



**PIAGGIO
GROUP**

**Corporate Social
Responsibility Report
2017**



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Corporate Social Responsibility Report

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| REPORTING PERIOD | <ul style="list-style-type: none"> › Financial year 2017 (from 1 January to 31 December 2017). |
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Letter from the Chairman



Founded in 1884, the Piaggio Group has demonstrated exceptional resilience over the years, along with a remarkable ability to adapt to changes in both the economic and social sphere. This has enabled the company to weather more than a century of history, arriving in today's world in rude health, thanks in part to the innovation and passion that have always guided our work: these elements are what has driven us to engage in extensive research with a view to developing new vehicles and creating solutions that can meet modern mobility requirements, inspiring us to implement numerous initiatives in the social communities within which we operate. And indeed, this sense of passion and innovation is what has allowed us to breathe life into technologies, products and dreams in every corner of the world.

This is the tenth edition of the Piaggio Group Corporate Social Responsibility Report. With reference to the new European directive on non-financial reporting, it is my belief that today, as was the case in 2008, this report remains the best means of providing our stakeholders with a detailed illustration of the ways in which we have continued to satisfy modern mobility requirements in a socially responsible manner. Indeed, this document provides the information which serves as the basis of the non-financial report, drafted by the directors of the Group and included in the final Financial Statements file.

The world of urban mobility is currently undergoing radical change, and the need for innovative, green transport solutions represents a key theme in the sustainable development of the cities of tomorrow. Working together to prioritise environmental considerations and to reduce polluting gas emissions is the necessary path that we have taken, to fight pollution and climate change, to contribute to the responsible growth of the global economy, and to help safeguard the well-being of future generations.

The companies and departments within the Piaggio Group which are dedicated to research and development (including the Italian offices in Pontedera, and the PADC - Pasadena Piaggio Advance Design Center) are driven by these priorities - they are what stimulates them to experiment with new technological solutions (such as the development of the Aprilia Racing department) and to research and develop innovative technologies to anticipate and respond to future mobility needs. Piaggio Fast Forward in Boston is an example of this, and the team's mission, to create Autonomy for humans, perfectly epitomises the company's openness to considering robotics as a tool for improving life for human beings. The first two prototypes to emerge from the Piaggio Fast Forward project, Gita and Kilo, were presented last February, and have paved the way for a new mobility concept.

Furthermore, the new i-Get (Italian Green Experience Technology) engines are the result of another important development project - now also available in 50 cc versions, these engines further reduce consumption, slashing emissions of oxides from combustion by between 80.5% and 99.5% whilst improving performance.

We are introducing a new generation of electric engines to the market, alongside traditional combustion engines which offer increasingly high levels of performance. This initiative will be rolled out with Vespa, the Group's best-known brand globally - a brand which has changed the way people move since its inception, and will continue to do so in its own unique way: pursuing innovation, staying one step ahead of the times and inspiring a sense of responsibility and awareness in customers. We have been pioneers in this field since the 1970s, going on to launch the very first hybrid scooter, but now we are ready to take an even greater step forward in our evolution. The future of mobility has embarked upon a well-defined path, and should not be viewed simply as a passing trend, but rather as a true technological, cultural and social revolution.

Vespa is one of the leading lights of our Group, and this is due not only to its heritage as a brand and what it represents in the world, but also to the activities in which it engages to support those in need - above all Vespa for Children, an initiative created to help underprivileged children that has been running for many years on a variety of different fronts. And indeed, in the mould of this support programme, a new partnership was established two years ago and further developed and strengthened in 2017 between Vespa and the international charity (RED), which is scrupulous in selecting the companies with which it works. This partnership is a source of

pride for the Piaggio Group, and serves as testament to the organisation's esteem for the company. For the very first time, we have introduced a (RED) product on the Indian subcontinent - the VXL model of the new (VESPA) RED, with a percentage of every sale donated to support the efforts of the Global Fund in fighting AIDS in India.

Our attention remains focused on the product throughout its entire life cycle, with a range of the policies implemented at our facilities to ensure maximum respect for the environment and for all of the resources used at every stage, from the procurement of raw materials to the production, distribution and eventual disposal of the vehicle at the end of its life.

These are the building blocks that have led the Piaggio Group to the end of a year characterised by success and satisfaction, enabling the company to launch a process of change within the context of the mobility of the future. However, to make sure that we are truly at the heart of this process, we rely on the men and women who contribute to our work every day - their skills and dedication are the real key to the global success of the company. I would like to extend my heartfelt thanks to them in particular: they represent the foundations of our future development, and are a unique asset - the added value of our Group.

Chairman and Chief Executive Officer
Roberto Colaninno



MOTO GUZZI

METHODOLOGICAL NOTE

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"We move fast in a rapidly and constantly changing world to provide products that solve problems and create new opportunities."

Since 2008, the Piaggio Group has published, on a voluntary basis, its annual Corporate Social Responsibility Report, which provides information on the economic as well as the environmental and social performance of the Group and is an important form of dialogue with internal and external stakeholders.

Its foundations

The 2017 Corporate Social Responsibility Report is prepared in compliance with the "Sustainability Reporting Guidelines" (GRI-G4) Core option, published in May 2013 by the GRI - Global Reporting Initiative. The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Materiality analysis

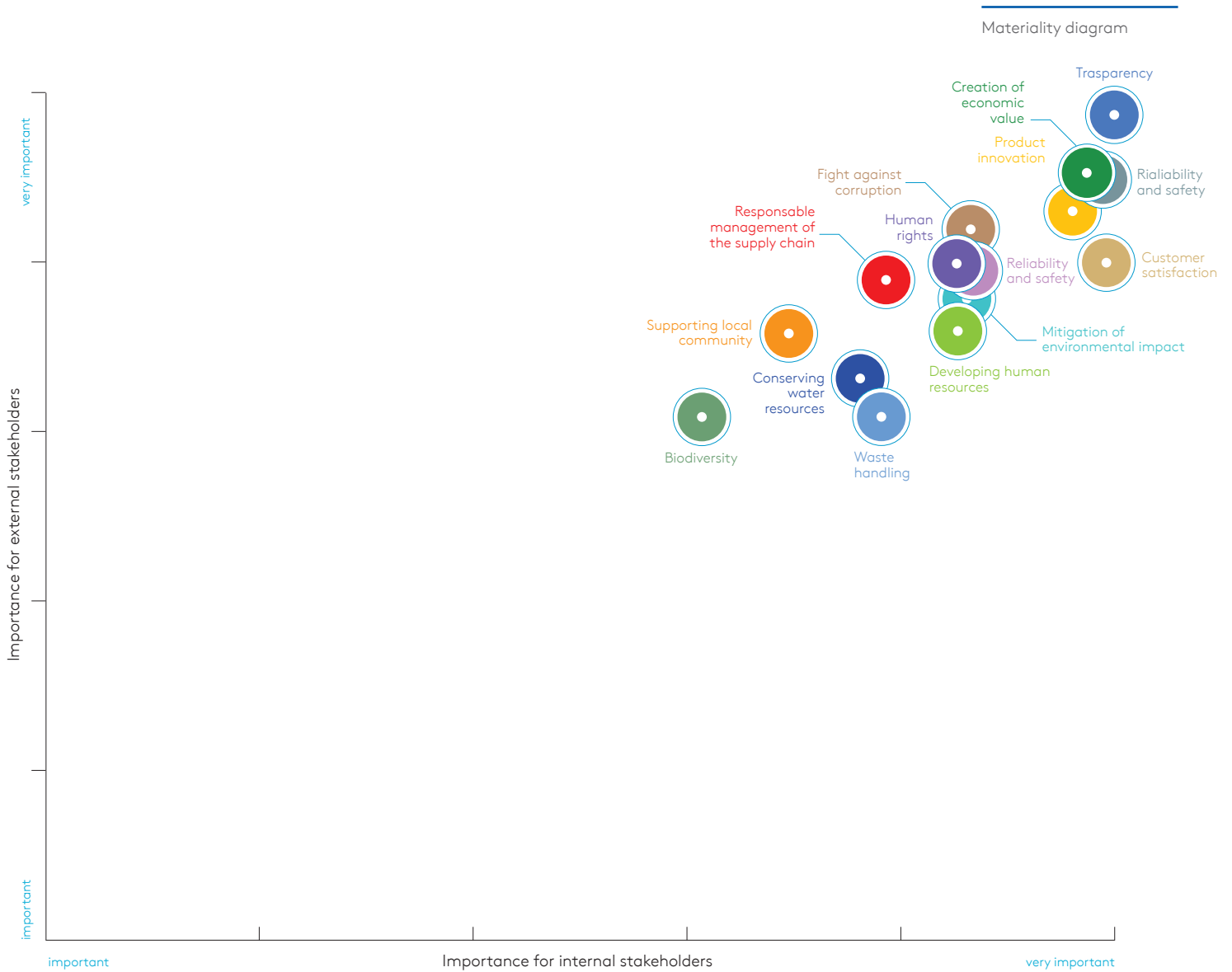
For 2017, as in previous years, the analysis was based on a structured process of mapping the stakeholders considered to be of relevance to the Group, which saw the involvement of the company structures dedicated to relations with these various stakeholders (Business Ethics Committee, Investor Relator, Personnel and Organisation Department, Legal and Corporate, Market Department, Product Development Department, Finance Department, Technology Department, Marketing and Communications Department, Corporate Press Office, India, Asia Pacific 2W). The topics relevant to Piaggio were defined based on different sources, among which are the corporate policies and principles, the 2016 Sustainability Report, and the initiatives for listening to the stakeholders.

Two dimensions were looked into on these topics:

- > On the Stakeholder side, the relative importance of each topic as perceived by the company function in relation with the stakeholders;
- > With regard to the Group, the issues upon which Piaggio has planned to focus its efforts and the "level" of commitment demonstrated.

Therefore, in the upper part of the matrix there are topics into which - in the area of the Group's strategic objectives - a significant investment is foreseen in the next few years.

The analysis of the two dimensions has made it possible to prioritise the topics and position them on a matrix. The materiality matrix provides a summary framework of the topics which could potentially influence the actions and performances of Piaggio, its stakeholders' decisions, as well as the level of "alignment" or "misalignment" between the priority of intervention that stakeholders attribute to the different topics and the level of commitment that the Group takes on relative to them.



Report contents

On the basis of the results of the materiality analysis, we can define the structure of the 2017 Sustainability Report focusing it on “material” topics. Similarly, the level of materiality of the topics - in turn broken down into detailed subtopics - has influenced the level of depth with which the individual topics and GRI G4 indicators are gone into, as well as the choice of the most suitable reporting tool to represent them (2017 Consolidated Financial Statements and Corporate Governance Report). For a discussion or an in-depth analysis of more specific subjects, respectively, of the operating performance and the governance, reference is made to the abovementioned documents.

The GRI Content Index in the Appendix contains precise references to the 2017 Sustainability Report and other Group Reporting tools.

| Dimension | Topic | Impact on | Chapter of reference | Reporting perimeter |
|---------------|--|--|---|--|
| ECONOMIC | Transparency, creation of economic value and fight against corruption | All Group companies – Shareholders and lenders – Human resources – Suppliers | Corporate Governance and the economic dimension | All Group companies |
| PRODUCT | Product innovation and sustainable mobility, reliability and safety | Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies - Customers | The product dimension | Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies |
| ENVIRONMENTAL | Improving energy efficiency, waste management, conserving water resources and biodiversity | All Group companies - Local communities - Suppliers | The environmental dimension | All Group companies |
| SOCIAL | Developing human resources, health and safety and respect for human rights | Human resources | Developing human resources | All Group companies |
| | Meeting customer requirements | Customers and dealers | Meeting customer requirements | Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited |
| | Responsible management of the supply chain | Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies - Suppliers | Responsible management of the supply chain | Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies |
| | Supporting local communities | All Group companies - Local communities | Supporting local communities | Piaggio Museum and Foundation - Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited |

Report boundary

The information and figures contained within the Corporate Social Responsibility Report 2017 refer to the subsidiaries (Italian and foreign) as of 31 December 2017, and to the activities they engaged in over the course of the year, unless otherwise indicated.

The figures for 2016 and 2015, taken from previous editions, are shown only for comparison. Where possible, the figures in this Corporate Social Responsibility Report refer to a three-year period, to allow for an evaluation of performance over time.

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

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

Process of drawing up and assurance

The process of reporting and monitoring of Key Performance Indicators (KPIs) relevant to sustainability involves the Holding for that which concerns transversal topics, and all the divisions and Group companies for the topics and specific indicators of the different sectors of activity.

Within the structures involved, the individuals responsible for gathering, verifying and processing the relevant KPIs have been identified. The Consolidated Financial Statements Unit of the Administration, Finance and Control Division is responsible for the consolidation of the results. It has to coordinate the entire process of gathering and processing the quantitative indicators, not to mention the coordination of the process of drawing up the Sustainability Report. The Sustainability Report is submitted to the Business Ethics Committee for analysis and evaluation, which verifies its completeness and reliability; the document is then approved by the Board of Directors and finally presented at the General Shareholders' Meeting at the same time as the Group's Consolidated Financial Statements.

To improve the reporting process and assure all stakeholders of the reliability of the information reported, the 2017 Sustainability Report was subjected to a limited audit by PricewaterhouseCoopers Advisory SpA; 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). The report that describes the principles adopted, the activities carried out and the relative conclusions is in the Appendix.

THE COMMITMENT OF PIAGGIO GROUP

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"Expansion only relates to growth from an economic point of view; progress relates to social, cultural and environmental development. Our company mission drives us to pursue progress, to be agents of truly sustainable development with a human face".

Piaggio is a group distinguished today by a strong international presence, but which has exported a business model targeting innovation and a strong link with the places where it operates, and a philosophy of doing business characterised by strong social responsibility: a culture of safety, respect for people and the protection of natural resources are a common theme throughout the Piaggio Group.

We are aware that to be able to successfully work in the global market a precise environmental policy needs to be at the centre of our business model which is in line with the needs of the communities where we work and helps their economic and social development.

The Group's conduct is guided by the principles and values set forth in the Code of Ethics, which all Group staff, and all those who interact with Piaggio throughout the world, are required to observe. The values contained within the Group's Code of Ethics are consistent with the 17 Sustainable Development Goals (SDGs).

Sustainable Development Goals

On 25 September 2015, the United Nations, together with governments, institutions and civil society, adopted 17 sustainable development goals (SDGs), outlined through 169 milestones to be achieved by 2030 in order to fight poverty, protect the planet and ensure prosperity for all.

These goals are interconnected and indivisible, and balance the three dimensions of sustainable development: economic, social and environmental.

The SDGs are common objectives which apply to areas that are fundamental to ensuring sustainable development throughout the world, such as combating hunger and poverty, protecting resources, promoting responsible consumption, providing access to education and reducing inequality of all types. These are shared goals, meaning that everyone (countries, institutions, individuals) is required to contribute to achieving these.

As such, companies must also play an active role; their own resources and skills can have a fundamental impact on the achievement of the overall objectives.



After an initial process of analysis and evaluation, the Group believes that its activities can contribute to the achievement of the following SDGs:

- 3. Health
- 5. Gender equality and emancipation of women
- 8. Economic growth
- 9. Industrial and infrastructural innovation
- 11. Sustainable cities and communities
- 12. Sustainable consumption and production

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

Specifically, the Group's industrial strategy is founded upon technological innovation, which in turn is focused on 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. Furthermore, Piaggio Group strongly believes that stakeholder engagement is one of the fundamental elements in the development of Piaggio and the communities in which it operates, both in terms of economic success and social wellbeing.

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 is designed to promote a more rational use of natural resources, and to minimise harmful emissions and waste from production.

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

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

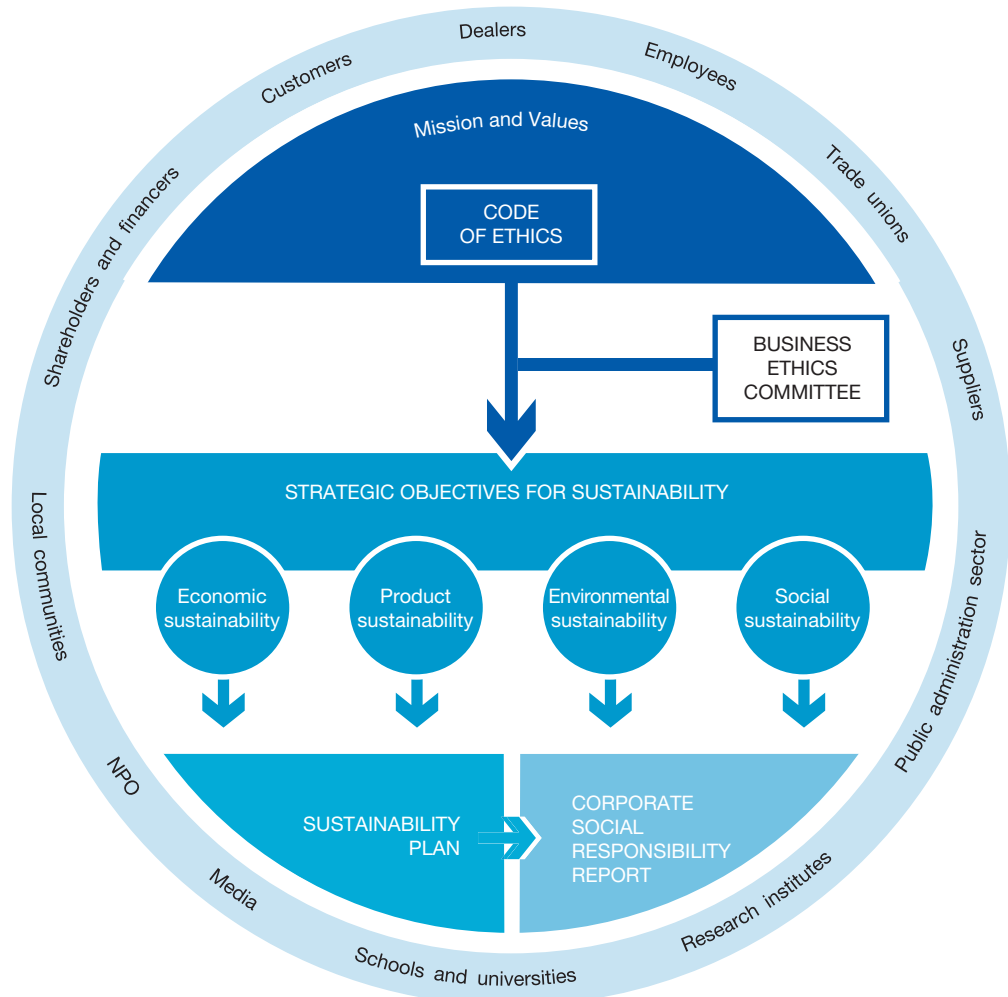
Piaggio's commitment is demonstrated by the trust and interest it attracts from socially responsible investors, who have been among the parent company's main shareholders for a number of years.

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 sustainability objectives, 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 whole process is coordinated by a committee specifically set up in 2008: the Business Ethics Committee.

Piaggio's Corporate Social Responsibility Model



Mission

The mission of the Piaggio Group is to generate value for its shareholders, customers 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 well-being of the community.

To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition.

To become a leading European company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

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

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

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

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

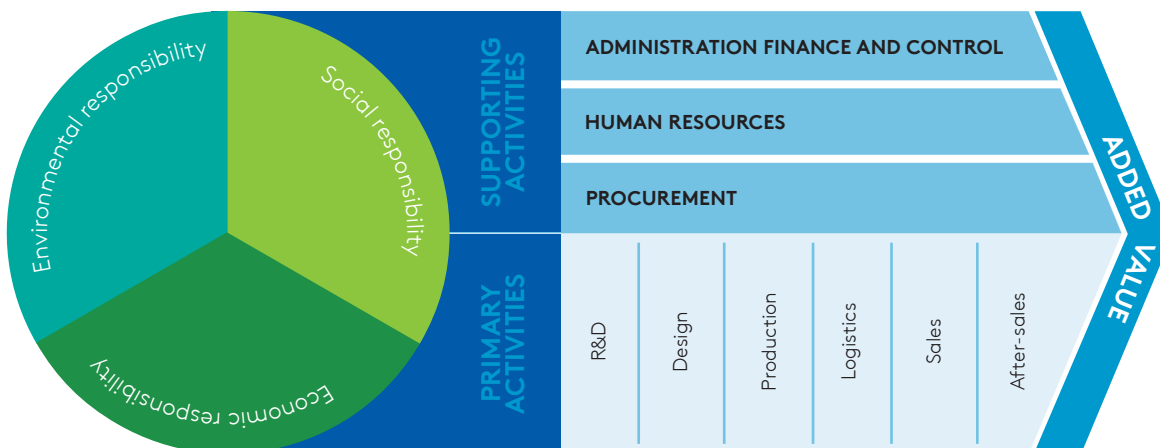
Customer-focused innovation: Developing innovative products that stand out for their unique style, quality, safety, energy efficiency and low environmental impact.

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 exemplary the way its international human resources are handled.

Generation of sustainable value

Piaggio Group pursues the creation of value and growth over the long term through responsible management of all stakeholder expectations.

The organisational structure of Piaggio Group analysed through the application of the model of the value chain theorised by Prof. Michael Porter in 1985 is the following:



Each primary company function, in carrying out its own activities, seeks to create value for all shareholders, while complying with business ethics and adopting a number of social values.

Specifically:

- › R&D (Research and Development) deals in the development of technologies which may be applied to next-generation products;
- › Design studies the vehicles that will be sold next, which best meet customer needs;
- › Operating activities researches how to lower consumption and emissions and responsible consumption of resources;
- › Logistics seeks to maximise the efficiency of activities to manage the flow of tangible goods going into and coming out of the organisation;
- › The marketing and sales offices perform product advertising on the market and management of the sales process, strictly following the rules established by the Istituto di Autodisciplina Pubblicitaria - Self-Regulatory Institute of Advertising;
- › After-sales service for customers is performed with the care and competence necessary to guaranteeing one of the highest service standards on the market.

Support and procurement processes

The support processes are those that do not directly contribute to creation of output, but which are necessary to its production, and are:

- › Procurement: all those activities for the purchase of the resources needed to produce output and for the organisation to function;
- › Management of human resources: recruitment, selection, hiring, training, teaching, updating, development, mobility, remuneration, rewards systems, trade union negotiations and collective bargaining, etc.
- › Infrastructure activities: all the other activities including accounting, finance, planning, IT systems, legal affairs, etc.

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the strategic plan – are based on the following areas

| | |
|----------------------|---|
| Economic | <ul style="list-style-type: none"> › Timely, correct, in-depth information to stakeholders. › Creating value while respecting business ethics. |
| Product | <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 | <ul style="list-style-type: none"> › Reduction of energy consumption. › Reducing emissions of CO₂ and other pollutants. › Conserving natural resources. › Waste handling and recovery. |
| Social | <ul style="list-style-type: none"> › Developing, training and promoting human resources so that everyone's expectations and aspirations are met. › Listening to and assisting customers, to establish relations based on transparency and trust. › Developing company advocacy, in partnership with the dealer network. › Sale of products that are environmentally friendly, reliable, safe and cost-effective. › Working together with suppliers, through jointly developed projects. › Fighting against corruption. › Respecting human rights. › Engaging and supporting local communities through social, cultural and educational initiatives. |

Stakeholders' 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 Group has identified a series of categories of stakeholders in relation to its operations.



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 focusing its efforts: on identifying possible areas for improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

The Group's corporate website (www.piaggiogroup.com) is designed to offer accurate and up-to-date information with regard to financial and institutional communications, as well as on the corporate activities of the Group. It plays a central role in communications between the company and its stakeholders.

Map of significant issues and methods for engaging stakeholders

Customers and dealers

Engagement methods:

- > Contact centre
- > Customer satisfaction surveys
- > Communication outlets (websites, social media)
- > Events (travelling tests, trade fairs)
- > Dealer website
- > Dealer support services/Help desk
- > Motoplex (new sales format)

| Stakeholder expectations | Our actions |
|--|--|
| Quality, safety and reliability of the products. | <ul style="list-style-type: none"> > Investment in ever safer and more reliable products. > Obtaining quality certification. |
| Low consumption and emissions. | <ul style="list-style-type: none"> > Study of innovative engines with low consumption and emissions. |
| Rapid response and problem solving. | <ul style="list-style-type: none"> > Effort to improve professionalism, timeliness and courtesy of the contact centre personnel and dealers. |
| Sales support. | <ul style="list-style-type: none"> > Development of a dedicated website and a new sales format. |

Suppliers

Engagement methods:

- > Daily relations
- > Supplier Portal

| Stakeholder expectations | Our actions |
|--|--|
| Continuity of the supply. | <ul style="list-style-type: none"> > Implementation of Supplier portal. |
| Collaboration and sharing of best practices. | <ul style="list-style-type: none"> > Vendor rating campaigns. > Appropriate conduct guidelines to prevent incidents of corruption. |

Local Communities

Engagement methods:

- > Meetings, exhibitions and events
- > Rallies
- > Charity activities

| Stakeholder expectations | Our actions |
|--|---|
| Contributions to supporting charity initiatives. | <ul style="list-style-type: none"> > Support for numerous charity initiatives. |
| Organisation of get-togethers and events for connoisseurs. | <ul style="list-style-type: none"> > Through the Vespa World Club and the Moto Guzzi World Club, the Group organises shows, get-togethers and contests for its customers. |
| Development of local communities. | <ul style="list-style-type: none"> > The Piaggio Foundation and the Piaggio Museum carry out the function of meeting place and cultural reference for the territory. |
| Respecting the environment. | <ul style="list-style-type: none"> > Attainment of the environmental certification for production establishments. |

Institutions and Public Administration

Engagement methods:

- › Ongoing dialogue on the regulatory developments
- › Periodic ad hoc meetings
- › Participation in the parliamentary committees charged with discussing and formulating new regulations
- › Meetings and presentations

| Stakeholder expectations | Our actions |
|--|--|
| Compliance with laws and regulations. Receptiveness and a propositional attitude regarding environmental and social themes. | <ul style="list-style-type: none"> › Appropriate conduct guidelines to prevent incidents of corruption. › Investments into R&D of innovative products that are abreast of any restrictions of current regulations. |
| Support on specific technical themes. | › Proactive participation in the parliamentary committees charged with discussing and formulating new regulations. |
| Pursuing common objectives. | › Participating in trade associations. |

Medium

Engagement methods:

- › Press releases
- › Events and company communication initiatives
- › Press product launches
- › Product test rides
- › Wide - Piaggio Magazine
- › Websites

| Stakeholder expectations | Our actions |
|---|---|
| Availability, transparency and timeliness of information on the company and its products. | <ul style="list-style-type: none"> › Abiding by the self-regulatory code of business communications. › Strengthening relations with the media in the different countries where the Group is active. |

Shareholders and lenders

Engagement methods:

- › Conference call/Road Show
- › Piaggio Analyst and Investor Meeting
- › Corporate website

| Stakeholder expectations | Our actions |
|--|--|
| Clear and timely information. | › Promotion of ongoing dialogue with analysts and lenders. |
| Remuneration and defence of the asset value of the investment. | › Policy for the purchase/cancellation of treasury shares. |

Human resources

Engagement methods:

- › Company intranet
- › Piaggio InfoPoint
- › Piaggio Net International
- › Web Mail
- › Evaluation Management System
- › Wide - Piaggio Magazine
- › Meetings with trade unions

| Stakeholder expectations | Our actions |
|--|--|
| Clear and timely company communication. | › Promotion of ongoing, constructive dialogue with employees. |
| Safe and healthy work environment. | › Attainment of health and safety certifications for Group plants. |
| Opportunity for professional development and training. | › Preparation of professional and managerial career paths for young talents. |
| Transparent reward policies. | › Remuneration policy characterised by meritocratic and fair criteria. |
| Respecting human rights and diversity. | › Abiding by a code of ethics that explicitly prohibits any form of discrimination or forced labour. |
| Open and constructive dialogue. | › Piaggio promotes ongoing, constructive dialogue with trade unions. |

Universities and Research Centres

Engagement methods

- › Cooperation in research projects
- › Teaching/internship activities

| Stakeholder expectations | Our actions |
|---------------------------------|---|
| Cooperation on common projects. | › Collaboration with universities and research institutes on research projects. |
| Training. | › Promotion of internships for final year students, college undergraduates and graduates. › Teaching carried out by its personnel in some departments. |

The process of the Sustainability Plan

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

The Sustainability Plan is updated each year when the CSR is prepared by the Consolidated Financial Statements team, which also handles the drawing up of this document.

The process is composed of three stages:

- › *The planning stage:* the commitment and objectives are defined in cooperation with the functions and operating areas involved in their achievement. Thus defined, the proposed Sustainability Plan is submitted to the Business Ethic Committee for approval, which analyses its consistency with the Group's strategies and is formally approved by the Board of Directors together with the approval of the CSR document;
- › *The management stage:* the responsibility for reaching individual objectives put in the plan is up to the functions and the operating areas who have the resources, tools, and necessary competence to achieve them;
- › *The monitoring stage:* to guarantee the commitments taken up in the Sustainability Report, together with the new objectives set for the future, proof of the results achieved towards the commitments taken up is given.



GROUP PROFILE

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"We move people and things, but also emotions and passions, through global brands that have made history and have become legend."

The Piaggio Group is the largest European manufacturer of two-wheel motor vehicles and one of the world leaders in its sector. The Group is also a major player worldwide in the commercial vehicles market.

The Piaggio Group Business Model

The Piaggio Group places the continuous search for solutions for the mobility of people and things at the centre of its business model.

The Group's ultimate goal is the creation of long-term value through the effective and efficient use and management of available resources, constantly guided by the principles and values that make up the Code of Ethics.

Our resources

Financial

Shareholders, bondholders and banks ensure that Piaggio has the financial resources it needs, on the condition that their expected return on invested capital is met.

Human

Human resources, and the skills, abilities and dedication offered by individuals, represent a key factor in Piaggio's competitiveness and growth at global level. Everything we do as individuals or as a team is shaped by our strategic vision, result-driven approach, constant commitment to customer satisfaction, desire for innovation and awareness of the future needs of the market, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario. 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.

Intellectual

The Piaggio Group is aware of the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products. For this reason, the Piaggio Group has always been engaged on many fronts, with a view to consolidating the synergies between its research and development centres (located in Italy, India, Vietnam, the United States and China), external research environments and the industrial context in which it operates. Every year, the Group's intensive research and development activities lead to patents being filed in the countries in which it operates.

Production

The Piaggio Group operates on a global scale, with a series of production plants in:

- › **Pontedera**, the main technical headquarters of the Group, which manufactures Piaggio, Vespa and Gilera branded two-wheel vehicles, light transport vehicles for the European market and engines for scooters and motorcycles;
- › **Noale (Venice)**, the technical centre for the development of motorcycles for the entire Group, and the headquarters of Aprilia Racing;
- › **Scorzè (Venice)**, a factory for the production of two-wheel vehicles for the brands Aprilia, Scarabeo and Derbi, and for Wi-bikes;
- › **Mandello del Lario (Lecco)**, a factory which produces Moto Guzzi vehicles and engines;
- › **Baramati (India)**, a factory dedicated to the production of 3 and 4-wheel light transport vehicles for the Indian market and for export, an another facility dedicated to the production of the Vespa scooter for the Indian market, the Aprilia SR 150 sports scooter, and the diesel and turbodiesel engines for the Group's commercial vehicles;
- › **Vinh Phuc (Vietnam)** where Vespa and Piaggio scooters are produced.

The Piaggio Group also operates via a joint venture company in **China** (Zongshen Piaggio Foshan Motorcycles, in **Foshan**, in the province of Guangdong), which is 45% owned by Piaggio (and therefore not consolidated in the Group's results).

How we build our strategic advantage

Organisational structure

The Piaggio Group is structured into and operates within geographical segments (EMEA and the Americas, India and Asia Pacific), for the development, manufacture and distribution of two-wheel and commercial vehicles.

Each geographical area is equipped with production facilities and a sales network specifically dedicated to customers in this region.

The Group boasts an agile and flexible production capacity, enabling it to adapt quickly to the needs of the market.

A unique brand portfolio

The Piaggio Group sells 2-wheel vehicles under the brands **Piaggio, Vespa, Aprilia, Moto Guzzi, Gilera, Derbi, Scarabeo** and commercial vehicles under the brands **Ape, Porter** and **Quargo (Ape Truck)**. Some of the Piaggio Group brands are the most prestigious and historic in the world of motorcycle racing: from **Gilera** (established in 1909), to **Moto Guzzi** (established in 1921), **Derbi** (1922) and **Aprilia** which in just over twenty years has made a name for itself as one of the most successful manufacturers taking part in the world speed and superbike championships. In the scooter sector, the legendary **Vespa** brand has been synonymous with two-wheel mobility since 1946, and with over 18 million units produced to date, it represents a commercial success story of incredible longevity, as well as being one of the most recognisable icons of Italian style and technology in the world.

Distribution and service network

Piaggio distributes its products in more than 100 countries. It has an extensive distribution and sales network of qualified and reliable partners.

Since the right location is essential in order to enable each brand to express its values, for a number of years, Piaggio has been using a new distribution format called "Motoplex", joined by about 300 sales points around the world.

The Motoplex concept revolves around the idea of "brand island" displays, placing the customer in the real experiential context of the brand being represented and providing an appropriate offering in terms of the vehicle, accessories and communications.

Product range

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.

The Piaggio Group product range includes scooters, motorcycles and mopeds with engine displacements ranging from 50 to 1,400 cc, as well as light commercial vehicles with three and four wheels.

In a society which is increasingly aware of the issue of sustainability, creating products with low environmental impact, in factories that are safe, non-polluting and do not waste resources, is becoming vital for survival.

Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

- › **Ecology:** products that can cut the emissions of pollutant gases and CO₂ in urban and extra-urban areas; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- › **Reliability and safety:** vehicles that allow a growing number of people to get about town easily, while contributing to ease traffic congestion and ensuring high levels of active, passive and preventive safety;
- › **Recyclability:** products that reduce the environmental impact at the end of their life cycle to a minimum;
- › **Cost-effectiveness:** vehicles with lower running and maintenance costs.

Quality control

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various phases of the production process and prior to dispatch to the customer. The standard procedures introduced in all Piaggio Group plants enable the constant monitoring of the quality of all the vehicles produced, ensuring product standards that fully meet both regulatory and type-approval specifications and the expectations of the end customer.

Supply chain

Some components are purchased externally in line with a global sourcing model that guarantees the quality and economy of the products supplied.

