



Corporate Governance  
and Corporate  
Ownership Report  
**2011**



# Corporate Governance and Corporate Ownership Report

pursuant to art.123 *bis*  
of the Consolidated Law on Finance

Issuer: **Piaggio & C. S.p.A.**  
Web site: **[www.piaggiogroup.com](http://www.piaggiogroup.com)**

Financial year to which the Report refers: **2011**  
Date of approval of the report: **23 February 2012**



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## Glossary

**Code:** the Self-Regulatory Code of listed companies approved in March 2006 (amended in March 2010 and, lastly, in December 2011) by the *Corporate Governance* Committee and promoted by Borsa Italiana S.p.A., available at [www.borsaitaliana.it](http://www.borsaitaliana.it), in the section Borsa Italiana – Rules – *Corporate Governance*.

**Civil code:** the Italian Civil Code.

**Board:** the Issuer's Board of Directors.

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

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

**Stock Exchange Regulatory Instructions:** regulatory instructions for Markets organised and managed by Borsa Italiana S.p.A.

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

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

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

**Consob Related Party Regulations:** the regulations issued by Consob with resolution no. 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

**Report:** the report of corporate governance and corporate ownership which companies are obliged to prepare pursuant to art. 123-*bis* of the Consolidated Law on Finance.

**Remuneration Report:** the remuneration report prepared pursuant to art. 123-*ter* of the Consolidated Law on Finance and art. 84-*quater* Consob Regulation on Issuers pursuant to legislation at the registered office of the company, Borsa Italiana and on the website of the Issuer at [www.piaggiogroup.com](http://www.piaggiogroup.com).

**Consolidated Law on Finance:** Legislative decree dated 24 February 1998, no. 58 (Consolidated Law on Finance).

## 01. Issuer profile

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

The Issuer is classified amongst the first 4 world operators in the reference market. The product range includes scooters, mopeds and motorcycles from 50 to 1,200cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Issuer also operates in the three- and four-wheeler light transport sector with the Ape, Porter and Quargo vehicles.

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

Chairman and Chief Executive Officer of the Issuer is Roberto Colaninno, Deputy Chairman is Matteo Colaninno<sup>1</sup>.

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*1\_ On 19 September 2011, the General Manager Finance, Michele Pallottini, resigned from his office.*



## 02. Information on Corporate Ownership (pursuant to art. 123 bis of the Consolidated Law on Finance) as of 31/12/2011

### a) Structure of share capital (art. 123-bis, paragraph 1, lit. a), Consolidated Law on Finance)

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

Categories of shares that make up the share capital:

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

As of 31 December 2011 4,090,000 option rights had been assigned, unchanged at the date of this report, in favour of senior executives of the Issuer, of its Italian and foreign subsidiaries and of Directors with powers in the aforesaid subsidiaries, entitling them to the purchase of ordinary shares of the Issuer's portfolio, in compliance with the Incentive Plan approved by the Shareholders' Meeting of the Issuer on 7 May 2007 and amended by resolution of the shareholders on 16 April 2010 and disclosed to the market in the information disclosed in accordance with article 84-bis of Consob Regulation on Issuers. The essential elements of the Incentive Plan are described in the Report on Operations and in information documents published by the Issuer pursuant to art. 84-bis of the Consob Regulation on Issuers as well as in the remuneration report prepared pursuant to art. 123-ter of the Consolidated Law on Finance and 84-quater of the Consob Regulation on Issuers. The documents can be viewed on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the Governance section.

### b) Restrictions on the transfer of securities (article 123-bis, paragraph 1, lit. b), Consolidated Law on Finance)

There are no securities transfer restrictions.

### c) Significant investments in capital (art. 123-bis, paragraph 1, lit. c), Consolidated Law on Finance)

As of 31 December 2011 the Issuer's treasury shares amounted to 6,844,080, equal to 1.841% of the share capital. At the same date, significant investments in the capital of the Issuer, as resulting from disclosures pursuant to article 120 of the Consolidated Law on Finance, were as follows:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	53.048	53.048
	Omniaholding S.p.A.	0.027	0.027
	<b>Total</b>	<b>53.075</b>	<b>53.075</b>
Diego della Valle	Diego della Valle & C. S.a.p.a.	5.336	5.336
	<b>Total</b>	<b>5.336</b>	<b>5.336</b>
Financiere de l'Echiquier	Financiere de l'Echiquier	4.949	4.949
	<b>Total</b>	<b>4.949</b>	<b>4.949</b>

At the date this Report was approved, the number of treasury shares of the Issuer had changed compared to 31 December 2011 and is currently equal to 7,245,142, corresponding to 1.949% of share capital.



