



Corporate Social Responsibility Report 2010

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From the Chairman



The value of people, transparency of action, technological innovation, environmental sustainability, customer satisfaction and dealer satisfaction. These are not just section headings for a social audit report but the fundamental assets and capital reported on in this third Corporate Social Responsibility Report of the Piaggio Group.

This capital is built and nurtured everyday by the hard work of a wide community of people in every corner of the planet, and it is continuously assessed by our customers and our stakeholders, who demand and expect that the

Piaggio Group acts in keeping with the reputation, values and business style of a manufacturing company with an Italian soul, though global outlook.

Our industrial strategy does not contemplate delocalisation. Rather, it is built on key investments and business intelligence to conquer and defend the world's most promising markets. Our objective is to give the world the best in technology, product innovation and world class design for two-wheeled, three-wheeled and four-wheeled vehicles and to satisfy the expectations and mobility needs of all consumers, no matter how different their incomes, transport needs or lifestyles. Through the internationalisation of our business, we bring to Asian, European and American markets not just brands and products but also a way of doing business that is founded on respect – respect for workers, respect for the environment, and respect for the communities that host our manufacturing plants. This strategy has been adopted first and foremost in Italy. Inspiring our approach to managing the economic and social impact of the market downturn has been our sense of responsibility and a desire to act as far as possible in consensus with trade unions.

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

However, the true bedrock of the Piaggio Group is formed by the men and women who “manufacture” our success with pride and passion. They are Piaggio's most important asset, guaranteeing the future of the Company.

Chairman and Chief Executive Officer
Roberto Colaninno

Methodological note

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

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

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

The information and data in the 2010 Corporate Social Responsibility Report refer to subsidiaries as of 31 December 2010 and their activities in 2010, unless otherwise indicated.

Data for 2009 and 2008 have been retrieved from previous issues of the report, published respectively in July 2010 and November 2009, and are provided for comparative purposes only. Where possible, the figures in this Corporate Social Responsibility Report refer to a period of at least three years, to allow for an evaluation of performance over time.

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

As regards the comparability of 2010 data with previous periods, it should be noted that the production and sales operations of Piaggio Vietnam officially commenced on 24 June 2009. The 2009 data therefore cover approximately six months of operations at the new plant, compared to the full year of operations considered by 2010 data.

The report also indicates when aggregate data derives from estimates.

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

To improve the effectiveness of the reporting process and guarantee the reliability of information to all stakeholders, the independent auditors Deloitte were appointed to verify reported information and issue a “Report on the limited audit of the Corporate Social Responsibility Report” based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 153). Compliance with GRI Application Level B+ was also confirmed by the Global Reporting Initiative, which issued a relevant “GRI Application Level Check Statement”.

01 GROUP PROFILE

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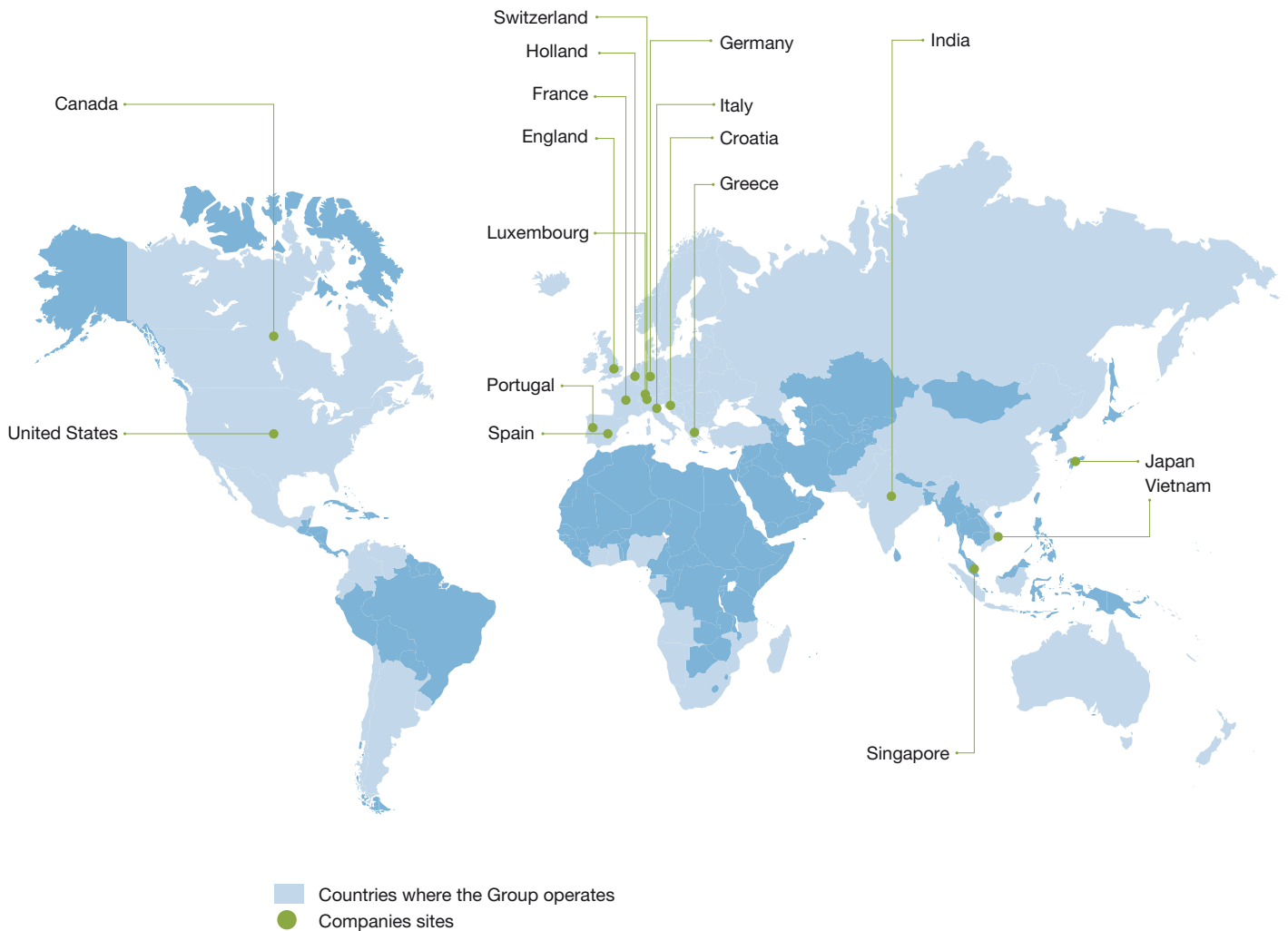
01. Group profile

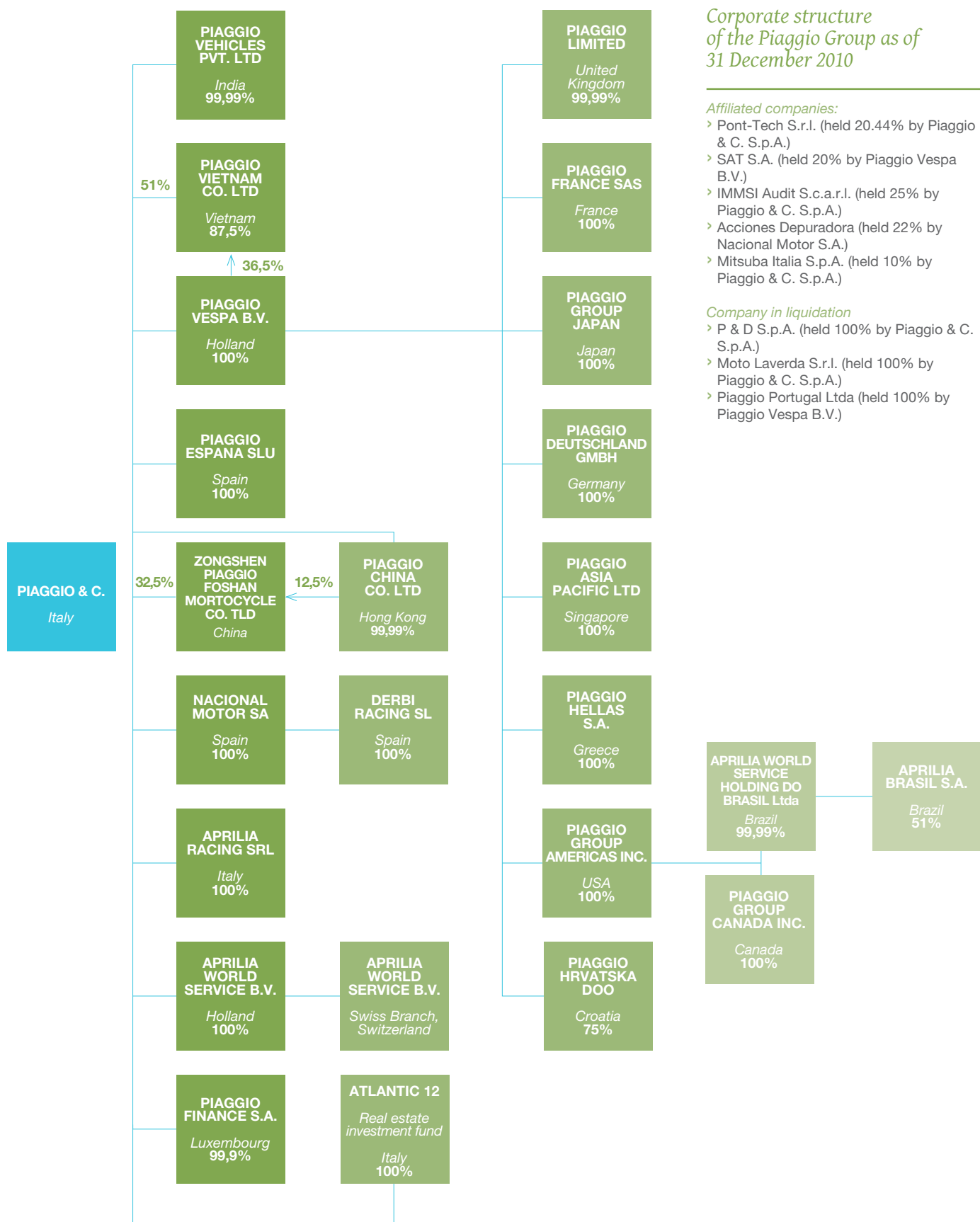
Established in 1884 and based in Pontedera (Pisa), Piaggio & C. S.p.A. is today a global player, Europe's leading manufacturer of powered two-wheelers, and an international force in the commercial vehicle sector.

Europe's leading manufacturer of two-wheeler and three-wheeler motor vehicles.

As of 31 December 2010, the Piaggio Group was controlled by almost 54.4% by the Immsi Group and has been listed on the Milan Stock Exchange since 11 July 2006.

At the end of 2010, the Group had a workforce of 7,529 people, five research and development centres in Italy, India and Vietnam, and manufactured from production sites located in Pontedera (Pisa), Noale and Scorzè (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).





Brand

Since 2008, the Group has based its organisational structure on its operating segments (Two-wheeler and Commercial Vehicles) which are divided into the geographical segments of Western Countries and Asia-Pacific for the Two-wheeler sector and Europe and India for the Commercial Vehicles sector.

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



Ape

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



Aprilia

With a product range spanning 50cc scooters to top-performing 1,200cc motorcycles, Aprilia is the only European "full liner" brand in the powered two-wheeler segment. Over the past five years the brand has expanded its product range significantly to feature today a completely new range of vehicles and engines boasting the most advanced technology. The symbol of the new range of V-two and V-four engines engineered exclusively by Aprilia is the RSV4 engine which powered Max Biaggi on to win both the manufacturer's title and rider's title in the 2010 Superbike World Championship, in just its second year in the category.

Historically associated with extraordinary racing performance and victory, Aprilia has won forty-five world road and off-road racing championships in less than twenty years, clocking up over 270 victories in Grand Prix motorcycle racing, where it has opened the doors to success for some of the biggest names on the scene today – from Rossi to Biaggi, Capirossi to Simoncelli, from Stoner to Lorenzo. Such a wide-ranging focus on racing has led to the development of unparalleled know-how and the transfer of the best technological solutions to our production motorcycles.



Derbi

For over eighty years, Derbi has introduced many a youngster to the world of motorcycling, while dominating the track in motorcycle racing. The Derbi brand includes 50cc - 300cc scooters and motorcycles with small and medium engine capacity, particularly 50 and 125ccs, and is a European leader thanks to technologically advanced vehicles and components and a sleek design. With twenty-one world road racing titles to its name, Derbi is very well known in Europe and stands for excellent technical performance and superb delivery in the small and medium engine capacity sector.

An established leader of the 50cc and 125cc manual transmission motorcycle segment, Derbi boasts a full range of bikes designed for city, road and off-road riding and racing.



Gilera

Gilera was established in 1909 and became a part of the Piaggio Group in 1969. The brand is extremely well known in the motorcycling world, with fourteen world road racing titles to its name.

The brand features premium vehicles in terms of design, performance and technology, distinguished by their thrilling, top-performing, Italian style. Gilera is focused on a young, sports-oriented target clientele looking for a vehicle with superior performance and a dynamic, distinctive design that caters for their mobility needs, with advanced technological solutions that offer a highly rewarding riding experience.



Moto Guzzi

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Moto Guzzi is a part of Italian and world motorcycling history, established ninety years ago in 1921 at the legendary production site in Mandello del Lario, where the "Eagle Marque" was first used in 1921.

Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and premiere sporting events. The current Moto Guzzi range features 750cc-1200cc touring, road enduro, custom and naked bikes, all with 90° V twin cylinder engines and final Cardan drive.



Piaggio

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

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



Scarabeo

Scarabeo is one of the Piaggio Group premium brands, standing for elegance and uniqueness.

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



Vespa

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

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



Commercial Vehicles

This is the Group brand marketing four-wheelers that are compact yet have a high load capacity, for short-distance professional and business mobility. The Piaggio Porter range - along with Quargo, a heavy four-wheeler - owes its success to its wide range of commercial transport solutions that are compact, suitable for urban use and feature engines with low or zero environmental impact. Piaggio Commercial Vehicles today boasts an extraordinary range of petrol and turbo-diesel engines, with the latter developed and manufactured entirely within the Piaggio Group.

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



1.1 Piaggio - facts and figures¹

¹ data are as of 31
December 2010

1,485.4 million EUR Consolidated net sales

628.4 thousand units Vehicles sold

Over **19,000** sales outlets Network

197.1 million EUR EBITDA

42.8 million EUR Net profit

349.9 million EUR Net debt

7,529 Employees as of year end

96.2 million EUR Investments

62.9 million EUR Research and Development

1.2 Main events and achievements in 2010

Opening of the new production site in India

March 2010 - The new engine production site in India was opened.

Munich, Germany: The Piaggio Group wins the European Identity Award 2010 for Innovation

May 2010 - The Piaggio Group received the prestigious “Best Project” award for Identity Management and Cloud Computing at the leading European information security event organised by the consultancy Kuppinger Cole.

Moto dell'anno

May 2010 - The Aprilia RSV4 was voted “Bike of the Year 2010” by readers of the monthly magazine “Motociclismo”, based on a survey of over 33,000 readers.

Aprilia also won the title of “Bike of the Year” in the 50cc and 125cc classes with the Aprilia RS, and in the Enduro category with the Aprilia RXV 4.5/5.5.

The VESPA GTS 300 in 2010 was once again voted by readers as their favourite medium-sized engine scooter.

Superbike world champion

26 September 2010 - Max Biaggi riding an Aprilia RSV4 SBK took the rider’s title in the world Superbike championships.

3 October 2010 -Aprilia won the manufacturer’s title in the Superbike championships, taking its total number of titles to 45.

125cc motorcycle world champions

17 October 2010 - won the manufacturer’s title in the 125 cc category.

7 November 2010 -Marc Marquez won the 125cc rider’s world championship title riding a Derbi, bringing the number of titles won by “Las Balas Rojas” to a total of twenty-one.

Overland 13 – Mission complete

28 October 2010 - Shanghai saw the arrival of four Porter Electric Power vans, which had travelled 13,000 km overland from Italy to China using an artificial vision system that enabled the vehicles to be driven automatically without a driver.

H&H Webranking Awards 2010 – Best Improver

November 2010 - The Piaggio Group’s corporate website was ranked in the Italian top ten identified by Hallvarsson & Halvarsson in its annual survey of companies’ financial and institutional web content. The Group’s web site shot up from 52nd to the 5th spot and was awarded the title of “Best Improver”, assigned each year to the company that improves its score the most compared to the previous year.

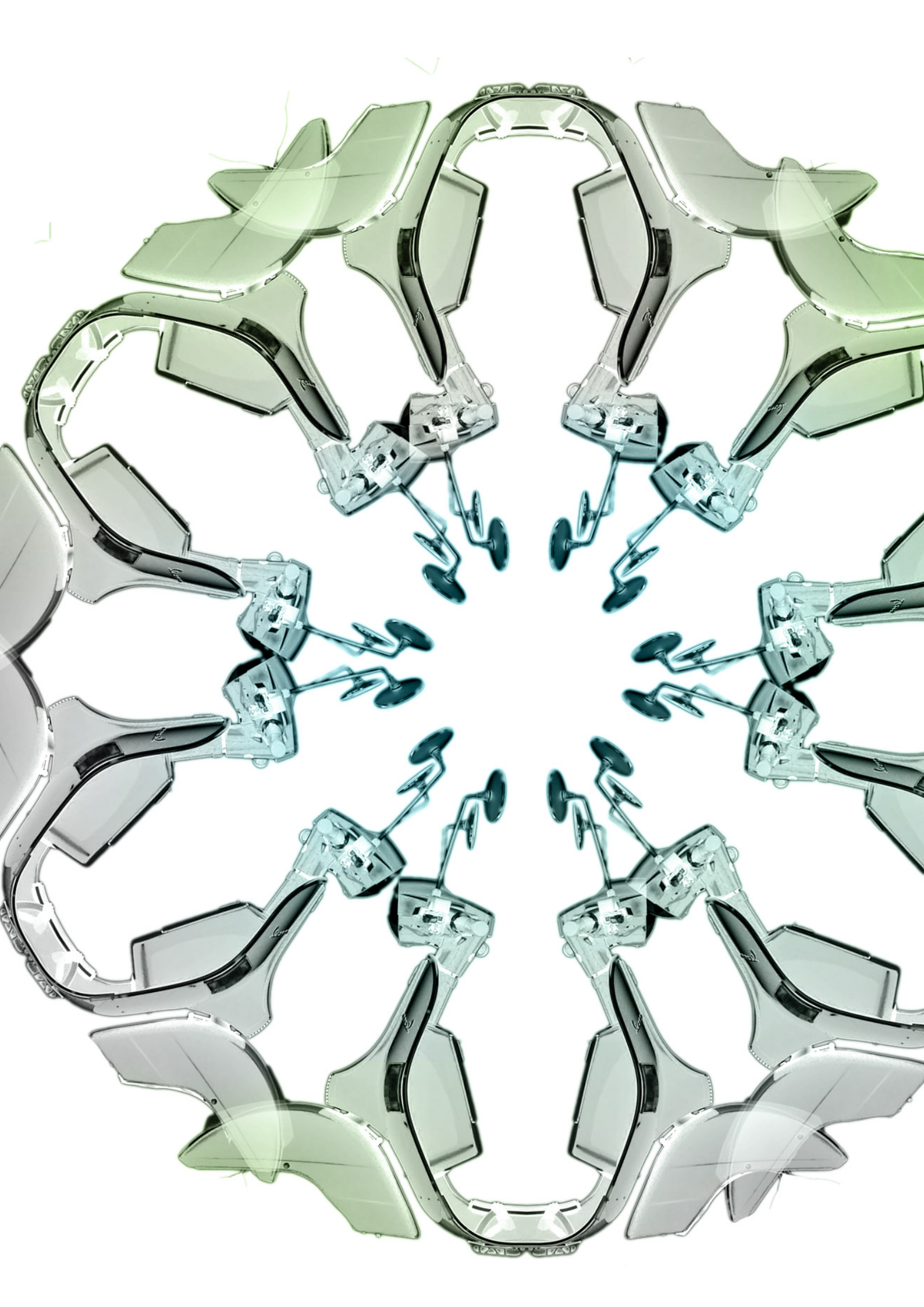
NT3 Concept

November 2010 - The Piaggio Group unveiled the NT3 Concept at EICMA 2010 – International Bicycle and Motorcycle Exhibition. The extraordinarily innovative vehicle is designed to meet the mobility needs of the fast-developing emerging world, in particular the Indian, Vietnamese and South-east Asian markets.

Piaggio Group certifications

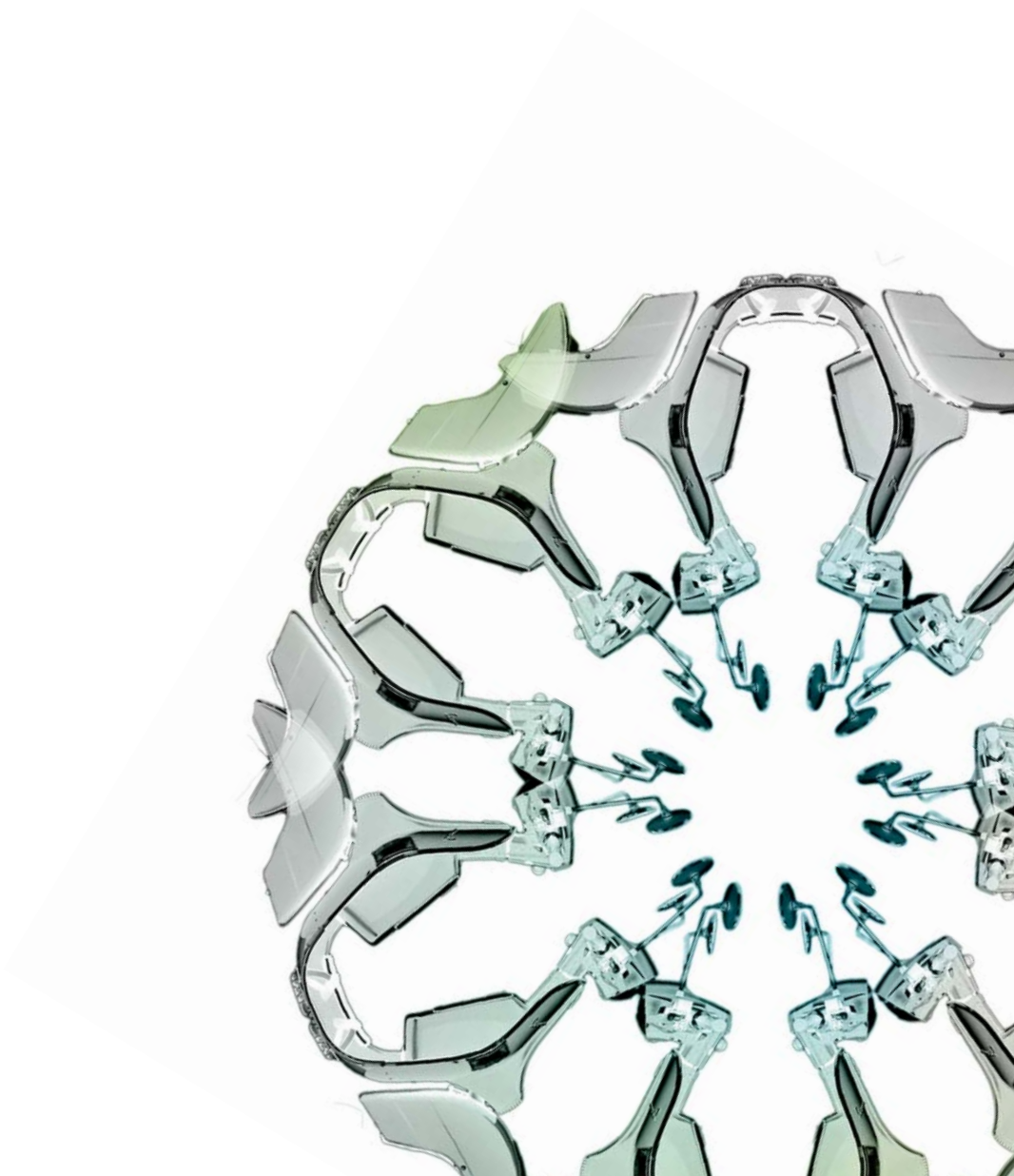
Production Site	Certification	Validity
Pontedera Noale and Scorzè Mandello del Lario	UNI EN ISO 9001:2008 UNI EN ISO 14001:2004 BS OHSAS 18001:2007	December 2010 - December 2013
Martorelles	UNI EN ISO 9001:2008	December 2010 - December 2013
Baramati engines	UNI EN ISO 9001:2008	August 2010 - August 2013
Vinh Phuc	UNI EN ISO 9001:2008 UNI EN ISO 14001:2004	October 2009 - October 2012 January 2011 - January 2014





02 PIAGGIO A SUSTAINABLE GROUP

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02. Piaggio a sustainable group

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

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

The Group's conduct is based on its Code of Ethics, which all parties who interact with the Group worldwide are requested to follow.

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

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

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

Safeguarding the environment while carrying out all Company operations is essential for humankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.

In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.

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

To achieve this, growth must go beyond the boundaries of the Company. It must go further afield to reach Suppliers and Dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. Lastly, the success of a Company is closely linked to customer confidence and satisfaction. Customers must be listened to, informed and respected, establishing relations based on transparency and trust.

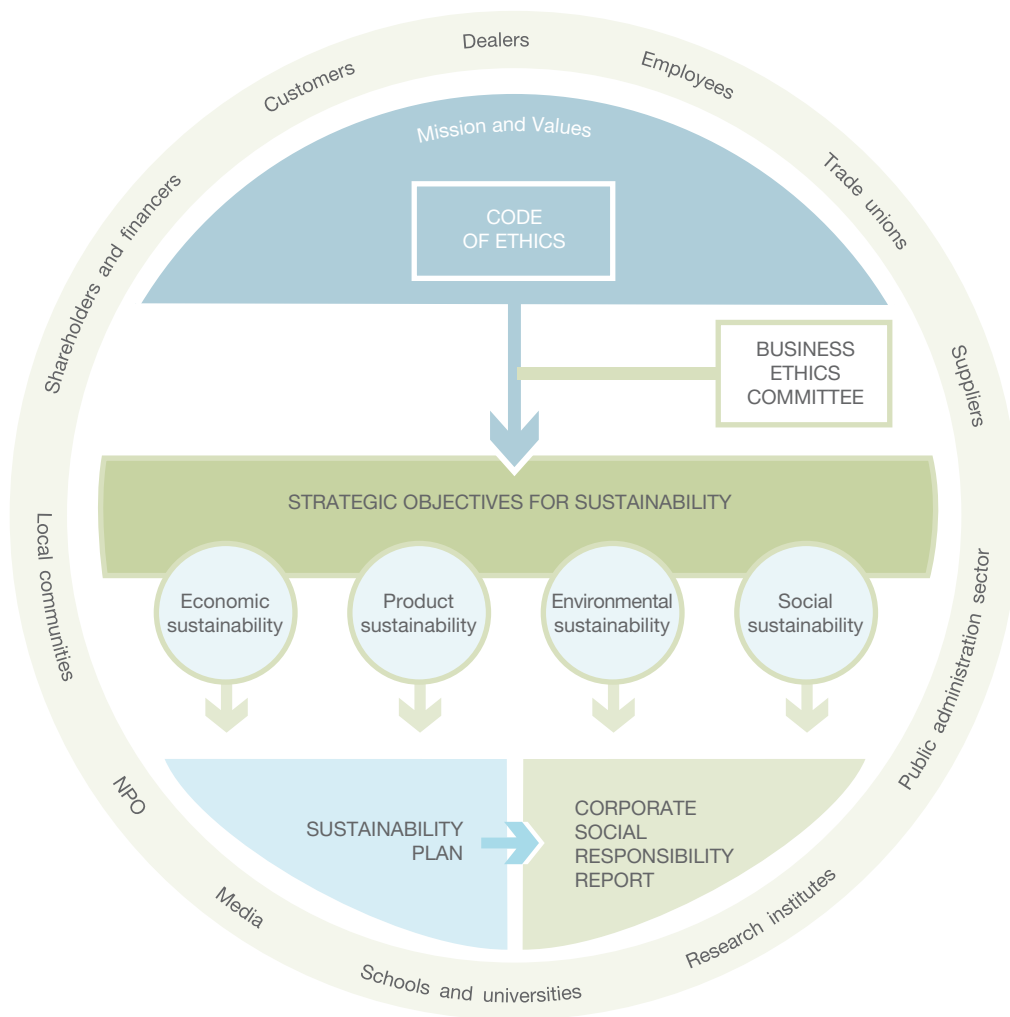
2.1 Piaggio's Corporate Social Responsibility Model

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

The mission and values form the basis for strategic objectives for sustainability, based on contexts that are important for the Group: economic sustainability, product sustainability, environmental sustainability

and social sustainability. With these and the strategic objectives it has defined, the Group has prepared a mid/long-term sustainability plan. This plan is reported on in the Corporate Social Responsibility Report with the utmost transparency and with a view to continually improving economic, environmental, social and product performance.

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



Piaggio's Corporate Social Responsibility Model

Mission

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

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

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

Values

Customer value

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

Shareholder value

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

Value of people

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

Brand value

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

Customer-focused innovation

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

Internationalisation

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

2.2 Code of Ethics

Piaggio&C has adopted a Code of Ethics since 2004. The Code is available on its web site (www.piaggiogroup.com/Governance). The Code of Ethics was updated in 2010 following a review of the organisational model pursuant to Legislative Decree 231/2001, and in an effort to tailor it more closely to the social and ethical values that inspire the Piaggio Group in its work. is adopted by all Group companies. The Code is fundamentally important and clearly sets out the principles and values that guide the entire organisation in achieving its objectives:

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

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

2.3 Business Ethics Committee

The Piaggio Group was the first organisation to establish a Business Ethics Committee in Italy, in 2008. This committee develops rules and regulations for organisational conduct in line with international best practices on corporate social responsibility. This is a fundamentally strategic innovation, based on the most advanced Company know-how of business ethics.

The Committee:

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

All operations concerning relations between the Piaggio Group and the external world are analysed and revised by the Committee, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently.

Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a “guarantor” for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

2.4 Sustainability strategic objectives

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

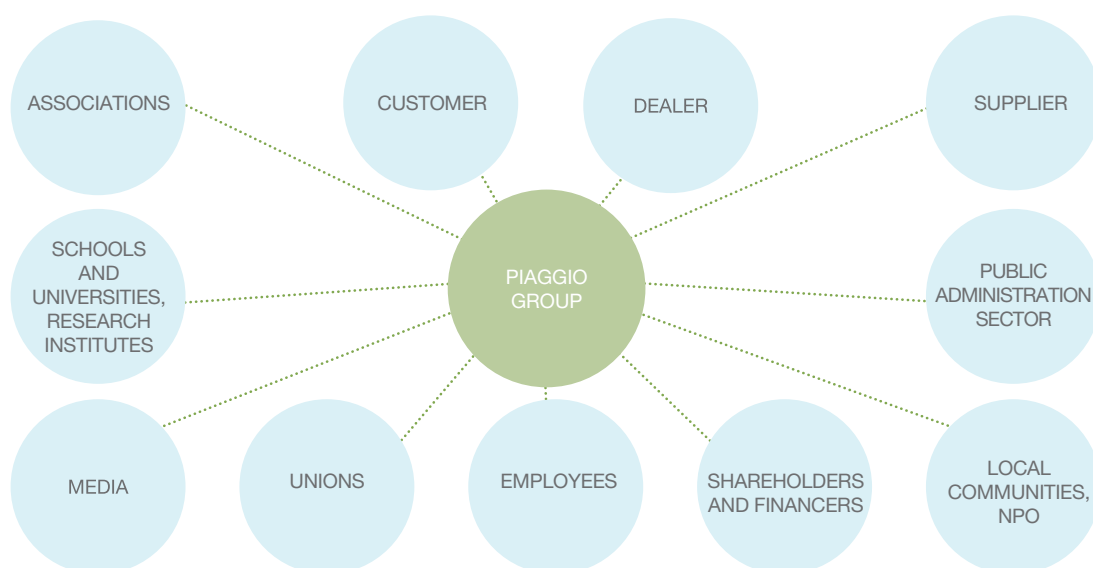
Transparency and economic value	<ul style="list-style-type: none"> › Creating value while respecting business ethics › Timely, correct, in-depth information to stakeholders
Product innovation and sustainable mobility	<ul style="list-style-type: none"> › Technological investments to meet the need for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

2.5 Stakeholder involvement

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

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

Map of Piaggio Group stakeholders



By pursuing a constructive ongoing dialogue with its stakeholders, Piaggio aims to develop an integrated approach to managing the environment it operates in. Careful monitoring of all its stakeholders' expectations is a great opportunity for it to further improve its operations. It is in this context that Piaggio is focussing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

Accordingly, in August 2010 the Piaggio Group unveiled its new corporate web site at www.piaggiogroup.com. The web site is designed to meet international best practices in institutional and financial communication, and provide transparent, timely information on the Group's corporate activities. The new web site was ranked in fifth spot by Hallvarsson & Halvarsson in its annual ranking of the best Italian corporate web sites, earning the Group the title of "Best Improver 2010".

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

The functions and tools used are shown below.

