis, subsection 2(c)), see section 18;
- › For information on the composition and rules of procedure of governance and control bodies and their committees (Article 123-bis, subsection 2(d)), see sections 5, 7, 8, 9, 11, 12, 15 and 16.

03. Compliance

The Issuer had adopted the Code and complies with all the main corporate governance principles contained therein.

With reference to Article 7 of the Code, as amended on 24 March 2010, the Company is currently working to comply with newly introduced recommendations concerning the remuneration of directors and executives with strategic responsibilities.

Neither the Issuer or any of its strategic subsidiaries are subject to statutory requirements under non-Italian law that would influence the Issuer's corporate governance structure.

04. Management and Co-Ordination

The Issuer is subject to the management and co-ordination of IMMSI S.p.A. as per Articles 2497 et seq. of the Civil Code. This activity is conducted with the methods indicated in the appropriate section of the Report on Operations.

05. Board of Directors

5.1. Appointment and replacement of directors (Article 123-bis, subsection 1(l), Consolidated Law on Finance)

The Issuer's Articles of Association (Article 12) govern the composition and appointment of the Board of Directors, ensuring compliance with the provisions of Legislative Decree No. 27 of 27 January 2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Amendments to the Articles of Association to comply with the new law were approved by the Board of Directors on 30 November 2010.

The company is governed by a Board of Directors composed of a number of members not less than seven and not more than fifteen. The Shareholders' Meeting is required to determine, at the time of their appointment, the number of Board members within the aforesaid limits, as well as their term of office that may not exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called to approve the Financial Statements for the last financial year of their office. Board directors may be re-elected.

In accordance with Article 12.2 of the Issuer's Articles of association, candidates cannot be appointed to the office of director of the company or, if appointed, are disqualified, if they have not gained at least three years experience in the following:

- a.* administration and supervision activities, i.e. senior management tasks in joint stock companies with share capital of at least two million Euro; or
- b.* professional activities or a tenured university position in legal, economic, financial and technical-scientific fields strictly related to company operations; or
- c.* managerial functions with public bodies or the public administration sector operating in the credit, financial or insurance fields, or in any case in fields which are strictly related to the company operations.

Directors are elected by the Ordinary Shareholders' Meeting on the basis of candidate slates nominated by the shareholders, in which candidates are listed in progressive order.

In accordance with Article 12.3 of the Issuer's Articles of Association, the candidate slates for election to the Board of Directors must be filed by shareholders at the registered office at least twenty-five full days before the first date of the shareholders' meeting. In order to file a candidate slate, shareholders are required to produce certification attesting that they satisfy the ownership requirements for nominating candidates. Certification may



be produced after the filing of the slate, by and no later than twenty-one days before the first scheduled date of the Shareholders' Meeting.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital, or another percentage established by legal or regulatory provisions, may nominate candidates on slates. By resolution No. 17633 of 26 January 2011, Consob set the relative capital ownership threshold required to nominate candidates on slates for election to the governance bodies of issuers at 2.0% for the year of reference.

1 (one) director is reserved for the minority slates.

The appointment mechanism adopted for choosing candidates nominated in different slates is as follows:

- a. the names of Board Directors, minus one, are selected from the slate obtaining the highest number of votes, in the consecutive order in which they are listed;
- b. the remaining director is taken from the minority slate that may not in any way, not even indirectly, be linked with the shareholders who presented or voted the slate referred to in point a) and that received the most shareholder votes, being the first candidate on the list of names.

Should the minority slate referred to in point b) not have obtained a percentage of votes equal to at least half of that required, in accordance with the above, for the purpose of presenting the slate itself, all the Directors to be appointed shall be taken from the slate referred to in point a).

Should the appointment not be ensured, with candidates elected with the above indicated methods, of a number of directors having the requisites of independence equal to the minimum number established by the law in relation to the overall number of the directors, the non-independent candidate elected last in progressive order from the slate that had the highest number of shareholders' votes, mentioned in a) above, shall be substituted by the independent candidate not elected from the same slate in accordance with the progressive order, or, in default, by the first independent candidate in accordance with the progressive order not elected from other slates, in accordance with the number of votes each obtained. Such substitution procedure shall take place until the Board is composed of the number of members having the requisites mentioned in article 148.3 of the Consolidated Law on Finance at least equal to the minimum prescribed by the law. Finally, should said procedure not ensure the last result indicated, the substitution shall take place by a resolution passed by a relative majority at a shareholders' meeting, subject to presentation of candidatures of persons having the abovementioned requisites.

In the case of presentation of a single slate or in the case where no slate is presented, the Shareholders' Meeting shall approve the appointment with the legal majorities, without observance of the procedure envisaged above.

If during a term of office one or more directors leave the Board, they may be replaced in accordance with Article 2386 of the Civil Code as specified below, providing that the majority of the Board consists of directors appointed by the shareholders:

- // The Board nominates, by resolution approved by the Board of Statutory Auditors, replacement directors from the remaining eligible candidates on the same slate from which the directors that have left office were voted, and the shareholders approve the appointments on the basis of the majorities required by law;
- // Where no unelected candidates remain on the candidate slate, or where for any reason whatsoever the provisions of point (i) above cannot be implemented, the Board is to nominate, by resolution approved by the Board of Statutory Auditors, the replacement directors, whose appointment is then to be approved by the shareholders on the basis of the majorities required by law, without the use of candidate slates.

In either case, the Board and the shareholders are to ensure that only candidates eligible for election under laws in force, the Articles of Association and other applicable provisions are appointed as directors.

If a majority of the directors appointed by the shareholders leave office, the entire Board of Directors will be required to resign and a Shareholders' Meeting called by the remaining directors for the appointment of a new Board.

5.2. Composition (Article 123-bis, subsection 2(d), Consolidated Law on Finance)

The Board of Directors in office at the date of this Report consists of eleven members, elected by unanimous vote of the Ordinary Shareholders' Meeting held on 16 April 2009. The directors were elected from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 12.4 of the Articles of Association. The Board and its current members will remain in office until the date of the shareholders' meeting called for the approval of the financial statements for the year ending 31 December 2011.

We report that on 16 April 2010, the Shareholders' Meeting approved the appointment of Livio Corgi, nominated by the majority shareholder IMMSI S.p.A., as director. Mr Corgi was nominated and co-opted onto the Board in 2009 to replace Gianclaudio Neri, in accordance with Article 2386, subsection 1 of the Civil Code. Instead, on 22 September 2010, the Board of Directors nominated Andrea Paroli to be co-opted onto the Board to replace Luciano Pietro La Noce, who left his post on 3 August 2010. The new director will remain in office until the next shareholders' meeting.

The résumés of each of the directors are filed at the registered office of the Company, and can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

Name	Position	In office from	Slate M/m	Exec.	Non-Exec.	Indep.	Indep. Consolidated Law on Finance	% BoD	Other positions	Members of the Board of Directors
Roberto Colaninno	Chairman Chief Executive Officer	16/04/2009	M	X				100	8	<p><i>Legend</i> <i>M/m slate:</i> indicates whether the director was drawn from the slate attracting a majority (M) or minority (m) of votes. <i>Exec.:</i> indicates if the director can be classified as an executive. <i>Non-exec.:</i> indicates if the director can be classified as non-executive. <i>Indep.:</i> indicates if the director can be classified as independent in accordance with the criteria established by the Code. <i>Indep. Consolidated Law on Finance:</i> indicates if the director has the independence requisites established by Article 148, subsection 3 of the Consolidated Law on Finance (Article 144-decies, of the Consob Regulation on Issuers). <i>% BoD:</i> indicates (in percentage terms) the attendance of the director at Board meetings. <i>Other offices:</i> indicates the overall number of offices held in other companies of the Group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.</p>
Matteo Colaninno	Deputy Chairman	16/04/2009	M		X			100	4	
Michele Colaninno	Director	16/04/2009	M		X			100	12	
Vito Varvaro	Director	16/04/2009	M		X			100	3	
Daniele Discepolo	Director	16/04/2009	M		X	X	X	100	11	
Andrea Paroli	Director	22/09/2010	-		X			100	4	
Franco Debenedetti	Director	16/04/2009	M		X	X	X	100	5	
Giorgio Magnoni	Director	16/04/2009	M		X			100	6	
Luca Paravicini Crespi	Director	16/04/2009	M		X	X	X	100	5	
Riccardo Varaldo	Director	16/04/2009	M		X	X	X	100	2	
Livio Corgi	Director	16/04/2009	M		X			100	3	
Directors that left office during the reporting year										
Luciano Pietro La Noce	Director	from 16/04/2009 until 03/08/2010	M		X			50	-	

A.C.: indicates the Appointments Committee; C/M indicates if the director is chairman or member of the Appointments Committee
% A.C.: indicates the attendance, in percentages, of the director at the meetings of the appointments committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the appointments committee held during the year or after assumption of office).

R.C.: indicates the Remuneration Committee; C/M indicates if the director is chairman/member of the Remuneration Committee
% R.C.: indicates the attendance, in percentages, of the director at the meetings of the remuneration committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the remuneration committee held during the year or after assumption of office).

I.C.C.: indicates the Internal Control Committee; C/M indicates if the director is chairman or member of the Internal Control Committee.
% I.C.C.: indicates the attendance, in percentages, of the director at the meetings of the internal control committee (such percentage is calculated considering the number of meetings which the director has attended with respect to the number of meetings of the internal control committee held during the year or after assumption of office).

1_ The director Mr Luciano Pietro La Noce stepped down from office on 3 August 2010.