*d) Securities with special rights (article 123-bis, paragraph 1, lit. d), Consolidated Law on Finance)*

No securities have been issued bearing special rights of control.

*e) Employee share ownership: exercising of voting rights (article 123-bis, paragraph 1, lit. e), Consolidated Law on Finance)*

There is no employee share ownership scheme.

*f) Restrictions on voting rights (article 123-bis, paragraph 1, lit. f), Consolidated Law on Finance)*

There are no restrictions on voting rights.

*g) Shareholder agreements (article 123-bis, paragraph 1, lit. g) Consolidated Law on Finance)*

As far as the Issuer is aware, as of 31 December 2011 no agreements were ongoing between shareholders of the company, of a content relevant pursuant to article 122 of the Consolidated Law on Finance.

*h) Amendments to the Articles of Association (article 123-bis, paragraph 1, lit. l) Consolidated Law on Finance)*

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

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

*i) Authority to increase the share capital and authorisation to purchase treasury shares (article 123-bis, paragraph 1, lit. m), Consolidated Law on Finance)*

*Powers to increase share capital*

The Extraordinary Shareholders Meeting of 16 April 2010 resolved to increase share capital against payment in tranches by the deadline of 30 October 2015, for a maximum nominal amount of Euro 2,891,410.20, in addition to Euro 6,673,309.80 by way of premium, excluding option rights pursuant to art. 2441, paragraph 5 and paragraph 8 of the Italian Civil Code and art. 134 of the Consolidated Law on Finance, by issuing a maximum of 5,220,000 new ordinary Piaggio shares of no nominal value, with the same characteristics as those in circulation, regular dividend, to be reserved for subscription by beneficiaries of the *2007-2009 Stock Option Plan* approved by the ordinary Shareholders Meeting of 7 May 2007 and subsequently amended by the ordinary Shareholders Meeting on 16 April 2010 and corresponding assignment free of charge of option rights on shares reserved for *top management* of the Company and of Italian and foreign subsidiaries of the same.

### *Authorisation to purchase treasury shares*

On 13 April 2011 the Shareholders Meeting approved the authorisation for purchase and disposal of ordinary treasury shares in order to provide the Company with a useful strategic investment opportunity for any purpose permitted by applicable provisions, including the purposes contemplated in "market practices" allowed by Consob pursuant to art. 180, paragraph 1, lit. c), of the Consolidated Law on Finance with resolution no. 16839 of 19 March 2009 and in EC regulation no. 2273/2003 of 22 December 2003, as well as for the purchase of treasury shares according to their subsequent cancellation, according to the terms and procedures approved by competent Company Boards.

To this end, the Shareholders' meeting authorised, pursuant to and for the purposes of article 2357 of the Italian Civil Code, the purchase, on one or more occasions, for a period of eighteen months as from the date of the resolution (and therefore up until 13 October 2012), of ordinary shares of the company up to a maximum which, taking account of Piaggio ordinary shares held from time to time in the Company's and subsidiaries' portfolios, is not globally above the maximum limit established by applicable ad interim regulations and, depending on cases, (a) of a unit amount of at least 20% and a maximum not exceeding 10% the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase operation; or (b) in the case purchases are made by a public purchase or exchange offer, of an amount of at least 10% and a maximum not exceeding 10% the official registered Piaggio share price on the stock exchange day preceding notification to the public.

The Shareholders' Meeting also authorised the filing of portfolio treasury shares without time limits and the authorisation was issued also with reference to treasury shares already owned by the Issuer at the date of the Shareholders meeting resolution of 13 April 2011, with exclusion of treasury shares for the 2007 – 2009 Stock Option Plan to be assigned to plan beneficiaries according to the terms and conditions established by the relative authorisation ruling approved by the Ordinary Shareholders Meeting of 7 May 2007, as amended by Ordinary Shareholders Meeting of 16 April 2010. This latter Shareholders Meeting in fact resolved to amend the *2007-2009 Stock Option Plan* providing that beneficiaries of options for the purchase of ordinary Piaggio shares at that date be assigned, in the event of exercising said options, newly issued shares instead of treasury shares in the Issuer's portfolio, as originally foreseen. Accordingly, the Extraordinary Shareholders' Meeting of 16 April 2010 adopted a resolution retiring 24,247,007 treasury shares held by Company, via the derecognition of their nominal value, which had been purchased under authorisation of the shareholders, given in accordance with Article 2357 of the Italian Civil Code and Article 132 of the Consolidated Law on Finance, by resolutions adopted at the Ordinary Shareholders' Meetings held on 7 May 2007, 24 June 2008, and 16 April 2009, which were no longer needed due to the amendment of the 2007-2009 Stock Option Plan.

