



PIAGGIO
GROUP

CORPORATE SOCIAL RESPONSIBILITY REPORT 2018



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CORPORATE SOCIAL RESPONSIBILITY REPORT

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ANNUAL REPORTING	- Cycle.
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CONTENTS OF THE REPORT	- The contents of the 2018 CSR Report are based on the requirements of the Global Reporting Initiative - 2018 Sustainability Reporting Standards - Core option.
STATEMENT	- The 2018 CSR Report has been subjected to a limited audit by PricewaterhouseCoopers SpA, an independent third-party company. It carried out its work in accordance with the "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for assessing the CSR Report's compliance with the "GRI Sustainability Reporting Guidelines" published in 2018 by the Global Reporting Initiative (GRI).
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→ LETTER FROM THE CHAIRMAN



With a history dating back 135 years, the Piaggio Group is one of the most prominent and long-standing industrial groups in Italy. It has succeeded in renewing and reinventing itself, adapting its products and projects to different eras, marked by world wars and times of economic expansion. It has always embraced a dynamic approach, and, never content with the targets it has reached, is always ready to take on new challenges.

Over the last 15 years, the Piaggio Group has gone through a profound change, first expanding the motorcycle segment and then its geographical boundaries, through a major project focused on internationalisation. These changes have been successful thanks to the Group's solid foundations and its strong focus on growth and sustainable development, geared towards the concept of corporate social responsibility combined with the Group's values and mission.

This is the approach that companies and departments within the Piaggio Group dedicated to research and development adopt (including the Italian offices in Pontedera and the PADc - Pasadena Piaggio Advance Design Center, in California), experimenting with new technological solutions (such as the development of the Aprilia Racing department) and researching and developing innovative solutions for future mobility, including Piaggio Fast Forward in Boston, whose mission, "Autonomy for humans", perfectly epitomises the Company's openness to considering robotics as a way of improving our lives.

The world of urban mobility is undergoing radical change, and the need for innovative transport solutions that are also environmentally friendly 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.

Considerable commitment over the last few years has led to the development and launch of a new range of Euro 4 125 cc and 150 cc engines, and the alignment of 50 cc engines with Euro 4 standards. In 2018, we presented the new Sport Advanced version of the Piaggio MP3 500 hpe, the first scooter worldwide with reverse gear and a redesigned engine that can deliver 10% extra power with the same consumption, plus a lower acoustic impact. We also unveiled the new Moto Guzzi V85 TT, which will go on sale in March 2019, fitted with a 90° transverse V-twin structure, in the air-cooled 850 cc version - an entirely new engine with lower emissions. Lastly, the new 300 hpe engine will make its début on the Vespa GTS 300. This liquid-cooled, electronic injection, 4-stroke, 4-valve single cylinder engine was developed by the Piaggio Group's R&D team and features an electronic engine control unit already configured for future Euro 5 standards - once again putting the Vespa one step ahead.

The new Piaggio Group Museum was inaugurated at Pontedera in April. With over 5,000 square metres of floor space for exhibits and over 250 vehicles on show, the museum is the largest and most comprehensive in Italy dedicated to motorcycling (and one of the biggest in Europe), showcasing unique examples that depict the story of the Piaggio Group and the history of mobility.

2018 will be remembered above all as the year when the electric version of the Vespa, the Vespa Elettrica, was launched on the market. The Vespa, the scooter which has always been the same, yet always different, and that has remained practically unchanged over its 70-year lifetime, is heading towards the future with a zero-emissions version: the fully electric vehicle has been produced in steel, echoing the history of the Vespa and meeting environmental concerns, and boasts a 100-km autonomy, making it perfect not just for getting around town, but for short, out-of-town commutes too.

Vespa is one of the leading lights of our Group, not only because of its heritage as a brand and what it represents in the world, but also because of the activities it engages in to support those in need, through Vespa for Children, an initiative created to help underprivileged children that has been running for many years on a variety of different fronts. The partnership forged three years ago between Vespa and the international charity RED for the fight against AIDS in newborns in underdeveloped countries continued in 2018 in the context of this initiative. For the first time ever, a (RED) product was sold on the Indian sub-continent - the new VXL (VESPA)RED model, with a percentage of the proceeds from each sale going to support the activities of the Global Fund for the fight against AIDS in India. The partnership is based on strong values, involving another leading brand of our Group: in the latest MotoGP race, held in Valencia in 2018, our Aprilia MotoGP bikes raced with an outstanding, all-red livery with the wording (RED), to raise awareness in the racing world and give further visibility to the cause.

Our attention on the social sphere remains focused throughout the production life cycle, from policies implemented at our sites to ensure maximum respect for the environment and the optimisation of all resources used at every stage to the procurement of raw materials and the production, distribution and eventual disposal of the vehicle at the end of its life.

These are all fundamental aspects that have enabled the Piaggio Group to enjoy a successful year and set in motion change processes for future mobility. And thanks to the commitment and passion of our people worldwide, we have great opportunities for growth and development ahead of us, continuing our journey which began over one hundred years ago. The future is something magical.

Chairman and Chief Executive Officer
Roberto Colaninno





METHODOLOGICAL NOTE

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, environmental and social performance of the Group, and is an important form of dialogue with internal and external stakeholders.

THE FOUNDATIONS

The 2018 Corporate Social Responsibility Report has been prepared in compliance with the “Sustainability Reporting Guidelines” (GRI-) Core option, published in 2018 by GRI - Global Reporting Initiative. The contents of the Report are based on principles of materiality, the inclusion of stakeholders and the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by the principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

SOCIAL AND ENVIRONMENTAL-ORIENTED POLICIES AND GUIDELINES

The Piaggio Group has established a system of policies, including its anti-corruption policy and environmental, training, safety and quality policies, to guarantee compliance with the principles of fairness, transparency, honesty and integrity, in keeping with international standards on responsible business management.

The Group operates in diverse geographic, legal and cultural contexts. As such, its policies and guidelines are put in place by each company, through their own operating procedures and practices.

The cornerstone of the system is the Group's Code of Ethics - this is not only for employees, but also for suppliers, who must sign and comply with the Code in order to work with Piaggio.

The Code of Ethics is adopted by all Group companies and sets out the principles and values that inspire the entire organisation 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.

MATERIALITY ANALYSIS

The analysis process was conducted by the Group Consolidated Financial Statements Unit of the Administration, Finance and Control Function. The process comprises 4 stages:

1. Identification of sustainability issues;
2. Identification and engagement of relevant stakeholders;
3. Assessment of the significance of topics;
4. Approval.

The stage dedicated to the identification of sustainability issues that are relevant for the sector and Piaggio was based on a number of sources, including company policies and principles regarding conduct, the 2017 Sustainability Report and stakeholder engagement initiatives.

The Piaggio Group has always paid considerable attention to engaging with stakeholders, i.e. all entities 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 number of categories of stakeholders in relation to its operations, described in full in the section “Stakeholder Engagement”.

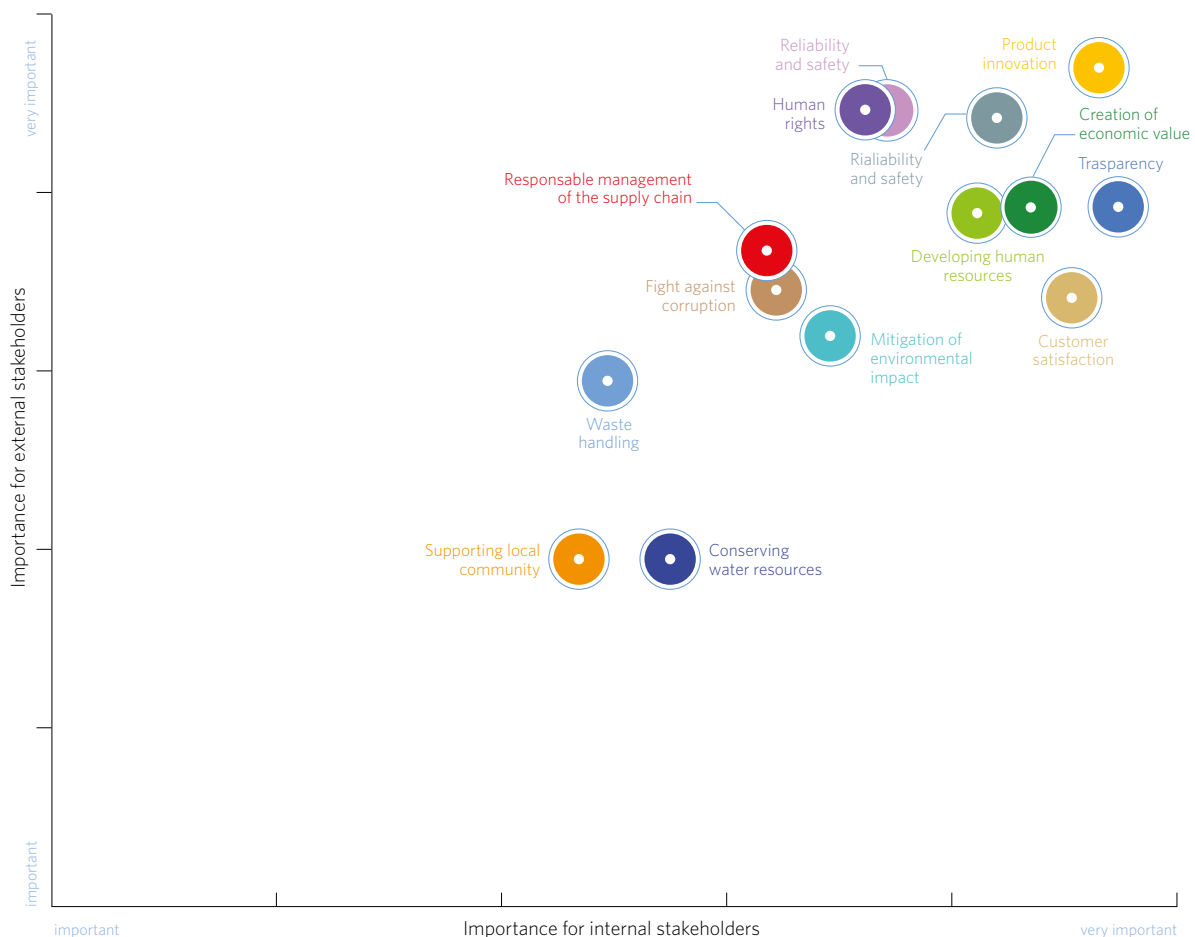
The Group's top managers and a small but representative sample of external stakeholder categories were asked to compile a materiality form, and the aggregated results of this were used to construct the materiality matrix. The 15 topics previously selected were positioned along the two axes:

- the x-axis shows the significance for Piaggio;
- the y-axis shows the significance for external stakeholders.

Of the 15 topics identified, only biodiversity did not exceed the materiality threshold. 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.

The 2018 matrix was examined and approved by the Ethics Committee in the meeting of 11 January 2019.

MATERIALITY DIAGRAM



REPORT CONTENTS

On the basis of the results of the materiality analysis, we can define the structure of the 2018 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 degree to which the individual topics and GRI indicators are addressed, as well as the choice of the most suitable reporting tool to represent them (2018 Consolidated Financial Statements and Corporate Governance Report). For a discussion or an in-depth analysis of more specific subjects, of operating performance and of governance respectively, reference should be made to the above-mentioned documents.

The GRI Content Index in the Appendix contains specific references to the 2018 Sustainability Report and other Group Reporting tools.

DIMENSION	TOPIC	INTERNAL IMPACT	EXTERNAL IMPACT	CHAPTER OF REFERENCE	REPORTING PERIMETER
ECONOMIC	Transparency, creation of economic value and fight against corruption	All Group companies - Human resources	Shareholders - Lenders - 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
	Meeting customer requirements	All Group companies	Customers and dealers	Meeting customer requirements	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited
ENVIRONMENTAL	Improving energy efficiency, waste management, conserving water resources	All Group companies	Local communities - Suppliers	The environmental dimension	All Group companies
SOCIAL	Respect for human rights	Human resources - All Group companies	Suppliers	Respecting human rights	All Group companies
	Developing human resources, health and safety	Human resources - All Group companies	Suppliers	Developing human resources	All Group companies
	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	Fondazione Piaggio - All Group companies

REPORT BOUNDARY

The information and figures in the 2018 Corporate Social Responsibility Report refer to the subsidiaries (Italian and foreign) included in the scope of consolidation as at 31 December 2018, the Fondazione Piaggio and the activities they engaged in over the course of the year, unless otherwise indicated.

The figures for 2017 and 2016, taken from previous editions, are shown for comparison purposes only. 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, the data could be affected by rounding-off errors, due to the fact that figures are represented in thousands of euros; changes and percentage incidences were calculated on the basis of the precise data, and not on the rounded figures expressed in thousands.

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 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 2018 Sustainability Report was subjected to a limited audit by PricewaterhouseCoopers SpA, with the issue of the "Report on the limited audit of the Corporate Social Responsibility Report". This report describes the principles adopted, the activities carried out and the relative conclusions, and is included in the Appendix.



THE COMMITMENT OF PIAGGIO GROUP



→ THE COMMITMENT OF PIAGGIO GROUP

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"Development is not just about economic growth.
For development to be real, it must be whole, which
means development for each and every man" the
Encyclical Populorum Progressio

Pope Paul VI.

Piaggio is distinguished today by a strong international presence. The Group has succeeded in exporting a business model targeting innovation and in establishing a strong link with the places in which it operates, pursuing a business philosophy characterised by a strong sense of 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 in order to be able to successfully operate in the global market, a precise environmental policy must be at the centre of our business model, which is in line with the needs of the communities where we work and which supports 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.



Piaggio believes that the SDGs are an opportunity and means to steer the Group's future development. Piaggio believes its own activities can contribute to achieving 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 well-being.

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

In particular, the environmental strategy for the Group's production sites 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.

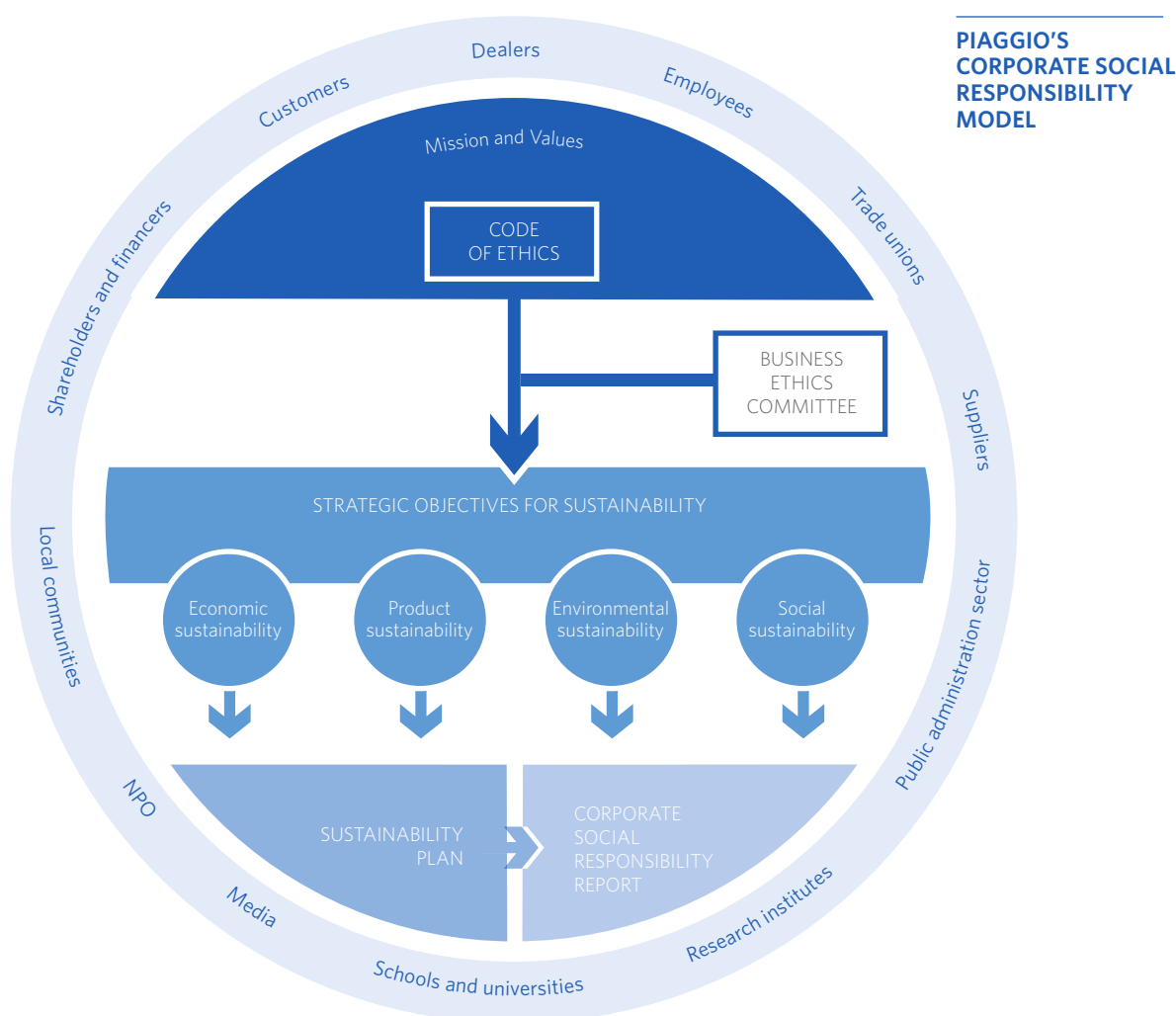
In order to achieve the objective of sustainable development, growth must go beyond the boundaries of the company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value 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 entire process is coordinated by a committee, established for this purpose in 2008: the Ethics Committee.



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 extra-urban 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.

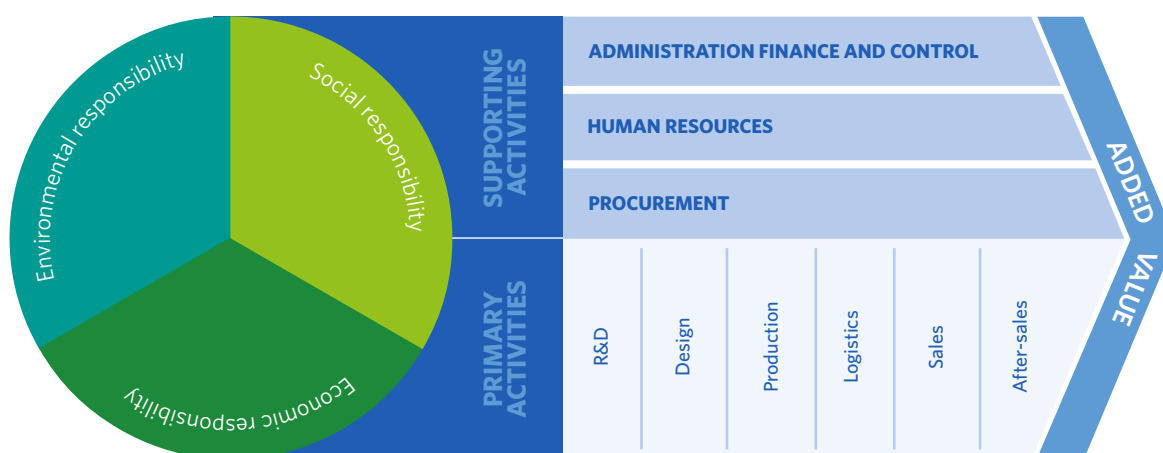
Values

- **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 the creation of output, but which are necessary to its production, and are as follows:

- Procurement: all activities linked to the purchase of the resources needed to produce output and which are fundamental in enabling 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 other activities including accounting, finance, planning, IT systems, legal affairs, etc.

SUSTAINABILITY STRATEGY

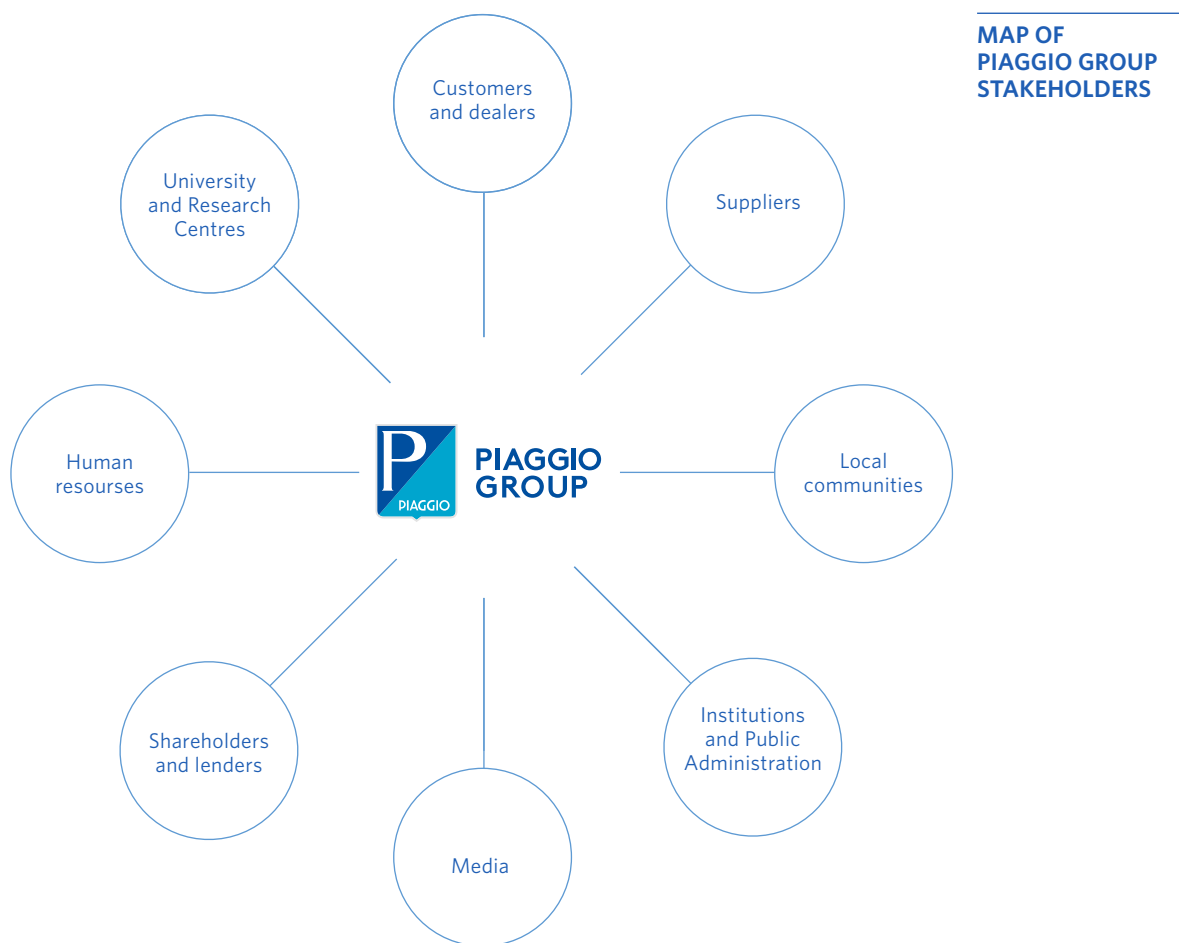
The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the strategic plan – are based on the following areas:

ECONOMIC	<ul style="list-style-type: none"> - Provision of timely, accurate, in-depth information to stakeholders. - Creation of value while respecting business ethics. - Fighting against corruption.
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. - Reduction of emissions of CO₂ and other pollutants. - Conservation of 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. - Respecting human rights. - Engaging and supporting local communities through social, cultural and educational initiatives.

STAKEHOLDER INVOLVEMENT

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

Based on this definition, the Group has identified a series of categories of stakeholders in relation to its operations.



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 corporate website of the Piaggio Group – www.piaggiogroup.com – is designed to offer clear and up-to-date information in terms of financial and institutional disclosures, and 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/zero consumption and emissions.	<ul style="list-style-type: none"> - Study of innovative engines with low/zero 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 a 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.	- Appropriate conduct guidelines to prevent incidents of corruption.
Receptiveness and a propositional attitude regarding environmental and social themes.	- Investments into R&D of innovative products that anticipate any restrictions imposed by 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.	- 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.	- Treasury shares purchasing policy.

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 Ethics 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.





aprilia®


MOTO GUZZI®



GROUP
PROFILE



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 BUSINESS MODEL

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. It is also an international player in the commercial vehicles sector.

The Piaggio Group places its ongoing 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 brand two-wheeler vehicles, light transport vehicles for the European market and engines for scooters, motorcycles and Ape vehicles;
- 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, in the state of Maharashtra), with plants dedicated to the manufacture of three- and four-wheeler commercial vehicles, Vespa and Aprilia brand scooters and engines;
- 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** (1945), which 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 more than 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 introducing electric engines and 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.

