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GLOSSARY

Code: The Self-Regulatory Code of listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A., available at <http://www.borsaitaliana.it>, under the section Italian Stock Exchange – Rules – *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.

Stock Exchange Regulatory Instructions: regulatory instructions 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 promulgated by Consob by Resolution no. 11971 of 1999 on the matter of Issuers.

Consob Regulations on Markets: the Regulations prom-

ulgated by Consob with Resolution no. 16191 of 2007 on market matters.

Report: the corporate governance report that companies are required to prepare pursuant to arts. 123 bis of the Consolidated Finance Act, 89 bis of Consob Regulation on Issuers and art. IA.2.6. of the Stock Exchange Regulatory Instructions.

Consolidated Finance Act: Legislative decree dated 24 February 1998, no. 58 (Consolidated Finance Act).

1. ISSUER PROFILE

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

The Issuer is classified amongst the first 4 world operators in the reference market. The product range includes scooters,



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mopeds and motorcycles from 50 to 1200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the three- and four-wheeler light transport sector with the Ape, Porter and Quargo vehicles.

The Issuer is organised in accordance with the traditional administration and control model mentioned in arts. 2380 bis et seq. of the Civil Code with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Chairman and Chief Executive Officer of the Issuer is Roberto Colaninno, the Deputy Chairman is Matteo Colaninno, the General Director of Finance is Michele Pallottini and the General Director of Product Development and Strategies is Maurizio Roman, the latter appointed by the Board of Directors on 26 February 2010.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (pursuant to article 123bis of the Consolidated Finance Act as of 31/12/2009)

a) Structure of share capital (art. 123-bis, section 1, letter a), Consolidated Finance Act)

The share capital of the Issuer was fully subscribed and paid up, amounting to EUR 205,941,272.16 divided into 396,040,908 ordinary shares of a par value of EUR 0.52 each. The shares, each carrying a voting right, are indivisible and issued as dematerialised shares.

At 31 December 2009 8,095,000 option rights had been

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	396,040,908	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.



assigned, and at the date of this report 8,595,000 option rights had been assigned, in favour of senior executives of the Issuer, of its Italian and foreign subsidiaries and of Directors with powers in the aforesaid subsidiaries, entitling them to the purchase of ordinary shares of the Issuer's portfolio, in compliance with the Incentive Plan approved by the Shareholders' Meeting of the Issuer on 7 May 2007 and disclosed to the market in the information disclosed in accordance with article 84-bis of Consob Regulation on Issuers. The essential parts of the Incentive Plan are described in section 12.3 of the Report on Operations and in information published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under Investor Relations / Information Memorandum.

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b) Restrictions on the transfer of securities (article 123-bis, section 1, letter b), Consolidated Finance Act)

There are no securities transfer restrictions.

c) Significant equity investments in capital (art. 123-bis, section 1, letter c), Consolidated Finance Act)

As of 31 December 2009 the Issuer's own shares amounted to 27,547,007, equal to 6.956% of the share capital. At the same date, significant equity investments in the capital of the Issuer, as resulting from disclosures pursuant to article 120 of the Consolidated Finance Act, were as follows:

At the date this Report was approved, the number of own shares of the Issuer had not changed compared to 31 December 2009.

d) Securities with special rights (article 123-bis, section 1, letter d), Consolidated Finance Act)

No securities have been issued bearing special rights of control.

e) Employee share ownership: exercising of voting rights (article 123-bis, section 1, letter e), Consolidated Finance Act)

There is no employee share ownership scheme.

f) Restrictions on voting rights (article 123-bis, section 1, letter f), Consolidated Finance Act)

There are no restrictions on voting rights.

g) Shareholder agreements (article 123-bis, section 1, letter g) Consolidated Finance Act)

As far as the Issuer is aware, as of 31 December 2009 no agreements were ongoing between shareholders of the com-



Declarer	Direct shareholder	% of ordinary share capital	% of voting share capital
Piaggio & C. S.p.A.	Piaggio & C. S.p.A.	6.956	6.956
	Total	6.956	6.956
Omniaholding S.p.A.	IMMSI S.p.A.	53.588	53.588
	Omniaholding S.p.A.	0.025	0.025
	Total	53.613	53.613
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.009	5.009
	Total	5.009	5.009
Girondi Giorgio	G.G.G. S.p.a.	2.103	2.103
	Doutdes S.p.a	0.328	0.328
	Total	2.431	2.431
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	2.063	2.063
	Total	2.063	2.063

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pany, of a content relevant pursuant to article 122 of the Consolidated Finance Act.

h) Amendments to the Articles of Association (article 123-bis, section 1, letter l) Consolidated Finance Act)

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

The Board of Directors is also tasked with passing resolutions on the following, in compliance with article 2436 of the Civil Code: mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code; transferring the registered office of the company within Italy; lowering capital in the event of withdrawal; amending the articles of association, without prejudice to the above resolutions also being passed by the Extraordinary Shareholders' Meeting.

i) Authority to increase the share capital and authorisation to purchase own shares (article 123-bis, section 1, letter m), Consolidated Finance Act)

1. The Board, in connection with the 2004-2007 Stock Option Plan, has obtained the following powers to increase the Issuer's share capital:

- With a resolution passed on 7 June 2004, the Issuer's Extraordinary General Meeting granted powers to the Board, pursuant to art. 2443 of the Civil Code and for a period of five years from the effective date of the resolution, to increase on one or more occasions the share capital, against payment, in cash, with a share premium, for a maximum par amount of EUR 10,587,241.60 by issuing up to a maximum of 20,360,080 shares with a par value of EUR 0.52, to service option rights to be reserved in connection with the 2004-2007 Stock Option Plan, pursuant to the fifth and sixth paragraphs of art. 2441 of the Civil Code; the Board was also granted powers to establish, pursuant to the second paragraph of art. 2439 of

the Civil Code, that the capital is intended as increased, for each increase operation, by an amount equal to the subscriptions collected within five years from the date of recording the above resolution in the Register of Companies

- With a resolution passed on 8 March 2006, the Issuer's Extraordinary General Meeting granted powers to the Board, in accordance with article 2443 of the Civil Code, for a period of five years from the effective date of the resolution, to increase on one or more occasions the share capital against payment, with a premium, for a maximum nominal amount of EUR 551,200.00 by issuing up to a maximum of EUR 1,060,000 new ordinary shares at a par value of EUR 0.52, to service option rights to be reserved, pursuant to paragraphs 5 and 6 of article 2441 of the Civil Code, within the framework of the 2004-2007 Stock Option Plan approved by a Board resolution on 4 May 2004; the Board was also granted powers to establish, pursuant to the second paragraph of art. 2439 of the Civil Code, that the share capital is intended as increased, for each increase operation, by an amount equal to the subscriptions collected within five years from the date of recording the above resolution in the Register of Companies.

As at the time of going to press, the Board has exercised the right to increase the share capital to service option rights to be reserved in connection with the 2004-2007 Stock Option Plan for an overall par amount of EUR 11,113,840.92 by the issue of 21,372,771 new ordinary shares with a par value of EUR 0.52.

It is specified that all the options attributed by the aforesaid 2004-2007 Stock Option Plan were exercised.

2. In the context of the Warrant PIAGGIO & C. 2004-2009 the Board has obtained the following power of attorney to increase the Issuer's share capital:

- With a resolution passed on 18 April 2005, the Issuers' Extraordinary General Meeting granted powers to the

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Board, in accordance with article 2443 of the Civil Code, to increase on one or more occasions, the share capital up to an amount of EUR 13,000,000.00 par value, against payment, with or without a premium, by issuing a maximum number of 25,000,000 ordinary shares with the same characteristics as those already in circulation, for a period of five years from the date of filing the above resolution with the Registry of Companies, excluding pre-emption rights in the company's interest, in accordance with paragraph 5 of article 2441 of the Civil Code, and reserving the right to subscribe these shares exclusively to the holders of "PIAGGIO & C. 2004-2009; Warrants"; the Board was also attributed the right to arrange that the share capital is increased by the amount equal to subscriptions collected by the date that shall be determined with resolutions of the Board itself, as well as, consequently, the right to establish, from time to time, the issue price of the shares, the entitlement, timing, the ways and conditions of issuance, including therein the right to arrange that the new shares are issued by a set-off against the receivables that the owners of the aforesaid warrants shall have in consequence of the exercise of the warrants themselves.

As at the time of going to press there has been no share capital increase related to the above mentioned powers. At the same date all "Piaggio & C. 2004-2009 warrants" had been reimbursed in cash.