For further details, please refer to the minutes of the said Shareholders Meetings, available on the Issuer's website at [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section *Governance*.

On 29 April 2011, the Board of Directors - following authorisation for the purchase and disposal of treasury shares decided by the Shareholders Meeting of 13 April 2011 - approved a treasury share purchase program concerning a maximum of 15,000,000 ordinary shares.

For information concerning the treasury share purchase program in progress please refer to the press releases available on the Issuer's website at [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section *Investors – Financial press releases*.

As of 31 December 2011, the Issuer held a total of 6,844,080 treasury shares, equal to 1.841% of the share capital, of which 940,000 shares, equal to 0.26% of the share capital, were reserved for the *2007-2009 Stock Option Plan*, to be allotted to the beneficiaries of the Plan in accordance with the terms and conditions of the resolution authorising the Plan, approved by the Ordinary Shareholders' Meeting on 7 May 2007, as amended by resolution adopted by the Ordinary Shareholders' Meeting of 16 April 2010 to satisfy the effective needs of the *2007-2009 Stock Option Plan*.

In 2011 a total of 4,301,369 shares, equal to 1.157% of the share capital, were purchased at a weighted average price of Euro 2.1095.

At the date this Report was approved, the number of treasury shares of the Issuer had changed compared to 31 December 2011 and is currently equal to 7,245,142, corresponding to 1.949% of share capital.

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

*l) Change of control clauses (art. 123-bis, paragraph 1, lit. h), of the Consolidated Law on Finance) and statutory provisions concerning takeover bids (art. 104, paragraph 1-ter and 104-bis, paragraph 1, of the Consolidated Law on Finance)*

The Issuer has a number of significant agreements in place which contemplate amendment or termination in the event of a change in control of the contracting party. Details of the agreements are provided in a specific section of the Financial Statements as of 31 December 2011. Specifically the following agreements have been made:

- › a loan and credit facility agreement with Banca Intesa Sanpaolo S.p.A. and Mediobanca, totalling Euro 250 million;
- › a debenture loan totalling Euro 150 million, issued by the Company;
- › a debenture loan totalling USD 75 million, issued by the Company;
- › a loan agreement with the European Investment Bank, totalling Euro 150 million;
- › a syndicated loan agreement with a syndicate of banks led by BNP Paribas, totalling Euro 90 million;
- › a loan agreement with International Finance Corporation to support the Group's Indian and Vietnamese subsidiaries, totalling Euro 30 million.

Concerning takeover bids, the provisions of the Articles of Association of the Issuer do not depart from the provisions of the passivity rule provided for by art. 104, paragraphs 1 and 2 of the Consolidated Law on Finance, nor do they provide for the application of neutralisation rules contemplated by art. 104-bis, paragraphs 2 and 3 of the Consolidated Law on Finance.

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

In compliance with Consob recommendations concerning the remuneration and self-appraisal of governance bodies and succession plans, the Company reports that no agreements have been made between the Issuer and its directors that provide for severance indemnities in the event of the resignation or unfair dismissal/removal of a director or the termination of a director's contract following a public takeover bid. Please refer to the Remuneration Report available at [www.piaggiogroup.com](http://www.piaggiogroup.com).

As regards the effects of termination of employment relative to the *2007 – 2009 Stock Option Plan*, reference is made to documents published by the Issuer pursuant to article 84-bis of Consob Regulation on Issuers. The documents can be viewed on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the *Governance* section.