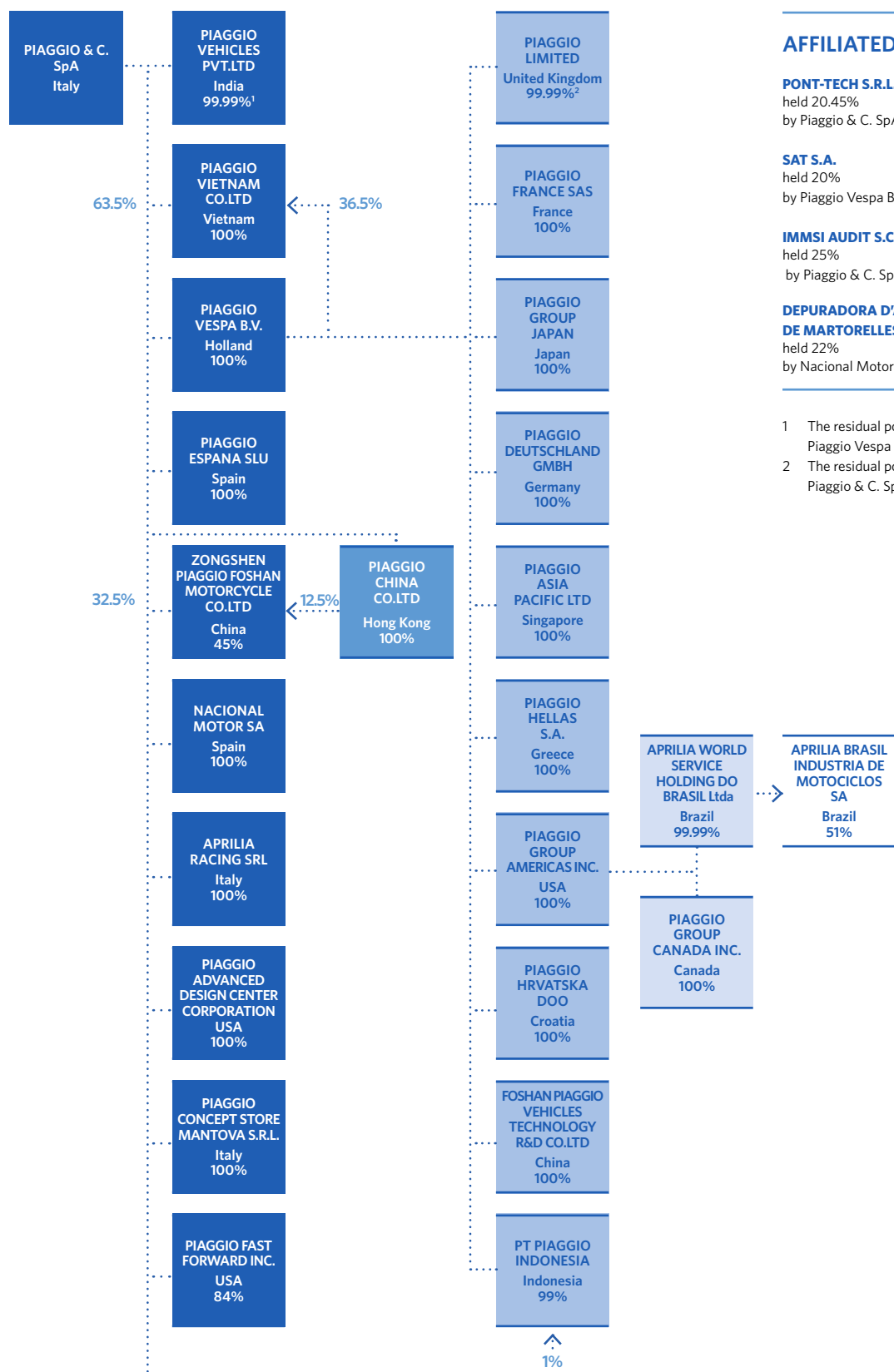
ENVIRONMENTAL SUSTAINABILITY

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 2018



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 2018

Bilancio Sociale award

6 February 2018 - At the Brand Identity GrandPrix, the Biblioteca Bilancio Sociale presented awards to brands that have sought to invest in sustainability, turning this into a business asset.

The Piaggio Group received a special mention in the "Environment" category.

Moto Guzzi for Amatrice

May 2018 - The Moto Guzzi World Club organised a "Solidarity Meeting" at Amatrice, with over 350 motorcyclists taking part. The goal of the event was to raise more than 15,000 euros to donate the new library, raised from event registration fees, the sale of works by the painter and sculptor Ettore Gambioli (who inaugurated his exhibition on Moto Guzzi at the Municipality of Rieti Exhibition Hall), and during the annual activities of individual Moto Guzzi Clubs in Italy.

Business Awards 2018

November 2018 - EuroCham (the European Chamber of Commerce in Vietnam) gave its 2018 Business Awards to Piaggio Vietnam, in the Business Excellence category. EuroCham is one of the leading associations of the business community in Vietnam. Established in 1998 to promote trade and business between Vietnam and Europe, the Chamber of Commerce is now in its twentieth year, and set up the Business Awards to celebrate the success of European companies and their contribution to growth, standards of living and innovation in Vietnam.

2018 Financial Statements Oscars

November 2018 - Piaggio & C S.p.A., along with Hera and Erg, were ranked as the top three companies in the 2018 Financial Statements Oscars (in the Major Listed Companies category) for financial reporting and stakeholder relations in Italy's 2018 Corporate Reporting Award. The award is supported by the Italian Federation for Public Relations (FERPI) along with Borsa Italiana and Bocconi University.

PIAGGIO - FACTS AND FIGURES

1,389.5 million EUR

Consolidated revenue

603.6 thousand units

Vehicles sold

587.2 thousand units

Vehicles Produced

201.8 million EUR

EBITDA

36.1 million EUR

Net profit

429.2 million EUR

Net debt

6,515

Employees at the end of the period

115.3 million EUR

Investments

50.8 million EUR

Research and Development expenditure

All data refer to the year 2018.

PIAGGIO GROUP CERTIFICATIONS

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

PRODUCTION SITES							
	Pontedera	Noale e Scorzè	Mandello del Lario	Baramati-Engine plant	Baramati-Two-Wheeler plant	Baramati-Commercial Vehicles plant	Vinh Phuc
Certification	ISO 9001 - Quality management system	since 1995	since 2006	since 2010		since 2013	since 2009
	ISO 14001 - Environmental management system	since 2008	since 2008	since 2010	since 2015	since 2013	since 2015
	BS OHSAS 18001 - Occupational Health and Safety management system	since 2007	since 2007	since 2010	since 2015	since 2013	since 2015
	ISO/TS 16949 - Suppliers' quality system				since 2012		since 2013

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 2018, the certification company Det Norske Veritas (DNV)³ conducted audits for the maintenance of **Quality** (ISO 9001), **Environmental** (ISO 14001) and **Health and Safety** (BS OHSAS 18001) certification at the Group's Italian 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.

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



CORPORATE GOVERNANCE





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 an Ethics Committee.

For more information on the company boards, please see the Report on Corporate Governance and Corporate Ownership for the year ending 31 December 2018, available online at 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 term of office of the Board of Directors of Piaggio & C., appointed by the Shareholders' Meeting of 13 April 2015, ended on the date of the Shareholders' Meeting convened to approve the financial statements for the year that ended on 31 December 2017, and therefore on 16 April 2018.

The Ordinary Shareholders' Meeting, on 16 April 2018, therefore appointed the new Board of the Issuer, on the basis of 2 lists of candidates submitted, respectively, by the majority shareholder IMMSI SpA and a group of investors in total representing 3.940% of the share capital, in accordance with article 12.3 of the articles of association.

The Board of the Issuer in office at the date of this Report comprises 9 (nine) members - of whom 5 (five) are independent members - and will remain in office up to the date of the Shareholders' Meeting convened to approve the financial statements for the year ending on 31 December 2020.

For further information on the lists filed for appointment of the administrative body, reference is made to the Issuer's corporate website www.piaggiogroup.com and the section Governance - Company Boards, with the curricula of Board Directors including their professional profiles.

NAMES AND POSITIONS OF PIAGGIO & C. BOARD OF DIRECTORS MEMBERS AS AT 16.04.2018.

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	16/04/2018 First appointment: 23/10/2003	Approval of 31.12.2020 Financial Statements	M	X				9/9	6
Matteo Colaninno	Deputy Chairman	1970	16/04/2018 First appointment: 23/10/2003	Approval of 31.12.2020 Financial Statements	M		X			9/9	3
Michele Colaninno	Director	1976	16/04/2018 First appointment: 28/08/2006	Approval of 31.12.2020 Financial Statements	M	X				9/8	10
Patrizia Albano	Director	1953	16/04/2018 First appointment: 16/04/2018	Approval of 31.12.2020 Financial Statements	M		X	X	X	6/6	4
Graziano Gianmichele Visentin	Director	1950	16/04/2018 First appointment: 13/04/2015	Approval of 31.12.2020 Financial Statements	M		X	X	X	9/9	16
Maria Chiara Carrozza	Director	1965	16/04/2018 First appointment: 13/04/2015	Approval of 31.12.2020 Financial Statements	M		X	X	X	8/9	0
Giuseppe Tesaro	Director	1942	16/04/2018 First appointment: 13/04/2015	Approval of 31.12.2020 Financial Statements	M		X	X	X	4/9	0
Andrea Formica	Director	1961	16/04/2018 First appointment: 13/04/2015	Approval of 31.12.2020 Financial Statements	m		X	X	X	9/9	0
Federica Savasi	Director	1975	16/04/2018 First appointment: 13/04/2015	Approval of 31.12.2020 Financial Statements	M		X			9/9	0

Up until the appointment of the new board, the previous board was in office. Accordingly, the board director Vito Varvaro attended the first two board meetings of 2018, and was then replaced by board director Patrizia Albano.

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.

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 revised in 2017, with the introduction of an article specifically dedicated to the protection of human rights, aimed at 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, rights relating to personality and the prohibition of all forms of discrimination, in particular where employees are concerned. These principles, already adopted by the company in that they are implicit in the Code of Ethics, 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 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), widely distributed and in force in all of the Group's companies, defines the principles and values which the entire company organisation takes inspiration from in a clear and transparent manner:

- Complying with the laws of countries where Piaggio operates;
- Dismissing and condemning unlawful and improper behaviour;
- Preventing breaches of the law, and engaging in a constant quest 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 the 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 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.

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 Ethics Committee, as part of the Fraud Policy activities, is tasked with collecting all reports regarding fraud, calling meetings and making opportune assessments together with the bodies involved.

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 offences pursuant to Legislative Decree no. 231/2001 ("Model pursuant to Legislative Decree no. 231/2001"), which Piaggio & C. adopted in 2004, with major revisions and updates approved by the Board of Directors of the Company on 26 February 2018.

The Model starts with the Code of Ethics, followed by general principles of internal control and guidelines for conduct, and is divided into two parts.

The first part is general, and includes an overview of the legal framework, followed by a description of the Model's function and operation within the Company; sections are also included on the disciplinary system, along with a description of the role, composition, function and duties of the Supervisory Body.

The last revision, in compliance with Law 179/2017, introduced an entirely new section with regulations on whistle-blowing designed to protect workers who report any unlawful activities and irregularities that come to their knowledge during their work.

To guarantee the confidentiality of the identity of the person reporting the information in question, the Company, in compliance with applicable legislation, believes that the management of reported information must involve the Supervisory Body appointed pursuant to Legislative Decree no. 231/2001. The system to protect persons reporting information, introduced by Law 179/2017 and covered by article 6 of Legislative Decree no. 231/2001, indirectly (although not specifically) gives the Supervisory Body appointed pursuant to Legislative Decree no. 231/2001 the duty of receiving and managing reported information on possible unlawful activities and breaches of the Model or Code. The Company has therefore set up two communication channels: via fax (0587 219027) and via an email address belonging to the dedicated Supervisory Body (organismodivigilanza@piaggio.com)

The second, "special" section formalises specific decision-making protocols by "sensitive process" in relation to the individual categories of offences the section refers to.

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 and through the adoption of appropriate tools, including organisational tools, the Group ensures 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. In this regard, the section on corporate offences in the Model 231 was updated with the following introduction, implementing Legislative Decree no. 38 of 15 March 2017 (implementing Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector), as well as with measures introduced by article 2635 of the Italian Civil Code on the offence of "corruption between private individuals", and with the introduction of the new offence "instigating corruption between private individuals", whereby corruption is a punishable offence even if the offer is not accepted (Article 2635 bis of the Italian Civil Code).

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 out-payment 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 2018, 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.

As at 31 December 2018, there were no sanctions in place concerning non-compliance with laws and regulations concerning environmental matters, 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 2018.





RISK MANAGEMENT





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 started an Enterprise Risk Management (ERM) project to define and implement a structured, integrated system to identify, measure and manage company risks in line with applicable best practices. As part of the 2017 Risk Assessment campaign involving company managers across the Group, 129 risk scenarios were identified, comprising 26 categories which were grouped into 4 level-one macro-categories (External, Operational, Financial and Strategic Risks). In this context, issues concerning environmental and social aspects, human resources, human rights and the fight against corruption were all analysed, as detailed below. At the end of 2018, a campaign was launched to update the risk assessment analysis; this will involve newly-appointed company managers.

Environment

The analysis refers to the actual and potential effects of the Group's operations on the environment, considering, for example, atmospheric emissions, waste management practices, the use and conservation of natural resources, etc. 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 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.

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.

Operations to clean up sites were necessary due to historical site contamination: the pollutants removed had not been used for several decades by the sites, proving the historical nature of this contamination. Other cases of ground contamination (spills or other significant pollution episodes) have never concerned Group operations.

Piaggio has ISO 14001 environmental certification and invests each year to reduce the environmental impact of its production sites.

Despite a considerable risk level, in line with other industry operators, control measures adopted significantly reduce environmental risks.

Employees

Risks concerning personnel include all aspects of an inadequate management of the Group's human resources, including career paths, remuneration and training, diversity (age, gender, sexual orientation, disability, religious beliefs, ethnic background, etc.) as well as risks relative to occupational health and safety and industrial relations.

Piaggio operates globally with employees in Europe, the Americas and Asia. It promotes diversity of gender, age, nationality, ethnic background, ideology and religious beliefs, as it endorses different ways of pursuing and achieving maximum performance within a single and broad-ranging Group organisational framework. The 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.

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Development tools are used to build on and continually improve skills, while empowering potential, recognising and rewarding outstanding performance. Reward policies are designed to reward individuals and recognise their contribution to the company, according to the criteria of competitiveness, fairness and meritocracy. The above mechanisms reduce potential risks related to these aspects to a residual level which is not significant.

The Piaggio Group acknowledges the role of trade union organisations and worker representatives and is committed to establishing relationships with them that are characterised by attention, dialogue and a common understanding; in fact, assessment and continual engagement are considered essential for identifying the best solutions for the company's specific needs. For these reasons and despite the high number of employees with trade union membership, strikes are infrequent.

As regards occupational health and safety, testing motorcycles with a medium and large engine capacity entails the highest risk levels. Generally, the risk of accidents/injuries to personnel is mitigated by adapting processes, adopting procedures and structures aligned with applicable occupational safety laws and international best standards, and promoting safe behaviour, through targeted training.

Social sphere

The social sphere includes aspects concerning Piaggio's relations with consumers, as well as the effects of the business on the community.

In the first case, product quality and reliability are essential and key to obtaining and guaranteeing customer satisfaction and safety. In the "Product – Operational Risk" category, risk scenarios relating to potential product defects have been mapped. To mitigate these risks, Piaggio has established a Quality Control system. It tests products during various stages of the production process and carefully sources its suppliers based on technical/professional standards. The Group is also committed to achieving and maintaining certification for its quality management systems at a global level (ISO 9001 or ISO/TS 16949).

Human rights

As set out in the Code of Ethics, adopted in 2004, Piaggio specifically prohibits any form of discrimination or forced labour. This Code has been distributed to all subsidiaries and clearly states the principles and values the entire organisation takes inspiration from.

Based on the significant and specific nature of the Indian market, the following have been adopted: the Code of Business Conduct & Ethics and Whistle Blower Policy in 2016; the latter is designed to protect people reporting infringements of the Code, and therefore to guarantee the Code's validity; a Policy on the Prevention of Sexual Harassment of women at the workplace.

Based on prevention and control mechanisms established in the Code of Ethics and adopted by all Group subsidiaries, no risk scenarios relative to the violation of human rights were identified.

Fighting against corruption

The fight against both active and passive corruption comes under the risk categories "Internal/external offences" of the Group's risk model. In its Code of Ethics, Piaggio strictly prohibits 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.

A number of processes, procedures, roles and responsibilities have been defined to achieve the above objective, as regards business negotiations/relations with the public administration sector and with private entities.

The controls briefly described above decrease residual risk relative to episodes of active/passive corruption to a negligible level.

For a more detailed analysis of all the risks identified by the Piaggio Group, refer to the Report on Operations in the 2018 Consolidated Financial Statements.



THE ECONOMIC DIMENSION



→ 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 to the operations of any company, and is the element that the existence and future of the company itself depend on. For a manufacturing company, creating added value is the primary way to be socially responsible, and is 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 this end, Piaggio Group carefully oversees the process of producing value and creates transparent, punctual and exhaustive communications with regard to the process in the Report on Operations of the 2018 Consolidated Financial Statements (see chapter "Financial position and performance of the Group") to which reference should be made for any in-depth information.

2018 RESULTS AND FUTURE OBJECTIVES

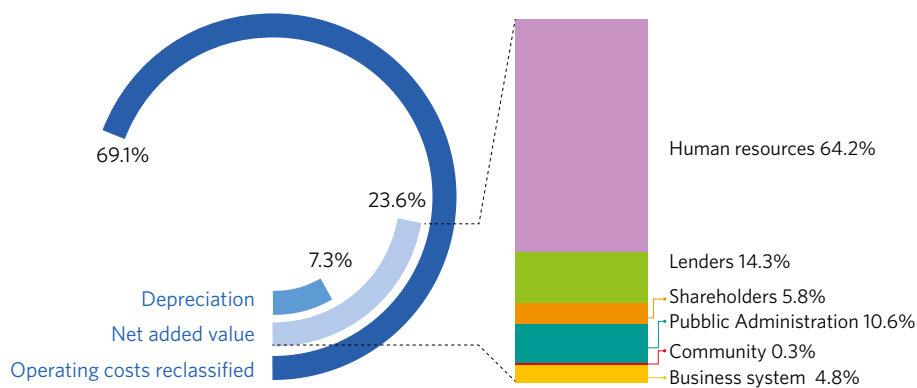
COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
Shareholder remuneration.	- Safeguarding shareholders' value.	- Distribution of dividends.	- Safeguarding shareholders' value.	- Distribution of dividends and protection of equity for shareholders.
Conducting business operations fairly and transparently.	- Continuing improvement of the corporate web site.	- Piaggio 2017 Financial Statements among the Financial Statements Oscars finalists.	- Continuing improvement of the corporate web site.	- 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.

HOW ADDED VALUE IS DETERMINED AND DISTRIBUTED

	2018	2017	2016
(FIGURES IN THOUSANDS OF EUROS)			
Net revenues	1,389,546	1,342,450	1,313,109
Income/(loss) from investments	482	825	588
Financial income	23,070	16,901	13,518
Other operating income reclassified	30,405	25,258	31,107
Economic value generated	1,443,503	1,385,434	1,358,322
Operating costs reclassified	-997,541	-958,675	-955,934
Depreciation	-105,934	-115,773	-108,459
Net added value	340,028	310,986	293,929
Remuneration to human resources	218,224	215,463	213,775
Remuneration to lenders	48,480	50,000	49,508
Shareholder remuneration	19,698	19,698	17,962
Remuneration to the Public Administration sector	36,068	24,602	15,639
External donations and donations to the community	1,181	937	967
Distributed added value	323,651	310,700	297,851
Business system	16,377	286	-3,922
Added value retained by the Group	16,377	286	-3,922



The net Global Added Value generated by Piaggio in 2018 amounted to approximately 340,028 thousand euros, or 23.6% of the total economic value generated. Most of this amount refers to remuneration paid to human resources (64.2%), followed by remuneration to lenders (14.3%) and to the Public Administration sector (10.6%). Compared to the 2017 figures, the Global Added Value rose by 9.3%.

PUBLIC GRANTS AND TAX BENEFITS

In 2018 the Piaggio Group benefited from government aid in the form of research grants, training grants and export grants, for a total of 2,957 thousand euros.

Research grants totalling 728 thousand euros were obtained for research projects. The contents and results of these are detailed in the chapter on the product dimension.

Training grants totalled 112 thousand Euros and were obtained by the parent company.

Piaggio Vehicles Private Limited (India) obtained a grant for exports, the amount of which (2,117 thousand euros) was calculated as a percentage of the FOB value of the exports.

GRANTS RECEIVED

	2018	2017	2016
IN THOUSANDS OF EUROS			
Grants (collected)	728	1,568	705
Export grants	2,117	1,246	1,161
Training grants	112	483	412
Total	2,957	3,297	2,278

Meanwhile, tax benefits totalling 933 thousand euros were obtained by Aprilia Racing S.r.l. and by the company operating in France.

Specifically:

- Aprilia Racing has obtained tax credit for investments into research and development during the year 2017, pursuant to Law No. 190 of 23 December 2014. This credit amounts to 891,745 Euros;
- Piaggio France received a tax credit of 41,446 euros. This credit is equal to 6% of the gross figure for annual salaries that do not exceed the minimum wage, increased by 2.5 times.

TAX BENEFITS

	2018	2017	2016
IN THOUSANDS OF EUROS*			
Tax exemption			
Piaggio Vietnam		445	1,351
Tax credit			
Piaggio & C.		657	
Aprilia Racing	892		
Piaggio France	41	43	41
Total	933	1,145	1,392

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

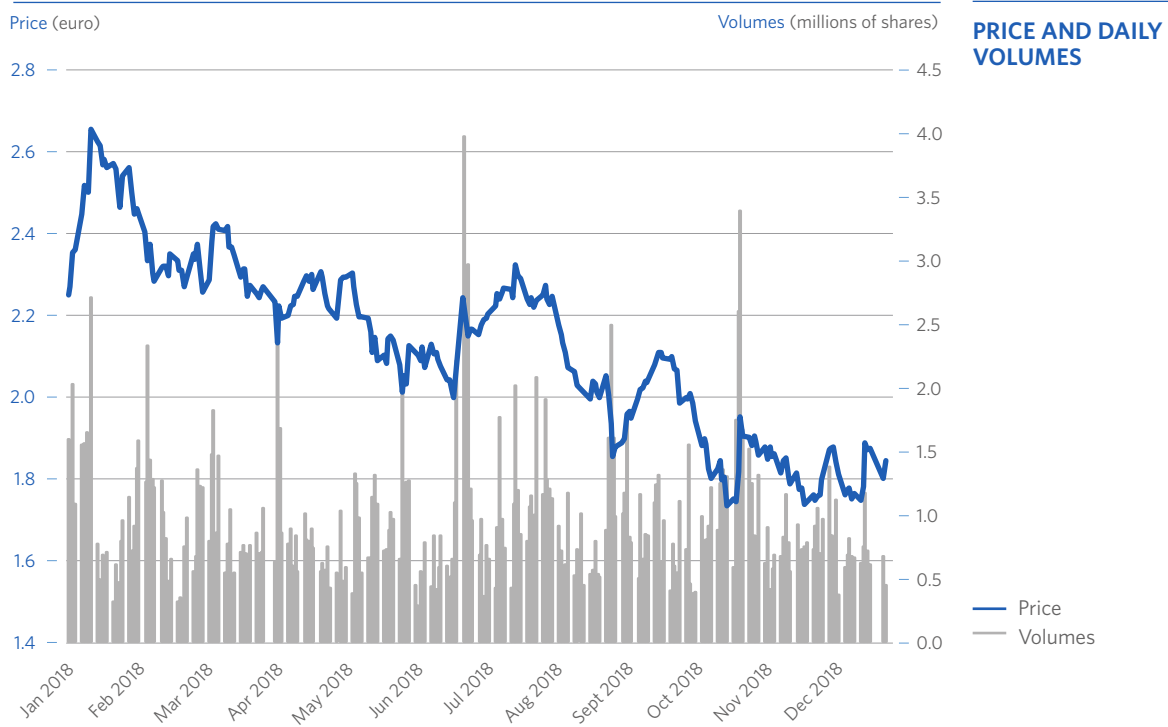
In 2018 no subsidised loans were obtained.

SUBSIDISED LOANS OBTAINED

	2018	2017	2016
IN THOUSANDS OF EUROS			
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 shares ended 2018 with a performance in line with main benchmark indices.



Dividends

The Shareholders' Meeting of Piaggio & C. S.p.A. of 16 April 2018 resolved to distribute a dividend of 5.5 euro cents per ordinary share. During 2017 as well, a dividend of 5.5 cents per share was distributed.

STATEMENT OF PIAGGIO & C. SPA DIVIDENDS FOR 2017 AND 2016

REFERENCE FINANCIAL STATEMENTS	2017	2016
Detachment date	23 April 2018	24 April 2017
Payment date	26 April 2018	26 April 2017
Dividend per share (euro)	0.055	0.055

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

In 2018 there were numerous opportunities to interact with the financial community, with the Group meeting more than 170 investors on main European and Asian 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



THE PRODUCT DIMENSION

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"The unexamined life is not worth living".