2_ The director Michele Colaninno was nominated to replace the outgoing director Luciano Pietro La Noce on 22 September 2010.

3_ The director Daniele Discepolo was appointed to the Remuneration Committee to replace the outgoing director Luciano Pietro La Noce on 22 September 2010.

Name	Position	A.C.	% A.C.	R.C.	% R.C.	ICC	% I.C.C.
Luciano Pietro La Noce ¹	Director	M	-	M	100		
Michele Colaninno ²	Director	M	-				
Daniele Discepolo ³	Director			M	-	P	100
Franco Debenedetti	Director	P	-	M	100		
Riccardo Varaldo	Director			P	100	M	86
Luca Paravicini Crespi	Director	M	-			M	100

There were no changes in the composition of the Board after the financial year-end.

Maximum accumulation of offices held in other companies

The Board has not considered the definition of general criteria regarding the maximum number of appointments for administration and control in other companies that can be considered compatible with an effective conduct of the role of director of the Issuer, it being understood that each director must evaluate the compatibility of the offices of director and statutory auditor held in other companies listed on regulated markets, in financial, banking and insurance companies or those of significant dimensions, with the diligent conduct of the duties assumed as a director of the Issuer.

During the course of the meeting held on 7 March 2011, the Board, on viewing the result of the verification of the offices presently held by its directors in other companies, considered that the number and standing of the offices held do not interfere and are, consequently, compatible with an effective conduct of the office of director of the Issuer.

As regards the positions held by directors of the Issuer in the Parent Company IMMSI S.p.A., it is hereby stated that the majority of the Issuer's Board members hold no management or control position in IMMSI S.p.A.

The list of the companies in which each director holds management or control appointments at the date of this Report is shown below, indicating whether the company in which they hold the appointment forms part or not of the Group of which the Issuer is Parent Company or forms a part.

Full name	Company	Management and control positions held in public companies
Roberto Colaninno	IMMSI S.p.A.*	Chairman of the Board of Directors
	Omniaholding S.p.A.*	Chairman of the Board of Directors
	Omniainvest S.p.A.*	Chairman of the Board of Directors
	Alitalia Compagnia Aerea Italiana S.p.A.	Chairman of the Board of Directors
	Air One S.p.A.	Chairman of the Board of Directors
	Immobiliare Regis S.r.l.	Chairman of the Board of Directors
	RCN Finanziaria S.p.A.*	Director
Rodriquez Cantieri Navali S.p.A.*	Director	
Matteo Colaninno	Omniaholding S.p.A.*	Deputy Chairman and Chief Executive Officer
	Omniainvest S.p.A.*	Director
	IMMSI S.p.A.*	Director
	Immobiliare Regis S.r.l.	Director

Michele Colaninno	IMMSI S.p.A.*	Chief Executive Officer and General Manager
	Ominiaholding S.p.A.*	Chief Executive Officer
	Omniainvest S.p.A.*	Chief Executive Officer
	ISM Investimenti S.p.A.*	Chairman of the Board of Directors
	Banca Popolare di Mantova	Board of Directors Deputy Chairman
	RCN Finanziaria S.p.A.*	Director
	Rodriquez Cantieri Navali S.p.A.*	Director
	Is Molas S.p.A.*	Director
	Immobiliare Regis S.r.l.	Director
	Piaggio Vehicles PVT Ltd.*	Director
	Piaggio Vietnam Co. Ltd.*	Director
Immsi Audit S.c.a.r.l.*	Director	
Vito Varvaro	Tod's S.p.A.	Director
	Marcolin S.p.A.	Director
	Cantine Settesoldi Società Cooperativa	Director
Daniele Discepolo	Beta Skye S.r.l.	Director and Chairman of the Supervisory Board
	Esaote S.p.A.	Chairman of the Supervisory Board
	Artemide S.p.A.	Director and Chairman of the Internal Control Committee
	Fondazione Filarete	Director
	Fondazione Filarete Investimenti	Director
	Mascioni S.p.A.	Director
	Manucor S.p.A.	Director
	Vincenzo Zucchi S.p.A.	Director and Chairman of the Internal Control Committee
	Sesto Immobiliare S.p.A.	Chairman of the Board of Statutory Auditors
	Gruppo Argenta S.p.A.	Chairman of the Supervisory Board
Profit S.p.A. Holding	Director	
Andrea Paroli	Pietra S.r.l.*	Chairman of the Board of Directors
	Rodriquez Cantieri Navali S.p.A.*	Director
	Is Molas S.p.A.*	Director
	ISM Investimenti S.p.A.*	Director
Franco Debenedetti	CIR S.p.A.	Director
	COFIDE S.p.A.	Director
	IRIDE S.p.A.	Director
	Banca Popolare di Milano	Director
	China Milan Equity Exchange	Chairman
Giorgio Magnoni	Acqua Blu S.r.l.	Sole Director
	Greenway S.r.l.	Director and Chairman of the Board of Directors
	Società Agricola Yani S.r.l.	Sole Director
	SO.PA.F. S.p.A.	Director, Deputy Chairman of the Board of Directors and Chief Executive Officer
	SPF Energy S.p.A.	Director and Chairman of the Board of Directors
	Sun System S.p.A.	Director

* The company belongs to the same Group as the Issuer.

Full name	Company	Management and control positions held in public companies
Luca Paravicini Crespi	Gruppo Editoriale l'Espresso S.p.A.	Director
	CIR S.p.A.	Director
	Consilium SGR S.p.A.	Director
	Education.it S.p.A.	Director
	Scala Group S.p.A.	Director
	Simplicissimus Book Farm S.r.l.	Director
Riccardo Varaldo	Finmeccanica S.p.A	Director
	Intesa Sanpaolo S.p.A	Member of the Surveillance Committee
Livio Corghi	RCN Finanziaria S.p.A.*	Director
	Rodriquez Cantieri Navali S.p.A.*	Deputy Chairman and Chief Executive Officer
	Intermarine S.p.A.*	Deputy Chairman

* The company belongs to the same Group as the Issuer.

5.3. Rules of procedure of the Board of Directors (Article 123-bis, subsection 2(d), Consolidated Law on Finance)

In accordance with Article 13 of the Articles of Association, the Board of Directors is required to elect a chairman from its members, where no such appointment is made by the shareholders. The Board may also elect one or more deputy chairmen, and is to appoint a secretary, who may also be a non-member of the Board.

Under Article 17.4 of the Articles of Association, the Board of Directors may delegate its powers and capacities to an executive committee, within the limits contemplated by law and the Articles of Association. The Board may also delegate, within those same limits, some of its powers and capacities to the Chairman and/or other members, and may appoint and delegate powers and capacities to one or more Chief Executive Officers.

Under Article 14.1 and 14.2 of the Articles of Association, Board meetings are called by the Chairman, or by his substitute in accordance with the Articles of Association. Meeting notices are to be sent by fax or other suitable means of communication to the address for service of each director and statutory auditor at least three days in advance of the meeting date. In urgent circumstances, Board meetings may be called by telegram, fax, electronic mail or other electronic means at least twenty-four hours before the meeting date.

Board meetings are chaired by the Chairman or, in his absence or disability, by the deputy chairman or, where two or more deputy chairmen are appointed, by the longest serving deputy chairman or, where their length of service is equivalent, by the most senior of the deputy chairmen, in terms of age.

Under Article 14.4 of the Articles of Association, Board meetings are held at the registered office of the company or at another venue, provided it is located in Italy. Meetings may be called whenever deemed necessary by the Chairman, or person acting on his behalf in accordance with the Articles of Association, or when requested by the Chief Executive Officer, if appointed, or by at least three Board members, without prejudice to the power to call Board meetings granted to other parties in accordance with law. Attendees may participate in Board of Directors' meetings remotely via the use of audiovisual links (video or teleconferencing). In this case, each of the participants must be identifiable, and each assured the possibility of speaking and voicing their views in real time and of receiving, transmitting and viewing any documentation not provided in advance. It must also be assured that examinations, addresses and decision-making are conducted live, without delays. Directors and statutory auditors that participate remotely must be given access to the same documentation distributed to participants at the meeting

venue. The meeting venue is the place where the Chairman and the secretary are both required to be located.

Under Article 15 of the Articles of Association, a majority of serving Board members are required at meetings for any decisions taken by the Board of Directors to be valid. Resolutions are passed with the majority of the voting members, excluding any abstainers. In the case of a tie, the vote of the person chairing the meeting prevails. Voting must be conducted by open vote.

5.4. Role of the Board of Directors (Article 123-bis, subsection 2(d), Consolidated Law on Finance)

During the course of the financial year 7 (seven) Board meetings were held on the following dates: 26 February 2010, 29 April 2010, 3 June 2010, 29 July 2010, 22 September 2010, 29 October 2010 and 30 November 2010.

The Board meetings lasted on average two hours.

The 2011 calendar of corporate events for the year underway (disclosed to the market and Borsa Italiana S.p.A. in accordance with regulations on 28 January 2011) has four Board meetings scheduled for the following dates:

- › 7 March 2011 – approval of the draft financial statements and consolidated financial statements as of 31 December 2010;
- › 29 April 2011 – approval of the interim report on operations as of 31 March 2011;
- › 28 July 2011 – approval of the half-year financial report as of 30 June 2011;
- › 28 October 2011 – approval of the interim report on operations as of 30 September 2011.

The calendar can be viewed in both Italian and English on the Issuer's corporate website www.piaggiogroup.com, in the Investors section – Financial Calendar.