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

- › for information on the appointment and replacement of directors (Article 123-bis, paragraph 1 lit. l), part one), see section 5.1;
- › as regards information on the main characteristics of risk management and internal control systems (pursuant to article 123-bis, paragraph 2, lit. b)) reference is made to sections 11 and 12;
- › for information on the rules of procedure for shareholders' meetings, main stakeholders, shareholders' rights, and the exercise of shareholders' rights (Article 123-bis, paragraph 2 lit. c)), see section 18;
- › for information on the composition and rules of procedure of governance and control bodies and their committees (Article 123-bis, paragraph 2 lit. d)), see sections 5, 7, 8, 9, 11, 12, 15 and 16.

## 03. Compliance

The Issuer had adopted the Code and complies with all the main corporate governance principles contained therein. The Company will assess the adjustments required by the revision of the Code approved in December 2011, taking into account the transitional provisions contained therein.

Neither the Issuer nor strategically important subsidiaries are subject to non-Italian legal provisions affecting their *corporate governance* structure.

## 04. Management and Co-ordination

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

## 05. Board of Directors

### *5.1. Appointment and replacement of board directors (pursuant to article 123-bis, paragraph 1, lit. l), Consolidated Law on Finance)*

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

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

Pursuant to article 12 paragraph 2 of the Articles of Association, persons who have not gained at least three years experience in the following may not be appointed as directors of the company or, if appointed, shall be disqualified:

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

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





In accordance with Article 12.3 of the Issuer's Articles of Association, the candidate slates for election to the Board of Directors must be filed by shareholders at the registered office at least twenty-five full days before the first date of the shareholders' meeting. In order to file a candidate slate, shareholders are required to produce certification attesting that they satisfy the ownership requirements for nominating candidates. Certification may be produced after the filing of the slate, by and no later than twenty-one days before the first scheduled date of the Shareholders' Meeting.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital, or another percentage established by legal or regulatory provisions, may present lists. By resolution No. 18083 of 25 January 2012, Consob set the relative share capital threshold required to nominate candidates on slates for election to the Governance bodies of Issuers at 2.0% for the Year of reference.

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

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

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

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

Should the appointment not be ensured, with candidates elected with the above indicated methods, of a number of directors having the requisites of independence equal to the minimum number established by the law in relation to the overall number of the directors, the non-independent candidate elected last in progressive order from the list that had the highest number of shareholders' votes, mentioned in a) above, shall be substituted by the independent candidate not elected from the same list in accordance with the progressive order, or, in default, by the first independent candidate in accordance with the progressive order not elected from other lists, in accordance with the number of votes each obtained. Such substitution procedure shall take place until the Board is composed of the number of members having the requisites mentioned in article 148 paragraph 3 of the Consolidated Law on Finance at least equal to the minimum prescribed by the law. Finally, should said procedure not ensure the last result indicated, the substitution shall take place by a resolution passed by a relative majority at a shareholders' meeting, subject to presentation of candidatures of persons having the above mentioned requisites.

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

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

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

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

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

The Board decided not to adopt a succession plan for executive directors.

## 5.2. Composition (article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)

The Board of Directors of the Issuer in office at the date of this Report consists of eleven members, elected by unanimous vote of the Ordinary Shareholders' Meeting held on 16 April 2009. The directors were elected from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 12.4 of the Articles of Association, and coopted during the three-year period. The Board of Directors thus appointed remains in office until the date of the Shareholders' Meeting called for the approval of the financial statements for the financial year closing on 31 December 2011.

The résumés of each of the Directors are filed at the registered office of the Company, and can be viewed on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the Governance section.

Name	Position	In office from	Slate M/m	Exec.	Non-Exec.	Indep.	Indep. Consolidated Law on Finance	% BoD	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	16/04/2009	M	X				100	7
Matteo Colaninno	Deputy Chairman	16/04/2009	M		X			100	3
Michele Colaninno	Director	16/04/2009	M		X			91	11
Vito Varvaro	Director	16/04/2009	M		X			91	2
Daniele Discepolo	Director	16/04/2009	M		X	X	X	82	11
Andrea Paroli	Director	22/09/2010	M		X			100	4
Franco Debenedetti	Director	16/04/2009	M		X	X	X	82	4
Giorgio Magnoni	Director	16/04/2009	M		X			91	6
Luca Paravicini Crespi	Director	16/04/2009	M		X	X	X	91	5
Riccardo Varaldo	Director	16/04/2009	M		X	X	X	100	1
Livio Corgi	Director	16/04/2009	M		X			82	3

Members of the Board of Directors

*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).  
*% BoD:* indicates (in percentage terms) the attendance of the director at Board meetings.  
*Other offices:* indicates the overall number of offices held in other companies of the Group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.