On 16 April 2009 the Shareholders' Meeting resolved to authorise transactions to purchase and provide for ordinary treasury shares, (i) for investment purposes and to stabilise share price trends and liquidity on the share market, according to the terms and procedures in applicable provisions and in the interest of the Company, also pursuant to and for the purposes of market practices on activities

to support liquidity, allowed by Consob in accordance with article 180, section 1, letter c) of the Consolidated Finance Act, with ruling no. 16839 of 19 March 2009; or (ii) for the use of own shares in operations connected to current management or current projects with strategies the Company intends pursuing, in relation to which shares may be exchanged, including the allocation of these shares to convertible loan stock and/or warrants, and in the interest of the Company, for purposes included in market practices on the purchase of own shares to establish a "securities warehouse" as allowed by Consob pursuant to article 180, section 1, letter c) of the Consolidated Finance Act, with ruling no. 16839 of 19 March 2009.

To this end, the Shareholders' meeting authorised, pursuant to and for the purposes of article 2357 of the Civil Code, the purchase, on one or more occasions, for a period of eighteen months as from the date of the resolution (and therefore up until 16 October 2010), of ordinary shares of the company up to a maximum which, taking account of Piaggio ordinary shares held from time to time in the Company's and subsidiaries' portfolios, is not globally above the maximum limit established by applicable ad interim regulations and, depending on cases, (a) of a unit amount of at least 20% and a maximum not exceeding 10% the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase operation; or (b) in the case purchases are made by a public purchase or exchange offer, of an amount of at least 10% and a maximum not exceeding 10% the official registered Piaggio share price on the stock exchange day preceding notification to the public; or (c) in the case purchases are made as part of market practice concerning activities supporting liquidity and/or market practice concerning the purchase of own shares to establish a so-called "securities warehouse", in compliance with the operating conditions established for this practice by Consob ruling no. 16839 of 19 March 2009, including the limits relative to daily purchase amounts and volumes.

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The Shareholders' Meeting also authorised the filing of portfolio own shares without time limits. For further details, reference is made to the minutes of the Shareholders' Meeting, available on the Issuer's Internet site <http://www.piaggiogroup.com>, under "Investor Relations" – Information Memorandum.

As of 31 December 2009 the Issuer held 27,547,007 portfolio own shares equal to 6.955% of the share capital, of which 10,000,000 shares equal to 2.52% of the share capital for the 2007 – 2009 Stock Option Plan which may be assigned to plan beneficiaries according to the terms and conditions established by the relative authorisation ruling approved by the Ordinary General Meeting on 7 May 2007. During the year, 1,020,673 shares equal to 0.26% of the share capital at a mean weighted price of EUR 1.1543 were purchased.

1) Change of control clauses (article 123-bis, section 1, letter h), Consolidated Finance Act)

The Issuer stipulated some important agreements, the contents of which are explained in the relative section of the Financial Statements as of 31 December 2009, which are modified or cancelled if control of the company which is party to the agreement changes. In particular agreements

refer to: a financing agreement and opening of credit with Banca Intesa Sanpaolo S.p.A. and Mediobanca for a total of EUR 250 million; a debenture loan of EUR 150 million issued by Piaggio & C. S.p.A.; a framework agreement for operating credit lines of EUR 70.3 million from a pool of banks led by Banca Intesa Sanpaolo S.p.A. as agent; a financing agreement with Efibanca for EUR 1 million; a financing agreement with the European Investment Bank for EUR 150 million; a financing agreement of EUR 90 million agreed on with a pool of banks led by BNP Paribas.

m) Indemnities to Directors in the case of resignation, dismissal or termination of employment following a public purchase offer (article 123-bis, section 1, letter i), Consolidated Finance Act)

No agreements have been entered into between the Issuer and the directors that provide for indemnities in the case of resignation, dismissal/termination without just cause, or if the employment ceases following a public offering.

As regards the effects of termination of employment relative to the *2007 – 2009 Stock Option Plan*, reference is made to documents published by the Issuer pursuant to article 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under Investor Relations / Information Memorandum

With reference to additional information as of article 123-bis of the Consolidated Finance Act, reference is made to subsequent sections of this Report, as indicated below:

- as regards information on the appointment and replacement of Directors (article 123-bis, section 1, letter l), part one) reference is made to section 5.1
- as regards information on the main characteristics of risk management and internal control systems (pursuant to article 123-bis, section 2, letter b)) reference is made to sections 11 and 12;



- as regards information about the operating mechanisms of the Shareholders' Meeting, its main powers, the rights of Shareholders and procedures for exercising these rights (article 123-bis, section 2, letter c)), reference is made to section 17;
- as regards information on the composition and operation of the board of directors and supervisory body and their committees (article 123-bis, section 2, letter d)), reference is made to sections 5., 7., 8., 9., 11., 14. and 15.

3. COMPLIANCE

The Issuer has adopted the Code.

Neither the Issuer or strategically important subsidiaries are subject to non-Italian legal provisions affecting their corporate governance structure.

4. MANAGEMENT AND CO-ORDINATION

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

5. BOARD OF DIRECTORS

5.1. *Appointment and replacement of board directors (pursuant to article 123-bis, section 1, letter l), Consolidated Finance Act)*

The provisions of the Issuer's articles of association that govern the composition and appointment of the Board (art. 12) are suitable to ensure compliance with the provisions introduced in this regard by Law 262/2005 (art. 147-ter of the Consolidated Finance Act) and by Legislative Decree no. 303 of 29 December 2006.

The Company is managed by a Board of Directors comprising at least 7 (seven) and no more than 15 (fifteen) directors. The Shareholders' Meeting determines, at the time of their appointment, the number of the Board members within the aforesaid limits, as well as their term of office that shall not exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called for approval of the Financial Statements for the last financial year of their office. Board directors may be re-elected.

Pursuant to article 12.2 of the Articles of Association, persons who have not gained at least three years experience in the following may not be appointed as directors of the company or, if appointed, shall be disqualified:

- a) administration and supervision activities, i.e. senior management tasks in joint stock companies with share capital of at least two million EUR; or
- b) professional activities or university teaching 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.

Board Directors are appointed by the Ordinary General Meeting based on lists submitted by Shareholders, in which candidates shall be listed according to consecutive numbering.

In accordance with article 12.3 of the Issuer's articles of association, the lists of candidates for the office of Director must be deposited by the Shareholders at the registered office at least 15 (fifteen) clear days before that fixed for the first call 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 provi-

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sions, may present lists. In its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity investment required to submit candidate lists for appointment to the Board of Directors of the Issuer, with reference to the year ended 31 December 2009.

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

The appointment mechanism adopted for choosing the candidates included in the lists is as follows:

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

Should the minority list 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 list itself, all the Directors to be appointed shall be taken from the list 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 list that had the highest number of shareholders' votes, mentioned in a) above, shall be substituted by the independent candidate not elected from the same list in accordance with the progressive order, or, in default, by the first independent candidate in accordance with the progressive order not elected from other lists, 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 Finance Act at least equal to the mini-

imum 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 above mentioned requisites.

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

In the event of the death of one or more Board Director(s) during the year, the following procedure is adopted pursuant to article 1386 of the Civil Code, provided that the majority of Board Directors appointed by the General Meeting is still in office:

I The Board, with a resolution approved by the Board of Statutory Auditors, appoints replacements from candidates (who may still be elected) from the same list the former board directors belonged to and the Shareholders' Meeting votes, by legal majority, observing the same criterion;

II if there are no previously unelected candidates on the list, or it is not possible to comply with point (i) for any reason whatsoever, the Board, with a resolution approved by the Board of Statutory Auditors and subsequently by the Shareholders' Meeting replaces the Board Directors, voting by majority, without voting for the list.

In any case the Board of Directors and Shareholders' Meeting will proceed in such a way as to ensure that appointed Directors meet the requisites established by law, by the Articles of Association and by other applicable provisions.

In the event of death of the majority of Board Directors appointed by the Shareholders' Meeting, the entire Board will be removed from office and the Shareholders' Meeting shall be immediately convened by the Board Directors remaining in office to appoint a new Board.

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5.2. Composition (article 123-bis, section 2, letter d), Consolidated Finance Act)

The Board of the Issuer in office at the time of going to press, comprised eleven members unanimously appointed by the Ordinary General Meeting of 16 April 2009, based on the sole list of candidates presented by the majority shareholder IMMSI S.p.A., in compliance with article 12.4 of the Articles of Association. The Board of Directors thus appointed remains in office until the date of the Shareholders' Meeting

called for the approval of the financial statements for the financial year closing on 31 December 2011.

During 2009 the board director Livio Corghi was appointed by co-option, to replace Gianclaudio Neri, pursuant to article 2386 section 1 of the Civil Code.

The professional curricula of the directors are filed at the registered office and available on the Issuer's institutional website www.piaggiogroup.com under Investor Relations/ Information Memorandum.

STRUCTURE OF THE BOARD OF DIRECTORS

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

Directors no longer in office during the year

Name	2009	In office from	In office until	List (M/m)	Exec	Non-Exec..	Indep	Indep. Consolidated Finance Ac	% BoD	Other offices
Gianclaudio Neri	Director	16/04/2009	30/07/2009	M		X			50	3

LEGEND

List M/m: indicates whether the Board Director has been elected from the list voted by the majority (M) or by a minority (m).