The Chairman of the Board of Directors and the Chief Executive Officer are responsible for ensuring that sufficient information is provided to all directors on the business tabled in the meeting agenda. Said information is to be provided in a suitable way, so as to enable directors to make well-informed decisions on the matters submitted to them, with draft documents requiring approval provided well in advance, excepting cases of demonstrated urgency or special confidentiality requirements.

Board meetings are attended by executives of the Issuer and of the group of which the Issuer is the parent company, to report on the business tabled in meeting agendas.

The Board has a central role in connection with corporate organisation and is responsible for the functions and strategic guidelines, as well as the verification of the existence of the necessary controls to monitor the performance of the Issuer and Group companies of which it is the Parent Company.

Under Article 17.1 of the Articles of Association, the Board is vested with wide-ranging powers for the management of the company and for this purpose can approve or execute all the actions that it considers necessary or expedient in the pursuit of the objects of the company, with the exception of the powers reserved by law and the by the Articles of Association to the shareholders.

Alongside the powers vested in the Board of Directors by law and by the Articles of Association, the

following powers are also reserved jointly to the Board:

- a.* acquisition or disposal of equity investments in companies, enterprises or business branches;
- b.* conclusion and modification of loan agreements in whatever form entered into, the amount of which is greater than Euro 25 million;
- c.* granting of secured guarantees on assets and personal guarantees for third party obligations, other than those granted in the interest of directly or indirectly controlled companies;
- d.* the transfer of brands, patents and other intellectual property rights, as well as the conclusion of licensing contracts for a value or amount of over Euro 2.5 million;
- e.* conclusion and amendment of agreements of a multi-year commercial nature, including joint ventures, that do not fall within the scope of the Company's ordinary operations;
- f.* purchase and sale of real estate;
- g.* other extraordinary administration transactions, the amount of which is greater than Euro 50 million;
- h.* without prejudice to the provisions of the above clauses, transactions concluded with related parties, as defined pursuant to applicable legal and regulatory directives, with the exclusion of the typical and usual transactions for company business concluded at market conditions;
- i.* appointment of the company's general manager and manager of the administration, finance and control division;
- j.* appointment of the members of the management bodies and general managers of the directly or indirectly controlled companies.

In connection with its authority, the Board examines and approves the strategic, industrial and financial plans of the Issuer and of the Group of which it is the Parent Company, the corporate governance system and the structure of the Group of which it is the Parent Company.

In accordance with the provisions of law, the Articles of Association and the Code, the Board of Directors is to examine and approve in advance transactions, conducted by the Issuer and its subsidiaries, of strategic importance or with a material impact on the balance sheet, income statement or cash flows of the Issuer, with special focus placed on transactions in which one or more directors have a personal interest or interest on behalf of third parties.

As regards the management of conflicts of interest and transactions with related parties of the Issuer or of the group of which the Issuer is parent company, see section 14 of this Report.

Pursuant to Article 2381 of the Civil Code and application criterion 1.C.1.(b) of the Code, during the course of the financial year the Board evaluated the adequacy of the organisational, administrative and general accounting set-up of the Issuer on a quarterly basis, with particular reference to the internal control system and management of the conflicts of interest, in accordance with the procedures adopted by the Issuer to this end. In connection with the reviews, the Board availed itself of the support of the Internal Control Committee, the Internal Control Supervisor, the auditors IMMSI Audit S.c.a.r.l. and the executive in charge of financial reporting, as well as the procedures and checks implemented, including those pursuant to L. 262/2005

The Board evaluated the general results of operations at least quarterly, taking into consideration the information received from the authorised bodies, as well as periodically comparing the results achieved with those programmed.

On 7 March 2011, the Issuer's Board conducted the annual review required under application criterion 1.C.1g) of the Code. The review found that the composition and rules of procedure of the Board of Directors and its committees were adequate, given the Issuer's management and organisational requirements and considering that of a total of eleven Board members, ten are non-executive directors, four of whom are independent non-executive directors, who also ensure the suitability of the composition of the Board's committees.

The shareholders have not authorised exceptions to the ban on competition contemplated in Article 2390 of the Civil Code.

5.5. Authorised Bodies

Chief Executive Officers

The Issuer's Chairman, Roberto Colaninno, also holds the office of Chief Executive Officer.

Wide-ranging powers for the ordinary and extraordinary administration of the Company have been delegated to the Chairman and Chief Executive Officer, with the exception of the joint powers and capacities reserved to the governance body as a whole by law, by the Articles of Association, or by the Board of Directors' resolution adopted on 16 April 2009 (see sections 5.3 and 5.4 above).

Chairman and deputy chairman

The Chairman of the Board:

a. is the main person responsible for the Issuer's management (chief executive officer) and

b. is not the Issuer's controlling shareholder.

Under the Articles of Association, the Chairman of the Board of Directors is vested with the power and capacity to chair shareholders' meetings (Article 9), to call Board meetings (Article 14), to represent the Company legally before third parties and at law, and to act as signatory for the Company (Article 23).

The Deputy Chairman, Matteo Colaninno, is responsible for substituting the Chairman in his capacities, as required.

Board information

During the course of the financial year, the Chief Executive Officer reported to the Board on the exercise of the powers and capacities delegated to him in a timely and adequate fashion, on a quarterly basis at least, and in such a way as to enable the directors to make well-informed decisions on the matters submitted to them.

5.6. Other Executive Directors

There are no other executive directors.

5.7. Independent Directors

The number and authority of non-executive and independent directors are such that they ensure that their opinion has a significant weight in the Issuer's Board decisions. The non-executive and independent directors bring their specific competences to Board discussions, contributing to the making of decisions

that conform to corporate interests.

In its meeting on 7 March 2011, the Board of Directors reviewed the independent status of the independent directors currently in office, checking that they possess the independence requisites to qualify as independent under Article 3 of the Code and Article 148, subsection 3(b) and (c) of the Consolidated Law on Finance, as had been checked upon their original appointment.

Please note that, in order to exclude the potential risks limiting the Issuer's management autonomy, which could lead, in particular, to an overlapping of the administrative boards of the Issuer and the Parent Company IMMSI S.p.A.: (a) the Issuer's current Board of Directors includes six non-executive Directors – Michele Colaninno, Matteo Colaninno, Giorgio Magnoni, Vito Varvaro, Livio Corghi and Andrea Paroli – and four independent non-executive Directors – Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo and Luca Paravicini Crespi; (b) the majority of the members of the Issuer's Board does not hold administrative and management positions in IMMSI S.p.A..

These independent directors have the independence qualifications pursuant to article 3 of the Code and article 148.3b) and c) of the Consolidated Law on Finance, in that each of them:

- I.* does not control the Issuer, either directly or indirectly, or through subsidiaries, trust companies or through third parties, nor is it able to exercise any considerable influence thereon;
- II.* does not participate, either directly or indirectly, in any shareholder agreement through which one or more persons can exercise control or considerable influence over the Issuer;
- III.* is not, or was not in the three previous financial years, a significant representative of the Issuer (i.e. chairman, legal representative, executive director, or executive with strategic responsibilities) or one of its subsidiaries having strategic significance or a company subjected to the joint control of the Issuer, or a company or entity that – together with others through a shareholders agreement – controls the Issuer or is capable of exercising a considerable influence thereon;
- IV.* does not, or did not in the previous financial year, carry out – either directly or indirectly (e.g. via subsidiaries or companies in which they are significant representatives, in the sense indicated in item (iii) above, or as a partner in a professional firm or a consulting company) – important commercial, financial or professional relationships or working relationships as employees in the past three financial years: (a) with the Issuer, one of its subsidiaries, or with one of its significant representatives in the sense indicated in item (iii) above (b) with a person who, alone or jointly with others through a shareholders agreement, controls the Issuer, or rather – being a company or entity – with related significant representatives in the sense indicated in item (iii) above, thereof;
- V.* notwithstanding the indications under item (iv) above, does not have a working relationship as an employee or contractor, or other asset-based or professional relationships that could jeopardise a director's independence: (a) with the Issuer, its subsidiaries or parent companies, or with companies subject to joint control; (b) with directors of the Issuer; (c) with spouses, relatives and the like up to the fourth degree of kinship of directors of the companies as under item (a) above;
- VI.* does not receive, or has not received in the previous three financial years, any large bonuses from the Issuer, or from a subsidiary or Parent Company, additional to the fixed salary of a non-executive director of the Issuer, including participation in incentives plans based on corporate performance, such as stock option plans;
- VII.* has not been a Director of the Issuer for more than nine of the last twelve years;
- VIII.* does not hold the position of executive director in another company in which one of the Issuer's executive directors is also a director;
- IX.* is not a shareholder or director of a company or entity belonging to the corporate network of the independent auditor engaged by the Issuer;
- X.* is not a close family member of a person who falls into the categories mentioned in the previous points and who is not a spouse or relative by consanguinity or affinity within the fourth degree of kinship of the directors of the Issuer, its subsidiaries, parent companies or companies subject to its joint control.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and the results of this inspection will be detailed in the Statutory Auditor's Report to the shareholders, pursuant to Article 153 of the Consolidated Law on Finance.

In 2010 the Committee of Independent Board Directors held two meetings, which were attended by the Chairman of the Board of Statutory Auditors. During the meetings the independent directors spoke with the Chairman and Chief Executive Officer of the Company to obtain information concerning corporate strategies, significant transactions being conducted, and the make up of the management team.

The independent directors confirm that during their meetings with the Chairman they gained growing knowledge and insight into specific and significant management matters.

5.8. Lead Independent Director

The Board has designated non-executive independent director Daniele Discepolo as Lead Independent Director, pursuant to the Code, so that he represents a point of reference and co-ordinates the petitions of non-executive directors, and particularly of independent directors. Lead Independent Director Daniele Discepolo, an independent director who has suitable expertise in accounting and finance, also holds the position of Chairman of the Internal Control Committee.