Stakeholder	Company function	Means of interaction
Shareholders, Financers	› Investor Relator	› Conference calls/road shows/Piaggio Analyst and Investor Meetings
Employees	› Personnel and Organisation	› Company Intranet › Piaggio InfoPoint › Piaggio Net International › Web Mail › Appraisals and development programmes
	› External Relations and Institutional Affairs	› Wide – Piaggio Magazine
Trade unions	› Personnel and Organisation	› Meetings › Involvement in committees › Defining agreements
Dealers	› Sales Division/After-sales Business Unit	› Dealer Website › Dealer Support Services/Help desk

Customers	<ul style="list-style-type: none"> › Dealer Support Services/Help desk 	<ul style="list-style-type: none"> › Contact center › Customer experience surveys (engagement panel) › Wide – Piaggio Magazine
Suppliers	<ul style="list-style-type: none"> › Purchasing Department 	<ul style="list-style-type: none"> › Daily relations, Suppliers' Portal
Media	<ul style="list-style-type: none"> › External Relations and Institutional Affairs 	<ul style="list-style-type: none"> › Press releases › Events and Company communication initiatives › Press product launches › Product test rides › Wide – Piaggio Magazine
Schools, Universities, Research Institutes	<ul style="list-style-type: none"> › Engineering and Product Development Department › Foundation 	<ul style="list-style-type: none"> › Cooperation in research projects › Training › Work placements › Meetings, presentations
Institutions and Public Administration	<ul style="list-style-type: none"> › Engineering and Product Development Department › External Relations/Institutional Affairs 	<ul style="list-style-type: none"> › Cooperation in research projects › Information and comparison activities
Trade associations	<ul style="list-style-type: none"> › External relations/Institutional affairs › Foundation 	<ul style="list-style-type: none"> › Meetings, presentations
Local communities NPO	<ul style="list-style-type: none"> › External Relations and Institutional Affairs / Technologies Department › Foundation › Vespa World Club › MotoGuzzi World Club 	<ul style="list-style-type: none"> › Meetings › Exhibitions / events › Rallies

2.6 Report contents

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

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

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

Transparency and economic value	<ul style="list-style-type: none"> › governance and compliance › economic profitability
Product innovation and sustainable mobility	<ul style="list-style-type: none"> › sustainable mobility › environmentally friendly innovation › consumption and CO2 emissions of vehicles › product safety and reliability › low running costs › life cycle management
Environmental sustainability	<ul style="list-style-type: none"> › pollutant emissions and energy consumption of production sites › conserving natural resources › waste handling and recovery

Piaggio Group Table on Materiality

Developing human resources and the context	<ul style="list-style-type: none"> › career development and training › workers' health and safety › diversity and equal opportunities › customer and dealer satisfaction › a sustainable supply chain › education and the promotion of culture › relations with local areas and local communities
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Particular importance has been given in the report to information on the issues considered most significant and their performance. These issues have been grouped into the following sections:

Compared to the previous Report, the following improvements have been introduced:

- › a specific section reports on the Group's activities targeted at dealers;
- › the Group's foreign subsidiaries were involved to a greater extent, with the scope of indicators broadened to include them, in particular as concerns human resources, unless otherwise specified;
- › a larger number of indicators were included, without changing the Report's B-level of application of GRI/G3;
- › the report has been restyled with a new layout to present information more clearly and effectively for readers.

Furthermore, as of this year, the Corporate Social Responsibility Report will be released together with Consolidated Financial Statements, confirming the Group's commitment to the transparency and timely communication of information to all stakeholders.

2.7 2010 results and future objectives

As part of the entire Group's steadfast commitment to social responsibility, Piaggio has adopted a process of continual improvement based on a CSR plan which aims to provide the utmost transparency for stakeholders and continual improvement.

The plan takes into consideration stakeholder expectations as well as international reporting standards, such as GRI and disclosure requirements of ethical investors.

Shareholders and
financers

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Shareholder remuneration	Distribution of dividends	Increase in dividend per share (compared to 2009)	Distribution of dividends	Distribution of dividends
Conducting business operations fairly and transparently	<ul style="list-style-type: none"> › Upgrading of the Company Organisation and Management Model (Model 231) › New design for the web site 	<ul style="list-style-type: none"> › Upgrade of the Company Organisation and Management Model (Model 231) › New corporate web site › Greater levels of interactivity for the Investor Relations web site › Expansion of the content of the Report on Operations 	<ul style="list-style-type: none"> › Continuing improvement of the corporate web site and financial reporting 	<ul style="list-style-type: none"> › Swift and timely compliance with laws and regulations › Continuing improvement of the corporate web site › Ongoing adaptation of the Code of Ethics to national and international best practices

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Protecting the environment: › reducing pollutant emissions › conserving natural resources	› Evaluation / application of new technologies with a lower environmental impact (for example replacing phosphatization products) › Design and development of the new engine production site in India, based on minimising the consumption of natural resources and harmful emissions and production waste	› Development of the new engine production site in India, based on minimising the consumption of natural resources and harmful emissions and production waste › Introduction of changes to optimise the use of existing facilities	› Design and development of the new two-wheeler production site in India, based on minimising the consumption of natural resources and harmful emissions and production waste	› Evaluation / application of new technologies with a lower environmental impact (for example replacing phosphatization products) › Renovation of the Mandello del Lario production site for a more virtuous management of operations.

Environment

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Study, research and development of environmentally sustainable products: › reducing fuel consumption and emissions	› Installation of hybrid engines on new models	› Sale of the 300cc Hybrid engine as of spring, with good prospects for sales	› Development of the MP3 Hybrid for the US market, with longer battery range and higher speeds in electric mode (+30%)	› Installation of hybrid powertrains on new models, including 4-wheeler vehicles › Study of batteries with higher energy densities and longer ranges › Study of electronic control and power systems entailing lower industrial costs
	› Completion of the MID2R project (GDI and Bifuel – LPG and Methane – fuel systems)	› Project completed in June, delivering the required results		
	› Application of fluid dynamics, study of reductions in traction and absorbed power to reduce consumption and CO ₂ emissions	› Development of the new 125cc and 150cc “Three Valve” LEm, featuring high performance and low consumption › Extension of the “Three Valve” engine to all European models	› Sale of the new “Three Valve” engine installed on European models of the Liberty	› Extension of the “Three Valve” engine to all European models › Extension of the new “High Efficiency” engine to all models in the range for Asian countries › Sale of the new “High Efficiency” engine installed on the Vespa LX India
	› Study and testing of zero CO ₂ emission vehicles	› Construction of electric scooter prototypes for testing and demonstration purposes (Vespa LX and Liberty e-Mail)	› Sale of the electric Liberty e-Mail, marketed for fleets › Development of smart electronic controls for managing battery range › Development of modular lithium battery solutions (1.5 kWh)	› Expansion of the range of electric vehicles designed for consumers (Liberty Retail etc.). › Study of batteries with higher energy densities and longer ranges; › Study of electronic control and power systems entailing lower industrial costs

Product: Two-wheeler

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Good product end life recycling and recovery levels	<ul style="list-style-type: none"> › Increased recyclability of polymer parts, through the experimental use of recovered reprocessed materials 	<ul style="list-style-type: none"> › Increased recyclability of polymer parts, through the experimental use of recovered reprocessed materials 	<ul style="list-style-type: none"> › Extension of trials by raising the number of samples tested and the percentage of recycled material used (40%) 	<ul style="list-style-type: none"> › Introduction and growing use of recycled materials in the mass production of plastic parts (Pontedera)
Increasing safety for conventional two-wheeler vehicles, to promote this form of transport and tackle traffic problems	<ul style="list-style-type: none"> › Further development of active, preventive and passive safety system studies (jackets with airbag, airbag on vehicles, inflatable protections, etc.) 	<ul style="list-style-type: none"> › Continuation of relative studies 	<ul style="list-style-type: none"> › Field testing 	<ul style="list-style-type: none"> › Field testing with a view to launching sales within the next three years
	<ul style="list-style-type: none"> › Completion of the SAFESPOT and SAFERIDER projects 	<ul style="list-style-type: none"> › Projects completed successfully › Filing of an autonomous patent application built on experience acquired through projects 		
Meeting demand for sustainable mobility with innovative product formulas (that are safe, sustainable and protect)	<ul style="list-style-type: none"> › Extension of the MP3 range, with versions offering greater agility and protection 	<ul style="list-style-type: none"> › Development and presentation at the EICMA Exhibition of the new MP3 Yourban, a lighter and easier to handle version of the normal MP3 	<ul style="list-style-type: none"> › Sale of the MP3 Yourban 	<ul style="list-style-type: none"> › Testing of the next generation of more protective MP3 vehicles with a view to launching sales within the next three years
	<ul style="list-style-type: none"> › Further development of safe and tilting vehicle formulas, with the aim of expanding the range of three/four-wheeler tilting vehicles as a valid alternative to motor vehicles 	<ul style="list-style-type: none"> › Development of a new prototype of an innovative tilting vehicle brought to completion 		<ul style="list-style-type: none"> › Development and testing of the next generation of safer and more versatile MP3 vehicles with a view to launching sales within the next five years

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Developing environmentally friendly products: › low consumption and low CO2 emissions › good product end life recycling and recovery levels	› Sale of new Euro 4 and Euro 5 petrol, LPG, natural gas and diesel engines with an average 20% reduction in emissions (compared to 2009 versions of the Porter) › Study of new electric commercial vehicles for light transport › Recyclability: providing high recycling levels for new engines	› Production launch of new Euro 5 petrol and LPG engines with a reduced impact on the environment	› Production launch of the new P120 diesel engine (the world's first Euro 5 diesel twin-cylinder engine) › Production launch of the new BNA engine (naturally aspirated twin-cylinder Euro 2 engine)	› New Electric Porter › Target rate of 10% by 2012 for the amount of components obtained from recycled materials for components in the Porter/Maxxi range
Meeting demand for professional and commercial short-distance mobility, offering a last-mile transport solution: › compact, agile, easy-to-drive vehicles, with good handling in urban environments › vehicles with a high load capacity and specific payload	› Study of vehicles with an increased specific load capacity	› Preliminary studies begun on a New Porter with greater capacity › Presentation of the Piaggio NT3 Concept	› Production launch of a new commercial vehicle with a greater capacity than today	› New City Car for Urban Mobility (NT3)
Guaranteeing greater safety levels for commercial vehicles at all times	› Sale of vehicles with ABS and EBD › Feasibility studies of new passive/active safety systems and technologies	› ABS on the entire Porter range (except electric models)	› Introduction of ABS in the Maxxi range	

Product:
Commercial vehicles

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Health and safety			<ul style="list-style-type: none"> › Completion of an assembly line analysis for the purposes of improving workplace ergonomics 	
Personnel development	<ul style="list-style-type: none"> › Improvements to and international launch of the “Piaggio Way” talent management programme 	<ul style="list-style-type: none"> › Introduction of the “Piaggio Way” programme in Europe, USA and Vietnam 	<ul style="list-style-type: none"> › Running of the programme for a second year and its extension to India 	<ul style="list-style-type: none"> › Consolidation of the programme, assessment of the development tools proposed, and analysis of outcomes with a view to the continuing improvement of the programme
	<ul style="list-style-type: none"> › Improvement of Management Reviews and Succession Planning process 	<ul style="list-style-type: none"> › Management reviews and succession planning completed for the first and second lines of the Group 	<ul style="list-style-type: none"> › Management reviews extended to all employees covering critical roles at all levels of the organisation 	<ul style="list-style-type: none"> › Assessment and consolidation of the Management Review and Succession Planning process and relative tools
	<ul style="list-style-type: none"> › Updating of the managerial and professional competencies model 	<ul style="list-style-type: none"> › Updating of the Group’s managerial competencies model › Updating of the Group’s technical-professional competencies model, involving all company areas 	<ul style="list-style-type: none"> › Review of the critical technical-professional competencies to be developed and included in the relevant model, in accordance with strategic guidelines 	<ul style="list-style-type: none"> › Review of the competencies models and their alignment with the strategic plan
	<ul style="list-style-type: none"> › Preparation of a training plan and introduction of a company course catalogue 	<ul style="list-style-type: none"> › Completion of the training needs plan for the advance planning of 2011 courses › Outline of the company management course catalogue 	<ul style="list-style-type: none"> › Introduction of a Learning Management System (LMS) for all employees to use › Outline of the company technical-professional course catalogue 	<ul style="list-style-type: none"> › Extension of the LMS to all the Group › Consolidation, review and updating of course catalogues
	<ul style="list-style-type: none"> › Introduction of easy-to-use computer tools to support development issues 	<ul style="list-style-type: none"> › Adoption of SAP HR and Success Factors for managing the employee review process 	<ul style="list-style-type: none"> › Start of implementation of SAP HR and Success Factors for managing the employee review process 	<ul style="list-style-type: none"> › Extension of assessment tools to all the Group

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Improvement and innovation of support tools for managing dealership arrangements	<ul style="list-style-type: none"> › Development of in-store customer care and promotional campaigns 	<ul style="list-style-type: none"> › Panels created for assessing main services and applications 	<ul style="list-style-type: none"> › Creation of a portal to back up in an "operative" way the network (front end) and sales divisions (back end). 	<ul style="list-style-type: none"> › Creation of dealer relationship management systems in all key markets

Dealer

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Brand Advocacy & Loyalty	<ul style="list-style-type: none"> › Implementation of tools to analyse the value of product and service features 	<ul style="list-style-type: none"> › Setting up of engagement panels in all markets of reference and models for analysing value 	<ul style="list-style-type: none"> › Integration of engagement panel databases with CRM databases 	<ul style="list-style-type: none"> › Leadership in service levels

Customers

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Developing cooperation with suppliers	<ul style="list-style-type: none"> › Definition of a vendor rating indicator for Vietnam and India › Extension of the Suppliers Portal to our subsidiaries in India and Vietnam › Request for a statement from suppliers certifying the absence of harmful substances in new components supplied 	<ul style="list-style-type: none"> › A project is currently underway for the implementation of the Vendor Rating system in India and Vietnam. › The Suppliers Portal was launched during the year in India. At year end a total of forty-three suppliers were registered on the Suppliers Portal. 	<ul style="list-style-type: none"> › The Vendor Rating system is scheduled to be launched in India and in Vietnam in 2011. › In 2011 approximately 150 new suppliers are expected to be registered on the SRM Portal in India. The Portal is scheduled to be launched in Vietnam in the first half of the year, with fifty suppliers registered over the course of the year. › Introduction in India and Vietnam of a qualification system similar to the one used in Italy. 	<ul style="list-style-type: none"> › Increase in the number of suppliers registered on the portal in India and Vietnam

Suppliers

Commitment	2010 Objectives	2010 Results	2011 Objectives	Mid-term objectives
Developing relations with the media, in order to have transparent and in-depth information	› Development of communication actions to promote Piaggio values (safe mobility, respect for the environment, technological innovation)	› Organisation of numerous encounters with the specialist press, financial press and news media in Italy, Europe and Asia, and the consequent strengthening of the way Piaggio's key values are perceived externally	› Further strengthening of media relations in key markets, with special focus on Asia (India, Vietnam, South-east Asia)	› Overriding globalisation of communication activities aimed at ensuring that information is transparent and that customers' information needs are satisfied
	› Restyled corporate web site and brand sites, to guarantee a better access to information and greater interaction with both existing and potential customers	› Complete overhaul of the corporate web site, with new features to be introduced and the usability of the tools provided to customers and the accessibility of financial information stepped up › Complete overhaul of the Job & Careers section, with extensive coverage given to human resources management and development policies and the inclusion of employee testimonials	› Total restyling of the main brand web sites › Improvements to candidate management tools in the Work with Us section	› Stepping up the presence of the Group's brands in a structured way on new media and social networks (in particular Facebook and Twitter) › Developing the usability of the Group's web sites via new technological tools (iPhone, iPad, smart phones)
	› Production and dissemination of WIDE (the new magazine of the Piaggio Group)	› Strengthening of the Group's corporate image at the global level and broadening the target readership of the Piaggio magazine (not just employees but also institutions, journalists and dealers worldwide).	› Further expansion of the worldwide distribution of the magazine and its circulation in the business world	› Creating constant advertising revenues from the magazine, by selling space for adverts that are consistent with the image and values of the Piaggio Group
Developing relations with local communities where the Group operates	› Development of our museum work and activities for the local communities in which the Group operates	› Stepping up the cultural activities held at the Piaggio Museum and their visibility in the media	› Development of specialist training programmes for the territories in which the Group operates	› Development of relations with local institutions to raise the competitiveness and attractiveness of the local areas in which the Piaggio Group operates





03 CORPORATE GOVERNANCE

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03. Corporate Governance

The Corporate Governance system adopted by Piaggio&C. conforms to the principles in the Self-Regulatory Code of companies listed on Borsa Italiana SpA and to national and international best practices, guaranteeing the proper and responsible management of the Company, in order to promote confidence among shareholders, customers and partners. The Company boards comprising the Corporate Governance system of Piaggio&C are the Board of Directors, the Board of Statutory Auditors, the internal control committees and the Ordinary General Meeting of Shareholders. The Board of Directors is assisted by the Internal Control Committee, the Remuneration Committee, the Appointment Proposals Committee, and the new Related Party Transactions Committee, established on 30 November 2010. The Board of Directors has also set up a Supervisory Body pursuant to Legislative Decree no. 231/2001 as well as a Business Ethics Committee.

3.1 Role of the Board of Directors

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

The Board of Directors is central to the corporate organisation. It is in charge of strategic and organisational functions and responsibilities, and ascertains the existence of controls needed to monitor the performance of Piaggio & C. and of Group companies reporting to it. As part of its duties, the Board examines and approves the strategic, industrial and financial plans of Piaggio&C. and of the Group reporting to it, as well as the corporate governance system and structure of Piaggio&C. and of the Group reporting to it.

The Board of Directors of Piaggio & C., in office as of 31 December 2010, comprised eleven members. The professional résumés of board members are filed at the registered office of the Company and are available on the Company’s web site www.piaggiogroup.com/Governance.

Names and positions of Piaggio&C. Board members as of 31/12/2010

LEGEND

List M/m: indicates if the Director was elected from a list voted by a majority (M) or by a minority (m).

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

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

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

Indep. Consolidated Law on Finance: indicates if the Director has the requirements of independence established in paragraph 3 of article 148 of the Consolidated Law on Finance (article 144-decies, of CONSOB Regulation on Issuers).

% BoD: indicates (in percentage terms) the attendance of the director at Board meetings.

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

Name	Position	In office from	List M/m	Exec.	Non exec.	Inden.	Inden. CLF	% BoD	Other position
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	11
Vito Varvaro	Director	16/04/2009	M		X			100	2
Daniele Discepolo	Director	16/04/2009	M		X	X	X	100	10
Andrea Paroli	Director	22/09/2010	-		X			100	4
Franco Debenedetti	Director	16/04/2009	M		X	X	X	100	5
Giorgio Magnoni	Director	16/04/2009	M		X			100	3
Luca Paravicini Crespi	Director	16/04/2009	M		X	X	X	100	5
Riccardo Varaldo	Director	16/04/2009	M		X	X	X	100	2
Livio Corghi	Director	16/04/2009	M		X			100	3

Name	Position	In office from	List M/m	Exec.	Non exec.	Inden.	Inden. CLF	% BoD	Other position
Luciano Pietro La Noce	Director	16/04/2009 a/ 03/08/2010	M	-	X	-	-	50	-

Directors that left office during the year

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

Committees within the Board (pursuant to article 123-bis, section 2, letter d), Consolidated Law on Finance)

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

Appointment Proposals Committee

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

Functions of the Appointments Committee

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

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

Remuneration Committee

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

Functions of the Remuneration Committee

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

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

Internal Control Committee

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

Functions given to the Internal Control Committee

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

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

- II. examine the work plan of the designated internal control supervisor and the periodic interim reports sent by the latter;
- III. together with the executive in charge of financial reporting and auditors, assess the suitability of accounting standards used and their consistency in the drafting of the Consolidated Financial Statements;
- IV. assess proposals made by the independent auditors for their appointment, assess the audit plan drawn up and the results shown in the report and in the Comments and Suggestions letter;
- V. report to the Board at least half-yearly, when the interim financial statements are approved, on activities performed and on the adequacy of the internal control system;
- VI. perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

In the light of legislative reforms introduced by Legislative Decree No. 39/2010 concerning the legal auditing and supervision of the financial disclosure, in 2010 the Internal Control Committee worked closely with the Board of Statutory Auditors to ensure the ongoing flow of information on issues that were previously the responsibility of the Internal Control Committee.

Related Party Transactions Committee

In its meeting on 30 November 2010, the Board of Directors of Piaggio & C. appointed a Related Party Transactions Committee to supervise transactions of both minor and major relevance with related parties.

The Committee consists exclusively of independent directors who, in accordance with statutory regulations, are required to be directors that are not related to the transactions reviewed by the Committee. Specifically, the members of the Related Party Transactions Committee are the same current members of the Internal Control Committee.

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

3.2 Organisational model pursuant to Legislative Decree 231/2001

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

In 2006 the Board of Directors approved updates to the Model pursuant to Legislative Decree 231/2001 to take into account new legal provisions on corporate crimes and market abuse.

The Model currently consists of the Code of Ethics and Code of Conduct, in addition to the Internal Control Process Charts, divided into Instrumental and Operational processes, as well as the Disciplinary System. The Company has in place a special e-mail account on the corporate Intranet allowing Piaggio&C employees to send a message directly to the Supervisory Body to report any relevant cases. These messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation compliant with the Model.

The Organisational Model pursuant to Legislative Decree No. 231/2001 was reviewed during the year in order to update the model to cover the new crimes expressly contemplated by the legislative decree.

On 29 April 2010, the Board of Directors approved the revised Model, which was then disseminated to Piaggio Group employees via e-mail, and published on the Company's intranet. The Model is available on the corporate web site www.piaggiogroup.com in the section Governance/Governance System.

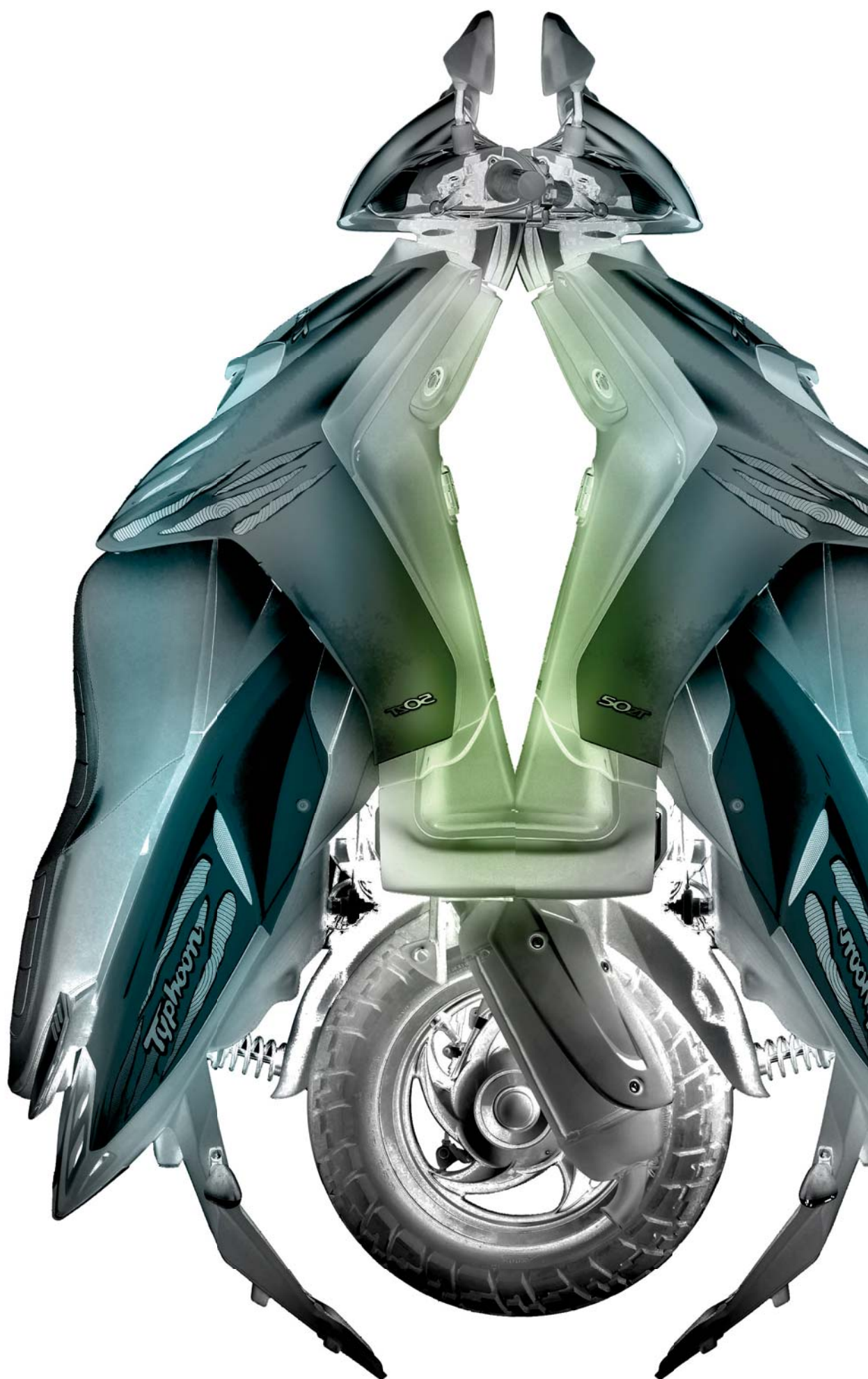
3.3 Compliance with laws and regulations

During 2010, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the infringement of employees' rights. No proceedings were brought against the Piaggio Group over legal actions concerning anti-competitive, anti-trust or monopoly practices.

As of 31 December 2010, there were no sanctions in place concerning non-compliance with laws and regulations, including environmental laws and regulations, marketing, advertising, promotions, sponsorships and the supply of products.

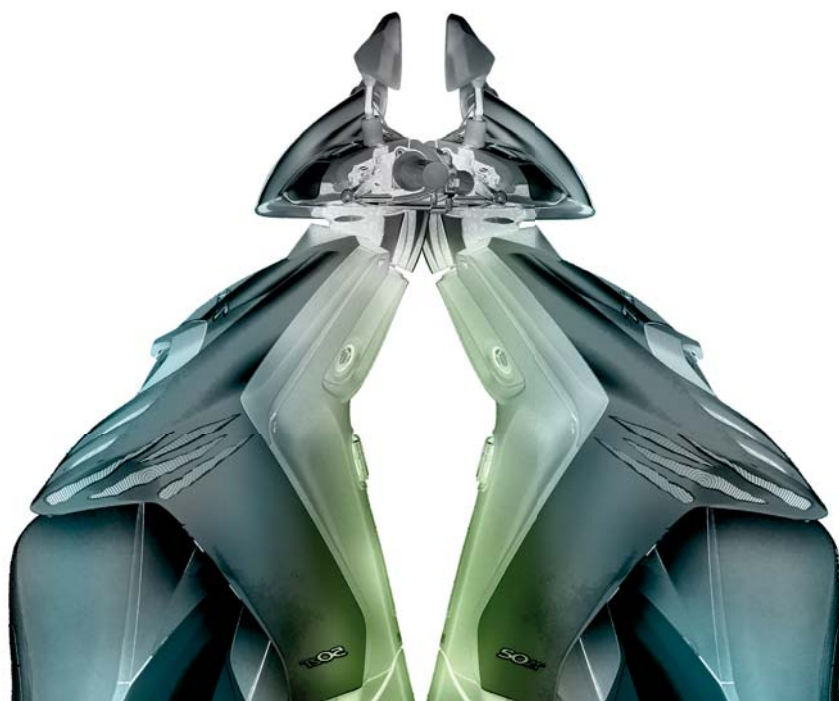
No cases relative to the infringement of consumer privacy or loss of consumer data were reported in 2010.





04 THE ECONOMIC DIMENSION OF SUSTAINABILITY

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04. The economic dimension of sustainability

The creation of economic value is fundamental for a Company's operations and it is what its existence and business outlook depend on. For a manufacturing Company, creating added value is the first way to be socially responsible, and this value may benefit a plurality of stakeholders in different ways. Market value alone is not sufficient to provide a proper picture of the quality and complexity of a Company's management, which must be able to respond to society's needs in overall terms.

The economic dimension of a Company's operations must therefore be given full value in relation to the role it performs vis-à-vis all its stakeholders, carefully monitoring the value production process and reporting on this process in a way which is transparent, timely and in-depth.

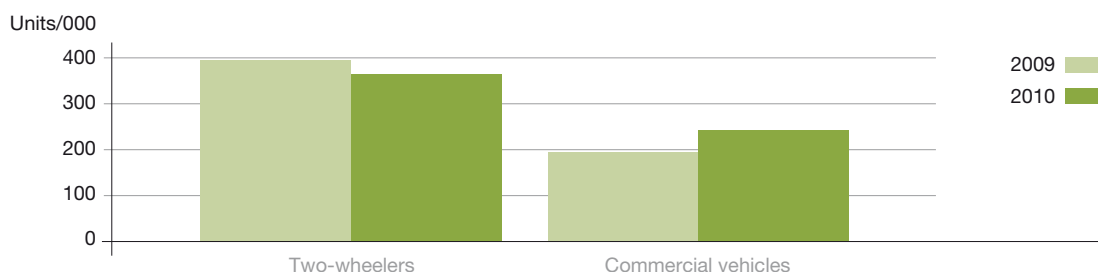
4.1 2010 financial and business performance

In 2010, the Piaggio Group sold 628,400 vehicles worldwide, 395,000 of which in the two-wheeler business and 233,400 in the Commercial Vehicles business.

Main data by operating segment

		Two-Wheeler Vehicles	Commercial Vehicles	Total
Sales volumes (units/000)	2010	395.0	233.4	628.4
	2009	410.3	197.4	607.7
	Change	(15.3)	36.1	20.7
	Change %	- 3.7%	18.3%	3.4%
Sales volumes (units/000)	2010	988.1	497.3	1,485.4
	2009	1,065.4	421.5	1,486.9
	Change	(77.3)	75.8	(1.5)
	Change %	-7.3%	18.0%	-0.1%

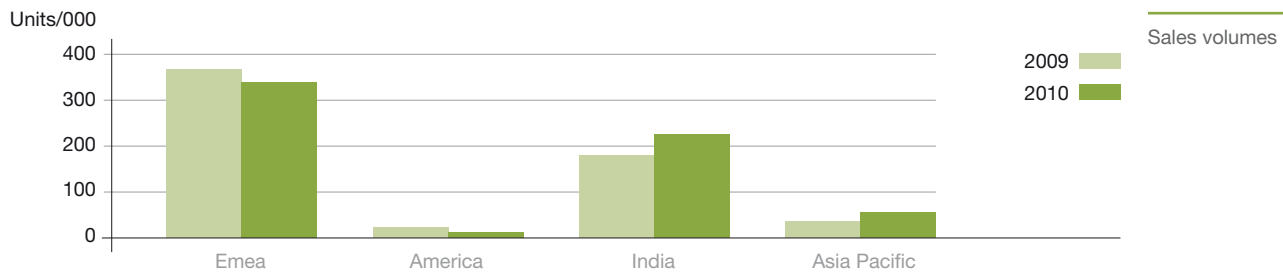
Sales volumes



Main data by geographical segment¹

		EMEA	of which Italy	America	India	Asia Pacific	Total
Sales volumes (units/000)	2010	342.5	118.5	6.7	219.6	59.5	628.4
	2009	370.5	153.1	18.4	181.7	37.1	607.7
	Change	(28.0)	(34.5)	(11.7)	37.9	22.4	20.7
	Change %	-7.6%	-22.6%	-63.4%	20.9%	60.5%	3.4%
Turnover (million €)	2010	938.9	368.6	24.4	388.9	133.2	1,485.4
	2009	1,054.5	471.7	61.3	286.8	84.3	1,486.9
	Change	(115.6)	(103.1)	(36.9)	102.1	48.9	(1.5)
	Change %	-11.0%	-21.9%	-60.2%	35.6%	58.0%	-0.1%

¹ Please note that the geographical segmentation reported above was adopted by the Group with the approval of the 2010-2013 Strategic Plan by resolution of the Board of Directors on 22 September 2010. For comparative purposes, 2009 data have been reclassified according to the new organisational scheme.



As regards the two-wheeler segment, this performance was achieved in a particularly difficult market context in the Group's main reference areas. In fact demand dropped compared to the same period of the previous year in the EMEA market (-12.8%) as well as in the United States (-15.8%).

Deliveries in the Asian market grew with sales of 59,500 units, a 60.5% growth over the same period of the previous year. It should be noted, however, that 2009 figures cover only six months of operations at the Vietnamese plant, which was opened on 24 June 2009.

A downturn was instead recorded in sales in the EMEA market (-7.3%) and the American market (-65.5%).

The Commercial Vehicles division closed the year with 233,400 units sold, compared to 197,400 units in 2009. The growth of 18.3% is due to the success of its Indian subsidiary, where sales increased by 20.9%.

With respect to the above events, consolidated net sales in 2010 amounted to 1,485.4 million € (- 0.1% compared to 2009).



4.2 Determination and distribution of Added Value

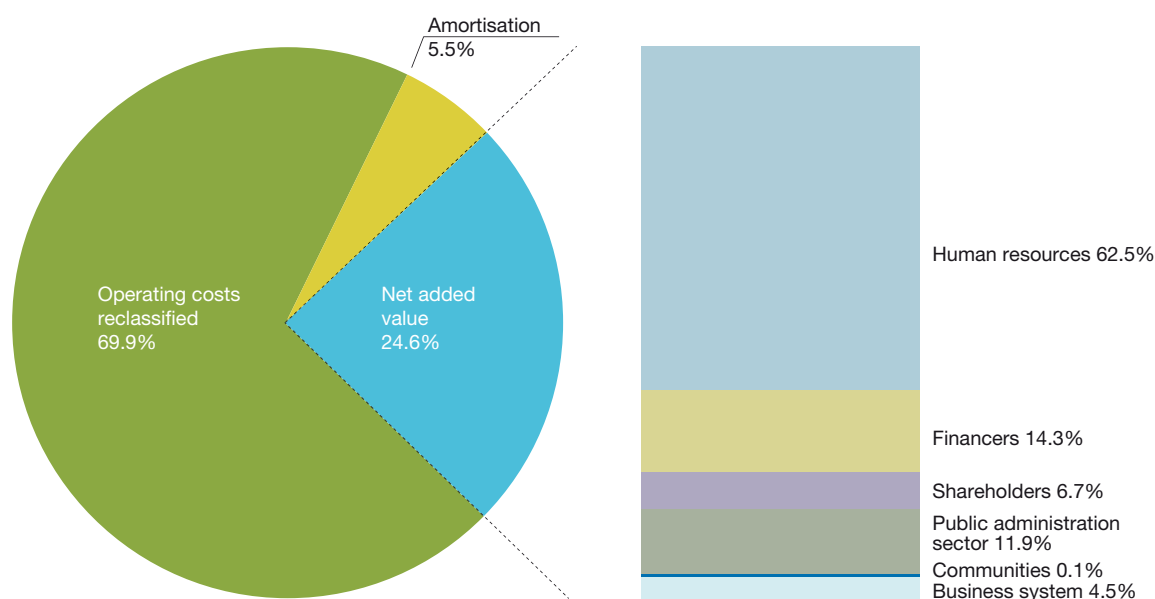
Added Value is an asset produced by the Piaggio Group, which is distributed, in different forms, to various stakeholders.