Exec.: indicates whether the Director can be classified as an executive

Non-exec.: indicates whether the Director can be classified as non-executive

Indep.: indicates whether the director can be classified as independent in accordance with the criteria established by the Code

Indep. Consolidated Finance Act: indicates whether the director has the independence requisites established by art.148.3 of the Consolidated Finance Act (art. 144-decies of Consob Regulation on Issuers)

% BoD: indicates the attendance, in percentages, of the director at the Board

Other offices: indicates the overall number of appointments in other companies of the Issuer's Group, in listed companies on regulated markets (including foreign markets), in financial, banking and insurance companies or companies of significant dimensions.



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

LEGEND

A.C.: indicates the Appointments Committee; **C/M** indicates if the director is chairman/member of the Appointment Proposal 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/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)

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 meeting held on 26 February 2010 the Board, on examining the results 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.

It is also specified, with reference to the offices assumed by the Issuer's directors in the Parent Company IMMSI S.p.A., that the majority of the Issuer's Board members do not hold



administrative and management appointments in IMMSI S.p.A.

The list of the companies in which each director holds management or control appointments at the time of going to press 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.

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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	
	- RCN Finanziaria S.p.A. *	Director	
	- Rodriguez Cantieri Navali S.p.A. *	Director	
	- Alitalia Compagnia Aerea Italiana S.p.A.	Chairman of the Board of Directors	
	- Air One S.p.A.	Chairman of the Board of Directors	
Vito Varvaro	- Tod's S.p.A.	Director	
	- Marcolin S.p.A.	Director	
	- Cantine Settesoldi Società Cooperativa	Director	
Matteo Colaninno	- Omniaholding S.p.A. *	Deputy Chairman and Chief Executive Officer	
	- IMMSI S.p.A. *	Director	
	- Omniainvest S.p.A. *	Director	
Michele Colaninno	- Is Molas S.p.A. *	Director	
	- Omniainvest S.p.A. *	Director	
	- Rodriguez Cantieri Navali S.p.A. *	Director	
	- Omniaholding S.p.A. *	Chief Executive Officer	
	- IMMSI S.p.A. *	Director and General Director	
	- Piaggio Vietnam Co. Ltd. *	Director	
	- ISM Investimenti S.p.A.*	Director	
	- Immsi Audit S.c.a r.l.*	Director	
	- RCN Finanziaria S.p.A.*	Director	
	Daniele Discepolo	- Vincenzo Zucchi S.p.A.	Director
		- Esaote S.p.A.	Chairman of the Supervisory Body
- Beta Skye S.r.l.		Chairman of the Board of Directors	
- Investimenti & Sviluppo S.p.A.		Director, Chairman of the ICC	
- Fondazione Filarete		Director	
- Artemide Group S.p.a.		Director, Chairman of the ICC	
- Mascioni S.p.A.		Director	
- Manucor S.p.A.		Director	
- Fondazione Filarete Investimenti		Director	
Luciano Pietro La Noce		- Rodriguez Cantieri Navali S.p.A. *	Chairman of the Board of Directors
	- Is Molas S.p.A. *	Chairman of the Board of Directors	
	- Apuliae S.p.A. *	Chairman of the Board of Directors	
	- Pietra S.r.l. *	Chairman of the Board of Directors	
	- Omniainvest S.p.A. *	Chief Executive Officer	
	- B&L S.r.l.	Sole Director	
	- IMMSI S.p.A. *	Chief Executive Officer	
	- RCN Finanziaria S.p.A. *	Chairman of the Board of Directors	

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Full name	Company	Management and control positions held in public companies
Giorgio Magnoni	- ISM Investimenti S.p.A.*	Chairman of the Board of Directors
	- Banca Popolare di Mantova	Deputy Chairman
	- Air One S.p.A.	Director
	- Acqua Blu S.r.l.	Board Director and Chairman of the Board
	- S.F.E.R.A. S.r.l.	Director
	- Società Agricola Yani S.r.l.	Sole Director
Franco Debenedetti	- SO.PA.F. S.p.A.	Board Director, Deputy Chairman of the Board and CEO
	- CIR S.p.A.	Director
	- COFIDE S.p.A.	Director
	- IRIDE S.p.A.	Director
Luca Paravicini Crespi	- Banca Popolare di Milano	Director
	- China Milan Equity Exchange S.r.l.	Chairman
	- CIR S.p.A.	Director
	- Gruppo Editoriale l'Espresso S.p.A.	Director
	- Scala Group S.p.A.	Director
	- Education.it S.p.A.	Director
Riccardo Varaldo	- Consilium SGR S.p.A.	Director
	- Il Gallione S.p.A.	Director
	- 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.*	Board Director and General Director of Finance
	- Intermarine S.p.A.*	Deputy Chairman
	- Conam S.p.A.*	Chairman
	- Rodriquez Marine System S.r.l.*	Chairman

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

5.3. Operation of the board of directors (pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act)

Pursuant to article 12 of the Articles of Association, the Company is administered by a Board of Directors comprising at least 7 (seven) and no more than 15 (fifteen) directors. The Ordinary General Meeting determines, at the time of their appointment, the number of the Board members within the aforesaid limits, as well as their term of office that shall not exceed three financial years, whereafter their

appointment expires as at the date of the Shareholders' Meeting called for approval of the Financial Statements for the last financial year of their office. Board directors may be re-elected.

Pursuant to article 13 of the Articles of Association, the Board of Directors elects the Chairman from its members, if not elected by the Shareholders' Meeting; one of more Deputy Chairmen may also be elected. A Secretary is also appointed, that may not necessarily be a Board Director.

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Pursuant to article 17, section 4 of the Articles of Association, the Board of Directors - within the limits of the law and the Articles of Association - may delegate its powers and functions to an Executive Committee. It may also delegate, to the above extent, some of its powers and functions to the Chairman and/or other members, as well as appoint one or more Chief Executive Officers to whom said powers and functions are delegated.

Pursuant to article 14, section 1 of the Articles of Association, the Chairman - or person replacing said in accordance with the Articles of Association - convenes the Board of Directors by letter, which may also be sent by fax or by other suitable means of communication, to the address of each Board Director and statutory Auditor.

Board Meetings are chaired by the Chairman, or in his absence or impediment, by the sole Deputy Chairman, or if several Deputy Chairmen hold office, by the Deputy Chairman in office for the longest period of time, or if Deputy Chairmen have been in office for the same period of time, by the most senior.

Pursuant to article 14, section 4 of the Articles of Association, the Board of Directors is convened at the registered office of the company or at another place, provided said is in Italy, whenever deemed necessary by the Chairman - or person acting on his/her behalf in accordance with the Articles of Association, or when requested by the Chief Executive Officer, if appointed, or by at least three Board Directors, without prejudice to powers to convene the Board granted to other parties in accordance with law. Participants in Board Meetings may take part from remote venues using audio-visual link-up systems (video or teleconferencing). In this case, all participants shall be identified and must be able to intervene, expressing their opinion in real time, as well as receive, transmit and consult documents not pre-

viously known; in addition, participants must be able to examine items, intervene and pass resolutions at the same time. Board Directors and Auditors participating by remote link-up shall be able to consult the same documents distributed to persons at the place where the meeting is held. The Board meeting shall be considered as being held in the place where Chairman and Secretary are present, who shall work together.

Pursuant to article 15 of the Articles of Association, the majority of board members shall be present in order for resolutions of the Board of Directors to be valid. Resolutions are adopted if voted by the majority, with non-voters not included in the count. In the case of a tie, the vote of the person chairing the meeting prevails. Voting shall take place by open vote.

5.4. Role of the board of directors (pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act)

During the course of the financial year 11 (eleven) Board meetings were held on the following dates: 26 February 2009, 16 April 2009, 29 April 2009, 2 July 2009, 30 July 2009, 15 September 2009, 19 October 2009, 30 October 2009, 25 November 2009, 01 December 2009, 18 December 2009.

Board meetings lasted on average two hours.

Main corporate events in 2010 (already notified to the market and to Borsa Italiana S.p.A. on 28 January 2010, according to regulatory requirements) have been scheduled to include 4 (four) meetings on the following dates:

- 26 February 2010 – approval of the draft financial statements and draft consolidated financial statements as of 31 December 2009.
- 29 April 2010 – approval of the Interim Report on Operations as of 31 March 2010;
- 30 July 2010 – approval of the half-year Financial Report as of 30 June 2010;

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- 29 October 2010 – approval of the Interim Report on Operations as of 30 September 2010.

The calendar is available in Italian and English on the Issuer's institutional website <http://www.piaggiogroup.com>, under *Investor Relations - Corporate Governance - Financial Calendar*.