Socrates

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
2W Vehicles Study, research and development of environmentally sustainable products: - reducing fuel consumption and emissions; - increasing performance.	Electric powertrains for light mobility			
	- Extend the range of vehicles equipped with Wi-Bike derived powertrain into different architectures and power levels. Completion of development and marketing launch.	- Development under way for ultra-light mobility applications (new formulas).	- Completion of development.	- Study of new formulas of electric vehicles for urban mobility.
	Study of electronic/electromechanical devices to reduce pollutants in urban use (Start & Stop)			
	- 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.			
	- Continuation of the development programme for both multi-step and continuous innovative solutions.	- Continuation of development.	- Continuation of development with a view to near-future industrialisation activities.	- Creation of versions available for sale and the industrialisation of these.
	Construction of batteries with higher energy density, durability and reliability and lower cost			
	- Sales and marketing of new concept batteries for Vespa Primavera electric scooter.	- Sale of the Vespa Elettrica, launched on the market in autumn 2018.	- Development of new high charging density batteries, with exchange system.	- 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)			
	- Expansion of the offering and functionality on other models. Connectivity (bidirectional) on some scooter models.	- Diffusion of the system on the Vespa Elettrica, Vespa Primavera S and Vespa Sprint S (with TFT) ⁴ .	- System extended to the Vespa GTS (TFT), Moto Guzzi V85 (TFT), Piaggio Medley and Aprilia Shiver (TFT).	- Continuous improvement of system and harmonisation with other electronic on-board devices in terms of safety, comfort, data exchange, improved reliability.

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

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
3/4W Vehicles	<u>3W Europe – Ape</u>	<u>3W Europe – Ape Ape 50 E4:</u>		
<p>Developing environmentally friendly products:</p> <ul style="list-style-type: none"> – Low consumption and low CO₂ emissions; – Good product end life recycling and recovery levels. <p>Meeting demand for professional and commercial short-distance mobility, offering a last-mile transport solution:</p> <ul style="list-style-type: none"> – Compact, agile, easy-to-drive vehicles, with good handling in urban environments; – Vehicles with a high load capacity and specific payload; – Definition of a vehicle for new sales activities such as street food and street shop. 	<ul style="list-style-type: none"> – <u>Ape 50 E4:</u> Development and industrialisation activities in line with a production launch target of Q2-2018. 	<ul style="list-style-type: none"> – Development and industrialisation completed as per targets, with production launch in May 2018. 	<p><u>3W Europe – Ape</u></p> <ul style="list-style-type: none"> – Ape Classic Van E4: Development and industrialisation of the new Ape Classic version with Van configuration, with a production launch target of Q1-2019 – Ape Calessino E4 MY2019: Development and industrialisation of the new Ape Calessino MY2019 version (adoption of the PWT 200 cc alternative fuel version with improved performance). Production launch target of Q2-2019. 	<p>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:</p> <ul style="list-style-type: none"> – 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 and Full Electric versions for developing markets. Definition of technical vehicle and concepts and Powertrain for compliance with future regulatory changes (India BSVI 2020 and Europe EU5).
	<ul style="list-style-type: none"> – <u>Ape Calessino and Classic E5:</u> Feasibility study for the Ape Classic and Calessino EU5. 	<ul style="list-style-type: none"> – <u>Ape Calessino and Classic E5:</u> First feasibility study carried out. Pending finalisation, for the Ape Classic, of the engine to be used (DSL⁴ or AF⁵) by January 2019. Project macro-planning defined in conjunction with a production launch target of Q4-2020. 	<ul style="list-style-type: none"> – <u>Ape Calessino E5:</u> Presentation of the Business Plan for the project to approve and start development and industrialisation activities. Production launch target in September 2020. – <u>Ape Classic E5:</u> Presentation of the Business Plan for the project to approve and start development and industrialisation. Production launch target in September 2020. 	
	<u>4W Europe – Porter</u>			
	<ul style="list-style-type: none"> – <u>New Porter:</u> <ul style="list-style-type: none"> ▪ Freezing/approval of vehicle style and content for issue and discussion of final business case. ▪ Pending authorisation, start of development/ industrial production of the new range. 	<ul style="list-style-type: none"> – <u>New Porter:</u> Project business plan presented and approved. Development and industrialisation activities launched with the goal of launching production of various versions and vehicle types starting from March 2020. 	<ul style="list-style-type: none"> – <u>New Porter:</u> Development and industrialisation activities ongoing, in line with the goal to launch production of various versions and vehicle types from March 2020. 	

4 DSL Diesel

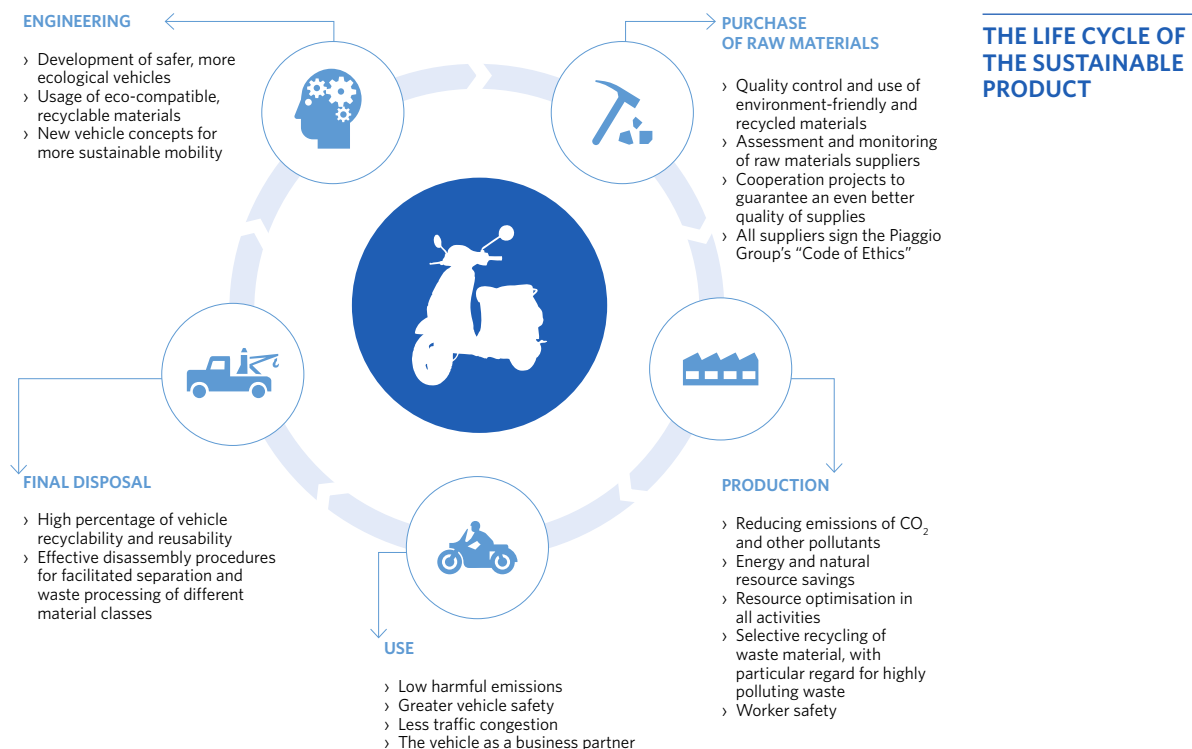
5 AF Alternative Fuel

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
	<ul style="list-style-type: none"> - <u>Porter Electric:</u> Technical/economic feasibility of the Elettrica version in the new range. - <u>Porter EU6 range:</u> Development and industrial production of the version compliant with Euro6c regulation with production start-up scheduled for July 2018. 	<ul style="list-style-type: none"> - <u>Porter Electric:</u> Technical/economic feasibility of the Elettrica version in the new range launched. Technical measures to improve performance and reliability adopted on the current Porter Electric. - <u>Porter EU6 range:</u> Development and industrialisation completed for the version compliant with Euro 6C standards, with start of production scheduled for July 2018. 	<ul style="list-style-type: none"> - <u>New Porter Electric:</u> Completion of the technical/economic feasibility study for the Electric variation in the new range and, following authorisation of the business plan, development and industrialisation. Initial hypothesis of production launch in Q1-2021. - <u>Porter EU6 range:</u> Development and industrialisation of the version compliant with Euro 6d standards with production launch scheduled for July 2019. 	
	3W India - Ape	3W India - Ape	3W India - Ape	
	<ul style="list-style-type: none"> - <u>Ape City and 501:</u> Start of a feasibility study and definition of technical and product content related to the evolution of the Ape City and Ape 501 BSVI ranges (launch of sales and marketing April 2020). - <u>Ape Medium Body:</u> Completion of development activities and industrialisation of the Ape Medium Body vehicle and 230 cc AF engine with a production launch target in December 2018. - <u>Ape 501 Pax AF:</u> Completion of development and industrialisation of Ape 501 PAXX AF with Liquid Cooled engine. Start of production target in Q2-2018. - <u>Ape City HT:</u> Completion of development and industrial production of Ape City AF High Tech. Start of production target in May 2018. 	<ul style="list-style-type: none"> - <u>Ape City and 501:</u> Completion of the feasibility study of the new 3W BSVI (City and 501) range and start of development and industrialisation of the vehicle with a production launch target of Q4-2019. - <u>Ape Medium Body:</u> Development and industrialisation rescheduled, in line with the revised product road map. New production launch target of May 2019. - <u>Ape 501 Pax AF:</u> Production launch as per target, before the end of Q2-2018 for Passenger versions (market priority) and completion before the end of Q4-2018 for remaining Cargo versions. - <u>Ape City HT:</u> Development and industrialisation rescheduled, in line with the revised product road map. New production launch target of Q1-2019. 	<ul style="list-style-type: none"> - <u>Ape City and 501:</u> Completion of development and industrialisation in line with the production launch target for the 3W BSVI (City and 501) by September/December 2019 (production launch date depending on the type/version). - <u>Ape Medium Body:</u> Production launch of the Ape Medium Body (City +) BSVI version, by the end of December 2019 for the AF versions and by the end of February 2020 for the DSL version. 	

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
	<ul style="list-style-type: none"> - 300 cc PWT: Feasibility study for a new 300cc AF engine for installation on Ape 501 vehicles. 	<ul style="list-style-type: none"> - 300cc PWT: Feasibility study for the new engine and relative installation study in line with a production launch target of Q3-2020. - Ape City Electric: Technical/economic feasibility completed and project business plan approved. Development and industrialisation activities started in line with a production launch target of Q4-2019. 	<ul style="list-style-type: none"> - 300cc PWT: Completion of technical/economic feasibility and, after authorisation of the business plan, launch of development and industrialisation. Initial hypothesis of production launch in Q3-2020. - Ape City Electric: Development and industrialisation under way, in line with a production launch target of Q4-2019. 	
	<u>4W India - Porter</u>	<u>4W India - Porter</u>	<u>4W India - Porter</u>	
	<ul style="list-style-type: none"> - Porter 1000 India BSVI: Start of production of the Porter 1000 (Phase 2) in Q1-2018. - Porter 700/1000 India BSVI: Technical/economic feasibility study and start of development of BSVI versions, mandatory since April 2020. 	<ul style="list-style-type: none"> - Porter 1000 India BSVI: Production launch of the "Phase 2" version confirmed for the end of March 2018. - Porter 700/1000 India BSVI: Additional market analysis necessary to confirm the product line up and contents to finalise project feasibility and presentation of the business plan. 	<ul style="list-style-type: none"> - Porter 700/1000 India BSVI: Completion of activities to confirm the product line up and contents and, following authorisation of the business plan, development and industrialisation. Initial hypothesis of a production launch in Q4-2020. 	
	<u>3/4W Export - Ape/Porter</u>	<u>3/4W Export - Ape/Porter</u>	<u>3/4W Export - Ape/Porter</u>	
	<p>Opening of new markets with related development activities in accordance with the requests received.</p>	<p>New markets opened, such as Egypt, Cambodia and Mexico.</p>	<ul style="list-style-type: none"> - Ape City: Phase-in, on all markets, of the "DLX" Body and "Step 2" pwt version, to implement improved quality/performance and standardise configuration for vehicles in the Domestic/Export range. Phase-in start, as from January 2019. - Ape 501: Phase-in, on all markets, of the "Nuovo" version to implement internal/external facelifts (improved quality/performance), with a standard configuration for vehicles in the Domestic/Export range. Phase-in start, as from January 2019. - Porter 1000 BSVI: Launch of the "LH Drive" version by the end of Q1-2019 for export markets. 	

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.



Research and development macro-areas

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:

- **sustainability:** products that can avoid or reduce pollutant gas and CO₂ emissions in town and out-of-town use; 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, hybrid 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 move around town and out of town with ease, and to enjoy their leisure time, while contributing to easing traffic congestion and ensuring high levels of active, passive and preventive safety;
- **recyclability:** products that minimise environmental impact at the end of their life cycle;
- **cost-effectiveness:** vehicles with lower running and maintenance costs.

Product types

The Piaggio Group designs and manufactures a wide range of products, designed for many uses, countries and customers.

Specifically, Piaggio produces three broad-ranging product categories:

- Urban vehicles, mainly scooters, with regard to which rationality and functionality are key;
- Motorcycles, with different engine capacities and styles, where emotional appeal is the dominant factor;
- Commercial vehicles, where functional and cost-effective factors are the predominant aspect.

Urban Vehicles

Rapid and often chaotic urbanisation, which is still taking place all over the world, has increased traffic congestion and the amount of pollutants emitted in urban areas.

This has led the Piaggio Group to offer mobility solutions that reduce traffic congestion, as well as air and noise pollution. To be effective in reducing traffic congestion and pollution, two-wheeler vehicles must have advanced engines to reduce emissions: this calls for continual developments to combustion engines and the introduction of hybrid and electric engines.

However, because the number of vehicles is increasing, the safety of two-wheelers must be consolidated, through research into and the introduction of active, passive and preventive safety systems.

Motorcycles

These vehicles are often driven out of town, and they are often used primarily for their emotional and recreational appeal. They require solutions that can offer special products which give value to the intangible (e.g. brand value, evoking far-off destinations, performance in the strict sense of the meaning, etc.). However, in technical terms, the main difference compared to urban vehicles lies in performance. Safety and reducing emissions are two other key factors.

Commercial Vehicles

The Piaggio Group operates in Europe and India on the light commercial vehicles market, with products designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).

RESEARCH GUIDELINES

As such, the main guidelines for the Group's research are:

- improving internal combustion engines; reducing consumption and emissions, increasing performance;
- advanced, hybrid, electric engines; alternative, non-fossil fuels;
- improving vehicles, new vehicle concepts for more sustainable, safer mobility;
- devices for (active, passive and preventive) safety and comfort; this sector includes connectivity, in terms of preventive safety and comfort;
- environmental compatibility of the product and process (Life Cycle Management).

Continual improvement of combustion engines

Engine research focuses on five main fields:

- optimisation of engine thermal fluid dynamics, with particular reference to the combustion process;
- optimisation of the engine's electronic controls and drive;
- reduction of organic leaks (friction, pumping);
- improvement in the performance of the transmission system steps or CVT (continuously variable transmission);
- research into engine acoustics and timbre, for acoustic emissions that are lower and more pleasant.

The aim is to reduce consumption and emissions and improve performance, both in terms of handling and user enjoyment.

Considerable commitment over the last few years has led to the development of a new range of Euro 4 125 cc and 150 cc engines, and the alignment of 50 cc engines with Euro 4 standards. The following results were achieved in 2018:

- Piaggio Master 500 hpe (High Performance Engine)

The Sport Advanced version of the Piaggio MP3 500 hpe now features a reverse gear, a global first for a scooter. This function makes the Piaggio MP3 even more practical; parking is now even easier and takes less effort, particularly in areas with little room for manoeuvre, or on uneven or sloping terrain. The reverse gear is engaged with the engine on and the vehicle stationary, via the command on the instrument panel.

Numerous details of the "Master" 500 cc single-cylinder scooter have been restyled, and the vehicle now delivers 10% more power (now 41 HP), with better exhaust sound and unaltered fuel consumption.

- The new Moto Guzzi V85 engine

During 2018, the new Moto Guzzi V85 engine made its début, with the final version unveiled at EICMA. The construction of the engine is based on the classic 90° transverse V-twin structure, in the air-cooled 850 cc version, but it has actually 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.

- The new 300 hpe engine

The new liquid-cooled, electronic injection, 4-stroke, 4-valve single cylinder engine developed by the Piaggio Group's R&D team made its début on the Vespa GTS 300. The 300 hpe engine, as it is called, boasts numerous features for superb performance and reduced consumption. The maximum power is 17.5 kW (23.8 CV) at 8250 revs, an increase of 12% compared to the previous 300 cc version. The maximum torque, equal to 26 Nm at 5250 revs, has increased by 18%. Fuel consumption has improved, from 29.4 km/litre to 31 km/litre in the World Motorcycle Test Cycle (WMTC). Lastly, the engine's electronic control unit is configured for future Euro 5 standards.

Advanced engines: plug-in and electric hybrids

Piaggio has been at the forefront of the production of advanced ICE (Internal Combustion Engines) since 2009, with its MP3 Hybrid.

The wealth of knowledge developed through the Hybrid Project has enabled the company to develop the Liberty eMail, which went on sale in 2011.

This line of research has led to the creation of the electric powertrain which is fitted on the new Vespa Primavera Elettrica and the Vespa Primavera X (Range Extender), as well as the WiBike.

In addition, the S&S system - a micro-hybrid engine for scooters - has also been developed.

Vehicle improvements

New concepts (Tilting vehicles)

The leading light in this category is the tilting three-wheeler Piaggio MP3, created in 2006, which has enabled Piaggio to become a record winner in dynamic safety⁶.

With the adoption of additional safety devices, these new concepts can achieve safety levels close to the standards applied to cars, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

The multi-wheel concept, depending on the market in question and the formulas adopted, can offer considerable regulatory benefits.

As part of the Resolve project, Piaggio has designed and built a prototype of a L2e category electric tilting four-wheeler.

⁶ Vehicles with two front wheels offer greater stability and shorter stopping distances compared to standard two-wheelers, even on wet or uneven terrain.

Reduced absorption and less weight⁷

During the design stage, considerable attention was paid to reducing absorption and weight, as this factor is essential for cutting fuel consumption and improving performance.

Absorption is reduced through aerodynamic simulations (CFD) and validating results using comparative analysis with experimental data obtained from wind tunnel testing.

Devices for safety and comfort

The last few years have been characterised by a strong impetus in the electronic control sector:

- ABS for light scooters, medium scooters, tilting scooters and mopeds;
- traction control (with and without Ride by Wire), combined with ABS;
- semi-active electronic suspensions with ADD (Aprilia Dynamic Damping);
- ride by wire suitable for most of the Group's vehicles;
- CAN handlebar controls (digital protocol);
- Cruise control (based on Ride by Wire) available on the Aprilia and Moto Guzzi models;
- APRC (Aprilia Performance Ride Control on the RSV4 and Tuono 1100) including:
 - ATC: Aprilia Traction Control
 - AWC: Aprilia Wheelie Control
 - ALC: Aprilia Launch Control
 - AQS: Aprilia Quick Shift
 - APL: Aprilia Pit Limiter
 - ACC: Aprilia Cruise Control
 - Multimap ABS Cornering (RSV4 RR and RF, Tuono 1100 RR and Factory) with RLM (Rear Liftup Mitigation);
- development of LED lighting for the head and tail lights;
- a new, clear control panel (Human Machine Interface) delivering a wealth of distraction-free information;
- dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on connecting the smartphone and vehicle via Bluetooth®, iOS and Android.

Electronic suspensions and electronic steering shock absorber

The new Aprilia Tuono V4 1100 Factory features the Smart EC 2.0 semi-active suspension system, developed by Öhlins for the Piaggio Group, as standard. This makes suspensions highly versatile, adapting effectiveness and safety to the different uses of the Tuono (Road, Sport or Track). With the system, the fork and shock absorber can be calibrated in two modes: semi-active or manual, selected from the handlebar buttons. In semi-active mode, the suspensions are controlled by the Smart EC 2.0 system, which actively responds to operation, thanks to an algorithm that processes data sent from the vehicle to the dedicated control unit in real time. This means the Aprilia Tuono V4 1100 Factory suspensions can adjust their hydraulic calibration, in real time, to the type of route and riding style. When in manual, the 3 "Riding Modes" (Track, Sport and Road) offer the same number of predefined formats, without semi-active assistance. In semi-active and manual mode, the rider can customise the calibration of the suspensions to a considerable extent. The Öhlins steering shock absorber is also controlled electronically by the Smart EC 2.0 system and is fully customisable, to adapt calibration optimally based on fork and shock absorber calibration. The OBTi (Objective Based Tuning Interface), visible on the instrument panel, ensures user-friendly calibration. The system lets users customise suspensions in all situations, including acceleration and braking.

MIA multimedia platform: always connected with your smartphone

The MIA multimedia platform, available in various versions for the Group's brands, lets users connect their smartphone to their vehicle, and connect their vehicle to the web - for a truly multi-functional product. The platform thus becomes a superb on-board computer that can simultaneously display the speedometer, rev counter, as well as power and engine torque delivered instantaneously, longitudinal acceleration, thanks to the bend angle, plus instantaneous and average fuel consumption, average speed, battery status, and much, much more. From the smartphone connected to the MIA, riders can display maps and routes and locate petrol stations and service centres. The tyre condition control function (TPMC) uses information from the vehicle and smartphone sensors to monitor tyre wear and inflation, immediately

⁷ The same applies for the engine, as its weight has a considerable impact on total weight.

alerting the user to any potentially critical situations; the general analysis tool allows the user check vehicle conditions. The cutting-edge version developed for the Aprilia RSV4 and Tuono transforms the smartphone into a semi-professional system 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.

Functions 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.

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. A Jet helmet can fit into the helmet compartment.

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 will soon be 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 autonomy⁸. The action of the generator adds another 150 km of autonomy, bringing the total to 200 km. In addition, generator refuelling time is the same as that of any petrol vehicle. 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.

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

Three/four wheeler sector

Piaggio's product strategy is centred upon the transport of people and goods over medium and short distances, and focuses on the handling, compact size and safety of vehicles, as well as environmental issues.

This challenge in Europe, India and increasingly on export markets, is tackled through the following actions:

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

Current Indian legislation provides for the introduction of BSVI emission limits from April 2020 for three- and four-wheelers, and consequently the production of BSIV vehicles will discontinue.

A common goal for the entire Piaggio range manufactured in India is to reduce consumption and the TCO (Total Cost of Ownership), through measures to continually improve vehicle efficiency, including those based on innovative technology (petrol, LPG and CNG engines with electronic injection, and DSL engines with electronic control).

Developments on the Indian three-wheeler market have confirmed the growth trend for vehicles with alternative fuel engines (LPG, CNG) especially in urban and semi-urban areas. In response to this, Piaggio launched the new version of the Ape 501 BSIV, with a passenger transport version from March 2018, and a goods transport version from December 2018, both featuring a liquid cooled, alternative fuel (LPG, CNG) engine, for considerably lower consumption and maintenance costs, while also guaranteeing significant improvements in performance and reliability.

As regards the Ape City range, the development of a product focused on improved comfort, ease of maintenance and inclusion in the brand's urban mission led to the launch of the new MY2018 version in 2018.

From early 2019 onwards, Piaggio will sell the latest version of the Ape City BSIV on the Indian market, for transport of goods and people, with electronic injection LPG/CNG engines (an innovative technology that will be used on all vehicles in a BSVI context), to cut consumption and reduce pollutant emissions. The system will also give users optimal information on riding to minimise consumption (thanks to the gear change indicator system), and information on correct vehicle operation.

Continual product improvements and expansion of the range enabled Piaggio to launch sales on major new markets in 2018 (the most significant being Egypt and Cambodia).

In Europe, the Piaggio three-wheeler range was expanded, with the new Classic Van Euro 4 featuring a cargo box designed to meet specific market needs going on sale. The Classic Van Euro 4 was conceived for the short-range urban transport of goods (reduced consumption with a specific high capacity), and for street shop/street food solutions.

As for the Porter range sold on the Indian market (Porter 700 and Porter 1000), production of the Porter 1000 MY2018 started at the end of March 2018. The most significant changes and improvements concerned a new braking system and improved vehicle handling.

Exports of the four-wheeler to Nepal and Indonesia also began in 2018.


Production of the new Porter Euro 6c which launched in early July 2018 in Europe, regarding the entire Porter and Maxxi ranges with petrol powertrain and alternative fuels (GPL and natural gas), led to further improvements in terms of emissions (compliance with the WLTP standard), satisfying customers previously opting for 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 engines contributed to increasing the number of vehicles on the road using cleaner fuels (LPG and CNG) and to the spread of zero-emission electric vehicles.

With the development of the petrol and Bifuel Euro 6c version, Piaggio has achieved its objective of further reducing CO₂ emissions, with the combined cycled (NEDC⁹), compared to previous Euro 6 versions, by up to 10% with respect to the basic reference version.

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).

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

The Porter Electric, which went on the market in 1995, continues to be sold.

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 at 2008, Piaggio has also changed the title blocks of drawings and information in its bills of materials so that materials used in vehicle construction 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 recording all of its components. The recyclability rate was 88%, far higher than the limit of 85% set for the automotive industry for category N1 and M1 vehicles.

“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.

⁹The New European Driving Cycle is a driving cycle defined by Community directives.