06. Processing of corporate information

6.1. Procedure for external communication of price-sensitive information

In order to monitor the access and circulation of price-sensitive information before it has been made public, to ensure that statutory obligations regarding privacy pursuant are respected and to regulate the internal management and external communication of this information, in its meeting on 28 August 2006 the Board adopted a “Procedure for the publication of price-sensitive information”.

In accordance with this procedure, the Issuer’s Chairman, Chief Executive Officer and Investor Relations Officer are tasked with ensuring the correct management of disclosures to the market of price-sensitive information, and enforcing the application of the procedure.

The Investor Relations Officer and Press Relations Officer – briefed by the Group’s top management or otherwise made aware of the Issuer’s and its subsidiaries’ significant corporate events - are to check with the Finance General Manager and Head of Legal and Company Affairs that legal obligations have been met, and whether information should be considered sensitive.

If information is deemed price-sensitive or regulations in force require it to be disclosed, the Press Relations Officer draws up a press release and – with the help of the Head of Legal and Company Affairs – ensures that the release satisfies relevant statutory requirements in force.

The text of the press release must be submitted to the Chairman and Chief Executive Officer, and – where necessary – to the Board of Directors for final approval before disclosure.

The press release is entered into the Network Information System (NIS), which is organised and managed by Borsa Italiana and via the NIS, the release is sent to Consob and to at least two press agencies.

Moreover, the Company inserts the release “by the opening of the market the day after it has been disclosed” on the corporate website www.piaggiogroup.com in the Investors section, ensuring that the information stays on the website for at least two years.

In order to ensure the proper management of price-sensitive information within the Group, the procedure is made known to the Managing Directors of the main subsidiaries, i.e. the Issuer’s subsidiaries that fall within its scope of consolidation.

The management of price-sensitive information concerning subsidiaries is entrusted to their Managing Directors, who must send as soon as possible to the Issuer’s Finance General Manager and/or Investor Relations Officer any information that, in their judgement, could contain price-sensitive information for the purposes of the procedure.

The Finance General Manager and/or Investor Relations Officer notified of the price-sensitive information by the Managing Directors of the subsidiaries is/are to check with the Head of Legal and Company Affairs that legal obligations have been met, and especially to see if the information should be considered price-sensitive.

If information is deemed price-sensitive or regulations in force require it to be disclosed, the Press Relations Officer draws up a press release and – with the help of the Head of Legal and Company Affairs – ensures that the release satisfies relevant statutory requirements in force.

The text of the press release must be submitted to the Chairman and Chief Executive Officer, and – where necessary – to the Board of Directors for final approval before disclosure.

6.2. Register of persons with access to price-sensitive information

With special reference to the requirement of listed Issuers, entities having control over them and persons acting in their name or on their account, to establish and manage a register of persons having access to price-sensitive information pursuant to Article 115-*bis* of the Consolidated Law on Finance, at the

meeting held on 3 May 2006 the Board of Directors approved the following: (i) pursuant to and for the effects of Article 152-*bis* of the Regulations on Issuers, to grant powers to the Parent Company IMMSI S.p.A. to keep, manage and update the register of persons having access to IMMSI S.p.A.'s price-sensitive information, including that for Piaggio and companies belonging to the Piaggio Group; (ii) to implement the "Procedure for the management of the Register of persons having access to Price-sensitive Information" adopted by IMMSI S.p.A. by approval of its own Board of Directors at the meeting held on 24 March 2006.

On 5 November 2007, the Board, considering the expediency for the Issuer of establishing, keeping and independently managing a register of persons with access to price-sensitive information regarding the Group of which the Issuer is the Parent Company, adopted an independent "Piaggio & C. S.p.A. Group procedure for the management of the Register of persons having access to price-sensitive information", which is applicable to all subsidiaries controlled by the Issuer, as adjusted to suit their respective organisational structures and roles in the companies.

Both of these procedures are available on the corporate website www.piaggiogroup.com, in the Governance section.

6.3. Internal dealing

Regarding the management of reporting requirements deriving from the new Internal Dealing regulation pursuant to Article 114, subsection 7 of the Consolidated Law on Finance, and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Consob Regulation on Issuers, applicable to listed companies as of 1 April 2006, the Board of Directors approved the adoption of the "Procedure to comply with Internal Dealing requirements" on 3 May 2006, effectively binding as of the date of listing.

The notifications relating to significant transactions pursuant to the internal dealing regulations made during the course of the financial year were reported to the market in accordance with the procedure, and are available on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

07. Internal Board Committees (Article 123-bis, subsection 2(d), Consolidated Law on Finance)

The Board of Directors has appointed an Appointment Proposals Committee, a Remuneration Committee, an Internal Control Committee and a Related Party Transactions Committee. The Issuer has not established any committee performing the functions of two or more of the committees required by the Code, or any other committee not contemplated by the Code.

08. Appointment proposals committee

In compliance with provisions of the Code and in consideration of the slate-based voting system required by the Articles of Association for nominations to governance bodies, the Board of Directors has established an internal Appointment Proposals Committee.

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

The Appointment Proposals Committee is composed of three members: Franco Debenedetti, the designated chairman, Michele Colaninno (appointed by the Board on 22 September 2010 to replace Luciano Pietro La Noce) and Luca Paravicini Crespi.

Functions of the Appointments Committee

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

Pursuant to the application criteria under 6.C.2 c) of the Code, the Appointment Proposals Committee also has the duty to give the Board an opinion, if and when necessary, regarding the size and composition thereof.

No financial resources were allocated to the Appointment Proposal Committee as, in order to carry out its duties, it uses the Issuer's corporate resources and facilities.

During the financial year the Appointment Proposal Committee did not hold any meetings, having exhausted its duties in 2009 when the new Board of Directors was elected by the shareholders of the Issuer from the slate of candidates nominated by the majority shareholder IMMSI S.p.A.

9. Remuneration committee

In compliance with the Code, the company's Board of Directors has established a Remuneration Committee from its members.

The Remuneration Committee consists of non-executive and independent directors.

The Remuneration Committee is composed of three members: Riccardo Varaldo, the designated chairman, Daniele Discepolo (appointed by the Board on 22 September 2010 to replace Luciano Pietro La Noce) and Franco Debenedetti.

Functions of the Remuneration Committee

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

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

The Remuneration Committee did not hold any meetings during the year. More specifically, as no changes were found to have arisen with respect to the previous year, the Committee decided that the remuneration of executive officers for the year was consistent with the remuneration paid to the directors of past Boards and commensurate with the commitments undertaken, the responsibilities of the role covered, and the professional qualifications held by executive officers. In this regard, the Committee duly took into account the size of the Company and the Piaggio Group's global outlook for growth.

Notwithstanding the foregoing, the Committee is reviewing methods for the implementation of Consob and Borsa Italiana recommendations, also in the light of recent legislation and the new wording of Article 7 of the Code, as amended on 24 March 2010, concerning the remuneration of directors and executives with strategic responsibilities, which issuers have been asked to adopt by the end of the financial year beginning in 2011.

10. Directors' remuneration

In relation to directors remuneration, pursuant to Article 18 of the Articles of Association, each director is reimbursed the expenses incurred for their functions for the financial year, and paid the annual fee approved by the Ordinary Shareholders' Meeting at the time of their appointment, which will remain unchanged until the shareholders approve a different amount.

Each of the Issuer's directors is paid the same annual fee of Euro 40,000, as approved by the shareholders on 16 April 2009 and which remained unchanged over the year.

The remuneration of the Chairman, Deputy Chairman and Chief Executive Officer were instead approved by the Board on 16 April 2009 and 18 December 2009, having obtained the opinion of the Board of Statutory Auditors and the Remuneration Committee.

A share-based Incentive Plan has been drawn up for executives of the Issuer and its Italian and/or foreign subsidiaries in accordance with Article 2359 of the Civil Code, as well as for directors having powers in the aforementioned subsidiaries. The general details of the Incentive Plan are described in the disclosures and reports released by the Issuer in accordance with Article 84-bis of the Consob Regulation on Issuers. The documents can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

Remuneration of non-executive directors is not linked to the financial results achieved by the Issuer.

No share-based incentives plan has been made for non-executive directors.

The remuneration of non-executive directors was determined by the shareholders in general meeting, as indicated above.

With regard to the disclosure requirements set forth in Article 78 of the Consob Regulation on Issuers, the table below reports the emoluments received by members of the Board of Directors and executives with strategic responsibilities over the year, in accordance with the reporting criteria of Annex 3C of the Regulation.

Specifically, under emoluments for the office the following are shown: (i) the emoluments due as approved by the Shareholders' Meeting or pursuant to Article 2389, subsection 2 of the Civil Code that have not been paid, (ii) possible share of profits, (iii) attendance fees, (iv) lump-sum expense reimbursements; the column non-monetary benefits includes fringe benefits (according to a criteria of taxability) including any insurance policies; bonuses and other incentives and portions of fees that are one-off payments; other fees include (i) payments for offices held in other listed and unlisted subsidiaries, (ii) salaries as employees (gross of social security and taxes borne by the employee, excluding union fees borne by the company and termination benefit allocations), (iii) termination indemnities, and (iv) all possible additional payments deriving from other services rendered.