The Chairman of the Board of Directors and Chief Executive Officer ensures that adequate information on items in the agenda is given to all Board Directors. In particular, this information is given based on adequate procedures that enable Board Directors to knowledgeably discuss the issues, and Board Directors are given drafts of documents to approve suitably in advance, apart from cases which are particularly urgent or concern special confidentiality requirements.

Directors of the Issuer and group also attend board meetings to provide appropriate information on issues on the agenda.

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.

Pursuant to art. 17.1 of the Articles of Association, the Board has all powers for the management of the company and for this purpose can approve or execute all actions considered necessary or useful for the implementation of the objects of the company with the exception of those reserved by law and by the Articles of Association for the Shareholders' Meeting.

The Board, in its meeting of 16 April 2009, resolved on the allocation of management competencies to the Administrative Body, granting in any case the following powers to the

Board, in addition to those assigned by law and by the Articles of Association:

- 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 EUR 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) transfer of marks, patents and other intellectual property rights, as well as the stipulation of licence agreements, of an amount or value above EUR 2.5 million;
- e) the stipulation and amendment of long-term business agreements, including joint ventures, which are not part of ordinary company operations;
- f) purchase and sale of real estate;
- g) other extraordinary administration transactions, the amount of which is greater than EUR 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 administrative 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.

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Conforming to regulatory directives in force and the Articles of Association, the examination and prior approval of the transactions of the Issuer and its subsidiaries in which one or more directors have an interest on their own behalf or on behalf of third parties, are reserved to the Board.

As regards the management of conflicts of interest and operations with related parties of the Issuer and the group of which the Issuer is parent, reference is made to section 13 hereunder.

Pursuant to article 2381 of the Civil Code and the application criterion 1.C.1., letter b) of the Code, during the year the Board reviewed the adequacy of the general organisational, administrative and accounting structure of the Issuer and its strategically important subsidiaries, on at least a quarterly basis, with particular reference to the internal control system and the management of conflicts of interest, according to procedures adopted to this end by the Issuer. As part of these activities, the Board was assisted, as necessary, by the Internal Control Committee, the Internal Control Supervisor, the independent auditors IMMSI Audit S.c.a.r.l and the financial reporting manager as well as the procedures and controls implemented also pursuant to Law 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 26 February 2010, the Issuer's Board arranged for the annual valuation, pursuant to the 1.C.1 g) application criterion of the Code, considering that the composition and functioning of the administrative body are adequate with respect to the Issuer's management and organisational requirements, including taking into account the presence, from a total of eleven members, of ten non-executive direc-

tors, four of whom are independent non-executive directors, who also ensure a suitable composition of the Committees formed within the Board.

The Shareholders' Meeting has not authorised exceptions to the non-competition prohibition provided in art. 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.

The Chairman and Chief Executive Officer was granted all powers of ordinary and extraordinary administration, with the exclusion of powers reserved by law or by the articles of association, as well as by the Board resolution of 16 April 2009, to the formal authority of the Administrative Body (see 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.

Pursuant to the Articles of Association, the Chairman of the Board has powers to act as Chairman of the Shareholders' Meeting (article 9), to convene Board meetings (article 14), to legally represent the Company vis-à-vis third parties and before the courts and has powers to sign for the company (article 23). The Deputy Chairman, Matteo Colaninno, substitutes for the Chairman.

Board information

During the year, the Chief Executive Officer reported to

the Board on operations carried out as part of his powers, at least on a quarterly basis and according to procedures appropriate for enabling Board Directors to knowledgeably discuss issues.

5.6. *Other executive directors*

No other executive directors have been appointed.

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 competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

The qualifications for independence pursuant to article 3 of the Code and article 148, section 3, points b) and c) of the Consolidated Finance Act, held by the independent directors currently in office, were evaluated by the Board of Directors on their appointment, and at the meeting held on 26 February 2010.

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 bodies 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, Luciano Pietro La Noce, Giorgio Magnoni, Vito Varvaro and Livio Corghi– 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 148.3 b) and c) of the Consolidated Finance Act, 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 able to exercise 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: (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 working relationship as employee or contractors, 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;

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- (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, a large bonus 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 incentive 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 Issuer's external auditor's corporate network;
- (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, relative and the like up to 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 proper 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' Meeting, pursuant to article 153 of Consolidated Finance Act.

During 2009, two meetings of the Committee of Independent Board Directors were held, attended by the Chairman of the Board of Statutory Auditors. During the meetings, the independent Directors met with the CEO of the Company who gave them detailed information on company strategies and operations being studied and developed by management.



The information obtained, in advance, directly from the Chairman, was then considered in meetings and consequent resolutions of the Board of Directors.

The independent Board Directors can confirm that, during the two meetings held with the CEO, more information and more details of significant relevant management issues were disclosed.

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.

6. PROCESSING OF CORPORATE INFORMATION

6.1. *Procedure for external communication of price-sensitive information*

In order to monitor access to and circulation of price-sensitive information before it has been made public, to ensure that privacy requirements pursuant to legislation and reg-

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ulations have been respected and to regulate the internal management and external communication of this information, the Board adopted a “Procedure for the publication of price-sensitive information” in its meeting of 28 August 2006.

In accordance with this procedure, the Issuer’s Chairman, Chief Executive Officer and Investor Relations Officer (see section 7 below) ensure the correct management of publication to the market of price-sensitive information, and supervise that this Procedure is observed.

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 - verify with the General Director of Finance and Head of the Legal and Corporate Business Department that legal obligations have been met, and if information should be considered as sensitive.

If information is deemed price-sensitive or regulations in force require it to be published, the Press Relations Officer draws up a press release and – with the help of the Head of the Legal Department – ensures that this release covers the requirements stipulated by the legislation in force in this regard.

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

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 published” on the institutional website www.piaggiogroup.com under the Investor Relations section, ensuring that this information stays on the website for at least two years.

In order to ensure the proper management of price-sensitive information within the Group, this Procedure is made

known to the Chief Executive Officers of the main subsidiaries, i.e. the Issuer’s subsidiaries that fall within its scope of consolidation.

The management of price-sensitive information of subsidiaries is entrusted to their Chief Executive Officers, who must send as soon as possible to the General Director of Finance and/or Investor Relations Officer of the Issuer any information that – on the basis of their evaluation – could contain information that is price-sensitive in accordance with this Procedure.

The General Director of Finance and/or Investor Relations Officer who have received notice of this price-sensitive information from the Chief Executive Officers of these subsidiaries check with the Head of the Legal Department to verify that legal obligations have been met, and especially to see if the information should be considered as price-sensitive.

If information is deemed price-sensitive or regulations in force require it to be published, the Press Relations Officer draws up a press release and – with the help of the Head of the Legal Department – ensures that this release covers the requirements stipulated by the legislation in force in this regard.







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

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 art. 115-bis of the Consolidated Finance Act, the Company's Board of Directors approved the following at the meeting held on 3 May 2006: (i) pursuant to and for the effects of art. 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, also on behalf of Piaggio and Piaggio Group companies; (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 it opportune for the Issuer to establish, keep and independently manage a register of persons having access to price-sensitive information regarding the Group of which the Issuer is the Par-

ent Company, adopted an independent "Procedure for the management of the Register of persons having access to price-sensitive information – Gruppo Piaggio & C. S.p.A.", including its application for entities with a relationship of control over the Issuer, except for necessary adaptations in relation to the corporate organisational structure within their respective organigrams.

Both of these procedures are available on the institutional website <http://www.piaggiogroup.com> under the section Investor Relations/Procedures.

6.3. Internal Dealing

Regarding the management of reporting requirements deriving from the new Internal Dealing regulation pursuant to art. 114.7 of the Consolidated Finance Act, and arts. 152-sexies, 152-septies and 152-octies of the Regulations on Issuers, in effect for listed companies as of 1 April 2006, the Issuer's 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 notices relating to significant transactions pursuant to the internal dealing regulations made during the financial year were reported to the market with respect to this Procedure, and are available on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations*.

7. COMMITTEES WITHIN THE BOARD (*pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act*)

The following committees have been established within the Board: the Appointment Proposals Committee, the Remuneration Committee, and the Internal Control Committee. The Issuer has not established a committee that performs the functions of two or more committees required by the Code, nor has established committees other than those required by the Code.



8. APPOINTMENT PROPOSAL COMMITTEE

In compliance with the Code and in consideration of the list-based voting system in the Articles of Association for nominations to Administrative Body, the Board of Directors has established an internal Appointment Proposals Committee.

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

The Appointment Proposals Committee is composed of three members: Franco Debenedetti, acting as Chairman, Luca Paravicini Crespi and Luciano La Noce.

Functions of the Appointments Committee

The Appointment Proposals Committee has the duty of ensuring that the presentation procedure for lists set by the Articles of Association takes place correctly and transparently, in respect of applicable legislation and the Articles of Association. Once it has verified that the presentation procedure for lists has been respected, ensuring specifically that the documents that are filed along with the lists and the proper deadlines for these have been met in full. This committee arranges the necessary formalities for the presentation of these lists to the Shareholders in Meeting convened for the appointment of the Board of Directors or members thereof. 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 Proposals Committee as it uses the Issuer's corporate resources and facilities to perform duties.