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

How added value is determined and distributed

	2010	2009
<i>figures in thousands of Euros</i>		
Net revenues	1,485,351	1,486,882
Income/(loss) from equity investments	5,252	450
Financial income	22,037	14,107
Other operating income reclassified	38,508	39,449
Economic value generated	1,551,148	1,540,888
Operating costs reclassified	(1,083,830)	(1,083,603)
Amortisation/depreciation	(86,006)	(96,378)
Net added value	381,312	360,907
Remuneration to human resources	238,324	237,119
Remuneration to financiers	54,569	44,885
Shareholder remuneration	25,684	25,795
Remuneration to the Public Administration sector	45,297	31,189
External donations and donations to the community	281	295
Distributed added value	364,155	339,283
Business system	17,157	21,624
Added value retained by the Group	17,157	21,624

Added value generated and distributed in 2010



The net Global Added Value generated by Piaggio in 2010 amounts to approximately EUR 381,312 thousand, equal to 25.7% of revenues. Most of this amount refers to remuneration to human resources (62.5%), followed by remuneration to financiers (14.3%) and to the Public Administration (11.9%). Compared to 2009 figures, Global Added Value rose by 5.7%.

4.3 Value for shareholders

The share capital of Piaggio & C. SpA as of 31 December 2010 was equal to EUR 205,941,272.16, divided into 371,793,901 ordinary shares, of which the holding company Omniaholding SpA, also through its subsidiary Immsi SpA, holds approximately 54.4%.

As of 31 December 2010 treasury shares amounted to 4,882,711, equal to 1.31% of share capital. Other Shareholders in the Company which, as of 31 December 2010, held a number of shares above 2%, based on information available and disclosures received pursuant to the Issuers' Regulations, were as follows:

- › Diego Della Valle, with 5.34% of share capital;
- › State of New Jersey Common Pension Fund D, with 2.99% of share capital;
- › Financiere de L'Ecquiquier, with 2.03% of share capital.

As shown in the table below, remuneration of share capital in 2010 increased to 7 eurocents for each share held.

Reference Financial Statements	2010	2009	2008
Detachment date	16-May-11	17-May-10	18-May-09
Payment date	19-May-11	20-May-10	21-May-09
Dividend per share	0.07	0.07	0.06

Piaggio&C. SpA dividends
for 2008 - 2009 - 2010

Piaggio&C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. Share performance has basically reflected the trend of the Italian equity market, as shown in the graphs comparing the share price with respect to the Italian Stock Exchange All-share index. The minimum price was equal to 0.9131 euros (9 March 2009), while the highest quotation was 3.92 euros (10 April 2007). The average for 2010 was 2.2298 euros per share, compared to 1.4189 euros per share in 2009.



Piaggio share
performance

Piaggio has corporate ratings published by Standard & Poor's and Moody's. In 2010 the two agencies confirmed their ratings of BB and Ba2 respectively, revising their outlook from "negative" to "stable".

4.4 Communication with shareholders and investor relations

Piaggio considers financial reporting to be of fundamental importance in building a relationship of trust with market investors and the business community.

Through its Investor Relations department, the Company engages institutional and individual investors as well as financial analysts in an ongoing dialogue, ensuring them transparent, timely and accurate reports to enable them to make a fair assessment of the Group and its assets.

In 2010, numerous communication initiatives with investors and analysts took place, including:

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

In addition to this, the Company's web site www.piaggiogroup.com is constantly kept up to date with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.

In particular, press releases disclosed to the market, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance is all published on-line, along with the material used in meetings with the financial community and corporate governance documents (articles of association, internal dealing procedures and material concerning shareholders' meetings).

In 2010 the web site was reviewed and given a full facelift, with a view to broadening its content and improving ease of browsing, its effectiveness and its functioning. On the prestigious Hallvarsson & Halvarsson Webranking Italy 2010, an annual survey of the best corporate web sites of companies listed on the Italian Stock Exchange, the Piaggio Group's new web site was ranked fifth, earning itself the title of "Best Improver 2010" for having increased its score the most compared to 2009.

Finally, the 2010 Consolidated Financial Statements have been restyled with a new layout and new contents. In particular, the Report on Operations has been reorganised and new extended to provide readers with clearer and more transparent information.

The new web site

In 2010 the Group's corporate web site www.piaggiogroup.com was completely overhauled and given a new structure, contents and design.

The quality of the new web site, determined by the wealth of information provided and functional features, was rewarded with a fifth-place ranking on the well-known Hallvarsson & Halvarsson Webranking Italy 2010, an annual survey of the best corporate web sites of companies listed on the Italian Stock Exchange, earning the Piaggio Group the title of "Best Improver 2010" for having increased its score the most compared to 2009.

The new web site features six different sections: “The Group”, “Governance”, “Investors”, “Social Responsibility”, “Jobs & Careers” and “Media”.

The section dedicated to “The Group” gives general information on the Piaggio Group, including its history, mission and values, the markets in which it operates, its business units and its brands. The “Governance” section presents the Piaggio Group’s corporate governance system, shareholder structure, internal committees and bodies, as well as the Group’s regulations and rules of conduct. Also published in this section are the company’s articles of association, documentation for shareholders’ meetings, announcements made under internal dealing regulations, and corporate governance reports.

The “Investors” section contains business and financial information on the Piaggio Group, such as the Company’s periodic financial reports, price-sensitive press releases, strategic guidelines, and material used in meetings with the financial community. Interactive web tools have also been set up to display the performance of Piaggio shares on the stock exchange, view financial data, and to playback conference calls presenting the results.

The section on “Social Responsibility” gives an in-depth presentation of the social and environmental impact of the Group’s activities, and an overview of the policies adopted for sustainable growth. The Corporate Social Responsibility Report is published in this area of the web site.

The section “Jobs & Careers” presents the Piaggio Group’s human resources strategy, highlighting the approach taken to development and careers, talent management, international mobility, training and rewards. The direct testimonials of employees have also been inserted. The area “Work with Us” gives aspiring candidates the chance to apply for positions open and internships, or simply send in their résumés.

The “Media” section gives access to press releases, and relative annexes, and multimedia material concerning the Group (videos, photos, etc.).





05 TECHNOLOGICAL INNOVATION AND SUSTAINABLE MOBILITY

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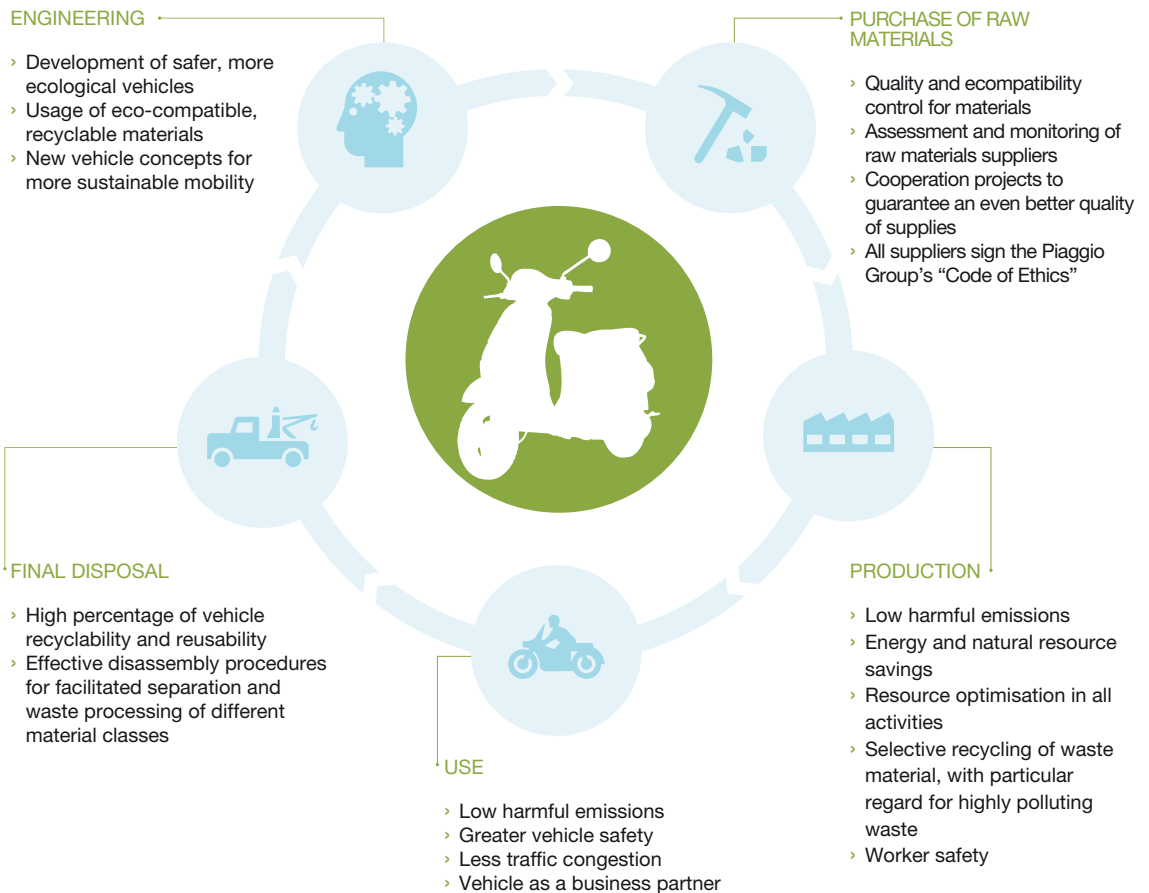


05. Technological innovation and sustainable mobility

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

To ensure the sustainability of products, the entire life cycle must be considered, which includes design, purchasing raw materials, production and use, up until final disposal.

The life cycle of the sustainable product



The Group is aware of the direct and indirect interactions each product has during its life cycle with the health and safety of people and the environment in terms of the quality of the ecosystem, and targets its research work at innovative solutions to reduce pollutant emissions and increase the safety, reliability and recyclability of our products.

The result has been the development of a new generation of vehicles which are:

- › **ecological**, that is they are able to reduce emission of pollutant gases and CO₂ in urban areas through the evolution of traditional techniques or by making greater use of renewable and sustainable sources of energy;
- › **reliable and safe**, enabling easy movement around town while reducing traffic congestion and guaranteeing high levels of active and passive safety and prevention;
- › **recyclable**, to minimise environmental impact, even at the end of its useful life cycle;
- › **cheap to run** by reducing costs per kilometre.

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

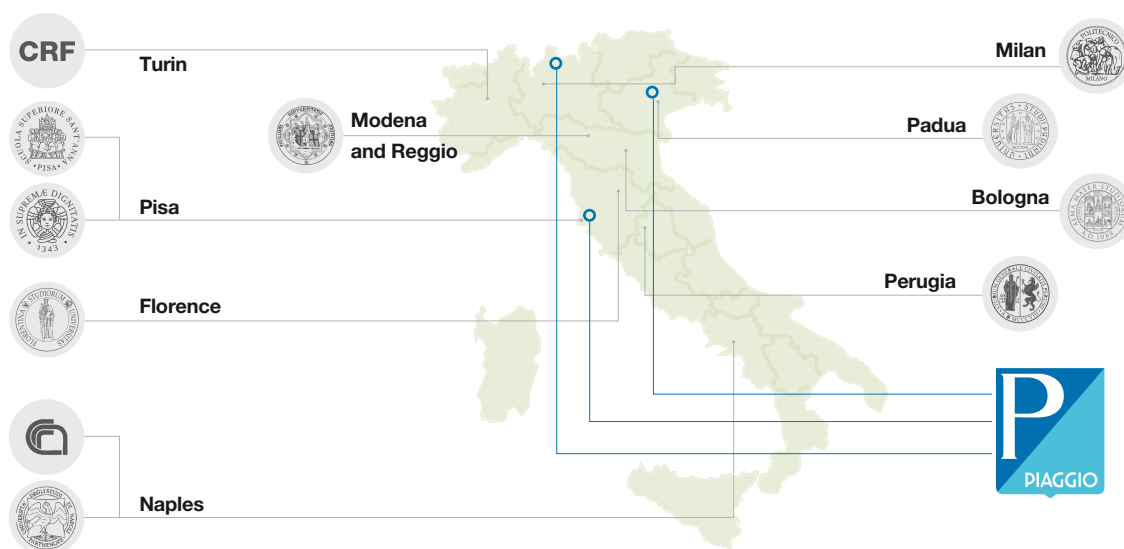
1978	Ape Elettrocar
1993	Zip Bimodale, the first scooter with an internal combustion engine and electric motor
1995	Piaggio Porter Electric, the first electric-powered commercial vehicle
2002-2003	Porter LPG Euro 3 with OBD (On Board Diagnostic) system for on board pollution diagnostics.
2005	Vespa 250 GTS, the first Euro 3 type approved scooter with electronic injection
2009	Sale of the MP3 Hybrid, the first hybrid scooter in the world Sale of the Ape Calessino Electric Lithium
2010	Sale of the MP3 Hybrid 300, the first high-performance hybrid scooter in the world Unveiling of the Liberty e-mail (prototype), an electric scooter with a lithium battery, brushless electric motor and state-of-the-art inverters.

The history of Piaggio's
eco-friendly vehicles

Partnerships with universities and research centres

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

Piaggio partnered numerous Italian and foreign universities and research centres in 2010, including Pisa University, Florence University, Bologna University, Modena and Reggio Emilia University, Milan Polytechnic, Padua University, Perugia University, the Fiat Research Centre, the Engines Institute of the National Research Council, Naples, the Scuola Superiore Sant'Anna di Pisa institute, Athens University, the Hellenic Institute of Transport, Athens, the Fraunhofer IAO (Stuttgart University) and the University of Prague and West Bohemia in the Czech Republic.



Partnerships with Italian
Universities and Research
Centres in 2010

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

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

5.1 Two-wheeler Business

5.1.1 Sustainable mobility

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

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

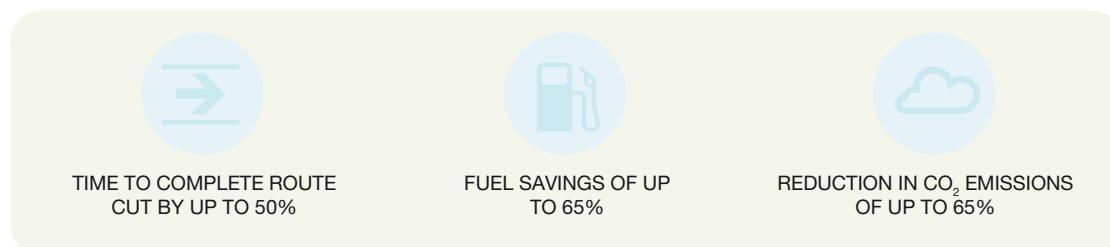
This awareness underpins the Piaggio Group's commitment to providing mobility solutions designed to reduce air pollution, and more generally to improving the quality of life in towns and cities by reducing traffic congestion and noise pollution.

It achieves this by marketing and selling environmentally friendly two/three-wheeler vehicles. However, an increase in the use of motorcycles for individual private mobility must be accompanied by an actual increase in the safety of two-wheeled vehicles, achieved through the study and introduction of active, passive and preventive safety systems.

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

Comparison of consumption rates, emission levels and travelling times between two-wheeler vehicles and cars¹

¹ Research conducted by the French Institute ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie), in Paris on a circular route, with 31 km travelled in different traffic conditions.



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

In particular, Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the 2008 tender ("Industria 2015") called by the Ministry for Economic Development. The project, which effectively commenced in April 2010, targets the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.

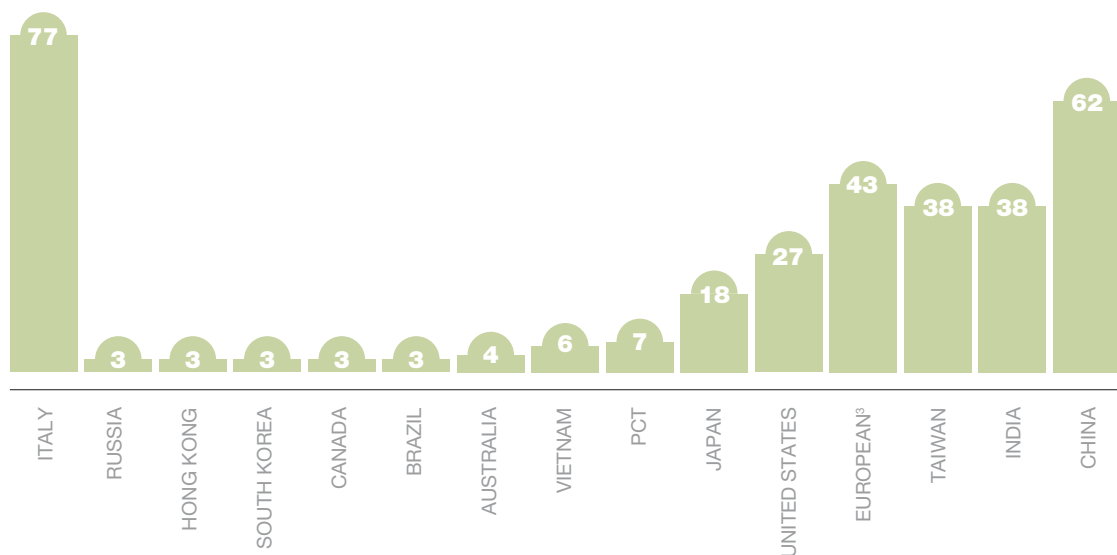
The project's Research and Development activities focus on a number of objectives:

- › improving drivetrains in order to reduce consumption and emissions (injection systems, systems to optimise combustion and reduce consumption, integrated engine control systems, variable geometry systems, etc.);
- › studying and developing engines powered by alternative fuels, with a lower environmental impact (biogas, hybrid and electric vehicles etc.);
- › improving vehicles to increase their sustainability through the study of vehicle dynamics, a reduction of vehicle weights and traction and life cycle management;

- › the study and introduction of active and passive safety systems (advanced braking systems/ABS, traction control and stability, integrated electronic suspension, crash simulation and testing, vehicle and rider airbags, etc.);
- › increasing thermal, acoustic and weather-related comfort as well as ergonomics (optimising human-machine interface systems and on board information systems);
- › studying and devising new safe vehicles based on innovative product formulas such as tilting three/four-wheelers.

Intense research and development work in the two-wheeler business led to many new patents being filed in countries where the Group operates³, bringing the total number of patents held up to 413 (+53% compared to 2009).

2_Under the Patent Cooperation Treaty (PCT), patents can be "reserved" internationally, by specifying the priority date and owner, before then filing the patent application within a certain number of months with national or regional offices, requesting that each country examine and grant the patent.



Piaggio Group patents
at 31/12/2010

3_The 43 European patents led to a further 116 patent applications being filed



Some of the patents filed by the Piaggio Group - 2010

Title	Scope	Country
Method for controlling traction in a motor vehicle when accelerating from a standstill and apparatus for its implementation	Safety	Italy
Method for detecting wheelie and controlling traction in a motor vehicle	Safety	Italy
Suspension system for motor vehicles	Safety	Italy
Method for controlling a modular electronic steering shock absorber for a two-wheeler vehicle and apparatus for its implementation.	Safety	Europe, China, Japan, United States
Drive control system and method in a two-wheeler vehicle	Safety	Europe, China, Japan, United States
Four-wheeler vehicles – NT3	Vehicle	PCT
Four-wheeler vehicles – NT3	Design	European Community
Motorscooter – USB	Design	European Community
Motorscooter – MP3 Light “Yourban”	Design	European Community
Motorscooter – New FLY	Design	European Community
Motorscooter – New Typhoon	Design	China, Japan, India, Taiwan, Vietnam, United States
Motorscooter – New Beverly	Design	China, Japan, India, Taiwan, Vietnam, United States

5.1.2 Environmentally friendly design and production

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

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

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

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

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

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

Model	Consumption	CO ₂ emissions
	l/100 km (ref. WMTC cycle)	g/km (ref. WMTC cycle)
Vespa LX 125 i.e.	3.03 l/100 km	72
Vespa 125 carburatore	3.57 l/100 km	85
Difference	-15.2%	-15.3%

A comparison of two
Vespa models

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

This innovation uses a hybrid powerplant combining an ultra-modern internal combustion engine with electronic injection and an electric motor.

The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions.

Research into hybrid engines is continuing, having already led to the launch of the “300 cc. Hybrid” onto the market in 2010.

In 2010 Piaggio also brought to completion the research project MID2R funded by the Ministry of Education and Research. The aim of the project was to develop direct injection petrol and Bifuel engines (natural gas and LPG). Research activities were focused on defining, studying and designing a high pressure injection power and control system.

In 2010 vehicle prototypes were completed as planned, delivering satisfactory results.

- › Continually improve conventional engines to reduce consumption and emissions
- › Study and develop alternative fuel systems with less environmental impact than petrol run engines, enabling a diversification of energy resources used
- › Propose innovative engine formulas that can further reduce emissions
- › Consolidate research and gain proprietary knowledge of control electronics for hybrid and electric vehicles
- › Increase knowledge of batteries for hybrid and electric vehicles
- › Improve vehicle efficiency by reducing weights and traction
- › Reduce environmental impact by using environmentally friendly materials and a design focussed on product recycling and disposal (Life Cycle Management)
- › Conduct research on the reuse of recycled plastic materials (see the Re-Produced Project)

Research and
development guidelines
for the Two-wheeler
segment

New vehicles – Vietnam

Vehicles manufactured and sold in Vietnam, in particular Vespas, comply with the same standards and regulations as their European counterparts, of which they are virtual replicas. Hence they feature the same high technological, quality and performance levels.

In an effort to tailor our products more closely to the needs of the local market, in 2010 the engines installed on models manufactured in Vietnam were upgraded with specific improvements designed to reduce fuel consumption even further with respect to the corresponding European models. In this way CO₂ have been reduced.

As of the first quarter of 2011, 125cc air engines in Vietnam will feature an electronic injection system (developed for 125cc air engines in Europe) and continuously variable transmission (CVT), calibrated for smoother, quieter riding. These changes were possible due to the different priorities for scooter performance shown by Vietnamese customers. In contrast with Europeans, the Vietnamese give greater importance to smoother riding and lower fuel consumption than to fast acceleration.

These important improvements reduce fuel consumption, and hence CO₂ emissions, on average by 20% compared to the current version on sale.

In the first quarter of 2011, the manufacture and sale of the New Liberty (with electronic injection) will begin in Vietnam, sporting a number of specific features designed for local customers, besides the engine improvements described above.

In order to satisfy the ergonomic needs of customers better, the wheel diameter has been reduced by one inch (15" front wheel, 14" rear wheel) so as to lower the height of the seat and floorboard from the ground (-4%). Storage space under the seat has also been increased by moving the battery into the back plate of the leg shield. As a result a product has been tailored specifically for the Vietnamese market, while still featuring the technology, design and quality that distinguishes all the Group's products.

New vehicles – India

In 2011 industrialisation will commence of the Indian version of the Vespa LX, featuring the new 125 HE engine. Production vehicles are scheduled to go on sale in March 2012.

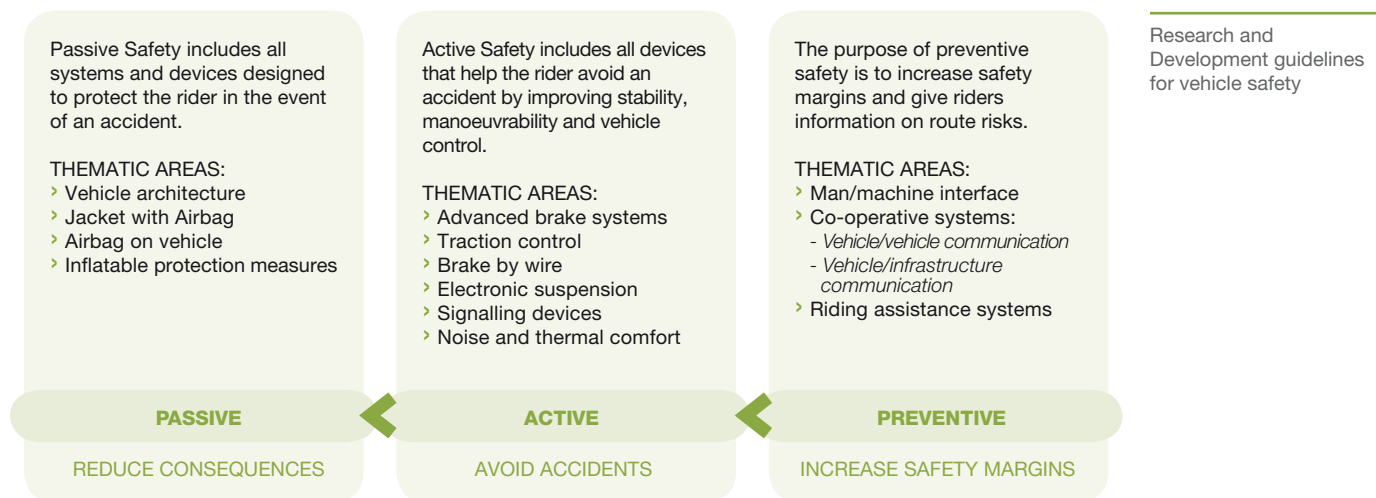
5.1.3 Product safety

Improving the safety of two-wheeler vehicles has always been a top priority for the Piaggio Group in its product research and development work.

Introducing active, preventive, passive and post-accident safety systems for the scooter and motorcycle sector is becoming increasingly necessary, and will also help extend the use of two-wheeler vehicles for individual mobility.

Matrix approach used by Piaggio for its motor vehicle safety projects

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



The Piaggio Group has always been at the forefront when it comes to improving the active safety of its products. Back in 2003 Piaggio presented the first scooter in the world fitted with electronic ABS (X9 500), followed by other models in its range of scooters (Vespa GTS) and motorcycles (Aprilia Shiver, Dorsoduro and Mana, Moto Guzzi Breva, Norge and Stelvio).

Several models (Beverly, Nexus, X9) have been fitted with a “combined braking” system for many years, for easier handling by less expert riders and which is essential for all users in emergency situations.

Many models in recent years have been fitted with the “Ride By Wire”⁴ system, with the possibility of selecting accelerator calibration based on road surface conditions. These include the MP3 Hybrid, MP3 125 RL, Aprilia Shiver 750, RSV4 1000 and the Dorsoduro (750 and 1200). In 2010 a new traction control system was developed, which will be installed on both the Aprilia RSV4 MY11 and the new Aprilia Dorsoduro 1200.

The Piaggio Group has acquired an outstanding knowledge of electronics for semi-active suspension and steering shock absorbers, filing several international patents in association with Milan Polytechnic, and for electronic engine control (traction control and vehicle electronic engine control). Motorcyclists benefit in both cases, in terms of performance and safe use.

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

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

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

In 2010, the new MP3 Yourban was developed and unveiled at EICMA – International Bicycle and Motorcycle Exhibition, representing a lighter and easier to handle version of the normal MP3.

4_ The “ride by wire” system, (an analogy of the “fly by wire” system used on aircraft) is an electronic device that replaces the accelerator’s mechanical wire. In conventional engines, the throttle grip activates a throttle valve on the carburettor or on the electronic injection throttle body via a metal wire. In ride by wire engines, the grip, via a potentiometer and electrical connection, conveys a signal to an electronic control unit which assesses the rider’s power demand (i.e. the grip position, the speed of rotation), compares it with engine parameters (number of revolutions, load, temperature, etc.) and consequently adjusts the throttle valve position (via a small electric motor) as well as start-up and ignition mapping in order to optimise engine performance in terms of response, emissions and consumption.

Advantages of the MP3

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

Piaggio was involved in numerous European projects concerning product safety. Following on from the bright success of the Aprosys (concluded March 2009) and Safety In Motion (November 2009, led by Piaggio) projects, another three important European projects aimed at improving road safety for motorcyclists - Safespot, Saferider, and Esum - were brought to term in 2010.

Safespot project

Brought to a close after four and a half years of research and development, the Safespot project was focused on creating a safety system for the prevention of accidents based on vehicle-to-vehicle communications to inform users of the risks and hazards along their chosen route. Specifically, a hardware and software architecture compatible with the SAFESPOT system was developed specifically for motorcycles.

Two working prototypes were built based on the MP3 and fitted with a wireless communication system, a high-precision GPS, and human-machine interface (bluetooth helmet and special display unit).

By participating in the project Piaggio accomplished two key objectives. The first was of a technical nature, with the creation of a state-of-the-art vehicle-to-vehicle communications system; the second of a political-strategic nature, with a view to building an integrated approach to improving road safety.

Saferider project

In three years of work, Saferider (a Specific Targeted Research Project, or “Strep”) led to the creation of On-Bike Information Systems (OBIS) and Advanced Rider Assistance Systems (ARAS) and their implementation to improve the safety and comfort of motorcycles. Significant efforts were channelled into the development of the human-machine interface (HMI), involving the study and testing of various different interaction methods (visual, acoustic, haptic). The prototypes developed by Piaggio implemented an emergency calling (eCall) system, a telediagnosics module, and navigation and route guidance – an advanced system providing useful information on traffic, weather and potential dangers along the route, transmitted to motorcyclists via an acoustic-haptic interface installed in their helmets.

The project was an important test bed for studying the feasibility of information and rider assistance systems designed specifically for motorcycles, taking into account the specific limitations and peculiarities of motorcycles and motorcyclists – such as vehicle dynamics, on-board space, ambient noise, rider behaviour and the acceptance of such systems by users.

The project’s objectives were reached through the involvement of industry (motorcycle manufacturers and suppliers of electronic and computerised components) and the scientific community (research centres and university departments with specific expertise in motorcycle dynamics and human-machine interfaces).

eSUM project

Work on the project eSUM, begun in June 2008 and funded by the Directorate-General for Energy and Transport of the European Commission, also continued in 2010.

The project will come to a close in early 2011.

The aim of eSUM is to identify “best practices” for making urban motorcycling safer and sustainable.

Piaggio worked with five major European cities – Rome, Paris, London, Athens and Barcelona – on a trial campaign promoting the use of safer powered two-wheelers. Four MP3 125cc Hybrids (one for city riding) were provided for a minimum three-month period to be tested in everyday use by various different users (parking enforcement officers, local police officers, traffic light technicians, etc.).

Strengths and areas of improvement were identified via a questionnaire for users.

5.1.4 Product recyclability

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

In 2007, the most representative vehicles of the range (for example the Beverly 250cc and the Vespa GTS) were analysed to make sure that the disassembly of main components was easy, and thus ensure a simpler disposal process for component materials.

Analyses further confirmed the reduced environmental impact of Piaggio two-wheeler vehicles, even at the end of their life cycle. For a widely sold 250cc vehicle, with plastic body, the percentage of recyclable material identified was more than 90%, which is well above the figure in the ISO 22628 standard regulating road vehicle recyclability that requires at least 85% of the vehicle mass to be reusable/recyclable.

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

Use of recycled plastics

For decades now, on all Piaggio Group vehicles, mass-pigmented polypropylene components (floorboard, leg shield back plate, air cleaner, etc.) could be made of recycled materials, at the discretion of the supplier.

The table below gives an estimate of the use of recycled plastics, based on an analysis (Life Cycle Management study) of a product currently on sale (Beverly 2009) and technologically representative of all scooters manufactured

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

Re-Produced project

Since 2009 the Piaggio Group has taken part in “Re-Produced”, a project promoted by the memorandum of understanding between the Region of Tuscany, Revet S.p.A. and COREPLA (National Consortium for the Recycling of Plastic).

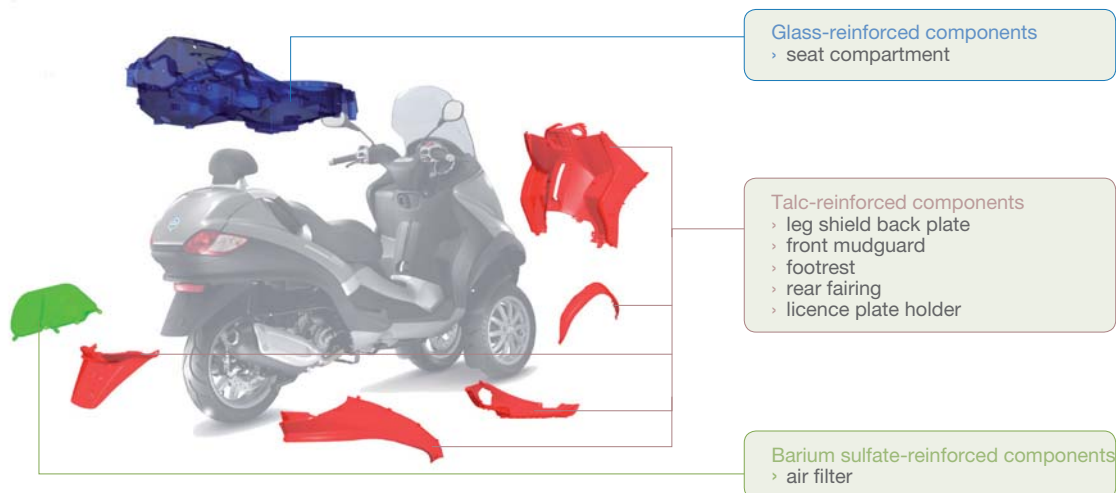
The project has the ambitious objective of recovering plastic directly from unsorted waste and processing it back to quality conditions for its use in moulds for painted parts in ongoing production. In 2010 the project reached the prototype testing stage. The test outcomes were announced publicly on occasion of the European Week for Waste Reduction (November 2010, joint press conference at the Region of Tuscany building in Florence).