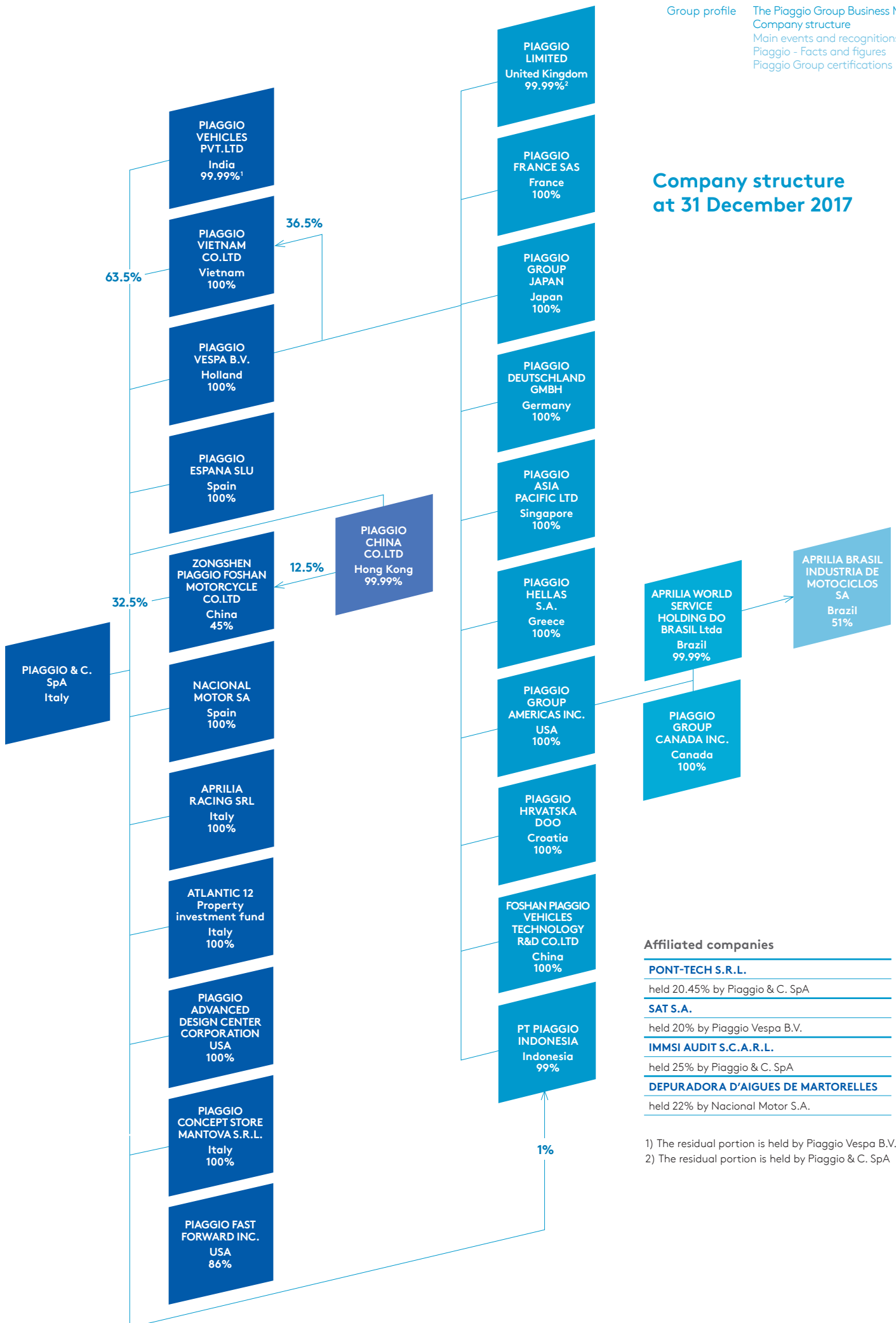
Piaggio ensures that its suppliers sign its Code of Ethics, in order to ensure compliance with its ethical values throughout the cycle of production and sales of its products. Sustainability for Piaggio does not begin and end at the gates of its factories.

Environmental sustainability

Piaggio aims at applying a model of sustainable development that not only satisfies the expectations of stakeholders (investors, shareholders, staff, suppliers, community, public administration) by guaranteeing economic and social sustainability, but also roots its actions in environmental sustainability, meaning the ability to safeguard natural resources and the ability for the ecosystem to absorb direct and indirect impacts generated by production activities.

Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the manufacturing technological cycle and by using the best technology and the most modern production methods. The pursuit of these environmental sustainability goals is blazing a trail of ongoing improvement of environmental performance.

Company structure at 31 December 2017



Affiliated companies

PONT-TECH S.R.L.

held 20.45% by Piaggio & C. SpA

SAT S.A.

held 20% by Piaggio Vespa B.V.

IMMSI AUDIT S.C.A.R.L.

held 25% by Piaggio & C. SpA

DEPURADORA D'AIGUES DE MARTORELLES

held 22% by Nacional Motor S.A.

- 1) The residual portion is held by Piaggio Vespa B.V.
- 2) The residual portion is held by Piaggio & C. SpA

Main events and recognitions in 2017

MITX Awards 2017

29 May 2017 - Piaggio Fast Forward (PFF), the advanced research centre for future mobility of the Piaggio Group, won the Disruptive Genius - Company category of the 2017 MITX Awards, for distinction in "unconventional innovative thinking, being the first to explore new frontiers and promoting the innovation economy through its operations".

Now in its 21st edition, the MITX Awards are an important annual competition for the technology and innovation sector held in the States.

"INNOVATIVE COMPANY"

13 June 2017 - Aprilia was hailed as the most innovative company in Italy in the Motorcycle/Scooter segment, by the German Quality and Finance Institute, which hands out "TOP INNOVATIVE COMPANY" quality seals each year.

4 September 2017 - Piaggio Fast Forward was ranked by the leading international publication "Disruptor Daily" as among the 100 most innovative companies thanks to "the considerable technological drive of GITA", "the high-performance robot able to carry cargo while being mindful of safety". Disruptor Daily is the most authoritative international publication on innovation, and a reference for companies engaged in reshaping the future in their industry.

FIM Open Endurance World Championships

23 September 2017 - Aprilia RSV4, ridden by the Aprilia Grebenstein team, won the European FIM Endurance Open Championships. Riding an RSV4 RF, the German team with Ralph Uhlig, Oliver Skach, and Andreas and Jurgen Scheffel, secured a decisive victory in the Oschersleben 6 hours, the third and last race of the championships.

Fight against AIDS

4 October 2017 - The Piaggio Group consolidated its partnership with (RED) and the fight against AIDS unveiling the (VESPA)^{RED} VXL model for the Indian market, in Mumbai. For each (VESPA)^{RED} purchased, the Group will make a donation of 50 USD to the Global Fund for the fight against AIDS in India. Each vehicle sold will provide more than 165 days of vital treatment for AIDS, which can help save the lives of many mothers and prevent the transmission of the virus to their unborn child.

Italian Listed Brands

4 October 2017 - Piaggio was selected by Borsa Italiana, along with another 21 listed companies, for the Italian Listed Brands basket. Starting from this list, a new dedicated FTSE Russell index will be created for the Italian market. Borsa Italiana made its selection based on creativity, excellence, innovation and drive towards internationalisation.

Carbon Disclosure Project

October 2017 - The Piaggio Group was included in the Climate "A-" List of the CDP Climate Change Report 2017 initiative, and was awarded "B" level in the report on water use published by the international organisation. The results were published in the Global Climate Change Report 2017, which reports how the world's leading listed companies perform in the fight against climate change and in the preservation of water resources.

Financial Statements Oscar 2017

24 November 2017 - Piaggio & C S.p.A., along with Eni and A2A, were ranked as the top 3 companies (in the Major Listed Companies category) for financial reporting and stakeholder relations in Italy's 2017 Corporate Reporting Award. More than 100 companies competed in the award, which is promoted by Federazione Relazioni Pubbliche Italiana (the Italian Federation of Public Relations) along with Borsa Italiana and Bocconi University.

Premio Bilancio Sociale (Prize for Responsible Corporate Communications)

30 November 2017 - The fourth edition of the Premio Bilancio Sociale assigned the special mention "Ambiente" (Environment) to the Piaggio Group.

GOOD DESIGN® AWARDS 2017

18 December 2017 - Piaggio Fast Forward (PFF) received the prestigious GOOD DESIGN® AWARDS 2017, one of the world's leading and most well-known design awards. PFF received this important accolade in the Robotics category, thanks to GITA, the revolutionary, visionary idea which stands out among contemporary design projects. GITA is not just a robot with a futuristic design, but also boasts an innovative, technological edge, and a focus on sustainability, creativity, environmental awareness, cutting-edge materials and functionality.



All data refer to the year 2017.

Piaggio - Facts and figures

1,342.4 million Eur

Consolidated revenues

552.8 thousand units

Vehicles sold

522.8 thousand units

Vehicles Produced

192.3 million Eur

EBITDA

20.0 million Eur

Net profit

446.7 million Eur

Net debt

6,620

Employees as of year end

86.7 million Eur

Investments

43.9 million Eur

Research and Development expenditure

Piaggio Group certifications

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

| | | Production sites | | | | | | |
|---------------|--|------------------|------------------|--------------------|-----------------------|---------------------------|-----------------------------------|------------|
| | | Pontedera | Noale and Scorzè | Mandello del Lario | Baramati Engine Plant | Baramati Two-Wheeler Site | Baramati Commercial Vehicles Site | Vinh Phuc |
| Certification | ISO 9001 Quality management systems | since 1995 | since 2006 | since 2010 | | since 2013 | | since 2009 |
| | 14001 Environmental management system | since 2008 | since 2008 | since 2010 | since 2015 | since 2013 | since 2015 | since 2011 |
| | BS OHSAS 18001 Occupational Health and Safety Management | since 2007 | since 2007 | since 2010 | since 2015 | since 2013 | since 2015 | since 2013 |
| | ISO TS 16946 Suppliers' quality systems | | | | since 2012 | | since 2013 | |
| | ISO 50001 Energy management systems | | | | | since 2015 | | |

Piaggio's production sites in Italy – Pontedera, Noale, Scorzè and Mandello del Lario – as well as its production sites in Vietnam and India have for many years held certifications for **Quality** (ISO 9001 or ISO/TS 16949), **Environment** (ISO 14001) and **Occupational Health and Safety** (BS OHSAS 18001).

In November 2017, audits were conducted by the certification company Det Norske Veritas (DNV)³⁾ to issue the **Quality** (ISO 9001), **Environment** (ISO 14001) and **Occupational Health and Safety** (BS OHSAS 18001) certification for the Pontedera, Noale-Scorzè and Mandello del Lario sites. The outcome of the audits was positive.

Annual audits by the certification body demonstrate the company's commitment to its quality, health and safety and environmental policies established by top management and are proof of the reliability of the management systems which are applied with the contribution of managers from all functions and the individuals who work in them.

Following the publication in late 2015 of the new edition of the ISO 9001 and ISO 14001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted.

The Indian subsidiary Piaggio Vehicles Private Ltd. also obtained the **ISO 50001** certification for its energy management systems at its two-wheeler production site.

3) DNV = Det Norske Veritas is one of the world's leading certification bodies.

CORPORATE GOVERNANCE

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"When future generations will judge those who came before them on environmental issues, they may reach the conclusion that they 'did not know': let us make sure that we will not be remembered in history as the generation that knew, but did not care."

Mikhail Sergeevich Gorbachev

The Corporate Governance system adopted by Piaggio & C. S.p.A. (hereinafter "Piaggio & C." or the "company") 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.

To these ends, over time Piaggio & C. has made all the suitable adjustments required by the changes made to the Self-Regulatory Code of the listed Companies, as last approved in July 2015. Piaggio & C. also has individuated and appointed the roles of Risk Manager and Compliance Officer.

Currently, the company boards which make up the system of Corporate Governance of Piaggio & C. are: the Board of Directors, the Board of Statutory Auditors, the committees within the Board of Directors and the General Shareholders' Meeting. Specifically, the Board of Directors is supported by the Internal Control and Risk Management Committee, the Remuneration Committee, the Appointment Proposal Committee and the committee for the operations with related parties.

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.

For more information on the company boards, refer to the Report on Corporate Governance and Corporate Ownership for the year ending 31 December 2017, available on the website www.piaggiogroup.com in the Governance section.

Role of the Board of Directors

The company is governed by a Board of Directors (also known as "the Board") composed of a number of members not less than 7 (seven) and not more than 15 (fifteen).

The Articles of Association of Piaggio & C. regarding the composition and appointment of the Board require compliance with relevant provisions introduced by Italian Law 262/2005 and by Italian Legislative Decree no. 29 December 2006, no. 303, as well as Italian Legislative Decree no. 27 of 27 January 2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies and Italian Law 120/2011 on gender equality.

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

The Piaggio & C. Board of Directors, appointed by the General Shareholders' Meeting on 13 April 2015, is composed of nine members whose professional résumés are lodged at the registered office of the company and available on the company website ([www.piaggiogroup.com/Governance- Management](http://www.piaggiogroup.com/Governance-Management)).

Names and positions of Piaggio & C. Board of Directors members as of 31.12.2017

| Name | Position | Year of birth | In office from | In office until | List M/m | Exec. | Non-Exec. | Indep. | Indep. Consolidated Law on Finance | Participation in Board meetings | Other positions |
|-------------------------------|-------------------------------------|---------------|--|---|----------|-------|-----------|--------|------------------------------------|---------------------------------|-----------------|
| Roberto Colaninno | Chairman Chief Executive Officer | 1943 | 13/04/2015 First appointment: 23/10/2003 | Approval of 31/12/2017 Finan- cial Statements | M | X | | | | 9/9 | 6 |
| Matteo Colaninno | Deputy Chairman | 1970 | 13/04/2015 First appointment: 23/10/2003 | Approval of 31/12/2017 Finan- cial Statements | M | | X | | | 9/9 | 3 |
| Michele Colaninno | Director | 1976 | 13/04/2015 First appointment: 28/08/2006 | Approval of 31/12/2017 Finan- cial Statements | M | | X | | | 9/9 | 10 |
| Vito Varvaro | Director | 1954 | 13/04/2015 First appointment: 16/04/2009 | Approval of 31/12/2017 Finan- cial Statements | M | | X | X | X | 9/9 | 1 |
| Graziano Gianmichele Visentin | Director | 1950 | 13/04/2015 First appointment: 13/04/2015 | Approval of 31/12/2017 Finan- cial Statements | M | | X | X | X | 9/9 | 16 |
| Maria Chiara Carrozza | Director | 1965 | 13/04/2015 First appointment: 13/04/2015 | Approval of 31/12/2017 Finan- cial Statements | M | | X | X | X | 9/9 | 0 |
| Giuseppe Tesauro | Director | 1942 | 13/04/2015 First appointment: 13/04/2015 | Approval of 31/12/2017 Finan- cial Statements | M | | X | X | X | 6/9 | 0 |
| Andrea Formica | Director | 1961 | 13/04/2015 First appointment: 13/04/2015 | Approval of 31/12/2017 Finan- cial Statements | m | | X | X | X | 9/9 | 2 |
| Federica Savasi | Director | 1975 | 13/04/2015 First appointment: 13/04/2015 | Approval of 31/12/2017 Finan- cial Statements | M | | X | | | 9/9 | 0 |

The Board of Directors comprises a majority of independent, non-executive directors who, thus, due to their number and authority are able to have a significant influence on the decisions the Piaggio & C. Board makes. These directors bring their specific competencies to Board discussions and contribute to decisions being made in the company's interest. The independence of the independent Directors is always reviewed, as recommended by the Corporate Governance Code, by the Piaggio & C. Board of Directors on an annual basis. Already at the moment of joining the regulated market, Piaggio & C. appointed a Lead Independent Director who, in cooperation with the Chairman of the Board of Directors, coordinates the contribution of all the independent Directors.

Code of Ethics

Piaggio & C. has adopted a Code of Ethics since 2004 for the Organisational Model pursuant to Italian Legislative Decree 231/2001.

The Code of Ethics was last updated in 2017 as part of the revision carried out on the Organisation Model pursuant to Legislative Decree 231/2001. In particular, a new article has been introduced, specifically dedicated to safeguarding human rights, with a focus on preventing "modern slavery". Through this article, the company expresses its commitment to recognising and ensuring the utmost respect for the principles that protect human rights, as shared at international level and articulated in a number of international conventions, specifically with regard to respect for personal dignity and for rights relating to personality and the prohibition of all forms of discrimination, in particular where employees are concerned.

Even before the introduction of the article, these principles were respected by the company, in light of the fact that they are implicit in the Code of Ethics and inherent to the Group; here, they have been described more explicitly, with a view to ensuring that the Code is fully in line with the ethical and social values that inspire

LEGEND

M/m slate: indicates whether the Director was drawn from the slate attracting a majority (M) or minority (m) of votes.
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 independence requisites established by Article 148, subsection 3 of the Consolidated Law on Finance (Article 144-decies, of the Consob Regulation on Issuers).
Participation in Board meetings: indicates participation of the Director in Board meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).
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.

Piaggio Group's activities, and upon which these are based.

The company has also issued a Modern Slavery Statement, designed to ensure that the Group's activities comply with the regulatory provisions set out under the Modern Slavery Act 2015, as issued by the British Parliament; all companies operating in the UK are obliged to observe the stipulations contained therein.

The Code of Ethics, available on the company's website (www.piaggiogroup.com/Governance), has been disseminated extensively and is in force in all of the Group's companies. It defines the principles and values which the entire company organisation takes inspiration from in a clear and transparent manner:

- › Complying with the laws of countries where Piaggio operates;
- › Dismissing and condemning unlawful and improper behaviour;
- › Preventing breaches of lawfulness, constant search for transparency and openness in managing the business;
- › Seeking excellence and market competitiveness;
- › Respecting, protecting and valuing human resources;
- › Pursuing sustainable development while respecting the environment and rights of future generations.

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

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

In view of the specificity and relevance of the Indian economy, the Code of Business Conduct & Ethics and the Whistle Blower Policy have been drafted and adopted since December 2016 for the Indian affiliate; the Whistle Blower Policy is specifically intended to protect and guarantee those who report any alleged violations of the Code, thereby also safeguarding the effective application of the Code itself.

At the same time, again in view of the peculiarities of the Indian society, a "Policy on Prevention of Sexual Harassment of Women in the Workplace" has been adopted by the Indian affiliate to prevent incidents of sexual harassment at the factory.

Business Ethics Committee

The Piaggio Group was the first organisation to establish a Business Ethics Committee in Italy, in 2008. This committee develops rules and regulations for organisational conduct in line with international best practices on corporate social responsibility.

In coordinating the entire corporate responsibility process, the committee:

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

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

Lastly, it should be noted that the Business Ethics Committee, as part of the Fraud Policy, is tasked with collecting all of the reports regarding fraud, calling meetings and making opportune assessments together with involved bodies.

Organisational model pursuant to Legislative Decree 231/2001

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

The Model (pursuant to Legislative Decree no. 231/2001) opens with the Code of Ethics and the Guidelines, and is divided into two sections. In the general section, the introduction is followed by a description of the company's general internal control principles and disciplinary system, along with a description of the function and tasks of the Supervisory Body. The special section is divided into various parts, one for each type or "family" of offence.

During the year, the Model was updated to bring it into line with the organisation of the company and with developments in case law. This update process saw the introduction and integration of additional predicate offences, as envisaged by the recent regulatory reforms that have come into force, most recently in March 2017; the structure of the Model has also been changed.

The section on corporate offences has been updated, implementing Legislative Decree No. 38 of 15 March 2017 (Implementation of the Council Framework Decision 2003/568/JHA of 22 July 2003, regarding the fight against corruption in the private sector), introducing the changes referred to in Article 2635 of the Civil Code relating to the offence of "corruption between private individuals", and with the introduction of a new type of offence regarding "incitement to corruption between private individuals", which punishes any corruption-related act even in the event that the offer is not accepted (Article 2635 bis of the Civil Code).

The special section of the Model has been revised to incorporate the evidence emerging from updates to the Risk Assessment procedure, and to ensure that it remains in line with the internal body of procedures. With the agreement of the Supervisory Body, the existing structure by type or "family" of predicate offence was maintained. However, with regard to the individual families of offence, a "view by process" structure was introduced, thus formalising specific decision protocols by "sensitive process".

The update also provides for the inclusion (in the general section) of a rule relating to whistle blowing, as provided for by Law no. 179 of 2017, and for the integration of the list of predicate offences not deemed to be applicable to the company, which includes the new offences provided for by law No. 161 of 2017 on illegal immigration and xenophobia.

The Company has for some time now set in place a special e-mail whose references are in the Guidelines for Conduct and which lets anyone send a message directly to the Supervisory Body to report any relevant cases. This message must be read exclusively by the Supervisory Body thus guaranteeing that the operations of the body are carried out in compliance with Model 231/2001 of the company. The Model pursuant to Italian Legislative Decree 231/2001 – widely distributed by e-mail to all Piaggio Group senior management, middle management and employees in Italy, as well as published on the company intranet – is constantly monitored and periodically updated. Piaggio & C. has also established a "Fraud Policy" with information channels for receiving, analysing and processing reported fraud that may involve employees, directors and partners of Piaggio and Group Companies. The policy is another instrument that the Piaggio Group has adopted to prevent infringement of the principles of lawfulness, transparency, fairness and loyalty which the Model pursuant to Legislative Decree no. 231/2001 takes inspiration from.

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

Fighting against corruption

As stated in the Code of Ethics, in pursuing its mission the Group ensures, through the adoption of appropriate tools, including organisational tools, compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.

When participating in public tenders or competitions called by Public Administration as well as in any negotiations or contracts entered into with both Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with the corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. Such negotiations must be conducted only by those previously and expressly authorised to do so, respecting roles and in accordance with corporate procedures; adequate mechanisms for traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or third contracting parties or which one has merely become aware of, must be immediately reported.

The functional managers who are commonly in touch with the Public Administration must:

- › Provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with the various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to crime;
- › Provide for adequate tracing mechanisms as regards official information channels with the Public Administration;
- › Maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and enforce therefore, also with specific reference to relations with Public Administration, company procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with Public Administration, in compliance therefore with corporate roles;
- › Make clear, truthful, complete and traceable statements to public authorities and exhibit complete, truthful and unaltered documents and data;
- › Maintain correct and clear conduct such as to avoid inducing the counterparty into even potential error. All consultants, suppliers, customers, and whoever is related to the company, are committed to the observance of the laws and regulations in force in all the countries where the company operates;
- › No relation will be initiated or continued with those who do not intend to comply with such principles. When appointing these subjects to operate as representatives and/or in the interest of the Group towards Public Administration, the appointment must be in writing, with a specific binding clause requiring compliance with the principles of ethics and conduct adopted by the Group.

Identical conduct guidelines to those indicated for relations with Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty.

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all the employees involved in such procedures must:

- › Be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
- › Once the requested outpayment has been obtained, the sum should be employed for the goals to which it was originally requested and obtained. The people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified; supported by correct, authentic and

appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the individuation of those who have authorised, carried out, registered and verified the operation itself.

Please note that no incidents of corruption occurred in the reporting year.

Compliance with laws and regulations

During 2017, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Piaggio Group for the breach of anti-competitive or anti-trust laws.

At 31 December 2017, there were no sanctions in place concerning non-compliance with laws and regulations, including those regarding the environment, marketing, advertising, promotions, sponsorships and the supply and use of products.

Finally, no cases regarding the breach of consumer privacy or loss of consumer data were reported in 2017.

RISK MANAGEMENT



*You must treat the earth well:
it was not given to you by your parents,
it is loaned to you by your children.*

Masai Proverb

The Piaggio Group has launched an Enterprise Risk Management (ERM) project, which is designed to facilitate the definition and implementation of a structured and integrated system for the detection, measurement and management of business risks, in line with the existing best practices on this subject. As part of the 2017 Risk Assessment campaign, which involved company managers from across the entire Group, a total of 129 risk scenarios were identified. These were then divided into 26 categories, which in turn were placed into 4 first-level macro-categories (External, Operative, Financial and Strategic Risks). Issues relating to environmental and social themes and to staff, human rights and the fight against corruption (as detailed below) were also examined in detail as part of this process.

Environment

The subject under analysis in this instance regards the actual and potential repercussions of the Group's operations on the environment; these repercussions have been assessed in consideration of key aspects, such as: atmospheric emissions, waste management practices, use and protection of natural resources, etc. Greenhouse gases (mainly CO₂) and Volatile Organic Compounds (VOCs) released by solvents used in painting operations are of particular relevance when examining the levels of air pollution generated by automotive operators. The structural operations implemented in past years at the Group's production plants have led to reductions in polluting emissions at some of these, while at others, levels of these emissions have remained stable.

Despite the fact that Piaggio's production sites were originally designed to run on energy sources from fossil fuels, the Group is engaged in optimising the management of existing sites to limit consumption as far as possible.

Land reclamation and decontamination activities have proven necessary, due to historical contaminants found at the various sites: the polluting agents discovered had not been used by the plants for several decades, a fact which testifies to the historical nature of this issue. No other cases of soil contamination (spills or other significant polluting events) have ever affected the Group's activities.

Finally, it should be noted that Piaggio is in possession of ISO 140001 environmental certification, and invests every year in measures to reduce the environmental impact of its production sites.

Despite the significant inherent risk present, in line with other companies in the sector, the control measures in place serve to limit environmental risk to a smaller and less significant area.

Employees

Risks relating to employees include all aspects linked to improper management of the Group's human capital, including areas such as career management, the remuneration and training system, diversity (age, gender, sexual orientation, disability, religion, ethnic origins etc.), as well as risks related to health and safety in the workplace and to trade union and labour relations.

Piaggio operates on a global scale, with employees in Europe, America and Asia. The company promotes diversity in all areas, with regard to gender, age, nationality, ethnic origin, ideology and religious faith, in the belief that this represents the different approaches to pursuing and achieving the highest levels of performance within a unique and broader organisational design model for the Group. The insertion and integration of disabled people into the workforce is also made possible in practical terms by the high levels of accessibility offered by company facilities, as well as by the existence of a company procedure regarding this issue.

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are designed to build and continuously improve skills, while enhancing potential and evaluating and rewarding excellent performance. Reward policies are implemented to reward people and their contributions to the Group, in line with the criteria of competitiveness, fairness and meritocracy. The various control mechanisms described above enable the risks linked to these aspects to be reduced to a residual level of no real significance.

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives, and is committed to establishing relations with these groups, with a focus on attention, dialogue and the quest for shared understanding; indeed, a process of verification and continuous dialogue is key in identifying the best solutions for the company's specific needs. For these reasons, the frequency of strikes is reduced, despite the high rate of unionisation among employees.

With reference to Health and Safety at Work, the activity which presents the highest level of risk is the testing of motorbikes with medium-sized and large engines. In general, the risk of accident/injury suffered by personnel is mitigated through the constant adaptation and updating of processes and the adoption of procedures

and structures that comply with current legislation on employee safety, and with the highest international standards. The Group also promotes safe individual behaviour through targeted training initiatives.

Social

Risks which arise within the social dimension generally relate to the relationship between Piaggio and its customers, as well as the effects that the company has on the local community.

With regard to the first of these, it has emerged that the quality and reliability of products is an essential and determining factor in meeting customer requirements and guaranteeing safety. Within the "Product - Operational Risks" category, risk scenarios related to potential product faults or defects have been mapped. To mitigate these risks, Piaggio has implemented a Quality Control system, and performs extensive tests on products at different stages of the production process, carefully selecting suppliers on the basis of stringent technical and professional standards. In addition, the Group's attention and dedication to obtaining and maintaining certification for quality management systems at global level (ISO 9001 or ISO/TS 16949) should also be noted.

Human rights

As set forth in the Code of Ethics, which has been in force since 2004, Piaggio explicitly prohibits any form of discrimination and forced labour. This Code has been widely distributed among all Group subsidiaries, and serves to clearly and transparently establish the principles and values which inspire the entire organisation.

In accordance with their relevance and in consideration of the specific features of the Indian market, a number of regulations are currently in force: as of December 2016, the Code of Business Conduct & Ethics and the Whistle Blower Policy were introduced, with the latter expressly intended to protect and safeguard those who report alleged violations of the Code (accordingly, this policy also serves to ensure that the Code is fully effective); a policy on the "Prevention of Sexual Harassment of Women in the Workplace", to prevent episodes of sexual harassment inside the plant.

In virtue of the prevention and control mechanisms established within the Code of Ethics and implemented across all Group affiliates, no risk scenarios relating to the violation of human rights have been reported.

Fighting against corruption

The issue of the fight against both active and passive corruption falls within the "Internal/external offences" category of the risk model implemented by the Group. Within its Code of Ethics, Piaggio expressly prohibits any act of corruption, including requests for and/or of bestowal of favourable treatment, collusive behaviour, and/or solicitation (whether direct, indirect and/or through third parties) of personal advantages of any kind for one's own benefit or for that of others, including material benefits and/or any other advantage of any type in favour of a third party or parties.


A series of processes, procedures, roles and responsibilities has been established in order to facilitate the achievement the aforementioned objective, with regard to negotiations/commercial relations with public administration bodies and with private entities.

The general environment and checks/controls briefly described above reduce risks relating to episodes of active/passive corruption to a negligible residual level.

For a more detailed analysis of all the risks identified by the Piaggio Group, refer to the Report on Operations in the 2017 Consolidated Financial Statements.

THE ECONOMIC DIMENSION

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"Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed."

M. K. Gandhi

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

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

The economic dimension of acting as a company must be fully enhanced within the role that it plays for all its stakeholders. To these ends, Piaggio Group carefully oversees the process of producing value and makes transparent, punctual and exhaustive communication regarding the process in the Report on Operations of the 2017 Consolidated Financial Statements (see chapter "Financial position and performance of the Group") to which reference is to be made for any in-depth information.

2017 results and future objectives

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|--|---|---|---|---|
| Shareholder remuneration. | <ul style="list-style-type: none"> › Safeguarding shareholders' value. | <ul style="list-style-type: none"> › Distribution of dividends. › Increase in the value of the share. | <ul style="list-style-type: none"> › Safeguarding shareholders' value. | <ul style="list-style-type: none"> › Distribution of dividends and protection of equity for shareholders. |
| Conducting business operations fairly and transparently. | <ul style="list-style-type: none"> › Continuing improvement of the corporate web site. | <ul style="list-style-type: none"> › New corporate website format. › Piaggio 2016 Financial Statements, finalists at the Financial Statements Oscars. | <ul style="list-style-type: none"> › Continuing improvement of the corporate web site. | <ul style="list-style-type: none"> › Swift and timely compliance with laws and regulations. › Continuing improvement of the corporate web site. › Ongoing adaptation of the Code of Ethics to national and international best practices. |

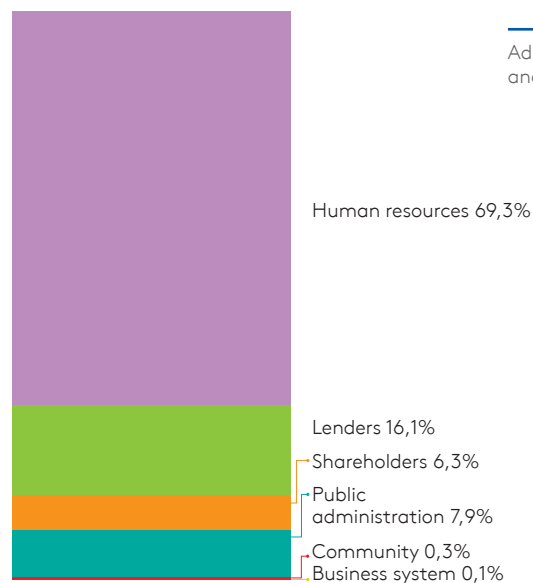
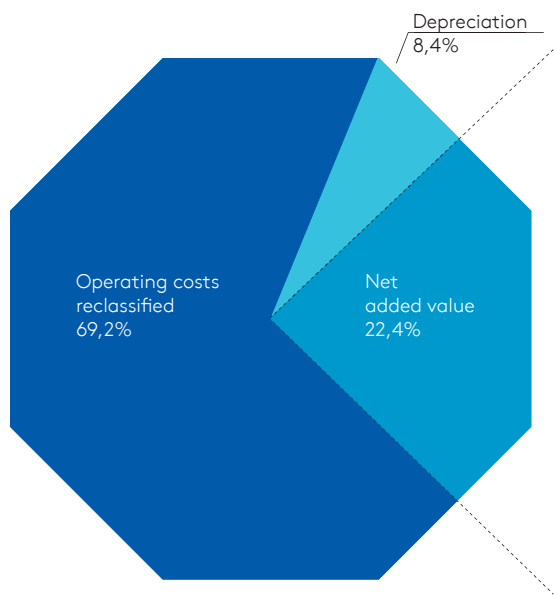
Determination and distribution of added value

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

The breakdown of the net global added value among the various stakeholders is as follows: remuneration to human resources (direct remuneration comprising salaries, wages and termination benefits and indirect remuneration comprising social security contributions), remuneration to lenders (interest payable and exchange losses), remuneration to shareholders (dividends distributed), remuneration to the Public Administration sector (total taxes paid), external donations and donations to the community. The value held by the Group comprises retained earnings.

| | 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|
| <i>(figures in thousands of Euros)</i> | | | |
| Net revenues | 1,342,450 | 1,313,109 | 1,295,286 |
| Income/(loss) from investments | 825 | 588 | 295 |
| Financial income | 16,901 | 13,518 | 19,783 |
| Other operating income reclassified | 25,258 | 31,107 | 26,054 |
| Economic value generated | 1,385,434 | 1,358,322 | 1,341,418 |
| Operating costs reclassified | -958,675 | -955,934 | -941,429 |
| Amortisation/Depreciation | -115,773 | -108,459 | -105,014 |
| Net added value | 310,986 | 293,929 | 294,975 |
| Remuneration to human resources | 215,463 | 213,775 | 213,326 |
| Remuneration to lenders | 50,000 | 49,508 | 56,685 |
| Shareholder remuneration | 19,698 | 17,962 | 26,007 |
| Remuneration to the Public Administration sector | 24,602 | 15,639 | 12,684 |
| External donations and donations to the community | 937 | 967 | 413 |
| Distributed added value | 310,700 | 297,851 | 309,115 |
| Business system | 286 | -3,922 | -14,140 |
| Added value retained by the Group | 286 | -3,922 | -14,140 |

How added value is determined and distributed



Added value generated and distributed in 2017

The net global added value generated by Piaggio in 2017 amounted to approximately 310,986 thousand EUR, or 22.4% of the economic value generated. Most of this amount refers to remuneration paid to human resources (69.3%), followed by remuneration to lenders (16.1%) and to the Public Administration sector (7.9%). Compared to the 2016 figures, the Global Added Value rose by 5.8%.

Public grants and tax benefits

In 2017 the Piaggio Group benefited from government aid in the form of research grants, training grants and export grants, for a total of 3,297 thousand Euros.

Research grants, totalling 1,568 thousand Euros, were obtained for research projects. The contents and results of these are commented on in the chapter on the product dimension.

Training grants totalled 483 thousand Euros and were obtained by the parent company.

Piaggio Vehicles Private Limited (India) obtained a grant for exports, the amount of which (1,246 thousand Euros) was calculated as a percentage of the FOB value of the exports.

| Grants obtained | 2017 | 2016 | 2015 |
|------------------------------|--------------|--------------|--------------|
| <i>In thousands of Euros</i> | | | |
| Grants | 1,568 | 705 | 3,729 |
| Export grants | 1,246 | 1,161 | 1,143 |
| Training grants | 483 | 412 | 245 |
| Total | 3,297 | 2,278 | 5,117 |

Meanwhile, tax benefits totalling 1,145 thousand Euros were obtained by Piaggio & C. S.p.A. and by the companies operating in Vietnam and France.