During the financial year 1 (one) meeting of the Appointment Proposals Committee was held on 16 April 2009. Dur-

ing this meeting, the Committee ensured that the procedure for presenting lists took place properly and transparently in compliance with applicable laws and the articles of association, with particular reference to the completeness of documents to file with the lists and filing dates. The Committee also oversaw procedures required to present lists to the Shareholders' Meeting.

The meeting, which was recorded in minutes, lasted approximately 30 (thirty) minutes.

9. REMUNERATION COMMITTEE

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

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

The Remuneration Committee is composed of three members: Riccardo Varaldo as Chairman, Luciano 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, duties relating to the management of stock option plans that may have been approved by relevant Company bodies have been given to the Remuneration Committee.

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During the financial year, 2 (two) meetings of the Remuneration Committee were held, on 16 April 2009 and on 18 December 2009.

The meetings lasted on average 15 (fifteen) minutes.

During these meetings, the Committee decided on the remuneration of appointed persons/parties relative to the 2009 financial year in line with fees paid in previous years and keeping with the undertakings and responsibilities of appointments and professional qualifications of appointed persons/parties. To this end, the Committee also considered the scale of the Company and the Piaggio Group's prospects for global growth.

Minutes were duly taken at the Internal Remuneration Committee meetings.

Participation of non-members in the Remuneration Committee meetings took place by invitation of the Committee.

In carrying out its functions, the Remuneration Committee has had the possibility of accessing corporate information and functions 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 Remuneration Committee in that, in order to fulfil its duties, it uses the Issuer's corporate resources and facilities.

During the current year, the Committee will meet as required to formulate proposals and recommendations on matters in its remit.

10. DIRECTOR'S REMUNERATION

In relation to Directors' remuneration, pursuant to art. 18 of the Articles of Association, each Director was reimbursed expenses incurred for their functions, and paid the annual

fee approved by the Ordinary General Meeting at the time of their appointment, which remains unchanged until the Meeting approves a different amount.

All Board Directors of the Issuer are paid the same fee, equal to EUR 40,000 per annum, determined by the Shareholders' Meeting on 16 April 2009.

The fees of the Chairman, Deputy Chairman and Chief Executive Officer were determined instead by the Board on 16 April 2009 and 18 December 2009, after consulting with the Board of Statutory Auditors and Remuneration Committee.

A share-based Incentive Plan is provided for executives of the Issuer or of its Italian and/or foreign subsidiaries in accordance with art. 2359 of the Civil Code, as well as for directors having powers in the aforementioned subsidiaries. The essential parts of the Incentive Plan are described in documents published by the Issuer pursuant to 84-bis of Consob Regulation on Issuers. These documents may be viewed on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations* / Company documentation

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 Shareholders' Meeting, as indicated above, determined the remuneration of non-executive directors.

As regards reporting requirements of article 78 of the Issuers' Regulations, the table below shows the emoluments of Board Directors and Senior Executives with strategic responsibilities paid during the year according to the criteria indicated in Attachment 3C to the regulations.

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Specifically, under emoluments for the office the following are shown: (i) the emoluments due as approved by the Shareholders' Meeting, or pursuant to article 2389.2 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 employee severance allocations), (iii) post-employment benefits, and (iv) all possible additional payments deriving from other services rendered.

The table below includes all persons that held the position of Board Member or General Director during the year, or for a part thereof.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Michele Colaninno	40,000				40,000
Livio Corghi (3)	13,333				13,333
Franco Debenedetti	40,000				40,000
Daniele Discepolo	60,000 (4)				60,000
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Luca Paravicini Crespi	50,000 (5)				50,000
Riccardo Varaldo	50,000 (5)				50,000
Vito Varvaro (6)	26,667				26,667
Gianclaudio Neri (7)	23,333				23,333
Giangiacomo Attolico Trivulzio (8)	13,333				13,333
Daniele Bandiera (9)		10,447.08		1,849,096.92 (10)	1,859,544
Michele Pallottini		10,628.16		903,242.84	913,871

(1) This amount includes EUR 1,000,000 as an emolument for the office of Chairman and Chief Executive Officer.

(2) This amount includes EUR 60,000 as an emolument for the office of Deputy Chairman.

(3) As from 15 September 2009.

(4) This amount includes EUR 20,000 as an emolument for the office of Chairman of the Internal Control Committee.

(5) This amount includes EUR 10,000 as an emolument for the office of Member of the Internal Control Committee.

(6) As from 16 April 2009.

(7) Until 30 July 2009.

(8) Until 16 April 2009.

(9) Until 4 November 2009.

(10) This amount includes EUR 1,364,107 relative to the end of office benefit.

The Issuer does not have any additional executives with strategic responsibilities other than the general directors whose fees are 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 was composed of three members: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

Director Daniele Discepolo has the accounting and finance experience considered to be 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.

Functions given to the Internal Control Committee

The Internal Control Committee performs consultation and proposition-making functions for the Board, and is specifically entrusted with the following duties:

- (i) assist the Board in carrying out activities inherent in the internal control system, specifically in defining guidelines for the system and the 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 financial reporting manager and the auditors, assess the suitability of the accounting principles used and their consistency in the drafting of the Consolidated Financial Statements;
- (iv) assess the 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 the independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

During the year, 7 (seven) meetings of the Internal Control Committee were held on 27 January 2009; 23 February 2009; 16 April 2009; 27 May 2009; 30 July 2009; 19 October 2009 and 27 November 2009.

The meetings lasted on average 3 (three) hours.

Minutes of Internal Control Committee meetings were duly taken.

During the year, the Internal Control Committee constantly monitored the internal control system as well as the progress of the internal auditing plan, with a particular focus on (i) the adoption of measures following on from audit activities of previous years, (ii) the progress of 2009 audit plan activities, (iii) the trend of risk analysis activities, (iv) compliance audits performed pursuant to Law 262/2005, (v) monitoring of the guidelines, auditing approach and work plan of the independent auditors, (vi) compliance audits pursuant to Legislative Decree 231/2001, (vii) review of the organisation of responsibilities, duties and activities necessary to protect the health and safety of workers.

During its meetings, the Internal Control Committee also discussed the most appropriate 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 reported that it had completed measures to guarantee the compliance of its subsidiaries established and regulated by the laws of countries outside the EU with conditions pursuant to article 36 of Consob's Regulation of Markets. This disclosure may be consulted on the Issuer's institutional website www.piaggiogroup.com under *Investor Relations / Information Memorandum*.

The Chairman of the Board of Statutory Auditors Giovanni Barbara and Chairman of the Supervisory Body regularly attended Internal Control Committee meetings.

In carrying out its functions, the Internal Control Committee had the faculty of accessing 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 as it uses the Issuer's corporate resources and facilities to carry out its duties.

At least 5 (five) Internal Control Committee meetings are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

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 proce-

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dures to access the information needed for the role – granting powers to the Chief Executive Officer and the General Director of Finance 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.

The Board of Directors of the Issuer, also considering the information provided by the Internal Control Committee, was able to give an evaluation of the adequacy, effectiveness and efficient functioning of Issuer's internal control system, in the meeting of 26 February 2010.

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 from 1 January 2009 the consortium company Immsi Audit S.c. a r.l. has been providing services, performing all internal auditing activities for IMMSI Group companies. The Board of Directors, upon the proposal of the appointed Board Director and after consulting with the Internal Control Committee, resolved to appoint Maurizio Strozzi, CEO of Immsi Audit S.c. a r.l., to replace Pierantonio Piana as Designated Internal Control Supervisor.

The Designated Internal Control Supervisor is not the head of any operational area, and does not report hierarchically to any operational area managers, including the administration and finance areas.

During the financial 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;
- also 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 department, audited the internal control system in conformity to the 2009-2011 Internal Audit Plan approved by the Board of Directors on 26 February 2009, undertaking risk analysis, financial, operational and compliance auditing activities, monitoring for the use of improve-

ment/corrective action plans agreed on downstream internal auditing activities and monitoring for standards assurance (with particular reference to provisions of Law 262/2005 and Legislative Decree 231/2001). In particular internal auditing in 2009 concerned: “sales network management and development” and the “identification of customer satisfaction by brand/product and after sales” and the administrative/management processes of the foreign subsidiaries Piaggio Croazia, Piaggio Asia Pacific and Piaggio Group Americas, monitoring of undertakings made in disclosures, monitoring of the procedural framework supporting legal and regulatory compliance for funded research projects, compliance and operational efficiency of personnel (Italy - non-managerial) / outsourcer administration processes, monitoring of information periodically disclosed to the Supervisory Body pursuant to Legislative Decree 231/2001 by Company functions, the random monitoring of reported information on sensitive processes for the purposes of Legislative Decree 231/2001 identified in the annual activity plan drawn up by the Body, as well as administrative/accounting audit activities defined by the compliance officer in accordance with Law 262/2005 (now a part of the Consolidated Finance Act).