Piaggio, in partnership with Revet S.p.A. and Industrie Generali, used the new composite material known as “Plasmix”, made from granules obtained from recyclable waste in Tuscany, to manufacture products. The products included trials runs of painted parts (leg shield, side fairings, leg shield back plate, luggage box) and mass-pigmented parts (seat compartment, helmet compartment, engine cover, filter box) for the Vespa GTS and the Piaggio MP3.

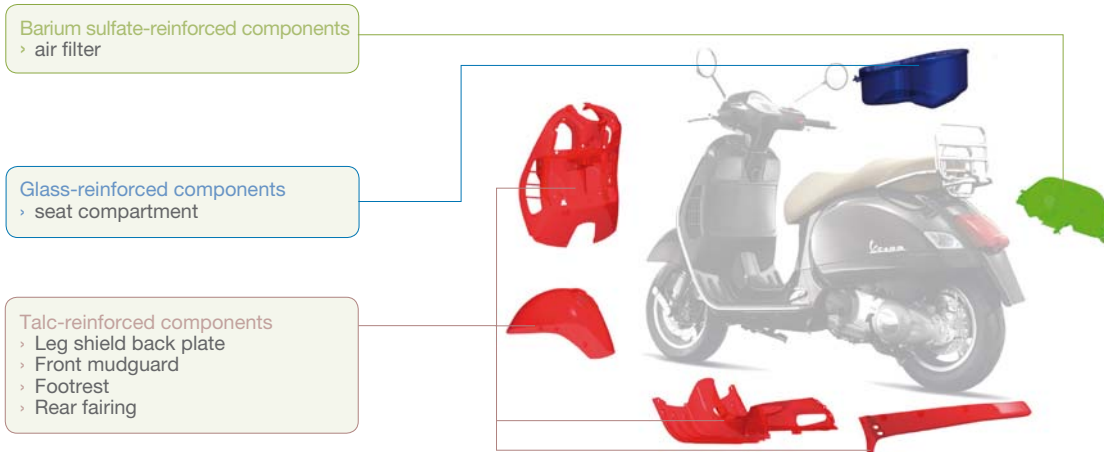
The technical feasibility of the process was shown by the fact that the materials obtained met the strict technical specifications required for Piaggio components. Up to 30% of new plastic was replaced with recycled plastic materials in the manufactured parts, bringing the obvious benefits of minimising the use of direct petroleum-derived products and reducing the emission of pollutants by not incinerating the materials.

Testing will continue in 2011 with the twofold objective of increasing the amount of recycled material used in the new composite plastic (target 40%) and introducing the plastic into production vehicles.

Piaggio MP3 Applications



Vespa GTS Applications



5.2 Commercial vehicles

5.2.1 Social mobility




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

Piaggio’s first commercial vehicle was created in 1948. Ape became an unrivalled “work mate”, a leading player in the social fabric of a country which was developing.

The Ape quickly moved to different parts of the world, starting in India, where it became an essential work tool and was also used to transport people (the famous Indian Ape-taxis) in a strongly expanding economy with a growing demand for mobility.

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

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

Need	Solution
LONG-RANGE MOBILITY	INDUSTRIAL VEHICLES 
INTERCITY MOBILITY	HEAVY COMMERCIAL VEHICLES 
INTRACITY MOBILITY	PIAGGIO CORE MARKET 

Long distance, intercity
and intracity mobility

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

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

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

5.2.2 A compact size and high specific load capacity

Congested towns, traffic continually on the increase, historical city centres closed to vehicles.

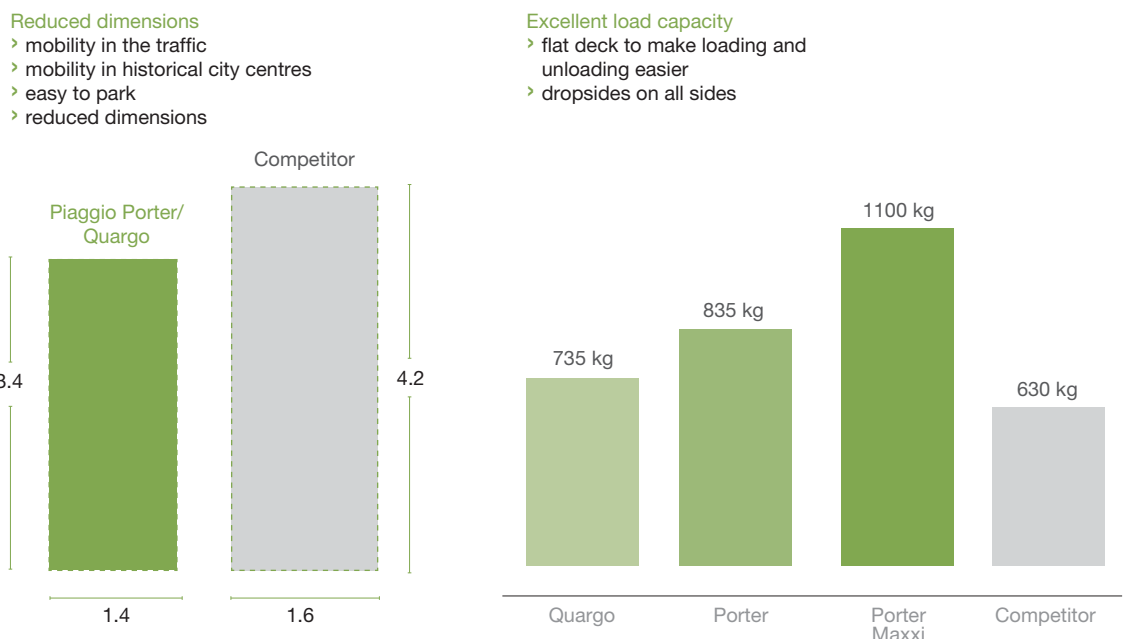
This is the critical mobility situation people face today, so they need vehicles to make their way through the metropolitan jungle as quickly and efficiently as possible, which are practical and have a good load capacity.

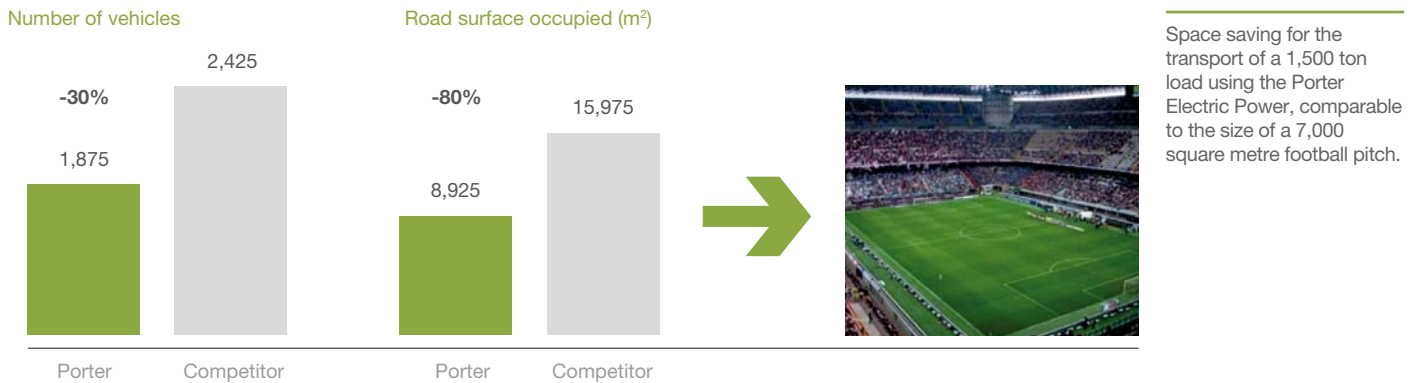
When it comes to commercial vehicles, agility and a compact design are winning features, but a clear contrast to the load capacity required of a commercial vehicle. This is not the case with Piaggio's Commercial Vehicles. Their compact size, easy handling and high specific load capacity make them the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

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

This means load can be increased in relation to dimensions, and travel and transport costs minimised. In addition, the cargo deck with an all-flat configuration is more functional and every inch can be used to load cargo.

Dimensions and payload capacity of Piaggio Commercial Vehicles compared to competitors





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

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

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

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

This means:

- › less traffic and savings, with the same type of goods transported,
- › lower consumption and fewer vehicles on the roads,
- › fewer emissions for each gram of goods transported (in the bi-fuel, petrol and LPG version, 0.18 grams of CO₂ emissions per kilo, which is approximately 18% better than the competitors).



The Porter Maxxi vs competitors

With a stylish design, comfort and improved handling, the chassis and mechanical structure are key features of the Porter Maxxi.

The vehicle has specifically defined leaf spring suspension and a self-locking differential assembled on the rigid rear axle which can transfer 30% of engine torque to the wheel with greater grip. For customers, this means the vehicle can be used in all grip conditions, including gravel and sand.

5.2.3 Environment-friendly powerplants

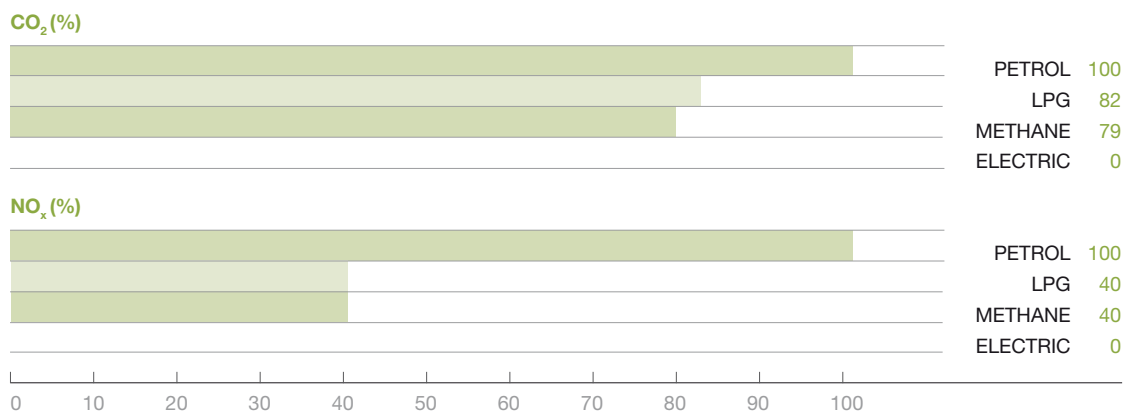
Piaggio Commercial Vehicles' dedication to reducing fuel consumption and pollutant emission levels further demonstrate its mission to be an intracity mobility specialist. In fact cutting down on these two parameters is fundamental for a sustainable transport system, above all during the "last mile" of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

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

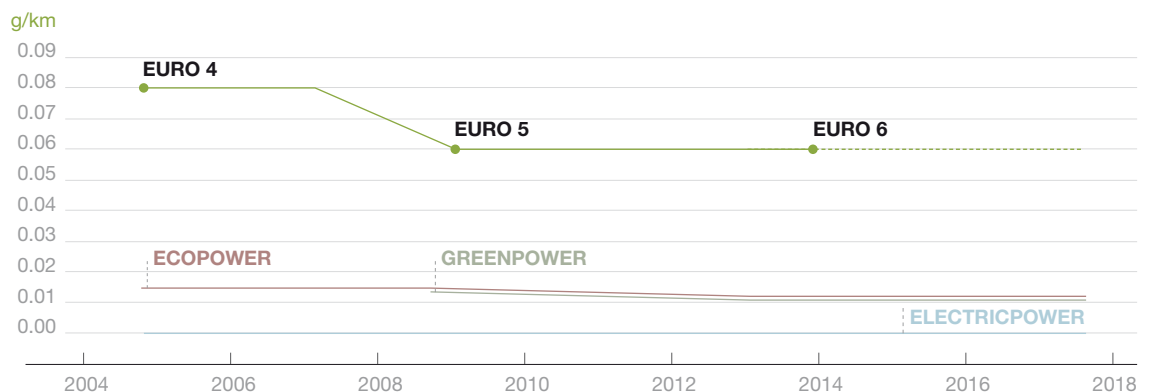
Over the years, making environment-friendly vehicles has been a priority for Piaggio. The "Porter Eco Solution" range was developed in 2008, featuring environmentally compatible, low environmental impact, powerplants: "Electric-Power" - with electric power and zero emissions, "Green Power" - its methane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

In addition to being one of the cheapest fuels available today, LPG contains no benzene, while its combustion produces no particulate and only minimal emissions. The new configuration of the LPG version engine was developed entirely in-house at Piaggio Commercial Vehicles' Pontedera plant.

Benefits for the environment: comparison between emissions of CO₂ (carbon dioxide) and NO_x (nitric oxide) depending on the fuel used



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



The Eco Solution range offers an indisputable advantage in the city, as well as a competitive edge for a commercial vehicle, allowing unrestricted access even with traffic restrictions and anti-pollution measures in place in historical city centres.

With sales of more than five thousand units, the Piaggio Porter Electric-Power is now Europe's most widely sold electric drive commercial vehicle.

The zero CO₂ emission of every Porter is the same as the CO₂ disposal generated by 100 trees in one year. The fleet of Porter Electric Power vehicles in circulation therefore produces benefits each year for the environment equivalent to those produced by 360 hectares of woods.

Production got underway in 2009 for a limited series of the Ape Calessino Electric Lithium, which is one of the first vehicles on the market featuring lithium polymer batteries.

As part of the project, the Company has studied and evaluated new technologies that will be used for new engines and above all for control electronics (also allowing for braking energy control and automatic hill starts).

The Ape Calessino Electric Lithium was a pilot project for testing new technologies in the field, which will later be transferred to the future Porter Electric. The use of high energy batteries will still be a key aspect.

The new generation batteries will enable the Porter Electric to have the same autonomy with 100 kg, which means transporting an extra 350 kg of goods.

In 2011, sales will begin of:

- › A new petrol engine (MultiTech) developed for the Porter/Porter Maxxi range. This new engine will enhance performance and efficiency and reduce consumption, and therefore CO₂ emissions by more than 20%. This engine is the platform for developing the new Eco-Solution range, which will first include the Eco-Power powerplants (bi-fuel petrol and LPG).

Petrol	MultiTech	Current engines	Difference
Engine capacity	1308 cm ³	1300 cm ³	
Max power	53 kw@5300 rpm	48 kw@5400 rpm	
Consumption l/100 km ⁵	6.7	8.6	-22.1%
CO ₂ emissions g/km ⁵	156	199	-21.6%

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

LPG	MultiTech	Current engines	Difference
Engine capacity	1308 cm ³	1300 cm ³	
Max power	51 kw@5300 rpm	48 kw@5400 rpm	
Consumption l/100 km ⁵	8.6	10.6	-18.9%
CO ₂ emissions g/km ⁵	139	165	-15.8%

5_ECE + EUDC cycle

- › A new turbo diesel twin cylinder engine (P120) which will feature alongside petrol engines and bi-fuel MultiTech engines, has been developed to complete the Porter/Porter Maxxi range. With a second generation Common Rail injection system, turbocharging (turbocompressor coupled with an air/air intercooler), electronically controlled EGR (exhaust gas recirculation), oxidising catalytic converter and DPF (particulate filter) the engine already meets requirements of recent Euro 5 standards and will guarantee smooth handling and a versatile response in all conditions.

The P120 engine compared with the engine currently on the market

(*) ECE+ EUDC cycle

Porter diesel	P120	Current engines	Difference
Engine capacity	1201 cm ³	1400 cm ³	
Max power	47 kw@3500 rpm	28 kw@4300 rpm	
Consumption l/100 km (*)	4.9	7.4	-33.8%

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

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

Porter diesel	Twin-cylinder	Lombardini
Engine capacity	1034 cm ³	686 cm ³
Max power	15 kw@2500+3600 rpm	13 kw@4500 rpm

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

NT3 CONCEPT

The EICMA 2010 – International Bicycle and Motorcycle Exhibition, held in Milan on 2-7 November 2010, saw the unveiling of the NT3 Concept.

The NT3 is an extraordinarily innovative vehicle, designed to meet the mobility needs of the fast-developing emerging world, in particular the Indian, Vietnamese and South-east Asian markets. The new Concept brings together the Piaggio Group's capacity for technological innovation and a unique design, giving rise to a four-wheeled, three-seater vehicle without precedent on the market, which takes inspiration from the underlying characteristics of the Ape.

The NT3 is a compact, safe, and versatile vehicle which is easy to handle, has great appeal and is highly competitive, thanks to its very low production costs.

Tradition and innovation combine to form this new Piaggio concept car, a truly unique vehicle for the motoring world, featuring a number of technical and design solutions that Piaggio has specifically patented. The distinguishing features of both the Vespa and the Ape are represented and reinterpreted to stress the Italian spirit and originality of the vehicle. Even the interior design of the NT3 presents a blend of tradition and innovation, making for a spacious, hi-tech and original car.

Compact Size & Ease of Access

With a length of just 2.4 metres, the NT3 can zip in and out of traffic and be parked with ease. The innovative door opening system also makes it super easy to get in and out of the vehicle even in tight spaces (for instance when parked against a wall or near another vehicle).

Load Capacity & Leg Room

The optimisation of space guarantees comfort and leg room for three adult passengers, thanks to the innovative three seat solution with a central driving seat. The shaped deck also makes it easy to step into the driving and passenger seats. The raised driving seat gives the driver perfect visibility, as do the broad windscreen and windows, which also lend to the quality of the passenger experience. Passenger seats can be reclined or even removed, enabling the transport of even bulky items.

Safety

The NT3 is designed as a spaceframe structure around a crash box to guarantee the safety of the driver and passengers. The integrated drivetrain and rear suspension keeps the bulk of the powertrain down and lowers the centre of mass, lending the vehicle top stability.

Handling & Road Holding

Its small size and minimal turning radius make the vehicle extremely easy to handle, which means it can take even the most painstaking routes. The independent front MacPherson strut suspension system has been optimised to ensure the safety of the vehicle in all conditions of use. The Omega rear suspension guarantees maximum grip. The integrated powertrain and rear suspension holds the bulk of the powertrain down and significantly lowers the vehicle's centre of mass.

Versatility & Transformability

The NT3 is designed to offer various transport solutions, enabling a wide and complete range of vehicles to be produced. The vehicle can be configured in a number of different ways to satisfy the most diverse needs and requirements. Varying content and technologies can be used to tailor different versions of the vehicle for different markets. The different design solutions are possible thanks to the removability and modularity of the parts, enabling different configurations to be produced with ease, with different features and hence different costs.

Fuel Economy

Over 30km on a litre of petrol.

Environmental Friendliness

The NT3 uses recycled materials and a minimal number of interior components to limit the cost of the vehicle and simplify its construction. Its low mass keeps both consumption and emissions down.

The Piaggio NT3 Concept can be rigged with a range of engines, each designed to limit the environmental impact of the vehicle while ensuring suitable performance levels. The 200cc engine boasts extremely low running costs, fuel consumption and pollutant emissions. The 300cc engine, based on the consolidated technology of the MP3, Piaggio's three-wheeled scooter, offers top performance in the 300cc combustion version. Instead the 300cc hybrid version combines – just like the new Piaggio MP3 300 Hybrid – a traditional combustion engine with low environmental impact and a zero-emission electric motor, offering similar performance to the 300cc combustion engine (maximum speed 80km/h) or a top speed of 30km/h in ZEV “electric only” mode. On the basis of the selected operating mode and conditions of use, the vehicle's electronic system decides how much power to produce through the combustion engine and how much through the electric motor, so as to optimise performance and consumption.

The hybrid version represents the best solution for satisfying the growing need for city cars designed for urban and metropolitan mobility which are compatible with the environment.

Seen from the side, the unmistakable shape of the Vespa fender can be found on the rear wheels. The front hood of the car is reminiscent of the Ape's, with its sharp lines that recall the latter's central fender. The longitudinal section is similar to a Vespa, inside of which the powertrain is installed, along with the lithium battery in the hybrid version.





5.2.4 Product safety

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

The ABS (Anti Block System) prevents the wheels from locking or the driver from losing control of the vehicle, when forced to brake suddenly and unable to control pressure on the brake pedal.

The main benefits of this system are:

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

The benefits of the ABS system are more evident in the case of differential braking. This occurs when the two wheels on the same side of the vehicle are on surfaces with a different grip compared to the road surface (for example an iced over puddle on the edge of the road).

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

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

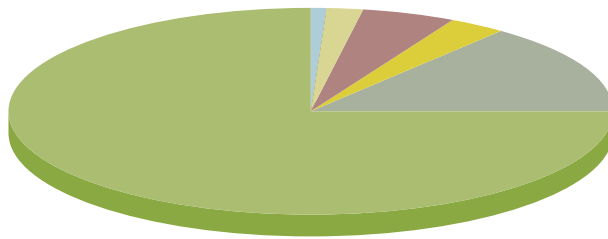
5.2.5 Ecological and recycling potential of materials

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

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

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

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



Metals	75%
Rubber	1%
Fluids	2%
Glass	5%
Plastics	3%
Other	14%

Types of materials - Porter
pick-up

Below we report the approved recyclability and recoverability rates for each of the vehicles fitted with a petrol engine, diesel engine or electric motor meeting the Euro 5 standard.

	P120	MultiTech	EVO
Recyclability (R_{cyo})	PORTER = 90.080% MAXXI = 91.926%	MAXXI = 92.70%	PORTER = 89.960%
Recoverability (R_{cov})	PORTER = 95.075% MAXXI = 96.423%	MAXXI = 95.60%	PORTER = 95.10%

As concerns recycled materials currently used for the Commercial Vehicle range, the objective is to reach a rate of 10% of total components between 2011 and 2012.



5.3 Product reliability and quality

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

Quality is the set of properties and characteristics of a product or service that give it the capacity to satisfy the express and implicit needs of the customer/user⁶. For manufactured products, these needs generally include conformity to specifications, reliability, ease of use and maintenance.

6_ UNI ISO 9000 definition

Reliability is the ability of an item to perform a required function in established conditions and for an established period of time⁷. Reliability has become a fundamental concept when it comes to scooters, motorcycles and commercial vehicles, as it is a driver of customer satisfaction and safety.

7_ UNI ISO 8402 definition

Pursuing continual improvement in the quality of production systems (of the Group and suppliers), auditing outgoing quality and adopting an effective product and component traceability system are essential for guaranteeing the reliability of Piaggio vehicles. The Company also has a dedicated function, which tests the reliability of all new products, from design to marketing. Tests are not limited to laboratory testing, but also to road testing, designed based on the actual use of vehicles by Piaggio customers.

5.3.1 Quality certification

As regards quality, the Piaggio Group is committed to continually improving the performance of its processes and customer satisfaction. The Group was awarded ISO 9001 certification in 1995, a process which is a part of the Company's common culture and a resource for all Group employees.

The results obtained in terms of product reliability, improving process performance, increasing customer satisfaction (internal and external customers) stem from the fact that all employees clearly understand the meaning of "quality, customer focus, continual improvement and excellence" and pursue these principles in their everyday activities.

In August 2010 Piaggio Vehicles Private Limited was certified for its quality management system, following in the footsteps of Piaggio Vietnam, which obtained its ISO 9001:2008 certification in October 2009.

In November and December 2010, the Piaggio Group was audited by the certification company for the purposes of renewing the Group's ISO 9001:2008 quality certifications for the next three years. The outcome of the audit was positive. The audit involved the work of ten auditors, who interviewed Group employees at all levels and inspected documentation. Their verdict confirmed the Group's compliance with the international standards issued by the International Organization for Standardization (ISO), and added the Mandello del Lario plant to the scope of the certifications, alongside Pontedera, Noale, and Scorzé.

The Spanish production site in Martorelles also obtained ISO 9001:2008 certification in December 2010.

5.3.2 Supply verification/audits

The quality of Piaggio products depends on the quality of its supplies.

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

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

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

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

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

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

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

Moreover, consolidated product audits are conducted to solve problems reported during the warranty period and verify the effectiveness of corrective actions defined by suppliers to prevent the recurrence of nonconformities.

5.3.3 Quality control of end products

Piaggio has a comprehensive system to monitor end product quality levels, prior to dispatch to the client. Procedures, which have been adopted at all Piaggio Group sites in Italy and abroad, are followed to constantly monitor the quality level of all vehicles manufactured, ensuring high standards for the end client. Each vehicle manufactured at Piaggio Group sites is inspected for quality control after assembly.

More in-depth testing and controls are conducted on a select number of vehicles, depending on product maturity. All tests are carried out with the customer in mind, i.e. they monitor vehicle design as well as functions.

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

The final quality status compared to the expected status is available for each model on a daily and monthly basis. A meeting is held each day between the Quality, Production, Design and Technologies departments, and other operating units involved, after specific reports have been compiled.

In the meeting, all anomalies detected the previous day and in particular concerning functional defects are examined, and corrective actions, relative responsibilities and implementation times are determined.

If serious functional anomalies are detected, the dispatch of all vehicles from the same lot is immediately stopped, and a sample of vehicles from the previous lot is selected.

These vehicles are then carefully retested and repaired, as necessary, before authorisation for dispatch.

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

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

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

PVPL Quality Month 2010

The Indian subsidiary Piaggio Vehicles Private Limited (PVPL) promoted the entire month of November 2010 as “Quality Month 2010”, with the aim of raising awareness of quality-related issues. Quality represents the foundation underpinning any policy for maximising the satisfaction of employees and all our stakeholders.

Quality means: continuous improvement in knowledge, skills and technology; safe, resistant and reliable products and the best customer service; the creation of solid relationships along the entire value chain; the implementation and continuous improvement of a quality management system based on clear, precise parameters.

Quality Month was opened with a kick-off meeting attended by workers’ representatives and some three hundred employees. An illustration of the background and meaning of the initiative was given at the meeting, along with a presentation of the programme of events for the month.

Various activities were organised on occasion of Quality Month, including:

- › An allegiance and flag-raising ceremony dedicated to quality;
- › Training sessions and events for the sharing of knowledge;
- › Development of projects connected with quality, processes and design;
- › The sharing of good practices with suppliers;
- › Quality Competition;
- › Closing day and award ceremony.

To open Quality Month officially and stress the crucial importance of quality, workers’ representatives together with around five hundred employees attended a special ceremony in which the flag of quality was raised by the PVPL Chairman and Chief Executive Officer, Mr Ravi Chopra. On the same opening day, Mr Chopra also swore ‘allegiance’ to quality and gave a presentation illustrating PVPL’s quality policy. The same oath of allegiance was taken by the heads of each of the departments.

Over the month around eight hundred employees took part in twenty-one training sessions focused on quality-related issues. To test their knowledge of the ISO/TS 16949:2009 standard,

an on-line multiple-choice quiz was organised, taken by 168 employees.

The feedback gathered from the training sessions will be used to organise further courses to be inserted in the normal employee training programme.

In addition, thirty-five projects connected with the issues of quality, processes and design were presented during the month, nine of which were awarded. By popular request, it was decided that a permanent forum would be set up, dedicated to the organised implementation of communication projects. The forum will allow teams to present their projects every three months, seek assistance as the projects progress, and post projects on the company intranet once they are completed.

Four hundred employees, including workers, were given the chance to work with nine suppliers to share the results achieved and the company's best practices in quality assurance. On the basis of this first encounter, the Indian subsidiary is assessing the idea of setting up an additional forum for sharing experiences with suppliers and between suppliers themselves, in an effort to encourage the transfer of knowledge and improve quality-related systems and processes.

Around 210 employees from all levels of the organisations took up the chance to give expression to their creativity by participating in the Quality Competition for slogans, posters and presentations focused on the communication of quality.

On the closing day, attended by thirty-two suppliers, the Chairman and Chief Executive Officer Mr Chopra announced the winner of the Quality Competition.

The 30 November marked the end of a month of celebrations, but also the important new start chosen by PVPL for the continuous improvement of the company's quality management system.

5.3.4 Product traceability

Traceability is fundamental, to prevent the marketing of faulty products, identify and promptly separate lots with suspected nonconformities and therefore make recall campaigns effective.

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

The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality. This makes it possible to promptly, systematically and methodically trace any product anomalies/defects identified and their causes, and adopt effective corrective actions, broadly and specifically identifying all vehicles with components from the faulty lot and, if necessary, starting a prompt recall campaign, to protect customers.

5.3.5 Reliability tests

Italy	2010 figures	2009 figures	2008 figures
Test teams	28	24	24
No. of vehicles tested	411 new products and 1243 consolidated products	764 new products and 1175 consolidated products	446 new products and 1,270 consolidated products
Km travelled per year ⁸	Approximately 1,365,000	Approximately 1,100,000	Approximately 1,000,000
Vietnam	2010 figures	2009 figures	2008 figures
No. of vehicles tested	5,668 vehicles (approx. 15% of production)	5,664 vehicles (approx. 20% of production)	ND
Km travelled per year ⁸	Over 17,000	Almost 17,000	ND
India	2010 figures	2009 figures	2008 figures
No. of vehicles tested	44 vehicles	34 vehicles	ND
Km travelled per year ⁸	Approximately 1,345,000	Approximately 875,000	ND

8_ Reported data are also based on processing using estimates.

To guarantee vehicle reliability, initial tests are conducted during the experimental stages of product development, on prototypes and pre-production models. The objective of such tests is to ensure that products meet project specifications both in the laboratory and on the road.

During the pre-mass production stage, further laboratory and road tests are conducted on the products, by a team of expert Piaggio testers. Depending on the vehicle type, experience gained during the pre-production stage and other reference vehicles, the mission profile is drawn up. This is the number of kilometres and type of route for product testing (urban, extraurban, mixed, mountain conditions, etc.). Usually, vehicles are tested over long distances based on their engine capacity and degree of innovation. The tests are “customer-driven”, and consider actual vehicle use: from operations at dealers before the sale is made, to the routes taken by the customer and routine maintenance indicated in the user and maintenance booklet. For example, a 50cc scooter is mainly tested on urban routes, motorcycles are tested on extraurban and mixed routes, while commercial vehicles are tested with/without loads and passengers.

Vehicles are disassembled and controlled during tests, to identify any anomalies and request appropriate improvements.

After running tests on engines with a high level of innovation or when alarms have been activated during road tests, the engine is tested again on the test bench and fully disassembled to check for wear or any criticalities.

Testers rate the vehicles during each test stage, considering performance in terms of vehicle safety, comfort and handling. The reliability team⁹ meets once a week to compile and discuss a report summarising any defects identified, analyses conducted and measures taken to remedy problems.

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

After successful reliability testing, production of the pilot series begins and a further test stage starts. A fleet of 10 to 20 vehicles from a pilot lot is tested on the road, to identify any production problems. During this stage, tests are run at shorter distances on routes that better match customer profiles (for example a 50cc scooter is only tested on city routes).

9_The reliability team comprises the reliability laboratory product supervisor, the vehicle/engine project leader, vehicle/engine test engineering and vehicle/engine product quality managers.

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

Post-auditing is conducted 3-6 months after the product is marketed. Vehicles are selected at random from the warehouse and tested simulating conditions of use similar to those of the customer, even when the vehicle is stationary.

If problems are detected on the Network, diagnostics are carried out on the vehicles/engines with the problem, to identify the causes and provide information to take corrective actions, if necessary.

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





06 ENVIRONMENTAL SUSTAINABILITY

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06. Environmental sustainability

In keeping with the principles set forth in its Code of Ethics, the Piaggio Group operates at a global level with *“choices of investment and of industrial and commercial initiatives [...] based on the respect of the environment and of public health.”* (article 7).

In particular *“In compliance with the applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities.”* (article 8).

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact.

Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.

In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production. With these objectives in mind, initiatives focus on six areas:

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

Quantitative data on resources used and emissions of CO₂ and other pollutants produced by Piaggio in carrying out its operations are reported on in the sections below. Data refer to the entire Group, with the exception of business offices in various countries, whose use of resources and emissions/waste mainly concern office activities and therefore contribute marginally to Group data, and so have not been included in the enclosed tables.

6.1 Production sites

The Piaggio Group has production sites in Europe and Asia. Operations, however, are concentrated in two main manufacturing centres: in Pontedera, Italy, Piaggio's historic factory; and in Baramati, India. Other production sites in Europe include the Noale and Scorzè plants in Italy, the historic makers of Aprilia, the Mandello del Lario plant in Italy, the historic maker of Moto Guzzi, and the Martorelles plant in Spain, the historic maker of the Derbi. In Asia, in June 2009 the Vinh Phuc production site was opened in Vietnam, manufacturing the Vespa LX scooter and, as of the end of 2010, the Liberty, which is scheduled to go on sale in the first quarter of 2011. Construction work began in 2010 on a new factory in India for welding, painting and assembly operations for the Vespa. The new plant is expected to be completed by the second half of 2011.

Vehicles produced

	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total
2010	224,933	39,236	4,482	23,788	222,035	39,948	554,422
2009	256,424	47,732	4,118	23,005	182,959	22,935	537,173
Change 2010-2009	-12.3%	-17.8%	8.8%	3.4%	21.4%	74.2%	3.2%
2008	297,505	90,391	6,203	40,779	158,923	-	593,801

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

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

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

Environmental
organisational structure
of Italy companies
of the Piaggio Group

The Environmental Management System Manager reports to the Management Representative (Personnel, Organisation and Quality Systems Manager) on management system performance and all requirements for improvement.