Specifically:

- › Piaggio & C. S.p.A. has obtained tax credit for investments into research and development during the year 2015, pursuant to Law No. 190 of 23 December 2014. This credit amounts to 657,060 Euros;
- › Piaggio Vietnam benefited from an exemption from income tax on the manufacture of engines within the Vietnamese market and on those destined for export, which led to a tax reduction of 50% compared to the standard rate;
- › Piaggio France received a tax credit of 43,169 Euros. This credit is equal to 7% of the gross figure for annual salaries that do not exceed the minimum wage, increased 2.5 times.

| Tax benefits | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|
| <i>in thousands of Euros⁴</i> | | | |
| <u>Tax exemption</u> | | | |
| Piaggio Vietnam | 445 | 1,351 | 2,068 |
| <u>Tax credit</u> | | | |
| Piaggio & C. | 657 | | |
| Piaggio France | 43 | 41 | 45 |
| Total | 1,145 | 1,392 | 2,113 |

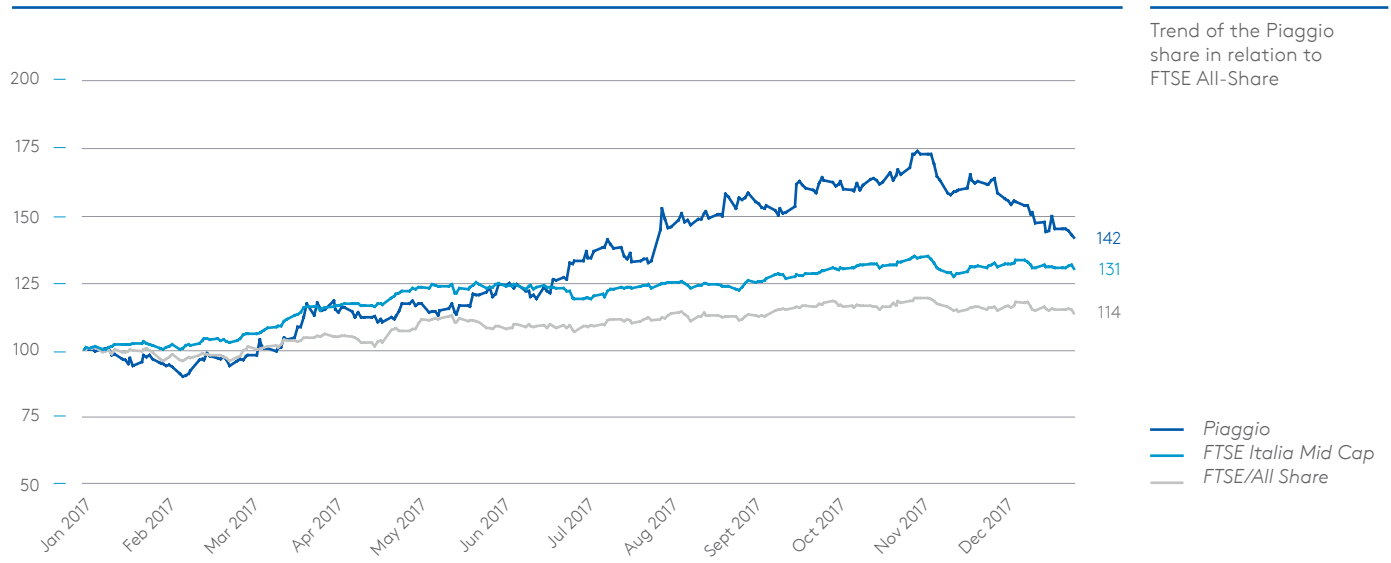
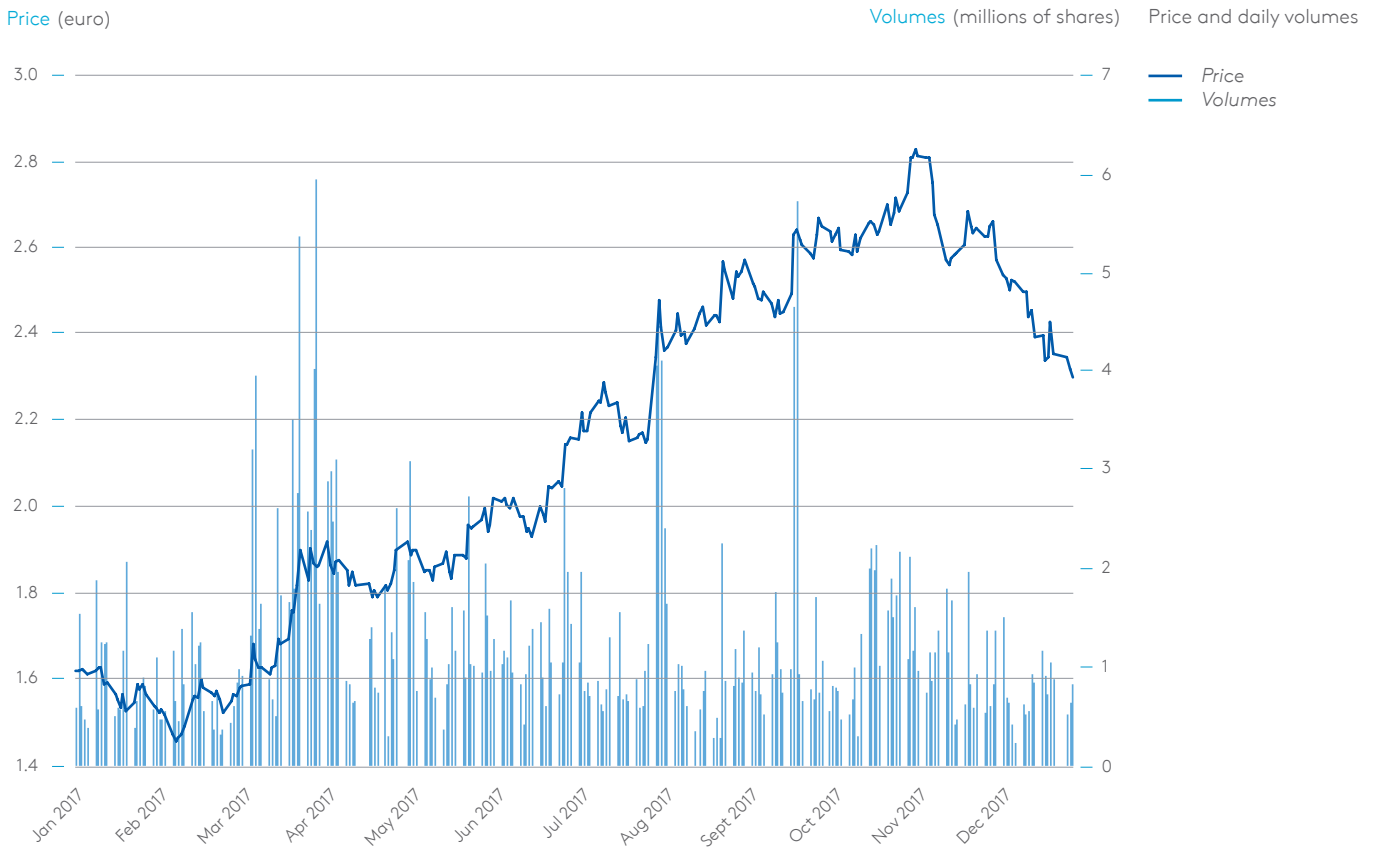
4) Values in currencies other than the Euro have been converted using the annual average exchange rate.

In 2017 no subsidised loans were obtained.

| Subsidised loans obtained | 2017 | 2016 | 2015 |
|------------------------------|------|--------|------|
| <i>In thousands of Euros</i> | | | |
| Loans | | | |
| - of which subsidised loans | | | |
| - of which EIB loans | | 70.000 | |

Value for shareholders

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share closed 2017 at 2.31 euro, up by 42% compared to the start of the year, outperforming main benchmarks.



Dividends

The Shareholders' Meeting of Piaggio & C. S.p.A. of 12 April 2017 resolved to distribute a dividend of 5.5 eurocents per ordinary share. During 2016, a dividend of 5.0 cents per share was distributed.

Statement of Piaggio & C. SpA dividends for 2016 and 2015

| Reference Financial Statements | 2016 | 2015 |
|--------------------------------|---------------|---------------|
| Detachment date | 24 April 2017 | 18 April 2016 |
| Payment date | 26 April 2017 | 20 April 2016 |
| Dividend per share (euro) | 0.055 | 0.050 |

Communication with shareholders and investor relations

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

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

In 2017 there were numerous opportunities to interact with the financial community, with the Group meeting more than 130 investors on main European financial markets during road shows and conferences. Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

To ensure adequate reporting and compliance with Borsa Italiana and Consob regulations, the company's website is promptly and continually updated with all information concerning the Group and key corporate documents, published 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 are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus, as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).



THE PRODUCT DIMENSION

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*"The real voyage of discovery consists
not in seeking new landscapes,
but in having new eyes."*

Marcel Proust

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|--|---|--|--|--|
| 2W Vehicles Study, research and development of environmentally sustainable products: <ul style="list-style-type: none"> - > reducing fuel consumption and emissions; > increasing performance. | Electric powertrains for light mobility | | | |
| | > Marketing of new Wi-Bike models with electronic gear and model with increased torque. | > Both goals have been achieved. | > Extend the range of vehicles equipped with Wi-Bike derived powertrain into different architectures and power levels. Completion of development and marketing launch. | > Study of new formulas of electric vehicles for urban mobility. |
| | | > Presentation of the new Vespa Primavera Elettrica and Vespa Primavera X at EICMA. | | |
| | Study of electronic/electromechanical devices to reduce pollutants in urban use (Start & Stop) | | | |
| | > Circulation of the iGet engine with Start & Stop on other models of other Group brands. | > Also fitted on Vespa GTS 125 and 150 models sold worldwide. > 50 cc adjustment to Euro4 regulations. Adoption of electronic injection on 50cc 4T. Introduction of electronic carburettor and double secondary air system on the 50 cc 2T scooter. Innovative exhaust system adoption on other 50 cc models. | > Adoption of the Start & Stop device on engines other than the iGet water-cooled model. | > Research and development of new devices aimed at further reducing consumption and emissions by decreasing absorption and improving engine use. |
| | | | | |
| Study of innovative high-efficiency automatic transmissions, both simplified and high-performance versions. | | | | |
| > Prototypes and development of both stepped and continuous innovative solutions. | > Prepared demonstrator prototypes with different potential technical and functional solutions. | > Continuation of research activity. | > Creation of versions available for sale and their industrial production. | |
| Construction of batteries with higher energy density, durability and reliability and lower cost | | | | |
| > Continuing the modular battery development and testing programme. | > Prototype of modular batteries and removable batteries made for a swap-type use. | > Sales and marketing of new concept batteries for Vespa Primavera electric scooter. | > Study of modular battery applications for secondary or alternative use to the vehicle mounted ones. > Extension of contact with partners from other sectors assess profitability. | |
| Spread of PMP system and enhanced features (version with intercom and telephony management) | | | | |
| > Dissemination of the new version of PMP on Aprilia RV4, Tuono V4, RS125, Tuono 125, Piaggio Mp3, Beverly, and Vespa GTS (with different features depending on the model). | > Aprilia Shiver and Dorsoduro, Piaggio Medley and Beverly, and Moto Guzzi V9 were added in 2017. | > Expansion of the offering and functionality on other models. Connectivity (bidirectional) on some scooter models. | > Continuous improvement of system and harmonisation with other electronic on-board devices in terms of safety, comfort, data exchange, improved reliability. | |

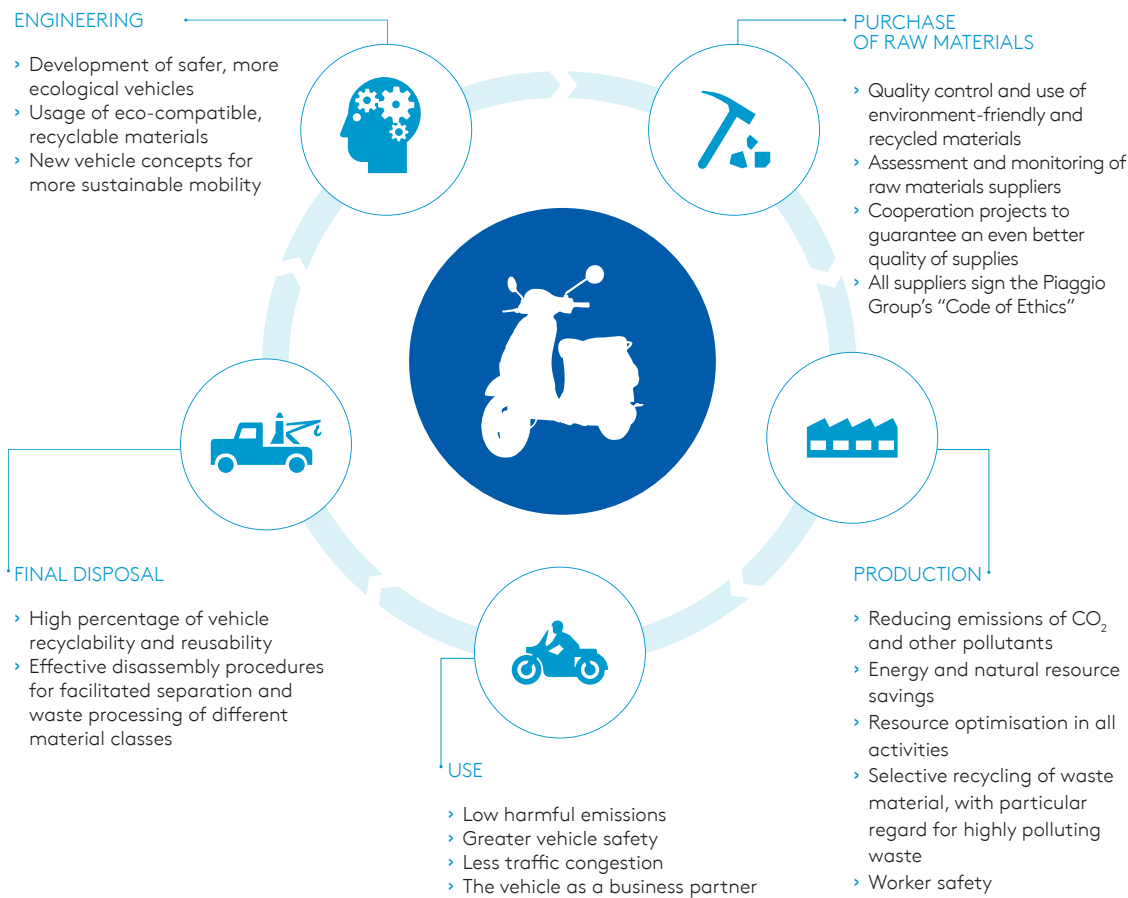
| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|---|---|--|--|--|
| 3/4W Vehicles Developing environmentally friendly products: > Low consumption and low CO ₂ emissions; > Good product end life recycling and recovery levels. Meeting demand for professional and 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; > Definition of a vehicle for new sales activities such as street food and street shop. | <u>3W Europe – Ape 50 E4</u> > Assessment of technical/ economic feasibility of Ape50 EU4 vehicle for the European market. <u>4W Europe – Porter</u> > Technical and economic feasibility assessment of new 4 wheeler vehicle for urban and short distance mobility. <u>Porter Electric</u> > Economic feasibility and business case in Q1 2017. | <u>3W Europe – Ape 50 E4</u> > Definition of the technical changes necessary to comply with the new regulations and approved Business Plan. Start of development and industrialisation activities. <u>4W Europe – Porter</u> > Definition of the vehicle range, related technical characteristics and product content. First cost assumptions are defined accordingly for preliminary discussion of business plan. <u>Porter Electric</u> > Decision to incorporate feasibility and business cases into a new platform/range of 4-wheeler vehicles. <u>Euro6 Porter Range</u> > Defined the technical changes necessary to comply with the new Euro6c legislation ⁶ and prepared and discussed the business plan. <u>Porter Entry Level</u> > Defined and developed the new variant of the Porter range with start of production in July 2017. | <u>3W Europe – Ape 50 E4</u> > Development and industrialisation activities in line with start of production target in Q2-2018. <u>4W Europe – Porter</u> > Freezing/approval of vehicle style and content for issue and discussion of final business case. > Pending authorisation, start of development/ industrialisation of the new range. <u>Porter Electric</u> > Technical/economic feasibility of the Electric version in the new range <u>Euro6 Porter Range</u> > Development and industrialisation of version compliant with Euro6c regulation with start of production scheduled for July 2018. <u>3W India</u> > Start of feasibility study and definition of technical and product contents related to the evolution of the Ape City and Ape 501 BSVI ranges (start of sales and marketing April 2020). > Completion of development activities and industrialisation of Ape Medium Body vehicle and 230cc AF engine with start of production target in December 2018. | > Development of new vehicles and line-up completion for urban and short distance mobility (Europe, India and export markets) transport of goods and people with the following main objectives: - Reduced consumption; - High mobility/handling in urban settings; - High specific payload; - Use of environmentally friendly tractions. > Use of recycled plastic. > Development and industrialisation of new low emissions and fuel consumption LPG/CNG 3-wheeler vehicles in developing markets. > Definition of technical vehicle and concepts and Powertrain for compliance with future regulatory changes (India BSVI 2020 and Europe EU4). |
| | <u>3W India</u> > Start of production of Ape City BSVI and Ape 501 BSVI in February 2017. > Completion of technical/ economic feasibility study for Ape Medium Body AF Vehicles ⁵ and related development for use in suburban areas (taxi sharing) in line with business case results for the Indian market. December 2017 target. | <u>3W India</u> > Start of production of Ape City BSVI in March 2017 and Ape 501 BSVI in February 2017. > Completed the technical/ economic feasibility study for the Ape Medium Body vehicle and 230cc AF engine with business plan approval. > Defined the details of the new engine (liquid cooled) for Ape 501 PAXX AF vehicles to improve performance in line with the demands of the Indian market with approval of business plan. | | |

5) AF – Alternative Fuel.
 6) Euro6c - With regard to the current Euro6 standard, the type approval test cycle and the control cycles of the On Board Diagnostic (OBD) system have been changed.

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|------------|---|---|---|---------------------|
| | <ul style="list-style-type: none"> > Feasibility analysis of new version of LPG/CNG 3-wheeler vehicles with objective to improve emissions and fuel consumption levels at sustainable costs for the developing markets. | <ul style="list-style-type: none"> > Defined the technical and product content and approval of business plan for Ape City AF High Tech development and industrialisation, focus on reductions in consumption and improvements in driveability. | <ul style="list-style-type: none"> > Completion of development and industrialisation of Ape 501 PAXX AF with Liquid Cooled engine. Start of production target in Q2-2018. > Completion of development and industrialisation of Ape City AF High Tech. Start of production target in May 2018. > Feasibility study for a new 300cc AF engine for installation on Ape 501 vehicles. | |
| | <p><u>Porter 600 India (Porter 700 BSIV)</u></p> <ul style="list-style-type: none"> > Completion of development and industrialisation of Porter 700. Start of production in April 2017. | <p><u>Porter 600 India (Porter 700 BSIV)</u></p> <ul style="list-style-type: none"> > Completed development and industrialisation, vehicle in production from May 2017. | | |
| | <p><u>Porter 1000 India BSIV</u></p> <ul style="list-style-type: none"> > Completion of development and industrialisation of Porter 1000. Start of production in June 2017. | <p><u>Porter 1000 India BSIV</u></p> <ul style="list-style-type: none"> > In line with the market priorities and the availability of the Porter 1000 (Phase1) BSIV vehicle range, the decision was taken to complete the Porter 1000 (Phase2) development and industrialisation with start of production in Q1-2018. | <p><u>Porter 1000 India BSIV</u></p> <ul style="list-style-type: none"> > Start of production of Porter 1000 (Phase 2) in Q1-2018. <p><u>Porter 700/1000 India BSIV</u></p> <ul style="list-style-type: none"> > Technical/economic feasibility study and start of development of BSIV versions, mandatory since April 2020. | |
| | <ul style="list-style-type: none"> > Completion of development and industrialisation of Ape Classic and Calessino EU4. Start of production in June 2017. > Assessment of new innovative concepts for the urban mobility of vehicles and people. > Ongoing expansion of the Export market. | <ul style="list-style-type: none"> > Completed the development and industrialisation of Ape Classic and Calessino EU4. Start of production in June 2017. > Following evaluations of future urban mobility trends, priority given to development of the new 4W - Porter range. > New markets opened in Africa and LAM (Latin America) with related development activities in accordance with the requests received | <ul style="list-style-type: none"> > Feasibility study for the Ape Classic and Calessino EU5. > Opening of new markets with related development activities in accordance with the requests received | |

Group objective

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.



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

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

Constant focus is placed on research into vehicles that are at the cutting edge in terms of:

- › **Ecology:** products that can cut the emissions of pollutant gases and CO₂ in urban and extra-urban areas; this result is achieved both through the evolution of traditional engine technologies (increasingly advanced internal combustion engines) and through the development of innovative engine solutions such as electric propulsion and range extenders, in order to increase the use of renewable and sustainable energy sources;

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

Research guidelines

Orientation

The awareness of public opinion and institutions on the issues of environmental sustainability and urban and extra-urban mobility is constantly increasing.

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 areas.

This awareness further fuels the Piaggio Group's commitment to providing mobility solutions designed to improve the quality of life in towns and cities by reducing traffic congestion and air and noise pollution. Increasing the use of motorcycles for individual mobility is in and of itself a means of reducing traffic and pollution, but to be effective, this requires a real increase in two-wheel vehicle safety, which may be attained through research and the installation of active, passive and preventive safety systems on products. Indeed, making two-wheel vehicles safer and more comfortable may increase use whilst simultaneously decreasing the number of cars on the road, which in turn could cut fuel consumption and harmful emissions by approximately 50% (in the same traffic conditions)⁷.

Therefore the main guidelines for the Group's research are:

- › Reduction of consumption and emissions, improvement of internal combustion engines, improvement of vehicles, better performance;
- › Safety and comfort;
- › Alternative, hybrid, electric engines;
- › Environmental compatibility of the product and the process.

⁷See research conducted by the French ADEME Agency (Agence de l'Environnement et de la Maîtrise de l'Energie), in Paris on a circular route, with 31 km travelled in different traffic conditions.

Partnerships with universities and research centres

The Piaggio Group is aware of the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products. For this reason the Piaggio Group has always been engaged on many fronts to consolidate the synergy between the world of research and its industrial sector.

During the course of 2017, at both national and European level, the Group engaged in relationships with universities and research centres based on a process of continuous exchange and research.

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

- › Partnerships in research and development projects;
- › Participation in European and national projects;
- › Experimental research dissertations.

| Entity | Purpose of research or collaboration |
|--|--|
| University of Pisa | Vehicle dynamics, education, European and national projects; |
| University of Florence | Passive safety, virtual modelling, European and national Projects |
| University of Bologna | Endothermic engines |
| Polytechnic of Milan | Electronic controls applied to 2R, ICT, European and national projects |
| University of Perugia | Experimental aerodynamics |
| University of Rome IV | National Projects |
| University of Naples | Numerical and experimental fluid dynamics, national projects |
| Fiat Research Centre (CRF) | National projects |
| Hellenic Institute of Transport in Athens (GR) | European projects |
| Austrian Institute of Technology (A) | European projects |
| IK4 CIDETEC (E) | Next-generation batteries, European projects |
| University of Warwick (UK) | Electronic control systems, European projects |
| Czech Tech University of Prague (CZ) | Ergonomics, European projects |
| Ricardo (UK and D) | Endothermic engines, electronic control systems, European projects |
| Idiada (E) | Active and passive safety, European projects |
| University of Trento | ITS, European projects |

Technological flagships (Group Research Centres)

In addition to its external partnerships, the Group has three high-calibre technological flagships: the Piaggio Advanced Design Center in Pasadena (USA), the multiple world champion Aprilia Racing team, engaged in the global challenge represented by the MotoGP, and the Piaggio Fast Forward advanced research centre in Boston.

The Piaggio Advanced Design Center (PADC) aims to shed light on changes in society, lifestyles and urban and metropolitan mobility formulas, developing an international system of skills and research in the sectors of style and product marketing that can generate stimuli and results that can then be developed within a technological environment.

Aprilia Racing, one of the most successful and prestigious teams in the world, which has also been involved in MotoGP since 2015, has a relationship with the Innovation unit at the Group Product Development Department which is based on a process of ongoing technical collaboration, engaging in a continuous exchange of ideas and skills.

Piaggio Fast Forward (PFF) is a pioneer in the intelligent movement of people and goods using technologies of an ideal size: larger than aerial drones but smaller than cars and trucks.

The company's mission is to help people move better, further, faster and more enjoyably. PFF creates robots that follow, move alongside or transport people in motion. In the era of artificial intelligence, autonomous machines and interconnected networks, PFF promotes more vibrant cities, getting people and objects from A to B more effectively by exploiting the potential of intelligent vehicles.

The motto of PFF is "autonomy for man", i.e. placing autonomy at the service of humans, as well as promoting greater freedom, pleasure and efficiency in movement.

This is what Piaggio Fast Forward calls "moVibilità" ("Movability"). PFF designs vehicles like Gita and Kilo to improve and expand human capabilities both at work and during leisure time. The first Piaggio Fast Forward product is Gita: a self-contained and semi-autonomous transport vehicle for objects up to 18kg, it is intelligent and agile, and was conceived and designed with the same attention to safety, braking, balance, dynamics and performance that one would expect from a motorcycle or a car.

Gita is designed to adapt to all the needs of human mobility, with speeds ranging from walking to running and a zero turning circle. It works both outdoors and indoors, on sidewalks and on roads, just like a person. KILO is the "big brother" of GITA; thanks to its larger payload, it is able to carry up to 100 kg in weight in its 120-litre load area. It is incredibly stable thanks to the 3-wheel support. Gita and Kilo are simultaneously practical and fun, functional and beautiful. They are the first in a portfolio of technologies currently under development.

Research Applications

Advanced engines: plug-in and electric hybrids

Piaggio has been at the cutting edge within the field of advanced engines (Advanced ICE - Internal Combustion Engines) since 2009, the year in which the 125 and 300 Hybrid engine fitted on the Mp3 Hybrid was presented. This is a parallel hybrid A-ICE solution, in which the integrated management of the two engines, electric and ICE, enables improvements in the overall performance of the vehicle and a drastic reduction in polluting emissions.

The wealth of knowledge gained during the development of the Mp3 Hybrid led to the creation of the pure electric powertrain used to equip the Liberty eMail version, which was first placed on the market in 2011.

Finally, this line of research has generated the brand-new electric powertrain that is fitted on the new Vespa Primavera Elettrica and the revolutionary version on the Vespa Primavera X.

Vespa Primavera Elettrica

The new engine delivers a continuous power of 2 kW and a peak power of 4 kW, with a maximum torque of 200 Nm; the engine performance, which is aligned by law with that approved for 50 cc scooters, offers excellent acceleration due to the high starting torque available and the absence of a gearbox. Agile, pleasant and completely silent to drive, the Vespa Elettrica helps make the city more liveable by reducing noise pollution.

The Vespa Elettrica has a maximum range of 100 km, thanks to a powerful lithium-ion battery and an efficient kinetic energy recovery system (KERS). It is recharged using the cable housed in the seat compartment where the fuel tank cap is usually located, connecting the plug to a domestic electrical outlet or to a charging station. The time required for a complete recharge is 4 hours. Neither the engine nor the batteries require maintenance until around 10 years of use. The helmet compartment can hold a Jet helmet.

The RIDING MODE switch provides a choice of two driving modes: ECO (for energy savings) and Power (for normal driving), as well as Reverse mode, the reverse gear that facilitates manoeuvres.

Vespa Primavera Elettrica X

The Vespa Elettrica is also available in the X version, the only scooter in the world equipped with the Range Extender. In this case, the autonomy is extended to 200 km: there is a current generator on board designed to preserve the battery charge (this is dependent on driving style). The Vespa Elettrica X uses a smaller battery pack, and when the generator is off, this guarantees up to 50 km of autonomy.⁸ The action of the generator adds another 150 km, bringing the total to 200 km.

The generator is activated automatically when the battery charge level falls below a certain threshold, or can be manually engaged by the driver by selecting the Extender mode.

Wi-Bike

Furthermore, 2015 saw the launch of production of the Wi-Bike, the first electric pedal-assisted electric bike entirely built by Piaggio. Wi-Bike is a new vehicle concept that offers a comprehensive response to the most advanced mobility needs, no longer simply seen as the ability to get around but also sharing information locally and online.

Thanks to PMP (Piaggio Multimedia Platform) technology, the Piaggio Wi-Bike Project presents a highly advanced interface between man and mechanical means that guarantees constant sharing of data. The Man/Machine interface is central to the project; the "contactless" automatic display connects to and is powered via NFC⁹ and acts as an ignition and antitheft key. The use of PMP - with specific functions derived and extended with respect to that described for motorcycles and scooters - is original and lets you manage the bicycle and your physical performance by adjusting and monitoring effort levels, and also lets you interact with social networks in real time, receive weather information, etc.

During 2017, two new Wi-bike versions with electronic transmission and increased torque were released onto the market.

⁸) 50 km is three times the average daily distance of a moped used in urban contexts.

⁹) NFC (Near Field Communication) is a technology that enables two devices to communicate by using bi-directional short-range radio connectivity within a few centimetres.

Combustion engines

Continuous improvement of its products is the main objective of the Piaggio Group's Research.

In this ongoing process, improving engines and in particular cutting fuel consumption and emissions while improving performance (including rideability and user enjoyment) are of the utmost importance. The Piaggio Group has always developed technical solutions that anticipate future regulations, in order to reduce pollutant emissions and fuel consumption.

To achieve the best possible results, engine research must be focused on three key areas:

- › Optimisation of engine thermal fluid dynamics, with particular reference to the combustion process;
- › Reduction of organic leaks (friction, pumping);
- › Improvement in the performance of the CVT transmission system.

Engine acoustics and timbre were also focused on, developing numerical/experimental methodologies for designing the intake and exhaust systems and engine components with acoustic emissions that are lower and "more pleasant".

Improved efficiency: a leap into the future

The new engines of the "iGet 4V Water" family, available in 125cc and 150cc versions, come equipped with electronic injection, four valve cylinder heads and radiator fitted on the engine. They can be used with the "Start & Stop" system. This device replaces the starter and alternator and has no transmission gears that can cause noise.

Compliant with the Euro4 standard, they are the result of a design philosophy guided primarily by new and higher levels of quality and reliability.

Each component, from the exhaust to the inside of the gearbox cover and the new air filter has been designed to make for a smooth, quiet and comfortable ride, and to lengthen the life of the engine.

The design aims above all to reduce friction and in particular friction in the timing system.

The mechanical noise is also extremely low thanks to reduced play and optimised materials and shapes. Building the radiator into the engine has reduced the overall weight of the vehicle and engine warm-up times, with benefits in terms of consumption and cold emissions.

The gearbox has been entirely redesigned and uses a latest-generation double toothed belt to minimise passive losses, as well as a setting that improves rideability, performance and consumption.

The new built-in engine electronic control unit, integrated with the S&S management part (Alternator, S&S Inverter, RISS), has been entirely developed by Piaggio.

During the course of 2017, this engine was also fitted on the Vespa GTS 125, and within the next year, it will gradually replace the Quasar engine on all models.

Generation 50 cc. Euro4

In 2017, significant developments were implemented on 50 cc engines in order to bring these into line with the new Euro4 Regulations.

The i-Get (Italian Green Experience Technology) family of engines has also been extended, with the new 50 cc version. Equipped with electronic injection, this engine meets Euro4 regulations, and is fitted on Liberty 50 cc., Vespa Primavera 50, Vespa Sprint 50 and Zip 50 4S Injection models. The development process involved thermodynamic and power supply technologies, and was focused on reducing consumption and emissions.

| Vehicle | Euro 2 (type approval cycle) reference % | | Euro 4 (type approval cycle) improvement % | |
|------------------------------------|---|-----|---|--------|
| | HC | NOx | HC | NOx |
| Vespa Primavera 4t 4v 50cc 45 km/h | 100 | 100 | -38.6% | -99.5% |

| Vehicle | Euro 3 (type approval cycle) reference % | | Euro 4 (type approval cycle) improvement % | |
|----------------------------|---|-----|---|--------|
| | HC | NOx | HC | NOx |
| Liberty 50cc 4t 3v 45 km/h | 100 | 100 | -49.6% | -80.5% |

10) Figures on CO₂ emissions are not shown because they are not significant: the limit (1000 mg/km) remained unchanged in step E2 - E3 - E4 and the measured values are always well below this.

11) Patented solution.

12) Patented solution.

The figures are extracted from the official type-approval tests and are fully certified; they are presented with normalisation of the initial reference, which is different for the two models, while the final result is identical: for the Vespa Primavera the type approval passed from Euro 2 (2016 and earlier, carburettor-fuelled) to Euro 4 (2017, fuel injection), while for Piaggio Liberty it went from Euro 3 (2016) to Euro 4 (2017 both fuel injection)¹⁰.

The improvements obtained are clearly evident and testify to the great work that has been done.

The 50 cc engine. The Hi-Per2 Pro liquid-cooled engine was also developed to meet Euro 4 type-approval, thanks to the adoption of an electronically-controlled carburettor with a dedicated control unit, double catalyst and secondary air exhaust¹¹; in addition, the distribution diagram was also fine-tuned. The engine is fitted on the Piaggio NRG Power DD.

The same developments (electronic carburettor, diagram, catalyst and double secondary air) were also applied to the air-cooled version of the 50 cc engine, now the Euro4. The engine is fitted on all of the most popular mopeds, such as the Piaggio Zip and Typhoon.

The same refinements have been implemented on the 50 cc engines that are fitted on small Aprilia and Derbi motorcycles, and have also been adapted to meet Euro4 regulations courtesy of an innovative catalytic exhaust system.¹²

User enjoyment and new engines

In 2017, the research which focused on improving user enjoyment was applied to the new Moto Guzzi engine that will be fitted on the V85, a preview of which was presented at EICMA. The construction of the engine is based on the classic 90° transverse V-twin structure, in the air-cooled 850 cc version, which has been fully redesigned. It has a maximum power output of 80 HP with a powerful torque at low revs and is designed to serve as the new base engine for Moto Guzzi models under 1000 cc in the coming years.

Various details of the 500 cc single-cylinder scooter "Master" have been revised, and it now delivers 10% more power (now 41 hp), with better exhaust sound and unaltered fuel consumption. It is primarily fitted on the Piaggio Mp3 where it is flanked by the modern Piaggio 350 cc engine, which boasts over 30 HP of power. For all ABS and ASR models, these come as standard.

Increasing performance

Aprilia Racing Factory Works kits - Aprilia Racing is one of the Piaggio Group's technological flagships and of these, is most explicitly focused on engine and dynamic performance for motorcycles. The Racing Division, which has won 54 world titles including 7 with Aprilia RSV4, has launched a programme called "Factory Works" to make racing technology available to those who want to compete at the highest levels in production-based leagues, or who wish to have a performance-optimised RSV4 for circuit use. Thanks to its new pistons and heads, racing exhaust and the regenerated control unit, the engine generates a total of 215 HP. The modifications introduced to reduce the weight of the engine include the use of a lithium battery (instead of lead), a new fuel tank, the exhaust system, a number of carbon parts, and the upper steering plate, machined from a solid piece of aluminium; these introductions have enabled a weight reduction of around 10 kg.

The new Factory Works kit can be complemented by a flush-mounted set featuring aerodynamic appendages, developed by Aprilia for the RS-GP motorcycle used in the MotoGP World Championship.