The Issuer has established an internal audit department, headed by the Internal Control Supervisor.

During the financial year, the internal audit department was run by Maurizio Strozzi, CEO of the company Immsi Audit S.c.a r.l.

No connections exist between the Issuer and person appointed as head of the internal audit department.

The internal audit department has been outsourced, to ensure full independence and autonomy in carrying out relative activities.

12.3. *Organisational model pursuant to legislative decree 231/2001*

On 12 March 2004 the Issuer adopted the organisational, management and control model for the purpose of preventing corporate crimes indicated in Legislative Decree 231/2001, as amended (the “Model”). The Supervisory Body in office was appointed by the Board of Directors on 16 April 2009 for the years 2009-2010-2011, and thus up until approval of the financial statements as of 31 December 2011. The Supervisory Body comprises Giovanni Barbara, Chairman of the Issuer’s Board of Statutory Auditors, Ulisse Spada, Manager of the Issuer’s Legal Affairs Department and Antonino Parisi (replacing Enrico Ingrassia, who passed away during the year), who acts as chairman, selected from eligible external professionals.

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 is currently being revised and updated to include new statutory offences and crimes specifically indicated in Legislative Decree 231/2001.

During the final part of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio employees to send a message directly to the Supervisory Body to report information. These messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation compliant with the Model. During 2009, the Issuer’s Supervisory Body met 7 times, with all members attending.

In its meeting of 15 February 2010, the Supervisory Body approved the 2010 Activity Plan. At least 5 (five) meetings of the Supervisory Body are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

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The Model has been sent to all Piaggio Group executive managers and has been published on the corporate Intranet and is available on the Issuer's institutional website www.piaggiogroup.com under "Investor Relations / Corporate Governance/ Governance Model".

12.4. *External auditors*

The audit has been entrusted to Deloitte & Touche S.p.A.. This appointment was approved by the Shareholders' Meeting on 30 March 2006, and expires on approval of the financial statements as of 31 December 2011.

12.5. *Financial reporting manager*

The financial reporting manager of the Issuer 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 financial reporting manager 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 financial reporting manager is appointed by the Board, subject to obligatory approval by the Board of Statutory Auditors.

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

12.6 *Main characteristics of the risk management and internal control systems in relation to the financial disclosure process (article 123-bis, section 2, letter b), consolidated finance act)*

Introduction

PURPOSE AND OBJECTIVES

The risk management and internal control system in relation to Piaggio Group financial disclosure was developed using the "COSO Report"¹ as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by senior managers and other subjects

¹ COSO model, produced 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.

of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

- effectiveness and efficiency of operating activities;
- reliability of financial statement information;
- conformity to laws and regulations in force”.

As concerns the financial disclosure process, these objectives refer to the credibility, accuracy, reliability and timeliness of disclosure.

In defining its own internal control system in relation to the financial disclosure process, the Group observed relative requirements of the following reference laws and regulations:

- Legislative decree no. 58 of 24 February 1998 (Consolidated Finance Act).
- Law no. 262 of 28 December 2005 (as amended, including the legislative decree implementing the “Transparency” directive approved on 30 October 2007) on the preparation of company accounting documents.
- Consob Regulation on Issuers of 4 May 2007 “Statement of the financial reporting manager and of delegated administrative bodies concerning the financial statements, consolidated financial statements and half-year report pursuant to article 154-bis of the Consolidated Finance Act”;
- Consob Regulation on Issuers of 6 April 2009 “Implementation of the 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, amending the directive 2001/34/EC”;
- the Civil Code, which extends liability in company management (article 2434), the offence of disloyalty following settlement or the promise of benefits (article 2635) and the offence of obstructing public and supervisory



authorities in performing their functions (article 2638) to include managers in charge of financial reporting.

- Legislative Decree 231/2001 which, referring to the above provisions of the Civil Code and the administrative liability of corporate bodies for offences committed by employees against the public administration sector, considers the Manager in charge of financial reporting as a key figure.

The risk management and internal control system in relation to Group financial disclosure was implemented also considering guidelines from some industry associations concerning the activities of the Manager in charge of financial reporting, and in particular:

- Position Paper Andaf “financial reporting manager”;
- Position Paper AIIA “Law no. 262 on the Protection of Savings”;
- Confindustria (Italian manufacturers’ association) “Guidelines for the activities of financial reporting manager pursuant to article 154-bis Consolidated Finance Act)

in addition to the “Format for the corporate governance report and corporate ownership “ issued by Borsa Italiana.

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Main characteristics of the risk management and internal control system in relation to the financial disclosure process

Methodological approach

The risk management and internal control system in relation to Piaggio Group financial disclosure is part of the Group's wider-ranging Internal Control System, which includes the following:

- Code of Ethics,
- The Organisational and management model pursuant to Legislative Decree 231/2001 and relative protocols,
- Procedures for internal dealing notices,
- Principles and procedures for carrying out significant transactions and transactions with related parties,
- the System granting powers and authority,
- the Company organisation chart and job profiles,
- the Procedure on reporting information to the Market,
- the Risk analysis process adopted (Risk Assessment),
- the Accounting control system.

Piaggio's Accounting and Administrative Control System comprises a number of operating procedures and documents, including:

- The Accounting and Administrative Control Model – a document issued to all employees directly involved in

preparing and/or controlling accounting information, which defines the operating procedures of the Accounting Control System.

- Group Accounting Manual – a document promoting the development and application of consistent accounting criteria within the Group as regards the identification, classification and measurement of operating activities;
- Operating instructions for financial statements and reporting, and closing schedules – documents informing company functions in detail about operating procedures for managing financial statement preparation activities, within defined, shared deadlines;
- Administrative and accounting procedures – documents defining the responsibilities and control rules to follow with particular reference to administrative/accounting processes.

Piaggio's Accounting and Administrative Control Model defines a methodological approach for the risk management and internal control system comprising the following stages:

- a) Identification and assessment of financial disclosure risks;
- b) Identification of controls for identified risks;
- c) Evaluation of controls for identified risks and management of any problems detected.

System Elements

a) Identification and assessment of financial disclosure risks

Risks relative to accounting disclosure are identified and assessed based on a structured risk assessment process. The process identifies the objectives of the financial disclosure internal control system in order to guarantee a true and accurate financial disclosure. These objectives are based on financial statement "assertions" (existence and occurrence of events, completeness, rights and obligations, valuation/recording, presentation and disclosure), and other control



objectives (such as compliance with authorisation limits, separating duties and responsibilities, the documentation and traceability of operations, etc.).

The risk assessment therefore focuses on parts of financial statements identified as having a potential impact on financial disclosure in relation to failure to achieve the control objectives.

The purpose of the process which determines the scope of entities and processes that are significant in terms of their potential impact on financial disclosure is to identify the financial statement accounts, subsidiaries and administrative/accounting processes considered significant, with reference to the Group's consolidated financial statements, based on valuations made using quantitative and qualitative parameters.

In particular, these parameters are defined:

- determining the quantitative threshold values to compare consolidated financial statements figures and the relative contribution from Group subsidiaries,
- using qualitative valuations based on a knowledge of the company and specific risk factors inherent in administrative/accounting processes.

Underlying company processes are related to financial statement accounts classified as significant, to identify controls that can meet the objectives of the financial disclosure internal control system. The adequacy of these controls and their application is then evaluated. In the case of automatic controls, this evaluation also considers general IT controls for applications that support processes which are considered significant.

b) Identification of controls for identified risks;

As stated above, controls necessary to mitigate risks identified in administrative/accounting processes are identified,



considering control objectives associated with financial disclosure.

The functions involved in the financial disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the Manager in charge of financial reporting, in relation to management areas in his remit.

c) Evaluation of controls for identified risks and problems detected.

The Accounting Control System is periodically evaluated, at least every six months, when preparing the separate annual financial statements, consolidated annual financial statements and abbreviated consolidated half-year financial statements.

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The adequacy and application of administrative and accounting procedures and controls are evaluated by monitoring (testing) based on best practices.

Testing is done throughout the financial year, as arranged and coordinated by the Manager in charge of financial reporting through his own department, supported if necessary by the internal audit department or appropriately selected external consultants.

Control tests are run on the administrative and functional departments coordinated by the Manager in charge of financial reporting or by his officers, assisted by the Internal Audit department to ensure that controls for administrative and accounting procedures are carried out, in addition to specific focused controls on companies, processes and accounting entries.

Delegated bodies and administrative managers of subsidiaries report to the Manager in charge of financial reporting on the monitoring of the adequacy and application of administrative and accounting procedures.

The Manager in charge of financial reporting, assisted by the Internal Control Supervisor, produces a report summarising the results of evaluations on controls for previously identified risks (Management Summary). This is based on the outcome of monitoring activities and on statements from delegated administrative bodies and administrative managers of subsidiaries. This evaluation may identify compensatory controls, corrective actions or improvement plans for any problems identified.