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

Name	Position	A.C.	% A.C.	R.C.	% R.C.	ICC	% I.C.C.
Michele Colaninno	Director	M	-				
Daniele Discepolo	Director			M	-	P	100
Franco Debenedetti	Director	P	-	M	-		
Riccardo Varaldo	Director			P	-	M	75
Luca Paravicini Crespi	Director	M	-			M	87

No Director has ceased to hold office during the year.  
 There were no changes in the composition of the Board after the financial year-end.

#### Maximum accumulation of offices held in other companies

The Board has not considered the definition of general criteria regarding the maximum number of appointments for administration and control in other companies that can be considered compatible with an effective conduct of the role of director of the Issuer, it being understood that each director must evaluate the compatibility of the offices of director and statutory auditor held in other companies listed on regulated markets, in financial, banking and insurance companies or those of significant dimensions, with the diligent conduct of the duties assumed as a director of the Issuer.  
 During the meeting held on 23 February 2012 the Board, on examining the results of the offices presently held by its directors in other companies, considered that the number and standing of the offices held do not interfere and are, consequently, compatible with an effective conduct of the office of director of the Issuer.

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

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

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

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



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

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

Nome e cognome	Società	Incarichi di amministrazione e controllo ricoperti in società di capitali
Luca Paravicini Crespi	Gruppo Editoriale l'Espresso S.p.A.	Director
	Consilium SGR S.p.A.	Director
	Education.it S.p.A.	Director
	Scala Group S.p.A.	Director
	Simplicissimus Book Farm S.r.l.	Director
	Alpa S.r.l.	Director
Riccardo Varaldo	Intesa Sanpaolo S.p.A	Member of the Surveillance Committee
Livio Corghi	RCN Finanziaria S.p.A.*	Director
	Rodriquez Cantieri Navali S.p.A.*	Deputy Chairman and Chief Executive Officer
	Intermarine S.p.A.*	Chief Executive Officer

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

### 5.3. Operation of the Board of Directors (pursuant to article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)

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

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

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

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

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

the same documents distributed to persons at the place where the meeting is held. The Board meeting shall be considered as being held in the place where Chairman and Secretary are present, who shall work together.

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

#### *5.4. Role of the board of directors (pursuant to article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)*

During the course of the financial year 11 (eleven) Board meetings were held on the following dates: 18 January 2011, 7 March 2011, 29 April 2011, 31 May 2011, 13 July 2011, 27 July 2011, 26 August 2011, 26 September 2011, 27 October 2011, 1 December 2011 and 13 December 2011.

The Board meetings lasted on average two hours.

The 2012 calendar of corporate events for the year underway (disclosed to the market and Borsa Italiana S.p.A. in accordance with regulations on 26 January 2012) has 4 (four) Board meetings scheduled for the following dates:

- › 23 February 2012 – approval of the draft financial statements and draft consolidated financial statements as of 31 December 2011;
- › 27 April 2012 – approval of the Interim Report on Operations as of 31 March 2012;
- › 27 July 2012 – approval of the Half-Year Financial Report as of 30 June 2012;
- › 26 October 2012 – approval of the Interim Report on Operations as of 30 September 2012.

The calendar can be viewed in both Italian and English on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the *Investors* section – Financial Calendar.

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

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

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

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

Alongside the powers vested in the Board of Directors by law and by the Articles of Association, the following powers are also reserved jointly to the Board:

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

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

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

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

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

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

On 23 February 2012, the Issuer's Board conducted the annual review required under application criterion 1.C.1 lit. g) of the Code. The review found that the composition and rules of procedure of the Board of Directors and its committees were adequate, given the Issuer's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of eleven Board members, ten are non-executive directors, four of whom are independent non-executive directors, who also ensure the suitability of the composition of the Board's committees.

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

## 5.5. Authorised bodies

### Chief Executive Officers

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

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

### Chairman and Deputy Chairman

The Chairman of the Board:

- a. is the main person responsible for the Issuer's management (*chief executive officer*) and
- b. is not the Issuer's controlling shareholder.

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

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### Board information

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

## 5.6. Other executive Directors

No other executive directors have been appointed.