Since 2017, Aprilia Shiver and Aprilia Dorsoduro models have been fitted with a new twin-cylinder V2 Euro 4 engine, boasting more than 95 hp and 90 nm of torque; the 750 cc version provides the technical foundations for this new solution. The new engine features new pistons with graphite coating to reduce friction, a new lubrication circuit to reduce fluid shaking, a new clutch (more resistant yet softer to use), and a new electronic control unit that combines the two previously fitted, saving on space and weight. The electronic control includes, in addition to the full Ride-by-Wire multimap throttle, also the traction control and the ABS.

Adjustment of engines for the demands of Asian Markets

Models sold on Asian markets offer customers the style, image and technology of the Piaggio Group, but reinterpreted according to their needs. They maintain the same high technological, quality and

performance standards of their European counterparts, but often differ to models for the EMEA Market. The Piaggio Group has commenced production of 2-wheel vehicles in India in compliance with the new emission legislation, Bharat Stage IV, which came into force on 1 April 2017. Specifically, the Aprilia SR 150 scooter launched on the Indian market in August 2016, responding to the stringent emission regulations from the very start of production. Meanwhile, the Vespa models manufactured at the Baramati plant (in the state of Maharashtra) have been produced in compliance with the Bharat Stage IV standard since last February. The engines fitted on the models produced in Vietnam, the i-Get 3V Air-Cooled or 4V Water-Cooled, are characterised by an overall setup that is designed to render them more suitable to the particular conditions of use in the country. In urban areas, these are characterised by very low average speeds due to the highly congested traffic. A special calibration of the CVT gearbox has been adopted that enhances smooth operation and reduction in fuel consumption (and of CO₂ emissions accordingly). Also with regard to the engine thermodynamics, the torque curve has been specifically modified (maximisation at low speeds) for rideability at low speed, since pure performance is not a specific request of the Vietnamese market.

Improvement of the vehicles, reduction of absorption

This objective is methodically pursued by using aerodynamic simulations (CFD) and validation of the results through comparative analysis with experimental data obtained in the University of Perugia's wind tunnel.

Increase in safety and comfort

The last few years have been characterised by a strong impetus in the electronic control sector, which can be summarised in the following points:

- › ABS for light scooters: the new Medley, on the market from 2016, is equipped as standard with a disc braking system with ABS. Each wheel has a sensor and a phonic wheel to measure angular speeds. The 2-channel hydraulic control unit continuously compares the two signals and activates the ABS system, when the change of speed of one of the two wheels is abnormal, avoiding locking and ensuring stability and braking efficiency even on low friction coefficient surfaces. The new Liberty 125 is also equipped with single-channel ABS, a completely new feature especially for Asian markets, which will get a specific version;
- › Traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip during acceleration and braking; the system was extended to the entire Vespa product line > 50 cc., MP3, Beverly, X10 and to the Moto Guzzi V7 and V9;
- › The study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200;
- › Extension of the Ride by wire to the majority of Group vehicles, including the 500 version of MP3, which allows adoption of "by wire" Traction Control together with ABS, to maximise traction while accelerating or braking, and offers the multi-map management of the engine to adapt the power supply to the traction or driving conditions;
- › Following its debut on the Moto Guzzi MGX21, a new knob that incorporates the sensor of the "By Wire" device has been extended to the RSV4 RR and RF and Tuono 1100 MY 2017 RR and Factory (E4) and to Shiver 900 and Dorsoduro 900, allowing savings in terms of both weight and cost;
- › Handlebar controls based on CAN technology (digital protocol), which allows wired connections to be drastically limited thanks to a remarkably complete interface; the technology that first appeared on the Moto Guzzi MGX21 and has also been extended to the Aprilia V4 models;
- › Cruise control (based on Ride by Wire) available on the Aprilia and Moto Guzzi models;
- › APRC (Aprilia Performance Ride Control, based on Ride by Wire) system on RSV4 and Tuono 1100 models, which comprises:
 - New ATC: Aprilia Traction Control, traction control adjustable on the fly, without closing the throttle, 8 levels with the convenient joystick control;
 - New AWC: Aprilia Wheelie Control system, adjustable on 3 levels, features new operational strategies which are much more precise, thanks to the repositioning of the inertial platform that measures the angle of pitch. Wheelie control can now be adjusted on the fly without closing the throttle, like the ATC;

- New ALC: Aprilia Launch Control, the ride control system exclusively for on-track use, can be adjusted to three settings, and uses new and even more effective operating strategies;
- New AQS: Aprilia Quick Shift, the electronic gearbox that allows shifting without closing the throttle and without using the clutch, now with the downshift function as well, to allow clutchless downshifting. Its open-throttle downshifting feature is exclusive;
- New APL: Aprilia Pit Limiter, the system that lets you select and limit the top speed allowed in pit lane at the track or simply make it easier to comply with posted speed limits on the road;
- New ACC: Aprilia Cruise Control. The new electronic management allowed an advanced cruise control system to be introduced, which is very convenient during longer trips, since a set speed can be maintained without using the throttle;
- › ABS multimap cornering (RSV4 RR and RF, Tuono 1100 RR and Factory), developed to guarantee road safety and performance on the track. The system ensures optimal braking and ABS action when cornering. The new ABS system combines with Aprilia's RLM (Rear Liftup Mitigation), which limits the lifting of the rear wheel when decelerating sharply. Each of the three mappings of the Cornering ABS can be combined with any of the three new engine maps (Sports, Track, Race) so that riders of various experience and ability can find their best combination. The three maps are "full power" and only differ for the delivery curve and the engine brake's percentage;
- › Dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on linking the smartphone and the vehicle via Bluetooth®, iOS and Android¹³;
- › Development and installation on Porter and Porter Maxxi of the electronic stability control system (ABS+ESC);

Vehicle safety has also increased thanks to the development of LED lighting technology for both the front and rear lights. The development project, which has already begun with the Vespa 946, continued during 2017 and will be marketed on some models from 2018.

The readability of the instrument panel is also an important safety parameter. The new instrument panel, fitted on most of the Aprilia models (Shiver 900, Dorsoduro 900, RSV4 1000 and Tuono 1100) with TFT technology¹⁴, allows information to be viewed in a clear and easily legible manner, thanks to the ability to adapt background and colour characters to light conditions, which are automatically detected by the integrated sensor. For V4s, the ability to choose between two different viewing environments (Road and Race) has been introduced; this allows the driver to view and save the lap time sequence in real time, as well as other performance data such as lean angle, throttle opening and braking system pressure. The Vespa Primavera S has been fitted with fully digital instrumentation, thanks to a 4.3" full colour TFT display. This tool displays all of the key information, and also works as a display for the latest version of the Vespa Multimedia Platform.

¹³) See box.

¹⁴) TFT Thin Film Transistor technology applied to liquid crystal flat displays.

The PIAGGIO MULTIMEDIA PLATFORM connects Piaggio vehicles to the world

The innovative PIAGGIO MULTIMEDIA PLATFORM (PMP) connects the vehicle via Bluetooth to a smartphone (iOS or Android), making it possible to use a phone to enhance the on-board instruments and increase the functions available to the customer. PMP also enables the vehicle to connect to the internet through a data network connection, offering a vast range of functions and potential for development.

PMP is now available on Piaggio X10, MP3 and Liberty; Vespa GTS 2014, Vespa 946; Aprilia Caponord, Aprilia RSV4, Aprilia Tuono V4 1100; Moto Guzzi V7 and Moto Guzzi California, which were joined in 2017 by Aprilia Shiver and Dorsoduro, Piaggio Medley and Beverly, Moto Guzzi V9.

The main functions of these systems are:

- › Extended dashboard
- › Safety
- › Navigation
- › User Manual
- › Eco Meter
- › Grip Warning

The highly advanced Piaggio Multimedia Platform V4-MP available on the Aprilia RSV4 and Tuono transforms the smartphone into a semi-professional tool for track use. With this version, there is active communication between the vehicle and the smartphone: the rider can change the settings of their RSV4 and Tuono V4 through the smartphone.

The features introduced by the new version include:

Active Electronic Setup: Using the GPS feature of your smartphone, the system recognises the position of the bike at any given time on the track and automatically changes the electronic adjustments (traction control and anti-wheelie), based on the settings the rider has selected, corner by corner. This allows you to increase safety and effectiveness on the track, adjusting the control parameters at every point on the circuit and without distractions.

Adaptive Race Assistant: This feature provides tips in real time to safely take the best advantage of your RSV4. The application compares rider performance to the best lap on the track in real time and assists by immediately indicating how to gradually improve performance.

Advanced Telemetry Dashboard: Allows you to use your smartphone display to see, in addition to all the information normally on the standard instrument cluster, numerous other parameters acquired from the bike telemetry such as, for example: instant power sent to the driveshaft; instant torque sent to the driveshaft; percentage of available power; drive to the rear wheel; rear wheel slippage; longitudinal and lateral acceleration (G-G diagram); lean angle, etc.

The package also includes a module which enables the vehicle operation to be analysed directly on smartphones, and another module for the automatic acquisition of lap times and improvement of driving style (in performance terms) for semi-professional use on the track.

Tilting vehicles

In the field of Dynamic Safety, the most concrete and emblematic result of Piaggio's capabilities is the study and above all the creation and marketing of new product formulas such as its 3/4 tilting wheels, which guarantee superior stability even on wet or uneven ground, and shorter stopping distances than normal 2-wheel vehicles. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006.

These new concepts, in addition to other safety devices, can achieve safety levels close to car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

ADVANTAGES OF THE MP3

SAFETY:

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

Braking distance.
The MP3's braking distance is 12% shorter than an equivalent two-wheeler on a smooth surface and 20% shorter on uneven surfaces.

FUNCTIONS:

MP3 does not require riders to put their feet on the ground to maintain balance during short stops, for example at traffic lights.
Using the block during stationary operation prevents the risk of the vehicle being accidentally dropped.

Three/four wheeler sector

Piaggio new product strategy is focused on the medium and short distance transport of people and goods (focus on vehicle handling and compactness) with great attention to environmental issues.

In Europe just as in India, this challenge is faced through:

- › The study, production and sale of low consumption engines with reduced pollutant emissions;
- › The use of alternative fuels;
- › The sale of electric vehicles;
- › High transportation efficiency (ratio between transportable weight and total weight on ground).

Current Indian legislation has imposed the introduction of the BSIV emission limits starting from April 2017, consequently halting the production and marketing of BSIII approved vehicles.

A common goal for the entire Piaggio range manufactured in India is to reduce consumption and TCO (Total Cost of Ownership), with ongoing efforts to improve vehicle efficiency.

In line with the evolution of the market for 3-wheel vehicles in India, which is increasingly oriented towards the use of alternative engines (LPG, CNG) especially in towns and cities, Piaggio launched the BSIV Ape 501 in February 2017 and the Ape City BSIV in March 2017, offering further reductions in consumption and maintenance costs, while ensuring lower emissions and therefore decreased environmental impact.

The BSIV Ape City is also available in a single-fuel LPG version which guarantees reduced costs per kilometre and minimal impact on the environment, enabled by the characteristics of this alternative and environmentally-friendly fuel, which complies with current regulations in some of the main urban centres in India.

The driving comfort of this vehicle was also improved leading to a significant reduction in driver's fatigue. The availability of this new product in all its versions led to an increase in the number of countries where Piaggio successfully exports its vehicles.

In 2018 Piaggio will not be limiting itself to launching the evolved BSIV Ape City for passenger and freight

transport, in line with regulations and with new efficiency/comfort target – it is also set to introduce a new product in the Indian market, offering alternative power supplies and technology which is new for this type of vehicle (electronic injection), with a view to further reducing consumption and corresponding emissions. These developments are designed to pave the way for the evolution of the product in line with the future emission limits which will be introduced in the future.

Production of the Calessino EU4, equipped with an electronic injection petrol engine, was launched in June 2017; this model is characterised by a significant reductions in CO₂ levels compared to the previous EU2 version.

The Porter Indiana range (Porter 600 and Porter 1000 phase 1) is constantly evolving to improve its competitiveness in terms of manoeuvrability and transport efficiency. In May 2017, mass production of the Porter 700 BSIV began, with an increase in payload from 600kg to 700kg compared to the previous version (Porter 600). To complete the range, Piaggio decided to continue the development and industrialisation of the Porter 1000 (Phase 2), with the aim of launching the sale and marketing of this vehicle in the first few months of 2018.

Marketing of the new Porter Euro6 was launched in September 2015 in Europe, in Porter and Maxxi versions with petrol and alternative (LPG and CNG) powertrain, confirming the achievement of objectives regarding the quality and availability of environmentally-friendly engines whilst meeting the needs of customers previously used to using diesel versions.

The range of commercial vehicles offered by Piaggio for the European market focuses on “intra-city” mobility, with special attention on limiting fuel consumption and pollutant emission levels; these are fundamental elements for a sustainable transport system, especially in the “last mile” handling and delivery process, which has a directly impact on the quality of life in metropolitan areas and historical centres.

Piaggio has directed its efforts for years to equip its vehicles with alternative fuel engines such as LPG, natural gas and electricity. The availability of these internally constructed engines contributed to increasing the number of circulating vehicles that use cleaner fuels (LPG and CNG) and to the spread of zero-emission electric vehicles.

Bi-Fuel engines cut CO₂ emissions and fuel cost-per-kilometre compared to petrol engines.

In the combined cycle (NEDC¹⁵), the CO₂ emissions of the Porter Eco-Power show reductions of around 7%, while cost-per-kilometre for fuel is reduced by around 48%.

With the Porter Green Power, meanwhile, CO₂ emissions are slashed by around 17% and the cost-per-kilometre for fuel is also reduced by around 46%. In addition to the reduction in emissions, the introduction of environmentally-friendly engines enables Piaggio commercial vehicles to guarantee low environmental impact for goods transport missions in city centres (historical city centres in particular), thanks to their compact dimensions and high transportation efficiency (ratio between transportable weight and total weight on ground).

15) The New European Driving Cycle is a driving cycle defined by the Community directives.

| | | |
|---|----------------------------|---|
|  | <p>COMPACT SIZE</p> | <ul style="list-style-type: none"> › Ideal solution for mobility in historical city › Easy to drive › Reduced dimensions |
|  | <p>EFFICIENCY</p> | <ul style="list-style-type: none"> › Load capacity › Modularity › Cost-effectiveness |
|  | <p>ECO-FRIENDLY</p> | <ul style="list-style-type: none"> › Petrol › LPG › Methane › Electric › Diesel |

More than 7,500 Porter Electric models have been sold throughout Europe since 1995. Full Electric technology at Piaggio has grown from 1995 to date, and even strengthened and improved. This technology continues to prove its validity, being not only accessible, reliable and simple, but also ensuring excellent performance both in terms of output power (11 kW@96V) and torque (55 Nm at 1,800 rpm).

“Life Cycle Management” in two-wheelers

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

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

Through a partnership with UniFi, the characteristics of recyclability of the MP3 125 Hybrid in accordance with ISO 22628 were analysed. This was done by taking apart a real vehicle and registering all of its components. The recyclability rate was 88%, which is considerably higher than the 85% limit of current laws (currently in force in the automotive segment only for N1 and M1 categories), demonstrating the high environmental compatibility of the Piaggio vehicle as regards end-of-life treatment.

“Life Cycle Management” in four-wheelers

In the four-wheel sector, the regulatory panorama is similar to that of cars.

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

In this regard, Piaggio has adopted a challenging process over the years to guarantee high recyclability levels of its vehicles, achieving important results such as the limited use of materials considered

hazardous (lead, chromium, mercury and cadmium) and an end-of-life vehicle disposal manual.

Piaggio constantly monitors the recyclability and recoverability rates of its vehicles, retaining at all times indicators above 85% and 95% respectively, higher than the limits set out in Directive 2000/53/EC. The Porter MAXXI Multitech Euro 6 pick-up, for example, has a 91.5% recyclability rate and a 96.1% recoverability rate. Piaggio's passion for the environment is also channelled into its commitment to guaranteeing the environmental compatibility of its commercial vehicles, from the design stage until the end of their working life.

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

Below are the recyclability and recoverability rates updated based on vehicle BOMs at December 2017, for each of the models fitted with a Euro6 petrol, LPG and electric engine.

| | MULTITECH EURO6 | MULTITECH GPL EURO6 | EVO |
|------------------------------|----------------------------------|-----------------------------------|----------------|
| Recyclability (R_{cyc}) | PORTER = 89.47% MAXXI = 91.5% | PORTER = 89.66% MAXXI = 91.45% | PORTER = 91% |
| Recoverability (R_{cov}) | PORTER = 95.39% MAXXI = 96.1% | PORTER = 95.38% MAXXI = 96.1% | PORTER = 95.8% |

Use of recycled plastics

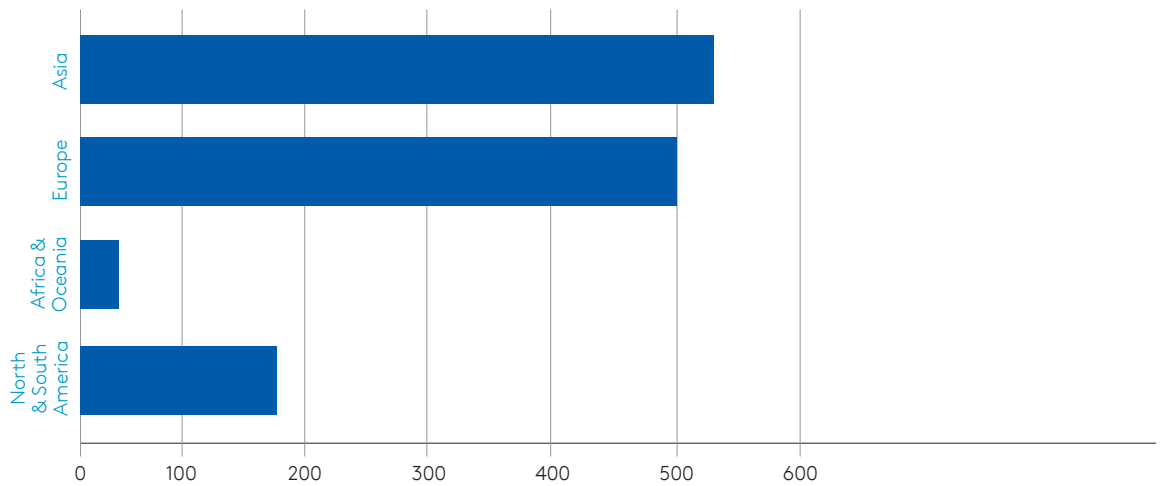
On all Piaggio Group vehicles, mass-pigmented polypropylene components (floorboard, leg shield back plate, air cleaner, etc.) can be made of recycled materials, at the discretion of the supplier. The table below gives an estimate based on an analysis of a product currently on sale (the Mp3 Hybrid, a vehicle that is technologically representative of all manufactured scooters), from a Life Cycle Management perspective.

| Plastic materials in body parts | % |
|---|------|
| Total weight of plastic body parts/total weight of vehicle | 19.0 |
| Total weight of mass-pigmented polypropylene parts (possibly of recycled materials)/total weight of vehicle | 12.3 |
| Total weight of mass-pigmented polypropylene parts/total weight of body parts | 65.0 |

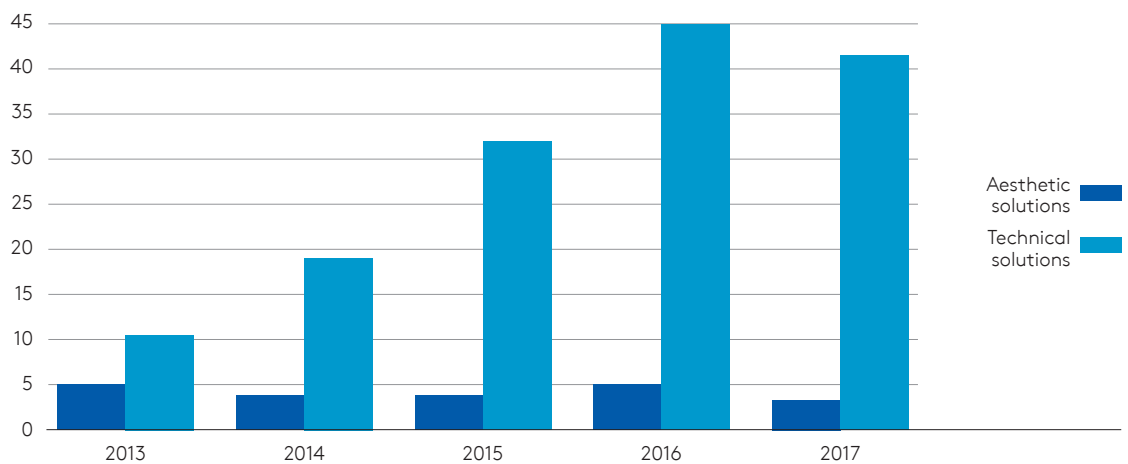
Industrial patent rights

Piaggio's dedication to intensive research and development is reflected in the continual increase in patent applications in countries where the Group operates. The overall IP portfolio has more than one thousand applications in nearly fifty countries around the world. Many of these concern the tilting three-wheel sector, an area in which the Piaggio Group has always been a pioneer, and in which it intends to maintain its position as industry leader.

IP rights



In 2017, the number of new patented solutions remained high, confirming the Group's strong focus on intellectual property.



Funded national and European projects

Piaggio Group promotes funding applications at the regional, national and European locations, in a nod to the quality of its research.

Regional Projects

ADAMo

March 2017 saw the beginning of the ADAMo Project (**A**daptive **D**igital **A**erodynamics for **M**otorcycles), co-funded under the regional tender for ICT and photonics and the engineering of advanced and intelligent integrated components and systems (devices/products/processes).

The project provides for the creation of an Active System of Aerodynamic Control for motorcycles, a technology which can modify the aerodynamic flow in accordance with the operating conditions and performance requested, using, among other things, a dedicated user interface on smartphone (App). The Consortium, of which Piaggio is the leader, is made up of companies and research bodies based in Tuscany, including the Department of Computer Engineering of the University of Pisa (data transmission systems), CUBIT (advanced innovation centre), RICO (development of electronic sensors), TELCOMMS (advanced communication systems), INFN (research institution, HPC technical development) and PSM (prototyping and engineering). During the course of 2017, aerodynamic flow analysis activities were carried out with a view to defining an optimised implementation strategy with respect to the benchmark parameters (consumption, safety, comfort, performance).

CENTAURO

The CENTAURO project (Collaboration, Efficiency and Prevention in the motor vehicle industry using Robotic Automation Technologies, “**Col**avoro, **Eff**icienza e **preve**Nzione nell’industria dei motoveicoli mediante **Tec**nologie di **AU**tomazione **Ro**botica” in Italian), coordinated by Piaggio, develops robotic automation technologies designed to:

- › Reduce the physical workload for operators involved in the working with and moving materials and goods;
- › Increase business efficiency and competitiveness by reducing the time required for the selected production processes;
- › Reduce the environmental impact of production processes by raising the proportion of separately collected light waste from production sites.

The project started during 2015. The Biorobotics Institute of the Scuola Superiore Sant’Anna and three small but dynamic Tuscan companies (Robot System Automation, Roggi and Robotech) are part of the partnership.

HORIZON 2020 and CEF (Connecting Europe Facilities) European Projects

During the course of 2017, activities continued as part of the European projects approved under the Horizon2020 tenders – namely the Smart Green and Integrated Transport programme: RESOLVE (GV5-2014 tender) of which Piaggio is the leader, and eCAIMAN (GV1-2014 tender) in which Piaggio is participating as a partner. The SAFESTRIP projects (MG3.4-2016 tender) and C-MOBILE (MG6.2-2016 tender) have also begun, and also fall under H2020. The activities of the i_HeERO project were finally completed (CEF tender).

RESOLVE

The RESOLVE project (**R**ange of **E**lectric **S**olutions for **L**-**C**ategory **V**Ehicles), approved under the H2020 - GV.5-2014 tender - Electric two-wheelers and new light vehicle concepts is coordinated by Piaggio and involves the companies KTM, Marelli, Bosch, Ricardo, as well as a number of prestigious universities and research centres (the universities of Pisa, Florence, Warwick, and Idiada). RESOLVE was funded under the European Green Vehicle Initiative and aims to develop electric engines whose efficiency and sustainability will be demonstrated on two electric-powered tilting four-wheeler prototypes in categories L2 and L6. In 2017, the design and development of vehicle subsystems (batteries, electric motors, control electronics) and management software was completed. In addition, production of the style models and the L2 and L6 powered prototypes was also completed. The project will draw to a close at the end of April 2018.

eCAIMAN

The eCAIMAN project (**E**lectrolyte, **C**athode and **A**node Improvements for **M**arket **N**ear next generation of Li-ion Batteries) is now underway, as part of the European Green Vehicles Initiative (GV1-2014 tender); launched at the end of April 2015, it is set to run for three years (2015-2018).

The goal of the project is the implementation of a new generation of Li-ion batteries offering characteristics and performance levels superior to those currently present on the market, while ensuring technological, quality and cost standards that are competitive and attainable at European level.

The project involves 15 partners, coordinated by the AIT (Austrian Institute of Technology).

In 2017, the technical specifications relating to the battery and the BMS (Battery Management System) were defined and the battery HW and SW was finalised, enabling testing activities to begin in the first part of 2018.

i_HeERO

Piaggio has joined the consortium for the i_HeERO project, coordinated by ERTICO, regarding the third phase of implementation of the emergency call (eCall) system in Europe. The project started in November 2015 and will end in 2018. Piaggio has played an active role in the project activities, in particular:

- › In the P2W (powered two-wheelers) cluster, together with other 2-wheeler vehicle manufacturers. This activity led to the definition of the minimum requirements for an emergency call system (eCall) suitable for motorcycles, and ended in October 2017 with a demonstration of the automatic activation of the eCall system implemented on Aprilia motorcycles;
- › At the Italian pilot site, with partners such as Telecom Italia, Autostrada del Brennero and the emergency centres of Lombardy (AREU) and Trentino (CUE) for the management of the PSAP (Public Safety Answering Point) in Varese and Trento. In November 2017, a test was performed to verify the compatibility of the eCall system for motorcycles with the national emergency systems architecture and the infrastructure of the European emergency number 112. The test took place in the province of Trento.

Future Radar

The FUTURE-RADAR project began in 2017, with the ERTRAC (European Road Transport Research Advisory Council) European Technology Platform and the public-private partnership EGVI (European Green Vehicles Initiative), for the creation and implementation of the research and innovation strategies necessary for a sustainable and competitive European road transport system.

The aim of the project is to provide support to the European Commission in the definition of the guidelines and areas for research in the road transport sector, in view of the upcoming FP9 Framework Programme. Piaggio is involved in the project as the main interlocutor for the two-wheeler sector.

C-Mobile

The C-Mobile project (Accelerating C-ITS Mobility Innovation and Deployment in Europe) started in June 2017 and will end in November 2020. The aim of the project is to experiment on intelligent and cooperative transport systems (C-ITS) in real environments; these systems are interoperable and can thus be distributed on a wide scale. The project is coordinated by IDIADA and sees the participation of numerous European cities (e.g. Barcelona, Bilbao, Bordeaux, Newcastle, Copenhagen, Thessaloniki) and of ERTICO - ITS Europe. Piaggio's role is to provide technical support for the testing of C-ITS for motorcycles at the Barcelona site.

Safestrip

The SAFESTRIP (Safe and Green Sensor Technologies for Self-Explaining and Forgiving Road Interactive Applications) project aims to develop a low cost and low energy consumption system based on micro- and nano-sensors integrated into the road surface to collect information (e.g. road conditions, environmental parameters, traffic data, etc.) and provide warnings of potential danger to drivers of cars and motorcycles through vehicle-infrastructure communication. Coordinated by ERTICO, the Consortium sees the participation of the Fiat Research Centre, the University of Trento and the Greek Research and Technology Centre (CERTH). The project was launched in May 2017 and will run for 36 months.

Meeting customer requirements

Product quality and reliability

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

Quality is the set of properties and characteristics of a product or service that give it the capacity to satisfy the express and implicit needs of the customer/user¹⁶. For manufactured products, these needs generally include conformity to regulations and specifications, reliability, ease of use and maintenance. Reliability is the ability of an item to perform a required function in established conditions and for an established period of time¹⁷.

Pursuing continual improvement in the quality of our vehicles through a detailed, precise, robust and mandatory product development process, constant pursuit of excellence in the management of internal and external production processes, careful and scrupulous auditing of outgoing quality from the customer's perspective, all combined with an effective product and component traceability system, are essential for guaranteeing the reliability of the vehicles sold. The company also has dedicated functions, which test the reliability of all new and existing products, from initial design to marketing. Tests are not limited to laboratory testing, but also to dynamic road testing based on different purposing profiles, based on the actual use of vehicles by customers.

Quality systems certification

As regards Quality, the Piaggio Group is committed to continually improving the performance of its processes and (internal and external) customer satisfaction. The achievement and continuous retention of Quality Management System certification at global level (ISO 9001 or ISO/TS 16949) is part of the company's shared culture and belongs to all Group employees. Following the publication in late 2015 of the new edition of the UNI EN ISO 9001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted. 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 pursue quality, customer focus, continual improvement and excellence as part of their everyday activities.

Supply verification/audits

The quality of Piaggio products also depends on the quality of its supplies. The Piaggio Group is very much involved in scouting 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 supplier audits.

New suppliers only become part of Piaggio's "basket" after a detailed and positive assessment of their production processes, the products that derive from them and certification of the functions, dimensions and materials described in the project specifications.

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 may also be subject to process audits in the event of:

- › The development of new products;
- › The resolution of problems identified during mass production;
- › Problems reported during the vehicle warranty period.

Audits for new products are scheduled to evaluate the supplier's capacity to manage the processes necessary to manufacture the new product and provide technical support in defining and controlling these processes as and when deemed necessary or as requested.

16) UNI ISO 9000 definition.

17) UNI ISO 8402 definition.

18) Returns, reprocessed, selected, material accepted as an exception.

Audits for consolidated products are performed to solve specific problems identified during production, verify the supplier's capacity to control processes involved in product manufacturing and periodically monitor improvement in services in terms of output/complaints¹⁸, to resolve problems identified under warranty and, finally, to verify the effectiveness of corrective actions taken by suppliers to prevent these problems reoccurring.

Quality control of finished products

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various phases of the production process and prior to dispatch to the customer. The standard procedures introduced in all Piaggio Group plants enable the constant monitoring of the quality of all the vehicles produced, ensuring product standards that fully meet both regulatory and type-approval specifications and the expectations of the end customer. Each vehicle manufactured at Piaggio Group sites is subject to multiple quality controls throughout the assembly process and at the end of the line. In addition, off-line checks are carried out at pre-established intervals by highly qualified and trained personnel, according to procedures and standards defined "with the customer in mind", i.e. with checks that monitor both the aesthetic and functional performance of the vehicle at a static and dynamic level.

Staff select a sample of vehicles each day, from finished/approved products, before these are dispatched to the end customer. 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 according to a score based on the severity of the defect and the impact this could have on the end customer.

The final quality status compared to the objective status is available for each model. In the event of deviation from the objective, an improvement plan has been created to identify and implement the necessary corrective measures.

In the event that serious anomalies are found, an immediate diagnosis is made, based on which the shipments of all the vehicles belonging to the batch in question, together with a sample number of vehicles of the previous batch, are immediately halted. All vehicles are then carefully rechecked and where necessary, are repaired, before they are approved and subsequently authorised for shipment.

Product traceability

The traceability of the vehicles and their main components is essential in order to enable Piaggio to promptly identify and block or limit batches characterised by presumed and/or observed defects, preventing the sale of potentially defective products on the one hand and implementing any necessary interventions in the field on the other.

Piaggio has adopted a system for efficient product traceability which identifies products, components and materials deemed to be significant at all stages of the production cycle. In particular, all components manufactured internally and externally that have a direct impact on user health and safety, the environment and compliance with type approval are identified.

The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality in view of the processes it has undergone in the various stages of the production cycle. This makes it possible to promptly and systematically 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, promptly launching initiatives to protect customers.

New product development process

The New Product Development process is the set of cross-functional activities that, starting with the product concept, are geared towards the design and manufacturing of a new product, up until the start of production.

To ensure consistent achievement of company targets in terms of quality, reliability, product cost, time-to-market and innovation, Piaggio has further improved its product development model by making major changes both in terms of the activities involved and the areas of responsibility.

The Product Development process model is structured into 3 phases, each with specific objectives, activities and deliverables (output).

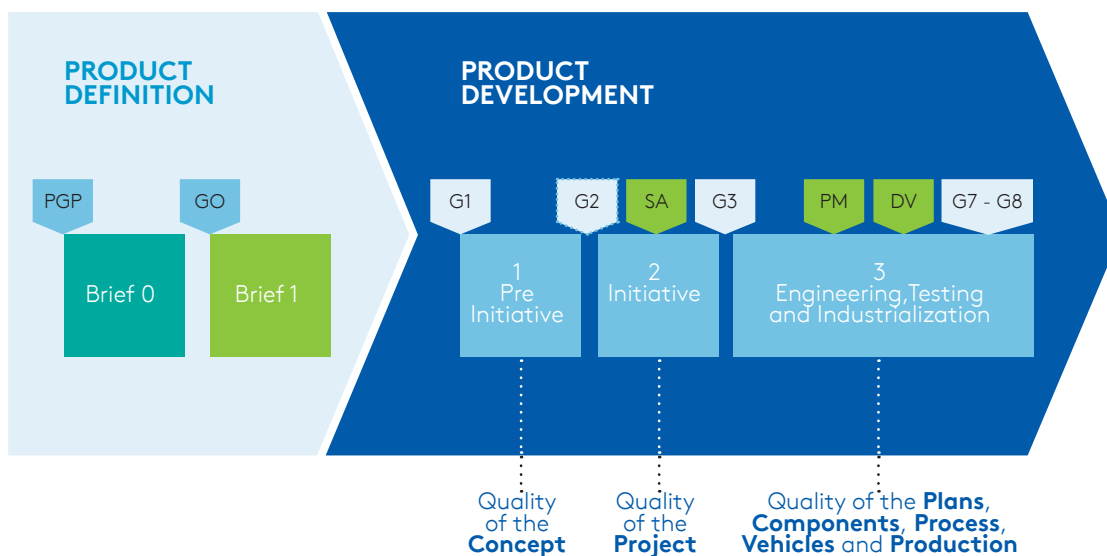


Diagram 1 - Phases and Gates of the Product Development Process (G1-G8)

The model aims to:

- › Consolidate robust and rigorous product development methodologies (innovation, concept, style, initiative management, product life-cycle management);
- › Monitor Key Performance Indicators for each specific initiative;
- › Encourage greater and more structured accountability, clarity of roles and decision-making speed;
- › Make the best use of all the skills available in the company on a global level.

The process model has been defined according to the following benchmark principles:

- › Simultaneous and concurrent engineering between the various stakeholders involved in the process (Suppliers/Partners, Manufacturing, Technologies, After Sales, Accessories);
- › Clearly identified stages and gates throughout the process;
- › Strict control of any incidents where the quality requirements of the Project for each Gate are exceeded;
- › Control of the degree of maturity of the deliverables for each Gate;
- › Use of the DMU (Digital Mock-up) throughout the Product Development Process.