The Environmental Management System Manager, a position held by the General Plants Manager, has power of attorney to perform his duties and responsibilities, while Environmental Managers are appointed by the Personnel and Organisation Manager.

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

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

Piaggio Vietnam's EHS team is led by the Technology and Maintenance Manager who reports to the Director of Operations. A full-time employee is responsible for the management of environmental issues.

The environmental team at PVPL, consisting of executives, engineers and operators, is part of the Maintenance Department and reports to the Director of Operations.

India: the new engine factory

In March 2010, Piaggio Vehicles Private Limited (PVPL) inaugurated its new engine factory located in Baramati province, which will produce new "leading" petrol engines for the Vespa, and diesel engines for the Porter.

The site is located in a well-developed industrial area, near large cities. The land on which the factory stands was leased from local authorities. The construction of the new production site did not produce any significant impact on biodiversity in the area or on local communities.

In designing the new site, Piaggio Vehicles Private Limited focused its attention on the prevention of pollution and the conservation of natural resources. It has achieved energy saving and a sustainable use of water through an adequate design of facilities, maximising the conservation of energy, water and materials, including their re-use and recycling. In particular, a special team was set up with suppliers to study and identify the best solution for re-packaging materials that can be used over and over again.

The production site has adopted standards for the treatment of consumables and chemicals, and does not use prohibited chemicals.

The company has also introduced a suitable quality assurance system whereby each and every engine produced is checked after assembly, and duration tests are conducted on samples taken from the assembly line. Any anomalies identified are classed on the basis of a score reflecting their severity and impact on the customer. Reports are produced for each model on a monthly or daily basis, which compare effective quality levels with planned standards. The reports are discussed daily by the team in charge, which debates and decides on what corrective action is to be taken. In the event that major problems are found, all the engines in the same production lot will be carefully inspected and, if necessary, repaired before their dispatch. Each and every engine is identified by a type approval code that ensures its traceability.

The work stations have all been designed to ensure optimal working conditions and to minimise the effort required by workers.

A fire prevention system has been installed on the premises, consisting of smoke detectors, a fire alarm, 19 fire hydrants and 117 fire extinguishers. In addition, fire risks are reviewed regularly and analysed to keep safety as high as possible. Since April 2010, such analyses have led to the identification and elimination of 221 unsafe conditions and manoeuvres.

The plant obtained certification of compliance with the ISO 9001:2008 standard on 8 August 2010.

6.2 Environmental certification

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

In fact ISO 14001 certification demonstrates the Group's actual commitment to minimising the environmental impact of its processes and products, as well as the reliability of its environmental management system.

In December 2010, three-yearly audits confirmed the important results attained and renewed ISO 14001:2004 environmental certification for the production sites of Pontedera, Noale and Scorzè for another three years, from December 2010 to December 2013.

Environmental certification was also extended to the Mandello del Lario production site, after it successfully completed the certification process in December 2010. Finally, implementation of the environmental management system was brought to term in the Vinh Phuc plant, enabling the production site to obtain certification of compliance with the ISO 14001:2004 standard on 25 January 2011.

During the periodic audits by the certification company, positive remarks were reported on the following:

- › the co-operativeness and transparency shown to competent bodies. This aspect was seen especially at the Pontedera production site, where to obtain Integrated Environmental Authorisation over 100 analyses were conducted in the second half of 2010 on atmospheric emission points, along with

regular analyses of waste water, often in the presence of authorities;

- › the careful attention and awareness shown in managing facilities responsible for the main atmospheric emissions; the clean and tidy state of outdoor areas, especially in the Mandello del Lario site, helping to avoid pollution from storm water run-off, which by carrying away pollutant materials and substances could cause hazardous soil erosion outside the production site;
- › the general attention and awareness shown in the disposal of waste, especially as concerns the identification, reduction in bulk and management of hazardous waste;
- › the commitment shown across all functions to the proper management of environmental issues in Pontedera, considering the range and importance of these issues.

6.3 Reducing energy consumption

Although the Group's production sites are all designed to be powered by energy derived from fossil fuels, Piaggio seeks to optimise the management of existing plants to reduce energy consumption.

Such commitment is shown through continuing efforts to introduce ways to optimise the use of existing facilities, such as the review of running times, turning off lights when production lines are off-line (as is currently done in Pontedera's three-wheeler assembly workshop) and the growing use of energy-saving light bulbs.

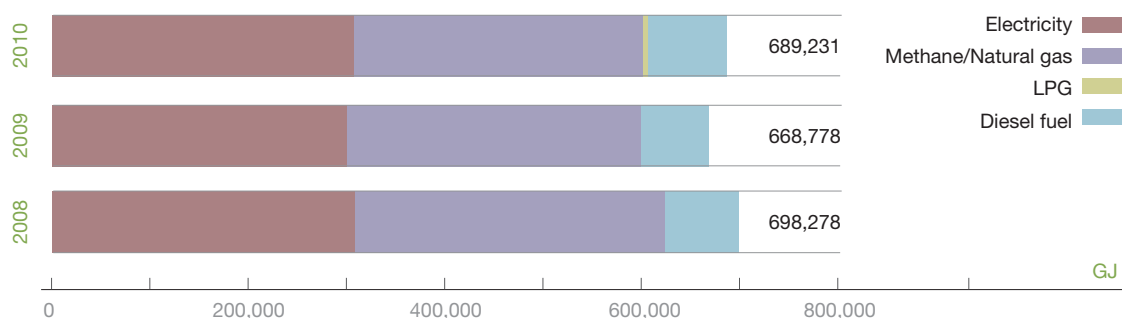
Feasibility studies and assessments are also conducted when sites are reorganised or renovated, for the introduction of machinery and methods with lower environmental impact. Renovations currently underway to the Mandello del Lario production site are of particular significance in this sense (see box Mandello del Lario: Arrocco project), where the careful study and sizing of facilities will enable their "virtuous" management. The improvements are expected to show visible effects as of the end of 2011.

		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total	Energy consumption of Piaggio Group production sites
Electricity (Thousand KWh)	2010	45,608	4,887	854	2,259	25,059	7,076	85,743	
	2009	47,037	4,990	967	2,421	20,551	5,922	81,888	
	Change 2010-2009	-3.1%	-2.1%	-11.7%	-6.7%	21.9%	19.5%	4.7%	
	2008	51,194	5,438	1,282	3,633	23,078	-	84,625	
Methane/natural gas (Sm³)	2010	6,827,347	467,430	187,162	39,189	-	-	7,521,128	
	2009	7,011,986	454,297	158,779	37,031	-	-	7,662,093	
	Change 2010-2009	-2.6%	2.9%	17.9%	5.8%	-	-	-1.8%	
	2008	7,246,302	555,212	229,600	106,058	-	-	8,137,172	
LPG (Tons)	2010					25	-	25	
	2009	-	-	-	-	18	-	18	
	Change 2010-2009	-	-	-	-	38.9%	-	38.9%	
	2008	-	-	-	-	28	-	28	
Diesel fuel ¹ (litres)	2010	615	-	-	-	1,871,155	491,274	2,363,044	
	2009	200	-	-	-	1,768,228	271,118	2,039,546	
	Change 2010-2009	207.5%	-	-	-	5.8%	81.2%	15.8%	
	2008	285	-	-	-	2,056,933	-	2,057,218	

¹ Light Diesel Oil and High Speed Diesel are assimilated to diesel fuel.

Piaggio Group energy consumption²

² Data have been calculated using the standard conversion factors identified by GRI G3 guidelines (one gallon of diesel = 0.138 GJ; 1,000 m³ of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.



Compared to 2009 data, energy consumption at all sites decreased in 2010. This was partly due to smaller production volumes and partly to an optimised use of facilities, although it would appear that the management measures that can be introduced to this end have reached their limit. The Baramati and Vinh Phuc sites instead recorded a rise in energy consumption due to increased production levels, coupled, in India, to the opening of a new engine factory.



Mandello del Lario: Arrocco Project

Piaggio has been the proprietor of the historic industrial complex that manufactures the Moto Guzzi brand since November 2008, when the company Moto Guzzi S.p.A. was acquired and merged into Piaggio & C. S.p.A.

At the time of the acquisition by Piaggio, the Mandello site was “frozen in time” at the heyday of its industrial development (1950s and 60s). The majority of its buildings, roads and yards were underutilised or even abandoned (only 60% of covered areas were used), and the heating, power and air-conditioning systems were no longer suitable for modern industrial purposes.

Hence in 2009 the decision was made to launch the Arrocco project, designed to redevelop and remediate the entire industrial complex.

- › the five-year project involves works scheduled on a yearly basis, which focus on:
- › the general renovation of the entire complex;
- › the creation of a separate entrance to the old museum, in an effort to relaunch communications beyond the production site by organising new tours of the factory;
- › the rationalisation of operations and transit of materials;
- › raising the overall safety of activities by reorganising building premises, transit zones and handling areas in the factory.

Raising the overall safety of activities by reorganising building premises, transit zones and handling areas in the factory.

The project is all the more complex as, besides the type of works to be performed, operations will be continuing throughout the project period.

The general project is divided into five working stages. So far two new power stations and a new air compressor system have been built and 12,000 m², or approximately 20%, of building premises have been demolished. The electricity network has also been rationalised with the decommissioning of the old, outdated electrical rooms and the construction of new power rooms. Safety works were completed ahead of schedule to refurbish and secure the buildings and facilities and ensure their immediate fitness for use, involving, for instance, the complete upgrade of the fire sprinkler system.

The project has also enabled some 2,000 m² of Eternit roofing to be removed so far, with the remainder scheduled to be removed, in compliance with regional legislation.

At present, construction work is underway on a new goods dock. Work has yet to start instead on the construction of a new central warehouse, on the renovation of the museum, showroom and internal areas open to the public, on infrastructure works for manufacturing logistics (a tunnel connecting production areas) and on the installation of a new sewer network.

The project is scheduled to be completed by the end of 2013, and will cost a total of around EUR 12.5 million.



Photo: Area plan of the Mandello del Lario production site

6.4 Reducing emissions of CO₂ and other pollutants

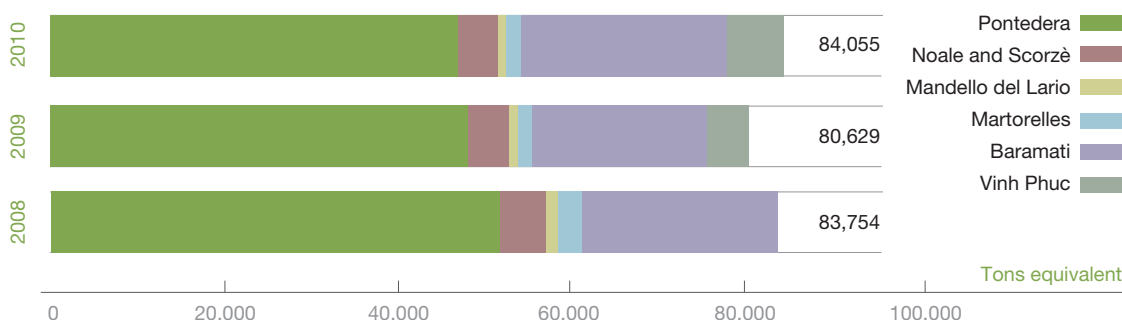
Emissions of CO₂ and Volatile Organic Compounds (VOCs), released by solvents used in painting operations, are some of the most hazardous substances for air pollution generated by automotive companies.

Although emissions of these pollutants have decreased considerably in the last few years, the use of technologies with less impact on atmospheric pollution and on water resources is being evaluated. In particular, the feasibility of automating the painting line and combining it with a recirculation system for reducing airborne VOCs is currently being studied. In 2010 special robots were introduced into the three-wheeler painting workshop in Pontedera that have not only improved application methods, but also enable savings in the amount of paint sprayed (currently being quantified).

Structural works performed in 2008-2009, already described in previous corporate social responsibility reports and consisting of the replacement of the two main boilers at the Pontedera site in 2008 (reducing their potential from 70 MW to 31 MW) and the refurbishment of the two central heating units and compressor rooms at the Mandello del Lario site, have once again in 2010 led to an appreciable reduction in energy consumption per operating hour.

We also report that almost all the forklifts used in our Italy production sites are electric, minimising the amount of air pollution produced.

Piaggio Group CO₂ emissions



CO₂ emissions of Piaggio Group production sites

Tons	CO ₂ from sources	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total
2010	direct ³	13,295	910	364	77	5,009	1,294	20,949
	indirect ⁴	33,567	3,597	628	1,663	18,443	5,208	63,106
2009	direct ³	13,653	895	309	73	4,716	714	20,360
	indirect ⁴	34,619	3,673	712	1,782	15,125	4,358	60,269
Change 2010-2009	direct ³	-2.6%	1.7%	17.8%	5.5%	6.2%	81.2%	2.9%
	indirect ⁴	-3.0%	-2.1%	-11.8%	-6.7%	21.9%	19.5%	4.7%
2008	direct ³	14,272	1,093	452	209	5,443	-	21,469
	indirect ⁴	37,679	4,002	944	2,674	16,986	-	62,285

3_ CO₂ emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG.

4_ CO₂ emissions deriving from the consumption of electricity.

VOC emissions of Piaggio Group production sites⁵

Ton	Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total
2010	122	-	-	17.5	466	82.6	688.1
2009	161	-	-	42	372	36	610
Change 2010-2009	-24.2%	-	-	-58.3%	25.3%	129.4%	12.8%
2008	180	-	-	47	274	-	502

5_ Reported data are also based on processing using estimates.

Conversion criteria from the “Emission Trading”⁶ directive (Directive 2003/87/EC) were used to estimate diesel fuel, fuel oil and methane. The conversion factor in the literature (3.2 tco₂/toe₁) was used instead to calculate the CO₂ deriving from electricity.

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

Monitoring and reporting of CO₂ emissions from the plant are governed by a specific Group procedure, which is audited periodically by the company, and annually by a certification body.

A table summarising CO₂ emissions from the Pontedera production site for the year 2000 onwards is given below. Since 2005, amounts have been certified by a verification body accredited by the National Competent Authority (NCA).

Year	2000	2001	2002	2003	2004	2005 ⁸	2006 ⁸	2007 ⁸	2008 ⁸	2009 ⁸	2010 ⁹
CO ₂ tons equivalent	18,960	17,249	14,518	15,834	15,116	16,879	15,561	15,032	14,272	13,653	13,295

6_ENEA report on relations with regions: <http://enerweb.casaccia.enea.it>

CO₂ emissions from direct sources⁷ (Emission Trading Directive) at the Pontedera site

7_CO₂ emissions deriving from the combustion of methane, natural gas and diesel fuel.

8_Certified quantities authorised by the NCA.

9_At the date of publication of this report, certification procedures are underway for the 2010 figure.

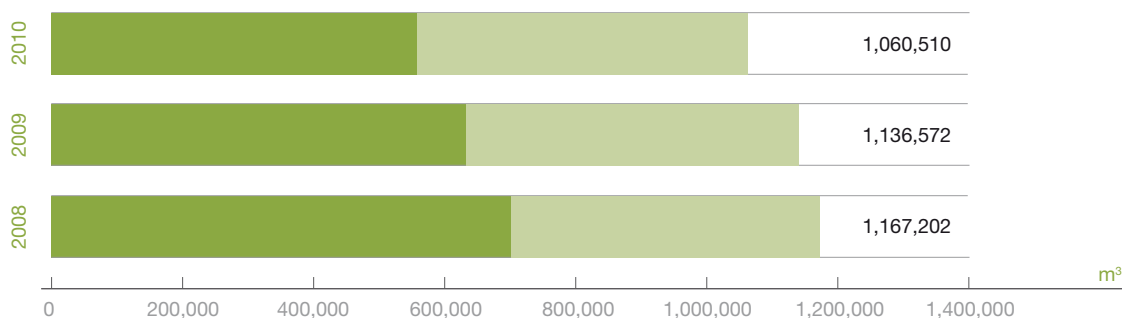
6.5 Conserving water resources

Piaggio has always recognised the immense value of the natural resources it uses and has developed production processes designed to reduce water consumption. At the Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop, which have enabled water consumption to be reduced significantly over the years.

Structural works performed in the past together with optimised management have enabled water consumption to be minimised, for which it is unlikely that any further, significant reductions can be achieved.

As concerns our Asian production sites, the sharp increase in water consumption at our Vietnamese plant was due to facilities reaching full operation in 2010, while in Baramati, the production site improved, albeit by little, its performance, despite an increase in production.

Piaggio sources its water supplies from wells or from the public water distribution system.



Piaggio Group water procurement

Water from the mains
 Water from wells

Water procurement of
Piaggio Group production
sites

(m ³)		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total
2010	Water from wells	466,785	13,378	73,634	7,499	-	-	561,296
	Water from the mains	66,415	7,318	1,705	3,584	357,918	62,274	499,214
	Total	533,200	20,696	75,339	11,083	357,918	62,274	1,060,510
2009	Water from wells	537,778	3,540	85,402	7,204	-	-	633,924
	Water from the mains	73,561	10,267	2,569	4,928	370,890	40,433	502,648
	Total	611,339	13,807	87,971	12,132	370,890	40,433	1,136,572
Change 2010-2009	Total	-12.8%	49.9%	-14.4%	-8.7%	-3.5%	54.0%	-6.7%
2008	Water from wells	586,283	1,771	89,897	19,143	-	-	697,094
	Water from the mains	65,956	14,822	2,415	5,149	381,766	-	470,108
	Total	652,239	16,593	92,312	24,292	381,766	-	1,167,202

As regards waste water, environmental respect is ensured with processes to treat and purify waste water. In concrete terms, the Pontedera site is working on a system for collecting storm water run-off in areas that are potentially polluted, which will be presented to public authorities and built in 2011.

The introduction of the system will depend on the decision by public authorities of which treatment plant is to receive the waste water, which will enable the completion of works to separate “non-industrial” and “industrial” sewage in part of the production site’s sewer network.

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

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

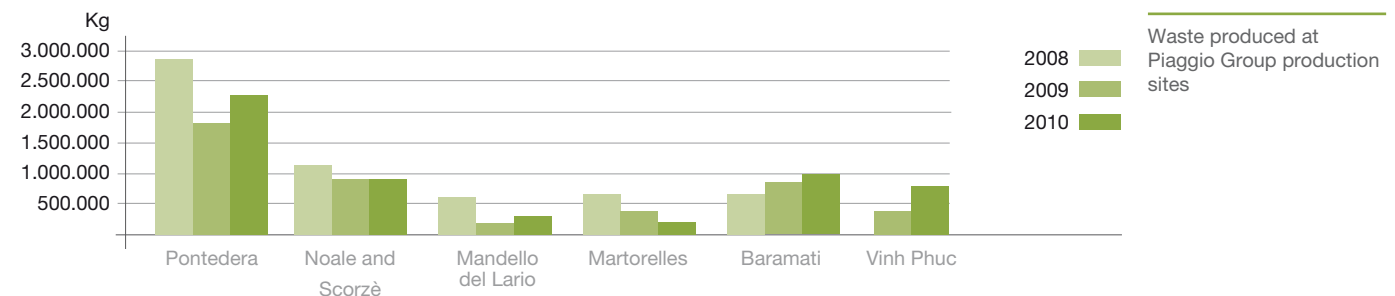
6.6 Biodiversity

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

6.7 Waste handling and recovering

Where possible, the Piaggio Group chooses to recover rather than dispose of waste. The Company is also committed to using environmentally compatible processes and technologies that can reduce the production of waste. Production sites with a certified environmental management system have specific procedures in place to facilitate waste disposal and recovery, thus avoiding operations that are harmful for the environment or that may affect activities.

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



Waste produced (kg)		Pontedera	Noale and Scorzè	Mandello del Lario	Martorelles	Baramati	Vinh Phuc	Total
2010	Total waste	2,259,493	924,283	360,950	248,091	1,008,300	832,155	5,633,272
	Hazardous	404,651	33,419	10,020	16,965	500,114	337,667	1,302,836
	Non-hazardous	1,854,842	890,864	350,930	231,126	508,186	494,488	4,330,436
	For recycling	1,898,264 84.0%	845,630 91.5%	359,590 99.6%	149,771 60.4%	599,400 59.4%	274,488 33.0%	4,127,143 73.3%
	For disposal	361,229 16.0%	78,653 8.5%	1,360 0.4%	98,320 39.6%	408,900 40.6%	557,667 67.0%	1,506,129 26.7%
2009	Total waste	1,787,318	925,068	199,582	417,577	865,698	447,844	4,643,087
	Hazardous	286,198	46,793	6,782	46,469	149,383	284,520	820,145
	Non-hazardous	1,501,120	878,275	192,800	371,108	716,315	163,324	3,822,942
	For recycling	1,520,840 85.1%	779,984 84.3%	193,502 97.0%	316,828 75.9%	488,974 56.5%	219,844 49.1%	3,519,972 75.8%
	For disposal	266,478 14.9%	145,084 15.7%	6,080 3.0%	100,749 24.1%	376,724 44.5%	228,000 50.9%	1,048,543 24.2%
Change 2010-2009	Total waste	26.4%	-0.1%	80.9%	-40.6%	16.5%	85.8%	21.3%
2008	Total waste	2,835,411	1,165,875	617,892	656,545	681,560	-	5,957,283
	Hazardous	368,141	23,397	40,162	134,479	119,100	-	685,279
	Non-hazardous	2,467,270	1,142,478	577,730	522,066	562,460	-	5,272,004
	For recycling	2,475,892 87.3%	1,089,678 93.5%	609,006 98.6%	435,204 66.3%	347,100 50.9%	-	4,956,880 83.2%
	For disposal	359,519 12.7%	76,197 6.5%	8,886 1.4%	221,341 33.7%	334,460 49.1%	-	1,000,403 16.8%

Waste produced at Piaggio Group production sites¹⁰

¹⁰ Reported data are also based on processing using estimates. The classification of hazardous and non-hazardous waste differs significantly under the different laws applicable in different countries.

Compared to 2009 data, the production of waste rose in 2010. This increase was due partly to higher production volumes and partly to contingent situations at individual sites. At Mandello, for instance, site renovation works enabled the cleaning up and remediation of large areas of the production site, in part no longer used.

In an effort to improve waste management, packing methods have been regulated, as the growing frequency with which goods travel from nation to nation has made the management of packaging-related waste extremely important. In particular, at the Pontedera production site, the greater emphasis placed on the recycling of packaging material is one of the reasons why the site has seen an increase in the waste it produces.

We report that in 2010 no spills or polluting events of significance occurred at any of Piaggio's production sites.

Piaggio Production System: an improvement tool

The Piaggio Group's determination in playing a premier role of importance on the world stage requires the consistent development of all the companies belonging to the Group. Thus the manufacturing division has decided to promote and consolidate a logistics and production system of acclaim and excellence.

The Piaggio Production System (PPS) is the integrated model that has been chosen to achieve such excellence and strive for continuous improvement.

To achieve this goal, our work needs to be based on solid foundations, such as the value of our people. It is indispensable that each and every employee plays a central role in the continuous improvement of the production system. That role is to identify the problems and waste created every day, apply the solutions envisaged with determination, and check that benefits are delivered.

The integrated PPS model consists of methods and tools that are applied to all areas of production with the objective of optimising processes by motivating and involving staff. Those methods and tools are assets belonging to the Company, and their widespread application guarantees the standardisation of all manufacturing operations.

In this way, our final products will be free of defects, in both quality and logistic terms, and wasteful costs, and contain only the value that customers are willing to pay for.

Two systems are in place to support the implementation of the PPS: an audit system to help management roll out the PPS, and a key performance indicator (KPI) system for measuring results against set targets.

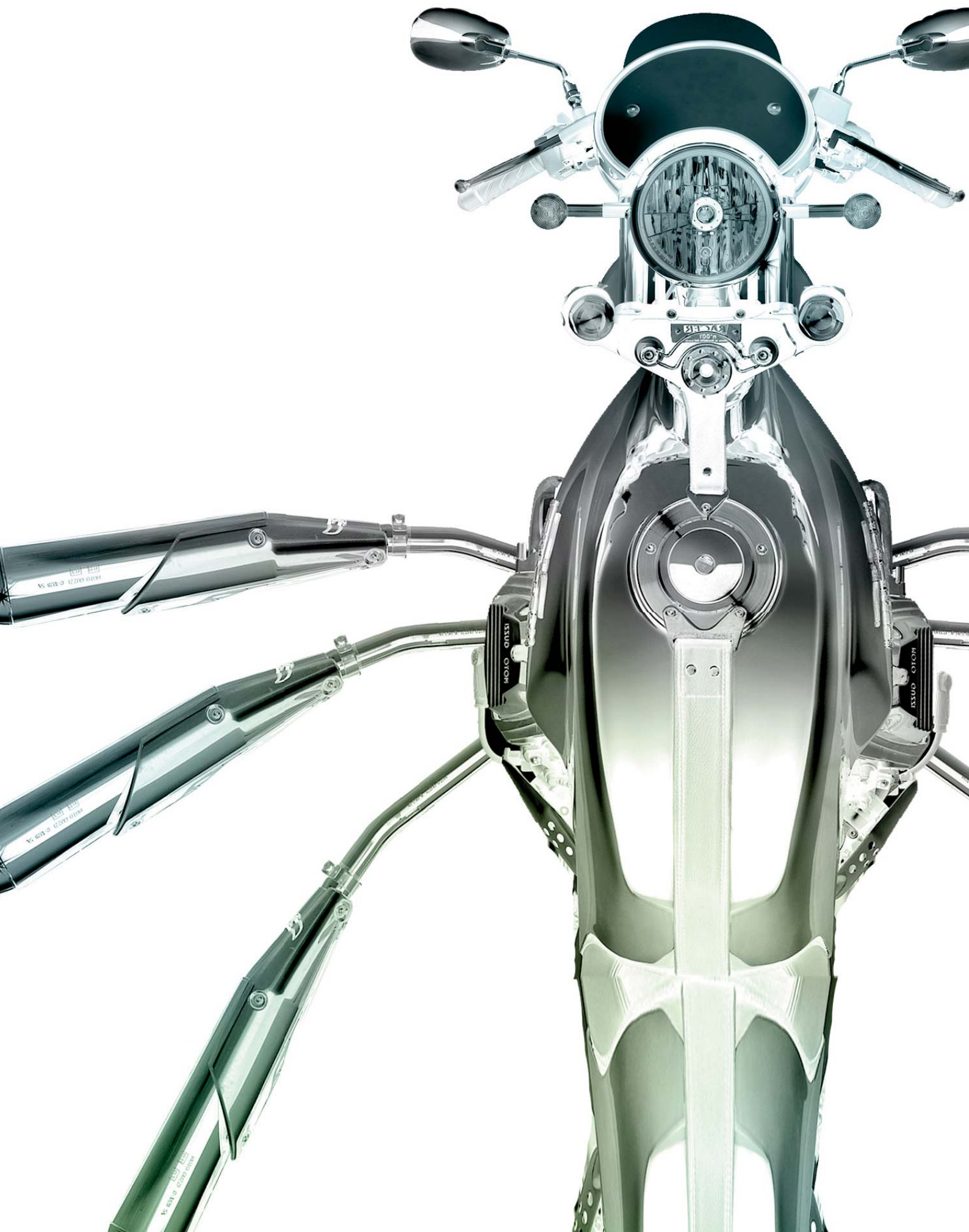
Through the PPS, our manufacturing arm intends to match international best practices to be recognised as a World Class Manufacturer – the very best that any logistics-production system can be.

The objectives and methods of the World Class Manufacturing (WCM) programme fully complement the growth ambitions of Piaggio's manufacturing division by focusing on ways to cut waste (costs), improve quality, raise the safety of products, plant facilities and people, develop human resources and protect the environment.

A number of different initiatives have been adopted to instruct all employees in the PPS:

- › a training programme for all employees and most zone technicians aimed at developing their knowledge of methods and tools, consisting of one hundred days' of training provided by an external consultant;
- › two handbooks, one dedicated to methods and tools, distributed to all the employees of our Italy production sites at the annual manufacturing meeting, the other focused on how the system works, which is currently being distributed. The two manuals are currently being printed in English for our Indian and Vietnamese production sites.





07 THE VALUE OF PEOPLE AT PIAGGIO

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07. The value of people at Piaggio

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

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

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

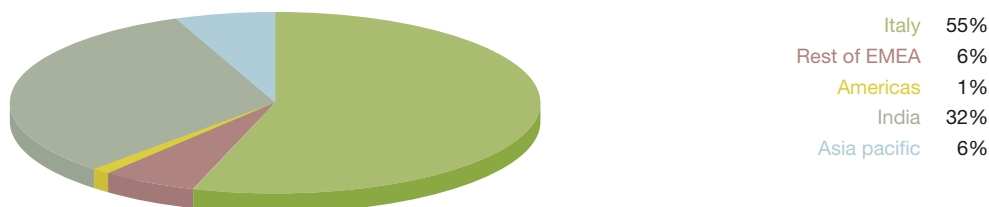
7.1 Workforce

In 2010 the Group's overall workforce grew by 3.1% compared to the previous year. Such growth was mainly due to growing demand in the Indian market, which led the Group to expand its workforce in the country.

Company employees by geographical segment as of 31 December

	2010	2009	2008
EMEA	4,597	4,666	4,830
(of which Italy)	4,138	4,131	4,269
Americas	50	64	68
India	2,400	2,126	1,205
Asia Pacific	482	444	105
Total	7,529	7,300	6,208

Personnel by geographic segment – 2010



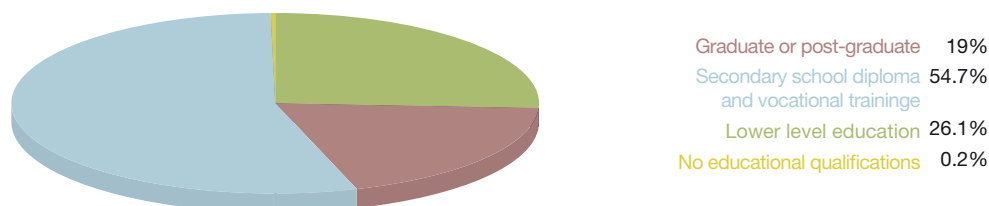
1_Data for Pontedera include employees at the other Italian offices of Piaggio & C in Milan and Rome.

In 2010, in Italy, the Company employed 3,195 people at Pontedera¹, 831 at Noale and Scorzè and 112 at Mandello del Lario, the legendary production site of Moto Guzzi.

Company employees by qualification as of 31 December

	2010	2009	2008
Executives	107	109	112
Middle Management	487	441	430
White collars	2,076	2,063	1,995
Blue collars	4,859	4,687	3,671
Total	7,529	7,300	6,208

Company employees by education level as of 31 December 2010



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

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

	2010	2009	2008
Executives	109	111	111
Middle Management	465	433	429
White collars	2,088	2,039	1,967
Blue collars	4,939	4,565	4,797
Total	7,601	7,148	7,304

Average number of
Company employees by
professional category

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

A turnover rate of 4.4% was recorded in Italy in 2010.

Staff as of 31 December 2010 ²		Leavers						Turnover
		Total	Male	Female	<30	30-50	>50	
Executives	83	10	9	1	-	3	7	12.0%
Middle Management	227	16	13	3	-	13	3	7.0%
White collars	1,104	36	30	6	3	25	8	3.3%
Blue collars	2,711	119	106	13	2	19	98	4.4%
Total	4,125	181	158	23	5	60	116	4.4%

Company employee
turnover in Italy as of 31
December 2010

² The data does not include
fixed-term contracts and
special "work-entry" contracts.

7.2 Personnel management policies

The central importance of human resources and the development of core competencies for the growth of our business represent the underlying foundations of our relationship with our employees, shaping company policy for the placement, development, training and rewarding of staff. In 2010 the policies were reviewed and updated.

Recruitment and internal mobility

The Group seeks to attract and retain in the company people with the best skills for our business. It also encourages internal mobility across roles, situations and functions in order to make the most of the competencies available and speed up the development of individual capacities and potential.

Reviews

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

- › performance
- › managerial and professional competencies
- › potential

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

Career development

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

Training

To promote the growth of core competencies, training is provided for all roles, levels of responsibility,

professional groups and individuals who are motivated to improving their own professional value in keeping with the growth of business and the corporate culture.

Rewards

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

Communication and engagement

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

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

Diversity and equal opportunity

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

Industrial relations

Workers and their representatives are encouraged to contribute to the pursuit of the company's objectives, while promoting the underlying values of the company and its competitive standing.

Competitive organisation

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

In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.

Piaggio does not promote child or forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

7.3 Diversity and equal opportunity

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Asia, the Americas and Europe. For Piaggio, managing diversity means acknowledging and respecting difference as part of the shared substratum of company culture.

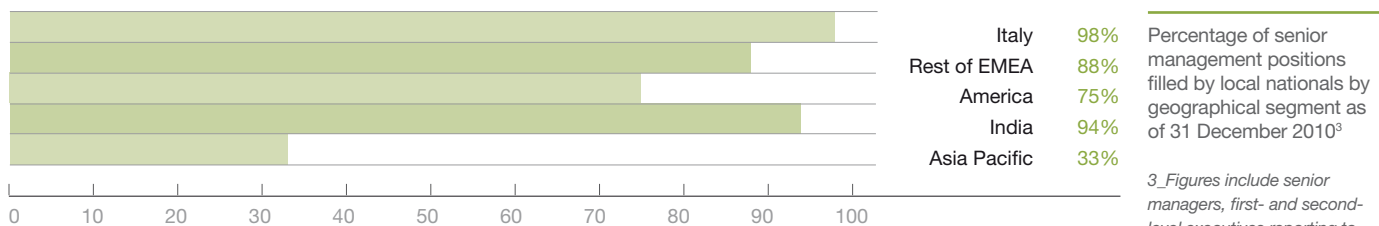
The company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international spirit and a truly multinational organisation in which all employees can benefit from equal opportunities.