The table includes all the people who held office as a member of the Board of Directors or as General Manager at any time over the year, including for only a fraction of the year.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Roberto Colaninno	1,290,000 ⁽¹⁾				
Matteo Colaninno	100,000 ⁽²⁾				
Michele Colaninno	40,000				
Livio Corghi	40,000				
Franco Debenedetti	40,000				
Andrea Paroli ⁽³⁾	11,026				
Daniele Discepolo	60,000 ⁽⁴⁾				
Giorgio Magnoni	40,000				
Luca Paravicini Crespi	50,000 ⁽⁵⁾				
Riccardo Varaldo	50,000 ⁽⁵⁾				
Luciano Pietro La Noce	23,590 ⁽⁶⁾				
Vito Varvaro	40,000				
Michele Pallottini		10,384		905,313 ⁽⁷⁾	915,697
Maurizio Roman ⁽⁸⁾		10,263		401,720 ⁽⁷⁾	411,983

(1) The amount includes Euro 1,250,000 in emoluments attaching to the office of Chairman and Chief Executive Officer.

(2) The amount includes Euro 60,000 in emoluments attaching to the office of Deputy Chairman.

(3) As of 22 September 2010.

(4) The amount includes Euro 20,000 in emoluments attaching to the office of Chairman of the Internal Control Committee.

(5) The amount includes Euro 10,000 in emoluments attaching to the office of member of the Internal Control Committee.

(6) The amount is calculated for the period 1 January 2010 to 3 August 2010, the date the office was vacated.

(7) Remuneration from salaried job.

(8) Maurizio Roman was appointed as General Manager for Product Development and Strategies on 26 February 2010. Mr Roman resigned on 13 January 2011

The Issuer does not have any additional executives having strategic responsibilities other than the general managers whose remuneration is shown in the table above.



11. Internal control committee

The Board has established an Internal Control Committee from its members.

The Internal Control Committee is composed of non-executive independent directors.

During the financial year, the Internal Control Committee consisted of three members: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

The director Daniele Discepolo has the accounting and finance experience considered suitable by the Board at the time of his appointment.

Participation of non-members in Internal Control Committee meetings was by invitation of the committee.

The Internal Control Committee is a consultative body that can put forward proposals to the Board. The Committee, together with the Board of Statutory Auditors, is tasked with the following duties:

- I.* assist the Board in carrying out activities relative to the internal control system, specifically in defining guidelines for the system and activities involved in periodic inspections of the system's suitability, efficacy and effective functioning;
- II.* examine the work plan of the internal control supervisor and the periodic interim reports sent by the latter;
- III.* together with the executive in charge of financial reporting and auditors, assess the suitability of accounting 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.* refer to the Board at least half-yearly, on the approval of the interim Financial Statements and report, regarding the activities performed by and the suitability of the internal control system;
- VI.* perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

During the financial year, Internal Control Committee held seven meetings, on 15 February 2010, 26 February 2010, 20 April 2010, 15 June 2010, 29 July 2010, 13 September 2010 and 15 November 2010.

The Committee meetings lasted on average two hours.

Minutes of Internal Control Committee meetings were duly taken.

During the year the Internal Control Committee conducted ongoing supervisory checks on the internal control system and on progress in the implementation of the internal auditing plan. Specifically, checks were focused on (i) the implementation of measures identified through audits from previous years; (ii) progress in the activities envisaged by the 2010 audit plan; (iii) progress in risks analysis activities; (iv) compliance checks as required by Law 262/2005; (v) a review of the guidelines, approach and work plan prepared by the independent auditors for its statutory audits; (vi) the updating of the Organisational, Management and Control Model and relative compliance checks with Legislative Decree No. 231/2001; and (vii) the organisation of roles and responsibilities for the purposes of occupational health and safety.

During its meetings, the Internal Control Committee also discussed the most opportune initiatives relating to audits, with a view to gradually improving the internal control system in order to ensure maximum efficiency and safety.

On 14 November 2008, the Issuer announced the completion of compliance activities in Group subsidiaries established under and governed by the laws of non-European Union states, in order to satisfy the conditions of Article 36 of the Consob Regulation on Markets. The announcement can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the General Archive/Governance section.

Meetings of the Internal Control Committee were largely held at the same time as the meetings of the Issuer's Board of Statutory Auditors and Compliance Committee.

Legislative Decree No. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/ and 83/349/EEC and repealing Council Directive 84/253/EEC", identifies the Board of Statutory Auditors as the "Internal Control and Audit Committee" responsible for monitoring: i) the financial reporting process; ii) the effectiveness of internal control systems; iii) the statutory audit of the annual accounts and consolidated accounts; iv) the independence of the independent statutory auditors, and in particular the provision of additional, non-audit services to the audited entity.

In consideration of the foregoing, and with special reference to the monitoring of the financial reporting process, the Issuer's internal control system already ensures the management of price-sensitive information and prevention of market abuse, and governs the process for preparing and authorising financial disclosures and their attestation for the market.

Accordingly, during the year the Internal Control Committee worked closely with the Board of Statutory Auditors, ensuring a constant flow of information on matters that were formerly the responsibility of the Internal Control Committee.

In carrying out its functions, the Internal Control Committee was able to access and consult the corporate information and departments needed to carry out its duties, and also use external consultants within the terms set by the Board.

No financial resources were allocated to the Internal Control Committee in that, in order to fulfil its duties, it uses the Issuer's corporate resources and facilities.

At least four Internal Control Committee meetings are scheduled for the current financial year. Besides the meeting held on 21 February 2011, meetings are due to be held at least once every quarter over the year.



MOTO GUZZI





12. Internal Control System

The Board defines the guidelines of the internal control system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations and the safekeeping of corporate assets.

The Board (i) prevents and manages corporate risks regarding the Issuer and the group which reports to the Issuer by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and assessed, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically inspects – at the very least on an annual basis – the appropriateness, effectiveness and actual functioning of the internal control system.

In exercising these functions, the Board collaborates with a director who is in charge of overseeing the functioning of the internal control system (the Director In Charge), and with the Internal Control Committee. The Board also takes into consideration the organisational and management models adopted by the Issuer and the Group of which the Issuer is Parent Company, in accordance with Legislative Decree 231/2001.

Upon the proposal of the Director In Charge and having obtained the opinion of the Internal Control Committee, the Board appointed an Internal Control Supervisor, ensuring that this person is supplied with the resources suitable to carry out his/her functions – resources that also regard the operating structure and internal organisational procedures to access the information needed for the role – granting powers to the Chief Executive Officer and the Finance General Manager to formalise the terms and conditions of this appointment.

The Internal Control Committee referred back to the Board on a regular basis during the financial year regarding its work, the result of its inspections and the functioning of the internal control system, highlighting how the system proved to be largely in line with the size and organisational and operational structure of the Issuer.

On 26 February 2010, the Issuer's Board of Directors judged the Issuer's internal control system to be adequate, effective and properly functioning, also on the basis of the indication provided by the Internal Control Committee.

12.1. Executive Director in charge of the internal control system

The Board has appointed Chairman and Chief Executive Officer Roberto Colaninno as the Executive Director In Charge of overseeing the functioning of the internal control system.

The Executive Director In Charge of overseeing the functioning of the internal control system:

- › conducted an identification of the main corporate risks (strategic, operational, financial and compliance risks), taking account of the characteristics of the Issuer and its subsidiaries' business activities, and subjected them to periodic examination by the Board
- › implemented the guidelines defined by the Board, arranging for the design, creation and management of the internal control system, continuously inspecting its overall suitability, effectiveness and efficiency
- › arranged for the adaptation of this system to the dynamics of the business' operating conditions and its legislative and regulatory position
- › proposed the appointment of the Internal Control Supervisor to the Board.

12.2. Internal control supervisor

As of 1 January 2009, IMMSI Audit S.p.A. is responsible for the internal auditing of all IMMSI Group companies.

The role of Internal Control Supervisor is held by the Chief Executive Officer of IMMSI Audit S.c.a r.l., Mr Maurizio Strozzi.

The Internal Control Supervisor is not the head of any operational area, and does not report hierarchically to any operational area managers. As such, no ties exist between the Issuer and the officer in charge of internal auditing.

Internal audit functions were entrusted to an external source in order to ensure full independence and autonomy of the auditing entity in carrying out of its activities.

Over the course of the year, the Internal Control Supervisor:

- › had direct access to all information useful for carrying out his duties;
- › reported on his work to the Internal Control Committee and to the Board of Statutory Auditors;
- › reported on his work to the executive director in charge of overseeing the functioning of the internal control system.

During the year, the Internal Control Supervisor, assisted by the Internal Audit office, audited the internal control system, in compliance with the Internal Audit Plan for 2009-2011, which was approved by the Board of Directors on 26 February 2009, and subsequently developed and detailed for the year by the Board on 18 December 2009. Auditing activities consisted of risk analysis, financial, operational and compliance auditing, checks on the adoption of improvement plans and measures identified on the basis of internal auditing activities, and compliance assurance checks (in particular as concerns Law No. 262/2005 and Legislative Decree No. 231/2001).

More specifically, internal auditing in 2010 focused on: compliance with Legislative Decree No. 81/08 concerning occupational health and safety, with emphasis placed on the management of work contracted to third parties; the process for managing related party transactions and compliance with relative legislation, with emphasis focused on transfer pricing policies for intragroup transactions; focused controls on administration-management processes at the subsidiary Piaggio Hellas; risk analyses with reference to the subsidiary Piaggio Hellas; the process for commercially managing foreign markets and selling agencies; follow-up audits on findings from past internal audits; the audit of monitoring outcomes connected with the 2009 post risk analysis action plan; the updating of the 2010 risk profile, also on the basis of the outcomes of workshops involving Company management and assumptions underlying the Control Risk Self-Assessment approach; spot checks on reports received on sensitive processes as per Legislative Decree No. 231/2001, identified in the annual plan prepared by the Compliance Committee; compliance checks outlined by the executive in charge of financial reporting on administration-accounting processes to verify compliance with the provisions of Law No. 262/2005 (now part of the Consolidated Law on Finance).