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 vehicle material compositions and their recyclability and recoverability rates in real time, from the design stage onwards.

The recyclability and recovery values for the Porter model, with Euro 6 petrol, GPL and electric engines are given below.

	MULTITECH EURO6	MULTITECH GPL EURO6	EVO
Recyclability (Rcyc)	PORTER = 89.47% MAXXI = 91.5%	PORTER = 89.66% MAXXI = 91.45%	PORTER = 91%
Recoverability (RCOV)	PORTER = 95.39% MAXXI = 96.1%	PORTER = 95.38% MAXXI = 96.1%	PORTER = 95.8%

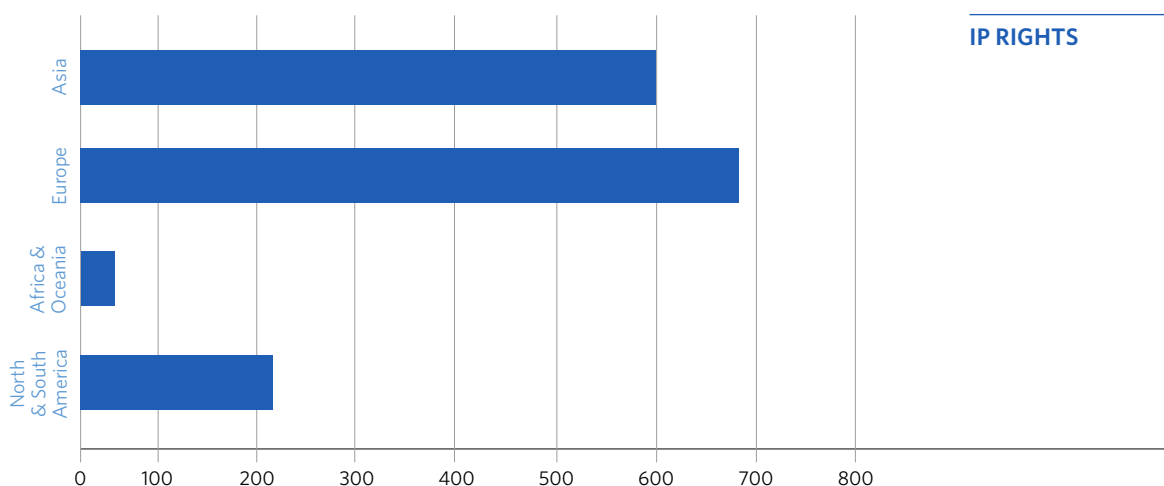
Use of recycled plastics

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.

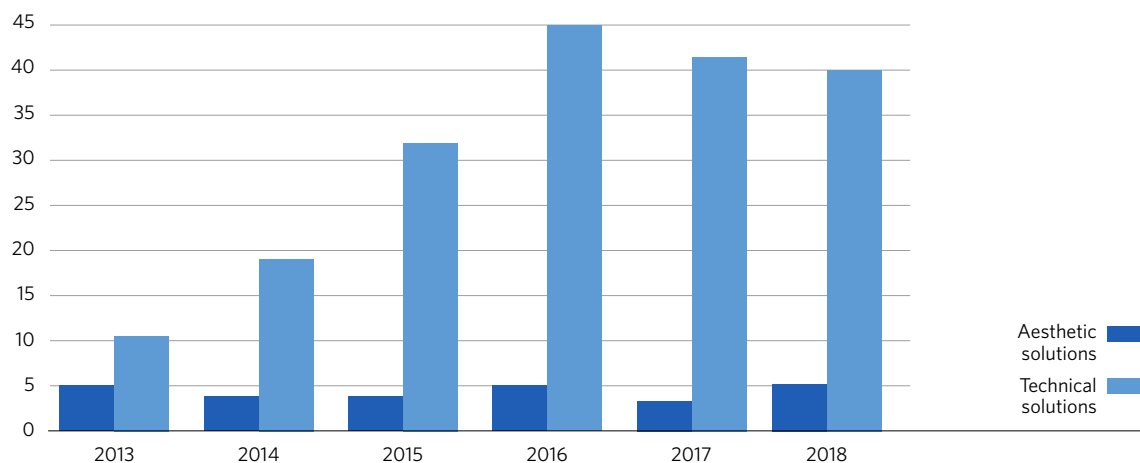
Industrial patent rights

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.



In 2018, the number of new patented solutions remained high, confirming the Group's strong focus on intellectual property.



Partnerships with universities and research centres

The Piaggio Group believes in the importance of exchanging knowledge and ideas, and in the capacity of this approach to boost improvements in technologies, methodologies 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. The Group has ongoing partnerships with universities and research centres. 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 antennas (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 18 kg, 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 pavements 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.

FUNDED NATIONAL AND EUROPEAN PROJECTS

The Piaggio Group successfully supports funding applications for its activities, at regional, national and European level, confirming the quality of its research. In addition to funding research, these projects are a way to engage with partners and suppliers that can identify and develop cutting-edge technologies in the main fields of interest for Piaggio.

The following funded projects were implemented in 2018:

ADAMo (Region of Tuscany): aerodynamic research

The project will develop an active aerodynamic control system for motorcycles that can adapt aerodynamic flow based on general operating conditions and target objectives (consumption, safety, comfort, performance). The project will end in 2019.

Resolve (H2020): development of electric powertrains for tilting vehicles

Coordinated by Piaggio with the involvement of KTM, Marelli, Bosch, Ricardo, and outstanding universities and research centres (Universities of Pisa, Florence, Warwick and Idiada). Funded by the European Green Vehicles Initiative. The project was completed in April 2018, with the development of two prototypes of tilting, electric drive four-wheelers, for the L2 and L6 categories respectively, and a tilting, L2 category three-wheeler.

eCAIMAN (H2020): development of new-generation batteries

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). The project will end in the first few months of 2019.

i_HeERO (CEF): connectivity and standards

Piaggio has joined the consortium for the i_HeERO project, coordinated by ERTICO and funded by the CEF (Connecting Europe Facilities) programme, regarding the third phase of implementation of the emergency call (eCall) system in Europe. Project activities have defined the minimum requirements for an emergency call system (eCall), suitable for motorcycles. The project will end in March 2018.

C-Mobile (H2020): smart, cooperative transport systems

Trials in real contexts (e.g. Barcelona, Bilbao, Bordeaux, Newcastle, Copenhagen, Thessaloniki) of smart, cooperative transport systems (C-ITS) that are inter-operable and can therefore be used on a wide scale. The project is being coordinated by IDIADA (the Spanish research centre), with the involvement of ERTICO. Piaggio's role is to provide technical support for the testing of C-ITS for motorcycles at the Barcelona site. The project started in 2017.

Safestrip (H2020): road safety based on cutting-edge connectivity and sensors

Development of a low-cost, low energy consumption system based on micro and nano sensors incorporated into the road surface in order to collect information (e.g. on road conditions, environmental parameters, traffic data etc.) and alert car and motorcycle users to potential hazards, through vehicle/infrastructure communication.

PIONEERS (H2020): passive protection systems for motorcyclists

The project is being coordinated by IDIADA, with leading manufacturers of protective clothing taking part (including Dainese, Alpinestar, Motoairbag), as well as universities and research centres (University of Florence, Fraunhofer, BAST). Piaggio is involved in the design and development of an on-board vehicle protection system to reduce minor injuries from low-speed side impacts.

The project began in 2018 and will last for 36 months.

Centauro (Region of Tuscany): an Industry 4.0 application

In October 2018 the Centauro project was completed. This project saw Piaggio, the Sant'Anna School of Advanced Studies and suppliers of robotic systems such as Robot System Automation, Roggi and Robotech, working in partnership for the development of four demonstration platforms for robotic systems to assist operators in production processes, thus increasing personnel qualification.

The iGrind system, for example, is a robotic system to recognise, identify and automatically adjust faults in motor vehicle bodywork.

Future Radar (H2020): medium/long term research topics

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 player for the two-wheeler sector.



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/user¹⁰. 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 time¹¹.

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 9001:2015 or ISO/TS 16949) is part of the company's shared culture and belongs to all Group employees. The results obtained in terms of product reliability, improving process performance, increasing customer satisfaction (internal and external customers) stem from the fact that all employees 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 are only added to Piaggio's approved list after a detailed and positive assessment of their production processes, of the products that derive from these and the certification of the functions, dimensions and materials described in the project specifications.

Audits, which are 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.

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/complaints¹², to resolve problems identified under warranty and, finally, to verify the effectiveness of corrective actions taken by suppliers to prevent these problems reoccurring.

¹⁰ Definition of UNI ISO 9000.

¹¹ Definition of UNI ISO 8402.

¹² Returns, reprocessed, selected, material accepted as an exception.

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 the finished/approved products, before these are dispatched to the end customer. These vehicles undergo rigorous road testing, 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. If the objective is not reached, an improvement plan is 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 vehicles belonging to the batch in question, together with a sample number of vehicles of the previous batch, are evaluated to adopt remedial actions. 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.

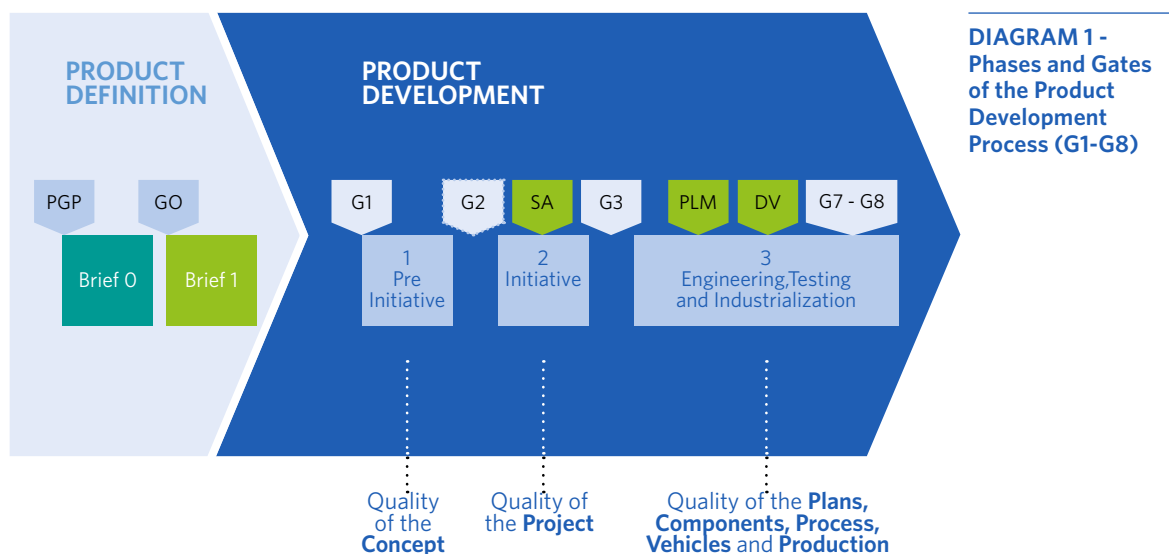
The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality in view of the processes it has undergone in the various stages of the production cycle. This makes it possible to identify lots with faulty components on all vehicles involved and, if necessary, take prompt action 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;
- rigorous control on achieving the project quality requirements for each Gate;
- monitoring 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 use 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.

VESPA SCOOTERS HOLD THEIR VALUE BETTER THAN ANYTHING ELSE ON THE ROAD - NEW YORK TIMES
28 DECEMBER 2018

The New York Times

At 72, an Italian Star Barely Shows Its Age

Vespa scooters, luxury on two (small) wheels, hold their value better than anything else on the road.

Wheels

By ROY FURCHGOTT

Every year, J. D. Power highlights the automobiles that retain the highest percentage of their original price after three years. But the vehicle that beats them all never makes the list.

This winner would seem an unlikely value champ. It looks much as it did 72 years ago, when it made its debut. It has a sparse half cubic foot of luggage space, and its base model sports an anemic 3.2 horsepower generating a top speed of 40 miles per hour. But there is a good reason it didn't make the list. It's not a car. It's a scooter. Very specifically, a Vespa scooter.

Across all 24 classes of vehicles considered in the Resale Value Awards, average retention value for four-wheelers was 55.7 percent. For all Vespas it was 72.1 percent, according to data from J. D. Power, giving Vespa an edge by over 16 percentage points. With the exception of collectible vehicles, Vespa scooters hold their value better than anything else on the road, including other scooter and motorcycle brands.

Two Vespa models outpaced the rest of the line: the Sprint 150 and the GTS 300, which retain an average of 79 percent of their original value after three years. They beat the best cars, trucks and sport utility vehicles, including the overall winner, the Dodge Heavy Duty Ram 3500 (75 percent); the best compact premium sporty car leaders, the Porsche Cayman and Boxster (58.9 percent); and even the celebrated 911 (58.7 percent). They beat the large premium S.U.V. winner, the Cadillac Escalade (56 percent). They crushed the leading small car, the Ford Fiesta (43.2 percent).

The question is why. One reason may be that Vespa holds a unique place in its market. While cars from Porsche, Land Rover or Mercedes might duke it out for premium buyers, the scooter business is different.

"Vespa is an upscale luxury marque," said Chelsea Lahmers, founder of Moto Richmond in Virginia, which sells Vespas and other brands of scooters and motorcycles. "Most luxury brands have competition. Vespa doesn't have any competition."

This isn't strictly true. Honda offers the Metropolitan, Yamaha the Vino 50 and Genuine the Buddy, to name a few.

According to Genuine's vice president for sales and operations, Trey Duren, all three of those brands outsell Vespa in the United States. All three are also less expensive than the Vespa. But none have achieved the Vespa cachet or retention value.

Even BMW's luxury scooter, the C650 GT, an \$11,000 60-horsepower brute with a top speed of 112 m.p.h., has failed to capture a Vespa-like following. Large scooters like the BMW and Suzuki's Burgman 650 Executive are what scooterists call a "maxi."

Traditionalists contend that even though maxis have step-through frames and small wheels — the hallmarks of a scooter — they are in a class all their own. "When you get into the maxi scooter, you've lost the scooter thing," said Peter Lundgren, president of the Lambretta Club USA and a Vespa owner.

"On a maxi you can get to the coast at 80 miles per hour in the lap of luxury. On a scooter, it's a struggle."

There are also budget imports, mostly from China, that make no pretension to luxury or retention value. While people who want a scooter will most likely buy a Vespa, Honda, Yamaha or Buddy,



Alessandro Bianchi/Reuters



Toby Melville/Reuters

Vespa has stuck close to the aesthetic of its original 1946 debut, adding to its mystique. "It has the highest level of fit and finish of anything we sell," one scooter and motorcycle dealer said. Left, a Vespa lineup at a vintage vehicle festival in Britain.

Sims said. "When you see a movie shot in Italy, they are driving around on a Vespa."

Vespa became the romantic ideal of a scooter when Gregory Peck and Audrey Hepburn rode on one in the 1953 movie "Roman Holiday." Vespas were a staple of the '60s British mod movement, which served as the backdrop for the Who's 1973 rock opera, "Quadrophenia," in which a character sang, "I ride a GS scooter with my hair cut neat."

Vespa's brand is so dominant that its name has become synonymous with scooter. "People come into a Yamaha dealer to buy a Vino and say, 'I want that Vespa,'" Mr. Lundgren said. "It's like a Q-Tip."

Buying a new Vespa is not a low-cost venture. The most basic Primavera 50cc lists for \$3,800. The special-edition Vespa 946 RED is the most expensive at \$10,500. A portion of its price goes to RED, a charity founded by the U2 lead singer Bono to fight H.I.V. and AIDS in Africa.

On top of that are dealer fees. "At the two different Piaggio dealers here, it's \$700 minimum," said Mr. Shattuck, who does not sell new Vespas. He said to expect \$300 to \$900 in fees. "Additional dealer profit is what it is, really," he said.

The better option, said Mr. Sims, is to buy used. "If you pay \$3,000 for a used one and sold it two years later for \$2,700, that's not bad compared to spending \$2,000 on one that is worth nothing in two years."

there are also people who simply need a scooter. They may be so economically pinched that it is the only roadworthy vehicle they can afford.

A respectable Chinese-made scooter will run less than \$2,000 new, will get around 140 miles per gallon and will cost less than \$100 a year in insurance. Many states require neither a driver's license nor registration to ride the streets on a scooter with a 50cc or smaller motor.

As for retention value, there is none. "Most of those will end up in a dumpster," said Colin Shattuck, author of "Scooters: Red Eyes, Whitewalls and Blue Smoke" and owner of Sportique Scooters in Colorado.

Vespa has stuck close to the aesthetic of its original 1946 debut, adding to its mystique. It also kept metal bodywork where competitors have used plastic.

"It has the highest level of fit and finish of anything we sell," Ms. Lahmers said. "They are beautiful. Everything about them is beautiful."

The Vespa construction is distinct among modern scooters. It has a monocoque frame, which means the bodywork is the frame, not separate body panels attached to the frame as with other scooters. That makes it lighter and more rigid.

"It gives the Vespa ride a smoother feel," Mr. Shattuck said. "There is a disadvantage to the lack of replicable body panels. The Vespa, when it's damaged, is much, much more expensive to fix."

Despite that, dings and scrapes have a marginal effect on value. "A little scratch will only lower the price by a hundred dollars," Ms. Lahmers said, "but it costs a lot more than that to fix."

Piaggio, which makes the

Vespa, acquired a reputation for reliability even though it quit importing new models to the United States between 1981 and 2000. (Some importers brought them in through 1986.) Because the scooters were still sold worldwide, parts remained reasonably easy to get. In contrast, many notable scooter companies, such as Lambretta and Cushman, went out of business, leaving owners to scrounge for parts.

The least expensive scooters are often no better. "You will have a problem with availability of parts, and repair shops don't want to service them," said Lenny Sims, who tracks the motorcycle business as vice president for specialty markets at J. D. Power.

What probably drives Vespa's retention value most of all is the image it has burnished in popular culture over 72 years. "It's been a great brand since the '50s," Mr.

Dealer

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 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"> Accelerate the implementation of the format both within the directly-controlled network and the importer network. Launch the major adjustment plan to the storefront format in some key markets. Verify area coverage and define the network plan for each individual brand based on performance analysis. Extend the harmonisation of dealers' websites to main EMEA area countries. Launch training processes for internal staff, enabling them to better respond to the needs of the dealer/end customer. Test the potential of the system in full. Opening of Aprilia pilot dealers. 	<ul style="list-style-type: none"> Over 50 operators, comprising dealers and importers, were appointed in order to align sales outlets with the Motoplex format. A total of 220 direct dealers and importers were recruited to align signage to the official Group format. Local network plans prepared for each directly managed market, and a specific project to expand the sales network that will adopt the Motoplex format. Focus studies on network plans for Germany, Spain, UK, Belgium and France were developed at a central level. The pilot project with Italian, German and UK dealers was completed, and a tender was launched to identify a single supplier for the adoption of the official websites on the Motoplex dealer network. "Digital Skills for Sales" training was delivered to the European salesforce and trade marketing personnel, with 67 participants. The project to create a data interchange platform between central sites and market sites was launched. The Aprilia Racing Dealer project was not continued. 	<ul style="list-style-type: none"> Continue with the implementation of the Motoplex format, on directly managed markets and on markets managed by importers. A priority plan to convert the Motoplex format for the Group's exclusive dealers. Continue traditional network qualification, with the massive use of the Group's official signage. Continue intelligence activities to help prepare local network plans, with the aim of improving service monitoring and quality. Maintain a focus on retail tools and activities such as: EMEA activities: consolidation of initiatives to guarantee a standardised image of the Group on various markets and further align the company and its sales network. Marketing Platform: consolidation of dealers usage, for an efficient exchange of sales outlet material and communication. Test ride: introduction of the new platform. Demo vehicles: introduction of the new procedure and consolidation of the adoption of this. Courtesy vehicles: extension of the programme to cover the entire Motoplex dealer network. 	<ul style="list-style-type: none"> Improve the experience of customers at the point of sale and promotion of customer loyalty.

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
3/4W Vehicles Improve and update support tools for the management of the relationship governed by the concession contract.	<ul style="list-style-type: none"> - NETWORK DEVELOPMENT Completion of adoption of the new format across the entire perimeter. - Further fine-tuning of the catalogue of brand identity materials with the insertion of new items. - Assess and evaluate the current sales network, based on final quality standards. - Define the Network Development Plan and launch implementation through scouting and use of the Geomarketing tool (operational phase). - Definition of two separate, specialist distribution channels: one for four-wheelers, and one for three-wheelers. 	<ul style="list-style-type: none"> - NETWORK DEVELOPMENT Scouting processes and current network improvement plans adopted, to optimise coverage of the market service for areas not adequately managed and areas already covered. - New release of the retail identity materials catalogue in February 2018, with graphic restyling and the inclusion of new items. - Completion of the process to evaluate the sales network, the network of organised dealers and authorised service centres. - Full use of the Geomarketing tool, an analytical and dynamic support tool for Network Development activities (scouting, network performance appraisal, quality improvement, identification/coverage of the market served). Network Development Plan defined and used as a guideline for activities to develop the network on both the sales and after-sales side. - Most suitable four-wheeler and three-wheeler dealers selected (sales and after-sales). 	<ul style="list-style-type: none"> - NETWORK DEVELOPMENT Definition and use of the sales mandate and contractual standards (identity, display stock, etc.) relative to dealers in the three-wheeler and four-wheeler network. - Opening of new dealers (both three- and four-wheeler) to optimise coverage of the market served. 	<ul style="list-style-type: none"> - Improvement of the experience of customers at the point of sale and promotion of customer loyalty.

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
	<ul style="list-style-type: none"> - TRADE MARKETING Expansion of the "Preventivatore" comparator tool to the Selling Agencies (and consequent direct email marketing aimed at users). - Increase of data catching (download brochure) in tests on the ITA, with the consequent development of direct email marketing to spur action on prospects. 	<ul style="list-style-type: none"> - TRADE MARKETING Definition (through selling agency contacts) of data grids that generate Product Quotation Tool output. Adaptation of the tool in the Content Management System (CMS) to meet specific configuration needs. - Direct email marketing (Data Base Italia) for the launch of the Porter EL and Ape 50 E4 and promotion of the extended warranty (aimed at Ape 50 E2 owners). 	<ul style="list-style-type: none"> - TRADE MARKETING Implementation of data in the CMS for main countries (Germany, France, Spain in the first part of the year; followed by Benelux and Greece). - Direct marketing at central level to support selling on target leads in the Sell Out Management (SOM) database (first DEM for the launch of the Ape Classic Van, targeting the TM database). - Implementation of the new Dealer & Service Locator, which can provide efficient, in-depth information. - Definition of the new logo and brand repositioning, through communications focussed on consolidation of product features and consequent optimisation of the company mission. The alignment of materials and required brand identity standards to the network will follow. - Integration of digital strategies in support of the communication plan for the new Piaggio Commercial brand. - At the same time as the communication activity, a spin-off process will be implemented for the Porter and Ape brands, which will no longer share the same web platform when the new Piaggio Commercial Vehicles site is launched. 	

The Piaggio Group has always been customer-oriented and focused on providing satisfaction to all consumers of Piaggio products. As such, Piaggio constantly analyses the needs and requirements of the customer against a global background of major 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 along with any other relevant 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 means through which this can be achieved, and translates into optimisation of operating activities, but above all into implementation of new services, for dealers and for end customers, rendered 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 the services provided to the customer 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 Piaggio Group to the local region fast and consistent. The activities implemented to improve the knowledge and expertise of dealerships through periodic meetings should also be noted, 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 local 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 300 Motoplex stores worldwide (in Europe, the Americas, Oceania, Asia and on the Indian sub-continent).

Development of the commercial vehicles network

The Geomarketing project was completed, with close analysis of the four main direct markets (Italy, Germany, France and Spain), and delivery of a dynamic analysis tool, which was the first important step towards implementing network development activities.

A “photograph” of current coverage of the market served by the Piaggio network made it possible to define a Network Plan for the market, i.e. a document which summarises activities to increase coverage and improve the quality of the current network. The availability of a dynamic tool that can provide specific, accurate analysis ensures excellent support during periodic activities to revise network plans.

The above activities are part of a strategic project to redevelop the current sales network, evaluated in an assessment process that will lead to the definition of two specialised distribution channels: one for four-wheelers, and one for three-wheelers. The definition of two separate dealership agreements and the determination of contractual standards will enable the two distribution channels to be operative before the end of 2019.

The creation of a new brand logo for Piaggio Commercial Vehicles and the consequent definition of new materials and a new retail identify format for sales points and service centres, to ensure that the entire dealer network follows the new format.

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

The positive results from monitoring user behaviour on Piaggio Commercial Vehicles sites demonstrated that an excellent format for information and continual updates to content concerning products, promotions and news are fundamental for performance.

A comparison of Analytics metrics showed an increase in the number of users (+14%) and sessions (+9%) over 2017, confirming the current platform format which encourages users to browse and explore content.

This year, the Ape range was updated, with the new Ape 50 Euro 4 version, and the layout and contents of the relative section on the site were fully restyled, with a photo gallery added, as well as videos of the product in action for each model. A limited edition of 70 models of the Ape Calessino, to mark 70 years of the Ape, also featured on the site: a homepage banner took users to the dedicated page with news, which could also be accessed from a footer on the page of the model.