Product information

Due to the type of business it does, Piaggio Group is subject to numerous national and international regulations that govern information on its products, both in the field of advertising communication and in the field of manuals related to each individual vehicle. Piaggio's user and maintenance booklets provide information on how to use the vehicle correctly, while encouraging users to drive in a safe and responsible manner, for instance, by:

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

Dealers

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|--|---|---|---|---|
| 2W Vehicles Improve and innovate with instruments to support the management of the report ratified by the concession contract. | <ul style="list-style-type: none"> › Continue implementation of the Motoplex format, both in markets controlled directly and in those managed by importers. | <ul style="list-style-type: none"> › Over 100 Motoplex stores open in the EMEA area, with particular focus on the exclusive Group dealers, which market all the brands. The percentage of turnover that passes through the Motoplex format represents 25% of total turnover. Some new importer businesses have been created, requested as a prerequisite for engagement of the same. | <ul style="list-style-type: none"> › Acceleration of the implementation of the format both within the directly controlled network and on the importer network. Launch of the major adjustment plan to the storefront format in some key markets. | <ul style="list-style-type: none"> › Improvement of the customer experience of customers at the point of sale and promotion of customer loyalty. |
| | <ul style="list-style-type: none"> › Develop the “Custom Shop” and “Racing Shop” applications related to the Moto Guzzi Customisation and Aprilia Racing training. | <ul style="list-style-type: none"> › The commercial proposal, the selection process and the conditions for participating in the format were established. The first pilot dealers for Aprilia have been identified. | <ul style="list-style-type: none"> › Opening of the Aprilia pilot dealers. | |
| | <ul style="list-style-type: none"> › Qualitative selection of the sales network and strengthening of partnerships. | <ul style="list-style-type: none"> › Started sales network analysis process, which will lead to non-renewal of the mandate to non-performing dealers, taking advantage of the expiry of the contract. | <ul style="list-style-type: none"> › Verification of area coverage and network plan definition for each individual brand based on performance analysis. | |
| | <ul style="list-style-type: none"> › Start of the process of harmonisation of the Dealer websites. | <ul style="list-style-type: none"> › The pilot project was launched, involving various dealers in the development, implementation and verification of the functionality of a site developed on the Group’s guidelines. | <ul style="list-style-type: none"> › Extend the proposal to dealers in the main EMEA countries. | |
| | <ul style="list-style-type: none"> › Strengthening of the dealer training process (e-learning). | <ul style="list-style-type: none"> › Training courses on new vehicles and proposition techniques produced during the Roadshow. | <ul style="list-style-type: none"> › Launch of training processes for internal staff, enabling them to better respond to the needs of the dealer/end customer. | |
| | <ul style="list-style-type: none"> › Start of centralised CRM project. | <ul style="list-style-type: none"> › Two pilot countries launched their project. | <ul style="list-style-type: none"> › Full testing of the potential of the system. | |
| | | | | |

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|---|--|--|---|---|
| <p>3/4W Vehicles</p> <p>Improve and update support tools for the management of the relationship governed by the concession contract.</p> | <ul style="list-style-type: none"> Updating the identity of the points of sale and service through implementation of the new image. Implementation of a new format for the dealer relationship to be applied to the Italian market and the Selling Agencies. | <ul style="list-style-type: none"> Gradual adoption of the new format by the Italian market and by the Selling Agencies. Implementation of new materials catalogue (March 2017). Preliminary analysis of the network (in terms of financial profile, performance and organisation) and its future standards. Start of the Network Planning process based on Geomarketing tools (analysis phase). Significant increase in traffic (visitors and display time), implementation of the "Preventivatore" comparator tool on ITA section and activation of the related user database generated through datacatching. | <ul style="list-style-type: none"> Completion of participation in the new format across the entire perimeter. Further fine-tuning of the catalogue with the insertion of new items. Assessment of the current sales network and evaluation thereof, on the basis of the final quality standards. Definition of the Network Development Plan and start of implementation through scouting and support of the Geomarketing tool (operational phase). Expansion of the "Preventivatore" comparator tool to the Selling Agencies (and consequent development of direct emails aimed at users). Increase of datacatching (download brochure) in tests on ITA section, with the consequent development of Direct e-mail to stimulate action on prospects. | <ul style="list-style-type: none"> Improvement of the customer experience of customers at the point of sale and promotion of customer loyalty. |

The Piaggio Group has always been customer-oriented and focused on their satisfaction. As such, Piaggio constantly analyses their needs and requirements against a global background of great change, directing increasing efforts to this task. Mobility, safety, efficiency and innovation are the concepts that drive our actions, which must be transferred through the creation of strong relationships with the commercial network – a key aspect in ensuring customer satisfaction.

Dealer management is based on trust, honesty in business dealings, transparency in contractual commitments, courtesy and cooperation. Furthermore to ensure that the customer-centric approach is present at all stages of the commercial process, the network is guided in two directions: on the one hand towards respecting the principles set out in company procedures, the Piaggio Code of Ethics and the Guidelines for Conduct published on the website www.piaggiogroup.com, and on the other towards remaining up-to-date with, understanding and learning the new information provided by the Group in terms of customer approach as well as content, whether regulatory in nature or strictly relating to the product.

The main commitment consists in monitoring the quality of the distribution to guarantee reliability, transparency and continuity of service throughout the customer lifecycle. Innovation is one of the key levers in achieving this, and translates into optimisation of operating activities, but above all into implementation of new services, for the dealers and for the end customers, made possible by technological innovation and constant monitoring of the reporting processes designed to promote simplification and transparency.

Dealers and their staff represent the main communication channel for managing customers and for conveying the corporate image, assisted by the activities of the Group's Customer Service department. Product quality and customer service in general are the company's top priorities.

This context includes the implementation of the new internally-developed retail format, Motoplex, enabling Piaggio to create a single new sales network language communication, which can be used to update the territorial coverage of each individual dealership, both in visual and service-related terms.

Our commercial partnership is therefore based on a combination of company tools including the Dealer Portal and the Marketing Portal, designed to keep the flow of information from the Piaggio Group to the grass roots fast and consistent. It is also worth noting the activities to improve the knowledge and expertise of dealerships through periodic meetings, such as road shows, dealer meetings to discuss individual products and technical training.

Retail format

Motoplex

Each Piaggio Group brand needs the right location to best express its own values and enable customers to truly experience it. This is why Piaggio has created two new and revolutionary concept stores, first in Mantua and then in Milan, to act as trailblazers for the development of the dealer network, designed to provide customers with a higher quality commercial offering, reinforcing the ability to express the values of the brand through the point of sale.

Motoplex was designed for this very purpose: to build exclusive and well-defined spaces around each of the Piaggio Group brands, linking the physical context with the digital and creating a real motorcycle experience in a high-quality space, with the power to inform and engage customers like never before. Thanks to the creative use of internal environments and the rich interactive content, the careful use of technology makes the sales activity much simpler; the comfortable lounge areas create spaces to meet and share experiences.

The Motoplex concept revolves around the idea of "brand island" displays, placing the customer in the real experiential context of the brand being represented and providing an appropriate offering in terms of the vehicle, accessories and communications.

Through the creation of a book exclusively for the dealer network, Piaggio has transferred the guidelines for the correct adaptation of the Motoplex criteria to the individual territorial sales entities, whilst simultaneously launching the development and implementation of the new sales format in the main urban centres in Italy and abroad, with a view to disseminating this on a wider scale. The Group's dedication to this project is also demonstrated through the continuous research and selection of suppliers, who offer an increasingly comprehensive service to dealers, thus lending impetus and speed to the process of expanding participation in the initiative. A further objective of the Motoplex format is

to clearly identify the Group's official dealers, thus ensuring greater transparency and a greater level of service to the end customer.

To date, the Group has met its goal of opening about 300 Motoplex stores worldwide (in Europe, the Americas, Oceania, Asia and on the Indian sub-continent).

Development of the commercial vehicle network

The implementation of the Retail Identity for the Piaggio Commercial Vehicles Brand represents the starting point for a wider network redevelopment project.

As part of this, an intensive strategic phase has been launched, beginning with a detailed evaluation of the current network on the basis of indicators that refer to a variety of factors concerning the dealer in question, such as the type of organisation, financial profile, location, layout of the place of business etc. At the same time, an analytical method for determining business potential and territorial coverage has been rolled out, together with an objective assessment of the network's performance, which will guide the network reshaping process in the four main direct markets (Italy, Germany, France and Spain).

The analysis of the markets will be completed in 2018, and following this, the Network Plan will be prepared for each of these. The current network will be evaluated through an assessment phase and the process of upgrading the current operators will then be launched, as well as a process of scouting designed to cover the potential areas that are not currently covered, or that are not covered effectively.

Dealer Portal

The Dealer Portal represents the daily interface between the Piaggio and its dealerships, guaranteeing higher levels of continuity than the physical or telephonic presence of the interlocutor can offer.

For years the Group has invested in modernising the communication channel that the Dealer Portal represents, focusing on the reciprocal exchange of information and providing access to applications, information and technical and commercial documents, useful for managing relations with the market, on the basis of standards and criteria that are shared in real time. Access to the Portal is personalised in accordance with the profile assigned to the dealer by the concession contract. Specifically, the Dealer Portal enables dealerships to:

- › Get informed on promotions and product sales tools;
- › Access technical and administrative documents and sales literature in real-time;
- › Learn and train their own staff on product maintenance and customer management techniques;
- › Share corporate information, press releases, activities under way.

Trade marketing of commercial vehicles

After the encouraging initial start-up phase in 2016, the Retail Identity format was implemented in the EMEA area in 2017, leading to the renewal of the image of a good number of sales/assistance points; the goal is to extend this to the entire network by the end of 2018.

The guidelines are implemented through the Materials Catalogue, which can be ordered directly by dealers under the supervision of Piaggio. Thanks to the feedback gathered in the field, this catalogue benefited from a substantial revision in 2017 that saw the introduction of a number of new items, with existing products improved and updated (e.g. banners with new products) those previously used, thus making the tool more effective. To provide an even more thorough response to the diverse range of situations present within the Network, a further fine-tuning stage is planned for 2018 in line with the Group's philosophy, based on an optimal trade-off between quality and cost of materials, thus guaranteeing high standards of performance together with economic accessibility.

Marketing Portal

The Marketing Portal ensures dealers are kept up-to-date in terms of marketing and communication tools and activities, ensuring the uniform presentation of the brand at local level.

This tool, which is connected through an authentication system unique to the Dealer Portal with access tailored to the brands in question, allows the dealer to:

- › Access promotional communication campaigns provided by the Group in line with company policy;
- › Customise these campaigns according to local requirements, while being consistent with corporate guidelines;

- › Access content about point of sale material, product brochures and stationery materials (letterhead/business cards, etc.), directly managing orders of the quantities required for its activities;
- › Access product information, in terms of photos of the available range, sales manuals, institutional and editorial videos.

Furthermore, the Marketing Portal allows the company to monitor the use of such materials by dealers, providing easy access to statistics and details, which are processed in real time on the platform.

Dealer meetings and training

Training and meetings with the sales network are a constant in the activities carried out by the Group. Examples include the local dealer conventions (Road Shows), workshops on specific topics, the pilot tests on panels of dealers for new projects and, last but not least, technical training. The aim of all these activities is to ensure that Group and dealer initiatives are effectively translated into ways to manage customers that build customer loyalty and consolidate the Group's reputation on the market.

The Group also promotes responsible sales techniques, based on information that is transparent, complete and conforming, given to customers during all stages of the sales process.

Harmonisation of dealer websites

The website is becoming the main means for acquiring information from the end customer, so it has become essential for our dealer sites to be constantly and promptly updated, to provide harmonious and homogeneous information, offering the same visual experience of the corporate sites.

To facilitate the correspondence of information and verify that these are in line with the Group's policies, a project has been launched to harmonise the dealers' websites, which offers a central update for all news, official promotions, product range updates, etc. in a standard format aligned with the Group sites. The same project was launched for the Importers' websites.

Commercial vehicle website and digital activities

After an initial maintenance phase, the monitoring period implemented with regard to user behaviour on the Piaggio Commercial Vehicles site revealed excellent results in terms of performance: a 126% increase in views compared to the previous year, as well as a gradual increase in the time spent by the average user on the pages (+43%).

In 2017, the site underwent updates to the sections relating to new products (Porter EL and Euro 4 versions of Ape Classic and Ape Calessino), as well as the introduction of the full functionality of the innovative tools implemented at the end of 2016, which provide the user with fast, efficient access to specific information regarding products. The main example of this is the "Porter Preventivatore" comparator page, which has had more than 13,000 views in a year.

In addition to the likes registered on the site, courtesy of the datacatching function linked to downloads of estimates, the tool enabled a database of potential new contacts to be created, who were then asked to continue with the purchase process via direct email. These encouraging results will allow us to improve the overall performance of our online presence by extending the "Porter Preventivatore" comparator tool to commercial companies in 2018.

The overall aim is to gradually and continuously increase the appeal of the sites. In the Italian section of the site, the possibility of extending the datacatching to other user behaviours (e.g. downloads of brochures and/or technical info) will be considered, with a view to expanding the database and further promoting behaviours downstream of purchase-oriented browsing, through targeted direct emails (e.g. commercial support offers, indications of the points of sale closest to the prospect etc.).

Customers

The Piaggio Group has traditionally viewed its customers' needs and satisfaction as a prior objective. In this customer-centric approach, the entire organisation is geared towards ensuring that innovation and the Group's history and tradition are translated into providing end-users with the best possible product experience and service. Customer opinion surveys and customer service comprise the customer engagement tools for building enduring customer relationships based on trust.

The Group continues to introduce innovation across all of its customer relationship management tools, alongside its Executive Dashboard, all of which are designed to ensure that the quality and service standards for managing sales processes are shared across the organisation (company front-end).

Listen to the customers, bringing their needs into the organisation and orienting it to satisfy them is the role of the "Customer experience" function.

Customer Experience

Over time, Piaggio has created and established a customer engagement platform in the main markets where the Group's products are sold, to understand the changing expectations of customers and assess the effectiveness of its initiatives.

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;
- › Brand recommendation and loyalty.

In addition to consolidating the research and analysis methodologies already launched in previous years for the competitive measurement of the product and service experience, in 2017, research was started in Europe and the US into customers looking to buy a scooter or a motorbike, with a view to gaining a detailed understanding of the purchasing process, the brand awareness, the reasons for choosing and rejecting the different brands and the value of these brands within the various markets. The findings enable the Group to establish which priority areas should receive investment in order to improve the performance of the various brands, and constitute the starting point for the systematic process of assessing brand strength, achieved through the Interbrand Brand Tracking tool (a leading partner in the measurement of the competitive strength of brands). By combining research data with financial and market data, this tool enables key areas of growth to be identified, along with the financial impact of marketing initiatives on the value of the brand.

Product reliability and perceived quality are still the key factors for customer retention: all comments received from customers were used to provide product innovation and development teams with information to supplement data from defects under warranty and technical tests and trials.

The importance of working with the service network to build an excellent workshop experience is becoming more and more apparent; indeed, this increasingly represents a discriminating factor in the choice of the brand to be purchased.

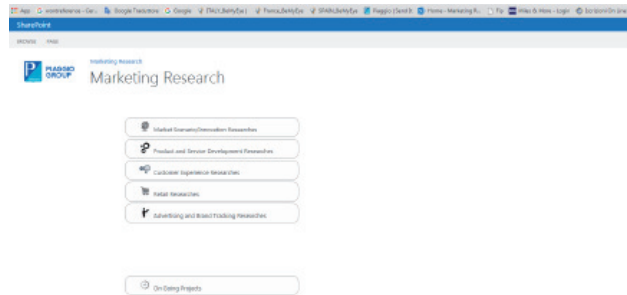
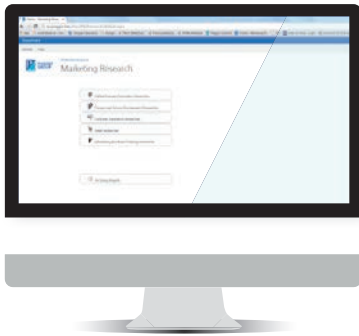
In the Vietnamese market, the results of telephone research into product and service experience – further supported by welcome calls made by Piaggio Vietnam staff a few days after the acquisition of 100% of the clientele – have been confirmed. Additional research was carried out on the brand value of Piaggio and Vespa, both currently sold in this market. In this case once again, the measurement activities implemented will enable the application of the Interbrand Brand power analysis model: a detailed analysis will be provided in the first quarter of 2018. The same research framework was used for the Vespa brand in the Indonesian market, monitored for the second year.

In the latter half of 2017, the third initiative designed to measure the product and service experience was launched in the Indian market, in the main states where Vespa and Aprilia SR are sold. The results for 2017 will be available during the first quarter of 2018.

In the Indian market in 2017, research into the value of the brand was launched, combining the views of current customers with those of future scooter buyers. Here too, the measurement activities implemented will enable the application of the Interbrand Brand power analysis model: a detailed analysis will be provided in the first quarter of 2018.

All research reports are uploaded to a dedicated Share Point portal for sharing the results within the

company. The portal is accessed via a dedicated link with personalised usernames and passwords, in accordance with the different organisational units and markets in question.



Share Point portal homepage

| | Analysis scope | |
|---|----------------|---------|
| | Brand/Product | Service |
| Net Promoter Score Index | X | X |
| Loyalty - Willingness to repurchase/use the same office again | X | X |
| Net Satisfaction Score Index | X | X |
| Defect rate perceived by the customer | X | |

Main indicators used by Piaggio to monitor the Customer Experience

In addition to the activities listed above, specially designed surveys have also been implemented at the various industry trade fairs (EICMA Milan and VAMM Ho Chi Min City) and at events organised by the Piaggio Group during the year (test rides, Moto Guzzi Open House), focusing on specific products (e.g. Naming V85, Vespa Elettrica), to enable the analysis of particular product types (e.g. vehicle accessories) or a to provide the basis for an assessment of the consistency of the perception of different brands with the exhibition stand (EICMA Piaggio and Aprilia).

Furthermore, analyses dedicated to competitive scenarios and knowledge of the Group's brands were established in markets in which our commercial presence is currently brokered by an importer but which could potentially constitute an important asset for future development (Taiwan).

Overall, around 67,800 people were interviewed worldwide in 2017, including owners of scooters, motorcycles and potential new customers.

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 has a virtual on-line space on the SAP CRM platform for all main European markets - Italy, France, Spain, Germany, Benelux and Great Britain, as well as for the USA, Indonesia and Vietnam. In India, another management tool specifically developed for this market, was implemented.

There were 49,700 managed contacts in Europe and 5,000 in USA, Vietnam and Indonesia in 2017; problems with products and/or services accounted for 24% of calls for assistance.

The Group's level of service on the main markets was up to par with outstanding standards for the sector: indeed, 85% of the calls is managed within 30 seconds and the average time for solving the requests barely goes over 24 hours.

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

Digital presence

With the introduction of new technologies, consumer buying process has changed dramatically. Digital channels have acquired a fundamental role and market studies confirm that about 80% of consumers go to the dealership after they have already searched online and obtained information on the chosen model. Moreover, as is the case already in several sectors, 34% of consumers expect an integrated physical and digital experience, for which they are willing to pay more.

In 2015, recognising the importance of a multi-channel customer experience and that every customer is a digital customer, but not all customers are equal, the Piaggio Group embarked on a major Digital Transformation process.

One of the major projects in the Digital area is the new CRM asset, which has a dual objective. On the one hand Piaggio wanted to redesign its customer experience, using digital media to help target buyers with the purchasing process, by providing an integrated experience between physical and digital channels that is consistent and increasingly customised to the actual characteristics and needs of each customer. On the other hand the project is designed to increase the amount of data relative to all phases of the purchase process and manage it, bringing great benefits for the company: better knowledge of the habits, needs and interests of its customers for personalised management of services, offers and communications. In 2017, the CRM project will see the first markets involved in the implementation of automated marketing campaigns, with greater knowledge of prospects and customers in all phases of the buying process.

The project is expected to bring about increased consumers' preference for the Group's brands, greater customer satisfaction and loyalty, which are arguably related to market share and turnover.

Within the Digital Transformation project, the digital experiences of the Group's leading brands consolidated even further, with the creation of new digital assets on a global level, which aim to ensure consistent image and services across all markets. In particular, the new Vespa website was created, our social media presence was strengthened with daily postings on Facebook, Twitter and Instagram, platforms were launched for the pre-booking of vehicles and the presence of Vespa online store was reinforced, which saw an increase in turnover of 49% compared to 2015.

Vespa World Club

Since 1946 Vespa has been attracting the attention of its users. Initially spontaneously and later organised and assisted by the parent company, they started to lay the foundations for Vespa Clubs which we still have. Both investments and the number of Vespa Clubs in Italy and around the world are subject to constant growth.

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

In particular the Vespa World Club:

- › Promotes initiatives and coordinates social, tourist, sports and competitive events;
- › Establishes bodies which represent National Vespa Clubs in dealings with 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.

2017 Activities

In 2017, the VWC organised the following events:

- › Vespa World Days (world touring rally) in Celle (Germany), with more than 4,000 participants;
- › Vespa Rally European Championship with 3 stages;
- › Vespa Raid European Championship in Arezzo;
- › Gimkana European Championship in Milan;
- › Vespa International Historic Register held in Ischia (Naples).

Support was also provided for the organisation of the EUROAPE event, an international touring rally dedicated to APE, and held in Codroipo (Udine).

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 and non-sports associations with a social, humanitarian or environmental mission, etc., 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.

Today, after 15 years of activity, and in addition to its direct members and 82 recognised clubs in Italy, the Moto Guzzi World Club also boasts:

- › 6 clubs recognised in America, Asia and Australia, representing approximately 7,500 members;
- › 20 clubs recognised in Europe, representing approximately 5,000 members.

2017 Activities

Over the course of 2017 the Moto Guzzi World Club:

- › Organised two national rallies in Bari (April) and Reggio Calabria (June);
- › Organised an international rally in Arnhem (the Netherlands) in July;
- › Supported various rallies organised by recognised clubs;
- › Promoted and developed the "Moto Guzzi Trophy", a safety regularity race, on 6 Italian circuits, dedicated to vintage motorcycles;
- › Offered organisational and logistic support to the inventors of the Aprilia Cup, the competition created following the example of the Moto Guzzi Trophy, on the same dates.

For 2018, the Moto Guzzi World Club plans to organise a single rally in Rieti for charitable purposes in support of the towns struck by the earthquake in central Italy in 2016.

THE ENVIRONMENTAL DIMENSION

| | |
|--|-----|
| Vehicles produced | 95 |
| Environmental Management System | 96 |
| Environmental certifications | 96 |
| Reduction of energy consumption | 97 |
| Reducing emissions of CO ₂ and other pollutants | 98 |
| Conserving water resources | 100 |
| Waste handling and recovering | 101 |
| Biodiversity | 102 |
| Environmental spending and investments | 102 |
| Logistics | 102 |

*"The dream of a better planet begins
to become a reality when each of us
decides to improve ourselves"*

Mahatma Gandhi

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|---|--|--|--|--|
| Protecting the environment: > Reducing pollutant emissions; > Conserving natural resources. | <u>Mandello Plant:</u> > removal of asbestos roofs completed (building G renovation). | <u>Mandello Plant:</u> > Completion of the removal of asbestos cement on the roofs. | <u>Pontedera Plant:</u> > Optimisation of appliances in Paint Mix room 2R; > Decentralisation of furnaces for the production of the required heat 3RV; | <u>All plants:</u> > Evaluation/application of new technologies with lower environmental impact; |
| | <u>Pontedera Plant:</u> > Reduction in methane consumption through changes to the steam distribution network; | <u>Pontedera Plant:</u> > Automation and optimisation of technological heat processes in 2RV; | > Continuation of the process of replacing luminaires with LEDs; | <u>Pontedera Plant:</u> > Definitive separation of the internal sewage system serving the Pontedera production site by building a new sewage system for industrial painting waste products; |
| | > Reduction in electricity consumption through the installation of power factor correction units. | > Refurbishment of the heating temperature regulation system in 3RM, 3RV, 3RA; | > Reduction of asbestos cement roofs: completion of building 35 and start of removal of building 47. | > Reduction of asbestos cement roofs: preparations to be made for dismantling of 100% of the non-encapsulated asbestos roofs by 2019. |
| | <u>Scorzè Plant:</u> > Reduction in electricity consumption through the replacement of compressors. | > Replacement of luminaires with LED versions in SM01 and 10ACN; | <u>Scorzè Plant:</u> > Reduction in electricity consumption through the replacement of compressors. | <u>Mandello del Lario:</u> > Refurbishment of the plant in order to enable virtuous industrial management thereof. |

Piaggio has organised its processes and activities through a management system which focuses on quality, the environment and the health and safety of workers, with a view to providing a model of sustainable development that not only guarantees lasting success, but which also ensures that the expectations of stakeholders are met (these include investors, shareholders, partners, suppliers, the social community and public administration).

Environmental sustainability - understood as the ability to protect and safeguard natural resources, combined with the capacity of the ecosystem to absorb the direct and indirect impacts generated by manufacturing activities - is among the key focal points of Group Policy, as expressed by the company's senior management team. This concept provides the basis for the environmental certification (ISO 14001) process that has already been launched (or is being continued) at the various production sites, and is an essential point of reference for every Group company, wherever they may operate.

Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the product planning process and the technological manufacturing cycle, and by using the best technologies and the most modern production methods. The pursuit of these environmental objectives serves to keep the Group on a path of continuous improvement in terms of environmental performance; this embraces the entire life cycle of the product, and is not limited exclusively to the production phase.

Quantitative data on the mitigation of the environmental impact resulting from the Group's operations are reported on in the sections below.

With these objectives in mind, initiatives and goals for the future focus on the following areas:

- › Maintaining environmental certification awarded to all production sites;
- › Reducing energy consumption;
- › Reducing emissions of CO₂ and other pollutants;
- › Conserving water resources;
- › Waste handling and recovering;
- › Absence of soil contamination;
- › Biodiversity;
- › Environmental spending and investments.

Vehicles produced

In order to place the data relating to energy consumption, emissions, water supply and waste management into context, the data relating to the vehicles and engines produced in the various financial years are presented below for comparison.

It should be noted that the consumption of resources may differ significantly in accordance with the type of vehicle being produced.

| Unit | EMEA and Americas | | | India | Asia Pacific 2W | Total |
|------------------|-------------------|------------------|--------------------|-------------|-----------------|---------|
| | Pontedera | Noale and Scorzè | Mandello Del Lario | Baramati 2W | Vinh Phuc | |
| 2017 | 125,246 | 30,441 | 8,617 | 70,660 | 110,305 | 345,269 |
| 2016 | 120,374 | 31,608 | 9,499 | 41,836 | 111,577 | 314,894 |
| Change 2017-2016 | 4.0% | -3.7% | -9.3% | 68.9% | -1.1% | 9.6% |
| 2015 | 123,289 | 25,453 | 7,293 | 28,354 | 97,274 | 281,663 |

Vehicles produced
(two-wheeler)

| Unit | EMEA and Americas | | India | Total |
|------------------|-------------------|---------------|---------|---------|
| | Pontedera | Baramati 3-4W | | |
| 2017 | 8,372 | | 169,158 | 177,530 |
| 2016 | 7,961 | | 180,545 | 188,506 |
| Change 2017-2016 | 5.2% | | -6.3% | -5.8% |
| 2015 | 6,859 | | 190,003 | 196,862 |

Vehicles Produced
(3/4 wheeler)

| Unit | EMEA and Americas | | India | Asia Pacific 2W | Total |
|------------------|-------------------|----------|-------|-----------------|---------|
| | Pontedera | Baramati | | Vinh Phuc | |
| 2017 | 138,920 | 98,038 | | 115,038 | 351,996 |
| 2016 | 128,377 | 66,240 | | 109,603 | 304,220 |
| Change 2017-2016 | 8.2% | 48.0% | | 5.0% | 15.7% |
| 2015 | 130,567 | 47,479 | | 90,531 | 268,577 |

Engines
produced

Environmental Management System

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

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

Environmental organisational structure of Italian sites of the Piaggio Group

| Environmental Management System | |
|---------------------------------|------------------------------------|
| Management Representative | Quality System Manager |
| Management System Manager | General Systems Manager |
| Coordination and control | Environmental Manager |
| Audits | Process Auditor (Internal Auditor) |

The head of the Environmental Management System reports to the representative of the Processes Quality & Cost Engineering Department about the performance of the Management System and about any need 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 Environmental Management System Manager and appointed after obtaining approval of their affiliated Manager.

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

Environmental certifications

For several years now, the Piaggio Group has implemented an environmental management system in its facilities in compliance with the international standard UNI EN ISO 14001.

Following the publication in late 2015 of the new edition of the UNI EN ISO 14001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted; this decision was driven by Piaggio awareness that the new requirements substantially coincide with its own objectives.

The Piaggio Group holds the ISO 14001 certificate for Environmental Management System also for the manufacturing plants of Baramati 2Wheeler, Engines and Commercial Vehicles (India) and Vinh Phuc (Vietnam).

Moreover, since 2015 the Indian subsidiary has obtained ISO 50001 certification (for energy management systems) for its two-wheeler site.

Reduction of energy consumption

The Group is dedicated to optimising plant management and minimising energy waste. Energy is supplied to the Group by leading energy companies whose production is at least partly derived from renewable sources. Specifically, the supplier chosen for Italy declares that around half of the energy it provides comes from renewable sources.

Although the structure of the company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. Specifically, when reconfiguring or restructuring plants, the Technology functions carry out evaluations and analysis with a view to introducing machinery and methods that minimise environmental impact.

As of 2016, a well-defined process for identifying and reducing energy waste has been underway at the Pontedera facility, thanks to the implementation of the Smart Metering system, which makes the energy consumption figures detected by the 90-plus meters at the plant, usable, observable, comparable almost in real time (with a 3 hour delay) and analysable. The value of the steps taken as part of this is clearly evident in the reductions in energy consumption observed, even in the face of increased production (the increase in consumption of diesel is negligible considering the very small quantities involved).

Changes in energy consumption at other Italian sites can be attributed to the decrease in production volumes and the improved management of heating systems, in accordance with the temperatures recorded externally.

Across the Group's Asian sites, consumption has been largely stable. However, energy consumption is slightly down, proving that even at these sites, the Group's focus on this issue remains.

Finally, in Baramati, it should be noted that in addition to having considerably reduced the consumption of diesel fuel, the factory now uses a product obtained from vegetable oils (bio-diesel), which does not contribute to the consumption of fossil resources.

| | | Pontedera | Noale and Scorzè | Mandello Del Lario | Baramati | Vinh Phuc | Total |
|--|------------------|-----------|------------------|--------------------|-----------|-----------|-----------|
| Electricity (Thousand KWh) | 2017 | 35,723 | 3,966 | 699 | 24,729 | 13,558 | 78,675 |
| | 2016 | 40,109 | 4,378 | 827 | 25,071 | 13,560 | 83,945 |
| | Change 2017-2016 | -10.9% | -9.4% | -15.5% | -1.4% | 0.0% | -6.3% |
| | 2015 | 38,762 | 4,180 | 767 | 25,873 | 13,330 | 82,912 |
| Methane/Natural Gas (Sm ³) | 2017 | 5,583,383 | 321,669 | 165,087 | | | 6,070,139 |
| | 2016 | 6,173,722 | 270,863 | 153,337 | | | 6,597,922 |
| | Change 2017-2016 | -9.6% | 18.8% | 7.7% | | | -8.0% |
| | 2015 | 5,742,963 | 309,577 | 142,125 | | | 6,194,665 |
| GPL ¹⁹ (Ton.) | 2017 | | | | 534 | 18 | 552 |
| | 2016 | | | | 377 | 21 | 398 |
| | Change 2017-2016 | | | | 41.6% | -14.3% | 38.7% |
| | 2015 | | | | 158 | 20 | 178 |
| Diesel ¹⁹ (Litres) | 2017 | 2,516 | | | 1,629,341 | 610,442 | 2,242,299 |
| | 2016 | 1,633 | | | 1,675,129 | 617,033 | 2,293,795 |
| | Change 2017-2016 | 54.1% | | | -2.7% | -1.1% | -2.2% |
| | 2015 | 1,860 | | | 2,322,563 | 701,390 | 3,025,813 |

Energy consumption at Piaggio Group production sites

¹⁹⁾ Some values are based on estimates.

Energy consumption of Piaggio Group production sites

| | Electricity | Methane/ Natural gas | LPG | Diesel fuel | Total | |
|---------------------------------|-------------|-------------------------|---------|-------------|---------|---------|
| Consumption in GJ ²⁰ | 2017 | 283,230 | 236,796 | 25,447 | 81,646 | 627,119 |
| | 2016 | 302,202 | 257,385 | 18,348 | 83,521 | 661,456 |
| | 2015 | 298,483 | 241,654 | 8,206 | 110,175 | 658,518 |

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

The Group also operates through commercial companies (distributors and selling agencies) and research centres located within the various reference markets. It is not always possible to measure energy consumption at these sites, as they sometimes share communal services with other tenants within the buildings in question. Nonetheless, Piaggio strives to monitor energy consumption at non-production sites; this is estimated to be less than 600 thousand kWh/year.

Reducing emissions of CO₂ and other pollutants

Greenhouse gases (mainly CO₂) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators. The structural works (replacement of boilers and restructuring of distribution networks) carried out over time and already described in previous reports, show that the changes made were appropriate. Indeed, in 2017 emission levels were substantially in line with those already detected in previous years.

Direct and indirect CO₂ emissions of Piaggio Group production sites

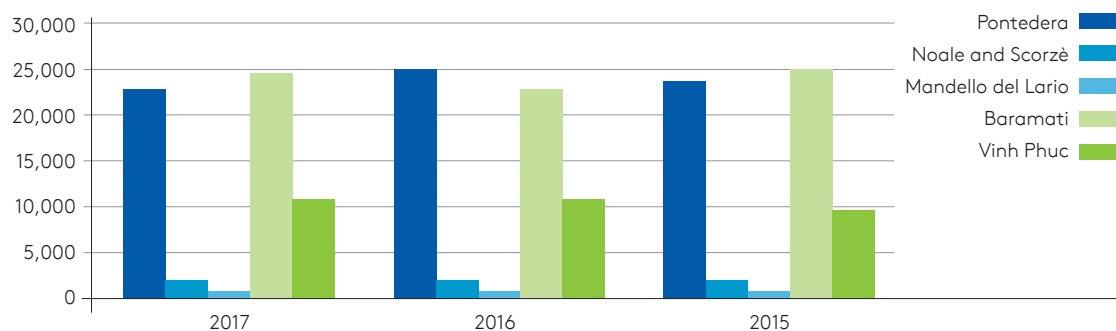
| Ton | | Pontedera | Noale and Mandello Del Scorzè | Baramati | Vinh Phuc | Total | |
|------------------|----------------------|-----------|-------------------------------|----------|-----------|-------|--------|
| 2017 | direct ²¹ | 11,152 | 632 | 324 | 4,358 | 1,815 | 18,281 |
| | indirect | 11,810 | 1,311 | 231 | 20,327 | 8,963 | 42,642 |
| 2016 | direct ²² | 12,101 | 530 | 300 | 4,481 | 1,841 | 19,253 |
| | indirect | 13,107 | 1,431 | 271 | 18,452 | 8,966 | 42,227 |
| Change 2017-2016 | direct | -7.8% | 19.2% | 8.0% | -2.7% | -1.4% | -5.0% |
| | indirect | -9.9% | -8.4% | -14.8% | 10.2% | 0.0% | 1.0% |
| 2015 | direct | 11,234 | 605 | 278 | 6,213 | 2,058 | 20,388 |
| | indirect | 12,667 | 1,366 | 251 | 19,043 | 7,683 | 41,010 |

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

22) The values shown differ from those stated in the last year's Report, as these were calculated using an incorrect Internal Heating Value, as provided by the Ministry of the Environment.