12.3. Organisational model pursuant to Legislative Decree 231/2001

On 12 March 2004 the Issuer adopted an organisational, management and control model for the prevention of the corporate crimes contemplated by Legislative Decree 231/2001, and amendments thereto ("Model"). The current Compliance Committee was appointed by the Board of Directors on 16 April 2009 with a term of office covering the years 2009-2010-2011, and ending with the approval of the financial statements as of 31 December 2011. The Committee consists of the Chairman of the Issuer's Board of Statutory Auditors, Giovanni Barbara, the head of the Issuer's Legal and Company Affairs department, Ulisse Spada, and Antonino Parisi, an external professional satisfying the necessary criteria for the appointment, who chairs the committee.

The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, subdivided into Instrumental and Operational processes, as well as the Disciplinary System.

The Model was reviewed during the year in order to be updated on the basis of the new categories of corporate crime expressly contemplated by Legislative Decree No. 231/2001. On 29 April 2010, the Board approved the new, updated Model, prepared in accordance with Confindustria guidelines, which was then released and provided to all Piaggio employees.

The Company has a special e-mail account running on the corporate Intranet allowing Piaggio employees to send messages directly to the Compliance Committee for reporting suspected offences. Such messages may only be read by the Compliance Committee, thereby rendering the relationship between the Committee and the actual corporation compliant with the Model.

The Issuer's Compliance Committee held five meetings over the course of the year, with 100% attendance by the Committee's members.

In the meeting held on 21 February 2011, the Compliance Committee approved the working plan for 2011. At least four Supervisory Body meetings are scheduled for the current financial year. Besides the meeting held on 21 February 2011, meetings are due to be held at least once every quarter over the year.

The Model has been sent to all Piaggio Group executive, managers and employees and has been published on the corporate Intranet. The Model can be viewed on the Issuer's corporate web site www.piaggiogroup.com, in the Governance/Governance Systems section.

12.4. External auditors

The firm Deloitte & Touche S.p.A. has been engaged for the statutory auditing of accounts.

The engagement was approved by the Shareholders' Meeting held on 30 March 2006, and expires upon the approval of the financial statements as of 31 December 2011.

12.5. Executive in charge of financial reporting

The Executive in charge of financial reporting is Alessandra Simonotto, Head of the Issuer's Credit Administration and Management.

Pursuant to art. 17.3 of the Issuer's Articles of Association, the Executive in charge of financial reporting must have the professional requisites characterised by detailed expertise in administration and accounting, as well as the reputation requisites prescribed by the legislation in force for those who carry out administrative and management functions. This expertise, which must be assessed by the Board of Directors, must be acquired through work experience in a role having a suitable level of responsibility for a sufficient period of time.

The Executive in charge of financial reporting is appointed by the Board, subject to obligatory approval by the Board of Statutory Auditors.

At the time of this appointment, the Board attributed the Executive in charge of financial reporting with all the powers and means necessary to execute the prescribed duties.

12.6 Key Aspects Of The Existing Risk Management And Internal Control Systems For Financial Reporting (article 123-bis, subsection 2(b), consolidated law on finance)

Introduction

Purposes and objectives

The Piaggio Group's risk management and internal control system for financial reporting was developed on the basis of the COSO Report⁽⁶⁾, which defines internal control as "a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- › Effectiveness and efficiency of operations;
- › Reliability of financial reporting;
- › Compliance with applicable laws and regulations.

Objectives with regard to the financial reporting process are identified as the comprehensiveness, accuracy, reliability and timeliness of reports and information.

In defining its internal control system for the financial reporting process, the Group followed the indications provided by applicable laws and regulations, specifically:

- › Legislative Decree No. 58 dated 24 February 1998 (Consolidated Finance Act);
- › Law No. 262 dated 28 December 2005 (as amended inter alia by the legislative decree implementing the so-called "Transparency Directive" approved on 30 October 2007) concerning the preparation of company financial reports;
- › Consob Regulation on Issuers, issued on 4 May 2007, "Statement of the executive in charge of financial reporting and of the delegated executive officers on financial statements, consolidated financial statements, and half-year reports in accordance with Article 154-bis of the Consolidated Law on Finance";
- › Consob Regulation on Issuers, issued on 6 April 2009, "Implementation of Transparency Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC";
- › the Civil Code, which extends liability for corporate matters (Article 2434), for breach of trust as a result of the giving or promise of benefits (Article 2635) and for the offence of obstructing public supervisory authorities in the performance of their functions (Article 2638) to executives in charge of financial reporting;
- › Legislative Decree No. 231/2001 which, in consideration of the aforementioned Articles of the Civil Code and the administrative liability of legal entities for offences committed by their employees against the public administration, treats executives in charge of financial reporting as senior management.

The Group's risk management and internal control system for financial reporting has been implemented additionally considering the guidelines provided by trade and industry associations on the role and duties of the executive in charge of financial reporting, specifically:

- › ANDAF Position Paper "The Executive in Charge of Financial Reporting";
 - › AIIA Position Paper "Law No.262 on the Protection of Savings";
 - › Confindustria guidelines "Guidelines for performing the duties of executive in charge of financial reporting in accordance with Article 154-bis of the Consolidated Law on Finance;
- and finally the "Guidelines for the preparation of the report on corporate governance" issued by Borsa Italiana.

The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control - Integrated Framework" published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

Description of the key aspects of the existing risk management and internal control system for financial reporting

Methodological approach

The Piaggio Group's risk management and internal control system for financial reporting is part of the Group's broader internal control system. That system consists of a number of elements, including:

- › The Code of Ethics;
- › The Organisational and Management Model pursuant to Legislative Decree No. 231/2001 and relative protocols;
- › Procedures for reporting internal dealing;
- › Principles and procedures for conducting significant transactions and transactions with related parties;
- › The system of powers and duties;
- › The Company organisational chart and job descriptions;
- › Procedures for disclosing information to the market;
- › The risk analysis and assessment process adopted;
- › The financial audit system.

In turn, Piaggio's Financial and Administrative Audit System consists of a number of procedures and documents, including:

- › The Financial and Administrative Audit Model – a document available to all employees directly involved in the preparation or auditing of financial reports, which outlines how the financial audit system works.
- › The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- › Operational instructions for financial statements and reports and closing schedules – documents designed to instruct the various company departments on specific operational procedures for preparing financial statements by set common deadlines;
- › Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Piaggio Financial and Administrative Audit Model identifies the methodological approach to be taken for the risk management and internal control system, involving the following separate stages:

- a.* Identification and assessment of risks involved in financial reporting;
- b.* Identification of controls to minimise risks identified;
- c.* Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of risks involved in financial reporting;

Risks connected with the preparation of financial reports are identified through a step-by-step risk assessment process. The process involves identifying the objectives that the internal control system for financial reporting is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on). Risk assessment is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial reporting requirements.

The process of determining boundaries for including “material” entities and process, in terms of their potential impact on financial reporting, is designed to identify the accounts, subsidiaries and administrative-accounting processes of material relevance for the consolidated financial statements, on the basis of quantitative and qualitative criteria.

Those criteria are determined by:

- › setting quantitative thresholds for checking accounts against the consolidated financial statements, and checking the relative contribution of Group subsidiaries to the consolidated financial statements;
- › making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls to minimise risks identified

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial reporting.

Specifically, underlying processes are linked to financial statement accounts classified as "material" so as to identify suitable controls to assure delivery of the objectives of the internal control system for financial reporting. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

Departments involved in the financial reporting process each check, for the areas under their respective responsibility, that existing administrative and accounting procedures and control are up to date.

Once boundaries are determined, if sensitive areas are found not to be covered, either in whole or in part, by existing administrative and accounting procedures, the departments, under the co-ordination of the executive in charge of financial reporting, are to extend existing procedures and formalise new procedures, each within the scope of their responsibilities.

c) Assessment of controls to minimise risks identified and the management of any problems found.

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the abbreviated consolidated half-year report are each prepared.

The adequacy and effective application of administrative and accounting procedures and their relative controls are assessed through monitoring and testing activities, on the basis of best practices in the field.

Tests on controls are conducted by the various administrative units and departments under the co-ordination of the executive in charge of financial reporting or his delegated officers. The Internal Audit department is involved in testing the effective application of the controls envisaged by administrative and accounting procedures and in specific focused controls on companies, processes and accounting entries.

The executive officers and administrative managers of "material" subsidiaries are required to issue a supporting attestation statement to the executive in charge of financial reporting in relation to the auditing of the adequacy and effective application of administrative and accounting procedures.

A report is then prepared by the executive in charge of financial reporting, with the support of the internal control supervisor, providing an executive summary of the assessment outcomes for controls on identified risks, based on the findings of monitoring and testing activities and the statements received from the executive officers and administrative managers of subsidiaries. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the executive summary is sent to the Board of Statutory Auditors of the parent company, to the Internal Control Committee, and to the Board of Directors.

Roles and departments involved

The risk management and internal control system for financial reporting is governed by the executive in charge of financial reporting appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the executive in charge of financial reporting is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual financial statements, and the separate and consolidated half-year reports. The executive in charge of financial reporting is also responsible for identifying suitable administrative and accounting procedures for the preparation of the separate and consolidated annual financial statements and, with the support of the Internal Audit department, for providing subsidiaries considered “material” for the purposes of consolidated Group financial reporting with guidelines for assessing their own financial and administrative audit systems.