Improvements were also made to search tools: to provide specific, reliable information, the “Locate a service centre” landing page was entirely restyled and turned into a tool where users can select the region they want from the drop-down menu and consult, download and print out the list of all operating service centres.

This solution is temporary, pending the new “Service & Dealer Locator” that will be released on Piaggio CV at the beginning of 2019, with improvements to the tool.

Ape 50 E4 page browsing time has been further increased (+16%) by direct email marketing targeting Ape 50 E2 and Ape owners whose warranty is nearing expiry.

To increase site traffic, an editorial plan was also designed to revitalise the Ape official page, adding attractive, new content. The initiative produced excellent results, with the number of visitors going up by nearly 10,000 (+126%).

2019 goals will focus on launching the Quotation Tool on all sites of commercial companies, and carrying out direct

marketing for leads available in the SOM database; the first goal concerns the launch of the Ape Classic Van targeting owners of Ape TM (which went out of production at the end of 2017).

The second half of the year will focus on defining, collecting and preparing the first “digitisable” content to launch a web teasing campaign for the new Piaggio Commercial brand, paving the way for digital actions to promote the new Porter range.

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 ensuring consistency with corporate guidelines;
- Access content regarding point of sale material, product brochures and stationery materials (headed paper/ business cards, etc.), directly managing orders of the quantities required for its activities;
- Access product information, including photos of the available range, sales manuals and 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 compliant, provided 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, and as such, 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 as the corporate sites.

To facilitate the correspondence of information and verify that this is in line with the Group's policies, a project has been launched to harmonise the dealer 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.

Customers

The Piaggio Group has always viewed its customers' needs and satisfaction as a priority 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 activities 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, and 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 - this 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, including via benchmarking with leading competitors, are:

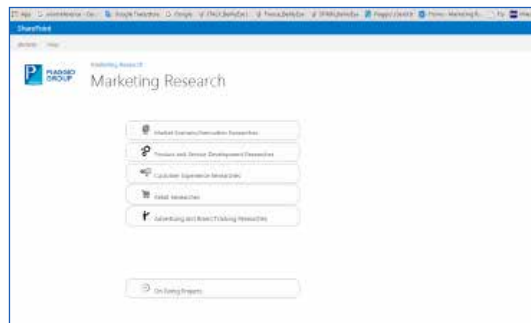
- The motivations for choosing a brand and the fundamental features of products and services;
- The adaptation of sales and assistance structures to satisfy specific needs;
- Brand recommendation and loyalty.

In addition to consolidating the research and analysis methodologies already launched in previous years for the competitive measurement of the brand's reputation, which can be assessed on the basis of product and service experience, analyses were conducted in Europe, the US and Vietnam in 2018 to gauge the value of various brands on the market. The findings enable the Group to establish which priority areas should receive investment, in order to improve the performance of the various brands, and are a 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 latter half of 2018, the fourth initiative designed to measure the product and service experience was launched on the Indian market, in the main states where Vespa and Aprilia SR are sold. The results for 2018 will be available during the first quarter of 2019.

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**

MAIN INDICATORS USED BY PIAGGIO TO MONITOR THE CUSTOMER EXPERIENCE

	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	

In addition to the activities listed above, specially designed surveys were also implemented at various industry trade fairs (EICMA Milan) and at events organised by the Piaggio Group during the year (Vespa Color Days, test rides, Moto Guzzi Open House), focusing on specific products (e.g. Vespa Elettrica), as well as analyses of particular services (e.g. Moto Guzzi Experience and web presence evaluation), or assessments of the knowledge and image of Aprilia riders. Furthermore, analyses dedicated to competitive scenarios and knowledge of the Group's brands were established on markets in which our commercial presence is currently brokered by an importer but which could potentially constitute an important asset for future development (Malaysia).

Overall, around 52,000 people were interviewed worldwide in 2018, 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 45,500 managed contacts in Europe and more than 5,300 in USA, Vietnam and Indonesia in 2018; problems with products and/or services accounted for 22% 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 their chosen model, while 34% expect an integrated experience, combining physical and digital channels.

Since 2015, the Piaggio Group, in recognition of the importance of a multi-channel customer experience and of the fact that every customer is a digital customer, but not all customers are equal, has embarked on a major Digital Transformation process. One of the major projects in the digital area is the new CRM application.

Thanks to the CRM, the Piaggio Group now has a consolidated database that includes data on both established and potential customers who have shown an interest in Piaggio products and services.

The data are of considerable importance. Through a greater knowledge of consumers and investments in automated marketing technology, the Group can now launch multi-channel campaigns based on the specific characteristics of different customer segments, which have proven to be more effective than traditional marketing campaigns.

As part of the Digital Transformation project, the Piaggio Group continued to develop new digital assets at global level and innovative projects for the sector. In 2018, projects such as Vespa Elettrica online pre-booking and the new Vespa smartphone app for vehicle connectivity came to fruition.

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.

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.

In 2018, the VWC organised the following events:

- Vespa World Days (international tourist rally) in Belfast (Northern Ireland) with more than 4,000 participants;
- European Vespa Rally;
- Vespa 400 commemoration;
- Historical International Vespa Archive .

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

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 16 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.

2018 Activities

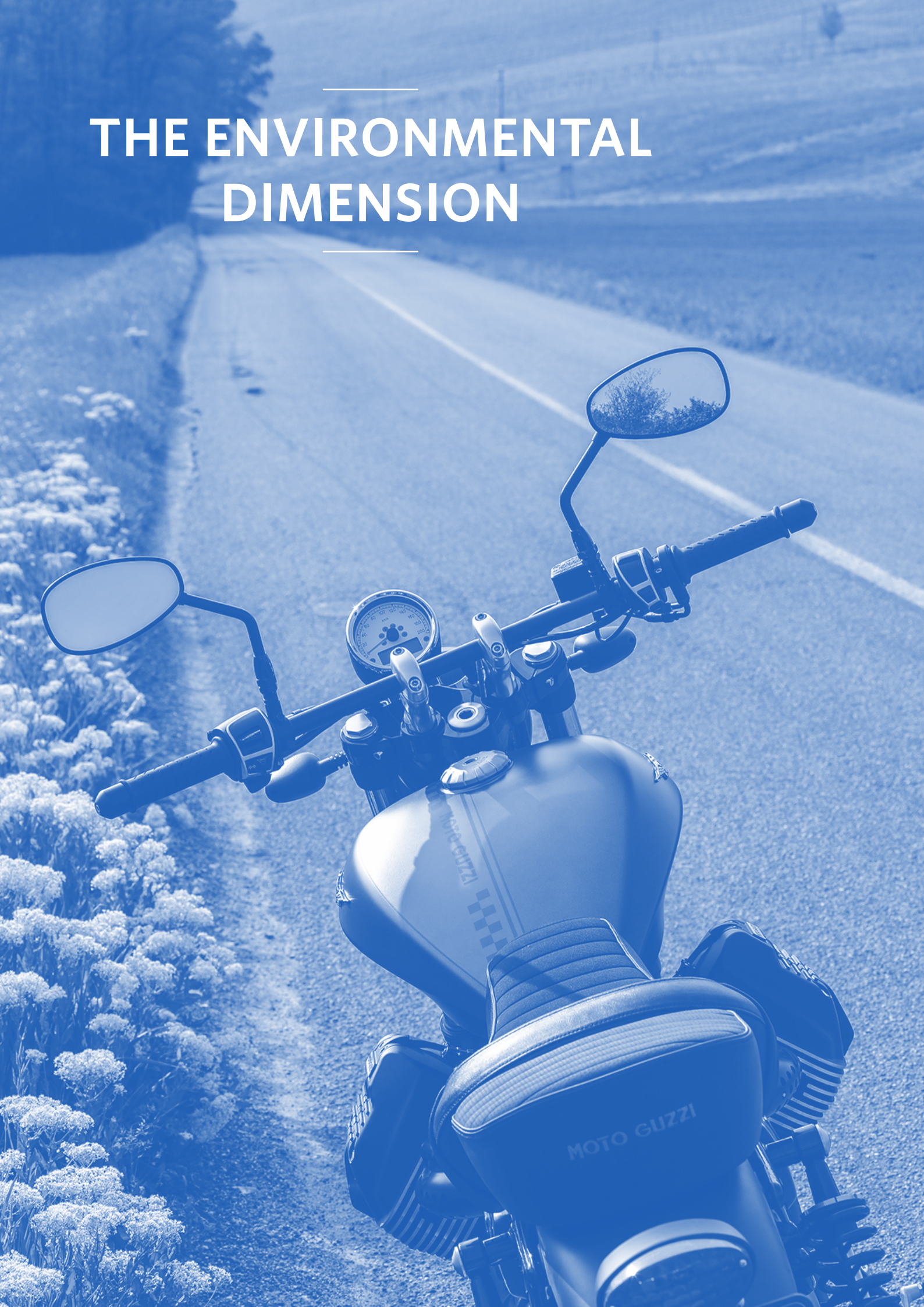
Over the course of 2018 the Moto Guzzi World Club:

- Organised an international rally in Rieti. During the event, the MGWC collected funds that were then donated to the Municipality of Amatrice, to help build a library in the town devastated by the earthquake of 2016;
- 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.





THE ENVIRONMENTAL DIMENSION



→ THE ENVIRONMENTAL DIMENSION

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

Mahatma Gandhi

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
Protecting the environment: - Reducing pollutant emissions; - Conserving natural resources.	<u>Pontedera Plant:</u> <ul style="list-style-type: none"> - Decentralisation of furnaces for the production of the required heat 3RV; - Continuation of the process of replacing luminaires with LEDs; - Optimisation of appliances in Paint Mix room 2R; - Reduction of asbestos cement roofs: completion of building 35 and start of removal of building 47. <u>Scorzè Plant:</u> <ul style="list-style-type: none"> - Reduction in electricity consumption through the replacement of compressors. 	<u>Pontedera Plant:</u> <ul style="list-style-type: none"> - LED lighting was fitted on line 3 and in building 8; - the number of asbestos cement roofs was reduced: as planned. <u>Scorzè Plant:</u> <ul style="list-style-type: none"> - Compressor replacement completed. 	<u>Pontedera Plant:</u> <ul style="list-style-type: none"> - Decentralisation of furnaces for the production of the required heat 3RV; - Continuation of the process of replacing luminaires with LEDs; - Reduction of asbestos cement roofs: completion of building 47; - modification to the project to separate the sewage system and start of works; - roofing built for the waste storage area. 	<u>All plants:</u> <ul style="list-style-type: none"> - Evaluation / application of new technologies with lower environmental impact. <u>Pontedera Plant:</u> <ul style="list-style-type: none"> - Definitive separation of the internal sewage system serving the Pontedera production site by building a new sewage system for industrial painting waste products; - Reduction of asbestos cement roofs: preparations to be made for dismantling 100% of the non-encapsulated asbestos roofs by 2021. <u>Mandello Del Lario plant:</u> <ul style="list-style-type: none"> - 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 design, the manufacturing technological cycle and by using the best technology and the most modern production methods. Pursuing these objectives generates continual improvement in environmental performance, not only in production but also throughout the product life cycle.

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;
- 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.

VEHICLES PRODUCED (TWO-WHEELER)

UNIT	EMEA AND AMERICAS			INDIA	2W ASIA PACIFIC	TOTAL
	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI 2W	VINH PHUC	
2018	125,198	31,049	6,906	96,369	117,033	376.555
2017	125,246	30,441	8,617	70,660	110,305	345.269
Change 2018-2017	-0.04%	2.00%	-19.86%	36.38%	6.10%	9.06%
2016	120,374	31,608	9,499	41,836	111,577	314.894

VEHICLES PRODUCED (3/4 WHEELER)

UNIT	EMEA AND AMERICAS		INDIA	TOTAL
	PONTEDERA	BARAMATI 3-4W		
2018	5,799	204,802		210,601
2017	8,372	169,158		177,530
Change 2018-2017	-30.73%	21.07%		18.63%
2016	7,961	180,545		188,506

ENGINES PRODUCED

UNIT	EMEA AND AMERICAS		INDIA	2W ASIA PACIFIC	TOTAL
	PONTEDERA	BARAMATI	VINH PHUC		
2018	119,024	136,850	110,417		366,291
2017	138,920	98,038	115,038		351,996
Change 2018-2017	-14.32%	39.59%	-4.02%		4.06%
2016	128,377	66,240	109,603		304,220

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.

REDUCTION OF ENERGY CONSUMPTION

The aim of the Group is to optimise plant management and minimise energy waste. Energy is procured from leading energy companies whose production is mainly from renewable sources. In particular, the energy supplier in Italy has declared a production mix which will see around half of all energy derived from renewable sources, while for the company in Holland, energy procured is entirely 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.

Having an extensive monitoring network of main energy providers is important for achieving noticeable results, especially in more complex activities. For example, since 2016, the Pontedera site has been adopting measures to reduce energy waste with a smart metering system that can use, observe, compare on a near real time basis (with a delay of 3 hours) and also analyse the consumption recorded by over 90 meters at the site, with results that are clear. Changes in consumption at other Italian sites, which are negligible in quantitative terms compared to the Pontedera site, are due to variations in production volumes and heating system management based on recorded outdoor temperatures.

At Asian sites, consumption has generally gone up, due to the considerable increase in production. The focus on energy efficiency is also maintained at these sites. A study of energy consumption at the Baramati site in 2018 and 2017 shows a 4.94% reduction in energy needed per part produced (engines), demonstrating the Group's commitment to this aspect.

PIAGGIO GROUP ENERGY CONSUMPTION

		PONTEDE- RA	NOALE AND SCORZÈ	MANDEL- LO DEL LARIO	BARA- MATI	VINH PHUC	TOTAL SITES	COMMER- CIAL COM- PANIES ¹³	GROUP TOTAL
Electricity (Thousand KWh)	2018	33,239	3,865	638	28,866	14,451	81,059	756	81,815
	2017	35,723	3,966	699	24,789	13,558	78,735	654	79,389
	Change 2018-2017	-7.0%	-2.5%	-8.7%	16.4%	6.6%	3.0%	15.6%	3.1%
	2016	40,109	4,378	827	25,071	13,560	83,945	572	84,517
Methane/Natural Gas (Sm ³)	2018	5,185,857	382,753	146,071			5,714,681		5,714,681
	2017	5,583,383	321,669	165,087			6,070,139		6,070,139
	Change 2018-2017	-7.1%	19.0%	-11.5%			-5.9%		-5.9%
	2016	6,173,722	270,863	153,337			6,597,922		6,597,922
LPG ¹³ (Ton.)	2018				1,898	20	1,918		1,918
	2017				534	18	552		552
	Change 2018-2017				255.4%	10.0%	247.4%		247.4%
	2016				377	21	398		398
Diesel fuel ¹³ (litres)	2018	2,174			171,617	646,584	820,375		820,375
	2017	2,516			1,629,341	610,442	2,242,299		2,242,299
	Change 2018-2017	-13.6%			-89.5%	5.9%	-63.4%		-63.4%
	2016	1,633			1,675,129	617,033	2,293,795		2,293,795

PIAGGIO GROUP ENERGY CONSUMPTION

		ELECTRICITY	METHANE / NATURAL GAS	LPG	DIESEL FUEL	TOTAL
Use in GJ ¹⁴	2018	294,534	222,930	88,411	29,871	635,745
	2017	285,800	236,796	25,447	81,646	629,689
	2016	304,261	257,385	18,348	83,521	663,515

The Group also operates through commercial companies (distributors and selling agencies) and research centres located on various reference markets. The energy use at these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants.

¹³ Some values are based on estimates.

¹⁴ 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.

USE OF FUELS FOR COMPANY CARS AND TESTING VEHICLES IN ITALY¹⁵

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	TOTAL SITES
Petrol (litres)	2018	162,962	19,493	12,878	195,332
	2017	151,504	18,970	15,602	186,076
	Change 2018-2017	7.6%	2.8%	-17.5%	5.0%
	2016	190,553	26,730	18,296	235,579
Methane/Natural Gas (Sm ³)	2018	996			996
	2017	151			151
	Change 2018-2017	559.4%			559.4%
	2016	1,584			1,584
LPG (Ton.)	2018	96			96
	2017	938			938
	Change 2018-2017	-89.8%			-89.8%
	2016	5,453			5,453
Diesel fuel (Litres)	2018	34,715	49,778	4,897	89,390
	2017	34,152	27,359	3,419	64,929
	Change 2018-2017	1.7%	81.9%	43.2%	37.7%
	2016	82,291	38,020	5,224	125,536

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.

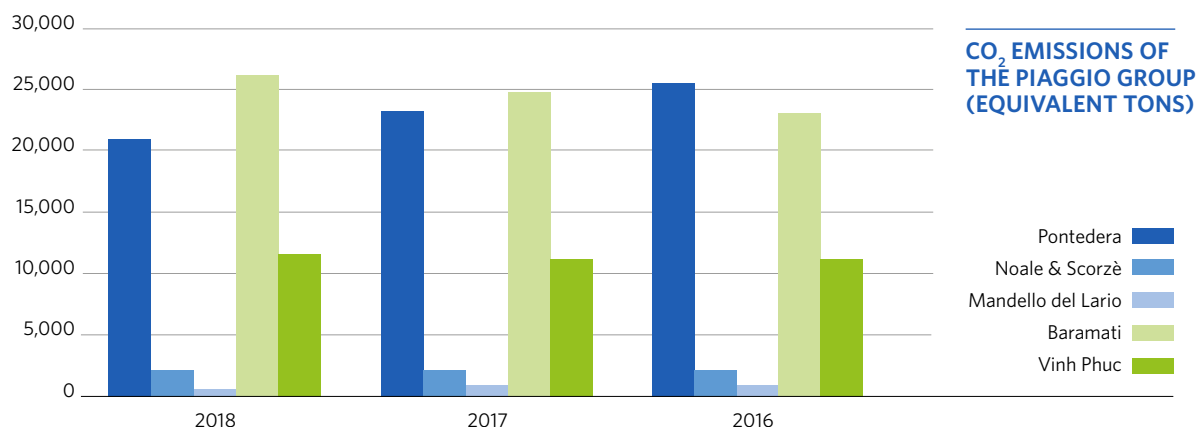
The structural works (replacement of boilers and restructuring of distribution networks), carried out over time and already described in previous financial statements, show that the changes made were appropriate. Indeed, in 2018 emission levels were substantially in line with those already detected in previous years.

DIRECT AND INDIRECT CO₂ EMISSIONS OF PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2018	direct ¹⁶	10,335	752	287	2,522	1,890	15,786
	indirect	10,989	1,278	211	23,670	9,555	45,703
2017	direct ¹⁶	11,152	632	324	4,358	1,815	18,281
	indirect	11,810	1,311	231	20,327	8,963	42,642
Change 2018-2017	direct	-7.3%	19.0%	-11.4%	-42.1%	4.1%	-13.6%
	indirect	-7.0%	-2.5%	-8.7%	16.4%	6.6%	7.2%
2016	direct ¹⁶	12,101	530	300	4,481	1,841	19,253
	indirect	13,107	1,431	271	18,452	8,966	42,227

¹⁵ Some values are based on estimates.

¹⁶ CO₂ emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG used at plants.



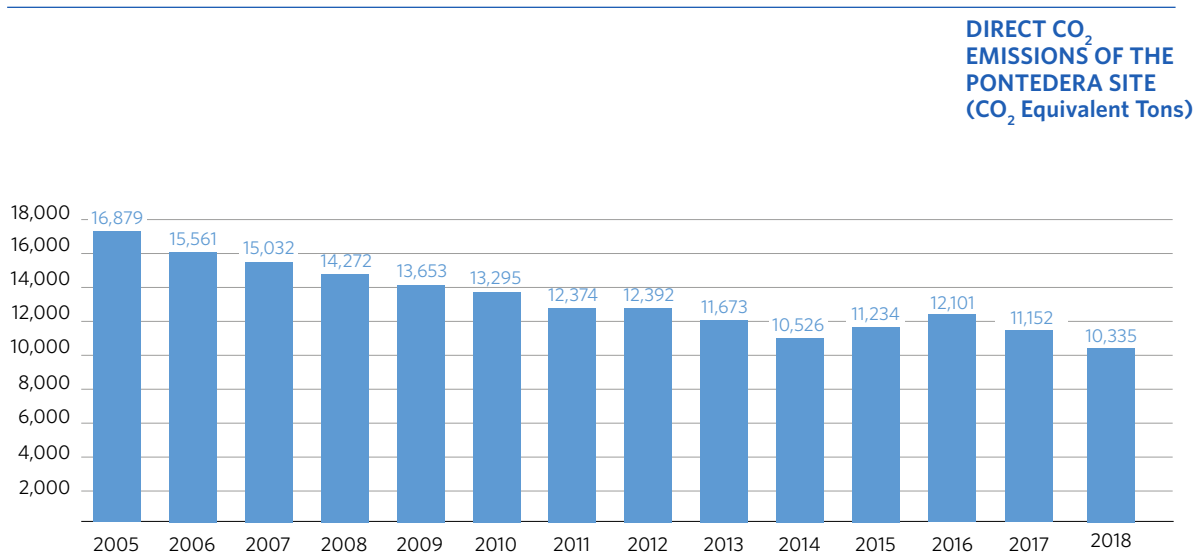
For the factories located in Italy, it should be noted that for the determination of gases with a greenhouse effect resulting from the use of diesel, fuel oil and methane, the conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used.

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 derived from the combustion of methane, marginally from the combustion of diesel fuel in back-up power generators and extremely small amounts from the combustion of VOCs in the painting post-combustor.

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 National Competent Authority (ANC), except for the 2018 figure, the certification of which is planned for March 2019.



OTHER SIGNIFICANT EMISSIONS AT THE PRODUCTION SITES OF THE PIAGGIO GROUP¹⁷

		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
COV (Ton.)	2018	30.8			601.0	3.3	635.1
	2017	46.1			433.0	4.4	483.5
	Change 2018- 2017	-33.2%			38.8%	-25.0%	31.4%
	2016	111.2			336.0	3.8	451.0

The quantity of VOCs emitted by the Pontedera site also decreased in 2018, improving on the 2017 figure, thanks to the new scooter painting plant becoming fully operational. The increase in VOC emissions from the Baramati site is due to the considerable increase in the number of scooters manufactured, while the decrease recorded for the Vinh Phuc site, although considerable in percentage terms, is not significant in quantitative 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 SUPPLIES OF THE PIAGGIO GROUP

M ³		PONTEDE- RA	NOALE AND SCORZÈ	MANDEL- LO DEL LARIO	BARAMATI	VINH PHUC	TOTAL SITES	COMMER- CIAL COM- PANIES ¹⁸	GROUP TOTAL
2018	Water from wells	222,973	9,288	12,775			245,036		245,036
	Water from the mains	60,357	11,866	526	321,474	129,334	523,557	1,624	525,181
	Total	283,330	21,154	13,301	321,474	129,334	768,593	1,624	770,217
2017	Water from wells	252,809	17,628	7,703			278,140		278,140
	Water from the mains	56,641	11,294	556	277,070	117,465	463,026	1,111	464,137
	Total	309,450	28,922	8,259	277,070	117,465	741,166	1,111	742,277
Delta 2018-2017	Total	-8.4%	-26.9%	61.0%	16.0%	10.1%	3.7%	46.2%	3.8%
2016	Water from wells	242,489	17,955	1,268			261,712		261,712
	Water from the mains	58,510	9,441	854	254,889	124,665	448,359	1,347	449,706
	Total	300,999	27,396	2,122	254,889	124,665	710,071	1,347	711,418

At the Mandello site, where water from wells is used only for cooling systems, consumption went up considerably due to an increased use of these cooling systems.

Water consumption has increased slightly overall as a result of the increase in production volumes, but Piaggio will continue to engage in activities and 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.

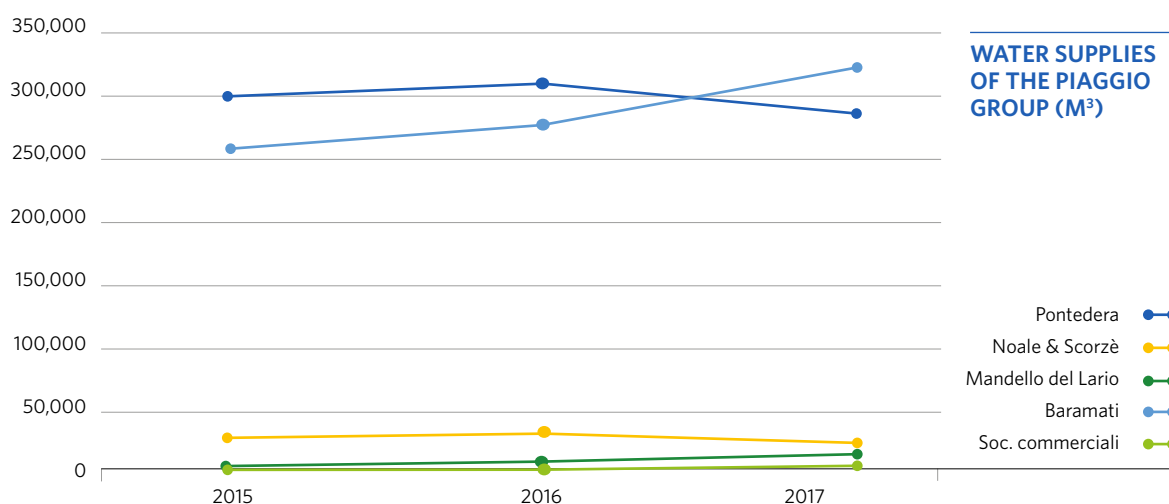
¹⁷ Reported data are also based on processing using estimates.