## 5.7. Independent Directors

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

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

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

In its meeting on 23 February 2012, the Board of Directors reviewed the independent status of the independent directors currently in office, checking that they possess the independence requisites to qualify as independent under Article 3 of the Code and Article 148, paragraph 3 lit. b) and c) of the Consolidated Law on Finance, as had been checked upon their original appointment. In particular, it was verified that each of the independent Directors:

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

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

During 2011, 1 (one) meeting of the Committee of Independent Board Directors was held. During the meeting the independent directors spoke with the Chairman and Chief Executive Officer of the Company to obtain information concerning corporate strategies, significant transactions being conducted and Group organisation.

### 5.8. *Lead Independent Director*

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











## 06. Processing of Corporate Information

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

In order to monitor access to and circulation of price-sensitive information before it has been made public, to ensure that privacy requirements pursuant to legislation and regulations have been respected and to regulate the internal management and external communication of this information, the Board adopted a "Procedure for the publication of price-sensitive information" in its meeting of 28 August 2006.

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

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

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

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

The press release is entered into the Network Information System (NIS), which is organised and managed by Borsa Italiana and via the NIS, the release is sent to Consob and to at least two press agencies. Moreover, the Company inserts the release "by the opening of the market the day after it has been disclosed" on the corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the *Investors* section, ensuring that the information stays on the website for at least two years.

In order to ensure the proper management of price-sensitive information within the Group, this Procedure is made known to the Chief Executive Officers of the main subsidiaries, i.e. the Issuer's subsidiaries that fall within its scope of consolidation.

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

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

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

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

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

With special reference to the requirement of listed Issuers, entities having control over them and persons acting in their name or on their account, to establish and manage a register of persons having access to price-sensitive information pursuant to Article 115-*bis* of the Consolidated Law on Finance, at the meeting held on 3 May 2006 the Board of Directors approved the following: (i) pursuant to and for the effects of Article 152-*bis* paragraph 4 of the Regulations on Issuers, to grant powers to the Parent Company IMMSI S.p.A. to keep, manage and update the register of persons having access to IMMSI S.p.A.'s price-sensitive information, including that for Piaggio and companies belonging to the Piaggio Group; (ii) to implement the "Procedure for the management of the Register of persons having access to Price-sensitive Information" adopted by IMMSI S.p.A. by approval of its own Board of Directors at the meeting held on 24 March 2006.

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

Both of these procedures are available on the corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the *Governance* section.

## *6.3. Internal Dealing*

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

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

## ***07. COMMITTEES WITHIN THE BOARD (pursuant to article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)***

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

## ***08. Appointment proposal committee***

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

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

The Appointment Proposal Committee is composed of three members: Franco Debenedetti, acting as Chairman, Michele Colaninno e Luca Paravicini Crespi.

### *Functions of the Appointments Committee*

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

Pursuant to the application criteria under 5.C.1 lit. a) and b) of the Code, the Appointment Proposal Committee also gives opinions to the Board, if and when necessary, on the size and composition of the same or to make recommendations on the professional figures whose presence on the Board is deemed to be appropriate, as well as to propose to the Board candidates for directorships in cases of co-optation when independent directors need to be replaced.

No financial resources were allocated to the Appointment Proposal Committee as it uses the Issuer's corporate resources and facilities to perform duties.

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

## 9. Remuneration committee

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

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

The Remuneration Committee is composed of three members: Riccardo Varaldo, acting as Chairman, Daniele Discepolo and Franco Debenedetti.

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

### *Functions of the Remuneration Committee*

The Remuneration Committee has the task: (i) to make proposals to the Board regarding the remuneration of the Chief Executive Officer and other directors who hold special positions, monitoring the application of the decisions taken; (ii) to make general recommendations to the Board regarding the remuneration of executives having strategic responsibilities in the Piaggio Group, keeping account of information and indications given by the Chief Executive Officer and occasionally checking the criteria adopted for the remuneration of these executives. and (iii) assist the Board in the preparation and implementation of any remuneration plans based on shares or other financial instruments, if approved by the competent bodies of the Company.

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

Notwithstanding the foregoing, the Committee met on 23 February 2012 to define and discuss the remuneration policy for directors and key management personnel pursuant to the new text of Article 6 of the Code, "Remuneration of Directors", to propose to the Board which approved it at the meeting of 23 February 2012.

## 10. Directors' remuneration

### *General remuneration policy*

The Board, at the proposal of the Remuneration Committee, approved on 23 February 2012 the remuneration policy for directors and key management personnel in adherence to principle 6.P.4 of the Code.