The Management Summary is issued to the Chief Executive Officer, and then submitted to the Board of Statutory Auditors of the Parent Company, the Internal Control Committee and Board of Directors.



Roles and functions involved

The risk management and internal control system for financial disclosure is governed by the Manager in charge of financial reporting. Appointed by the Board of Directors, the Manager, in conjunction with the Chief Executive Officer, is responsible for planning, implementing and approving the Accounting and Administrative Control Model, and assessing its application, issuing a statement relative to the interim and annual financial statements, including consolidated statements. The Manager in charge of financial reporting is also responsible for establishing adequate administrative and accounting procedures for drafting the financial statements and consolidated financial statements. With the assistance of the Internal Audit department, it also provides subsidiaries considered significant in terms of preparing consolidated Group reporting, with guidelines on evaluating the Accounting Control System.

In carrying out activities, the Manager in charge of financial reporting:

- liaises with the Internal Audit Department/Internal Control Supervisor, that independently audits the operation of the control system and assists the Manager in charge of financial reporting in monitoring the system;
- is assisted by Function Managers. These managers ensure complete, reliable information flows to the Manager in charge of financial reporting, for areas in their remit, for accounting disclosure purposes;
- coordinates the activities of administrative managers of subsidiaries considered significant. These managers, in conjunction with delegated bodies, are responsible for establishing adequate accounting control systems within their companies, to monitor administrative and accounting processes and to evaluate effectiveness over time, reporting results to the parent company, based on an internal statement process;
- establishes reciprocal information flows with the Internal Control Committee and Board of Directors, reporting on activities carried out and on the adequacy of the Internal Control System.

Lastly, the Board of Statutory Auditors and Supervisory Body are informed of the adequacy and reliability of the administrative/accounting system.

13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES

The “Procedure for significant transactions and transactions with related parties”, approved by the Issuer in the board meeting of 28 August 2006, sets out the (quantitative and/or qualitative) criteria used to identify transactions to be examined and approved by the Board. These criteria have been identified in relation to the type of transaction involved, with specific and distinct reference (i) to significant income, equity and financial transactions or those in

relation to the Issuer’s business (i.e. “Significant Transactions” as defined elsewhere); as well as (ii) to transactions with related parties (i.e. “Related Party Transactions”, as defined elsewhere).

In order to concretely implement the application criteria, 9.C.1. and 9.C.2. of the Code, the Board arranged for the definition of appropriate procedures suited to guarantee the Board members a full and exhaustive report on Significant Transactions and Transactions with Related Parties.

SIGNIFICANT TRANSACTIONS

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

- 1) acquisitions or disposals of equity investments in companies or branches of companies;
- 2) the conclusion or modification of loan contracts of any type stipulated for amounts of more than EUR 25 million;
- 3) 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;
- 4) the transfer of brands, patents and other intellectual property rights, as well as the conclusion of licensing contracts;
- 5) the conclusion and modification of multi-year commercial agreements, including joint-venture agreements;
- 6) the purchase and sale of real estate;
- 7) other extraordinary administrative transactions having an amount of more than EUR 50 million;
- 8) the appointment of the general manager and the head of the company’s administration, finance and control departments;
- 9) the appointment of the members of administrative bodies and the general managers of directly and indirectly held subsidiary companies.





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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.

TRANSACTIONS WITH RELATED PARTIES

In conformance with art. 2.1 h) of the Consob Issuer's Regulations, Related Parties are those defined by international accounting standards regarding financial statements information on transactions with related parties, adopted according to the procedure under article 6 of EC regulation no. 1606/2002 (International Accounting Principle IAS 24).

To ensure precise compliance with the principles and procedures as of this point, the delegated bodies prepare and update the list of identifiable Related Parties.

Transactions with Related Parties are therefore reserved for the examination and approval of the Issuer's Board, except for Normal Transactions with Related Parties at Market Conditions (as defined below).

In any case, it remains understood that the Board of Statutory Auditors has the authority in the case of Normal Transactions with Related Parties at Market Conditions that can also be qualified as Significant Transactions. In this case, the above-mentioned principles and procedures are applied with reference to significant transactions.

For the purposes of this procedure:

- "Normal Transactions" mean repeated, or typical transactions, or those that occur during the normal course of the

Issuer's business, according to type, subject and conditions of payment;

- "Transactions at Market Conditions" mean transactions concluded at market conditions, i.e. at conditions that conform to trading practices carried out normally or at conditions that do not deviate from those practised for similar transactions.

In relation to each Transaction with Related Parties reserved to the Board, the Board must receive a report – drawn up by the delegated bodies – suitable to allow for a prior examination of the essential elements of this transaction, with special reference to the following elements:

- the general characteristics of the transactions (specifically indicating: the subject, motivations, amount and timing of the transaction, as well as the nature of its correlation);
- the methods used to calculate the amount and/or the main conditions and main terms that could susceptibly generate commitments for the Company;
- foreseeable income, equity and financial effects of the transaction, on a direct and consolidated basis;
- any interests (direct and indirect) that the members of the company boards might have in the transaction.

After receiving information from delegated bodies and wherever appropriate, taking account of the nature, amount and other characteristics of an individual Transaction with Related Parties (as of Application criterion 9.C.1 of the Code), the Board may request that the transaction is concluded with the assistance of one or more experts, who express an opinion on the economic and/or executive conditions and technical methods of the transaction. The selection of experts to be consulted must be from amongst individuals whose expertise and authority is recognised, and whose independence and lack of conflict of interest regarding the transaction must be verified.

In accordance with application criterion 9.C.2 of the Code, directors who have an interest – even potential or indirect – in a Transaction with Related Parties must inform the Board,

in advance and exhaustively, on the existence of this interest and the circumstances surrounding it. In relation to each actual case and based on the report given by the Board member involved – also taking account of the need to ensure the proper functioning of the management body – the Board is required to evaluate whether or not it is opportune to request that this Board member: (i) distance him/herself from the session before the beginning of discussions and until a decision has been reached; or (ii) to abstain from participation in votes regarding the matter.

Transactions with Related Parties other than those reserved for examination and approval by the Board are instead entrusted to the expertise of the delegated bodies, in accordance with the powers given to them.

Except where otherwise specified below, the delegated bodies must supply the Board with an exhaustive report on the essential elements of the Transaction with Related Parties arising from those that have already taken place, as well as on potential risk profiles or other critical issues of this Transaction at the next meeting thereof. Specifically, an exhaustive report must be supplied regarding the following elements:

- general features of the transaction (with special reference to the nature of the association and the motivations for the transaction);
- foreseeable income, equity and financial effects of the transaction, including on a consolidated basis.

In any case, it remains understood that the delegated bodies have the possibility – where they feel it opportune – to subject Transactions with Related Parties to the examination and approval of the Issuer's Board if, despite not being reserved to the authority of the Board, they present – in concrete terms – specific elements and/or risks critical to the safekeeping of corporate assets, or for the protection of minority shareholders. In this case, the relevant procedure must be applied.

The Procedure for significant transactions and transactions with related parties can be viewed on the Issuers' institutional

website <http://www.piaggiogroup.com> under *Investor Relations / Corporate Governance / Procedures*.

14. APPOINTMENT OF STATUTORY AUDITORS

The appointment and replacement of statutory auditors is regulated by pro tempore laws and regulations in force, and by art. 24 of the Issuer's Articles of Association. The directives in the Issuer's Articles of Association that regulate the appointment of the Board of Statutory Auditors are suitable for ensuring compliance to the regulation in art. 148.2-bis of the Consolidated Finance Act introduced by Law 262/2005 and by the directives under Decree 303/2006.

Pursuant to art. 24 of the Issuer's Articles of Association, the lists presented to shareholders must be filed at the registered office at least fifteen clear days before the date of the first call of the Shareholders' Meeting.

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

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 General Meeting have the right to present lists, or else those who represent another percentage that has possibly been set or required by laws or regulations. In its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity

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investment required to present candidate lists for appointment to the Control Body of the Issuer, with reference to the year ended 31 December 2009.

The election of Statutory Auditors takes place as follows:

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

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

The Chairman of the Board of Statutory Auditors shall be the statutory auditor selected from the second list 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 list has been presented, or voted. In those cases, the Shareholders' Meeting shall resolve with a relative majority.

If, at the deadline for presenting lists, only one list or only lists presented by Shareholders with whom significant connections exist pursuant to pro tempore laws and regulations in force have been filed, lists may be presented in the five days following this date. In this case, the minimum threshold for presenting lists is 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 Statutory Auditors elected from the majority list are to be replaced, the appointment takes place by relative majority voting, regardless of the lists presented.

If conversely the Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from amongst the candidates appearing on the list of the auditor to be replaced.