In performing his duties, the executive in charge of financial reporting:

- › interacts with the Internal Audit department/internal control supervisor tasked with conducting independent audits on the control system and supporting the executive in charge in monitoring and testing the system;
- › is supported by the heads of the departments involved to ensure, each for their own area of responsibility, the comprehensiveness and reliability of information flowing to the executive in charge, for the preparation of financial reports;
- › co-ordinates the activities of the administrative managers of “material” subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- › ensures the reciprocal exchange of information with the Internal Control Committee and with the Board of Directors by reporting on audit activities and on the adequacy of the internal control system.

Both the Board of Statutory Auditors and the Compliance Committee are kept informed of the adequacy and reliability of the administrative-accounting system.

13. Interests of Directors and transactions with Related parties

In order to concretely implement application criteria 9.C.1. and 9.C.2. of the Code, the Company set forth appropriate procedures for significant transactions and transactions with related parties, designed to guarantee Board members a full and exhaustive report on such transactions.

In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

Significant Transactions

The procedure governing significant transactions was approved by the Company at the Board meeting held on 28 August 2006. It sets forth quantitative and qualitative criteria for identifying transactions that require the express approval of the Board of Directors. These criteria have been identified in relation to the type of transaction involved, with specific and distinct reference to significant income, equity and financial transactions or those in relation to the Issuer's business.

The following are considered significant income, equity and financial transactions, i.e. transactions relating to the company's business ("Significant Transactions"):

- I. acquisitions or disposals of equity investments in companies or branches of companies;
- II. the conclusion or modification of loan contracts of any type stipulated for amounts of more than Euro 25 million;
- III. the granting of collateral guarantees on assets and personal guarantees for commitments to third parties other than those granted in the interest, directly or indirectly, of subsidiary companies;
- IV. the transfer of brands, patents and other intellectual property rights, as well as the conclusion of licensing contracts;
- V. the conclusion and modification of multi-year commercial agreements, including joint-venture agreements;
- VI. the purchase and sale of real estate;
- VII. other extraordinary administrative transactions having an amount of more than Euro 50 million;
- VIII. the appointment of the general manager and the head of the company's administration, finance and control departments;
- IX. the appointment of the members of administration bodies and the general managers of directly and indirectly held subsidiary companies.

Reference must usually be made, for the calculation of the amounts indicated in items 2) and 7) above, to each transaction considered on an individual basis, except in the case of transactions that are strictly and objectively related to a similar strategic or executive plan, where reference must be made to the total value of all the related transactions.

In relation to each Significant Transaction, the Board must receive a report – drawn up by the delegated bodies – suitable for allowing for a prior examination of the essential elements of this transaction. Specifically, an exhaustive report must be provided regarding the strategic motivations for the Significant Transaction and its estimated income, equity and financial effects, including at consolidated level.

The procedure governing significant transactions can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

Transactions with Related Parties

The procedure governing transactions with related parties was approved by the Company at the Board meeting held on 30 November 2010. The procedure sets forth rules for the approval and management of transactions with related parties in accordance with Article 4 of Consob Regulation No. 17221 of 12 March 2010 and amendments thereto (the "Regulation").

The procedure was adopted with the prior approval of the Procedure Approvals Committee, in accordance

with Article 4, subsection 3 of the Regulation, whose report was provided to all members of the Board.

The procedure governing transactions with related parties, effective as of 1 January 2011, can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.



14. Related Party transactions committee

At its meeting on 30 November 2010, the Issuer's Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and major transactions with related parties. Operative as of 1 January 2011, the committee consists of three independent directors who, in compliance with applicable regulations, must in no way be related to the transactions that they review. Specifically, the three members of the Related Party Transactions Committee are: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

The Committee is tasked with the duties identified by the relative procedure, which can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

15. Appointment of Statutory Auditors

The appointment and replacement of statutory auditors is governed by law and regulations in force, and by Article 24 of the Issuer's Articles of Association. The Issuer's Articles of Association govern the composition and appointment of the Board of Statutory Auditors, ensuring compliance with the provisions of Legislative Decree No. 27 of 27 January 2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. Amendments to the Articles of Association to comply with the new law were approved by the Board of Directors on 30 November 2010.

In accordance with Article 24 of the Issuer's Articles of Association, candidate slates must be filed by shareholders at the registered office at least twenty-five full days before the first date of the shareholders' meeting.

The appointment of the Board of Statutory Auditors takes place according to slates presented to Shareholders. Each shareholder, as well as shareholders who have entered into a significant shareholder agreement pursuant to art. 122 of the Consolidated Law on Finance, as well as the Parent Company, its subsidiaries and joint ventures pursuant to art. 93 of the Consolidated Law on Finance, cannot present or take part in presenting more than one slate, either by proxy or through trust companies, nor can they vote on different slate.

Only shareholders who – either alone or jointly – hold a total of shares with voting rights representing at least 2.5% (two point five percent) of the share capital with the right to vote in Ordinary Shareholders' Meetings have the right to present slates, or else those who represent another percentage that has possibly been set or required by laws or regulations. By resolution No. 17633 of 26 January 2011, Consob set the relative capital ownership threshold required to nominate candidate slates for election to the control bodies of issuers at 2.0% for the year of reference.

The election of Statutory Auditors takes place as follows:

- a. two standing auditors and an alternate auditor are selected from the slate which obtained the highest number of votes at the Shareholders' Meeting, based on the sequential order in which they appear in the sections of the slate;
- b. one standing auditor and one alternate auditor will be selected from the slate which obtained the second highest number of votes at the Shareholders' Meeting, who, pursuant to the law and other regulations in force, are not connected, either directly or indirectly, with the shareholders who presented or voted the slate obtaining the highest number of votes, based on the sequential order in which they appear in the sections of the slate.

If there is a tie among two or more slates, the Statutory Auditors appointed will be those most senior in age.

The Chairman of the Board of Statutory Auditors shall be the standing auditor selected from the second slate that obtained the highest number of votes, pursuant to item b) above.

The above-mentioned provisions regarding the appointment of Statutory Auditors do not apply to

Shareholders' Meetings to which only one slate has been presented, or voted. In those cases, the Shareholders' Meeting shall resolve with a relative majority.

If, once the deadline has lapsed, only one slate of candidates has been filed or the candidate slates nominated are filed by shareholders that are connected in a material way with the candidates as per laws and regulations in force at the time, the deadline for filing candidate slates may be extended by the term contemplated by applicable laws and regulations. In this case, the minimum share ownership thresholds applicable for filing slates will be halved.

When the Shareholders' Meeting must appoint the Standing Statutory Auditors and/or Alternate Statutory Auditors required in order to fill the Board of Statutory Auditors, the procedure shall be as follows: if Standing Auditors elected from the majority slate are to be replaced, the appointment takes place by relative majority voting, regardless of the slates presented. If conversely the Auditors elected from the minority slate are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from amongst the candidates appearing on the slate of the auditor to be replaced.



16. Statutory Auditors (Article 123-bis, subsection 2(d), Consolidated Law on Finance)

The Board of Statutory Auditors in office at the date of this Report was elected by unanimous vote of the Shareholders' Meeting held on 16 April 2009. The statutory auditors were elected from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 24 of the Articles of Association, and will hold office until the approval of the annual financial statements for the year ended 31 December 2011. The current board consists of the following statutory auditors:

Legend

M/m slate: indicates whether the statutory auditor was drawn from the slate attracting a majority (M) or minority (m) of votes.

Indep.: indicates whether the auditor can be qualified as independent according to the criteria set by the Code.

% attend. in B. of S.A.: indicates the attendance, as a percentage, of the auditor at Board meetings (calculated as the number of meetings that the auditor attended over the number of Board meetings that took place during the financial year or following the assumption of the position).

Other offices: indicates the total number of other offices held with companies as identified by Book V, Title V, Sections V, VI and VII of the Civil Code, as of 31 December 2010. For information on appointments to governance and supervisory boards held by the members of the Board of Statutory Auditors, see also the data published by Consob, in accordance with Article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website www.sai.consob.it, in the section Corporate bodies – Public disclosures.

Name	Position	In office From	Slate (M/m)	Indep. per the Code	% attend. in B. of S. A.	Other positions
Giovanni Barbara	Chairman	04/16/2009	M	X	100	11
Attilio Francesco Arietti	Standing Auditor	04/16/2009	M	X	100	12
Alessandro Lai	Standing Auditor	04/16/2009	M	X	100	11
Mauro Girelli	Alternate Auditor	04/16/2009	M	X	–	27
Elena Fornara	Alternate Auditor	04/16/2009	M	X	–	3

With regard to the disclosure requirements set forth in Article 78 of the Consob Regulation on Issuers, the table below reports the emoluments received by statutory auditors over the year, in accordance with the reporting criteria of Annex 3C of the Regulation.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Giovanni Barbara	110,060	-	-	25,000	135,060
Attilio Francesco Arietti	76,532	-	-	-	76,532
Alessandro Lai	76,469	-	-	-	76,469
Mauro Girelli	-	-	-	-	-
Elena Fornara	-	-	-	-	-

In accordance with Article 144-octies and 144-decies of the Consob Regulation on Issuers, the résumés of each of the statutory auditors can be viewed on the Issuer's corporate website www.piaggiogroup.com, in the Governance section.

Over the course of the financial year, the Board of Statutory Auditors held eight meetings on the following dates: 15 February 2010; 15 March 2010; 19 March 2010; 16 April 2010; 20 April 2010; 15 June 2010; 13 September 2010; and 15 November 2010.