The clear percentage increase in indirect emissions at the Baramati plant is due to the use of national conversion parameters, which, in 2017, were much less favourable than those provided for 2016. If the national parameters had not changed, the indirect CO₂ emissions at the plant would have decreased by 1.1%.

CO₂ emissions of the Piaggio Group (Equivalent Tons)



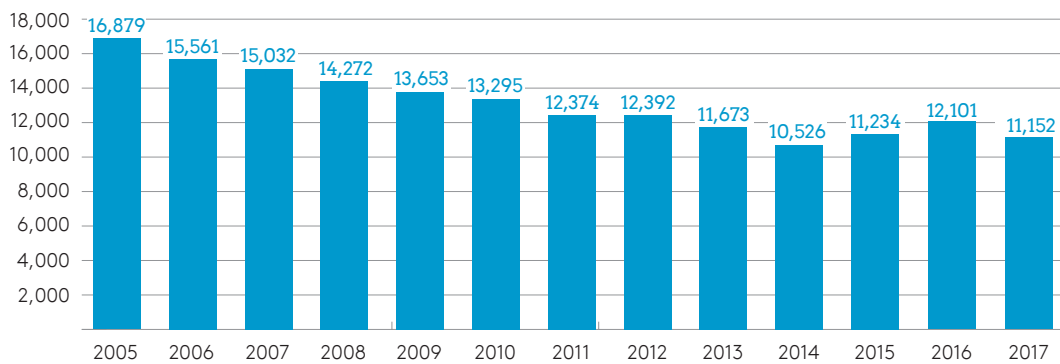
For the factories located in Italy, it should be noted that for the determination of gases with a greenhouse effect resulting from the use of diesel, fuel oil and methane, the conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used.

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

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

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

A chart summarising CO₂ emissions from Piaggio's plant at Pontedera for the year 2005 onwards is given below. The amounts shown have been certified by the verification body accredited by the Competent National Authority (ANC), except for the 2017 figure; for this, certification is planned for March 2018.



Direct CO₂ emissions of the Pontedera site (CO₂ Equivalent Tons)

| | Pontedera | Noale and Scorzè | Mandello Del Lario | Baramati | Vinh Phuc | Total |
|------------|------------------|------------------|--------------------|----------|-----------|-------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| COV (Ton.) | | | | | | |
| | 2017 | | | 433.0 | 4.4 | 483.5 |
| | 2016 | | | 336.0 | 3.8 | 451.0 |
| | Change 2017-2016 | -58.6% | | 28.9% | 15.8% | 7.2% |
| | 2015 | | | 380.0 | 3.0 | 505.3 |

Other significant emissions at the production sites of the Piaggio Group²³

²³) Reported data are also based on processing using estimates.

In 2017, the full operation of the scooter painting plant enabled the VOCs emitted to be reduced significantly (-58.6%). With regard to the other plants, evaluations are currently in progress on the use of technologies with a lower impact on air and water pollution. The increase in VOCs emitted by the Baramati plant can be attributed to the significant increase in the number of scooters produced, while that seen at the Vinh Phuc plant is not significant from a qualitative perspective, despite being notable in percentage terms.

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 Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.

Water procurement of Piaggio Group production sites

| m ³ | | Pontedera | Noale and Scorzè | Mandello Del Lario | Baramati | Vinh Phuc | Total |
|------------------|----------------------|-----------|------------------|--------------------|----------|-----------|---------|
| 2017 | Water from wells | 252,809 | 17,628 | 7,703 | | | 278,140 |
| | Water from the mains | 56,641 | 11,294 | 556 | 277,070 | 117,465 | 463,026 |
| | Total | 309,450 | 28,922 | 8,259 | 277,070 | 117,465 | 741,166 |
| 2016 | Water from wells | 242,489 | 17,955 | 1,268 | | | 261,712 |
| | Water from the mains | 58,510 | 9,441 | 854 | 254,889 | 124,665 | 448,359 |
| | Total | 300,999 | 27,396 | 2,122 | 254,889 | 124,665 | 710,071 |
| Change 2017-2016 | Total | 2.8% | 5.6% | 289.2% | 8.7% | -5.8% | 4.4% |
| 2015 | Water from wells | 245,687 | 7,599 | 2,490 | | | 255,776 |
| | Water from the mains | 43,110 | 7,959 | 704 | 297,956 | 119,351 | 469,080 |
| | Total | 288,797 | 15,558 | 3,194 | 297,956 | 119,351 | 724,856 |

At the Mandello plant, where well water is used exclusively for the cooling systems, it can be observed that water consumption has increased significantly - as these systems have seen heavier use.

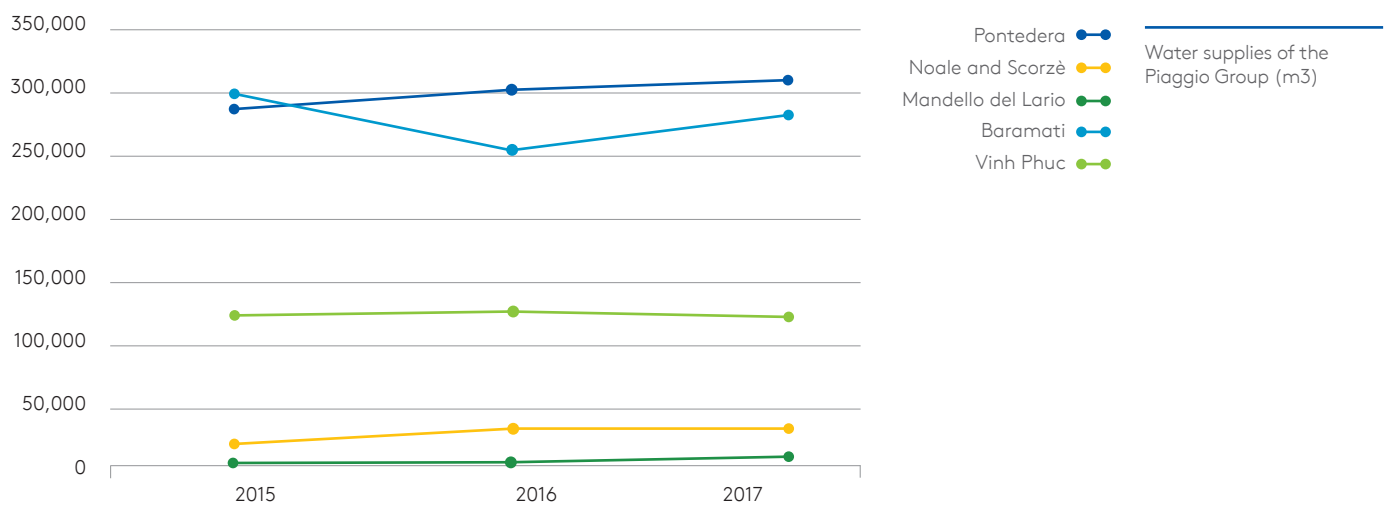
Water consumption has increased slightly overall as a result of the increase in production volumes, but Piaggio will continue to engage in activities and will accelerate targeted checks in order to achieve further reductions, in the belief that minimising the use of this resource is an essential obligation.

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

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

- › **Pontedera**: all industrial and most non-industrial waste water is conveyed to a chemical/physical purification plant outside the site. After biological treatment, the waste is discharged into an open channel. A small part of the waste-water coming from the toilets located in two areas of the factory, is directly discharged into the public sewer system;
- › **Noale**: all buildings are connected to the public sewer system. The waste water is of a non-industrial origin only (from toilets and the site canteen);
- › **Scorzè**: the plant is not served by the public sewer system, so waste water is biologically purified at the site and then conveyed to the local Rio Desolino canal;
- › **Mandello del Lario**: the plant discharges a part of waste water directly into the public sewer system (non-industrial waste water, canteen waste water, etc.), while waters used in the cooling plants are discharged into the Torrente Valletta stream;
- › **Baramati**: waste water is treated and used for irrigation purposes;
- › **Vinh Phuc**: the site has a chemical/physical purification plant for waste from painting pre-treatment operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent. The final destination is in the public sewer system.

In terms of recycled and reused water, only the sites of Baramati and Vinh Phuc reuse part of the drawn water. Specifically, approximately 143,342 m³ of water was recycled and reused by the Indian site in 2017, equal to 51.7% of the total amount drawn by the site. At the Vietnamese factory, waste water recovery amounted to 12,985 m³/y, or approximately 11%.



As already mentioned, the Group also operates through commercial companies (distributors and selling agencies) and research centres located within the various reference markets. It is not always possible to measure water use at these sites, as they sometimes share communal services with other tenants within the buildings in question. However, Piaggio strives to monitor water usage at non-production sites, estimated to be around 1,000 m³ per year. The consumption of water, which are for the exclusive use of hygiene and come from civil aqueducts, coincide with the discharges.

Waste handling and recovering

Where possible, the Piaggio Group tries to recover rather than dispose of waste and reconditioning and reuse have been a common practice at all sites for several years now. The Group is also committed to using environmentally compatible processes and technologies that can reduce waste production. Moreover, it has a priority objective of further increasing its recovered waste/disposed of waste ratio. Sites with an environmental management system have specific procedures in place to facilitate waste disposal and recovery, thus avoiding operations that are harmful for the environment or that may affect activities. In all the other factories, the general indications were obtained from the above procedures and adjusted to reflect locally applicable regulations.

| Ton | | Pontedera | Noale and Scorzè | Mandello Del Lario | Baramati | Vinh Phuc | Total |
|------------------|---------------|-----------|------------------|--------------------|----------|-----------|--------------|
| 2017 | Total waste | 5,928 | 975 | 196 | 1,639 | 1,017 | 9,754 |
| | Hazardous | 12.2% | 1.6% | 2.6% | 18.1% | 70.9% | 18.0% |
| | For disposal | 5.1% | 1.9% | 1.9% | 17.1% | 79.3% | 14.4% |
| | For recycling | 94.9% | 98.1% | 98.1% | 82.9% | 20.7% | 85.6% |
| 2016 | Total waste | 6,001 | 691 | 236 | 1,754 | 1,067 | 9,750 |
| | Hazardous | 11.6% | 3.6% | 3.0% | 29.3% | 70.7% | 20.5% |
| | For disposal | 5.5% | 0.3% | 2.3% | 28.7% | 78.8% | 17.2% |
| | For recycling | 94.5% | 99.7% | 97.7% | 71.3% | 21.2% | 82.8% |
| Change 2017-2016 | Total | -1.2% | 41.0% | -17.1% | -6.6% | -4.7% | 0.0% |
| 2015 | Total waste | 3,591 | 710 | 181 | 1,946 | 913 | 7,340 |
| | Hazardous | 21.9% | 3.1% | 3.0% | 22.9% | 66.8% | 25.5% |
| | For disposal | 11.0% | 9.5% | 3.8% | 22.7% | 75.4% | 21.8% |
| | For recycling | 89.0% | 90.5% | 96.2% | 77.3% | 24.6% | 78.2% |

Waste produced at Piaggio Group production sites

While the overall quantity of waste produced in 2016 and 2017 was more or less constant, a decline in hazardous waste can be observed, along with an increase in waste destined for recovery.

Avoiding soil contamination

As in previous years, no spills or polluting events of significance occurred at any of Piaggio's production sites in 2017.

At the Mandello and Pontedera, decontamination initiatives are under way due to historic contaminations of the sites. These situations emerged during demolition work in Mandello and during environmental monitoring campaigns in Pontedera. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.

Biodiversity

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

Environmental spending and investments

The Group's commitment to environmental sustainability is further demonstrated by the 1.4 million Euros invested in the environment by Italian production sites in 2017.

Environmental spending and investments in Italy

| | 2017 | 2016 | 2015 |
|---|------------------|------------------|------------------|
| Euro | | | |
| Waste disposal, waste treatment and environmental restoration costs | 523,338 | 425,850 | 402,555 |
| Costs for prevention and environmental management | 828,334 | 882,053 | 2,096,939 |
| Total | 1,351,672 | 1,307,903 | 2,499,494 |

Logistics

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

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

The procedure also disciplines:

- › The vehicles and equipment used by logistics operators certified by Piaggio, in accordance with the relevant quality standards;
- › Replacement of vehicles for internal shuttling with others equipped with systems to cut CO₂ emissions;
- › The packaging collection service to manage the pick-up of packaging from dealers and its disposal according to local regulations in force;
- › Disposal and waste sorting of waste material (e.g., due to decontainerisation) and packaging substitution;
- › Printing of only the documents which are necessary.

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

Thanks to centralised management of all logistics centres (Pontedera, Quinto di Treviso, Mandello):

- › The number of trips needed to transfer stock between centres has been reduced;
- › The use of electronic archives for storing shipment documents has been consolidated and paper copies have been reduced;
- › Printing of shipping documents to be sent to end customers has been minimised, and electronic documents are used whenever possible.

Within the context of the Group's vehicle distribution activities (for the contract valid from 2017-2019), the process of improving operational activities that was already underway has continued.

In addition, to further optimise saturation of vehicle transport travels and minimise the number of journeys between hubs for the transfer of vehicles in stock, the distribution warehouse for Moto Guzzi vehicles (manufactured at the Mandello factory) and Aprilia vehicles (manufactured at the Scorzè factory) has now been unified. Furthermore, at January 2018, the distribution warehouse for Moto Guzzi and Aprilia vehicles will be moved from Quinto di Treviso to inside the Scorzè plant, enabling all journeys previously necessary to place vehicles produced in the Aprilia plant in the warehouse to be eliminated.

In 2017, these activities enabled distribution operations to be reduced by 1.12% for the two-wheeler vehicle sector, and by 0.61% for the commercial vehicles sector with regard to the figures for 2016.

Activities focused on the dematerialisation of transport documents (where possible) are currently in the start-up phase, and are designed to eliminate the use of paper documents almost entirely.

The production centres in India and Vietnam also set up procedures aimed at minimising the number of trips for shipping produced vehicles and consumption of packing materials.

THE SOCIAL DIMENSION

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*"We give a voice to different cultures,
to drive development, knowledge
and better quality of life."*

Respecting human rights

The Piaggio Group supports and undertakes to support the UN Guiding Principles on Business and Human Rights and the fundamental labour standards established by the International Labor Organization. The Group acknowledges that it is responsible for taking a firm approach to human rights (including modern slavery and issues related to human trafficking), and is dedicated to supplementing and continuously improve the policies and controls it has in place to protect itself from any form of slavery, servitude, human trafficking and forced labour that may take place within the company or its supply chain.

Group companies must comply with local laws and regulations and must conduct their activities in line with the Code of Ethics and its core values of honesty, integrity and respect for people. The Code of Ethics underpins Piaggio's commitment to behave in a responsible and respectful manner, and helps staff and contractors to make informed, ethical and legal decisions. Suppliers all over the world who wish to do business with Piaggio must sign the Group's general supply conditions, which include the Code of Ethics.

In 2017, the Group added to the Code of Ethics with thorough, direct and unequivocal references to the issue of human rights (including modern slavery and issues related to human trafficking), and is committed to ensuring that its employees and partners behave in an ethical manner and with integrity and transparency in all business relationships. The updated Code of Ethics stipulates that Piaggio must respect fundamental human rights in its activities and in its supply chain.

In order to uphold the highest standards of ethical, moral and legal conduct, Piaggio encourages its employees to report suspected cases of misconduct without fear of unjust punishment or treatment. The whistleblowing policy, initially developed for the Group's Indian company, aims to provide a safe channel for employees and other interested parties to raise doubts about violations of legal or regulatory requirements. Over the next three years, the Group's priorities will include extending the scope of the whistleblowing policy to violations of human rights (including modern slavery and human trafficking) and its applicability to the entire Group.

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|---------------------|--|---|---|---|
| Skills model | <ul style="list-style-type: none"> > Review R&D technical skills in keeping with the current organisational structure. > Review technical skills according to a Digital awareness approach. | <ul style="list-style-type: none"> > Technical skills of the R&D professional family updated according to the current organisational structure and the technological innovations available. > Updating of digital skills following results of the assessment of the CRM Digital project. > Updates to Business Acumen managerial skills at global level. | <ul style="list-style-type: none"> > Updating of the managerial skills model in line with the company strategy. > Verification of the skills gaps that emerged following the assessment, monitoring the overall trend. | <ul style="list-style-type: none"> > Verification and alignment of skills within the strategic plan requirements. |
| Talent management | <ul style="list-style-type: none"> > Strengthening of the global talent development programme Piaggio Way, through the introduction of specific online training sessions. > Organisation of business-related project work activities, developed through multi-cultural and cross-functional teams. > Assessment for participants in Piaggio Way fifth round. > Adoption of talent attraction and retention policies through specific training and rewarding initiatives. | <ul style="list-style-type: none"> > A Piaggio Way Global Training Event session was held, as part of which cross-functional working team projects were organised. > Preparation of lists of potential candidates for the new assessment. > Inclusion in the Talent management programme is one of the parameters assessed when establishing retention and reward policies. | <ul style="list-style-type: none"> > Dissemination of Piaggio Way at global level, through additional global training sessions, supporting different types of training provision and greater involvement in the development of cross-functional projects. > Assessment for participants in fifth round. > Talent monitoring to propose career paths in line with the skills acquired. | <ul style="list-style-type: none"> > Development of innovative training activities following the Piaggio Academy approach. > Assessment of proposed development tools and analysis of results for continuous improvement. |
| Succession Planning | <ul style="list-style-type: none"> > Consolidation of the IT tool "Succession Plan" in the various organisational units in cooperation with the HR Managers. > Digitisation and integration with other IT tools for the management and mapping of strategic human resources. | <ul style="list-style-type: none"> > Definition of the criteria for the identification of strategic human resources. Alignment of the IT platform. | | <ul style="list-style-type: none"> > Continuous updating of the Succession planning process to reflect organisational and business developments. |

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|-------------------|---|--|--|---|
| Training | <ul style="list-style-type: none"> > Development of specific programmes to ensure strategic business skills are maintained and developed. > Establish a register of Internal Trainers to capitalise on our technical and professional knowledge and experience. | <ul style="list-style-type: none"> > A thorough review of the training catalogue was carried out, inserting Corporate-level programmes such as NEW APPOINTED MANAGER. > The Piaggio Global Training platform is now operational in the Indian subsidiary. | <ul style="list-style-type: none"> > Support the business mainly in the areas considered to be strategic: Electric, Sales, Commercial Vehicles. > Perform the training needs analysis on the Piaggio Global Training platform in a uniform manner. | <ul style="list-style-type: none"> > Go Live of the DIGITAL SKILLS FOR SALES project. > Computerisation of Piaggio Global Training for training in Health and Safety. |
| Health and safety | <ul style="list-style-type: none"> > Implementation of the BBS (Behaviour Based Safety) programme. | <ul style="list-style-type: none"> > Feasibility analysis of the BBS to define the methods of application and at the same time the implementation of the new IT tool to manage all aspects of health and safety. > Software has been implemented that allows storage of and access to the Safety Data Sheets for the products and chemicals used in the Italian offices. | <ul style="list-style-type: none"> > Implementation of the new tool and user training to enable full operation from 2019. > Training and use of software for the management of Safety Data Sheets for products and chemicals. > Training on the new ISO 45001 standard currently being rolled out and a subsequent gap analysis. | <ul style="list-style-type: none"> > Implementation of the information system for risk assessment and health and safety management at Group level at all locations. > Alignment of the health and safety management system with the new ISO 45001 standard. |

Developing human resources

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

Everything we do as individuals or as a team is shaped by our strategic vision, our results-driven approach, our constant commitment to customer satisfaction, our desire for innovation and our awareness of future market scenarios, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario. 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.

Staff

Over the years, the Group has always dedicated its attention to the continuous adjustment of its organisational structure with respect to international best practices, and as such, in 2017, Piaggio continued the process of rationalisation and organisational redesign. As of 31 December 2017, Group employees numbered 6,620, down by 86 (-1.3%) compared to 31 December 2016.

| Employee/staff numbers | 2017 | 2016 | 2015 |
|------------------------|--------------|--------------|--------------|
| EMEA and Americas | 3,682 | 3,752 | 3,872 |
| <i>of which Italy</i> | 3,444 | 3,518 | 3,638 |
| India | 2,090 | 2,113 | 2,353 |
| Asia Pacific 2W | 848 | 841 | 828 |
| Total | 6,620 | 6,706 | 7,053 |

Company employees by geographic segment as of 31 December

| Employee/staff numbers | 2017 | 2016 | 2015 |
|------------------------|--------------|--------------|--------------|
| Senior management | 96 | 100 | 105 |
| Middle management | 593 | 581 | 579 |
| White collars | 1,728 | 1,783 | 2,012 |
| Blue collars | 4,251 | 4,518 | 4,866 |
| Total | 6,668 | 6,982 | 7,562 |

Average number of company employees by professional category

| Employee/staff numbers | Graduate | High School | Middle School | Primary School | Total |
|------------------------|--------------|--------------|---------------|----------------|--------------|
| EMEA and Americas | 709 | 1,831 | 1,077 | 65 | 3,682 |
| <i>of which Italy</i> | 568 | 1,755 | 1,061 | 60 | 3,444 |
| India | 568 | 1,522 | 0 | 0 | 2,090 |
| Asia Pacific 2W | 323 | 525 | 0 | 0 | 848 |
| Total | 1,600 | 3,878 | 1,077 | 65 | 6,620 |

Company employees by educational qualifications as of 31 December 2017



An entry turnover rate of 2.56% and leaving turnover rate of 4.53% was recorded in Italy in 2017.

Company employee turnover in Italy as of 31 December 2017

| Employee/staff numbers | Staff as of 31 December 2017 | Men | Women | < 31 | 31 - 40 | 41 - 50 | > 50 | Total | % Turnover |
|------------------------|------------------------------|------------|-----------|-----------|-----------|-----------|-----------|------------|--------------|
| Incoming | | | | | | | | | |
| Senior management | 62 | 7 | - | - | 1 | 3 | 3 | 7 | 11.29% |
| Middle management | 231 | 8 | 3 | - | 7 | 2 | 2 | 11 | 4.76% |
| White collars | 914 | 37 | 26 | 43 | 14 | 6 | - | 63 | 6.89% |
| Blue collars | 2,237 | 7 | - | 3 | 2 | 1 | 1 | 7 | 0.31% |
| Total | 3,444 | 59 | 29 | 46 | 24 | 12 | 6 | 88 | 2.56% |
| Leavers | | | | | | | | | |
| Senior management | 62 | 10 | - | - | 2 | 3 | 5 | 10 | 16.13% |
| Middle management | 231 | 13 | 2 | - | 5 | 6 | 4 | 15 | 6.49% |
| White collars | 914 | 27 | 22 | 14 | 13 | 7 | 15 | 49 | 5.36% |
| Blue collars | 2,237 | 67 | 15 | 1 | 1 | 6 | 74 | 82 | 3.67% |
| Total | 3,444 | 117 | 39 | 15 | 21 | 22 | 98 | 156 | 4.53% |

Personnel management policies

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

The primary focus on human resources and the development of core competencies for business development are the cornerstone of relationships with people and are reflected in the following corporate policies:

Competitive organisation

Organisational innovation is pursued as a means of sharpening the Group's competitive advantage and supporting the creation of a multicultural, multinational, lean, customer-oriented organisation that generates value and works in an integrated way, based on a "network" logic, with all partners (e.g.: suppliers, dealers) that contribute to the company's value chain and are ready to seize the opportunities offered by the process of digital transformation that has begun in recent years.

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

Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

Recruitment and internal mobility

The selection process is based on the adoption of shared practices within the Group, supported by the use of IT tools that facilitate the dissemination of the evaluation models at global level.

With a view to ensuring that processes are shared on a global level, the scouting and research phase is widely digitalised, and is primarily focused on social networks. Similarly, the authorisation flow and the traceability of the evaluations carried out by both the HR departments and the line managers are supported by specific software integrated with the other HR processes.

The scouting activity is designed to enable proactive monitoring of profiles, in order to ensure that time to hire targets are met.

Career development

Development and career paths at Piaggio are mainly based on the assessment of managerial and

technical skills, behaviour, performance and potential, with the aim of creating a pool of highly-motivated individuals to fill key positions.

The development of the core skills necessary to remain in step with evolving markets and business is a priority. For this reason, the Group’s human resources development policies are focused on the establishment, maintenance and development of the key factors that enable it to compete within the international and constantly evolving contexts linked to the strategic business plan.

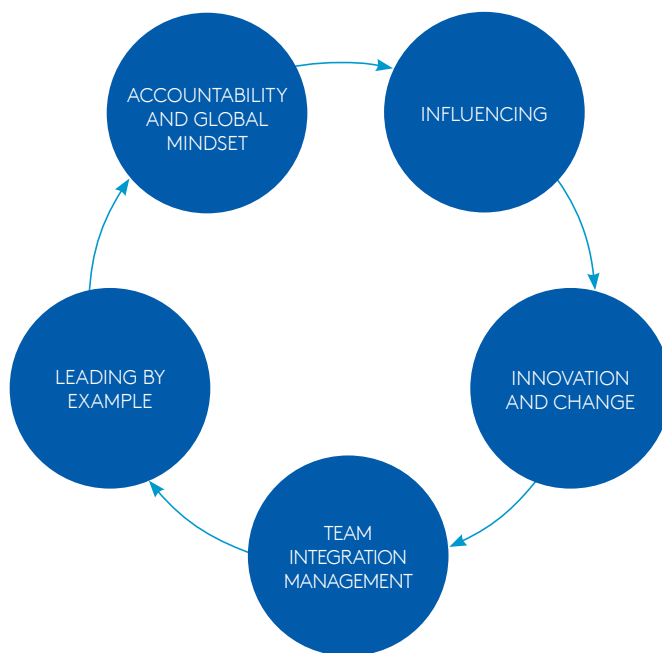
The Group’s managerial and professional competencies model

In line with the provisions of the strategic plan and through its core values, Piaggio has identified a managerial skills model, which constitutes the set of behaviours to be put into practice each day, in order to ensure the success of the manager in question and the Group as a whole at global level.

At the same time, Piaggio has developed a reference model regarding the various professional skills required, which represent the shared assets of professionalism and expertise that constitute the true foundation of the company, and serve as the only real guarantee of continuity and quality of results.

During 2017, the list of key managerial and technical/professional skills required by the company was also updated at Group level, and development and training plans were drawn up in order to overcome the gaps identified in 2016.

In addition, consistent with the organisational developments occurred in 2016, the managerial skills model was updated for the Indian subsidiary, in line with that already in force for the entire Group and with the introduction of new skills related to the local cultural context.



The Group’s managerial competencies model

Development paths

The goal of the development tools is to continuously build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance. The set of tools provided by Piaggio includes:

- › Development plans, which identify the actions to be taken for the growth of the employee;
- › Job rotation and participation in strategic or international projects;
- › Management and professional training (see “Training” section);
- › Piaggio Way - the young talent management programme (see “Talent Management” section).

During 2017, the development measures pursued by the company were consolidated, in order to reinforce Piaggio’s international presence and to promote the internal growth of individuals who demonstrate potential. In this regard, we note the greater participation of Indian and Asian people in the talent management programme.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the Group is kept and developed at the international level. In line with market best practices, Piaggio has equipped itself with a number of tools for the supervision and management of succession plans with regard to key Group positions, and in 2017, the Group used the global IT platform to test the methodology implemented, which also takes into account the skills and performances recorded each year.

Evaluation

The Group places great importance on using transparent criteria and methods for reviewing employees with respect to:

- › Performance,
- › Managerial and professional competencies,
- › International mobility,
- › Potential,

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

Both the evaluator and the person being evaluated are given the opportunity to share the result of the performance and skills assessment, and to add to this with suggestions for the establishment of the development and training path, to be implemented in accordance with a clearly defined timescale through the dedicated SAP SuccessFactors IT platform.

Employees are evaluated by comparing their competencies against the company mode for their specific role, as evidenced by concrete and observable action in their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

Performance evaluation influences both development and career paths and rewarding. During 2017, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all white collar and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human capital development purposes.

Percentage of employees who received performance and career development reviews in 2017²⁴

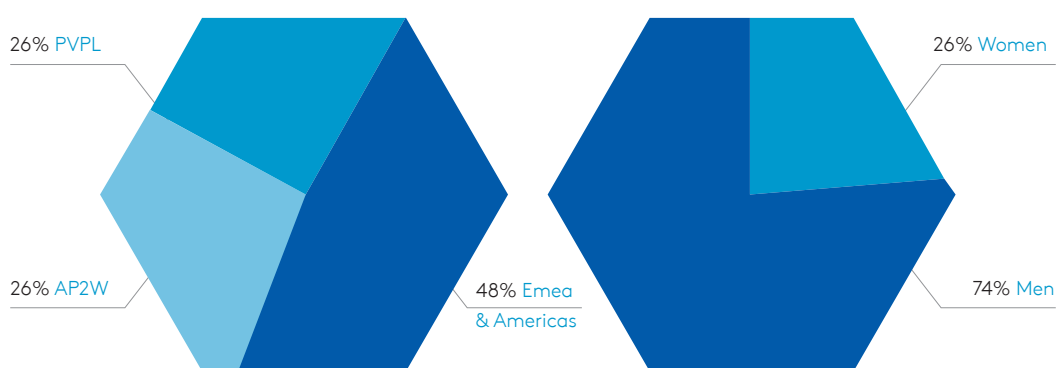
| Geographical segment | EMEA&Americas | of which Italy | Asia Pacific 2W | India |
|----------------------|---------------|----------------|-----------------|-------|
| Senior management | 100% | 100% | 100% | 100% |
| Middle management | 100% | 100% | 100% | 100% |
| White collars | 100% | 100% | 100% | 100% |
| Blue collars | N.A. | N.A. | 100% | N.A. |

24) The figures regard members of the company who have been employed for at least six months at the time of the evaluation.

Talent Management: the Piaggio Way programme

Launched in 2010, the Piaggio Way management programme for young talent is one of the various development, attraction and retention tools adopted by the Group. It is aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.

Since the launch, four assessment sessions have been completed, involving a total of 248 employees across all geographical areas of the Group. A total of 27 employees are currently actively participating in the programme. The geographical breakdown is as follows: 48% EMEA, 26% India, 26% Asia Pacific. Piaggio Way boasts a community of 56 students who have completed their development plan and who still remain active in the programme.



Geographical distribution of talent and breakdown by gender as of 31 December 2017

The individual “talents” who join the programme are given personalised access to development, involving:

- › Job rotation;
- › Strategic and international projects;
- › Events involving top management;
- › Coaching and personalised training.

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

Training

The PIAGGIO GLOBAL TRAINING platform has completed a full phase of use at global level.

The total number of training hours provided by the Group decreased slightly due to a reduction in the hours of technical and professional training provided in India, as a result of the conclusion of a number of specific projects started in the previous year.

The increase in the hours of training provided in the field of managerial training in Italy is of note, a result of the launch of specific programmes of a corporate nature, including the NEW APPOINTED MANAGER programme for newly-appointed managers.

Investment in health and safety training remains essentially stable.

| Thematic area | 2017 | | | | 2016 | | | |
|-----------------------------------|---------------|---------------|-----------------|---------------|---------------|---------------|-----------------|---------------|
| | Emea americas | India | Asia pacific 2w | Total | Emea americas | India | Asia pacific 2w | Total |
| Managerial training | 6,059 | 14,098 | 742 | 20,899 | 3,452 | 11,056 | 1,108 | 15,616 |
| Technical – professional training | 10,944 | 6,762 | 408 | 18,114 | 11,950 | 13,224 | 1,086 | 26,260 |
| Language training | 5,245 | 216 | 640 | 6,101 | 4,353 | 1,400 | 6 | 5,759 |
| Health and safety training | 5,608 | 5,186 | 5,544 | 16,338 | 6,157 | 5,108 | 4,405 | 15,670 |
| TOTAL | 27,856 | 26,262 | 7,334 | 61,452 | 25,912 | 30,788 | 6,605 | 63,305 |

Hours of training²⁵ by training area

²⁵ The figure does not include hours of on-the-job training.

Total training hours by professional category

26) The calculation of the average per-capita hours is performed using the hours provided by the Group as the numerator (including those for non-salaried workers) and the total number of employees as of 31/12 as the denominator.

| Professional category | 2017 | 2016 |
|--------------------------------------|---------------|---------------|
| Senior management | 1,207 | 1,075 |
| Middle management | 10,727 | 10,345 |
| White collars | 33,662 | 28,765 |
| Blue collars | 11,953 | 19,507 |
| Other workers | 3,903 | 3,613 |
| Total | 61,452 | 63,305 |
| Total per-capita²⁶ | 9.3 | 9.4 |

Training hours by gender

| Thematic area | 2017 | | | 2016 | | |
|-----------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Men | Women | Total | Men | Women | Total |
| Managerial training | 18,670 | 2,229 | 20,899 | 14,260 | 1,356 | 15,616 |
| Technical – professional training | 16,047 | 2,067 | 18,114 | 23,588 | 2,672 | 26,260 |
| Language training | 4,054 | 2,047 | 6,101 | 4,127 | 1,632 | 5,759 |
| Health and safety training | 13,330 | 3,008 | 16,338 | 14,420 | 1,250 | 15,670 |
| Total | 52,101 | 9,351 | 61,452 | 56,395 | 6,910 | 63,305 |

Rewards

Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy, which are openly shared throughout the evaluation processes, in order to motivate and retain those individuals who make significant contributions to the achievement of business results.

The Group reward system is differentiated for the various professional groups in the company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

Salary packages

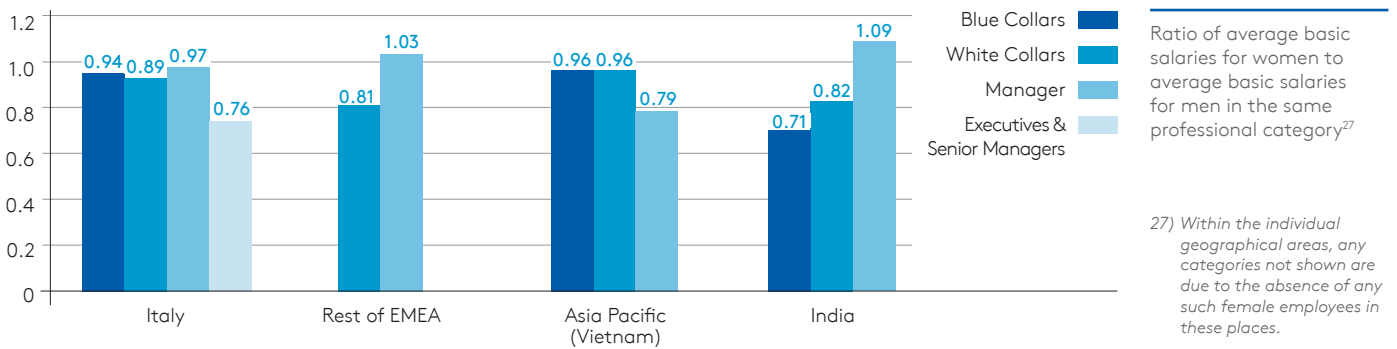
Piaggio offers to new recruits and all its employees a salary package in line with the best market practices. Accordingly, Piaggio has adopted a structured salary review process based on:

- › Comparing salaries with market benchmarks, considering the market positioning of the company as a whole and the review of individual organisational roles, which is periodically revised. 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 criteria of meritocracy, competitiveness, internal fairness and sustainability;
- › Specific identification of fixed and variable salary components, in accordance with guidelines, with meritocracy logics and retention needs relative to strategic resources for the business.