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

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

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

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



Percentage of senior management positions filled by local nationals by geographical segment as of 31 December 2010³

³ Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C. SpA, and the first- and second-level executives of subsidiaries.

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

Equal opportunities are offered to both the sexes, with concrete initiatives in place to help people strike a work-life balance. Such initiatives include:

- › the introduction of flexible employment contracts, alongside full-time contracts;
- › arrangements with nurseries.

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. In agreement with trade union organisations and laws in force, which require companies to employ a certain number of people with disabilities, the Company has also forged alliances with social cooperatives, convinced that work can contribute to personal development.

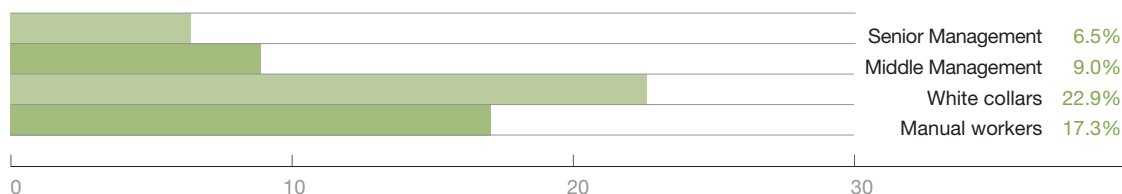
The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

The company's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect diversity within the Company.

7.3.1 Female employment

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

Percentage of women accounting for the workforce in 2010



Male and female employees by geographical segment as of 31 December

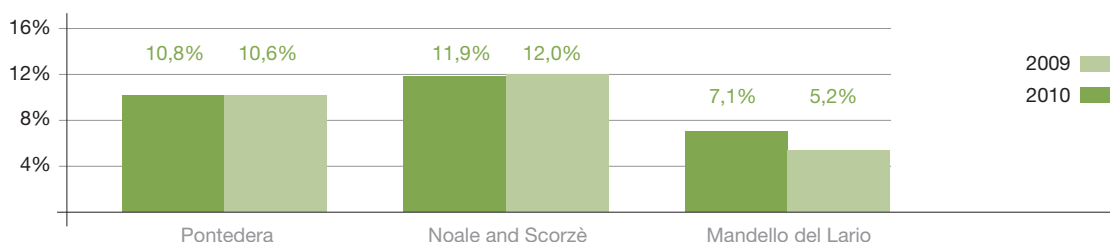
	2010		2009		2008	
	Male	Female	Male	Female	Male	Female
EMEA	3,359	1,238	3,485	1,181	3,670	1,160
(of which Italy)	2,992	1,146	3,050	1,081	3,206	1,063
Americas	34	16	45	19	49	19
India	2,383	17	2,104	22	1,190	15
Asia Pacific	385	97	360	84	77	28
Total	6,161	1,368	5,994	1,306	4,986	1,222

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

	2010		2009		2008	
	Fixed-term contract	Open-ended contract	Fixed-term contract	Open-ended contract	Fixed-term contract	Open-ended contract
EMEA	16	4,581	20	4,646	31	4,799
(of which Italy)	13	4,125	20	4,111	27	4,242
Americas	0	50	1	63	2	66
India	1,260	1,140	866	1,260	312	893
Asia Pacific	1	481	134	310	-	105
Total	1,277	6,252	1,021	6,279	345	5,863

Piaggio's aim over the next few years is to increase its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years and are becoming increasingly popular with employees. In 2010, 451 employees were working an alternative to full-time hours in Italy. In particular, 3.7% of the work force was employed on a part time contract, and 7.2% on a job share contract. The promotion of part-time and job share contracts in Piaggio has undoubtedly helped working mothers who want to spend more time bringing up their children or on family commitments.

Part-time employment in Italy as of 31 December



7.3.2 Young employees

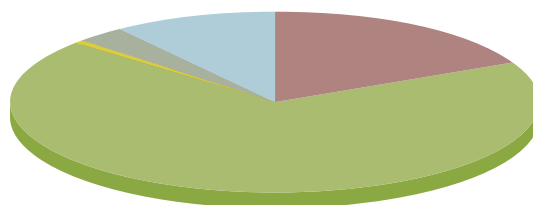
Most Company employees are in the 31 - 40 years age bracket and this is a fundamental condition for more expert staff, capable of taking the initiative and handing down the skills they have learnt, to disseminate their knowledge and expertise to younger, enthusiastic employees.

		up to 30	31-40	41-50	> 50	Total
2010	Executives	-	12	48	47	107
	Middle Management	2	172	197	116	487
	White collars	496	796	469	315	2,076
	Blue collars	1,672	1,326	927	934	4,859
	Total	2,170	2,306	1,641	1,412	7,529
2009	Executives	-	17	48	44	109
	Middle Management	3	149	182	107	441
	White collars	471	806	464	322	2,063
	Blue collars	1,633	1,256	912	886	4,687
	Total	2,107	2,228	1,606	1,359	7,300

Company employees
by age bracket as of 31
December

2010	up to 30	31-40	41-50	> 50
EMEA	283	1,508	1,441	1,365
(of which Italy)	220	1,350	1,298	1,270
Americas	10	21	13	6
India	1,481	702	180	37
Asia Pacific	396	75	7	4
Total	2,170	2,306	1,641	1,412

Company employees
by age bracket and
geographical segment as
of 31 December 2010



Italy	10%
Rest of EMEA	3%
America	0.5%
India	68.5%
Asia Pacific	18%

Breakdown by
geographical segment of
employees aged under 30

Piaggio Vietnam: a young company made of young people

In June everyone at the Vinh Phuc factory celebrated together the first anniversary of Vespa production in Vietnam.

In November they all came together again – managers, office staff and workers – for the “Outdoor Days” event: four days in the wonderful setting of the V-resort Hoa Binh, sixty kilometres from Hanoi, dedicated to team work, sport, debates and races. The mixed programme of work and entertainment was organised to foster motivation, build team spirit, encourage ideas and contributions, and encourage interdepartmental relations and cultural integration.

In tribute to local traditions, an unforgettable “fire ceremony” was held, involving a big bonfire at the close of the event. As Quan Pham Hong, head of personnel at Piaggio Vietnam, explains, “The bonfire has an auspicious meaning. Fire keeps negative energy away and fosters closer relations between people. In Vietnam we believe that fire is a symbol of good luck and represents one of the two elements (the other being water) from the creation of the world.” These events all symbolise the model of human resources development and integration pursued by Piaggio Vietnam.

Cultural integration between Italy and Vietnamese colleagues is one of the overriding strengths of

the Group's youngest company, where operations began in June 2009.

The company also has a young workforce of over four hundred employees, where 80% are aged between twenty and thirty years (reflecting Vietnamese society itself, where over a third of the country's eighty million people are under twenty years of age). Education levels are also high, with 62% of employees holding technical-professional qualifications, and 38% holding university qualifications.

Human resources play a key role in the development of a business, especially in the start-up stage, representing the true critical factor for success. In Piaggio Vietnam, the recruitment, management, training and development of human resources has been organised, in concert with Italian headquarters, to support business growth by developing the competencies of people, creating the conditions for local managers to emerge, and facilitating the integration of Italian and local management, while preserving cultural diversity.

In this way an organisation has been built, able to boost the company's competitiveness and make decisions fast, in keeping with the development rate of one of the most dynamic countries in Asia.

7.3.3 People with disabilities

In 2010, 167 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the graph shows that people with disabilities account for 4% of the total work force at Pontedera and Mandello del Lario.

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

	2010				2009				2008			
	Middle Mng	White collars	Blue collars	Inc.% su tot dip.	Middle Mng	White collars	Blue collars	Inc.% su tot dip.	Middle Mng	White collars	Blue collars	Inc.% su tot dip.
Pontedera	1	11	141	4.8%	1	11	142	4.9%	2	13	143	5.1%
Noale and Scorzè	1	-	8	1.2%	1	-	9	1.3%	1	2	11	0.5%
Mandello del Lario	-	-	5	4.5%	-	1	6	5.2%	-	2	8	0.3%
Total	2	11	154	4.2%	2	12	157	4.1%	3	17	162	4.3%

7.4 Developing human capital

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

The Group's managerial competencies model

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

This model is touchstone of reference for the entire Group for the development of the company culture and the growth of our people.

The Group's managerial
competencies model



The Group's professional competencies model

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results.

For this reason, Piaggio has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.

In 2010 Piaggio conducted an in-depth review of the system, identifying professional competencies, roles and career paths.

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

Reviews

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

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

Review outcomes are directly shared and discussed by reviewers with the people they review, and may form the basis of a development and training plan.

Employees are reviewed by comparing their competencies, as evidenced by concrete and observable action in their everyday work, with the company's competencies model. The review process is managed in an integrated way, and provides the information necessary for full management reviews and a gap analysis of professional competencies, which are conducted uniformly across the Group.

Performance reviews are conducted using specific tools in relation to the employee's role and responsibilities in the company. In particular:

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

In both cases, performance reviews affect development paths and career opportunities, as well as rewards (see section 7.4.2).

Percentage of employees that received regular performance and career development reviews in 2010⁴

	Italy	Rest of EMEA	America	India	Asia Pacific
Executives	100%	100%	100%	100%	100%
Middle Management	100%	100%	100%	100%	100%
White collars	5%	44%	0%	100%	100%
Blue collars	0%	0%	NA	100%	100%

4_In 2010 performance reviews for employees in Italy, the rest of the EMEA area and Americas were suspended pending the introduction in early 2011 of new tools for assessing performance and potential career development.

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

Development paths

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

- › development plans, which identify the action to be taken for the growth of the employee;
- › job rotation and participation in strategic or international projects;
- › management and professional training (see section 7.4.1)
- › Piaggio Way - the talent management programme (see section 7.4.3)

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level.

7.4.1 Training

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

The priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focused on competitive excellence (see section 7.4).

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

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

In 2010 a Piaggio management course catalogue was drawn up and introduced. The catalogue features training courses targeted at the different professional levels of the company, and formed the basis of an analysis of training needs for 2011.

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

In 2011 the Piaggio *professional training* catalogue will be completed and introduced, with the aim of better organising and facilitating access to training of this kind.

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

Strong emphasis was placed on training in 2010, with 64,927 hours of training provided to all employees across the Group, approximately equal to an entire day's worth of training per capita.

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

As concerns Italy, in 2010 33,667 hours of training were provided, a 120% increase on the 15,242 hours provided in 2009, distributed across all segments and training areas.

Thematic area	Hours provided in 2010
Managerial training	25,546
Technical – professional training	17,968
Linguistic training	14,145
Safety and environmental training	7,268
Total	64,927

Total hours of training
by training area

Total training hours per professional category

Professional category	Hours provided in 2010
Executives	783
Middle Management	3,591
White collars	46,279
Blue collars	14,163
Project workers	111
Total	64,927
Total per-capita	8.6

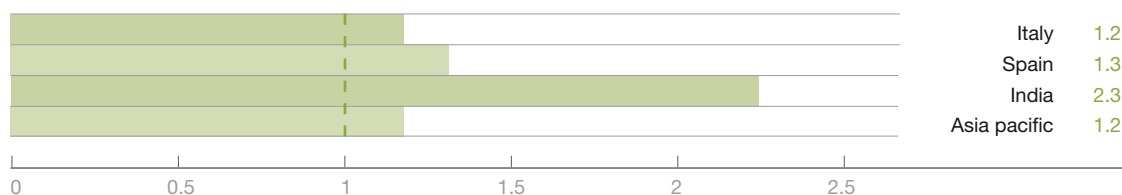
7.4.2 Reward policies

Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are transparent and used in review processes (see section 7.4). The Group reward system is differentiated for the different professional groups in the company, and consists of a salary component, an objective-based incentive system and benefits. More specifically, rewards are contemplated for executives, managers, professionals, new graduate recruits and people participating in talent management programmes.

Salary packages

Piaggio offers new recruits and all its employees a salary package in line with the best market practices.

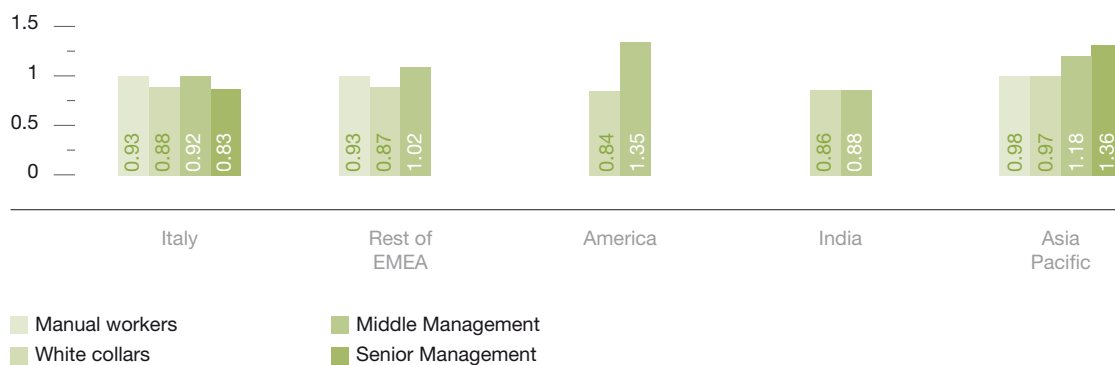
Ratio of standard minimum salaries for new recruits to the local statutory minimum wage in the Group's major production plants⁵



⁵ Figures include all blue-collar workers on open-ended, full-time contracts at all Group production sites. Operations in Americas and countries in the rest of the EMEA area do not employ blue-collar workers.

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

Ratio of average basic salaries for women to average basic salaries for men of the same category⁶



⁶ Figures for Asia-Pacific do not include expatriate staff, which are included in figures for Italy. Categories not reported in individual geographic segments do not have any women employees.

Objective-based incentive systems

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

- › MBO for executives
- › Performance Management for managers

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

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

Benefits

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

- › company car;
- › private health insurance.

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

Piaggio's contribution to the economic development of Baramati

We are in the Pune district of the state of Maharashtra. Less than two kilometres from the local airport stand the white factory buildings of Piaggio Vehicles Private Limited (PVPL), the Piaggio Group's Indian subsidiary. Established in 1998 to manufacture and distribute Piaggio's commercial vehicles in India and nearby markets, the factory has been fundamental for the economic and social development of Baramati, raising the living standards of the local community and territory. Every Piaggio worker owns at least one two-wheeler to get about and the majority of the employees own their own apartment.

The children of Piaggio employees all go to good local schools where they study English, and have the opportunity to continue onto higher education and find skilled employment. PVPL is today the undisputed leader of the passenger and cargo segments of the market, growing year after year at strong rates.

The passion and dedication of over two thousand PVPL employees has been, and still is, key in determining the success of the company, the jewel in the crown of the Piaggio Group.

Mr Ravi Chopra, Chairman and Chief Executive Officer of PVPL explains that "People are the fundamental asset of a company. Ever since the opening of the company in 1998, building a human resources strategy has been a priority. The intention was and is to boost performance, train people to lead motivated teams, and build an organisation that reflects the strategic priorities of the company. Our success is based on the widespread take up of our values: far-sightedness, team work, integrity, customer care, passion for excellence, commitment to continuous improvement, responsibility, communication and trust. It all began with a dream that required determination, passion and a will to grow. A vision that was shared with all our employees, who made it their own, channelling the energy present in the company in the same direction. The ongoing quest for this shared vision has inspired and raised our performance, enabling us to achieve our current successes and, I am sure, to take on the new, complex challenges of tomorrow."

PVPL's human resources division supports management in "translating" the company's values into a series of numerous initiatives and actions. In terms of employee care, the Employee Assistance Programme works to improve the health and welfare of our people, reduce absenteeism and raise their involvement and sense of belonging. "Igniting Minds" is instead an annual careers guidance programme

for assessing the aptitudes and interests of our employees' children. Regular workshops are also organised to encourage a work-life balance. On top of all this, awards and prizes are assigned to reward the best employees, local feasts and traditions are celebrated (such as Diwali, the "festival of lights"), and awareness-raising days are dedicated to children, women, the environment and sport. A strong focus is also placed on communication. The V-Speak forum and a dedicated e-mail address allow employees to contact management directly, while the in-house magazine "Miles & Smiles" provides information on company activities and gives visibility to people and teams.

PVPL is similarly committed to its corporate social responsibility towards the community, which is focused on four areas: safety (in terms of both workplace safety and road safety), education, social welfare and the environment.

As concerns the environment, Piaggio has planted some one thousand trees on and around the grounds of the Baramati production site, and is very active in water conservation. Its waste water treatment facility purifies water, which is then used to irrigate the company's gardens and lawns. Furthermore, every year PVPL donates to nearby villages chassis cabs with tippers which are used for waste collection, thereby promoting a cleaner and healthier environment.

7.4.3 Talent Management: Piaggio Way programme

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

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

- › high selection bar to be included and to remain in the programme;
- › overriding focus on managerial competencies, performance and potential;
- › fast-lane approach to developing management skills and internationalisation.

Talented people placed on the programme fall into two categories:

- › Young Talent: young people with high potential, who have been with the company for more than one year;
- › Managerial Talent: young managers with financial and operating responsibility.

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

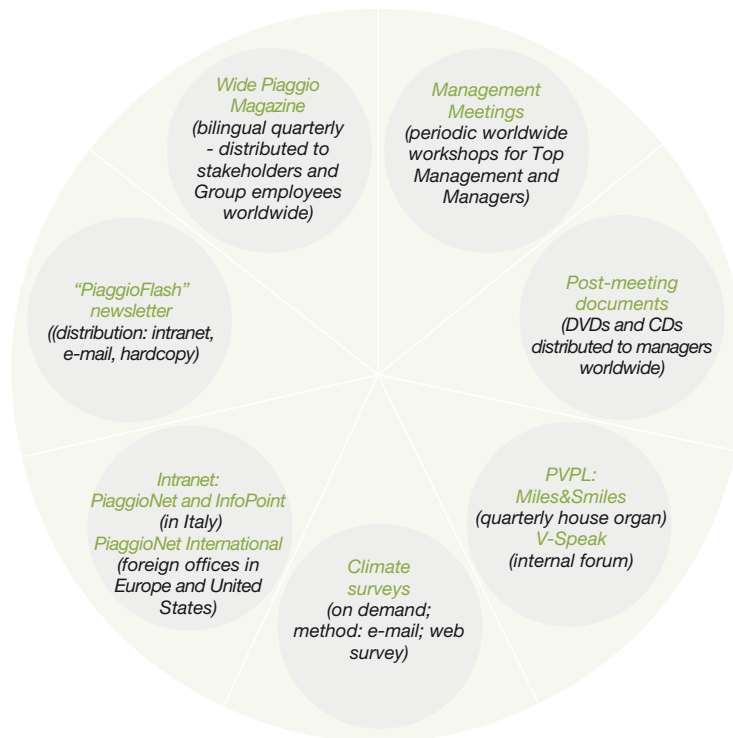
- › job rotation;
- › strategic and international projects;
- › events involving top management;
- › coaching;
- › personalised training.

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

7.5 Personnel dialogue and involvement

Piaggio's communication and dialogue policy aims to create a two-way dialogue between the Company and people to convey and make clear to everyone messages and information that are fundamental for understanding the Company's direction and objectives, and for listening to people. The goal is to

establish and improve employee motivation over time, so that everyone channels their energies in the same direction as that of the Company. In this framework which integrates different social and cultural contexts, numerous two-way, top-down and bottom-up communication tools are used.



Piaggio Group's internal
communication tools

Two-way communication tools include:

- › **"PiaggioNet" Intranet:** the portal provides information, such as an on-line daily newspaper with company news and current affairs, including reports sent in by Italy and international staff, and services for employees, including, for instance, managing working hours and transfers, organisational instructions and user manuals, a staff market, vehicle and merchandise prices, institutional and product press releases, photo gallery of product ranges and events, a daily press review, etc. In 2010, the Group's Intranet portal published over 700 news items on its home page, and had over 50,000 hits.
- › **Piaggio InfoPoint:** web points, which may be accessed by blue collars using their Company badge, to log on to the "PiaggioNet" Intranet and use its services (reading news, checking labelling, sending messages to Company contacts, etc.).
- › **PiaggioNet International** the most recent development of the Company Intranet, with contents and news published in Italy and English, for employees of the Group's European and US sites. Plans have been made to extend the PiaggioNet International service to the Group's Asian sites.
- › **Web Mail service:** a Company messaging system to promote bottom-up communication among employees and Top Management. All Piaggio employees may send messages to Function Managers and receive replies in their personal web inbox.
- › **V-Speak:** an in-house forum dedicated to our Indian employees, designed to encourage open, transparent communication within the organisation. The forum gives people the chance to learn more about the organisation, express new ideas, and share experiences and best practices.

Top-down communication tools include:

- › **Wide Piaggio Magazine:** a bilingual in-house magazine published quarterly and distributed worldwide to employees in all Group plants.
- › **PiaggioFlash:** a periodic newsletter distributed in all of the Piaggio Group's Italy production plants (in hardcopy and softcopy via e-mail and on the intranet), providing information on promotions

(vehicles and merchandising) reserved to employees and company events. In 2010 fifteen newsletters were published.

- › **Miles & Smiles:** an internal, quarterly magazine for employees at the Piaggio Group's Indian plant, providing information on company activities and giving visibility to people and teams.
- › **Management meeting:** periodic top management workshops with the management team on the general trend of the Group and its main strategies and guidelines. After each workshop a "communication kit" (video and documentation) is prepared and distributed to the heads of functions (in Italy and worldwide), to assist them in deployment meetings with their teams.

Dialogue and bottom-up communication:

- › **In-company focus groups:** periodic focus groups on issues of interest to the Company. In 2010, during the management meeting held at Is Molas (Sardinia) - which brought together 130 managers from 14 nations - a workshop was held with participants working in international and interfunctional teams. The teams discussed the six strategic issues inspiring the theme of the Company convention "2010-2013 Strategic Plan: Key Priorities". The results and proposals made were then presented to top management during a plenary session.
- › **Quick Company surveys:** conducted periodically to obtain employees' opinions on specific issues. In 2010, for instance, on occasion of the Is Molas management meeting, an on-line web survey was conducted to gather feedback on the company event and to elicit comments and suggestions.

Wide – Piaggio Magazine



Launched in March 2010, Wide Piaggio Magazine, the Piaggio Group's new publication, is designed to capture a readership that goes beyond Group employees worldwide to include institutions, the financial community, the media, dealers, and fans of the Group's prestigious brands.

The quarterly magazine is innovative, stylish and lives up to its name with its large, enjoyable format. The focus of publication is on a world without borders, in which the great challenges of sustainable mobility, environmental protection, technological innovation and quality of life will be the future within reach for all people in every part of the planet, from Europe to Asia, to the United States.

Each issue of Wide is dedicated to a different global challenge, the underlying values involved, and the strategic response of the Piaggio Group. The four issues released in 2010 focused a spotlight on the topics of sustainable cities, green mobility, ties between Italy and Asia, the commitment and success of the Group in motorcycle sports, and corporate social responsibility. Two special supplements were also published and released with the magazine. The first was dedicated to the victory of Aprilia in the 2010 World Superbike Championship; the second to the Overland 13 Milan-Shanghai expedition, involving four Porter Electrics.

The bilingual, English-Italian magazine is printed on environmentally certified paper, with a print run of 12,000 copies distributed in over twenty countries. Wide is also available in electronic format in the "Media" section of the corporate web site (www.piaggiogroup.com).

The new magazine has replaced the Group's former in-house magazines (P&Co - Piaggio and Company Group Edition and Piaggiornale), which had been published since 1994.

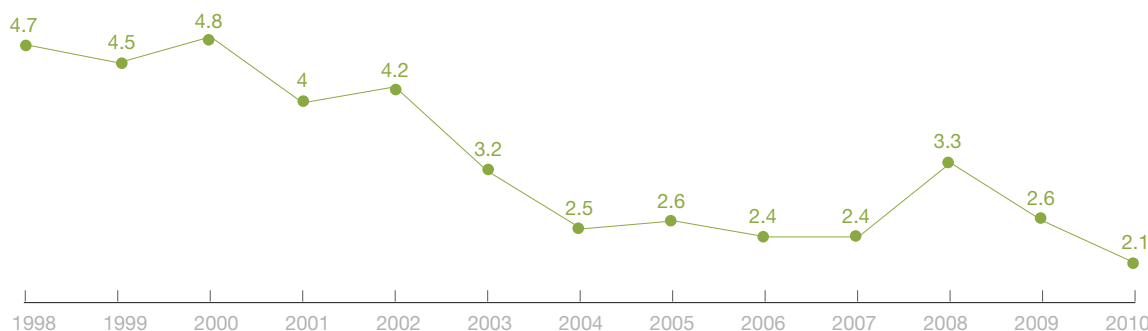
7.6 Health and safety

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

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

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

5_ The accident frequency index, calculated as defined by UNI standards, indicates the number of accidents occurring per one million hours worked, using the formula (number of accidents/ hours worked)*100,000.



Accident Frequency Index
Trend in Italy

In 2010 the accident frequency index in Italy stood at 2.1, showing a further improvement on recent years thanks to a programme of measures aimed at training and informing the categories of workers whose specific accident frequency index is the highest.

The table below shows the accident frequency index between 2008 and 2010 at European production sites.

Group sites	2010	2009	2008
Pontedera	2.4	2.6	3.3
Noale and Scorzè	0.9	1.3	1.7
Mandello del Lario	3.5	1.2	3.3
Martorelles	2.6	2.7	2.0

Accident Frequency Index
Trend in Italy and Spain

A system to trace Company injuries/accidents is available on the Company's Intranet, in order to monitor accident trends. The system also supplies an important Company database which is used to accurately analyse causes of accidents and consequently help identify improvement measures to decrease their frequency and severity.

To guarantee the highest standards of occupational health and safety monitoring and undertaking of responsibilities, Piaggio has established an organisational structure in Italy, which also conforms to relevant laws in force, with seven Employers appointed for Company areas and a group of managers

and designated persons, supported by Prevention and Protection Service Managers and Company Doctors. Moreover, Workers' Safety Representatives are present in all Company areas.

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

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

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

In 2009 additional software applications were developed for:

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

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

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

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

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

7.6.1 Health and safety certification

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

Occupational Health and Safety Management System certification is a particularly effective management tool, guaranteeing that objectives to safeguard and protect the health and safety of everyone working at Company sites are met, and helping to increase competitiveness and cut social costs.

In November and December 2010, the Piaggio Group was audited by the certification company for the purposes of renewing the Group's OHSAS 18001: 2007 (Occupational Health & Safety) certification for the next three years. The outcome of the audit was positive. The audit involved the work of ten auditors, who interviewed Group employees at all levels and inspected documentation. Their verdict confirmed the Group's compliance with BS international standards issued by the British Standards Institute, and added the Mandello del Lario plant to the scope of the certifications, alongside the Pontedera, Noale, and Scorzè sites.

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

7.6.2 Information and Training

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

During 2010, around 6,200 hours of training were given to personnel on accident prevention and occupational health and safety.

Continuing its objective of disseminating knowledge and operating procedures, the Group and Community Intranet platform - "Safety at work" - on the environment, health and safety, has been further developed and updated since 2008. This community, open to all personnel, with different access profiles, includes:

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

A Company brochure on occupational safety and environmental protection for all employees is also available on the Group's Intranet and its purpose is to supplement occupational safety and environmental protection training and information. The brochure refers to relevant laws and persons with responsibility and competencies within the framework of the Company's policy on the prevention and protection of the health and safety of workers. The brochure also identifies in particular general and specific risks of the metal and steel processing industry, and behaviour to limit them.

The need for workers to correctly and continuously use personal protective equipment in order to reduce residual risks that may occur during their work is widely disseminated and acknowledged.

7.6.3 Safeguarding health

Health is promoted through two main areas of action: free testing and information campaigns on healthy lifestyles.

Generally, each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

In particular, the Company Medical Centre is based at Pontedera, where paramedics provide a healthcare service and specialist doctors provide a consultancy service for occupational medicine and specific activities.

As regards healthcare services, the following are guaranteed:

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

Specialist medical check-ups, for dermatological, ophthalmological, pneumological, orthopaedic and ENT referrals.

The Medical Centre has two doctors who are specialists in occupational medicine, for more general activities. These doctors work with designated Company structures to determine and evaluate risks and put in place measures to safeguard the health of workers. They:

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

In 2010, occupational medicine activities involved more than 2,000 check-ups (preventive, routine and non-routine), as well as specific tests, clinical chemistry and biological tests. Some 130 people received flu vaccinations, while 7,000 people received healthcare services.

7.6.4 Workplace ergonomics

During 2010, Piaggio continued its “Workplace ergonomics” activities.

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

In 2010 analyses were completed on four vehicle assembly lines, three engine assembly lines, and two two-wheeler painting line, with remedial action taken where necessary.

The analysis of a further two vehicle assembly lines and three engine assembly lines is scheduled to be completed in 2011.

Piaggio completed over 300 hours of specific training sessions on workplace ergonomics in 2010, involving workers and trade union representatives and workers’ safety representatives.

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

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

Such action bears witness to the progress made in the improvement programme, with the aim of preventing the occurrence of repetitive stress disorders in the upper limbs.

At present the rate of repetitive stress disorders reported is the same as that for the Italian workforce as a whole, which includes people who do not perform repetitive tasks.

7.7 Industrial relations

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

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

In 2010, dialogue continued between the Group and workers’ representatives at a Company level, to find common solutions to the effects on workers of measures taken to meet market needs. A number of trade union agreements were signed to manage complex situations requiring the use of social shock absorbers provided for by law. In this respect, across the Group’s European sites, 100% of workers are covered by collective bargaining agreements.

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

Trade unionisation in Italy

	2010			2009			2008		
	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario
FIOM	435	188	42	438	212	51	481	213	64
UILM	328	1	2	316	1	3	319	2	4
FIM	319	123	28	257	124	29	232	123	32
UGL	81	-	-	68	-	-	65	-	-
CGIL/CISL/UIL	2	-	-	4	-	-	4	-	-
Total member	1,165 (37.5%)	312 (42.7%)	72 (64.8%)	1,083 (35.4%)	339 (39.6%)	83 (62.4%)	1,101 36%	338 37%	100 56%

In Spain, trade unions are present in both Nacional Motor and the Spanish branch Piaggio & C. S.p.A., with representatives elected directly by employees. The trade unions represented in the companies are: UGT, CCOO, CGT, UTIM. Trade union members account for 33% of employees at Nacional Motor, and 27% at the Piaggio branch.

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

In Piaggio Vietnam an executive committee of the company trade union has been elected by the employees of each production unit. Trade union representatives at the company level are supervised by the provincial trade union of Vinh Phuc province. A total of seven trade union representatives, selected at a provincial union meeting, were elected by company employees. To date, no enterprise bargaining agreement has been made, as the executive committee of the company trade union has not activated the bargaining procedure.

In India (PVPL), trade union representatives consist of a mixed board of company employees and non-employees. The union organisation is hierarchically structured and partially consists of company employees. There is a total of sixteen representatives, nine of which (factory delegates) were elected by employees and seven were appointed directly by the external organisation. An enterprise bargaining agreement is in place, made in April 2008.

Trade union representatives consist of a mixed board of company employees and non-employees. The union organisation is hierarchically structured and partially consists of our employees.

Piaggio uses open-ended contracts as its reference model. Considering the difficult situation faced by global markets throughout 2010, the Company also used different types of employment contracts provided for in labour laws at its Pontedera site, so as to reconcile employment stability with flexible production management.

In this context, the Company and workers' representatives conduct an annual review mainly of the following:

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

In 2010, negotiations also addressed the use of social safety net measures, in particular the ordinary wage guarantee fund, which proved necessary due to negative trends in the motorcycle and scooter market.

In 2010, production schedules and falling market demand for some types of product (motorcycles) and Group brands led to the application of the 'solidarity contract' at the Scorzé production site, reducing working hours for all workers there, and to the use of the extraordinary wage guarantee fund for redundant workers at the Mandello del Lario site. Dialogue with the trade unions made it possible to find solutions agreed on by all parties, with trade union agreements signed.

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

In particular:

- › In the case of the ordinary wage guarantee fund, where events are such that the reduction or suspension of operations cannot be postponed, the employer is required to notify trade union representatives of the expected duration of the reduction or suspension and the number of employees affected. If operations are to be reduced by more than sixteen hours, at the request of the employer or the trade unions, a joint review is to be held to discuss the return to normal operating hours and the criteria for distributing work hours. The request is to be made within three days from the notification announcing the reduction/suspension of operations, while the review is to be held and completed within five days from the date of the request. For all other events, trade union representatives are to be informed of the decision to reduce/suspend operations in advance, the reasons why the wage guarantee scheme needs to be used, the expected duration of the measure and the number of workers affected. At the request of either one of the parties, a joint review is to be held to discuss the protection of workers' interests in relation to the business crisis, and is to be completed within twenty-five days from the request for the joint review;
- › In the case of the extraordinary wage guarantee fund, the employer is required to notify trade union representatives and the main provincial trade union organisations for the category of the activation of the procedure, informing them of the reasons for the reduction or suspension of operations, the expected duration of the measure, and the number of workers affected. Within three days a joint review is to be held, which may or may not lead to an agreement being made. Where no agreement is found or there are irregularities in the negotiation process, the procedure for accessing the wage guarantee fund cannot proceed. For companies with more than fifty employees, the negotiation process is to be concluded within twenty-five days.
- › For collective dismissal indemnities, written notice of collective dismissal is required to be sent to trade union representatives and trade associations. Copy of the written notice is also required to be sent to the Provincial Employment Office (or to the regional office if production units in more than one province are affected, or to the Ministry of Labour if more than one region is affected). The notice is required to state the reasons for collective dismissal, the number of both redundant and non-redundant workers and their job profiles, the time-frame for collective dismissal, measures envisaged for minimising the social consequences, and the method for calculating any non-statutory indemnities envisaged by collective bargaining agreements. Within seven days of the notice, trade union representatives and trade unions may request a joint review to discuss alternatives to collective dismissal and social safety measures for reskilling the workers. The review process is to be concluded within forty-five days, with the Provincial Employment Office, or relevant office as indicated above, informed of the outcome by the employer. Where no agreement is made with the trade unions, the Provincial Employment Office will summon the parties for a new review, which is to be concluded within thirty days.
- › As concerns so-called 'solidarity contracts', the law requires that an enterprise bargaining agreement be made with trade unions belonging to the main trade union federations at the national level in order for the social safety net to be activated.