¹⁸ Some values are based on estimates.

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;
- **Commercial companies:** The water consumption, which is for hygienic use only and comes from civil waterworks, coincides with the water discharged as waste. The water use at these sites cannot always be recorded, as the sites are sometimes located on property which is not owned, where communal services are shared with other occupants.

Only the Baramati and Vinh Phuc sites reuse some of the water collected. Specifically, approximately 173,677 m³ of water was recycled and reused by the Indian site in 2018, equal to 54.0% of the total amount drawn by the site. At the Vietnamese factory, waste water recovery amounted to 13,143 m³/y, equal to approximately 10.2%.



WASTE HANDLING AND RECOVERING

Waste handling and recovery is a fundamental part of the Group's environmental policy.

In this context, Italian sites increased their percentages of recovered waste in 2018, with up to and over 95% of waste produced recovered.

Asian sites considerably stepped up their production, which led to an increase in the amount of waste produced. Lastly, it should be noted that the separation of hazardous from non-hazardous waste and the possibility of recovering waste is affected by local regulations.

WASTE PRODUCED AT PIAGGIO GROUP PRODUCTION SITES

TON		PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	BARAMATI	VINH PHUC	TOTAL
2018	Total waste	6,488	882	172	2,366	1,430	11,338
	Hazardous	11.1%	1.6%	2.7%	11.9%	75.6%	18.5%
	For disposal	5.5%	5.3%	2.7%	8.0%	66.4%	13.6%
	For recycling	94.5%	94.7%	97.3%	92.0%	33.6%	86.4%
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%
Delta 2018-2017	Total	9.4%	-9.5%	-12.2%	44.4%	40.6%	16.2%
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%

With the overall amount of waste produced has gone up considerably, the percentage of hazardous waste and its allocation in the last three years was basically stable.

Based on an analysis by type, most of the waste produced was metal waste (iron, aluminium, turning material, etc.) and packaging material (cardboard, wood, etc.). For example, at the Pontedera site, approximately 4,000 tons of packaging and 1,200 tons of metal are produced, with these two categories comprising nearly 80% of waste generated.

Avoiding soil contamination

In 2018, as in previous years, no spills or polluting events of significance occurred at any of Piaggio's sites.

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.

ENVIRONMENTAL SPENDING AND INVESTMENTS

The Group's commitment to environmental sustainability is further demonstrated by the 1.2 million euros invested in the environment by Italian production sites in 2018.

ENVIRONMENTAL SPENDING AND INVESTMENTS IN ITALY

EURO	2018	2017	2016
Waste disposal, waste treatment and environmental restoration costs	465,282	523,338	425,850
Costs for prevention and environmental management	738,422	828,334	882,053
Total	1,203,704	1,351,672	1,307,903

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, Scorzè, 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.

As part of vehicle distribution activities (for the contract valid for 2017-2019), the strategy to improve operating activities already under way continued. As a result, distribution activities for two-wheeler and commercial vehicles were basically stable in 2018 compared to 2017.

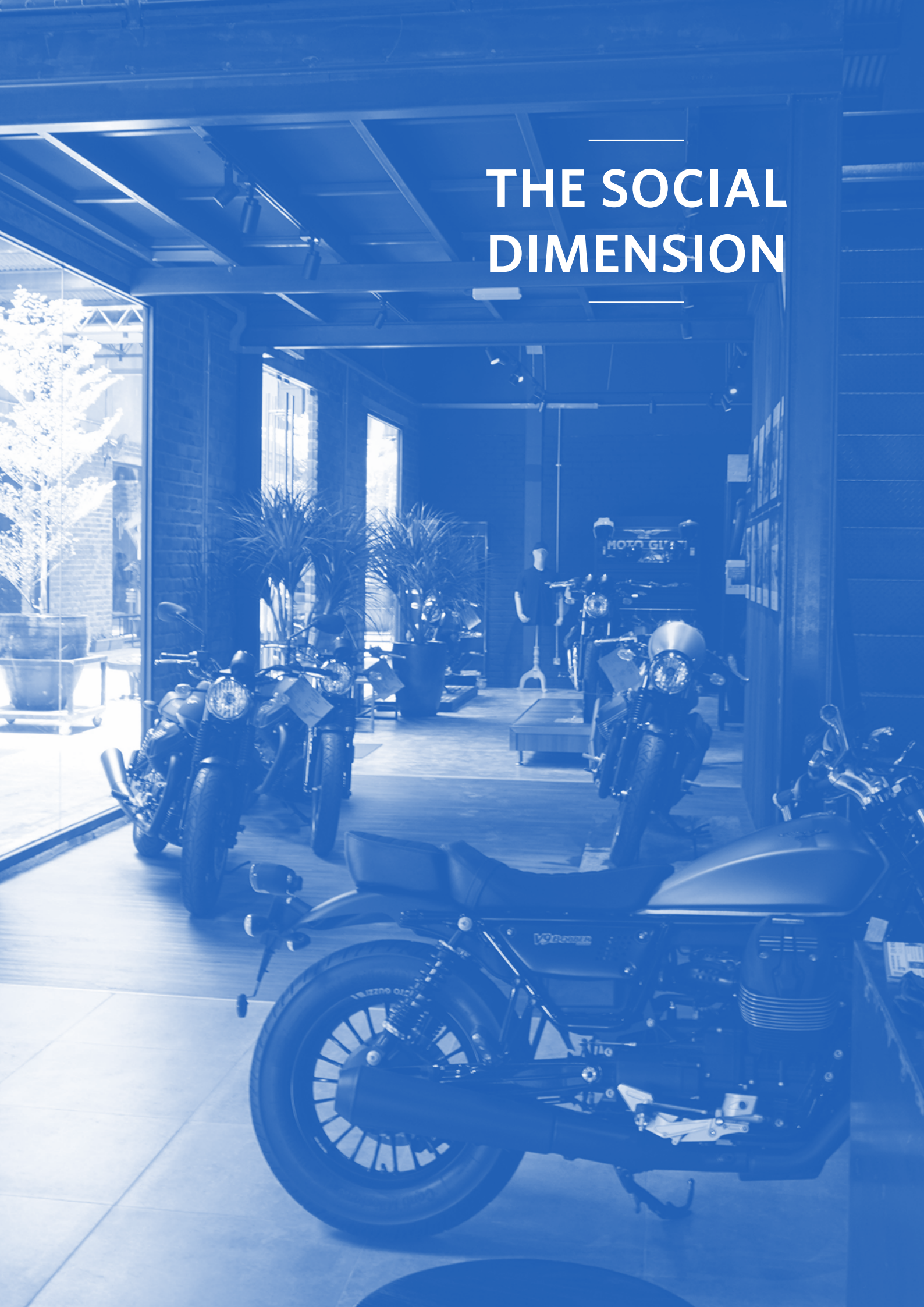
As part of activities to streamline distribution warehouses, a new distribution warehouse for Moto Guzzi vehicles (manufactured at the Mandello site) and Aprilia vehicles was set up, directly at the Scorzè site, making it possible to eliminate all transit necessary to store vehicles manufactured at the Aprilia site. Similarly, a project is being launched at the Pontedera site, enabling vehicles to be packed only during the dispatch stage. This will make it possible to combine the warehouses for packed and unpacked vehicles in 2019, eliminating all transfers of packed vehicles to the external warehouse, which will no longer be used.

Activities have started to have paperless transport documents as far as possible so that hard copy documents can be nearly entirely phased out.

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



→ THE SOCIAL DIMENSION

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“Behaving well and respecting the dignity of people and pursuing the common good is good for business. There is always a link between what we do and business, and between what we do and the future of a business”.

Interview with Pope J. Bergoglio – Sole 24 Ore 7 September 2018.

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. For this purpose, in compliance with Law 179/2017, an entirely new section with regulations on whistle-blowing, designed to protect workers who report unlawful activities and irregularities that come to their knowledge during their work, was added to the last revision of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001.



Respecting human rights
 Developing human resources
 Staff
 Personnel management policies
 Industrial relations
 Occupational health and safety
 Responsible management of the supply chain
 Supporting local communities
 Charity activities and sponsorships

COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
Skills model	<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"> - Consolidation of the managerial model for evaluating skills at all Group sites. - Definition of the training plan based on gap analysis of managerial skills in relation to the previous year. - Updating of digital skills for the Marketing area. 	<ul style="list-style-type: none"> - Updating of skills for the Sales area. - Periodic monitoring of competencies, gap analysis and the definition of a corrective action plan. 	<ul style="list-style-type: none"> - Verification and alignment of skills within the strategic plan requirements.
Talent management	<ul style="list-style-type: none"> - Dissemination of talent development plans at a 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"> - Assessment carried out to identify new talents at the Group's main sites. - Specific workshops held to consolidate the broad-ranging skills and language skills of participants. 	<ul style="list-style-type: none"> - Training session for people involved. - Creation of work teams by geographic area, to develop inter-functional projects. - Use of an IT platform to support group activities and development tools to develop professional and managerial skills. 	<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"> - Risk mapping and identification of main senior manager replacements. 	<ul style="list-style-type: none"> - Risk mapping at global level. - Identification of senior manager replacements. - Definition of the succession plan. 	<ul style="list-style-type: none"> - Continuous updating of the Succession planning process to reflect organisational and business developments.

Respecting human rights
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COMMITMENT	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
Training	<ul style="list-style-type: none"> - Support the business mainly in areas considered to be strategic. - Perform the training needs analysis on the Piaggio Global Training platform in a uniform manner. 	<ul style="list-style-type: none"> - Deliver training courses for areas identified as a priority by management for achieving company objectives. 	<ul style="list-style-type: none"> - Prepare an effective managerial training proposition, aligned with the Group's objectives for global development. 	<ul style="list-style-type: none"> - Consolidate tools for sharing methods for managing and developing training at global level.
Health and safety	<ul style="list-style-type: none"> - Implementation of the new IT (SAP H&S) 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 first two steps of the SAP H&S project. - Training on the new ISO 45001 standard for internal auditors. 	<ul style="list-style-type: none"> - Implementation of the third stage of the project. - Alignment of the health and safety management system with the new ISO 45001 standard. 	<ul style="list-style-type: none"> - Promotion of a "culture of safety".

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 focussed on aligning its organisation with international best practices. During 2018, it continued reorganisation activities to support its goals of achieving business growth, developing new products and improving efficiency and productivity.

As at 31 December 2018, Group employees numbered 6,515, down by 105 (-1.6%) compared to 31 December 2017.

COMPANY EMPLOYEES BY GEOGRAPHIC SEGMENT AS OF 31 DECEMBER

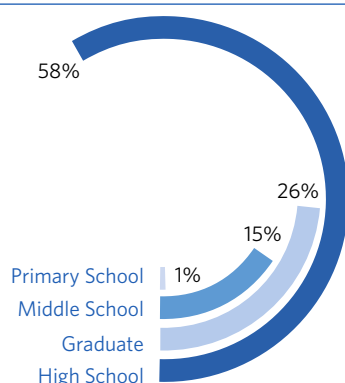
EMPLOYEE/STAFF NUMBERS	2018	2017	2016
EMEA and Americas	3,586	3,682	3,752
<i>of which Italy</i>	3,324	3,444	3,518
India	2,026	2,090	2,113
Asia Pacific 2W	903	848	841
Total	6,515	6,620	6,706

AVERAGE NUMBER OF COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY

EMPLOYEE/STAFF NUMBERS	2018	2017	2016
Senior management	98	96	100
Middle management	631	593	581
White collars	1,708	1,728	1,783
Blue collars	4,261	4,251	4,518
Total	6,698	6,668	6,982

COMPANY EMPLOYEES BY EDUCATIONAL QUALIFICATIONS AS AT 31 DECEMBER 2018

EMPLOYEE/STAFF NUMBERS	GRADUATE	HIGH SCHOOL	MIDDLE SCHOOL	PRIMARY SCHOOL	TOTAL
EMEA and Americas	763	1,773	992	58	3,586
<i>of which Italy</i>	597	1,697	977	53	3,324
India	579	1,447	0	0	2,026
Asia Pacific 2W	329	571	3	0	903
Total	1,671	3,791	995	58	6,515



An entry turnover rate of 4.7% and leaving turnover rate of 7.3% were recorded in Italy in 2018 (excluding staff on a fixed-term contract).

GROUP EMPLOYEE TURNOVER AS AT 31 DECEMBER 2018

STAFF AS AT 31 DECEMBER 2018		MEN	WOMEN	TOTAL	< 31	31 - 40	41 - 50	> 50	TOTAL	% TURNOVER
INCOMING										
Italy, EMEA & Americas	3,571	74	26	100	42	34	18	6	100	2.8%
Senior Management/Middle Management/Office Workers	1,443	74	25	99	42	33	18	6	99	6.9%
Blue collars	2,128		1	1		1			1	0.0%
India	1,308	129	8	137	63	60	14	0	137	10.5%
Senior Management/Middle Management/Office Workers	692	108	8	116	46	56	14		116	16.8%
Blue collars	616	21		21	17	4			21	3.4%
Asia Pacific	534	13	4	17	6	8	3	0	17	3.2%
Senior Management/Middle Management/Office Workers	229	12	4	16	6	7	3		16	7.0%
Blue collars	305	1		1		1			1	0.3%
Total	5,413	216	38	254	111	102	35	6	254	4.7%
Senior Management/Middle Management/Office Workers	2,364	194	37	231	94	96	35	6	231	9.8%
Blue collars	3,049	22	1	23	17	6	0	0	23	0.8%
LEAVERS										
Italy, EMEA & Americas	3,571	157	34	191	11	17	25	138	191	5.3%
Senior Management/Middle Management/Office Workers	1,443	72	14	86	10	17	18	41	86	6.0%
Blue collars	2,128	85	20	105	1		7	97	105	4.9%
India	1,308	134	5	139	38	69	23	9	139	10.6%
Senior Management/Middle Management/Office Workers	692	109	4	113	27	59	20	7	113	16.3%
Blue collars	616	25	1	26	11	10	3	2	26	4.2%
Asia Pacific	534	45	21	66	28	36	2	0	66	12.4%
Senior Management/Middle Management/Office Workers	229	14	17	31	9	20	2		31	13.5%
Blue collars	305	31	4	35	19	16			35	11.5%
Total	5,413	336	60	396	77	122	50	147	396	7.3%
Senior Management/Middle Management/Office Workers	2,364	195	35	230	46	96	40	48	230	9.7%
Blue collars	3,049	141	25	166	31	26	10	99	166	5.4%

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

The Group pursues an innovative organisational approach as a way to create a competitive edge and support a multicultural, multinational, lean organisation focussed on the customer and on generating value.

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

During 2018, resourcing activities mainly concerned top-level professionals and specialists, with considerable use of digital tools and social media.

The use of digital tools shared at global level supports the dissemination of common methodologies and approaches.

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. This is why the Group's human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

The Group's managerial and professional competencies model

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.

In 2018, gap analysis was conducted, in order to establish training plans to improve skills compared to the previous year.

THE GROUP'S MANAGERIAL COMPETENCIES MODEL



Development paths

The goal of the development tools is to build and improve the managerial and professional skills required by the respective models, while realising potential and assessing and rewarding excellent performance, as well as safeguarding specific technical know-how. Specifically, the tools used by Piaggio include:

- development plans, which identify the actions to be taken for employee development;
- Job rotation and participation in strategic or international projects;
- Management and professional training (see "Training" section);
- the talent management programme for younger employees (see the "talent management" section).

During 2018, development actions to reinforce the Group's international presence and promote the development of individuals who demonstrate potential were consolidated. In fact, a balanced mix of nationalities from countries where the Group operates took part in the talent 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 2018, 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 and language skills,
- International mobility,
- Potential,

as regards their specific role and company needs.

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 individual development and training path, to be implemented in accordance with a clearly defined time scale through the dedicated SAP SuccessFactors IT platform.

Employees are evaluated by comparing their competencies against the company model for their specific role, as evidenced by concrete and observable behavioural indicators relative to 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 2018, the Evaluation Management System was further consolidated at Group level. This standard evaluation system is for all office-based and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human resource development purposes.

PERCENTAGE OF EMPLOYEES WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEWS IN 2018¹⁹

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.

Talent Management: The talent development programme

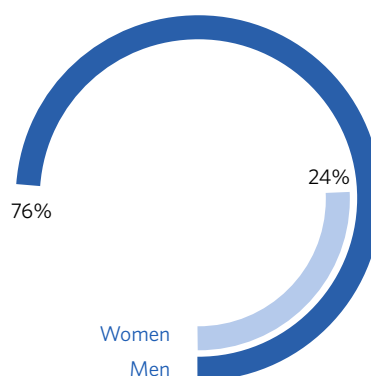
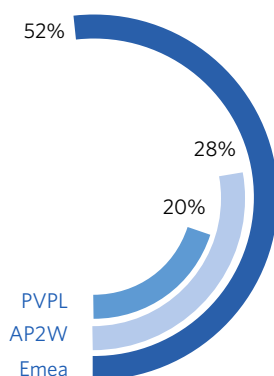
Programmes to manage young talent are one of the main tools used for development, attraction and retention. The programmes are aimed at employees around the world who show high potential, great enthusiasm for their work and the courage to undertake new directions, in order to identify and ensure a growth path for the most deserving resources. In general, these programmes allow talented employees to access customised development plans, which comprise:

- Job rotation;
- Strategic and international projects;
- events involving top and senior management;
- Coaching and personalised training.

The programmes include Piaggio Way, which involves employees of all geographic areas of the Group. At present 25 employees are involved, in addition to a community of 55 students who have completed their development plan and who still remain active in the programme.

The geographic breakdown of active participants is as follows: 52% EMEA, 20% India, 28% Asia Pacific.

A structured Talent Review process is conducted each year to verify programme participation.



GEOGRAPHIC DISTRIBUTION OF TALENT AND BREAKDOWN BY GENDER AS AT 31 DECEMBER 2018

¹⁹ The figures regard members of the company who have been employed for at least six months at the time of the evaluation.

Training

The number of hours of training went up by 30% over 2017, in part due to the considerable impact of the campaign for continual professional development targeting health and safety, which involved all categories of employees in Italy. Technical, professional and managerial training also increased, mainly with activities provided in India and Asia Pacific.

HOURS OF TRAINING²⁰ BY TRAINING AREA

THEMATIC AREA	2018				2017			
	EMEA AME-RICAS	INDIA	ASIA PACIFIC 2W	TOTAL	EMEA AMERICAS	INDIA	ASIA PACIFIC 2W	TOTAL
Managerial training	5,685	11,942	1,371	18,998	6,059	14,098	742	20,899
Technical - professional training	12,218	7,110	4,166	23,494	10,944	6,762	408	18,114
Language training	4,616	-	132	4,748	5,245	216	640	6,101
Health and safety training	29,418	8,674	3,059	41,151	5,608	5,186	5,544	16,338
TOTAL	51,937	27,726	8,728	88,391	27,856	26,262	7,334	61,452

TOTAL TRAINING HOURS BY PROFESSIONAL CATEGORY

PROFESSIONAL CATEGORY	2018	2017
Senior management	1,466	1,207
Middle management	12,100	10,727
White collars	36,724	33,662
Blue collars	36,434	11,953
Other workers	1,667	3,841
Total	88,391	61,452
Total per-capita ²¹	13.3	9.3

TRAINING HOURS BY GENDER

THEMATIC AREA	2018			2017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managerial training	16,368	2,630	18,998	18,670	2,229	20,899
Technical - professional training	18,353	5,142	23,494	16,047	2,067	18,114
Language training	2,977	1,771	4,748	4,054	2,047	6,101
Health and safety training	31,343	9,808	41,151	13,330	3,008	16,338
Total	69,041	19,351	88,391	52,101	9,351	61,452

²⁰The figure does not include hours of on-the-job training.

²¹ The calculation of the average per-capita hours is performed using the hours provided by the Group as the numerator (excluding those for non-salaried workers) and the total number of employees as at 31/12 as the denominator.

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.

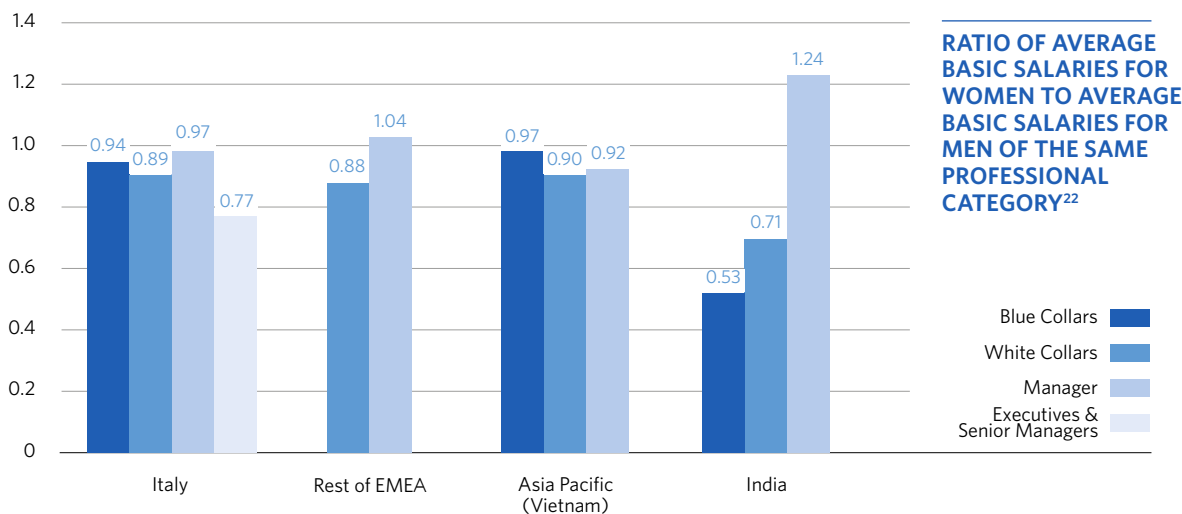
The Group reward system is differentiated for the various professional groups in the company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

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. This basic uniformity in salaries for male and female staff is also confirmed by an analysis of the minimum salary of new recruits and of guaranteed compliance with the limits established by local legislation.



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.

²² Categories not reported in individual geographic segments do not have any female employees.

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.

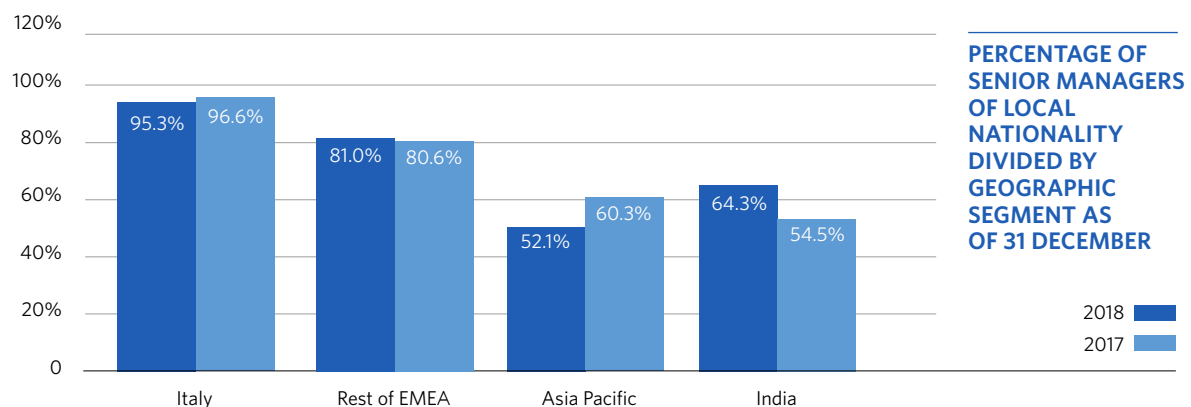
Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting differences as part of the shared substratum of company culture. Staff diversity represents various different ways 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 through shared digital platforms (company Intranet and tools supporting the work of HR such as the Success Factor, Piaggio Global Training), with a view to creating the conditions for fostering 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⁽²³⁾, Piaggio promotes and supports the recruitment of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.



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.

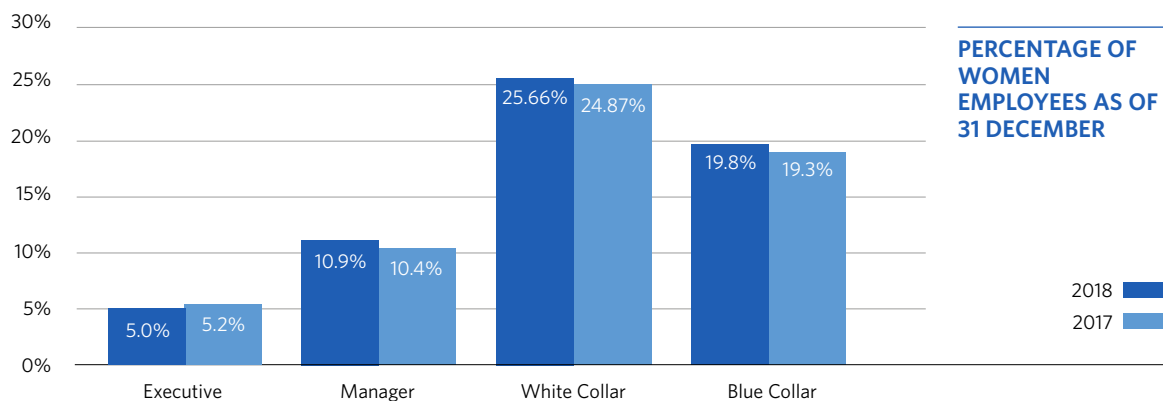
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure. Their presence, which is equal to 20.3%, is in line with the previous year, with growth in office-based and managerial positions.