On the basis of internal analyses carried out in each country of activity, no significant differences were detected within the Piaggio Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties.

Indeed, the ratio between the minimum standard salary of new recruits and the minimum local salary in Italy in 2017 was 1.08 for male white collar workers and 1.06 for female, 1.32 for newly-hired male middle managers and 1.42 for female middle managers.

A similar comparison in Vietnam which looked at manual workers only shows an index equal to 1.32 for men and for women, while in India (once again for manual workers), the index was 1.00 both for men and for women.



Objective-based incentive systems

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility.

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;
- › Company medical centre at various sites;
- › Agreements with local groups and facilities of interest for employees.

Benefits are provided to full-time as well as to part-time employees without differentiation.

Diversity and equal opportunities

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 with contractual requirements, and in keeping with the customs, practices and usages of each country in which Piaggio operates.

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting differences as part of the shared substratum of company culture. Staff diversity represents various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.

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

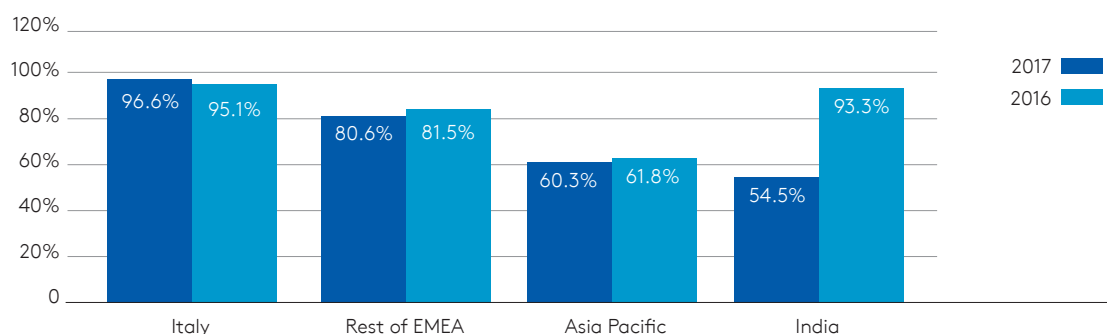
The Group seeks to spread its culture and values throughout the world, with a view to creating the conditions for promoting an international mindset and a building a truly multinational organisation, in which all employees can benefit from equal opportunities.

Human resources management processes are 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 selects and hires its staff based solely on the candidates' characteristics and experiences and the requirements of the position. As shown in the graph below⁽²⁸⁾, Piaggio promotes and supports the recruitment of candidates from many parts of the world, with a view to contributing to the international mindset that represents a key value for the Group.

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

Percentage of senior managers of local nationality divided by geographic segment as of 31 December



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

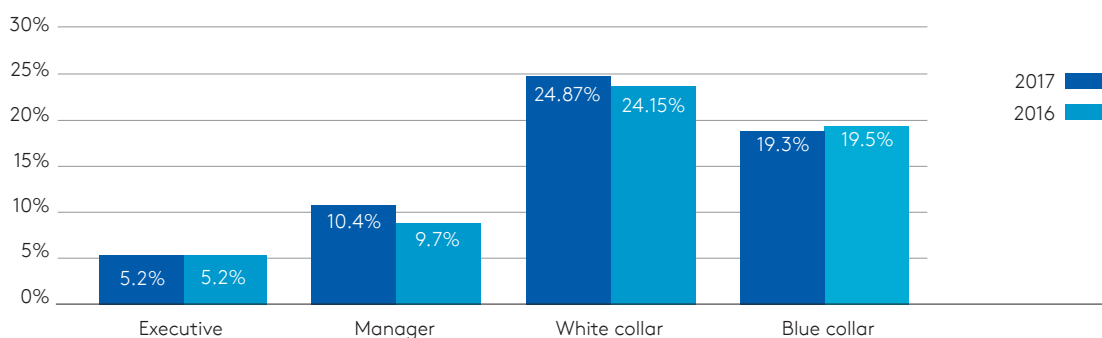
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. Their presence, which is equal to 19.8%, is in line with the previous year, with growth in white-collar and managerial positions.

Company employees by gender and geographical segment as of 31 December

| Employee/staff numbers | 2017 | | 2016 | |
|------------------------|--------------|--------------|--------------|--------------|
| | Men | Women | Men | Women |
| EMEA and Americas | 2,563 | 1,119 | 2,624 | 1,128 |
| <i>of which Italy</i> | 2,378 | 1,066 | 2,441 | 1,077 |
| India | 2,044 | 46 | 2,067 | 46 |
| Asia Pacific | 704 | 144 | 698 | 143 |
| Total | 5,311 | 1,309 | 5,389 | 1,317 |

Number of women employees as of 31 December



Company employees by contract type, gender and geographical segment as of 31 December 2017

| Employee/staff numbers | Fixed-term contract | | | Open-ended contract | | |
|------------------------|---------------------|-----------|--------------|---------------------|--------------|--------------|
| | Men | Women | Total | Men | Women | Total |
| EMEA and Americas | 8 | 9 | 17 | 2,555 | 1,110 | 3,665 |
| <i>of which Italy</i> | 5 | 8 | 13 | 2,373 | 1,058 | 3,431 |
| India | 761 | 21 | 782 | 1,283 | 25 | 1,308 |
| Asia Pacific | 256 | 38 | 294 | 448 | 106 | 554 |
| Total | 1,025 | 68 | 1,093 | 4,286 | 1,241 | 5,527 |

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

| Employee/staff numbers | Full time | | | Part time | | |
|------------------------|--------------|--------------|--------------|-----------|------------|------------|
| | Men | Women | Total | Men | Women | Total |
| EMEA and Americas | 2,479 | 816 | 3,295 | 84 | 303 | 387 |
| of which Italy | 2,295 | 767 | 3,062 | 83 | 299 | 382 |
| India | 2,044 | 46 | 2,090 | 0 | 0 | 0 |
| Asia Pacific | 704 | 144 | 848 | 0 | 0 | 0 |
| Total | 5,227 | 1,006 | 6,233 | 84 | 303 | 387 |

Company employees by profession, gender and geographical segment as of 31 December 2017



Part-time employment in Italy as of 31 December 2017

Piaggio's aim is to consolidate its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years in Italy and are becoming increasingly popular with employees.

In 2017, 382 employees were working under a non full-time contract in Italy: specifically, 5.11% of the workforce was employed under a horizontal part-time contract, and 5.98% under a job-share contract.

Young employees

Within the Group, the company's largest population is in the 41-50 age group. The generational mix is a crucial precondition for the acquisition and spreading of knowledge among young people from the most experienced workers, who can stand up as an example and pass on the skills and abilities learned over time.

| Employee/staff numbers | up to 30 | 31-40 | 41-50 | > 50 | Total | |
|------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| 2017 | Senior management | 0 | 4 | 36 | 57 | 97 |
| | Middle management | 3 | 176 | 258 | 166 | 603 |
| | White collars | 252 | 611 | 523 | 347 | 1,733 |
| | Blue collars | 1,268 | 712 | 1,292 | 915 | 4,187 |
| | Total | 1,523 | 1,503 | 2,109 | 1,485 | 6,620 |
| 2016 | Senior management | 0 | 4 | 38 | 55 | 97 |
| | Middle management | 0 | 172 | 281 | 146 | 599 |
| | White collars | 228 | 648 | 531 | 324 | 1,731 |
| | Blue collars | 1,340 | 722 | 1,328 | 889 | 4,279 |
| | Total | 1,568 | 1,546 | 2,178 | 1,414 | 6,706 |

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

Company employees up to 30 years of age by geographical segment as of 31 December 2017



People with disabilities

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

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

| Employee/staff numbers | 2017 | 2016 |
|--|-------------|-------------|
| White collars | 8 | 9 |
| Blue collars | 120 | 124 |
| Total | 128 | 133 |
| Percentage out of total employees | 3.7% | 3.8% |

In 2017, 128 people with disabilities and from legally-protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 3.7% of the total workforce.

Parental/maternity leave

Our companies apply the laws passed by pertinent national legislation.

The Group does not discriminate in any way against women who take maternity leave. Indeed, to support work-child care balance, a horizontal part-time contract has been granted to 174 employees in Italy. In addition, as further support to work-life balance, in Pontedera employees can benefit from an agreement for child support (see Industrial Relations section).

As proof of the above, the following information has been provided for the companies for which the phenomenon is more numerically significant²⁹.

²⁹⁾ The values shown relate solely to parental leave requested within the child's first year of life.

| | Parental/maternity leaves | | | | | | | | |
|---|---------------------------|------|---------------|---------|---------|---------------|---------------|--------|---------------|
| | Italy | | | Vietnam | | | EMEA&Americas | | |
| | U | D | Total | U | D | Total | U | D | Total |
| Employees on maternity leave during 2017 | 31 | 33 | 64 | 74 | 29 | 103 | 2 | 4 | 6 |
| Employees returning in 2017 after maternity leave | 30 | 13 | 43 | 74 | 23 | 97 | 2 | 1 | 3 |
| Employees returning in 2016 after maternity leave | 32 | 28 | 60 | 86 | 23 | 109 | 2 | 5 | 7 |
| Employees returning to work and on the payroll 12 months after returning from maternity leave | 31 | 28 | 59 | 81 | 23 | 104 | 1 | 4 | 5 |
| Retention rate (%) | 96.88% | 100% | 98.33% | 94.19% | 100.00% | 95.41% | 50.00% | 80.00% | 71.43% |

Engagement and dialogue with staff

The Piaggio Group's internal communication guidelines are designed to keep employees informed with regard to business performance and prospects, bringing them closer to top management strategies. The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success.

Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.

In particular, in Italy there is an active national intranet portal, "PiaggioNet", which provides information on the Group, with company news and the latest on the product ranges of the various brands, as well as a range of staff services (e.g. online coupons, transfer management, manuals/internal procedures, Piaggio Global Training platform and direct access to the online house organ Wide Piaggio Group Magazine, which is also published on the Group's websites. This magazine is subject to constant updates, and is also available in Italian and English versions). In 2017, the Piaggio Welfare section was further enhanced, to increase visibility of the related issues and initiatives that contribute to the well-being of employees and their families (sectors: supplementary healthcare, conventions, supplementary pensions, company catering, medical centres, Family space etc.).

Through specific intranet stations ("Piaggio InfoPoint"), located in the Italian factories of the Piaggio Group, also blue collars have access to the news (company news, new products) and to many services using their corporate badge.

Similar information is made available to the employees of foreign subsidiaries through the dedicated intranet portal "PiaggioNet International", whose contents are published in English.

Additional specific initiatives are provided for employees of premises in Asia and India, for example:

- › Forum dedicated to employees in India (V-Speak);
- › A quarterly meeting at Piaggio Vietnam with management to share quarterly results and targets for the next quarter;
- › INDIA E-Care: this is an online platform where external consultants deal with various personal problems of employees and their families, guaranteeing confidentiality;
- › Piaggio Vietnam Annual Safety training/Monthly Safety coordinator meeting/Safety Driving contest: these are activities that increase safety awareness.

Industrial relations

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact ongoing dialogue is considered as fundamental for finding the best solutions to specific company needs.

The Group's approach lies in involving workers and their representatives in the pursuit of company objectives, establishing a continuous dialogue with them. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Italy

During 2017, dialogue and discussion continued with trade unions and workers' representatives, with the aim of seeking shared solutions, in order to respond to market situations and to manage the effect of these on employees. Collective bargaining has made it possible to identify shared management tools which are suitable for dealing with the consequences of the long-term crisis in the sector, safeguarding the skills present in the company, encouraging their use and preventing them from being lost.

The National Collective Labor Contract (CCNL) is valid throughout the national territory. In the case of significant organizational changes, the provisions of the law and of the relevant collective bargaining are complied with.

With regard to the Pontedera site, which is now fully established as a centre of excellence in innovation, research and design and in the production of vehicles and engines, a new trade union agreement was signed in November 2016 for the use of the Solidarity Contract from November 2016 to April 2017. Subsequently, after a residual recourse to the Cassa Integrazione Guadagni Ordinaria during the period between August and October 2017, the Solidarity Contract was reactivated from October 2017 to April 2018.

In February 2017, a mobility procedure was launched for 180 employees in order to downsize staff activities and structurally rebalance the production workforce.

With regard to the Noale office, following a trade union agreement signed at the end of April 2016, a new trade union agreement was signed for the use of the Solidarity Contract for the period from June 2016 to January 2017, extended until October 2017.

The streamlining of staff activities and the downsizing of the overall workforce continued through a new redundancy procedure for 7 employees.

With regard to the Scorzè plant, with the trade union agreement signed in January 2016, the Solidarity Contract was envisaged to run until January 2017; subsequent agreements signed in January 2017 and October 2017 have now extended the deadline until March 2018.

In January 2017, a mobility procedure was launched for 70 units, with the aim of structurally rebalancing the production workforce; this was renewed in October 2017 with a new trade union agreement.

With regard to the Mandello del Lario manufacturing site, meanwhile, temporary contracts and flexible weekly working hours were implemented to tackle the summer production increase in 2017. The ordinary redundancy fund was only residually used in the months of October and November 2017.

Membership of trade union organisations at Italian sites (2015 – 2017) is shown in the table below:

| | 2017 | | | 2016 | | | 2015 | | |
|---|--------------|------------------|--------------------|--------------|------------------|--------------------|--------------|------------------|--------------------|
| | Pontedera | Noale and Scorzè | Mandello Del Lario | Pontedera | Noale and Scorzè | Mandello Del Lario | Pontedera | Noale and Scorzè | Mandello Del Lario |
| FIOM | 267 | 127 | 41 | 269 | 134 | 40 | 321 | 134 | 43 |
| UILM | 280 | 1 | 2 | 303 | 1 | 2 | 326 | 1 | 2 |
| FIM | 321 | 139 | 23 | 321 | 137 | 23 | 334 | 137 | 21 |
| UGL | 8 | | | 11 | | | 13 | | |
| USB | 35 | | | 26 | | | | | |
| CGIL/CISL/UIL | 2 | | | 2 | | | 2 | | |
| Total number of employees who are members of a trade union | 913 | 267 | 66 | 932 | 272 | 65 | 996 | 272 | 66 |
| | 34.8% | 50.1% | 66.7% | 34.0% | 50.0% | 66.0% | 35.1% | 48.7% | 65.3% |

With regard **industrial action**, the trend of strikes in 2017 showed an overall decrease in the hours lost for this reason; in particular, the number of hours lost due to causes related to general/specific category strikes has drastically decreased, while corporate micro-conflicts are essentially the same as the previous year.

All the micro-disputes within the company were at the Pontedera site.

The table below provides a summary of the hours lost due to strikes in 2016 and 2017 in the various company offices in Italy:

| | | 2017 | 2016 |
|---------------------------------------|---|---------------|---------------|
| No. of hours lost due to strikes | general/category | 1,100 | 19,151 |
| | company | 9,877 | 9,913 |
| | Total | 10,977 | 29,064 |
| % hours lost compared to hours worked | general/category | 0.05% | 1% |
| | company | 0.50% | 0.50% |
| | <i>of which Pontedera compared to hours worked in Pontedera</i> | <i>0.58%</i> | <i>0.61%</i> |
| | Total | 0.55% | 1.50% |
| No. of days lost due to strikes | general/category | 138 | 2,394 |
| | company | 1,235 | 1,239 |
| | Total | 1,373 | 3,633 |

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms.

Specifically, the following schemes were also operational for Pontedera employees in 2017:

- › A supplementary health scheme, with the chance for employees to extend insurance cover to their families by paying an additional contribution;
- › An agreement on the provision of support for young children between the company and the Union of Municipalities of the Valdera, to which a new agreement has been added with the Municipalities of the Parco Altavaldara.

A national trade union agreement at the end of 2011 established a private health insurance fund (Métasalute) for metal and steel processing workers in Italy; the Company started paying its contributions to the fund in 2012. Membership of the plan, which was initially on a voluntary basis, has become automatic for all Group employees since October 2017.

The scheme also includes health benefits/services for employees:

- › At Pontedera, the company medical centre for employees has specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
- › At Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a company trade union committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.

In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 6 years, made an excellent contribution in 2017, having sponsored and assisted the company in a number of initiatives to bolster employee motivation. The main events are outlined below, following on from those organised last year:

- › **“Safety Riding Contest”**, lasting half a day, which promoted employee awareness on the subject of safety. It was also presented to local authorities to emphasise the company’s strong focus on safety issues;
- › The **“Nutrition Day”** for employees’ children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 300 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 12 national nutrition doctors;
- › **“Piaggio Vietnam Summer Vacation”**, a three-day event in August, during which employees with families received a bonus to spend on 3 days off at a location jointly identified by the company and the trade unions.

In addition to the above, a one-day event was organised to celebrate the 10th anniversary of the establishment of Piaggio Vietnam.

No strikes were held in 2017.

India

The Indian subsidiary has always based trade union relations on cooperation, seeking to establish an ongoing dialogue and exchange of views. The company and the trade unions acknowledge that it is in the mutual interest of employees and the Piaggio Group to guarantee and pursue greater productivity and higher quality of products, as well as ensuring excellent factory operating process function, all of which enable the company to remain competitive in an environment like the automotive sector which, even in India, constantly demands innovation in its work processes.

In India, trade unions have a two-tier structure: one at company level and the other at local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers’ representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. Currently, the company trade union committee (appointed in November 2017 and with an annual term of office) is made up of 8 members.

In the Indian subsidiary there is a collective company contract, which was signed in July 2013 and expired in June 2017. The negotiations for its renewal are still ongoing.

In 2017, main activities concerning industrial relations focused on:

- › Maintaining and achieving productivity levels of blue-collar workers as established in the July 2013 agreement. The agreement establishes labour levels based on productivity indicators linked to various production levels;
- › Discussions and negotiations with the trade union committee, in turn supported by the national unions, of the main parameters and processes to be integrated into the contract subject to renewal;
- › Implementation of a flexible temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;

- › Maintaining and improving positive and cooperative relations with workers and trade unions;
- › Guaranteeing full compliance with labour laws, also in view of new government legislation (for example the Provident Fund Act, Minimum Wages Act, Apprentice Act, etc.);
- › Employee engagement to improve business climate and, accordingly, employee motivation. In line with this approach, Piaggio has rolled out numerous engagement activities for its employees, including sporting competitions, prizes for children who have particularly distinguished themselves at school and the purchase of books for the children of employees.

Occupational health and safety

Safeguarding and improving the health and safety of workers has always been integral to the Group's operations and is a strategic commitment which is positioned among the Group's more general objectives. This principle is valid and adopted in all countries where the Group operates. In particular, the Group has taken concrete actions for:

- › Continual developments towards a safer working environment, based on assessing all aspects of safety at work and the associated systems, beginning with planning new activities or when reviewing existing ones;
- › Safer conduct through education, information and awareness of all workers, to enable them to perform their duties safely and to become accountable with respect to Health and Safety at Work.

The department heads, managers and supervisors and all employees are committed to working in partnership to ensure the implementation and effective execution of the occupational health and safety programmes, in order to guarantee their own safety and that of their colleagues.

Prevention and protection activities to safeguard the health of workers in a complex industrial context like the Piaggio Group, both in Italy and abroad, can only be achieved through an adequately structured organisation which specifically aims to foster a "culture" of safety within the company. Therefore, the belief that safety must focus on behaviours and daily activities is today disseminated at all levels. This approach has led the Piaggio Group to adopt very similar safety management standards in all the countries in which it operates, regardless of the presence of less stringent regulatory constraints with respect to the Group's standards. In this framework, the sites in Italy, India and Vietnam have an Occupational Health and Safety Management System certified to OHSAS 18001 by an accredited certification body. The checks are carried out annually, and were once again concluded successfully in 2017.

In line with Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.

Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

The year saw the implementation of two important software programmes dedicated to Health and Safety issues, in collaboration with the IT department:

- › Archiving and continuous updating of the Safety Data Sheets for the products and chemical substances used at the various sites. Access to these will be available to the entire corporate safety organisation, in accordance with their access credentials. It also enables an assessment of the chemical risk of a given product to be carried out using the ILO method³⁰;
- › Management of all aspects of health and safety (risk assessment, event management, risk reporting and foreman logbook, legislative compliance, audit & inspections, BBS, survey management & tracking register, company emergency plan, management of PPE, management of contractors, health surveillance, occupational diseases) and consequent reporting at global level.

³⁰ILO - International Labor Organization is an agency that is part of the UN. The methodology referred to is a recognised around the world for the assessment of chemical risk.

31) The Frequency Index is:
 $FI = (\text{No. of accidents} * 100,000) / \text{Hours worked}$.
 The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to article 53 of Italian Presidential Decree no. 1124/65. Accidents as of article 53 include both commuting accidents and accidents not considered reliable (due to the lack of a specific, short-term external cause of the injury or the lack of a causal link).

The objectives that will be pursued with these projects are:

- › Maintaining legislative compliance;
- › Standardising the management of health and safety aspects and applicable KPIs at international level;
- › Strengthening control over the scheduling of programmes in order to achieve the objectives set;
- › Streamlining of reporting operations;
- › Increasing access to information by all stakeholders.

As far as procedural aspects are concerned, the tasks and duties of the various offices of the company have been clearly defined and the various responsibilities have been identified for the different flows that enable health surveillance and personnel training to be supervised, so as to guarantee legislative compliance. With this in mind, the close relationship between the "Training" body and the "Safety, Hygiene and Occupational Health" body continues, enabling the design and development of courses that, in line with the deadlines and content envisaged by current legislation, correspond with the specific characteristics of the company whilst enabling learners to acquire greater awareness of health and safety issues.

Accident Frequency Index³¹ in Italy

| Production sites | 2017 | 2016 | 2015 |
|-------------------------|------|------|------|
| Pontedera | 1.4 | 1.5 | 2.4 |
| Noale and Scorzè/Quinto | 0.3 | 1.1 | 1.4 |
| Mandello del Lario | 0.0 | 0.5 | 1.6 |

The constant reduction of the injury frequency index in all the Italian offices of the company continued in 2017, reaching the "zero accident" milestone in the Mandello del Lario office³².

Accident Severity³³ Index in Italy

| Production sites | 2017 | 2016 | 2015 |
|-------------------------|------|------|------|
| Pontedera | 72.5 | 82.1 | 73.1 |
| Noale and Scorzè/Quinto | 6.3 | 23.6 | 65.5 |
| Mandello del Lario | 32.2 | 9.4 | 19.5 |

In this case it is also possible to detect a positive trend; at the Mandello del Lario site, the Index tripled as a result of accidents not related to work activities (commuting accidents) that occurred involving some workers.

Vietnam

The main priority of the company is the compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees that objectives to improve occupational health and safety are pursued through an Occupational Safety and Medicine unit.

In accordance with Group guidelines, suppliers and external companies that operate at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe the instructions given to them. Any breach thereof is a breach of the contract and sufficient reason for the termination of the same; in the interests of improvement, the company organises specific safety courses for "contractors" in order to raise standards regarding these issues.

For this purpose, a Safety Committee was established involving all members of the various functions and chaired by the production manager. The Committee members are responsible for managing any safety-related issues within their functional area and for taking the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.

In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.

In parallel with training and awareness-raising activities, we have implemented a number of initiatives aimed at building a culture of safety and at raising the awareness of employees and their families on this issue; among these we highlight "Safety Awareness", "Nutrition Day" and the health check-up for employees and family members.

32) The severity index is greater than zero (in spite of the frequency index being zero), due to the fact that in the calculation of the frequency index, commuting accidents are not counted, while they are taken into account in the calculation of the severity index.

33) The Lost Day Rate is: $LDR = (\text{working days lost} / \text{hours worked}) * 100,000$. In calculating the Index, working days lost because of all events that resulted in absence from work were calculated; so accidents reported pursuant to article 53 of Presidential Decree no. 1124/65 (commuting accidents and accidents not considered reliable due to the lack of a specific, short-term external cause of the injury or the lack of a causal link) were also considered.

The Piaggio Vietnam Team also won the first prize in the “Vinh Phuc Firefighting Competition”. Lastly, it is worth highlighting the improvement of the company security system through the installation of technological equipment (video cameras, gate metal detectors, etc.) around the site perimeter.

| | 2017 | 2016 | 2015 |
|---------|------|------|------|
| Vietnam | 0.18 | 0.18 | 0.31 |

Accident Frequency Index in Vietnam

The frequency index is in line with the previous year, and confirms the reduction trend compared to 2015.

| | 2017 | 2016 | 2015 |
|---------|------|------|------|
| Vietnam | 7.92 | 2.43 | 3.43 |

Accident Severity Index in Vietnam

The increase in the severity index in 2017 has been affected by the nominal increase in the number of accidents, which went from 3 in 2016 to 5 in 2017.

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the “Occupier” (employer), which is a single person for various production sites who has responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that include Executives, Managers and White Collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate a safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.

In line with the Group’s approach, a great deal has been invested in training over the last few years as a key driver to increase employee accountability in relation to safety and, consequently, to promote a proactive approach to and engagement with safety issues.

In 2017, workplace safety training was provided to employees in order to increase individual awareness of safe behaviours to be applied, both in normal operating conditions and in emergency situations.

Alongside the training and awareness-raising activities, a number of initiatives were introduced to reward and reinforce exemplary behaviour. For example, this year once again, to mark the Safety Week held from 4-11 March 2017, prizes were awarded to the winners of various competitions (Best Area for Safety Deployment, Safety Posters, Safety Quiz Competition).

Safety culture dissemination programmes involving employees (such as Employee Medical Check-up) have also been implemented.

Accident Frequency
Index in India

| Plant | 2017 | 2016 | 2015 |
|------------------------------|------|------|------|
| Engine & Commercial Vehicles | 0.0 | 0.0 | 0.1 |
| 2W India | 0.0 | 0.0 | 0.0 |
| Spare Parts | 0.02 | 0.0 | 0.0 |

It should be noted that where the injury index is indicated as zero, this indicates that no accidents at work occurred at this plant in the reference year.

Accident Severity
Index in India

| Plant | 2017 | 2016 | 2015 |
|------------------------------|------|------|------|
| Engine & Commercial Vehicles | 0.0 | 0.0 | 1.09 |
| 2W India | 0.0 | 0.0 | 0.0 |
| Spare Parts | 4.10 | 0.0 | 0.0 |





Responsible management of the supply chain

Piaggio Group produces vehicles that are sold under its brand on the various markets around the world. The only exception regards vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan (about 31,500 units in 2017, equivalent to 5.7% of vehicles sold).

Piaggio is a leader in engine technology and produces engines at its plants both for internal production and to meet the demand of other manufacturers.

All the other components that constitute a vehicle are purchased externally and assembled in-company.

Italian plants

In 2017, Italian plants purchased merchandise and spare parts for an overall value of 400 million Euros (excluding complete vehicles) from around 750 suppliers.

The first ten suppliers made up 20% of the total purchases.

Geographical location of the suppliers to Italian plants³⁴

| Geographical segment | 2017 | 2016 | 2015 |
|----------------------|------|------|------|
| EMEA | 68% | 70% | 71% |
| China+Taiwan | 19% | 19% | 18% |
| Vietnam | 5% | 3% | 2% |
| India | 7% | 7% | 7% |
| Japan | 1% | 1% | 1% |
| Others | - | - | 1% |

34) For the calculation of the percentages, the value of the goods receipts for orders - open orders was taken into consideration.

In 2017 payments were made to suppliers for about 608 million Euros.

Indian plants

In 2017, plants in India purchased raw materials, merchandise and spare parts for an overall value of 254 million Euros from around 590 suppliers.

The first ten suppliers made up 37% of the total purchases.

Geographical location of the suppliers to Indian plants

| Geographic segment | 2017 | 2016 | 2015 |
|--------------------|------|------|------|
| India | 97% | 98% | 99% |
| Other | 3% | 2% | 1% |

In 2017 payments were made to suppliers for about 352 million Euros.

Vietnamese plants

In 2017, plants in Vietnam purchased merchandise and spare parts for an overall value of 151 million Euros from around 220 suppliers.

The first ten suppliers made up 42% of the total purchases.

Geographical localisation of the suppliers of Vietnamese plants

| Geographical segment | 2017 | 2016 | 2015 |
|----------------------|------|------|------|
| Vietnam | 47% | 47% | 56% |
| China+Taiwan | 20% | 22% | 27% |
| EMEA | 27% | 24% | 11% |
| India | 2% | 2% | 2% |
| Others | 4% | 5% | 4% |

In 2017 payments were made to suppliers for about 159 million Euros.

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

The Piaggio Group is convinced that accountability is a commitment that should not be confined within the company but should positively involve all stakeholders in the company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio are required 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 direct material suppliers to ensure their effective compliance.

In line with the Group's guidelines, every year the Purchasing Unit seeks to improve the procurement process by promoting the technical skills of buyers and focusing on the management of the various goods categories.

Over the last few years, Piaggio Group Management has started a process of common development with its suppliers by setting up a specific department called "Vendor Assessment" as well as assigning the "Finance" Function to define and monitor activities of possible risks areas involving financial and corporate issues, to protect and guarantee the complete independence between corporate areas involved in the procurement processes, as well as to place priority on meeting the needs of all stakeholders.

Corporate Finance Area

The responsibility for activities relating to the monitoring of the financial and corporate reliability of strategic suppliers rests with the Corporate Finance Area.

In 2017, the Group's Supplier analysis and monitoring activities continued, as did the mapping of the controlling shareholders (identified as "Beneficial Owners") to the strategic partners. Furthermore, on the subject of compliance, the verification of the possible presence among Suppliers of politically exposed persons and/or subjects included on anti-terrorist lists continued, in order to mitigate the "Reputational Risk" (WorldCompliance report). All the possible company variations that may affect perceived risk are presented to a Suppliers' Committee (comprising the managers of the Materials and Components Purchasing, Tools and Services Purchasing, Product Development and Technologies and Manufacturing and Production Technologies departments, as well as the Finance Manager and the Chief Financial Officer) during periodic meetings in order to identify corrective and performance improvement actions, whenever critical issues are identified.

The financial assessment of Aprilia Racing Strategic Suppliers continued in 2017, along with an analysis of the financial and corporate reliability of the main sponsor companies of the Aprilia Racing Team.

Vendor Assessment

The purpose of the Vendor Assessment department within the Piaggio Group is to forge a long-lasting, mutually satisfying relationship with a network of highly qualified partners. In addition to managing the supplier qualification process, the function has the task of doing an evaluation of the purchasing performance through vendor rating campaigns.

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

New supplier qualification is an inter-functional process based on specific standards that lead to a potential supplier being included in the supplier list, for its chosen goods' category; after an initial documentary prequalification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical, economic/financial and corporate rating on goods' categories.

Suppliers are monitored through at least two annual assessment sessions, called "Vendor Rating Campaign", during which we investigate the supplies for the period in question, on the basis of the quality of the business relationship, the technical-scientific cooperation, compliance with delivery schedules and the quality of the product supplied. This provides a reference framework for procurement strategies and actions concerning suppliers.

During the year the process had the following outcomes:

- › Assignment of a Vendor Rating Index, which measures the performance of the vendor using a weighted average of the assessments made by corporate functions (for direct materials, the relevant functions are R&D, Quality, Manufacturing and Spare Parts);
- › Assignment of a Criticality Rating that takes into account both the reliability of the supplier in economic and financial terms and the Quality function's assessment, to decide whether a supplier is "critical" for the purposes of granting them new supply agreements.

At present, criticality ratings have been assigned to most Group suppliers of European production sites only. In terms of "spending", the indicator for 2017 covered 98% of purchases of direct materials and 50% of services and works provided. The evaluation process was also carried out in Vietnam and India.

Suppliers Portal

To ensure the effective and efficient management of supplier relationships, the Supplier Portal, based on the SRM-SAP system, is available in Italy, India and Vietnam.

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

In particular, the Portal ensures the achievement of the following objectives:

- › Greater collaboration with suppliers, through self-service, connectivity, document and information sharing tools;
- › Greater efficiency of purchasing processes, through the implementation of automated tools, and greater compliance with purchasing procedures;
- › Minimisation of manual activities;
- › Quality and accuracy of information;
- › Reducing business processes and communication times;
- › Low use of paper (including through the use of the digital signature);
- › Reducing billing anomalies;
- › Visibility of the entire authorisation process, from purchase orders to orders.

Supporting local communities

| Commitment | 2017 Objectives | 2017 Results | 2018 Objectives | Mid-Term Objectives |
|---|---|--|---|--|
| Development of relations with local communities where the Group operates. | <ul style="list-style-type: none"> › Development of collaborations to promote and build the value of Piaggio and its local area. | <ul style="list-style-type: none"> › Organisation of many exhibitions, conferences and cultural events at the Piaggio Museum. | <ul style="list-style-type: none"> › Development of collaborations to promote and build the value of Piaggio and its local area. | <ul style="list-style-type: none"> › Development of relations with local institutions to raise the competitiveness and attractiveness of the local areas in which the Piaggio Group operates. › Foundation and Museum: completion of cataloguing, conservation and restoration work on historical vehicles which belong to the various Group brands. |

Piaggio Foundation

In 2017, the Piaggio Foundation continued to develop its cultural initiatives, which see the organisation of scientific and artistic events and the production of high-level scientific publications. The activities were carried out in close collaboration with the partners Piaggio & C. and the Municipality of Pontedera, and involved institutions, universities, schools and Vespa Clubs from an ever-larger territory. In particular, growing attention has been dedicated to activities related to training and engagement of young people. In particular, growing attention has been dedicated to activities related to training and engagement of young people. For the Piaggio Foundation, 2017 was a year full of commitments, with a particular focus on the design of a world-class motor vehicle museum. In relation to this, the Foundation is also engaged in a major project which will see the expansion of exhibition areas and the opening of a new wing of the museum in spring 2018, together with the inauguration of the great FuturPiaggio exhibition to celebrate 130 years of the Piaggio Group.

Piaggio Museum

The various events celebrating the 70th birthday of Vespa in 2016 served to increase visits to the Piaggio Museum, with numbers up by around 30% compared to the previous year. After a year that closed with this exceptional result, the Piaggio Foundation looked to 2017 by setting itself the ambitious goal of keeping the number of visitors unaltered, even in the absence of any exceptional events. Thanks to the growing appeal of our collections and the increasing international reputation of the Museum, in 2017 the figure of 56,000 visitors was exceeded. Particular efforts were made during the year with regard to restoration activities, which will allow the number of historic vehicles on display to double in 2018. The programme to improve the usability of the Museum also continued with the design of a piece of software which enables visitors to receive information relating to the entire museum collection on display and to access new dedicated audiovisual media.

Piaggio Historical Archive

In 2017, as has been the case in recent years, the Piaggio Historical Archive contributed significantly to many of the activities of the Piaggio Foundation. It continued its valuable role in supporting research and in managing requests for meetings and consultations from scholars and researchers (with a significant increase in requests for advice regarding high-profile scientific research within the academic sector), as

well as assisting with the Museum's teaching activities and the iconographic and documentary research for books and publications and for the preparation of exhibitions and internal and external events. The contribution of the archive to the creation of the official Museum App was particularly significant, with original textual and iconographic content related to the Vespa and Piaggio collection (released for the first time in four languages: Italian, English, French and German).