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

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

In Nacional Motor, blue-collar workers are paid variable bonuses on the basis of product quality and absenteeism, whereas for white-collar workers bonuses are based on OPEX and product quality.

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

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

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

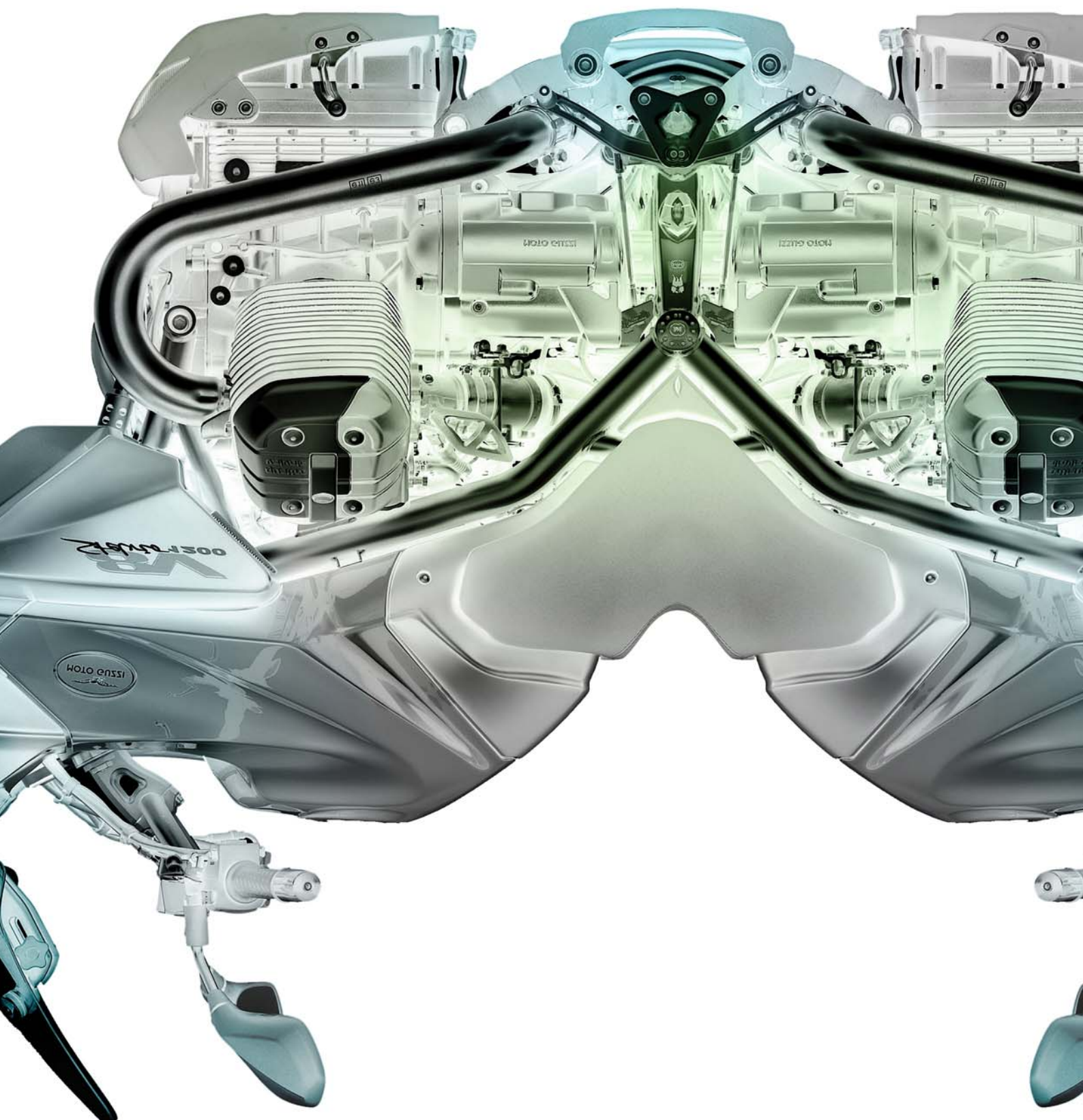
In 2010, on the basis of the work of a mixed committee of workers' representatives and company representatives, as envisaged in the 2009 agreement on childhood services, an agreement was made by the Company and the Union of Valdera Councils, covering fifteen municipalities and thirty-five nurseries. Under the agreement, employees that enrol children under the age of three years in an accredited nursery will be entitled to a monthly contribution of EUR 160.00 or EUR 120.00 (depending on whether the child is enrolled for more or less than four hours a day) towards the fees charged by the nursery.

The Company is 100% committed to the environment and to occupational health and safety, placing the highest priority on prevention. It acknowledges that this objective requires the development and dissemination of a safety culture based on the sharing of and compliance with regulations, which is achieved by taking action in all spheres (technical, organisational, training and behavioural). In this regard, Piaggio recognises the importance of the role and activities of workers' safety representatives at production sites in Italy and Spain, and is committed to their greater involvement and the full implementation of relevant regulations. Although formal agreements on occupational health and safety have not been made with trade unions, the Company encourages regular meetings and training on new regulations and issues of major interest.

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

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





08 CUSTOMERS AND DEALERS

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08. Customers e dealer

8.1 Dealer

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

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

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

Dealer Web Site

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

- › obtain information on promotional and sales methods for the range of products;
- › learn and train their own staff on product maintenance and customer management techniques;
- › access to the management application for technical and sales documentation;
- › learn what customers think of their services.

The tools are normally associated with specific events, such as dealer conventions and engagement panels, to ensure that activities and initiatives translate into customer management methods able to build customer loyalty and develop dealers' reputation on the market.

Dealer Support Service

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

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

A new platform is currently being designed and developed to improve dealer relationship management further by offering input to improve logistic and finance processes, and enabling service levels to be monitored along with network complaint rates, in the same way as for customers.

8.2 Customers

The levers for building enduring customer relationships based on trust lie in the customer engagement tools provided by the Customer Opinion Survey and Customer Service. These engagement tools are used to steer the efforts of the entire organisation, to ensure that the Group's history, tradition and innovation effectively enable customers' expectations to be satisfied.

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

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

Customer Experience

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

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

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

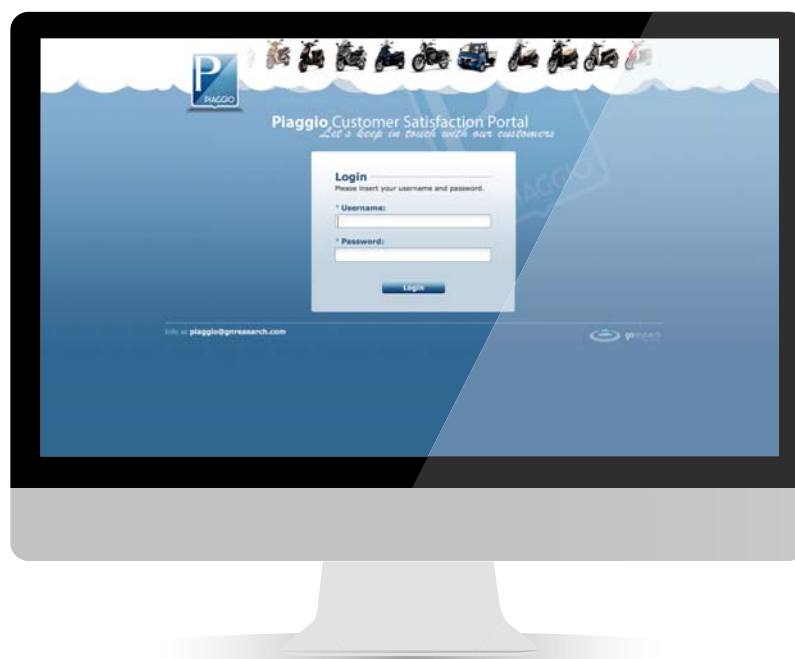
A dedicated customer engagement tool is already up and running throughout the world in the form of a special customer satisfaction portal, which enables customer opinions and feedback to be monitored in real time.

In 2010 around 60,000 customers, 11,000 of which in India and Vietnam, actively participated on the engagement platforms.

Particular focus has been placed on the perceived reliability and quality of the features of our products, such as their robustness, performance, road holding and running costs, in order to provide product innovation and development teams with complementary and supporting information. Such information, paired with technical data from the tests and trials regularly conducted on all our products, is then used to ensure the safety and usability of products.

Measuring effectiveness and identifying international best practices enable the brand and store recommendation levels to be attained through the daily management of business to be set and shared throughout the organisation and with dealers.

Home page of the
Customer Satisfaction
Portal



Thanks to the platform, in 2010 customers' perception to be gauged of the value added by certain innovations and technical upgrades to products and services, enabling responses to be found to satisfy customer expectations and the measurement of their value.

A set of customer satisfaction KPIs is measured regularly every one, two and three years, to build an accurate as possible picture of customer experience. These indicators are instead measured on a monthly and quarterly basis in the case of new products or products which are strategic to the Group, to evaluate market feedback more quickly.

Types of indicators used
by Piaggio to monitor
customer satisfaction

*1_ Quarterly and monthly
measurements refer to new
products or products of
strategic importance for
the Group. For services,
measurements are made
within one month from when
the service was used.*

Indicator	Measurement frequency	Analysis scope			
		Brand	Product	Sale	After-sales
Loyalty (commitment to repurchase)	Annually Every two years Every three years	X	X		
Net Promoter Score Index (word of mouth)	Every three years, every two years, annually, quarterly and monthly ¹	X	X	X	X
Level of importance of individual satisfaction expectations	Annual and quarterly ¹		X	X	X
Distribution of satisfaction levels	Every three years, every two years, annually, quarterly and monthly ¹		X	X	X
Defect rate perceived by the customer	Every three years, every two years, annually, quarterly and monthly ¹		X		
Defect severity	Every three years, every two years, annually, quarterly and monthly ¹		X		

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

Customer service

Customer service, together with the dealer network, represents the most important channel for our relationship with customers. The Group's Contact Center Project operates in a multichannel environment, by contact and customer targets, and also has a virtual on-line space for all main European markets, i.e. Italy, France, Spain, Germany, and Great Britain, as well as for the USA and Vietnam. The project is being started up in India.

In 2010 some 90,000 contacts were managed in Europe, with a further 3,500 in the rest of the world. Problems found in products or services accounted for 19% of calls for assistance, a figure down by 10% on the previous year, confirming how the management of complaints is also an indicator of an organisation's reliability and a driver for improving the effectiveness of processes.

The Group's service levels in its main markets match standards of excellence in the sector, with 90% of calls managed within thirty seconds, and resolution times below forty-eight hours.

Alongside the continuing improvement of service levels, a new CRM platform will be developed, to be shared by the Group and the dealer network, for the joint management of promotions, customer retention initiatives and test rides.

The platform will give access to information contained in the "End Customer Database" for more tailored customer relationship management. In this way initiatives can be targeted and customised on the basis of customer "value", customer history and specific customer requests.

In 2010 the CRM platform was launched in Vietnam, and a web-based customer care service was tested in India. These platforms can process all markets and functions involved in customer management in real time.

The CRM platform is currently being tested in India. Testing is necessary due to the fact that very few manufacturers in India use ***toll free numbers, and those that do introduced them only very recently.

Developing customer care activities is key to the marketing and sales policy of Piaggio Vehicles Private Ltd. and the Company has paid a great deal of attention to devising a number of customer care tools and methodologies for its network, to ensure customer satisfaction. Initiatives run in 2010 included:

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

8.3 Vespa World Club

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

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

In 2006, the Piaggio Group decided to directly oversee the management of Vespa Clubs, to preserve the fleet of vintage Vespas still in circulation and help collectors find and restore vintage scooters and continue to organise rallies and great races in Europe and the world, guaranteeing Vespa owners outstanding-quality events.

So the Group established the Vespa World Club, a non-profit making association, whose aim is to contribute to disseminating Vespa activities, to bring together national and international Vespa Club organisations and people who share a common interest in the Vespa.

In particular the Vespa World Club:

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

In 2010, the Vespa Club organised a number of rallies (with trials held in outstandingly safe conditions) and an international rally organised by a Vespa Club for all Vespa Club members. The most prestigious event was Vespa World Days, held in Fatima, Portugal, where over 6,000 Vespas made a showing, including 2,000 already registered with the club network. The remainder were all “wild card” entries that came to experience the thrill of an official Vespa World Club rally.

The great success was also owed to the Importer which, exhibiting a special range for the event and a great stand, presided over the rally superbly.

Stage after stage, the European Championship has attracted a growing number of participants, which have now been set at a maximum of 100 (plus wild card entries) for logistic reasons.

In 2010 a number of new initiatives were launched, including:

- › the Vespa Trophy, a new tourist trophy bringing together for the first time our European dealers and fan clubs to encourage greater interaction between local dealers and Vespa enthusiasts;
- › a Rally School, held by 2009 Vespa Rally Champion Claudio Federici from Vespa Club Mantova, involving some thirty young pupils who later took part in the European Championship;
- › supervision of the EuroApe meet.

In the upcoming future, the Vespa Club will continue to organise rallies and an exhibition of vintage Vespas.

Vespa World Days 2010: Six thousand gather in Fatima

After Zell Am See in Austria last year, Cefalù in Sicily in 2008, and San Marino in 2007, this year on 1-4 July 2010 it was Fatima that became the stage hosting Vespa World Days, the most important worldwide Vespa meet. Once again this year, thousands of enthusiasts turned out to celebrate the world's most famous scooter.

The four-day event in Portugal attracted over six thousand young and old Vespa enthusiasts from 183 Vespa Clubs from over fourteen different countries, who all turned out to celebrate the values of friendship, adventure and passion that for over sixty years have been associated with the scooter, a worldwide symbol of “Made in Italy” manufacturing. The key moment of the event, as in past years,

was the official Vespa tour, which took off on Saturday morning. Thousands of Vespas took to the road to cover the 105 kilometre route. Departing early from Fatima, the participants toured the city itself before heading off to Bathala, Nazarè and finally Alcobaca.

The famous Portuguese town also set the stage for various events celebrating the legendary scooter, including excursions to nearby localities, visits to local museums, parties, concerts and awards. An extraordinary performance was put on by the Vespa Acrobatic Show, to the thrills and excitement of the Vespa Village. The show saw five “vespisti” perform acrobatics, including fire stunts and jumps, riding a unique vintage Vespa, in tribute to the Piaggio test riders who in the 1950s and 1960s would go out and perform stunts and acrobatics to promote the Vespa.

The first ever Vespa Trophy, the new tourist trophy launched at this year’s Vespa World Days, also met with great success, involving a huge number of Piaggio dealers throughout Europe. A total of 1,027 European Piaggio dealers took part in the initiative, each becoming, in honour of the Vespa, a “check point” for Vespa enthusiasts to visit and collect stamps. The Vespa Trophy 2010 then went to the person with the highest number of stamps. The winners this year were three guys from the “Vespa e Salam” club in San Damiano D’Asti (Italy), who rode over 2,000 kilometres across four different nations to bring home the much coveted trophy.

Departing the event in Portugal, Vespa enthusiasts said goodbye with the promise of “See you again in Oslo” for Vespa World Days 2011.

8.4 Moto Guzzi World Club

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

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

In 2010 the Moto Guzzi World Club focused its efforts on organising a Moto Guzzi Trophy (completely safe time trials of vintage motorbikes and races) and a meeting of the various national and international Moto Guzzi Clubs, and on promoting eight tourist routes in partnership with the Italian Motorcyclists’ Federation (FMI) and Monte dei Paschi di Siena.

The Moto Guzzi World Club also sponsored in 2010 the opening of a home for the disabled by the charity ANFFAS in Pavia.



VETERAN

Veteran

CLUB





09 SUPPLIERS

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09. Suppliers

Responsibility for products, for the environment, for employees and partners are all issues addressed in previous sections of this report and which have a direct or indirect impact on a plurality of stakeholders. Piaggio's commitment to society goes beyond these actions however.

The Group firmly believes in the importance of its social function and relationship with the places where it operates. Over the years it has tried to achieve a balance between the expectations of its shareholders and those of its stakeholders. For Piaggio, social responsibility is a fundamental value for a Company that aims to be a leader in its core market, by understanding and sharing the close bond linking its economic, social and public growth and that of the national and international areas where it operates.

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

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

This is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the "Code of Ethics and Guidelines for doing business". Audits are regularly conducted on the Group's Asian suppliers to ensure they effectively comply with the Piaggio Code of Ethics.

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

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

9.1 Vendor Assessment

In 2007 Piaggio set up its Vendor Assessment unit (directly reporting to the General Director of Finance) with the strategic objective of creating a long-lasting and mutually satisfactory cooperation network with highly qualified partners. The unit monitors the economic, financial and organisational reliability of strategic suppliers, optimises procurement processes, and ensures uniform and improved efficiencies at a Group level, and assesses procurement performance.

Supplier relations were defined by specific Company processes comprising two fundamental stages: new supplier qualification and supplier monitoring.

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

Supplier monitoring takes place during two annual vendor rating sessions. Performance is rated based on the quality of business relations, technical/scientific cooperation, compliance with delivery plans and the quality of supplied products. This provides a reference framework for procurement strategies and actions concerning suppliers.

Based on the above, Piaggio has defined a Global Vendor Rating indicator which covers all goods'

categories of direct materials purchased from the Group's suppliers. The indicator comprises ratings made by designated Company functions (R&D, Quality, Manufacturing, Purchasing) and supplier economic/financial reliability.

The Multi Country Rating Project is scheduled to end in 2011. Besides rating the financial solidity of suppliers and their business, the project involves a qualitative assessment of the supplier (whether Italian or foreign), focusing on the reliability of the supplier's ownership/shareholder structure, whether insurance cover has been taken out for damages by products supplied to Piaggio, whether the supplier pays wages and salaries punctually, and whether "tax havens" are involved in operational or administrative transactions. The rating system aims to overcome the timing gap between the availability of updated financial information and the need for timely assessments, in order to reduce any possible risks that may interrupt the Group's production cycle.

At present, the Global Vendor Rating indicator includes most Group suppliers of European production sites only. In 2009 supplier ratings covered approximately 80% of expenditure on purchasing, while in 2010 over 90% of budget and final expenditure was covered by the rating system. Plans have been made to include CSR information in vendor ratings in the future, such as whether suppliers have a code of ethics, release CSR Reports, and have obtained ISO 14001 environmental certification.

A feasibility study and relative action plan was prepared in 2010, to extend this rating and monitoring system to our Vietnamese and Indian subsidiaries. The implementation of the system will be completed in both India and Vietnam in 2011.

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

9.2 Piaggio-DNV project for strategic supplier development

The project is based on a broad partnership between Piaggio, its suppliers and the internationally renowned certification Company DNV, and aims to develop synergies and create added value both for Piaggio and its suppliers.

The project established a fully-fledged partnership with our most "critical" suppliers, in order to assess their conditions and understand their actual capacity for growth and for improving their performance.

In practical terms, each supplier will be assisted so that all improvement measures to increase the quality of processes and products intended for Piaggio can be improved. DNV activities have offered an excellent opportunity for suppliers to develop, with both strategic and financial benefits, by:

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

Activities were launched in October 2008, identifying a panel of strategic suppliers based on an analysis of the most critical suppliers in terms of returns, defects and warranty costs. 55 suppliers were then selected in Europe and in a global sourcing area, representing around 40% of total supply volumes purchased by Piaggio, Aprilia and Moto Guzzi.

Participation was significant. Suppliers realised the importance of improving the quality of production processes, not only in relation to Piaggio, but as a fundamental step towards increasing the competitive edge of their companies.

Activities continued throughout 2009 and 2010 and were brought to a close in the first quarter of 2011, involving seven main stages:

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

The year 2010 ended on a positive note for all the European and Global Sourcing suppliers involved, with forty-seven audits conducted, forty-seven improvement plans prepared and approved and the first forty follow-up audits completed by DNV.

Supplier performance for this group of suppliers improved considerably, with a 23% reduction in returns (ppm Returns) and a 15% reduction in details generating non-quality costs (ppm Disturbances).

The DNV assessment recorded an 18% improvement in the ability of suppliers' quality systems to control process and product requirements.

Follow-ups will be brought to a close on the last five remaining European suppliers in the first quarter of 2011, along with a report on the results.

9.3 Suppliers Portal

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

In particular, the Portal aims to:

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

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

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

Work was begun in 2010 on extending the SRM – Suppliers Portal to India and Vietnam.

The system was launched in December 2010 in Piaggio Vehicles Private Limited (PVPL), with forty-three suppliers registered on the portal. The target for 2011 is to reach 150 new suppliers.

The project is still underway in Vietnam, where the system is expected to be up and running in February 2011, with twenty suppliers registered. The objective will be to reach fifty suppliers by the end of 2011.

9.4 Supplier cooperation programmes

Piaggio has always been convinced that the Group's success depends largely on the success of its suppliers and vice versa, even more so as each day goes by. On the one hand, competition is intensifying between Company-supplier production chains rather than between companies alone.

On the other hand, quality, innovation, costs, service and end customer satisfaction are becoming more and more inextricably linked. Putting safe vehicles which are free of defects on the market goes hand in hand with the guarantee that suppliers also adopt quality management systems and processes that provide products conforming to required standards.

Suppliers suggestion programme

A unit in the Purchasing Department was set up in 2009 to encourage proposals from suppliers of direct materials, in order to reduce waste and cut costs, with value sharing of the benefits between Piaggio and suppliers. To date around one hundred suggestions have been implemented, proposed by approximately fifty European and non-European suppliers involved in the project, which will continue throughout 2011.

Project to re-use recycled materials

In 2010 studies confirmed the feasibility of using materials from recycled plastic (domestic containers, bins/drums, etc.) at an industrial level, for applications on motor vehicles manufactured by the Piaggio Group (e.g. some parts of the bodywork) with the concurrent cogeneration of clean energy.

The project involves five suppliers of body parts for vehicles manufactured in the two-wheeler plant in Pontedera. In 2011 a series of specific parts will be introduced into production, launching their use on an industrial scale.

Reach project

The project, which came about in 2009, will test for any environmentally harmful substances in items supplied to Piaggio by component manufacturers worldwide. In 2010 an information sheet was released and sent to all the main overseas suppliers of the Piaggio Group (in China, India, Vietnam and Taiwan) for components imported into Europe from those countries.

In addition to this, the Group's general conditions of supply were amended and are currently being sent to all Piaggio suppliers. As concerns the SRM – Suppliers Portal, through which supplies for new projects are ordered, supplier files were changed on the system in mid-2010.

As such, all orders placed as of that moment comply with regulations by introducing the basic requisite that suppliers must certify the absence of environmentally harmful substances in the components they supply to the Piaggio Group.

Testing for environmentally harmful substances in imported components will come to an end in 2011.

Packaging project

The project got underway in 2009 with Piaggio Manufacturing (as part of activities in the Group's World Class Manufacturing plans) to review the packaging used by each Supplier of the Group, so that elements

which are potentially hazardous to packaging operators and to their health (e.g. Silica Gel packs) would be eliminated.

Reviewing began in 2010 of the packaging procedures followed by the Group's overseas suppliers (in China, India, Taiwan and Vietnam), with a view to amending them to comply with Piaggio needs/requirements and European regulations in force. Activities are scheduled to end in mid-2011.

As concerns our European suppliers, supplier files on the SRM portal have already been modified accordingly, and hence all existing orders/contracts comply with the new regulations.

For orders placed earlier, the Technologies department has formalised a special procedure for reviewing packaging, which is currently being sent out to all the Group's main European suppliers.





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

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10. Relations with the media, the Public Administration sector and integration with communities

10.1 Relations with the media

The Piaggio Group's communication activities target a broad spectrum of European and international players, representing a strategic lever complementing the growth objectives of the Group and its fundamental values. Transparent, consistent and exhaustive corporate communication that speaks to a wide and differentiated audience is the cornerstone of the company's reputation, providing a decisive contribution to its creation of value.

The objectives of the Group's integrated communication policy range from promotional initiatives aimed at raising awareness and understanding of new products, and the communication of the Group's values; the announcement of events able to boost the value of our various business lines and brands and the communication of our performance in sports competitions (in 2010 the Group rose to the pinnacles of excellence winning the World Superbike Championship); and the reporting of the Group's financial performance and new business initiatives.

Relations with the news media, specialist press and financial press in 2010 were focused on conveying the strategic value the Piaggio Group places on technological innovation, especially as concerns the environment and safe mobility. In this regard, new vehicles and new technologies developed by the Group were presented in numerous specific conferences held in Italy, Europe and Asia, focusing on both our two-wheeler business and commercial vehicle business. The Group's objective for 2011 is to raise the standard, number and geographical coverage of communication initiatives which, through the mass media, should reach our end consumers in both our traditional markets, where the Group has a consolidated presence, and in new markets where Piaggio is fast expanding, such as Asia, and in particular the Indian and Vietnamese markets.

All these initiatives rest fundamentally on the credibility of the Group, its companies and its brands. In an age of globalised information and the growing awareness of all segments of consumers, Piaggio firmly believes that this credibility is established first and foremost by reporting information on the Group's financial position and performance as timely and transparently as possible. Accordingly, in 2010 the Piaggio Group, through specifically-tasked offices and managers, reported all price-sensitive disclosures to the financial press, financial markets, private and institutional investors and regulatory authorities, as timely and as accurately as possible, and of course in compliance with applicable laws and regulations. This field of reporting also included, among other initiatives, the Piaggio Group Analyst and Investor Meeting held on 23 September 2010, where company management illustrated to the financial community and media the Group's 2010-2013 Strategic Plan.

Another important tool for company communications is Wide, the Piaggio group's new magazine. Extremely innovative in its format and contents, the new publication is distributed to employees worldwide, along with institutions, the media and dealers, helping to strengthen the Group's corporate image globally.

10.2 Relations with the Public Administration Sector and trade associations

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

The Group's relations with trade associations are particularly important in Italy (within the Italian Manufacturers' Association, Confindustria and with ANCMA, the national association of manufacturers of two- and three-wheeler and accessories and parts, Federmeccanica, the Italian Federation of Metalworking Industries, Unione Industriale Pisana, the Association of Manufacturers in the Pisa Area and Confindustria Venezia, the Venice Branch of Confindustria), in Spain, the European Union and the United States.

Assoknowledge

Through the Assoknowledge initiative, the Piaggio Group is a founding member and participant of two technology platforms, one dedicated to electric mobility, and the other to innovation. "Technology platforms" are a transparent form of association governed by European Community rules. The purpose of the technology platforms is not to seek funding directly or prepare tenders. Rather they group together businesses and universities so as to create a single nation-wide body that can influence the European Community in its choice of issues for funding and in drawing up calls for tenders for future funding initiatives in the mobility and innovation sectors.

Acem

Piaggio is one of the founder companies of ACEM, the European Association of Motorcycle Manufacturers, established in 1994. Today, the Association brings together 11 manufacturers and 17 national associations, as well as Piaggio, with a total of 22 brands being represented.

The Association defends the interests of the industry and represents it in dealings with the European Commission, the European Council and the European Parliament, and also monitors industry activities. The ACEM's work focuses on four areas: mobility, safety, the environment, and competitiveness / competition.

The main purpose of ACEM is to promote the use of powered two-wheelers for mobility, and defend the values of technological innovation, safe mobility, and a better relationship between mobility and the environment. During its 5th Annual Conference held on 1 December 2008, ACEM members undertook the commitment to reduce pollutant emissions from scooters, motorcycles, tricycles and quadricycles by 50% by 2017. During the conference, several ACEM manufacturers announced their renewed and even stronger commitment to the "EU Road Safety Charter" on advanced braking systems.

ANCMA

The ANCMA is Italy's national association of manufacturers of two- and three-wheelers, quadricycles and their relative parts and accessories. Established in 1920, the association is part of Confindustria and is a leading voice in Italy's system of industry representation.

The aim of Confindustria ANCMA is to promote the spread of two- and three-wheeled vehicles and quadricycles in Italy (including parts and accessories), to study solutions to the economic, technical and regulatory issues facing the sector, to assist and represent member companies in protecting general interests or those of individual sectors, and to gather and process data and information for the use of members.

10.3 Cooperation with Schools and Universities

As explained previously, the Piaggio Group works with an international network of laboratories, university research centres and private entities at the cutting-edge of their sectors of specialisation.

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

in work placements and degree dissertations as well as teaching and academic activities.

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

This initiative, now in its seventh year gives the two courses an industrial content, addressing both theoretical and practical aspects of the design and testing of motor vehicles. Students have a unique chance to experience at first hand the activities of a major Company such as Piaggio and its staff, structures, laboratories and test benches. Piaggio personnel have the satisfaction of being able to train the talent of tomorrow. All lessons are available on Piaggio's Intranet in the Technical section, with a view to improving knowledge sharing within the Company.

A new technological pole with an independent Research Centre is being developed, with the involvement of the Region of Tuscany. This platform for industrial and scientific partnerships will develop and disseminate skills in terms of industrial and academic research in specific advanced technological fields, contributing to the training and education of Company and university personnel.

The pole will give young talent a chance to develop and will have a positive impact on employment. The Indian subsidiary cooperates with the Polytechnic College di Baramati, providing components and mechanical vehicle parts for student training courses.

Overland: The great adventure of Milan-Shanghai!

On 28 October 2010, the "Better City, Better Life" Expo in Shanghai saw the arrival of four Piaggio Porter Electric Power vans on the "Overland" mission, after a three-month journey across two continents and over 20,000 kilometres.

The vehicles were equipped with an artificial vision system enabling the vans to be driven automatically without a driver. A world first, the initiative was organised by Piaggio in partnership with the University of Parma and VisLab, a university spin-off specialised in artificial vision and smart systems for automotive applications.

The small fleet of zero environmental-impact vans, driven by super advanced control systems powered by solar energy, symbolised the contribution of Italy's research and the two- and four-wheeler industry to achieving sustainable mobility.

The aim of VisLab, the University of Parma laboratory that made the project possible, is to improve road safety by installing information and communication technologies (ICT) directly on vehicles. Its sensors can perceive the external world, localise obstacles, recognise road signs and markings,

measure the velocity of other vehicles and detect the presence of pedestrians.

Besides its unquestionable contribution to innovation, the expedition also took on important socio-cultural connotations. Along the 20,000 kilometre route to Shanghai, the Overland 13 caravan crossed nine different countries, journeying through diverse and breath-taking landscapes.

Setting off from Italy, the first stop was Belgrade, in the heart of the Balkans. The expedition then head straight across the Hungarian plain to arrive in the Ukrainian capital Kiev, before moving onto Moscow, where it was met by the Italy ambassador.

After crossing the Urals, the journey moved into its central and toughest stage: the Siberian steppe. Amid birch forests and fields of crops, the Porter Electric vans took the Overland team into the cold Siberian summer, down to the border of Kazakhstan, where the climate and landscape changed drastically.

The Kazakh desert is an arid, boundless steppe inhabited by herds of camels, with the exception of the green modern capital city of Almaty, the expedition's last stop before China.

Across the border, the Porter vans took on the challenge of the Tien Shan mountains, climbing up over 2,000 metres to flank the western outreaches of the Great Wall and arrive at Xi'an. The orange-coloured caravan finally arrived at the Shanghai Expo exactly on schedule on 28 October 2010.

10.3.1 Pont-Tech

Pont-Tech is an organisation set up to disseminate training, innovation and technological development in the local community. Its main activities concern economic analyses, technical consultancies and training.

Pont-Tech was established in 1996 following the initiative of Piaggio, local authorities (the Province of Pisa and Municipality of Pontedera) and local research institutes, such as the Scuola Superiore Sant'Anna of Pisa. Although the four founders are from three different sectors (public administration, the academic world and industry), they are all equally committed to and motivated about innovation and technology transfer.

Over the years, the composition of the Company has changed and new partners have joined, with a valuable contribution coming from industry associations and banks.

Training has been and still is one of Pont-Tech's key activities for establishing and consolidating profitable relations with businesses, industry associations and universities. Pont-Tech's consistently high ratings in its capacity as a Training Agency, awarded in accreditation procedures of the Region of Tuscany, and its certified Quality System for training activities, prove the quality of its work. Pont-Tech also provides assistance for planning and implementing training programmes and monitoring possible funding (European Social Fund, national standards, interprofessional funds). Pont-Tech's staff assist companies in identifying opportunities, preparing projects to receive funding and developing training plans.

Besides training, Pont-Tech provides technological and consultancy services focussed on innovation, intended for traditional businesses and for companies that want to penetrate different sectors with a strong market potential.

Based on its experience, Pont-Tech was selected by the local authorities of Pontedera as managing





entity of CERFITT (a research and training centre for innovation and technology transfer). The centre hosts a structure supporting new business initiatives which serves as: business incubator, technological hub, and virtual office. At present the structure can accommodate 22 companies.

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

10.4 The Piaggio Foundation, Museum and Historical Archive

The Piaggio Foundation is used by Piaggio to maintain a direct relationship with the place where it operates, where it intends having not only a productive and economic role, but also aims to be a social, cultural and educational player, by promoting art, design, society, the language of communication and dissemination of Company values, such as innovation and creativity, ethics and the environment.

The Piaggio Foundation is a non-profit making organisation held jointly by Piaggio and the public sector (partners: 50% Piaggio, 25% local authorities of Pontedera, 25% the Province of Pisa), and brings together the objectives of the Company and public authorities. Founded in 1994, at the request of Giovanni Alberto Agnelli, Chairman at the time of the Piaggio Group, the Foundation is a forum for businesses, the local area and culture.