For a description of the remuneration policy, see paragraph 2 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance and submitted to the consultative vote of the shareholders.

### *Share-based remuneration plans*

Please refer to paragraph 2 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

It should be noted, nevertheless, that a share-based remuneration scheme for Piaggio Group managers is currently in place (stock options) approved by the Shareholders meeting of 7 May 2007 ("2007-2009 Stock Option Plan"). The 2007-2009 Stock Option Plan does not currently apply to Directors and key management personnel.

### *Remuneration of executive directors*

Please refer to that illustrated in 3.1 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

According to the remuneration policy approved by Board at its meeting on 23 February 2012, a significant part of the remuneration of executive directors is linked to achieving specific performance targets.

During the year, the remuneration of the Chairman and Chief Executive Officer, Roberto Colaninno, was exclusively composed of a fixed component, nevertheless determined in accordance with the commitments required of the office.

### *Remuneration of key management personnel*

Please refer to that illustrated in 4 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

During the year, on 19 September 2011, Michele Pallottini resigned from the post of Finance General Manager and, currently, the Company has no key management personnel.

### *Incentive mechanisms for executives in charge of internal control and for the financial reporting manager*

The incentive mechanisms for executives in charge of internal control and for the financial reporting manager are coherent with their assigned tasks.



### *Remuneration of non-executive directors*

Please refer to that illustrated in 3.1 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

The remuneration of non-executive directors is not linked to Company results and the same do not benefit from any share-based incentive plans.

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

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



As regards remuneration paid during the year to administrative and control bodies for any reason and in whatever form, please refer to that illustrated in section 2 of the Remuneration Report issued pursuant art. 123-ter of the Consolidated Law on Finance.

## 11. Internal control committee

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

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

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

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

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

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

- I.* assist the Board in carrying out activities relative to the internal control system, specifically in defining guidelines for the system and activities involved in periodic inspections of the system's suitability, efficacy and effective functioning;
- II.* examine the work plan of the Internal Auditing Supervisor and the periodic interim reports sent by the latter;
- III.* together with the Financial Reporting Manager and the auditors, assess the suitability of the accounting standards used and their consistency in the drafting of the Consolidated Financial Statements;
- IV.* assess proposals made by the independent auditors for their appointment, assess the audit plan drawn up and the results shown in the report and in the Comments and Suggestions letter;
- V.* refer to the Board at least half-yearly, on the approval of the interim Financial Statements and report, regarding the activities performed by and the suitability of the internal control system;
- VI.* perform additional tasks that the Board feels appropriate for the Committee, with special reference to relationships with independent auditors and consultation functions regarding transactions with related parties as envisaged by the specific procedure approved by the Board.

During the financial year, the Internal Control Committee held 8 (eight) meetings, on 21 February 2011; 2 March 2011; 7 March 2011; 16 May 2011; 7 July 2011; 27 July 2011; 4 October 2011 and 25 November 2011.

The Committee meetings lasted on average two hours.

Minutes of Internal Control Committee meetings were duly taken.

During the year the Internal Control Committee conducted ongoing supervisory checks on the internal control system and on progress in the implementation of the internal auditing plan. Specifically, checks were focused on (i) the implementation of measures identified through audits from previous years; (ii) progress in the activities envisaged by the 2011 audit plan; (iii) compliance checks as required by Law 262/2005; (iv) a review of the guidelines, approach and work plan prepared by the independent auditors for its statutory audits; (v) progress of risk analysis activity; (vi) as compliance checks pursuant to Legislative Decree No. 231/2001; (vii) examination of the organisation of roles and responsibilities for the purposes of occupational health and safety.

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



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

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

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

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

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In carrying out its functions, the Internal Control Committee had the faculty of accessing the corporate information and departments needed to carry out its duties, and also use external consultants within the terms set by the Board.

No financial resources were allocated to the Internal Control Committee as it uses the Issuer's corporate resources and facilities to carry out its duties.

At least four Internal Control Committee meetings are scheduled for the current financial year. Besides the meeting held on 20 February 2012, meetings are due to be held at least once every quarter over the year.

During the year, the role of the Internal Control Committee will also be assessed in the light of recent changes in the Code regarding the internal control and risk management system.