The Archive has also continued to grow and strengthen its partnership with the Piaggio internal offices, providing advice and information on historical matters and selecting and sending images, in particular for the execution of a number of licencing projects, beginning with the impressive file-based publication *Build the legendary Vespa 150 GS* (Hachette). The Archive is also contributing to a similar project dedicated to the Ape, currently in the testing phase.

Cultural Project

The activities and events organised or promoted by the Piaggio Foundation during the year are part of a wider cultural project designed to convey the historical and current values of the Piaggio Group to visitors, and to transform the Museum into a scientific and artistic meeting place which can be visited again and again. Below is a list of the activities and events that have enabled us to reach both existing and new audiences.

Exhibitions

Exhibitions are an important vehicle for communication and for attracting the public. The themes for the programme this year were:

- › *Speed/ movement*
- › *Creativity*

These elements represent an integral component of Piaggio's DNA, and have featured prominently in a number of different environments, serving to create a bridge with Piaggio's corporate culture. Below are the exhibitions that were held:

- › *Tutti in moto! The legend of speed in one hundred years of art (Tutti in moto! Il mito della velocità in cento anni di arte)*

This great exhibition opened on 8 December 2016, and was dedicated entirely to the legend of speed and its representation in the figurative arts and the lifestyles and social customs of Italians, from the end of the 19th century to the boom years. The exhibition, held in two locations in collaboration with PALP (the contemporary art exhibition centre of the Municipality of Pontedera), met with great success and attracted a large audience of locals and visitors from other regions and countries. It closed its doors on 14 May 2017.

- › *Futurism, speed and photography (Futurismo, velocità e fotografia)*

This exhibition was created at the same time as Tutti in moto! and was designed exclusively for the Piaggio Museum. A photographic exhibition curated by Giovanni Lista (illustrious scholar of the historical avant-garde movements), it documented the Futurists' approach to speed as a founding myth of modernity, through more than a hundred photographs by great artists (including the Bragaglia brothers, Tato, Azari, Bellusi, Boccardi and Bertoglio), taken from the most famous world collections.

- › *Francesco Barbieri. The imagined industrial city (Francesco Barbieri. La città industriale immaginata)*

The exhibition was held at the end of the Cantieri d'arte 2017, project, supported by the Municipality of Pontedera and the Piaggio Foundation, which saw the artist Francesco Barbieri working with students from the Liceo Classico Scientifico XXV Aprile of Pontedera on the theme of the industrial city as a place of memories and as a space reinterpreted for the future.

- › *50+! The great game of industry (50+! Il grande gioco dell'industria)*

The exhibition, organised with the support of Museimpresa, tells the story of Italian industry through objects from the company archives - from the Vespa to the Campari Bottle, from the Barilla pasta box to the Olivetti Valentine. Thanks to an agreement with La Farnesina, the exhibition has already been shown in a number of prestigious foreign locations: Caracas, Muscat, Kuala Lumpur, Chongqing, Haifa, Izmir and Dakar. It appeared at the Piaggio Museum during the summer, during the great influx of international visitors, and was extremely well-received, as evidenced by hundreds of Post-it notes with comments collected on two specially-prepared walls.

- › *Ghost Book, art photography tells and inspires stories - A collective exhibition of motorcycles, photo and food (Ghost Book, la fotografia d'autore racconta e si racconta - Un'esposizione collettiva tra moto, photo e food)*
This exhibition of art photography opened at the same time as the presentation of Ghost Book Number Three in the Auditorium of the Piaggio Museum. The main theme of the exhibition was the photographic project prepared by Toni Thorimbert for Ghost Book on the world of Aprilia, from the Noale style centre to the MotoGP pit during the last San Marino Grand Prix in Misano. The exhibition was completed by a retrospective of the Ghost Book project, which in little over two years, saw the collaboration of important artists from the Italian and international scene.

Side events to the exhibitions hosted

In support of the exhibition *Tutti in moto! The legend of speed in one hundred years of art (Tutti in moto! Il mito della velocità in cento anni di arte)* a themed conference calendar was organised, with events being held at the two centres.

A concert was also dedicated to this exhibition, entitled *The Engine of Music. Time, rhythm, speed in vocal music (Il motore della musica. Tempo, ritmo, velocità nella musica vocale)*, composed performed by the Rodolfo Del Corona Polyphonic Choir.

Concerts and shows

- › *Akedon Trio*. The Trio offered a programme inspired by revisiting some of the most beautiful works ever written from the Baroque period to the 20th century.
- › *A great jazz night for A.I.L.*. One of the most acclaimed stars of the international contemporary jazz scene appeared on stage at the Auditorium: the trumpeter Fabrizio Bosso, along with other major Italian artists such as Nico Gori (clarinet and sax) and Pee Wee Durante (Hammond organ). The evening was organised by the Piaggio Foundation in collaboration with the Guitar Academy of Pontedera, and all proceeds went to support the genetic research activities of the CRIMM, The Myeloproliferative Disease Research and Innovation Centre at the University Hospital Careggi of Florence.
- › *Giordano Bruno - The story in music of a revolutionary thinker. (Giordano Bruno - Il racconto in musica di un pensatore rivoluzionario.)* Screening of the film "Giordano Bruno", in the presence of the Pisan maestro Francesco Filidei, one of the most highly-regarded young Italian composers, who composed the work. Event organised in collaboration with the Tuscan Academy of Music.
- › *La Martinella Choir in concert*. The repertoire included both classic mountain songs and Tuscan folk songs, the latter the result of systematic research in various areas of the region, and distinctive feature of the choir.
- › *Six-string kaleidoscopes - Livorno Music Festival*. For the second year the Piaggio Foundation collaborated with the prestigious Livorno Music Festival to host one date of its seventh edition tour.
- › *The sun that will come (Il sole che verrà - concert)*. Italian leg of the European tour by Pippo Pollina, a famous singer-songwriter and poet who sings about his country and civil engagement, organised as part of an anti-mafia day event in collaboration with the Municipalities of Pisa and Pontedera.
- › *Quasibarocco Ensemble in concert and Pithecanthropus Clarinet Ensemble in concert*. Two concerts organised in collaboration with the Istituto Musicale Superiore Mascagni of Livorno that involved a selection of young talents, conducted by their teachers.
- › Hosting of concerts by Accademia della Chitarra (Guitar Academy): *Andrea Valeri & Friends, Andrea Valeri and Daniele Bazzani, Christmas concert by the disabled Poliedro choir, a traditional Christmas concert*.

Conferences/meetings

- › *Made in Italy - An educational model (Made in Italy - Un modello educativo)*. Concluding conference of the project "Chi Vespa?", organised in collaboration with the high schools of Pontedera and financed by MIUR.
- › *Tutti in moto! The story of an exhibition (Tutti in moto! Racconto di una mostra) - Conference by Susanna Ragionieri*. Cycle of meetings to introduce modern art to young people organised as part of the Tutti in Moto! exhibition.
- › *The sun that will come - Events (Il sole che verrà - Eventi)*. 25 years after the massacres of Capaci and Via d'Amelio, a day of memory and a commitment to act against the mafia and organised crime. The initiative, organised by the Piaggio Foundation in collaboration with the Municipalities of Pisa and Pontedera, included debates, musical and sporting events, representing a moment of awareness of the culture of legality and of civil engagement.
- › *Sustainable vision - Fashion show by the Modartech Institute*. End of year show featuring the creativity and work of young talents who are studying at or graduating from the Modartech Institute. The 2017 final work

is a tribute to the theme of sustainability, one of the key topics in the educational syllabus of the institute.

- › *Women, Science, Technology, Language. (Donne, Scienza, Tecnologia, Linguaggio.)* Meeting organised by the Piaggio Foundation in collaboration with the Rosa Digitale Association and the Biorobotics Institute of the Scuola Superiore Sant'Anna. A day entirely dedicated to the relationship of women with new technologies.
- › *Robotics Festival - Robots and Gender: Do androids have a sex? (Festival della robotica – Robot e Genere: Gli androidi hanno un sesso?)* As part of the official programme of the International Robotics Festival, the Piaggio Foundation organised a literary salon moderated by the journalist Claudia Arletti with the participation of Maria Chiara Carrozza, Barbara Henry and Cecilia Laschi, as representatives of the Institute of BioRobotics of the Scuola Superiore Sant'Anna, Francesca Romana Recchia Luciani from the University of Bari and of Cecilia Robustelli from the University of Modena and Reggio Emilia, who is also Vice-president of the Piaggio Foundation.
- › *Conference on excellent companies (Convegno sulle aziende eccellenti)* organised by Assicurazioni Generali in collaboration with the Piaggio Marketing and Communications Department.

Book launches

- › *Ghost Book number 3. Motorcycles - Photo - Food*
- › *Pulvis et Umbra.* The author Antonio Manzini presented the latest instalment featuring his character, the Deputy Chief of Police, Rocco Schiavone, together with Giampaolo Simi.
- › *Blues per cuori fuorilegge e vecchie puttane. (Blues for outlaw hearts and old whores.)* The author Massimo Carlotto presented his latest book together with Marcello Cimino, vice president of the Orme Gialle association and Cristiano Marcacci, editor-in-chief of Il Tirreno.
- › *Negli occhi di chi guarda. (In the eye of the beholder.)* The author Marco Malvaldi presented his latest book together with Cecilia Robustelli, Vice-president of the Piaggio Foundation.
- › *In viaggio con Lloyd. (Traveling with Lloyd.)* The author Simone Tempia presented his book with Francesca Masi and actor Andrea Giuntini.
- › *Alfa Romeo, Alfetta, Berlina and GT.* Presentation of the book by Giancarlo Catarsi which is part of the programme of events promoted by ANCI - Città dei Motori.

Conferences hosted, supported and sponsored by the Piaggio Foundation

- › *Industry 4.0 Workshop (Workshop Industria 4.0)* A study day on the new frontiers of technology in the company of the Scuola Superiore Sant'Anna.
- › *Business Pages (Pagine di Business)* Conference organised by ToscanaIN, a non-profit association whose purpose is to bring together those already connected on social networks by organising meetings within the territory on professional topics, promoting a positive vision of the business world in society.
- › *Conference: Migrants and migration in the 21st century: problems and opportunities. (Migranti e migrazione nel XXI secolo: problemi ed opportunità).*
- › *The politics of integration (Le politiche di integrazione).* International conference with the participation of well-known personalities from African countries.
- › *Vegan Days.* An encounter with the vegan world designed to teach visitors about veganism.
- › *A brick for Vertical - let's build research together. (Un mattoncino per Vertical – costruiamo insieme la ricerca) Evening for research into bone marrow disorders.*
- › *Juvenile anorexia - recognising and treating it (L'anoressia giovanile – conoscerla e curarla).* Conference hosted by Giorgio Nardone, Psychologist - Psychotherapist, pupil of Paul Watzlawich, considered the most prominent figure of the Palo Alto School.

Events and programmes dedicated to young people and students

- › *12th edition of Crea@tivity.* Two days of events with an international feel: exhibitions, conferences, meetings, all hosted at the Piaggio Museum in Pontedera. An excellent window onto the world of design, creativity and innovation and a great opportunity to reflect on the role of schools, universities and businesses, and the cultural exchange that occurs between them. This year's edition was dedicated to the theme of hybrids.
- › Prize-giving for the students who won the classical literature contest *Certamen in Ponticulo Herae.*
- › Awarding of students who graduated with full marks from the High Schools of Valdera.
- › Liceo scientifico XXV Aprile - An "alternative week" of educational events and debates organised independently by young people with the Libera association.

Furthermore, the Piaggio Foundation continued to offer the Educational Programme for young people, from preschool to university, on historical, technical, artistic and economic topics.

This year once again, in order to attract more visitors to the museum, a number workshops were organised for families on a number of Saturdays. Some titles were particularly successful:

- › *Con le mani in pasta... di zucchero* (Doughing it right... with sugar pastry), organised for carnival and repeated for *National Family Day at the Museum*;
- › *Let's build the first self-driving Vespa-Robot together! (Costruiamo insieme la prima Vespa-Robot a guida autonoma!)* Workshop organised in collaboration with the Biorobotics Institute of the Scuola Superiore Sant'Anna;
- › *The Christmas Elf factory (La fabbrica degli Elfi di Natale)*, pre-Christmas activities.

Events organised in association with vespa clubs or other motorcycle clubs

- › Lancia Fulvia rally.
- › Vintage car rally.
- › Pontedera Ciao Meeting organised by the City of Pontedera in collaboration with the Ciao Club d'Italia.
- › Vespa Raid Toscana organised by Vespa Club Pontedera.
- › UISP Motorcycling Championships 2017 Award Ceremony.
- › Rally of the Ferraristi Toscani Group.
- › Stage of the Milan Taranto.
- › Rally of the Veneto Vintage Bike Association.
- › MP3 rally.
- › Woman at the Wheel (Donna al Volante) - vintage car rally.
- › CMEF Rally (Florence Vintage Motorbike Club).

Publications

The proceedings of the conference Giovanni Gronchi and Italian foreign policy (1955-1962), second volume of the Tommaso Fanfani Collection, were published.

Initiatives outside the museum

As occurs every year, the historical vehicles of the Museum and the images and documents from the Historical Archive have been used for a number of prestigious events. The following is a list of the initiatives that involved the loan of vintage vehicles as well as images and documents from the archive.

| Event | Place | Vehicle |
|------------------------------------|-----------------------|--|
| Exhibition at "Italian Design Day" | ROME - La Farnesina | Vespa GS 150 (1957) |
| "Futurpiaggio" volume presentation | MILAN - Vetra Theatre | Vespa 98 (1946), Moto Guzzi V8 (on loan from Mandello) |
| Cycle and Motorcycle Show | MILAN - EICMA | Vespa Primavera (1967) |
| Opening of the Officine Garibaldi | PISA | Vespa 125 (1949) low headlight, non-standard colour |

Charity activities and sponsorships

2017 saw the consolidation of the collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which has contributed US\$360 million to the Global Fund for the fight against AIDS, Tuberculosis and Malaria. The aid provided by (RED) to the Global Fund had an impact on more than 70 million people through activities such as prevention, treatment, counselling, HIV testing and support services. As part of the partnership, a Vespa 946 (RED) was built, which is currently being marketed in Europe, Asia, the Pacific Area and the United States. For each Vespa 946 (RED) sold, US\$150 will be donated to the Global Fund and the fight against AIDS. A concrete and valuable contribution, thanks to which (RED) will be able to guarantee more than 500 days of medical care to save lives threatened by HIV and help prevent the transmission of the virus from HIV-infected mothers to their unborn children.

In October 2017, the collaboration with (RED) was expanded further, with the launch of a new product, specifically for the Indian market - the new Vespa (RED), model VXL.

The Vespa VXL (RED) was launched at a major charity event in Mumbai. The spokesperson at the event was the famous Bollywood star, Fahren Akhtar, formerly a UN Women Goodwill Ambassador, who also bought the first Vespa VXL RED.

Charity events supporting the partnership have also been held in Europe and Asia, particularly in Japan, Taiwan, South Korea, Indonesia and Thailand.

In the US and Canada, Vespa (RED) products were the stars of the Shopathon charity marathon and were put on sale through Amazon.

Piaggio also continued the Vespa for Children project in 2017, a humanitarian charity initiative which, by involving the Group's companies, intends to create charitable projects aimed at promoting social solidarity in the fields of health and social care for children in developing countries.

Piaggio Vietnam in particular has been very active in the support of local associations that deal with families in need and education for children.

The Indian subsidiary has also supported a number of local initiatives for non-profit organisations that work in the fields of health and education.

In 2017 – also under the aegis of the Vespa for Children project – Piaggio participated in various events in Italy to help the community by donating vehicles for charity auctions.

The Group took part in some very important cultural events, like for example the Mantua Literature Festival, not to mention other events organised by the Vespa World Club.

Lastly, for some years now, for the end of the year holidays, together with the entire Immsi Group, Piaggio Group fosters educational and rehabilitative activities for disabled children affected by brain damage by making a donation to the "Casa del Sole Onlus" association, in the name of all the employees of the Immsi and Piaggio groups. 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.

In 2017, the historic collaboration between Moto Guzzi and Canottieri Moto Guzzi was renewed, for the restoration of the Canottieri Rowing Headquarters on the shores of Lake Lecco.

The Group's economic efforts are summarised in the paragraph concerning the determination and distribution of added value.

Moto Guzzi and Canottieri Moto Guzzi

Moto Guzzi and Canottieri Moto Guzzi once again came together, united by a common goal – to preserve and renovate the historic Canottieri Rowing headquarters, located on the Lecco shore of the Lario, a venue that has seen generations of athletes grow and mature, before going on to reach the highest levels in rowing.

The first part of the project, supported by Moto Guzzi, includes structural and aesthetic interventions that will involve the reflooring of the building, the restoration and strengthening of the supporting structure and interior and exterior painting works.

Over 90 years, this building has seen generations of athletes grow and mature, before going on to reach the highest levels in rowing. The tradition continues today, with the four junior rowers called upon to don the Italian national rowing jersey at the next World Championships scheduled in Trakai, Lithuania, and at the Coupe de la Jeunesse regatta which will be held in Hazewinkel in Belgium.

The prizes won by the Canottieri Moto Guzzi rowing team are a result of its participation in 22 European and World Championships, taking home over 80 Italian titles as well as 10 Olympic gold medals, along with 1 silver and 5 bronzes, won by athletes over the 87 years that have marked the history of Italian rowing.



TABLE OF GRI-G4 INDICATORS

Table of GRI-G4 indicators

| G4 Content Index for "In accordance" - Core | | | | |
|---|--|--|-----------|--|
| GENERAL STANDARD DISCLOSURES | | Reference | Omissions | Note |
| 1. STRATEGY AND ANALYSIS | | | | |
| G4.1 | Statement from the most senior decision-maker of the organization. | Letter from the Chairman | | |
| 2. ORGANIZATIONAL PROFILE | | | | |
| G4.3 | Report the name of the organization. | The commitment of the Piaggio Group | | |
| G4.4 | Report the primary brands, products, and services. | Group profile - Brands | | |
| G4.5 | Report the location of the organization's headquarters. | Group profile | | |
| G4.6 | Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | Group profile | | |
| G4.7 | Report the nature of ownership and legal form. | Corporate Governance | | |
| G4.8 | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | Group profile | | |
| G4.9 | Report the scale of the organization. | Group Profile - Piaggio - facts and figures | | |
| G4.10 | Report the total number of employees by employment contract and gender. Report the total number of permanent employees by employment type and gender. Report the total workforce by employees and supervised workers and by gender. Report the total workforce by region and gender. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | The social dimension - Staff | | Piaggio reports employee data. Outsourced staff and contractors are not considered. Information is not reported on any significant changes in employment figures during the year (such as seasonal variations), nor on whether a substantial part of the organisation's work is carried out by outsourced staff. |
| G4.11 | Report the percentage of total employees covered by collective bargaining agreements. | The social dimension - Industrial relations | | |
| G4.12 | Describe the organization's supply chain. | The social dimension - Responsible management of the supply chain | | |
| G4.13 | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain. | Group profile | | |
| G4.14 | Report whether and how the precautionary approach or principle is addressed by the organization. | The social dimension The environmental dimension The product dimension | | |
| G4.15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | The product dimension - Funded national and European projects | | |
| G4.16 | List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level. | The product dimension - Funded national and European projects The social dimension - Supporting local communities | | |

| GENERAL STANDARD DISCLOSURES | | Reference | Omissions | Note |
|--|--|--|-----------|---|
| 3. IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES | | | | |
| G4.17 | List all entities included in the organization's consolidated financial statements or equivalent documents. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents. | Methodological note -Report boundary | | All boundary exceptions are indicated in the GRI CONTENT INDEX. |
| G4.18 | Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content. | Methodological note | | |
| G4.19 | List all the material Aspects identified in the process for defining report content. | The commitment of the Piaggio Group - Sustainability strategy Methodological note - Materiality analysis, Report contents | | |
| G4.20 | For each material Aspect, report the Aspect Boundary within the organization. | Methodological note | | |
| G4.21 | For each material Aspect, report the Aspect Boundary outside the organization. | Methodological note | | |
| G4.22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | Methodological note | | |
| G4.23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | Methodological note | | |
| 4. STAKEHOLDER ENGAGEMENT | | | | |
| G4.24 | Provide a list of stakeholder groups engaged by the organization. | The commitment of the Piaggio Group - Stakeholders' involvement | | |
| G4.25 | Report the basis for identification and selection of stakeholders with whom to engage. | The commitment of the Piaggio Group - Stakeholders' involvement | | |
| G4.26 | Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | The commitment of the Piaggio Group - Stakeholders' involvement | | |
| G4.27 | Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | The commitment of the Piaggio Group - Stakeholders' involvement | | |
| 5. REPORT PROFILE | | | | |
| G4.28 | Reporting period (such as fiscal or calendar year) for information provided. | Corporate Social Responsibility Report Methodological note | | |
| G4.29 | Date of most recent previous report (if any). | Corporate Social Responsibility Report Methodological note | | |
| G4.30 | Reporting cycle (such as annual, biennial). | Corporate Social Responsibility Report Methodological note | | |
| G4.31 | Provide the contact point for questions regarding the report or its contents. | Corporate Social Responsibility Report | | |
| G4.32 | Report the 'in accordance' option the organization has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines. | Corporate Social Responsibility Report Methodological note | | |
| G4.33 | Report the organization's policy and current practice with regard to seeking external assurance for the report. | Methodological note Report on the limited auditing of the Corporate Social Responsibility Report | | |

| GENERAL STANDARD DISCLOSURES | | Reference | Omissions | Note |
|--|--|--|-----------|------|
| 6. GOVERNANCE | | | | |
| G4.34 | Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts. | Corporate Governance | | |
| 7. ETHICS AND INTEGRITY | | | | |
| G4.56 | Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | Corporate Governance - Code of Ethics The commitment of the Piaggio Group | | |
| SPECIFIC STANDARD DISCLOSURES | | Reference | Omissions | Note |
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| ECONOMIC | | | | |
| <i>Aspect: Economic performance</i> | | | | |
| G4.DMA | Disclosure on management approach | The economic dimension - Determination and distribution of Added Value | | |
| G4.EC1 | Direct economic value generated and distributed | The economic dimension - Determination and distribution of Added Value | | |
| G4.EC4 | Financial assistance received from government | The economic dimension - Public grants and tax benefits | | |
| <i>Aspect: Market presence</i> | | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Developing human resources - Personnel management policies | | |
| G4.EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | The social dimension - Developing human resources - Rewards | | |
| G4.EC6 | Proportion of senior management hired from the local community at significant locations of operation | The social dimension - Developing human resources - Diversity and equal opportunity | | |
| <i>Aspect: Indirect economic impacts</i> | | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Responsible management of the supply chain Supporting local communities | | |
| G4.EC7 | Development and impact of infrastructure investments and services supported | The social dimension - Responsible management of the supply chain Supporting local communities | | |
| G4.EC8 | Significant indirect economic impacts, including the extent of impacts | The social dimension - Responsible management of the supply chain Supporting local communities | | |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|--------------------------------------|---|-----------|--|---|
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| ECONOMIC | | | | |
| <i>Aspect: Procurement practices</i> | | | | |
| G4.DMA | Disclosure on management approach | | The social dimension - Responsible management of the supply chain | |
| G4.EC9 | Proportion of spending on local suppliers at significant locations of operation | | The social dimension - Responsible management of the supply chain | The Group provides data on the purchases of its production sites relative to the purchase of goods and spare parts. Purchases of commercial companies, Rome and Milan offices and research centres are not considered, as they are residual and not relevant. |
| ENVIRONMENTAL | | | | |
| <i>Aspect: Energy</i> | | | | |
| G4.DMA | Disclosure on management approach | | The environmental dimension - Environmental certification Environmental sustainability - Reduction of energy consumption | |
| G4.EN3 | Energy consumption within the organization | | The environmental dimension - Reduction of energy consumption | Data not reported for fuel consumption for vehicle testing, for company car fleets and for the Aprilia Racing Team. Data on the consumption of Rome and Milan offices are not considered relevant. |
| <i>Aspect: Water</i> | | | | |
| G4.DMA | Disclosure on management approach | | The environmental dimension - Environmental certification - Conserving water resources | |
| G4.EN8 | Total water withdrawal by source | | The environmental dimension - Conserving water resources | Data on use by Rome and Milan offices are not considered relevant. |
| G4.EN9 | Water sources significantly affected by withdrawal of water | | The environmental dimension - Conserving water resources | The boundary is limited to production sites. |
| G4.EN10 | Percentage and total volume of water recycled and reused | | The environmental dimension - Conserving water resources | The boundary is limited to the production sites of Baramati and Vinh Phuc. |
| <i>Aspect: Biodiversity</i> | | | | |
| G4.DMA | Disclosure on management approach | | The environmental dimension - Environmental certification - Biodiversity - Conserving water resources | |
| G4.EN11 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | | The environmental dimension - Biodiversity | The boundary is limited to production sites. Of the Group's facilities, only the Scorzè site is subject to particular limits of the Venice Lagoon. |

| SPECIFIC STANDARD DISCLOSURES | | | |
|---|---|-----------|--|
| MATERIAL ASPECTS | Reference | Omissions | Note |
| ENVIRONMENTAL | | | |
| <i>Aspect: Emissions</i> | | | |
| G4.DMA Disclosure on management approach | The environmental dimension - Environmental certification - Reducing emissions of CO ₂ and other pollutants | | |
| G4.EN15 Direct greenhouse gas (GHG) emissions (Scope 1) | The environmental dimension - Reducing emissions of CO ₂ and other pollutants | | The boundary is limited to production sites. |
| G4.EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2) | The environmental dimension - Reducing emissions of CO ₂ and other pollutants | | Emissions of commercial offices are not reported. Data on the emissions of Rome and Milan offices are not considered relevant. |
| G4.EN21 NOX, SOX, and other significant air emissions | The environmental dimension - Reducing emissions of CO ₂ and other pollutants | | The indicator only considers VOC released by solvents used in painting at production sites. |
| <i>Aspect: Effluents and waste</i> | | | |
| G4.DMA Disclosure on management approach | The environmental dimension - Environmental certification The environmental dimension - Conserving water resources The environmental dimension - Waste handling and recovery | | |
| G4.EN22 Total water discharge by quality and destination | The environmental dimension - Conserving water resources | | The boundary is limited to production sites and commercial offices. |
| G4.EN23 Total weight of waste by type and disposal method | The environmental dimension - Waste handling and recovering | | Waste production of commercial offices, research centres and Rome and Milan offices is considered as not relevant, as it is equivalent to municipal waste. |
| G4.EN24 Total number and volume of significant spills | The environmental dimension - Avoiding soil contamination | | The boundary is limited to production sites. |
| <i>Aspect: Products and services</i> | | | |
| G4.DMA Disclosure on management approach | The product dimension | | |
| G4.EN27 Extent of impact mitigation of environmental impacts of products and services | The product dimension | | |
| <i>Aspect: Compliance</i> | | | |
| G4.DMA Disclosure on management approach | The environmental dimension - Environmental certification Corporate Governance - Compliance with laws and regulations | | |
| G4.EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | Corporate Governance - Compliance with laws and regulations | | |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|--|---|---|---|--|
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| ENVIRONMENTAL | | | | |
| <i>Aspect: Transport</i> | | | | |
| G4.DMA | Disclosure on management approach | | The environmental dimension - Environmental certification The environmental dimension - Logistics | |
| G4.EN30 | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce | The environmental dimension - Logistics | | The reporting boundary is Italy. |
| <i>Aspect: Overall</i> | | | | |
| G4.DMA | Disclosure on management approach | | The environmental dimension - Environmental certification The environmental dimension - Environmental spending and investments | |
| G4.EN31 | Total environmental protection expenditures and investments by type | The environmental dimension - Environmental spending and investments | | The reporting boundary is Italy. |
| SOCIAL LABOUR PRACTICES AND DECENT WORK | | | | |
| <i>Aspect: Employment</i> | | | | |
| G4.DMA | Disclosure on management approach | | The social dimension - Personnel management policies | |
| G4.LA1 | Total number and rates of new employee hires and employee turnover by age group, gender, and region | The Social Dimension - Staff | | The Group reports on total incoming and outgoing staff numbers in Italy, divided by gender and age. Total turnover (incoming and outgoing) is indicated. |
| G4.LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | The social dimension - Developing human resources - Rewards | | |
| G4.LA3 | Return to work and retention rates after parental leave, by gender | The social dimension - Diversity and equal opportunity | | The Group reports the retention rate for Italy, Vietnam, EMEA & the Americas. |
| <i>Aspect: Labour/management relations</i> | | | | |
| G4.DMA | Disclosure on management approach | | The social dimension - Personnel management policies The social dimension - Industrial relations | |
| G4.LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | The social dimension - Industrial relations | | The reporting boundary is Italy. |

| SPECIFIC STANDARD DISCLOSURES | | | |
|---|--|---|---|
| MATERIAL ASPECTS | Reference | Omissions | Note |
| SOCIAL | | | |
| LABOUR PRACTICES AND DECENT WORK | | | |
| <i>Aspect: Occupational health and safety</i> | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Personnel management policies The social dimension - Occupational health and safety | |
| G4.LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender | The social dimension - Occupational health and safety | The Group reports on frequency and severity indexes (totals) for production sites. The frequency index does not consider off-site accidents. The severity index considers days lost due to off-site accidents. The indexes consider accidents of outsourced staff. |
| <i>Aspect: Training and education</i> | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Personnel management policies The social dimension - Developing Human Capital | |
| G4.LA9 | Average hours of training per year per employee by gender, and by employee category | The social dimension - Training | The Group reports on the number of training hours' per area, professional category, gender and total average hours per capita. The calculation of the average per-capita hours is performed using the hours provided by the Group as the numerator (including those for non-salaried workers) and the total number of employees as of 31/12 as the denominator. The company PFF is not included in the reporting scope. |
| G4.LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | The social dimension - Developing Human Capital | The companies PFF, PADC and PCSM are excluded. |
| G4.LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | The social dimension - Evaluation | The companies PFF, PADC and PCSM are excluded from the reporting scope. |
| <i>Aspect: Diversity and equal opportunity</i> | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Personnel management policies | |
| G4.LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | The social dimension - Diversity and equal opportunity | The Group reports employee data. |
| <i>Aspect: Equal remuneration for women and men</i> | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Personnel management policies The social dimension - Developing human resources - Rewards | |
| G4.LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | The social dimension - Developing human resources - Rewards | The boundary considers Italy, EMEA, Vietnam, India. |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|---|--|-----------|--|--|
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| SOCIAL HUMAN RIGHTS | | | | |
| <i>Aspect: Non discrimination</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations | |
| G4.HR3 | Total number of incidents of discrimination and corrective actions taken | | Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations | |
| SOCIAL SOCIETY | | | | |
| <i>Aspect: Local communities</i> | | | | |
| G4.DMA | Disclosure on management approach | | The social dimension - Supporting local communities | |
| G4.SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | | The social dimension - Supporting local communities | The Group provides information about charity activities promoted in the year, and initiatives taken by the Fondazione Piaggio and Museo Piaggio. |
| <i>Aspect: Anti corruption</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations | |
| G4.SO5 | Confirmed incidents of corruption and actions taken | | Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations | |
| <i>Aspect: Public policy</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Code of Ethics | |
| G4.SO6 | Total value of political contributions by country and recipient/beneficiary | | Corporate Governance - Code of Ethics | |
| <i>Aspect: Anti-competitive behaviour</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Compliance with laws and regulations | |
| G4.SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | | Corporate Governance - Compliance with laws and regulations | |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|---|--|---|-----------|---|
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| SOCIAL SOCIETY | | | | |
| <i>Aspect: Compliance</i> | | | | |
| G4.DMA | Disclosure on management approach | Corporate Governance - Compliance with laws and regulations | | |
| G4.S08 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Corporate Governance - Compliance with laws and regulations | | Possible tax sanctions are not included. |
| SOCIAL PRODUCT RESPONSIBILITY | | | | |
| <i>Aspect: Customer health and safety</i> | | | | |
| G4.DMA | Disclosure on management approach | The product dimension - Research guidelines; Applications The social dimension - Meeting customer requirements - Product quality and reliability | | |
| G4.PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | The product dimension - Research guidelines; Applications The social dimension - Meeting customer requirements - Product quality and reliability | | The percentage is not provided, but a qualitative contribution is indicated |
| <i>Aspect: Product and service labeling</i> | | | | |
| G4.DMA | Disclosure on management approach | The social dimension - Meeting customer requirements - Product quality and reliability | | |
| G4.PR5 | Results of surveys measuring customer satisfaction | The social dimension - Meeting customer requirements | | |
| <i>Aspect: Marketing communications</i> | | | | |
| G4.DMA | Disclosure on management approach | Corporate Governance - Compliance with laws and regulations | | |
| G4.PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | Corporate Governance - Compliance with laws and regulations | | |

| SPECIFIC STANDARD DISCLOSURES | | | | |
|---------------------------------|--|-----------|---|------|
| MATERIAL ASPECTS | | Reference | Omissions | Note |
| SOCIAL | | | | |
| PRODUCT RESPONSIBILITY | | | | |
| <i>Aspect: Customer privacy</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Compliance with laws and regulations | |
| G4.PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | | Corporate Governance - Compliance with laws and regulations | |
| <i>Aspect: Compliance</i> | | | | |
| G4.DMA | Disclosure on management approach | | Corporate Governance - Compliance with laws and regulations | |
| G4.PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | | Corporate Governance - Compliance with laws and regulations | |



Independent Report on the limited assurance engagement of the Corporate Social Responsibility Report 2017



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

To the board of directors of Piaggio & C. SpA

We have carried out a limited assurance engagement on the Corporate Social Responsibility Report (hereinafter the "Report") of Piaggio group (hereinafter the "Group") for the year ended 31 December 2017.

Responsibility of the directors for the Report

The directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative*, as indicated in the paragraph "Methodological note" of the Report, and for that part of internal control that they consider necessary to prepare Corporate Social Responsibility Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The directors are also responsible for defining the sustainability performance targets of Piaggio group, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the IAASB (*International Auditing and Assurance Standards Board*) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

Our company applies the *International Standard on Quality Control 1 (ISQC (Italy) 1)* and, therefore, maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles, with the professional principles and with the applicable laws and regulations.

PricewaterhouseCoopers Advisory SpA

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Società soggetta all'attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl
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The procedures we performed consisted in verifying compliance of the Report with the principles for defining the content and the quality of a sustainability report set out in the *G4 Sustainability Reporting Guidelines*, and are summarised as follows:

- comparing the financial information reported in chapter “The Economic Dimension” of the Report with the information included in the Group’s consolidated financial statements as of 31 December 2017 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 22 March 2018;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
 - meetings and interviews with management of Piaggio & C. SpA and its subsidiary Piaggio Vietnam Co. Ltd, to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
 - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the directors for the Report”;
- obtaining a representation letter, signed by the legal representative of Piaggio & C. SpA, on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the directors for the Report”, as well as the reliability and completeness of the disclosed information.

Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 (*reasonable assurance engagement*) and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Corporate Social Responsibility Report of Piaggio group as of 31 December 2017 has not been prepared, in all material respects, in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* as disclosed in the paragraph "Methodological note" of the Report.

Florence, 22 March 2018

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

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



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

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



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