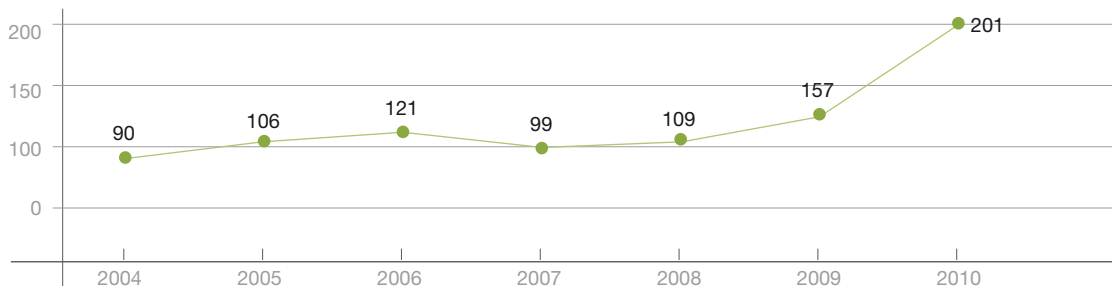
In over fifteen years of activities and as declared in its Articles of Association, the Foundation has pursued an objective which is two-fold: managing and valuing the Piaggio Museum and Historical Archive in order to retrieve memories of the Company, and providing the local area with place where events, exhibitions, conferences and meetings on a wide range of national and international issues can be held.

The “Giovanni Alberto Agnelli” Museum and “Antonella Bechi Piaggio” Historical Archive were set up at Pontedera with the aim of conserving the social and cultural heritage of the Company acquired in over 120 years of existence, of the story of one of Italy’s most important metal and steel processing companies, which has made every means of transport for people and objects, from ship fittings, to trains, buses, aeroplanes and in 1946, scooters and three- and four-wheeler vehicles.

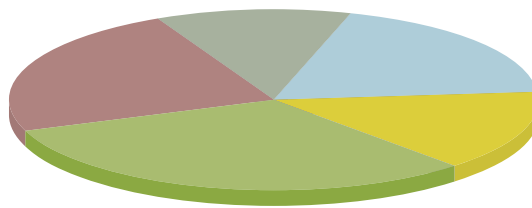
In 2003 the “Giovanni Alberto Agnelli” Piaggio Museum and “Antonella Bechi Piaggio” Historical Archive were nominated as the Best Museum and Company Archive in Italy, in the 2003 edition of the business and culture award “Premio Impresa e Cultura”.

Today the Historical Archive comprises some 5,000 files, which are being continually expanded and 13 funds which conserve Company documents from its beginnings to the present day. Company books, deeds, correspondence and documents from the secretarial staff of top management, the chairman and the production, sales and communication departments are a testament to the economic, social and civil life of Piaggio.

With its wealth of documents and nature that represents the Company, the historical archive is considered as one of the most important in Italy and the world, and is consulted and used by various experts and researchers.



Consultation of the
Historic Archive 2004-
2010



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Consultation of the
Historic Archive 2010

The historic archive has been reviewed for the purposes of digitalising and creating metadata of a number of documents that are rapidly deteriorating. These include technical drawings and documents made of rice paper, held in the letter book series (from the 1920s and 1930).

Along with the Historical Archive, the Museum houses a splendid collection bearing witness to the history of the Company. Designed by the architects Marco Dezzi Bardeschi and Andrea Bruno.

In 2010, to celebrate the tenth anniversary year of the Piaggio Museum, it was decided to organise an exhibition of great appeal and social and historic value, dedicated to "The Vespa & Cinema". Opened on 5 November 2010 at the Piaggio Museum, the exhibition retraces the beginnings and the development of the Vespa-cinema romance through a vast iconographic and documentary selection of exhibits, sourced from the Multimedia Cinema Centre (CMDC), private archives and the Piaggio historic archive.

The exhibition was accompanied by an evening screening programme of films starring the Vespa, introduced by popular celebrities from the world of cinema and culture.

An exhibition catalogue was also published, featuring critical texts and over 200 illustrations.

The year 2010 was an important one for the Piaggio Museum, characterised by a strong drive for renewal and the development of the museum's potential as a tourist attraction. Efforts were made and the foundations laid for raising the visibility of the Piaggio Museum in tourist circles. Ties were established with various tourism organisations in the local area, such as the Pisa Tourism Board (APT), SAT Pisa International Airport, and Toscana Promozione, the Region of Tuscany agency that involved the Piaggio Foundation in a project to promote tourist packages targeted at Indian tourists. Through the Touring Club, the museum will soon enjoy visibility in Russia and agreements concerning tourism and educational tours have been made with the Student Tourism Centre, at the national level.

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

Bringing to life 2010 was a rich programme of conferences, seminars and events organised or hosted by the Piaggio Foundation. Among them we should mention: the cultural project "giocalarte"; the production of the Goldoni play "The Mistress of the Inn"; the conference "The Economic Crisis and the Crisis of Economic Theory", organised with the Faculty of Economics of Pisa University; encounters with the playwright Dario Fo; the National Bioethics Convention; a university/business event for students from the Erasmus Programme;

the Red Cross Convention; and a conference organised by the civil protection authority on the Abruzzo earthquake.

As part of events dedicated to the 150 years of Italy's Unification, a conference entitled "Il ruolo della Toscana nel Risorgimento" ("The Role of Tuscany in the Risorgimento") was held, along with a performance of the musical "Garibaldi fu ferito" ("Garibaldi was Wounded") for junior and senior high school pupils.

Of particular importance was a conference on international cooperation organised by the Town Council of Pontedera, involving two two-day events.

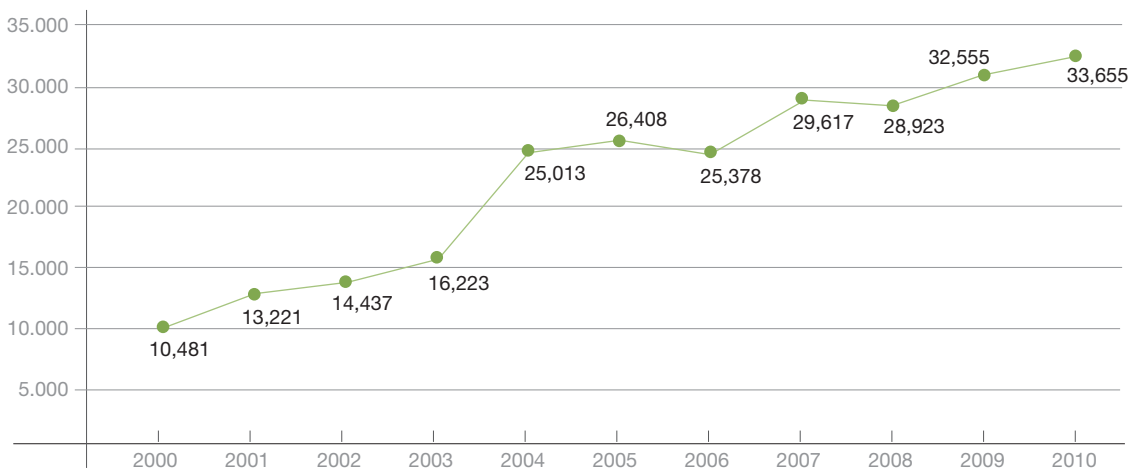
The calendar of exhibitions held during the year was particularly rich and engaging. January saw the close of the collective exhibition of young artists "SHHH...rumori d'artista" ("SHHH...art sounds").

It was followed by an exhibition organised entirely by the Foundation, entitled "Gente di Piaggio" ("Piaggio People"), which presented a series of images from the Piaggio archive retracing the development and organisation of the working world, with a spotlight on the people whose dedication contributed to making Piaggio what it is today.

Enormous success was enjoyed by the exhibition "Pupazzi con rabbia e sentimento, la vita e l'arte di Dario Fo e Franca Rame" ("Angry and Sentimental Puppets. The Life and Art of Dario Fo and Franca Rame") and the Simon Benetton art exhibition, both organised by the Town Council of Pontedera in partnership with the Piaggio Foundation.

2010 was a record year for the Museum, with 33,655 visitors, an absolute record for 2000-2010.

Annual number of visitors to the piaggio museum 2000-2010

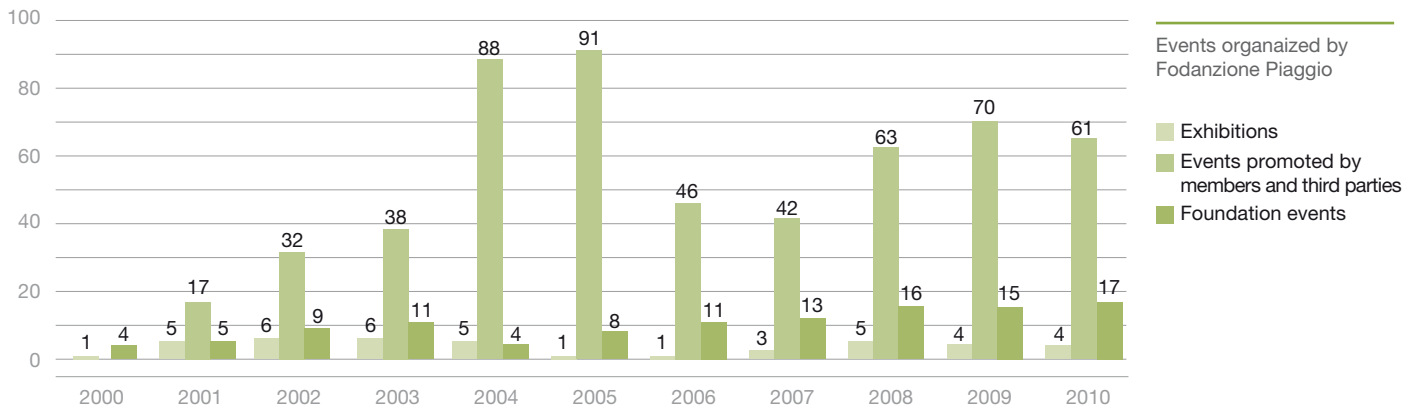


In the cultural sphere, a number of events were hosted, including the presentation of the book of poems "La porta socchiusa" by Dino Carlesi, the "Jukebox del libro" book prize, the "L'era del libro" book fair, and "Hasta la fin del mundo...in Vespa" organised by the Vespa World Club.

Shows and performances included a concert for schools by Piero Nassim commemorating Holocaust Remembrance Day, a Twice Told Tales concert dedicated to John Lennon, organised for the Pontedera White Night festival, and a show about poverty entitled "Con questi occhi" ("With These Eyes").

As customary, on occasion of the various exhibitions hosted during the year, the "Caffè con l'artista" ("A Coffee with the Artist") series was once again held as part of the Piaggio Foundation's programme of encounters with artists.

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



The Foundation was also involved in numerous exhibitions and external events in Italy and abroad:

Date	Events	Location
23-31 January	Rétromobile	Paris
10 February – 10 March	Fortieth Anniversary of the Region of Tuscany	Florence
19 February – 09 May	Il Grande Gioco. Art forms in Italy 1947-89	Milan
May-August	Patents Exhibition	Shanghai
12-13 June	Vespa Day	Marseilles
9 June – 9 July	Palazzo Boglietti	Biella
1-4 July	Vespa World Days	Fatima
1-4 July	ETOS – Il Forte dell'Eccellenza	Forte dei Marmi
July-August	Made in Italy	Forte dei Marmi
August	Italy Embassy exhibition	Beirut
16-24 October	San Luca Expo	Pontedera
September	Via Broletto	Milan
October	Palazzo Boglietti	Biella
December	Via Broletto	Milan

Main events in which the
Foundation was involved
in 2010

The objective for 2011 is to raise the visibility of the Piaggio Museum in Italy and abroad by boosting its presence in traditional tourist channels.

The Vespa & Cinema

From the celebrated classic “Roman Holiday”, starring Audrey Hepburn and Gregory Peck, to “The American”, the new thriller starring George Clooney, across some of the best Bollywood productions in Asia.

An unending list of films star the Vespa, which for over sixty years has been the “supporting actor” in many famous movies around the world. It is a role that has grown hand in hand with the unstoppable commercial success and appeal of the iconic scooter, a story worthy to be told in an exhibition – which is just what “La Vespa e il cinema” (“The Vespa & Cinema”) did from 5 November 2010 to 15 January 2011 at the “Giovanni Alberto Agnelli” Piaggio Museum, organised by the Piaggio Foundation and the Multimedia Cinema Centre (CMDC).

The exhibition featured photographs, magazines, historic documents and a section dedicated to a collection of 150 cult movie posters. Touch-screen monitors positioned throughout the exhibition replayed the key sequences of feature films and Piaggio commercials, as well as newsreel footage from the Istituto Luce archive. The Piaggio Foundation’s media library holds over 800 films featuring the Vespa.

There were also stills of famous actors immortalised on a Vespa on set or on location (Lucia Bosè, Gary Cooper, Anthony Perkins, John Wayne, Henry Fonda, Charlton Heston, Anthony Queen, to name but a few). Alongside the exhibition, the Piaggio Museum Auditorium screened a series of films starring the Vespa. Each screening was an event in itself, featuring celebrities from the world of show business and culture.

The exhibition was opened to coincide with the closing of the tenth anniversary celebration of the Piaggio Museum itself.

10.5 Commitment to sport

The Piaggio Group is an extremely successful player in the motor-racing world, which has always been considered a fundamental area of research for the design, development and testing of innovative technical solutions to adopt for mass production.

In 2010 the Group competed in the Superbike World Championship with the Aprilia, and in the 125cc World Championship with the Derbi, winning both the rider’s title and the manufacturer’s title in both events. The result bears witness to the technical excellence achieved by the Group in the motorcycling world and the passion that drives every day the people that work for Piaggio.

The Group has produced unlimited talent over the last few years in racing. Many established champions of the last few seasons raced an Aprilia, Gilera or Derbi, going on to win world titles, including Rossi, Biaggi, Stoner, Capirossi, Lorenzo, Simoncelli and Poggiali.

The Group’s commitment to promoting motor-racing among young riders led to the creation of the Junior GP Racing Dream in 2006. This project came about from an idea of Aprilia and the Italian Motorcycling and Motor sprint Federation to give riders who want to race a chance to do so at a minimum cost and with the certainty that they are competing on equal terms.

In 2010, the Junior GP Racing Dream, directed by former world champion Locatelli, competed in the Italian Motorcycling Championship with four riders. The riders were selected from twenty-four talented young contenders born between July 1, 1995 and March 31, 1996 on the basis of track tests and a personal interview



FONDAZIONE PIAGGIO



centro multimediale
del cinema



PROVINCIA DI PISA



COMUNE DI PONTERERA

LA VESPA E IL CINEMA

ideazione

Pier Marco De Santi

Tommaso Fanfani

realizzazione

Fondazione Piaggio

Centro Multimediale del Cinema

MUSEO PIAGGIO

5 Novembre 2010

15 Gennaio 2011

proiezioni di film a tema
dal 13 novembre 2010
al 15 gennaio 2011

informazioni e programma:

www.lavespaeilcinema.it

museo@museopiaggio.it

Tel. 0587/27171 - 0587/271735

Museo Piaggio

Viale Rinaldo Piaggio, 7 56025 Pontedera (PI)

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publiArt



LORENZO FALASCHI
videoproduzioni

with Federation staff and Aprilia observers.

Finally, again in 2010, the owners of the Aprilia RSV4 were dedicated their own special championship, the “Promo Race Aprilia RSV4”, in which a limited number of enthusiasts were given the opportunity to race at practically no cost, with the support of the Official Aprilia Technical Team.

10.6 Charity activities and sponsorships

As part of its commitment to social issues, in 2010 Piaggio joined the ANCMA campaign to raise awareness of motorcycle safety, and also took part in a number of prominent cultural events such as Mantua’s Literature Festival, a kids’ book fair in L’Aquila and events organised by the Vespa Club.

In Italy, Piaggio supported children with annual contributions to local councils and nurseries, and donated an Ape 50 to the “Ape Tau” nursery in Coppito, near L’Aquila, one of the towns most heavily struck by the earthquake in Abruzzo.

In 2010 Aprilia Racing and the Piaggio Group decided to share the limelight of an extraordinarily successful racing season with the less fortunate of our planet by hosting the AMREF (African Medical and Research Foundation) logo on the fairing of the Aprilia RSV4 bikes that dominated the 2010 Superbike World Championship.

Aprilia has also joined the “Stop AIDS at Birth” campaign promoted by the humanitarian organisation CESVI to fight the spread of HIV in Zimbabwe. The complete carbon-fibre fairing (front cowl, sides and rear) of the Aprilia Alitalia RSV4 SBK bike that won the world championship in 2010 alongside Max Biaggi was auctioned on eBay to raise funds.

Over the last few years, Piaggio and the Immsi Group have supported educational and rehabilitation activities for children affected by brain damage, by making a donation to the association “Casa del Sole Onlus”¹ at Christmas.

All employees, including staff abroad, received a Christmas card, rather than a traditional “gift”, so the initiative could be shared with all Group employees world-wide.

As concerns initiatives of social import organised worldwide in 2010, Piaggio Group Americas took part in “Breast Cancer Awareness Month”, an initiative involving five events in October across the United States to raise the public’s awareness of cancer prevention and cancer research.

The company also donated five special-edition Vespa LX 150s with pink livery (the colour symbolising the initiative), which were sold at auction to raise funds for research. Another Vespa was donated to the American Itayn Cancer Foundation for its 30th Benefit Dinner & Auctions, held in New York in November. Funds raised will finance research doctorates and screening programmes for less-affluent women.

The employees of Piaggio Asia Pacific chose to forgo company Christmas celebrations in 2010 to spend half a day as volunteers for the Riding for the Disabled Association (RDA), which helps children with physical and mental disabilities through horse-riding therapy.

A fund-raising campaign is also underway to support the association, where donors are offered a tour on a Vespa in exchange for their donations.

Numerous charity initiatives have also been undertaken by our Indian subsidiary Piaggio Vehicles Private Limited. Among those pursued in 2010 we might mention:

- › the donation of thirteen vehicles to various local communities located near the production plant;
- › the organisation of a campaign to promote the use of helmets and road safety;
- › cash donations to various local police bodies and the Baramati orphanage;

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

- › the sponsorship of various local events;
- › the planting of one thousand trees near the production plant;
- › the donation of personal computers and various vehicle components to schools in Baramati;
- › the organisation of various activities in connection with World AIDS Day.



TABLE OF GRI-G3 INDICATORS

Table of GRI-G3 indicators

The main contents of the 2010 Corporate Social Responsibility Report are outlined below, based on the GRI-G3 format: strategy and analysis, organisation profile, report parameters, governance, stakeholder involvement and economic, environmental and social performance indicators. Each indicator is briefly described and cross-referenced to a page in the 2010 Corporate Social Responsibility Report (or other available documentation) where this information is included, as well as the level of coverage, indicated as follows:

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

Key:
 BEC10: 2010 Financial statements and consolidated ¹
 RCG10: 2010 Corporate Governance Report²
 CO: Code of Ethics³

¹ Available at
www.piaggiogroup.com/Investors

² Available at
www.piaggiogroup.com/Governance

³ <http://www.piaggiogroup.com/governance/sistema-di-governance/codice-etico-e-linee-guida-di-condotta>

GRI indicator	Description	Level of coverage	Page
PROFILE			
1 Strategy and analysis			
1.1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy	●	5
1.2	Description of key impacts, risks and opportunities	●	20-27
2 Organisational profile			
2.1	Name of the organisation	●	10
2.2	Primary brands, products and/or services	●	12-13
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	●	11
2.4	Location of organisation's headquarters	●	10
2.5	Number of countries where the organisation operates and names of the countries where the organisation operates or which are significant in relation to the sustainability issues discussed in this report	●	10
2.6	Nature of ownership and legal form	●	10
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	●	10;12-13; BEC10 p.32-38
2.8	Scale of the organisation, including: number of employees, net turnover (for private organisations) or net revenues (for public sector organisations), total capitalisation broken down in terms of debt and equity (for the private sector) and quantity of products or services provided	●	10;15;45;80;94
2.9	Significant changes during the reporting period regarding size, structure or ownership, including: the location of, or changes in operations, including facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)	●	7;11;16; 81-82
2.10	Awards received in the reporting period	●	16

GRI indicator	Description	Level of coverage	Page
3 Report parameters			
<i>Report profile</i>			
3.1	Reporting period (e.g. fiscal/calendar year) for the information provided	●	7
3.2	Date of the most recent sustainability report	●	7
3.3	Reporting cycle (annual, biennial, etc.)	●	7
3.4	Contact point for questions regarding the corporate social responsibility report or its contents	●	164
<i>Report scope and boundary</i>			
3.5	Process for defining content including: determining materiality, prioritising topics within the report and identifying stakeholders expected to use the report	●	24-26
3.6	Boundary of the report (for example: countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	●	7;11
3.7	State any specific limitations on the scope or boundary of the report	●	7;80
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	●	7;11;16
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	●	7;44;76;84;86-87;89;95;104
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	7;42
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods used in the report	●	7;26;80
<i>GRI content index</i>			
3.12	Table identifying the location of the standard disclosures in the report, identifying the page numbers or web links where the following can be found: Strategies and analyses; Organisational profile; Report parameters Governance, commitments, stakeholder engagement; Disclosure of management approach, per category; Core performance indicators; Any GRI additional indicators included; Any GRI sector supplement indicators included in the report	●	153-160
<i>Assurance</i>			
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s)	●	7;162-163

GRI indicator	Description	Level of coverage	Page
4 Governance, commitments, stakeholder engagement			
<i>Governance</i>			
4.1	Governance structure of the organisation, including committees under the highest governance body, responsible for specific tasks, such as setting strategy or organisational oversight	●	22-23;36-38; www.piaggiogroup.com/governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)	●	36; RCG10 p.21
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organisation defines "independent" and "non-executive"	●	36; RCG10 p.15
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	●	107; RCG10 p.48-49; www.piaggiogroup.com/en/governance/general-meeting
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	●	RCG10 p.28-29;BEC p.92; www.piaggiogroup.com/en/governance/management
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	●	36-38; RCG10 p.21; 32-34; http://www.piaggiogroup.com/en/governance/governance-system/legislative-decree-231/2001-model
4.7	Process for determining the qualification and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	●	36-37; www.piaggiogroup.com/en/governance/management
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the degree to which these: are applied across the organisation in different regions and departments/units; relate to internationally agreed standards	●	21-22;38-39; http://www.piaggiogroup.com/en/governance/governance-system/legislative-decree-231/2001-model
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles. Include frequency with which the highest governance body assesses sustainability performance	●	21-23
4.10	Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	●	36-37; RCG10 p.28-29; www.piaggiogroup.com/en/governance/management
<i>Commitments to external initiatives</i>			
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	●	50;81-82
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	●	22; CE

GRI indicator	Description		Level of coverage	Page
4.13		Membership in national and/or international industry associations in which the organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic	●	139
Stakeholder involvement				
4.14		List of stakeholder groups engaged by the organisation	●	23-24
4.15		Basis for identification and selection of stakeholders with whom to engage	●	23-24
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	24-25; 46; 106-108;113-116;120-125; 131-133;138-140;145-147
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	●	24-26
ECONOMIC PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	20;42-45; 97;104;139; 144;148-150
Economic performance				
EC1	Core	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	●	44-45
EC2	Core	Financial implications and other risks and opportunities for the organisation's activities due to climate change	○	
EC3	Core	Coverage of the organisation's defined benefit plan obligations	○	
EC4	Core	Significant financial assistance received from government	○	
Market presence				
EC5	Add	Ratio of standard salaries for new recruits to the local minimum wage in the Group's major production plants	●	104
EC6	Core	Policies, practices and proportion of spending on locally-based suppliers at significant locations of operation	○	
EC7	Core	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	●	97
Indirect economic impacts				
EC8	Core	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	●	139;144-147; 148-151
EC9	Add	Understanding and describing significant indirect economic impacts, including the extent of impacts	●	81-82;105-106; 144-147

GRI indicator		Description	Level of coverage	Page
ENVIRONMENTAL PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	20;50-53;61-62;80-83;85-86
<i>Raw materials</i>				
EN1	Core	Materials used by weight or volume	○	
EN2	Core	Percentage of materials used that are recycled or input materials	●	59-60;134
<i>Energy</i>				
EN3	Core	Direct energy consumption by primary energy source	●	83-84
EN4	Core	Indirect energy consumption by primary energy source	○	
EN5	Add	Energy saved due to conservation and efficiency improvements	●	83-85
EN6	Add	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	50-52;54-56;64-66
<i>Water</i>				
EN8	Core	Total water withdrawal by source	●	87-88
EN9	Add	Water sources significantly affected by withdrawal of water	●	87
EN10	Add	Percentage and total amount of water that is recycled and reused	●	88
<i>Biodiversity</i>				
EN11	Core	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	●	88
EN12	Core	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	●	88
<i>Emissions, effluents and waste</i>				
EN16	Core	Total direct and indirect greenhouse gas emissions by weight	●	86-87
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	○	
EN18	Add	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	86-87
EN19	Core	Emissions of ozone-depleting substances by weight	○	
EN20	Core	NO _x , SO _x and other significant air emissions by type and weight	●	86
EN21	Core	Total water discharge by quality and destination	●	88

GRI indicator		Description	Level of coverage	Page
EN22	Core	Total weight of waste by type and disposal method	●	89
EN23	Core	Total number and volume of significant spills	○	90
EN24	Add	<i>Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention and percentage of transported waste shipped internationally</i>	●	89
<i>Products and services</i>				
EN26	Core	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	50-52;54-56; 59-60;62-66; 70-71;133-134
EN27	Core	Percentage of products sold and their packaging materials that are reclaimed by category	○	59-60;70-71; 81-82
<i>Compliance</i>				
EN28	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	●	39
LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	20;94-96; 100-103;109-110;113-116
<i>Employment</i>				
LA1	Core	Total workforce by employment type, employment contract and region	●	94-95;98-99
LA2	Core	Total number and rate of employee turnover by age group, gender and region	○	95
LA3	Add	<i>Benefits are offered to full-time employees, but not to part-time and temporary employees, across all the main production sites</i>	●	105
<i>Industrial relations</i>				
LA4	Core	Percentage of employees covered by collective bargaining agreements	●	114
LA5	Core	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	○	115
<i>Occupational health and safety</i>				
LA6	Add	<i>Percentage of total workforce represented in formal joint management-workers health and safety committees that monitor and advise on occupational health and safety programmes</i>	●	116
LA7	Core	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	○	109
LA8	Core	Education, training, consulting, prevention, and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	●	111-113
LA9	Add	<i>Health and safety topics covered in formal agreements with trade unions</i>	●	116

GRI indicator		Description	Level of coverage	Page
<i>Training and education</i>				
LA10	Core	Average hours of training per year per employee by employee category	●	103-104
LA11	Add	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	●	100-103;106
LA12	Add	Percentage of employees receiving regular performance and career development reviews	●	102
<i>Diversity and equal opportunity</i>				
LA13	Core	Composition of governance bodies and breakdown of employees per category and according to gender, age group, minority group membership, and other indicators of diversity	●	36-37;98-100
LA14	Core	Ratio of basic salary of men to women by employee category	●	104
HUMAN RIGHTS PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	20;22;39;95-96;113;130; CE
<i>Investment and procurement practices</i>				
HR1	Core	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	●	130-131
HR2	Core	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	●	130
<i>Non-discrimination</i>				
HR4	Core	Total number of incidents of discrimination and actions taken	●	39
<i>Freedom of association and collective bargaining</i>				
HR5	Core	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	●	113-114
<i>Child labour</i>				
HR6	Core	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	●	96;130; CE
<i>Forced and compulsory labour</i>				
HR7	Core	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	●	96;130; CE
SOCIAL PERFORMANCE INDICATORS				
	Core	Management and verification policies and systems	●	20;22; 38;51; 81-82;139-141; 144; CE
<i>Society</i>				
SO1	Core	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	●	81-82;144-147

GRI indicator		Description	Level of coverage	Page
<i>Corruption</i>				
SO2	Core	Percentage and total number of business units analysed for risks related to corruption	●	22; 38-39; CE
SO3	Core	Percentage of employees trained in the organisation's anti-corruption policies and procedures	●	22; 38-39; CE
SO4	Core	Actions taken in response to incidents of corruption	●	22; 38-39; CE
<i>Public policy</i>				
SO5	Core	Public policy positions and participation in public policy development and lobbying	●	52-53;139
<i>Non-collusive conduct</i>				
SO7	Add	Total number of legal actions referred to unfair competition, anti-trust and monopoly practices and relative rulings	●	39
<i>Compliance</i>				
SO8	Core	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	39
PERFORMANCE INDICATORS ON PRODUCT RESPONSIBILITY				
	Core	Management and verification policies and systems	●	20; 22; 38;50-52; 61-62;72;121; CE
<i>Customer health and safety</i>				
PR1	Core	Life cycle stages in which the health and safety impact of products and services are assessed for improvement, and percentage of significant product and service categories subject to such procedures	●	50;56-58;70; 72-77;134
<i>Product and service labelling</i>				
PR3	Core	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	○	
PR5	Add	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	○	121-123
<i>Marketing communications</i>				
PR6	Core	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	○	
PR7	Add	Total number of incidents (divided by type) of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship	●	39
<i>Customer privacy</i>				
PR8	Add	Number of substantiated claims regarding breaches of consumer privacy and losses of customer data	●	39
<i>Compliance</i>				
PR9	Core	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	●	39

GRI Application Level Check Statement



Statement GRI Application Level Check

GRI hereby states that **Piaggio & CO. Spa** has presented its report "Corporate Social Responsibility Report 2010" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level B+.

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

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

1 March 2011, Amsterdam

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Piaggio & CO. Spa has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance provider and for deciding the scope of the assurance.

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 February 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

Report on the limited auditing of the Corporate Social Responsibility Report



Deloitte ERS
Enterprise Risk Services S.r.l.
Via Tortona, 25
20144 Milano
Italia
Tel: +39 02 83322611
Fax: +39 02 83322612
www.deloitte.it

REVIEW REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY REPORT

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

1. We have reviewed the Corporate Social Responsibility Report of the Piaggio Group (the "Group") as of 31st December 2010. The Directors of Piaggio&C. S.p.A. are responsible for the preparation of the Corporate Social Responsibility Report in accordance with "Sustainability Reporting Guidelines" issued in 2006 by GRI – *Global Reporting Initiative*, as stated in the paragraph "Methodological Note". The Directors are also responsible for the definition of the Group objectives regarding the sustainability performance and the reporting of the achieved results. The Directors are also responsible for the identification of stakeholders and of significant aspects to report, as well as for the implementation and maintenance of appropriate management and internal control processes with reference to data and information presented in the Corporate Social Responsibility Report. Our responsibility is to issue this report based on our review.
2. We conducted our work in accordance with the criteria for review engagements established by the "International Standards Engagement 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the *International Auditing and Assurance Standards Board*. That standard requires the compliance with ethical principles ("Code of Ethics of Professional Accountants" issued by the *International Federation of Accountants*), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a Corporate Social Responsibility Report consists of making inquiries, primary with company personnel responsible for the preparation of the information included in the Corporate Social Responsibility Report, analysing the Corporate Social Responsibility Report and applying other evidence gathering procedures, as appropriate. The performed procedures are summarized as follows:
 - comparing the economic and financial information and data included in the paragraph "2010 financial and business performance" of the Corporate Social Responsibility Report with those included in the Group Consolidated Financial Statements as of 31st December 2010, on which Deloitte & Touche S.p.A. issued the auditor's report dated 22nd March 2011 pursuant to articles 14 and 16 of Legislative Decree no. 39 of January 27th, 2010);
 - analysing how the processes underlying the generation, recording and management of quantitative data included in the Corporate Social Responsibility Report operate. In particular, we have performed the following procedures:
 - interviews and discussions with delegates of Piaggio&C. S.p.A., to gather information on the information, accounting and reporting systems used in preparing the Corporate Social Responsibility Report, as well as on the internal control procedures supporting the gathering, aggregation, processing and transmittal of data and information to the department responsible for the preparation of the Corporate Social Responsibility Report;
 - analysis, on a sample basis, of the documentation supporting the preparation of the Corporate Social Responsibility Report, in order to gather the evidence of processes in place, their adequacy, and that the internal control system

Bologna Milano Roma Torino Padova

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 17.449,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 05059250158 – R.E.A. Milano n. 1105593
Partita IVA: IT 05059250158

Member of Deloitte Touche Tohmatsu



correctly manages data and information in connection with the objectives described in the Corporate Social Responsibility Report;

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

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

For the data and information relating to the Corporate Social Responsibility Report of the prior year presented for comparative purposes, reference should be made to our review report dated July 29th, 2010.

3. Based on the procedures performed, nothing has come to our attention that causes us to believe that the Corporate Social Responsibility Report of the Piaggio Group as of 31st December 2010 is not prepared, in all material respects, in accordance with the “*Corporate Social Responsibility Reporting Guidelines*” issued by GRI – *Global Reporting Initiative*, as set out in paragraph “Methodological Note”.
4. We draw attention to the relevant information referred to in the paragraphs of the Corporate Social Responsibility Report of the Piaggio Group as of 31st December 2010, suggesting for the next editions a continuous extension of dialogue and involvement activities with the stakeholders.

Milan, March 23rd, 2011

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

Franco Amelio
Partner

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

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

Contacts

Ethics committee

Email: businessethics.committee@piaggio.com

Investor relations

Raffaele Lupotto

E-mail: investorrelations@piaggio.com

Tel. +39 0587 272286

Fax +39 0587 276093

Press office

Email: press@piaggio.com

www.piaggiogroup.com



PIAGGIO & C.s.p.a.

Management and Coordination

IMMSI S.p.A.

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