²³ 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.

COMPANY EMPLOYEES BY GENDER AND GEOGRAPHICAL SEGMENT AS OF 31 DECEMBER

	2018		2017	
	MEN	WOMEN	MEN	WOMEN
EMEA and Americas	2,474	1,112	2,563	1,119
<i>of which Italy</i>	2,271	1,053	2,378	1,066
India	1,971	55	2,044	46
Asia Pacific	749	154	704	144
Total	5,194	1,321	5,311	1,309



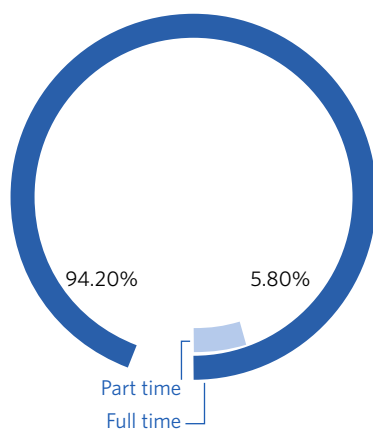
COMPANY EMPLOYEES BY CONTRACT TYPE, GENDER AND GEOGRAPHIC SEGMENT AS AT 31 DECEMBER 2018

EMPLOYEE/STAFF NUMBERS	FIXED-TERM CONTRACT			OPEN-ENDED CONTRACT		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	5	10	15	2,469	1,102	3,571
<i>of which Italy</i>	5	10	15	2,266	1,043	3,309
India	691	27	718	1,280	28	1,308
Asia Pacific	308	61	369	441	93	534
Total	1,004	98	1,102	4,190	1,223	5,413

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

COMPANY EMPLOYEES BY PROFESSION, GENDER AND GEOGRAPHIC SEGMENT AS AT 31 DECEMBER 2018

EMPLOYEE/STAFF NUMBERS	FULL TIME			PART TIME		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
EMEA and Americas	2,373	835	3,208	101	277	378
<i>of which Italy</i>	2,196	785	2,981	75	268	343
India	1,971	55	2,026	0	0	0
Asia Pacific	749	154	903	0	0	0
Total	5,093	1,044	6,137	101	277	378



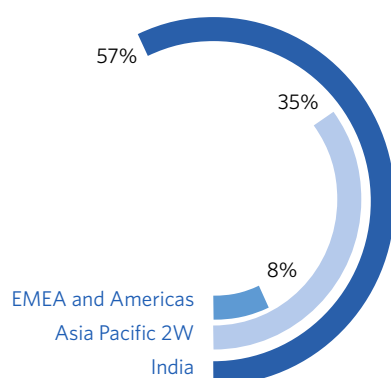
**PART-TIME
EMPLOYMENT
IN ITALY AS AT
31 DECEMBER 2018**

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.

COMPANY EMPLOYEES BY PROFESSIONAL CATEGORY AND AGE BRACKET AS OF 31 DECEMBER

EMPLOYEE/STAFF NUMBERS		UP TO 30	31-40	41-50	> 50	TOTAL
2018	Senior management	0	8	31	61	100
	Middle management	5	189	274	172	640
	White collars	265	607	494	372	1,738
	Blue collars	1,162	711	1,258	906	4,037
	Total	1,432	1,515	2,057	1,511	6,515
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



**COMPANY
EMPLOYEES
OF UP TO 30
YEARS OF AGE
BY GEOGRAPHIC
SEGMENT AS AT
31 DECEMBER 2018**

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 181 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 significant²⁴.

	EMEA & AMERICAS (INCLUDING ITALY)			ASIA PACIFIC		
	M	W	TOTAL	M	W	TOTAL
Employees on maternity leave during 2018	25	30	55	43	25	68
Employees returning in 2018 after maternity leave	25	18	43	43	24	67
Employees returning in 2017 after maternity leave	32	14	46	75	23	98
Employees returning to work and on the payroll 12 months after returning from maternity leave	26	14	40	43	23	66
Retention rate (%)	81.3%	100.00%	87.00%	57.33%	100.00%	67.35%

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 company publication Wide Piaggio Group Magazine, which is also published on the Group's websites, updated on a continual basis and available in Italian and English versions). 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.

²⁴ The figures refer only to parental leave requested up to the child's first birthday.

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.

Piaggio complies with the labour legislation of countries where it operates. The minimum notice to give in the case of major organisational changes depends on the country where the employee works and on local applicable legislation.

Italy

During 2018, 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 Bargaining Agreement (CCNL) is valid throughout Italy. In the case of major organisational changes, provisions of law and of the relative collective bargaining agreement are complied with.

In August 2017, the trade union organisations FIM, FIOM and UILM presented a platform to discuss an additional (second level) agreement for production units in Italy. Various meetings were held from 2017 onwards. Negotiations are still under way, involving trade union representatives from various sites (Pontedera, Noale, Scorzè and Mandello del Lario), and the provincial and national staff of industry trade unions.

As regards 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 October 2017 for the use of the Solidarity Contract from October 2017 to April 2018.

The Solidarity Contract was subsequently resumed, to run from November 2018 to March 2019.

In February 2018, a mobility procedure was launched for 180 employees was accepted and started in order to downsize staff activities and structurally rebalance the production workforce.

The Scorzè site was involved in the Solidarity Contract in the first quarter of 2018, following the agreement signed in October 2017; at the end of July 2018, a further agreement for a Special Redundancy Fund for reorganisation was signed, ending on 8 January 2019.

The Ordinary Redundancy Fund was also used on a residual basis in June/July 2018.

In October 2017, an agreed-on redundancy procedure was accepted and started for 70 employees in order to structurally rebalance the production workforce.

As regards the Mandello del Lario production site, the increase in production during summer 2018 was addressed with temporary employment contracts and flexible weekly working hours. The Ordinary Redundancy Fund was also used on a residual basis at the end of 2018.

Membership of trade union organisations at Italian sites (2016 – 2018) is shown in the table below:

	2018			2017			2016		
	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO	PONTEDERA	NOALE AND SCORZÈ	MANDELLO DEL LARIO
FIOM	248	125	41	267	127	41	269	134	40
UILM	285	1	2	280	1	2	303	1	2
FIM	326	141	21	321	139	23	321	137	23
UGL	5			8			11		
USB	36			35			26		
CGIL/CISL/ UIL	1			2			2		
Total number of employees who are members of a trade union	901	267	64	913	267	66	932	272	65
	35.8%	51.3%	68.8%	34.8%	50.1%	66.7%	34.0%	50.0%	66.0%

Overall, **episodes of industrial action** were down on the average figure for previous years, although slightly up on 2017. This increase, concerning micro-conflicts within the company, only concerned the Pontedera site, with figures that are not significant and that mainly concerned the actions of just one trade union organisation.

The table below summarises the hours lost through strikes in 2017 and 2018 at different company sites in Italy:

		2018	2017	2016
No. of hours lost due to strikes	general/category	1,400	1,100	19,151
	company	14,526	9,877	9,913
	Total	15,926	10,977	29,064
% hours lost compared to hours worked	general/category	0.07%	0.05%	1%
	company	0.8%	0.50%	0.50%
	of which Pontedera compared to hours worked in Pontedera	0.89%	0.58%	0.61%
	Total	0.83%	0.55%	1.50%
No. of days lost due to strikes	general/category	175	138	2,394
	company	1,816	1,235	1,239
	Total	1,991	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. In particular, two childcare agreements are in place for employees at the Pontedera site.

Moreover, 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 a valuable contribution in 2018, 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 6-month **"Road Safety"** campaign (starting in September 2018 and scheduled to end in March 2019) to increase awareness of safe road use, for all employees. This campaign, with specific monthly initiatives, was also organised as most employees engaged in manual activities travel to work by motorcycle/scooter;
- 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;
- the **"Piaggio Vietnam Summer Vacation"** lasting 3 days in August, when employees and their families were given a contribution to spend 3 days' holiday at a location selected in conjunction with the Company and trade union representatives;
- an **"Outing day"**, a team-building event lasting one day, held in August for all employees.

A company football tournament was also held, to increase team spirit through sport.
 No strikes were held in 2018.

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 worker 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 2018 and with an annual term of office) is made up of 8 members.

At the Indian subsidiary, a collective bargaining agreement is negotiated and signed at regular intervals. The agreement, which expired in July 2013, was renegotiated and renewed in March 2018, following trade union negotiations without any episodes of conflict. The agreement is valid for four years.

In 2018, besides signing the above agreement, the main activities concerning industrial relations focused on:

- reaching and achieving the manual labour productivity levels established in the new agreement. Based on these indicators, levels of manpower connected with varying levels of production were established;
- Implementation of a flexible temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- adopting other provisions in the agreement concerning salaries and other aspects (regulations on collective closures, the introduction of automation processes, flexibility in operating roles, training, etc.);
- Maintaining and improving positive and cooperative relations with workers and trade unions;
- guaranteeing compliance with labour laws, including following new government regulations (e.g. on the use of apprenticeships, regulations concerning pension funds, etc.);
- Employee engagement to improve business climate and, accordingly, employee motivation. In line with this approach, Piaggio organised numerous activities to engage its employees, including sports competitions, health checks-ups and prevention initiatives, initiatives to raise awareness of environmental issues 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 in order to enable:

- Continual developments designed to create a safer working environment, based on assessing all aspects of safety at work and the associated systems, to be launched when 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.

All employees guarantee and work together to put in place effective occupational health and safety programmes, to safeguard their own safety and that of others.

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. Within this context, 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 2018.

With the expiry of the certification of the Occupational Health and Safety Management System (end of 2019), Italian sites will migrate from BS OHSAS 18001 to the new standard ISO 45001:2018.

In line with requirements of the new version of ISO 45001:2018, the number of meetings with worker safety representatives has been increased at the Pontedera site, in order to further consolidate consultation and participation activities with a view to continually improving the Occupational Health and Safety Management System; during these meetings, the results of the analysis of accidents and their causes are discussed.

In line with Occupational Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering behaviours focussed on safety leadership, as well as 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

During the year, implementation of the SAP H&S IT application continued, with the assistance of the Information Technology department. This software is dedicated to managing Health and Safety aspects and covers the following in particular: accident management, reporting risk conditions and management logs, risk assessment and health surveillance. During 2019, aspects related to the following modules will be implemented: audits & inspections, managing findings and nonconformities, tracking register, company emergency plan, managing personal protective equipment, managing contractors, occupational diseases and dashboard & reporting.

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" and "Health & Safety" functions 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.

FREQUENCY INDEX²⁵ - ITALY

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Pontedera	1.0	1.6	1.2	1.2	1.9	1.4	1.1	2.5	1.5
Noale and Scorzè	0.4	0.7	0.5	0.4	0.0	0.3	1.4	0.0	1.1
Mandello del Lario	0.7	0.0	0.7	0.0	0.0	0.0	0.5	0.0	0.5

The reduction in the frequency index for the Pontedera site for 2018 (compared to previous years) reflects the Group's commitment to creating a "safety culture", in which the promotion of a "safe conduct" is key to change.

SEVERITY INDEX²⁶ - ITALY

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Pontedera	16.6	44.3	24.5	23.4	48.7	30.6	19.8	69.3	33.5
Noale and Scorzè	12.2	9.3	11.6	7.7	0.0	6.1	28.9	0.0	22.7
Mandello del Lario	9.8	0.0	9.2	0.0	0.0	0.0	10.2	0.0	9.2

The considerable decrease for the Pontedera site is particularly important.

OCCUPATIONAL DISEASES IN ITALY

	2018		2017		2016	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Pontedera	70	(*)	95	(*)	104	42
Noale and Scorzè	0	0	0	0	0	0
Mandello del Lario	1	0	0	0	1	0

(*) to date, the outcome from INAIL concerning occupational diseases reported in the year of reference is not known.

NUMBER OF FATAL ACCIDENTS IN ITALY

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Pontedera	1 ^(a)	0	1	0	0	0	0	0	0
Noale and Scorzè	0	0	0	0	0	0	0	0	0
Mandello del Lario	0	0	0	0	0	0	0	0	0

(a) an accident occurring while commuting

As regards external companies operating at Piaggio & C.'s Italian production sites, 7 accidents were recorded for 2018, only regarding the Pontedera site (3 in 2017 and 4 in 2016).

²⁵The frequency index is calculated as $If = (\text{no. of accidents} \times 100,000) / \text{Hours worked}$.

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. As per Article 53, both commuting accidents and accidents not considered credible, or without satisfactory evidence (due to the lack of a violent cause or lack of a causal link or lack of work activity) are reported.

²⁶ The severity index is calculated as $Ig = (\text{working days lost through accidents [see note 25]} / \text{hours worked}) \times 100,000$.

Vietnam

The main priority of the company is the compliance with local laws, international health and safety standards and Piaggio Group policies. Within this context, the company guarantees the pursuit of objectives to improve worker health and safety through a dedicated H&S facility.

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, a number of initiatives have been adopted, designed to build a culture of safety and raise awareness of employees and their families on this issue; these include: "Safe test in Feb", "National Labor Safety Month in May", "National Traffic Safety Month in Sept", "Signage" and the "Road Safety Campaign".

FREQUENCY INDEX - VIETNAM

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Vietnam	0.0	0.0	0.0	0.21	0.0	0.18	0.21	0.0	0.18

The frequency index for 2018 reported a decrease compared to previous years.

SEVERITY INDEX IN VIETNAM

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Vietnam	0.0	0.0	0.0	9.42	0.0	7.92	2.89	0.0	2.43

The considerable decrease in the trend is particularly important.

OCCUPATIONAL DISEASES IN VIETNAM

	2018		2017		2016	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Vietnam	0	0	0	0	0	0

Compared to the considerable national trend, the number of occupational diseases reported at the Vietnamese site was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

NUMBER OF FATAL ACCIDENTS IN VIETNAM

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Vietnam	0	0	0	0	0	0	0	0	0

As regards external companies operating at Piaggio & C.'s Vietnamese site, no accidents were reported in 2018.

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), a single person across 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 includes executives, managers and office workers. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate an awareness and safety culture among employees in the workplace. 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.

FREQUENCY INDEX - INDIA

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0.011	0.0	0.01	0.0	0.0	0.0	0.0	0.0	0.0
2W India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spare Parts	0.0	0.0	0.0	0.02	0.0	0.02	0.0	0.0	0.0

SEVERITY INDEX IN INDIA

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	1.019	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
2W India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spare Parts	0.0	0.0	0.0	4.1	0.0	4.1	0.0	0.0	0.0

OCCUPATIONAL DISEASES IN INDIA

	2018		2017		2016	
	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED	REPORTED	ACKNOWLEDGED
Engine & Commercial Vehicles	0	0	0	0	0	0
2W India	0	0	0	0	0	0
Spare Parts	0	0	0	0	0	0

Compared to a considerable national trend, the number of occupational diseases reported at Indian sites was equal to zero and reflects the Piaggio Group's commitment to achieving the objective of guaranteeing healthy workplaces.

NUMBER OF FATAL ACCIDENTS IN INDIA

	2018			2017			2016		
	M	W	TOT	M	W	TOT	M	W	TOT
Engine & Commercial Vehicles	0	0	0	0	0	0	0	0	0
2W India	0	0	0	0	0	0	0	0	0
Spare Parts	0	0	0	0	0	0	0	0	0

As regards external companies operating at Piaggio & C.'s Indian production site, only 1 accident was reported in 2018, and in 2017.

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 17,100 units in 2018, equivalent to 2.8% 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 2018, Italian plants purchased merchandise and spare parts for an overall value of 389 million euros (excluding complete vehicles) from around 710 suppliers.

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

GEOGRAPHIC LOCALISATION OF THE SUPPLIERS OF ITALIAN PLANTS²⁷

GEOGRAPHICAL SEGMENT	2018	2017	2016
EMEA	65.7%	68%	70%
China+Taiwan	20.8%	19%	19%
Vietnam	5.8%	5%	3%
India	6.7%	7%	7%
Japan	0.3%	1%	1%
Others	0.7%	-	-

In 2018 payments were made to suppliers for about 627 million euros.

Indian plants

In 2018, plants in India purchased raw materials, merchandise and spare parts for an overall value of 305 million euros from around 590 suppliers.

The first ten suppliers made up 35% of the total purchases.

GEOGRAPHICAL LOCATION OF THE SUPPLIERS TO INDIAN PLANTS

GEOGRAPHICAL SEGMENT	2018	2017	2016
India	95.1%	97.2%	98.6%
Other	4.9%	2.8%	1.4%

In 2018 payments were made to suppliers for about 352 million euros.

²⁷ For the calculation of the percentages, the value of incoming goods for orders - open orders was taken into consideration.

Vietnamese plants

In 2018, plants in Vietnam purchased merchandise and spare parts for an overall value of 141 million euros from around 220 suppliers.

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

GEOGRAPHICAL LOCALISATION OF THE SUPPLIERS OF VIETNAMESE PLANTS

GEOGRAPHICAL SEGMENT	2018	2017	2016
Vietnam	53.3%	47.1%	46.5%
China+Taiwan	21.3%	19.8%	22.0%
EMEA	20.1%	26.9%	24.1%
India	2.0%	2.4%	2.4%
Others	3.3%	3.8%	5.0%

In 2018 payments were made to suppliers for about 139 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 responsibility is a commitment which goes beyond the boundaries of the Company and must positively involve everyone in the Company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the "Code of Ethics and Guidelines for doing business"; audits are regularly conducted on the Group's 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 2018, Group Supplier analysis and monitoring continued, as did the mapping of controlling partners/shareholders of strategic partners. Furthermore, on the subject of compliance, checks and controls on any politically exposed persons and/or subjects included on anti-terrorist lists (or in any case on lists regarding possible offences that could harm the company's reputation) among Suppliers continued, in order to mitigate "reputational risk". All possible financial variations and other variations to the company that could affect perceived risk are presented to a Suppliers' Committee (comprising the Purchasing Manager, Managers of Production Development (2W, 3-4W), the Manager of Administration and Credit Management, as well as the Finance Manager and the Chief Financial Officer) during periodic meetings in order to identify remedial actions and those dedicated to improving performance, whenever critical issues are identified.

The Financial Assessment of Aprilia Racing Strategic Suppliers continued in 2018, along with an analysis of the financial and corporate reliability of the main Sponsor Companies of the Aprilia Racing Team, including the monitoring of possible risks to reputation.

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 pre-qualification 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, referred to as the "Vendor Rating Campaign", during which investigate the materials supplied for the period in question are examined, 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. The process involves:

- 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 2018 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	2018 OBJECTIVES	2018 RESULTS	2019 OBJECTIVES	MID-TERM OBJECTIVES
Development of relations with local communities where the Group operates.	- 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. - Piaggio Museum - expansion of the display area. 	- 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 Foundation²⁸

2018 was a milestone in the history of the Fondazione Piaggio. Indeed, all sectors where the Foundation is active reported considerable growth, both in quantitative and qualitative terms, including increasingly important scientific and cultural events with an international focus, closer ties with institutions and the economic and social organisations in the areas where Piaggio operates, more initiatives for young people, stronger relations with the Vespa Clubs and above all considerable additions to the Piaggio Museum.

Piaggio Museum

The Piaggio Museum, with its historic focus on the Vespa, changed considerably during the year, with a new look and additions to its collections. A further two rooms dating from the first half of the twentieth century were renovated, and consequently the display area was increased from 3,000 metres of floor space to over 5,000 metres. Two new rooms have been set up to house the collections of the Piaggio Group's Commercial Vehicles, Scooters and Motorcycles, mainly showcasing the Gilera brand, but also Aprilia racing and vintage Moto Guzzi vehicles; the two existing areas house the Vespa collection.

²⁸ Information on the Fondazione Piaggio, which is not included in the scope of consolidation of the Group, refers to qualitative aspects useful for understanding its focus on the social context, even though this information is not included in the scope of consolidation.

With over 250 superb vehicles on show, the Museo Piaggio has become the largest and most comprehensive museum in Italy dedicated to two-wheelers, and the only venue that can trace the story of an industry characterised by such extraordinary technological development and innovation, whose evolution has made its mark on the history of Italy and Europe.

Additions to the collections involved considerable effort, with the restoration of vintage vehicles already in the company's warehouses, and the purchase of new items. Indeed, the number of motorcycles on display has increased from just over 30 to more than 100. Piaggio's latest exhibits include: more than 20 scooters, mainly Ciao, two mowers, a water jet engine, numerous new versions of the Ape, a rare "four-seater" version of the Vespa 400 and of course many different Vespa models.

An art gallery has also been created housing a collection of works, mainly on the theme of Vespa, that have been donated over the years to the Fondazione Piaggio by artists of national and international acclaim, as well as a new, capacious store where visitors can find books, items and memorabilia relating to Piaggio. The Museum is also home to relaxation and reading areas and a refreshment area with an Ape "bar".

To support the project to expand the Museum, a communication and promotion programme was run throughout the year, with various activities including: the design of new graphics, signs and brochures, publicity programmes, the distribution of informative material at the main tourist information offices in the area, with a particular focus on tourist areas during the summer season, social media campaigns, meetings to present the Museum held for institutions and specific categories of potential visitors to the Museum.

The expansion also represented an opportunity to improve the multi-media facilities. A 55-inch touch screen was installed where users can consult technical information, view adverts and read other information about the vehicles on display, as well as new 75-inch TV screens for watching dedicated videos and monitors showing vintage material on a loop.

Piaggio historical archive

In 2018, 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. Particularly important work was carried out with regard to historical aspects and documents during the renovation and extension of the Museum areas, with the opening of the area dedicated to the Group's motorcycle brands (Gilera, Moto Guzzi, Aprilia) and to Piaggio products (Ape, Porter, scooters, etc.). The Historical Archive strengthened its ties with Piaggio's internal departments, providing historical advice as well as selecting and sending images and documentary material, in particular for a number of licensing projects. Specifically, this included activities to supervise the collections: "Passione motorini" and "Vespa Collection" (both published by Centauria) were particularly important. Support was also provided for the upcoming publication of the book dedicated to the Vespa by the publishers Whitestar. The Archive also launched activities to assist Piaggio's Press Office in sorting and updating the historical material available in the Press Area.

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, artistic and cultural 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 audiences and attract new visitors.

EXHIBITIONS

Exhibitions are an important vehicle for communication and for attracting the public. The 2018 programme of events, all sponsored by the Region of Tuscany, is provided below:

- Futurpiaggio - 6 lezioni italiane sulla mobilità e sulla vita moderna (Futurpiaggio - 6 italian lessons on mobility and modern life)
 21 April / 10 June

At the same time as the larger exhibition areas and permanent collections were inaugurated, the Piaggio Museum showcased the history and future of mobility, with the "FuturPiaggio - 6 lezioni italiane sulla mobilità e sulla vita moderna" exhibition. Through a stunning visual display, specifically inspired by futurism and a celebration of motorcycling, the exhibition led visitors on a exploration of the spirit of the book by Jeffrey Schnapp (Professor in Romance Literature and Comparative Literature at the Department of Architecture and Design, Harvard University), to celebrate 130 years of the history of the Piaggio Group.

- Centomani - una città per tutti (one hundred hands - a city for everyone)
 16 June / 22 July (extended to 18 September)

An art installation with the artist Aleandro Roncarà and students from the Classical-Scientific High School XXV Aprile, supported by the Municipality of Pontedera and Fondazione Piaggio.

The topic for this year's installation was: sustainable mobility and art. The purpose was to promote an innovative artistic project that can raise awareness among new generations of issues relating to disability and the mental and cultural barriers that exist for persons with disabilities.

At the end of the exhibition, a workshop was held alongside a competition in association with the publishers Panini, involving the students and visitors to the Museum on social media.

- Animal spirit - per amore della Vespa (animal spirit - for the love of Vespa)
 29 September / 15 November

The acclaimed artist and US skater Jeremy Fish brought an exhibition to the Museum where he showcased the main vehicles in the Piaggio collection, with his artistic interpretation of their "animal spirit". Fish, who is a huge fan of Vespa and Ape, displays his works in the United States, in international galleries and museums, and also produces design work and commercial illustrations for leading companies worldwide.

- Supereroi al Museo Piaggio - i fumetti di Giovanni Timpano (super heroes at the Piaggio Museum - the comic strips of Giovanni Timpano)
 20 December / 31 January

The Museum dedicated an exhibition to comics to mark the arrival of the "Superhero" Vespa at the Piaggio Museum, inspired by the comics of Marvel and DC, and hand decorated by the artist Germana Triani.