The meetings lasted on average three hours.

The delegated bodies reported to the Board of Statutory Auditors on their work in a suitable and timely manner as prescribed by law and the Articles of Association, i.e. at least on a quarterly basis, regarding general operational performance and the outlook, as well as on the more significant transactions made by the Issuer and its subsidiaries according to size and characteristics.

The Internal Control Committee and the chairman of the Issuer's Compliance Committee attended all the meetings of the Board of Statutory Auditors without exception.

Legislative Decree No. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/ and 83/349/EEC and repealing

Council Directive 84/253/EEC”, identifies the Board of Statutory Auditors as the “Internal Control and Audit Committee” responsible for monitoring: i) the financial reporting process; ii) the effectiveness of internal control systems; iii) the statutory audit of the annual accounts and consolidated accounts; iv) the independence of the independent statutory auditors, and in particular the provision of additional, non-audit services to the audited entity.

In consideration of the foregoing, and with special reference to the monitoring of the financial reporting process, the Issuer’s internal control system already ensures the management of price-sensitive information and prevention of market abuse, and governs the process for preparing and authorising financial disclosures and their attestation for the market.

Accordingly, during the year the Internal Control Committee worked closely with the Board of Statutory Auditors.

On 11 February 2011, the Board of Statutory Auditors reviewed the independent status of its members, checking that they still possessed the independence requisites to qualify as independent on the basis of the criteria set forth by the Code for independent directors, as had been checked upon their original appointment.

Statutory auditors that have a personal interest or interest on behalf of a third party in any of the Issuer’s transactions are required to promptly and fully inform the other statutory auditors and the Chairman of the Board of Directors of the nature, terms, origin and scope of their interest.

Statutory Auditors periodically monitor the independence of the external auditors, expressing their opinion on an annual basis in a report to the Shareholders’ Meeting.

In carrying out their work, the Board of Statutory Auditors duly worked in co-ordination with the internal audit department and with the Internal Control Committee, the head of the internal audit department, who is also the designated internal control supervisor.

At least four Board of Statutory Auditors’ meetings are scheduled for the current financial year. Besides the meetings held on 11 February 2011 and 21 February 2011, meetings are due to be held at least once every quarter over the year.

16.1 Rules of procedure of the board of statutory auditors

The Board of Statutory Auditors exercises the powers and the functions attributed to it by law and other applicable provisions.

Under Article 25.2 of the Articles of Association, Board of Statutory Auditors’ meetings can be held using teleconferencing or video conferencing facilities providing that:

- a) the Chairman and the person tasked with taking minutes are both at the meeting venue;
- b) each of the participants is identifiable and able to follow the discussion, receive, transmit and view documents, and speak with regard to all business transacted in real time. Where all these criteria are satisfied, the venue of the Board of Statutory Auditors’ meeting is considered to be the place where the Chairman and person tasked with taking minutes are located.

17. Relationships with Shareholders

The Company believed it to be in its own specific interest – besides being its duty to the market – to establish a continuous dialogue with the majority of its shareholders, as well as with institutional investors, from the time of its listing on the stock market based on the reciprocal understanding of their respective roles. This relationship must in any case be carried out with respect to the “Procedure for the publication of price-sensitive information” described in section 6 above.

It was considered that this relationship with the majority of shareholders and institutional investors could be facilitated via the constitution of dedicated corporate structures, provided with the suitable personnel and organisational resources.

For this purpose, an Investor Relations Department was established to take care of relations with the majority of shareholders and institutional investors, and possibly carry out specific tasks in the management of price-sensitive information and in relations with Consob and Borsa Italiana S.p.A. At the date of this Report, the head of the Investor Relations Department is Simone Montanari. This department can be contacted at: investorrelations@piaggio.com

Investor Relations reporting is also ensured by making available the most significant corporate documentation in a timely and on-going basis on the Company’s website, in the Investors section. More specifically, via the website investors can view, in both Italian and English, all press releases to the market, interim financial data approved by competent corporate bodies (annual financial reports, half-year financial reports, and interim reports on operations), and documents distributed during meetings with professional investors, analysts and the financial community.

Moreover, the Issuer’s website contains the Articles of Association, documents prepared for shareholders’ meetings, Internal Dealing communications, the annual corporate governance report, and any other document that the Issuer is required by regulations in force to publish on its website.

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



18. Shareholders' meetings (Article 123-bis, subsection 2(c), Consolidated Law on Finance)

Under Article 8.2 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a shareholders' meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights.

Ordinary shareholders' meetings are called at least once a year to approve the annual financial statements, by and no later than one hundred and twenty days after the end of the financial year. Ordinary and extraordinary shareholders' meetings may also be called whenever considered appropriate by the Board of Directors, and where required by law. Shareholders' meetings must be called without delay when requested in accordance with law.

Under Article 7 of the Articles of Association, ordinary and extraordinary shareholders' meetings are called via meeting notice published on the Company's website, within the terms contemplated by laws in force. Where required by applicable laws, the meeting notice is also published in the Official Journal of the Italian Republic or in the newspaper "Il Sole 24 Ore". Meeting notices are required to state the first date, time and venue of the meeting and any further dates if contemplated and a list of the business to be transacted, while any other requirements envisaged by laws in force or the Articles of Association must also be satisfied.

The agenda for a shareholders' meeting is set by the person or body exercising the power to call the meeting in accordance with law or the Articles of Association. Where a shareholders' meeting is called at the request of shareholders, the agenda will be based on the business specified in the request. If requested by shareholders in accordance with law, additional business will be added to the agenda within the deadline and in the manner contemplated by applicable laws and regulations.

Shareholders may ask questions on business posted in the agenda both before and during the shareholders' meeting. Questions submitted before the shareholders' meeting will be answered at the latest during the meeting itself. The Company reserves the right to provide a single reply to questions regarding one and the same matter.

Under Article 9 of the Articles of Association, shareholders' meetings are chaired by the Chairman of the Board of Directors or, in his absence or disability, by the deputy chairman or, where two or more deputy chairmen are appointed, by the longest serving deputy chairman or, where their length of service is equivalent, by the most senior of the deputy chairmen, in terms of age. In the absence or disability of both the Chairman and the deputy chairman or joint deputy chairmen, the shareholder meeting will be chaired by a director or shareholder nominated by majority vote of the participants. The chair of the shareholders' meeting is required to check the identity of the participants and their eligibility to attend, that the meeting is legitimate and a necessary quorum is present to ensure the validity of resolutions, and is responsible for conducting the meeting and establishing voting procedures and outcomes.

For the legitimacy of both ordinary and extraordinary shareholders' meetings and the validity of shareholders' resolutions, the provisions of law and the Articles of Association apply.

In order to facilitate participation at shareholders' meetings and the exercise of voting rights, under Article 6.2 of the Articles of Association teleconferencing and video conferencing facilities may be used to hold both ordinary and extraordinary shareholders' meeting, with participants located in several remote or nearby venues, providing that decisions are taken by vote and that the principles of good faith and the equal treatment of all shareholders are upheld.

The Company does not feel it necessary, at present, to propose the adopting of specific regulations for the proceedings of Shareholders' Meetings, since it also believes it appropriate that in principle Shareholders are ensured the maximum level of participation and expression in discussions at Meetings.

Under Article 17 of the Articles of Association and without prejudice to the provisions of Article 2436 of the Civil Code, the decision-making powers of the shareholders' meeting may be delegated to the

Board of Directors for decisions concerning:

- › mergers and spin offs, where defined as simplified in accordance with Articles 2505, 2505-bis, and 2506-ter, final subsection, of the Civil Code;
- › the opening or closing of branches;
- › the transfer of the registered office of the company within Italy;
- › which board directors are to be empowered to represent the company legally;
- › the reduction of share capital in the event of a withdrawal;
- › amendments to the Articles of Association to comply with laws and regulations.

Resolutions concerning the above matters may otherwise be adopted at extraordinary shareholders' meetings.

Applicable laws and regulations in force govern the rights of shareholders. The right of withdrawal may only be exercised by shareholders within the limits and in accordance with the mandatory provisions of law and, under Article 3.2 of the Articles of Association, is excluded where the duration of the Company is extended.

The Board reported on activities performed and planned to the shareholders at Shareholders' Meetings, and endeavoured to ensure that shareholders had adequate information regarding the necessary elements to make fully-informed decisions on matters reserved to the shareholders' meeting.

In accordance with application criteria 11.C.6 of the Code, and in consideration of Article 144-quater of the Consob Regulation on Issuers concerning candidate slates for the nomination of members of the Board of Directors and the Board of Statutory Auditors, the Board found there to be no need to submit to the shareholders amendments to the Articles of Association regarding the ownership thresholds applicable to protect minority interests, given that Articles 12.3 and 24.1 of the Issuer's Articles of Association set the ownership threshold at 2.5% of the share capital with voting rights, or as otherwise required or set forth by law or regulations in force. In this regard we report that by resolution No. 17633 of 26 January 2011, Consob set the relative capital ownership threshold required to nominate candidate slates for election to the governance and control bodies of issuers at 2.0% for the year of reference.

19. Additional Corporate Governance practices (Article 123-bis, subsection 2(a), Consolidated Law on Finance)

The Issuer has not adopted any additional corporate governance practices with respect to those required by laws and regulations in force and described in this Report.

20. Changes after the financial year-end

No other changes occurred in the corporate governance structure after the financial year-end, other than those indicated in the specific sections.



PIAGGIO & C. s.p.a.

Management and Coordination

IMMSI S.p.A.

Share capital EUR 205,941,272.16 fully paid up

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

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