15. STATUTORY AUDITORS (pursuant to article 123-bis, section 2, letter d), Consolidated Finance Act)

The Board of Statutory Auditors in office at the time of going to press, was unanimously appointed by the Ordinary General Meeting of 16 April 2009, based on the sole list of

candidates presented by the majority shareholder IMMSI S.p.A., in compliance with article 24 of the Articles of Association and will remain in office until approval of the financial statements for the year ended 31 December 2011.

The Board in office comprises the following:

Name	Position	In office from	List (M/m)	Indep. per the Code	% attend. in B. of S. A.	Other offices
Giovanni Barbara	Chairman	16/04/2009	M	X	90	10
Attilio Francesco Arietti	Statutory Auditor	16/04/2009	M	X	100	12
Alessandro Lai	Statutory Auditor	16/04/2009	M	X	100	12
Mauro Girelli	Alternate Auditor	16/04/2009	M	X	–	26
Elena Fornara	Alternate Auditor	16/04/2009	M	X	–	-

LEGEND

List (M/m): indicates whether the Auditor has been elected from the list voted by the majority (M) or by a minority (m).

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 appointments held at 31 December 2009 with companies, as of Book V, Section V, Parts V, VI and VII of the Civil Code. For updated information on appointments, not available when this Report was approved, reference is made to the report on supervisory activities to be presented pursuant to article 153, section 1 of the Consolidated Finance Act, to the Shareholders' Meeting convened to approve the 2009 financial statements.

As regards the disclosure requirements of article 78 of the Issuers' Regulations, the table below shows the fees paid to Statutory Auditors during the financial year, according to criteria in Attachment 3C to the Regulations.

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Barbara Giovanni	110,783	-	-	25,000	135,783
Arietti Attilio Francesco	77,021	-	-	-	77,021
Lai Alessandro	76,624	-	-	-	76,624
Girelli Mauro	-	-	-	-	-
Fornara Elena	-	-	-	-	-

The professional *curricula* of the Statutory Auditors pursuant to arts. 144-octies and 144-decies of Consob Regulation on Issuers are available on the Issuer's institutional website <http://www.piaggiogroup.com> under Investor Relations/Information Memorandum.

During the financial year 10 (ten) meetings of the Board of

Statutory Auditors were held on the following dates: 26 February 2009; 3 March 2009; 23 March 2009; 16 April 2009; 27 May 2009; 17 June 2009; 26 June 2009; 30 July 2009; 15 September 2009; 27 November 2009;

The meetings lasted on average 3 (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.

On 15 February 2010 the Board of Statutory Auditors verified that its members still had their requisites of independence, already verified on their appointment, on the basis of criteria in the Code regarding the independence of Directors.

The Issuer expects Statutory Auditors who – for their account or for a third party's – have an interest in a certain transaction of the Issuer's, to promptly and fully inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of their interest.

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

In carrying out its work, the Board of Statutory Auditors duly coordinated with the internal audit department and

with the Internal Control Committee, meeting with the head of the internal audit department and the Internal Control Supervisor.

At least 5 (five) meetings of the Board of Statutory Auditors are planned for the year. In addition to the meeting already held on 15 February 2010, meetings are scheduled for: 15 March 2010, 15 June 2010, 13 September 2010 and 15 November 2010.

15.1 Functioning of the board of statutory auditors

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

Pursuant to article 25, section 2, of the Articles of Association, meetings of the Board of Statutory Auditors may be held by teleconferencing and/or video conferencing provided that:

- a) the Chairman and the person taking the minutes are at the place where the meeting has been convened;
- b) all participants may be identified and are able to take part in the discussion, receive, transmit and consult documents and intervene in real time concerning all items. If these conditions apply, the meeting of the Board of Statutory Auditors is considered as being held at the place where the Chairman and person taking the minutes are present.

16. 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 time of going to press, Simone Montanari was Investor Relations manager. This department can be contacted at: investorrelations@piaggio.com

The Investor Relations reporting activities is also ensured by making available the most significant company documentation in a timely and on-going basis on the Company website under the Investor Relations section.

In particular, investors may view all press releases to the market, interim financial data approved by competent company boards (annual financial statements, half-year Financial Report, interim reports on operations), and documents distributed during meetings with professional investors, analysts and the financial community in Italian or English on the Internet site.

Moreover, the Issuer’s website contains the Articles of Association, the documents prepared for Shareholders’ Meetings, Internal Dealing communications, the Annual Report on the Corporate Governance System, and any other document that the Issuer is required to publish on its website by regulations in force.

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.

17. GENERAL MEETINGS (article 123-bis, section 2, letter c), Consolidated Finance Act)

Pursuant to art. 8.2 of the Issuer’s Articles of Association, “Shareholders are legitimately entitled to take part if the Company has received the notice prescribed by Article 2370.2 of the Civil Code within two working days before the date of each Shareholders’ Meeting.”

The Ordinary General Meeting is convened at least once a year to approve the financial statements within one hundred and twenty days from the close of the financial year. The ordinary and extraordinary General Meeting is also convened whenever deemed suitable by the Board of Directors and when required by law. The General Meeting shall be convened without delay when requested pursuant to law.

The ordinary and extraordinary General Meeting is convened, within the times indicated by laws in force, with notice published in the Official Gazette of the Republic of Italy or in the newspaper “Il Sole 24 Ore” stating the day, place and time of the first and any subsequent calls, as well as a list of items on the agenda, without prejudice to compliance with any other provision of laws in force.

The agenda of the General Meeting is set by the person with powers to convene the meeting in accordance with law and the Articles of Association, or in the event the meeting is convened on request of Shareholders, on the basis of the items to discuss in said. In the event that the meeting is convened on request of Shareholders pursuant to law, the agenda is supplemented according to the terms and procedures indicated in applicable provisions.

Pursuant to article 9 of the Articles of Association, the General Meeting of Shareholders is chaired by the Chairman of the Board of Directors, or in his/her absence or impedi-

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ment, by the sole Deputy Chairman, or if several Deputy Chairmen hold office, by the Deputy Chairman in office for the longest period of time, or if Deputy Chairmen have been in office for the same period of time, by the most senior. In the absence or impediment of the Chairman, the sole Deputy Chairman, or all Deputy Chairmen, the General Meeting of Shareholders is chaired by a Director or Shareholder appointed by the majority of those present. The Chairman of the General Meeting ascertains the identity and legitimate attendance of those present, ascertains that the Meeting is duly established and that the number of Shareholders necessary to pass valid resolutions is present; governs proceedings, defines the voting procedures and ascertains voting results.

Legal provisions and provisions of the Articles of Association apply for the due establishment of the ordinary and extraordinary General Meeting and for the validity of resolutions.

To facilitate attendance at the General Meeting and the exercising of voting rights, the ordinary or extraordinary General Meeting may be held, pursuant to article 6, section 2 of the Articles of Association, by video conferencing with participants attending in several adjoining or remote places, provided that decisions are made collectively and princi-

ples of good faith and equal treatment of shareholders are observed.

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.

Pursuant to article 17 of the Articles of Association, in compliance with article 2436 of the Civil Code, General Meeting resolutions are delegated to the Board of Directors as concerns the following:

- mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code;
- establishing or closing sub-offices;
- transferring the registered office of the company within Italy;
- indicating Board Directors with power of attorney;
- lowering capital in the event of withdrawal;
- amending the Articles of Association to account for legal provisions.

Resolutions may in any event also be passed by an Extraordinary General Meeting of Shareholders.





As regards the rights of Shareholders, reference is made to applicable pro tempore laws and regulations. In addition to information in previous sections of this Report, the right to withdraw may only be exercised within the limits established by mandatory laws and, pursuant to article 3, section 2 of the Articles of Association, this right is excluded in the case of extending the duration of the Company.

The Board has reported on the activities carried out and scheduled in General Meetings, and endeavoured to ensure that shareholders had adequate information regarding the necessary elements so that they could make fully-informed decisions within the framework of a General Meeting.

The Board in its meeting of 26 February 2009, pursuant to application criterion 11.C.6 of the Code, did not consider it necessary to put to the General Meeting of Shareholders amendments to the articles of association in relation to the percentages established to exercise prerogatives to protect minorities, as - in compliance with article 144-*quater* of Consob Regulation on Issuers for presenting lists to appoint Board members and members of the Board of Statutory Auditors - articles 12.3 and 24.1 of the Articles of Association of the Issuer establish a limit of 2.5% of capital with vot-

ing rights or different percentage if established or referred to by laws or regulations.

In this regard, in its ruling no. 17148 of 27 January 2010, Consob established that 2.5% of the share capital is the percentage of equity investment required to present candidate lists for appointment to the administration and control bodies of the Issuer, with reference to the year ended 31 December 2009.

18. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to article 123-bis, paragraph 2, letter a), Consolidated Finance Act)

The Issuer does not adopt any corporate governance practices in addition to those required by laws or regulations and described in this Report.

19. 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.