The Piaggio Museum's art collection includes a large statue of Micky Mouse in a "Vespa" version, and the Vespa 50 Special "Mickey Mouse", decorated entirely by hand by Germana Triani, with Micky Mouse colours in vintage style. To celebrate the 90th birthday of Mickey Mouse, these works were displayed as part of an exhibition dedicated primarily to the comic strips of Giovanni Timpano²⁹.

- Airships | dirigibili
 22 November / 15 December

An exhibition on the history of airships and their connection with the town of Pontedera, inaugurated to mark the presentation of the book of the same name by Max Pinucci.

CONCERTS

A considerable number of concerts by nationally and internationally acclaimed artists were held in 2018. Partnerships with local music academies and institutions were strengthened and consolidated, with the aim of putting on a concert season next year. The following concerts were held in 2018:

- Giovanni Baglioni in concert

²⁹ Co-creator of the Eclipse series and current illustrator of The Shadow/Batman TV series.

- Giulio De Padova in concert – piano concert
- SE MI COPRI ROLLO AL VOLO concert with Tommaso Novi
- Concert dedicated to Mario Castelnuovo Tedesco – in association with the Accademia della Chitarra (Guitar Academy)
- Concert by the Pontedera Choir - Pontedera in...coro
- DISTICHÓS concert with Marina Mulopulos
- A tango evening TANGOS Y DANZAS ARGENTINAS - Music and dance with the Livorno Music Festival
- The THOUSAND SOULS OF REVOLUTION concert with the Honolulu Symphonic Orchestra
- REBIRTH Concert with the Fabrizio Savino Trio
- IN BLUES concert with Andrea Biagioni
- Concerto BACK TO THE ROOTS OF BLUES AND ROCK AND ROLL with Bobby Solo
- CHOPIN, PADEREWSKI E SZYMANOWSKI concert with Kamil Pacholec
- L'OTTAVA NOTA concert in association with the Associazione Poliedro association
- MUSICA E PAROLE - STOP ALLA VIOLENZA CONTRO LE DONNE (MUSIC AND WORDS - STOP VIOLENCE AGAINST WOMEN) concert
- CONCERTO DI NATALE - (CHRISTMAS CONCERT) Children's choir and adult's choir in association with the Accademia della Chitarra

THEATRE

- CENA CON DELITTO - (MURDER PARTY) an intriguing evening in support of the Charlie Telefono Amico helpline association, organised by the cultural association "Delitti e Contorni".
- MODARTECH FASHION SHOW 2018: new visions, materials and innovative approaches on the runway, of young students from the Istituto Modartech fashion design institute, that works with the Piaggio Foundation on a regular basis, lending a hand with a "younger outlook" to museum displays and communication.
- IMPARA A STUPIRE (LEARN TO WONDER) Walter J. Klinkon at the Museo Piaggio.
- 68x15 UNA QUESTIONE DI COSCIENZA (68x15 A QUESTION OF CONSCIENCE). Memories of 1968 curated by ViviTeatrocoro

SPECIAL EVENTS

- #VESPACOLORDDAYS: TWO DAYS CELEBRATING THE VESPA!
 To mark the fifty years of the Vespa Primavera and the inauguration of the new exhibition areas at the Piaggio Museum, two days of celebrations were held at the Museum and in the town of Pontedera, with tours of Piaggio production lines, live concerts, street food on sale outside the Museum and more.
 A special event on stamp collecting was also held, organised in association with the Italian Post Office: una cartolina celebrativa del 50° anniversario di Vespa Primavera (a commemorative postcard for the 50th anniversary of the Vespa Primavera) organised by Piaggio and open to all Museum visitors, who took part in the launch of a special postmark.

BOOK LAUNCHES

- Presentation of the book by Francesca Masi "Tu sei oncologica, vero?" (You're an oncologist, aren't you?);
- Presentation of the book by Andrea Fucile 50 PK. Giro d'Italia in Vespa (Giro d'Italia on a Vespa) organised in association with the Tuscany Vespa Club;
- Presentation of the book by Giuseppe Lupo "Gli anni del nostro incanto" (The years of our enchantment);
- Presentation of the book by Giampaolo Simi "Come una famiglia" (Just like a family);
- Presentation of the Museum Edition of the book by Max Pinucci AIRSHIPS | DIRIGIBILI;
- Presentation of the book by Saverio Tommasi "Sogniamo più forte della paura" (Dreams are stronger than fear);
- Presentation of the book by Luca Bianchini "So che un giorno tornerai" (I know you'll come back one day);
- Presentation of the book "Pisa da gustare" (Pisa, a taste tour) by Paolo Ciolli with illustrations by Renzo Galardini.

CONGRESSES AND CONFERENCES ORGANISED AND/OR SPONSORED BY THE FONDAZIONE PIAGGIO

- The Conference STOP ALLA VIOLENZA CONTRO LE DONNE (STOP VIOLENCE AGAINST WOMEN) organised in association with the Equal Opportunities Commission of the Union of Valdera Municipalities, to mark the International Day for the Elimination of Violence against Women.
- National congress on FINE VITA (END OF LIFE).
- LA PAROLA AI GIOVANI - DIALOGO CON LA GENERAZIONE DEL NICHILISMO ATTIVO (OVER TO YOUNG PEOPLE - A DIALOGUE WITH THE GENERATION OF ACTIVE NIHILISM) with Umberto Galimberti organised in association with the Charlie Telefono Amico helpline association.
- Workshops and meetings organised with the Italian Institute for Technologies, the Sant'Anna School of Advanced Studies and Turin Polytechnic.
- A meeting with Tina Montinaro (widow of the lead body guard of the Judge Giovanni Falcone), held in conjunction with the association Libera.
- Round table on Breast units as qualified centres for treating breast cancer, in conjunction with the association Non più Sola.
- COMMEMORAZIONE DEL CENTENARIO DELLA FINE DELLA PRIMA GUERRA MONDIALE (COMMEMORATION OF THE CENTENARY OF THE END OF THE FIRST WORLD WAR) curated by Lieutenant General Marco Bertolini - Event organised in collaboration with the Pontedera Rotary Club
- The national seminar DIAMOCI UNA MANO (LET'S LEND A HAND) organised by the Istituto Comprensivo G. Mariti di Fauglia as lead school of the national network "Senza Zaino per una scuola comunità" (No school bags for a community school), for parents of schoolchildren.
- National Catholic Action Conference.
- National and international scientific congresses and conferences on engineering, physics, robotics, medicine, etc. hosted to promote the new Piaggio Museum and affirm the Piaggio Foundation's role in the scientific and social spheres.

EVENTS TO CELEBRATE OUTSTANDING LOCAL PRODUCTS

- CARNEVALE DEI RAGAZZI E FESTA DEL BIGNÈ (CHILDREN'S CARNIVAL AND THE FESTIVAL OF THE BIGNÈ), an evening with the Orentano Association, which dedicated the 50th edition of the event to celebrating 50 years of the Vespa Primavera.
- MUSEO E DINTORNI - LE ECCELLENZE ENOGASTRONOMICHE DEL TERRITORIO (THE MUSEUM AND THE LOCAL AREA - OUTSTANDING LOCAL FOOD AND WINES), a day of tastings, meetings and workshops on food organised in association with "La strada del vino delle colline pisane, Terre di Pisa (The wine trail of the Pisa hills, the Pisa countryside), and local municipalities. Funds raised from the initiative went to support companies and communities affected by the fire in the Monte Pisano area of 25 September 2018.

EVENTS TO PRESENT THE NEW MUSEUM AND ACTIVITIES OF THE PIAGGIO FOUNDATION

- Meeting with Trade Associations of the Municipality of Pontedera.
- Yallers: a day dedicated to influencers/instagrammers from the Yallers Tuscany community. The visit to the Museum was followed by a "truffle experience" organised in association with Savini Tartufi.
- A meeting with members of the Terre di Pisa Association, the brainchild of the Chamber of Commerce of Pisa promoting excellence in food, agriculture, art, artisanal products, history, nature and tourism in the Pisa area.
- Meetings and events with regional and national institutions and trade associations.

EVENTS AND PROGRAMMES DEDICATED TO YOUNG PEOPLE AND STUDENTS

- CREA@TIVITY. This year's edition, the 13th, was dedicated to "materialisation and dematerialisation" , to be interpreted as moments for exchange and dialogue, in a journey through areas where synergies, meetings and exchanges become fertile terrain for a language of design, from vision and ambiguity to cross-contamination of ideas and transformation.
- CREATIVITÀ E PROFESSIONE (CREATIVITY AND PROFESSION), a conference organised in association with Modartech.

- CELEBRAZIONE DEL 70° ANNIVERSARIO DELLA COSTITUZIONE (CELEBRATING 70 YEARS OF THE ITALIAN CONSTITUTION) - A meeting with students from schools in the Valdera area.
- Dynamic presentations of school/work experience projects, curated by teachers from the XXV Aprile high school.
- PARLAMENTO EUROPEO DEGLI STUDENTI (EUROPEAN PARLIAMENT OF STUDENTS), annual meeting.
- CERTAMEN, prize-giving ceremony for the classical literature competition for high school students.
- GIOCHI MATEMATICI (MATHS GAMES), prize-giving ceremony for winners of the maths competition for high school students.
- CENTISTI, prize-giving ceremony for high school students receiving top marks.
- DAI GIOVANI PER I GIOVANI - LASCIATI PUNGERE AL MUSEO PIAGGIO (FOR YOUNG PEOPLE FROM YOUNG PEOPLE - LET THE PIAGGIO MUSEUM MAKE ITS MARK) - a school/work experience project by students from the XXV Aprile high school in Pontedera who planned, organised and managed a week of guided tours of the Museum for their peers.
- CYBERBULLISMO (CYBER BULLYING), a meeting with young people on how to prevent and tackle cyber bullying (an Erasmus project of Pontedera high schools, in association with other European schools)
- TAVOLA DELLA PACE (A PEACE PANEL), with students from high schools.
- A lesson for Modartech students held by Maison Gattinoni on communication and creativity in fashion.

The Piaggio Foundation continued its TEACHING INITIATIVES for students, from pre-school age to university, on historical, technical, artistic and economic themes.

Various TEACHING EVENTS AND WORKSHOPS FOR FAMILIES were held on Saturdays to allow parents that work to take part with their children. Topics of particular interest included:

- D'ARTAGNAN IL MAGO DELLE BOLLE (THE BUBBLE WIZARD) to celebrate carnival.
- I MAGHI DEL RICICLO (THE RECYCLING WIZARDS) held during National Family Day at the museum.
- PICCOLO SPAZIO... PUBBLICITÀ (SMALL SPACE... ADVERTISING) for the "Amico Museo" (Museum and friends) event.
- SULLA STRADA... CON I ROBOT (ON THE ROAD... WITH ROBOTS) workshops organised in association with Great Robotics, a spin-off of the BioRobotic Institute of the Sant'Anna Advanced School of Studies.

Over 10,000 students and young people took part in the above events and programmes.

EVENTS ORGANISED IN ASSOCIATION WITH VESPA CLUBS OR OTHER MOTORCYCLE CLUBS

- Meetings of council members from towns belonging to the ASSOCIAZIONE CITTÀ DEI MOTORI (ASSOCIATION OF MOTOR VEHICLE TOWNS).
- National and regional VESPA CLUB rallies, including the rally celebrating the ANNIVERSARY OF THE VESPA PRIMAVERA and the IN VESPA PER IL SERRA rally, organised to raise funds in favour of communities affected by the disastrous fire in the Monte Pisano area.
- Celebrations of the 90th BIRTHDAY OF THE RIDER GIUSEPPE CAU, with the presentation of videos for his 90 years dedicated to the Vespa.
- VINTAGE CAR AND MOTORCYCLE RALLIES, from Ciao mopeds to luxury cars.
- RALLIES OF CAMPER VAN ASSOCIATIONS, with tours of the Piaggio Museum and outstanding local products
- THE TUSCAN STAGE OF THE MOTO GUZZI EXPERIENCE - organised by the Marketing and Communication Department of Piaggio.

PUBLICATIONS

The proceedings of the conference hosted by the Piaggio Foundation on Giovanni Gronchi and Italian foreign policy (1955 - 1962), the 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 main initiatives that involved the loan of vintage vehicles as well as images and documents from the archive.

EVENT	PLACE	VEHICLE
Fondazione Musei Civici, the exhibition Motocicletta. L'architettura della velocità (The Motorcycle. The architecture of speed)	VENICE	Vespa Venice (1967), Gilera Quattro Cilindri (1963), Ciao Japan version (2003)
Venaria Reale, the exhibition Easy Rider. Il mito della motocicletta come arte (Easy Rider. The myth of the motorcycle as art)	TURIN	Vespa PX 125 E "Roma-Saigon" (Bettinelli, 1993), Moto Guzzi VII (1969) from Mandello
Mercateinauto	PARMA	Prototype of the four-seater Vespa 400 (1955)
EICMA	MILAN	Vespa GS 1959 and Ciao 9T (1967), the latter for the Motorcycling stand

CHARITY ACTIVITIES AND SPONSORSHIPS

2018 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.

Charity events supporting the partnership were also organised in Europe, Asia and India.

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 2018, 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 Italy, under the aegis of the Vespa for Children project, Piaggio took part in various events held in 2018 to help the community, donating vehicles for charity auctions and raising funds for the Italian Association for Cancer Research, AIRC, and the children's charity Fondazione Laureus.

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.

The partnership between Moto Guzzi and Canottieri Moto Guzzi was renewed in 2018. During Open House at Mandello del Lario in September, the historic site of this Rowing Club was chosen as the location for an event dedicated to Moto Guzzi fans.

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





TABLE OF GLOBAL REPORTING INITIATIVE INDICATORS – 2018 SUSTAINABILITY REPORTING STANDARDS

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
GENERAL DISCLOSURES				
1. STRATEGY AND ANALYSIS				
102-14	Statement from senior decision-maker	Letter from the Chairman		
2. ORGANISATIONAL PROFILE				
102-1	Name of the organisation	The commitment of the Piaggio Group		
102-2	Activities, brands, products, and services	Group profile		
102-3	Location of headquarters	Group profile		
102-4	Location of operations	Group profile		
102-5	Ownership and legal form	Corporate Governance		
102-6	Markets served	Group profile		
102-7	Scale of the organisation	Group profile		
102-8	Information on employees and other workers	The social dimension – Staff		
102-9	Supply chain	The social dimension Responsible management of the supply chain		
102-10	Significant changes to the organization and its supply chain	Group profile		
102-11	Precautionary Principle or approach	The social dimension The environmental dimension The product dimension		
102-12	External initiatives	The product dimension - Funded national and European projects		
102-13	Membership of associations	The product dimension - Funded national and European projects The social dimension - Supporting local communities		
3. IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
102-45	Entities included in the consolidated financial statements	Methodological note - Report boundary		
102-46	Defining report content and topic Boundaries	Methodological note		
102-47	List of material topics	The commitment of the Piaggio Group - Sustainability strategy Methodological note - Materiality analysis, Report contents		
102-48	Restatements of information	Methodological note		
102-49	Changes in reporting	Methodological note		
103-1	For each material Aspect, report the Aspect Boundary within the organization.	Methodological note		
4. STAKEHOLDER ENGAGEMENT				
102-40	List of stakeholder groups	The commitment of the Piaggio Group - Stakeholders' involvement		
102-42	Identifying and selecting stakeholders	The commitment of the Piaggio Group - Stakeholders' involvement		
102-43	Approach to stakeholder engagement	The commitment of the Piaggio Group - Stakeholders' involvement		
102-44	Key topics and concerns raised	The commitment of the Piaggio Group - Stakeholders' involvement		

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
GENERAL DISCLOSURES				
5. REPORT PROFILE				
102-50	Reporting period	Corporate Social Responsibility Report	Methodological note	
102-51	Date of most recent report	Corporate Social Responsibility Report	Methodological note	
102-52	Reporting cycle	Corporate Social Responsibility Report	Methodological note	
102-53	Contact point for questions regarding the report	Corporate Social Responsibility Report		
102-54	Claims of reporting in accordance with the GRI Standards	Corporate Social Responsibility Report	Methodological note	
102-55	GRI content index	Table of GRI-indicators		
102-56	External assurance	Methodological note	Report on the limited audit of the Corporate Social Responsibility Report	
6. GOVERNANCE				
102-18	Governance structure	Corporate Governance		
7. ETHICS AND INTEGRITY				
102-16	Values, principles, standards, and norms of behavior	Corporate Governance - Code of Ethics	The Commitment of Piaggio Group	
SPECIFIC DISCLOSURE				
ECONOMIC PERFORMANCE				
103-1-2-3	Management approach	The economic dimension - Determination and distribution of Added Value		
201-1	Direct economic value generated and distributed	The economic dimension - Determination and distribution of Added Value		
201-4	Financial assistance received from government	The economic dimension - Public grants and tax benefits		
MARKET PRESENCE				
103-1-2-3	Management approach	The economic dimension - Determination and distribution of Added Value		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The social dimension - Developing human resources - Reward policies		
202-2	Proportion of senior management hired from the local community	The social dimension - Developing human resources - Diversity and equal opportunity		

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
SPECIFIC DISCLOSURE				
INDIRECT ECONOMIC IMPACTS				
103-1-2-3	Management approach	The economic dimension - Determination and distribution of Added Value		
203-1	Infrastructure investments and services supported	The social dimension - Responsible management of the supply chain Supporting local communities		
203-2	Significant indirect economic impacts	The social dimension - Responsible management of the supply chain Supporting local communities		
PROCUREMENT PRACTICES				
103-1-2-3	Management approach	The social dimension - Responsible management of the supply chain		
204-1	Proportion of spending on local suppliers	The social dimension - Responsible management of the supply chain		The Group only provides data on the purchases of its production sites regarding goods and spare parts. Purchases of commercial companies and research centres are not considered, as these are residual and not relevant.
ENVIRONMENTAL				
Energy				
103-1-2-3	Management approach	The Environmental Dimension - Reducing energy consumption		
302-1	Energy consumption within the organization	The Environmental Dimension - Reducing energy consumption		Data on the consumption by the Rome and Milan offices are not considered relevant.
Water				
103-1-2-3	Management approach	The environmental dimension - Environmental certification The environmental dimension - Conserving water resources The environmental dimension - Waste handling and recovery		
303-1	Water withdrawal by source	The Environmental Dimension - Conserving water resources		Data on the usage by the Rome and Milan offices are not considered relevant.
303-2	Water sources significantly affected by withdrawal of water	The Environmental Dimension - Conserving water resources		
303-3	Percentage and total volume of water recycled and reused	The Environmental Dimension - Conserving water resources		

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
SPECIFIC DISCLOSURE				
ENVIRONMENTAL				
Emissions				
103-1-2-3	Management approach	The environmental dimension - Environmental certifications - Reducing emissions of CO ₂ and other pollutants		
305-1	Direct (Scope 1) GHG emissions	The Environmental Dimension - Reducing emissions of CO ₂ and other pollutants		
305-2	Energy indirect (Scope 2) GHG emissions	The Environmental Dimension - Reducing emissions of CO ₂ and other pollutants		Emissions of commercial offices are not indicated. Data on the usage by the Rome and Milan offices are not considered relevant.
305-3	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		
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	The Environmental Dimension - Reducing emissions of CO ₂ and other pollutants		The indicator only considers VOC (volatile organic compounds) released by solvents used in painting.
Effluents and waste				
103-1-2-3	Management approach	The environmental dimension - Environmental certification The environmental dimension - Conserving water resources The environmental dimension - Waste handling and management - Environmental certifications - Reducing emissions of CO ₂ and other pollutants		
306-1	Water discharge by quality and destination	The Environmental Dimension - Conserving water resources		
306-2	Waste by type and disposal method	The Environmental Dimension - Waste handling and recovery		Production of waste by commercial offices, research centres and the Rome and Milan offices is not considered relevant, as it is deemed equivalent to municipal waste.
306-3	Significant spills	The Environmental Dimension - Waste handling and recovery		
Environmental Compliance				
307-1	Non-compliance with environmental laws and regulations	Corporate Governance - Compliance with laws and regulations		

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
SOCIAL				
EMPLOYMENT				
103-1-2-3	Management approach	The social dimension - Personnel management policies		
401-1	New employee hires and employee turnover	The social dimension - Personnel management policies		The Group reports the turnover rate by professional category and geographical segment.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	The social dimension - Developing human resources - Reward policies		
401-3	Parental leave	The social dimension - Diversity and equal opportunity		The Group reports on the retention rate.
LABOR/MANAGEMENT RELATIONS				
103-1-2-3	Management approach	The social dimension - Industrial relations		
102-41	Collective bargaining agreements	The social dimension - Industrial relations		
402-1	Minimum notice periods regarding operational changes	The social dimension - Industrial relations		
OCCUPATIONAL HEALTH AND SAFETY				
103-1-2-3	Management approach	The social dimension - Occupational health and safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The social dimension - Occupational health and safety		
TRAINING AND EDUCATION				
103-1-2-3	Management approach	The social dimension - Developing human resources		
404-1	Average hours of training per year per employee	The social dimension - Training		
404-2	Programs for upgrading employee skills and transition assistance programs	The social dimension - Personnel management policies - development and careers		
404-3	Percentage of employees receiving regular performance and career development reviews	The social dimension - Personnel management policies - Appraisal reviews		
DIVERSITY AND EQUAL OPPORTUNITY				
103-1-2-3	Management approach	The social dimension - Personnel management policies		
405-1	Diversity of governance bodies and employees	The social dimension - Diversity and equal opportunity		The Group reports employee data.
405-2	Ratio of basic salary and remuneration of women to men	The social dimension - Developing human resources - Diversity and equal opportunity		
NON-DISCRIMINATION				
103-1-2-3	Management approach	Corporate Governance - Code of Ethics - Compliance with laws and regulations		
406-1	Incidents of discrimination and corrective actions taken	Corporate Governance - Code of Ethics - Compliance with laws and regulations		

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
SOCIAL SOCIETY				
LOCAL COMMUNITIES				
103-1-2-3	Management approach	The social dimension - Supporting local communities		
413-1	Operations with 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.
ANTI-CORRUPTION				
103-1-2-3	Management approach	The fight against corruption - Compliance with laws and regulations		
205-3	Confirmed incidents of corruption and actions taken	The fight against corruption - Compliance with laws and regulations		
PUBLIC POLICY				
103-1-2-3	Management approach	Corporate Governance - Code of Ethics		
415-1	Political contributions	Corporate Governance - Code of Ethics		
ANTI-COMPETITIVE BEHAVIOUR				
103-1-2-3	Management approach	Corporate Governance - Compliance with laws and regulations		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	The fight against corruption - Compliance with laws and regulations		
COMPLIANCE				
103-1-2-3	Management approach	The fight against corruption - Compliance with laws and regulations		
419-1	Non-compliance with laws and regulations in the social and economic area	The fight against corruption - Compliance with laws and regulations		Tax sanctions are not included.
SOCIAL PRODUCT RESPONSABILITY				
CUSTOMER HEALTH AND SAFETY				
103-1-2-3	Management approach	The product dimension - Research guidelines; Applications - The social dimension - Meeting customer requirements - Product quality and reliability		
416-1	Assessment of the health and safety impacts of product and service categories	The product dimension - Research guidelines; Applications - The social dimension - Meeting customer requirements - Product quality and reliability		A qualitative contribution is provided.

GRI INDICATOR	DISCLOSURE TITLE	REFERENCE	OMISSIONS	NOTES
SOCIAL PRODUCT RESPONSABILITY				
PRODUCT AND SERVICE LABELING				
103-1-2-3	Management approach		The social dimension - Meeting customer requirements	
102-43/102-44	Approach to stakeholder engagement e Key topics and concerns raised		The social dimension - Meeting customer requirements	
MARKETING COMMUNICATIONS				
103-1-2-3	Management approach		Corporate Governance - Compliance with laws and regulations	
417-3	Incidents of non-compliance concerning marketing communications		Corporate Governance - Compliance with laws and regulations	
CUSTOMER PRIVACY				
103-1-2-3	Management approach		Corporate Governance - Compliance with laws and regulations	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Corporate Governance - Compliance with laws and regulations	
COMPLIANCE				
103-1-2-3	Management approach		Corporate Governance - Compliance with laws and regulations	
419-1	Non-compliance with laws and regulations in the social and economic area		Corporate Governance - Compliance with laws and regulations	







**INDEPENDENT REPORT
ON THE LIMITED AUDIT
OF THE 2018 CORPORATE
SOCIAL RESPONSIBILITY REPORT**



Independent report on the limited assurance engagement of the Corporate Social Responsibility Report 2018

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 2018.

Responsibility of the directors for the Report

The directors are responsible for preparing the Report in compliance with "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), 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.

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 *GRI Standard*, and are

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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 2018 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 20 March 2019;
- 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 Vehicles Private 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 2018 has not been prepared, in all material respects, in compliance with the *GRI Standards* as disclosed in the paragraph "Methodological note" of the Report.

Florence, 20 March 2019

PricewaterhouseCoopers SpA

Signed by

Francesco Forzoni
(Partner)

Signed by

Paolo Bersani
(Procuratore)

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



We thank all our colleagues who, with their precious collaboration, made the drafting of this document possible.

This document is available on the Internet at the address: www.piaggiogroup.com

Disclaimer

This CSR Report 2018 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.



Management and Coordination
IMMSI S.p.A.
Share capital € 207,613,944.37, fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