## 12. Internal control system

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

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

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

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

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

On 23 February 2012, the Issuer's Board of Directors judged the Issuer's internal control system to be adequate, effective and properly functioning, also on the basis of the indication provided by the Internal Control Committee.

### 12.1. Executive director in charge of the internal control system

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

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

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



## 12.2. Internal auditing supervisor

As of 1 January 2009, IMMSI Audit S.c.a r.l. is responsible for the internal auditing of all IMMSI Group companies. This consortium is equally owned by said companies, including the Issuer. The role of Internal Auditing Supervisor is held by the Chief Executive Officer of IMMSI Audit S.c.a r.l., Mr Maurizio Strozzi.

This organisational solution: (i) avoids duplication of facilities by centralising verification activities on one entity; (ii) maximises the independence of the executive in charge from corporate structures, with respect to which the same operates independently; (iii) continuously monitors, through a specifically dedicated person, the effectiveness, adequacy and effectiveness of internal control system of the Company and the Group.

The Internal Auditing Supervisor is not the head of any operational area, and does not report hierarchically to any operational area managers.

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

- › had direct access to all information useful for carrying out his duties;
- › reported on his work to the Internal Control Committee and to the Board of statutory Auditors;
- › also reported on his work to the Executive Director In Charge of overseeing the functioning of the internal control system.

During the year, the Internal Auditing Supervisor, assisted by the Internal Audit office, audited the internal control system, in compliance with the Internal Audit Plan for 2009-2011, which was approved by the Board of Directors on 26 February 2009, and subsequently developed and detailed for the year by the Board on 30 November 2010. Auditing activities consisted of risk analysis, financial, operational and compliance auditing, checks on the adoption of improvement plans and measures identified on the basis of internal auditing activities, and compliance assurance checks (in particular as concerns Law No. 262/2005 and Legislative Decree No. 231/2001).

The results of audits carried out compared to the Audit Plans have always been analysed, discussed and shared between the Internal Audit function, the various Managers of the processes/functions and Company Management, in order to agree and implement preventive/corrective measures, the implementation of which is continuously monitored until their completion.

No specific financial resources have been allocated to the Internal Control Supervisor since the same uses, to carry out his tasks, the means and facilities of the Issuer and of Immsi Audit S.c.a.r.l. which charges back to each consortium company the costs incurred for activities undertaken on its behalf.

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

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

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

The Model, subjected to revision and updating in 2010, is constantly monitored. Analysis of additional types of applicable offences is currently in progress, as expressly provided for and recently introduced by Legislative Decree. 231/2001.

During the year, the Issuer has also adopted a procedure ("Fraud Policy") in order to establish suitable channels of information for the reception, analysis and processing of fraud reports possibly involving employees, directors, co-workers and partners of Piaggio and of Group Companies. The policy is yet another instrument that the Piaggio Group has adopted to prevent the breach of the principles of lawfulness, transparency, fairness and loyalty which the Model pursuant to Legislative Decree no. 231/2001 takes inspiration from.

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

The Issuer's Supervisory Body held 6 (six) meetings over the course of the year, with 100% attendance by the Committee's members.

In the meeting held on 20 February 2012, the Supervisory Body approved the working plan for 2012. At least four Supervisory Body meetings are scheduled for the current financial year. Besides the meeting held on 20 February 2012, meetings are due to be held at least once every quarter over the year.

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

#### *12.4. External auditors*

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

This appointment was approved by the Shareholders' Meeting on 30 March 2006, and expires on approval of the financial statements as of 31 December 2011.

#### *12.5. Financial reporting manager*

The Issuer's Financial Reporting Manager is Alessandra Simonotto, Head of the Issuer's Credit Administration and Management.

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

The Financial Reporting Manager is appointed by the Board, subject to obligatory approval by the Board of Statutory Auditors.

At the time of this appointment, the Board attributed Financial Reporting Manager with all the powers and means necessary to execute the prescribed duties.

## 12.6 Key aspects of the existing risk management and internal control systems for financial reporting process (Article 123-bis, paragraph 2 lit. b), Consolidated Law on Finance)

### Introduction

#### Purpose and objectives

The risk management and internal control system in relation to Piaggio Group financial disclosure was developed using the "COSO Report" as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by Senior Management and other subjects of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

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

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

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

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

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

- › Position Paper Andaf "Financial Reporting Manager";
- › Position Paper AIIA "Law no. 262 on the Protection of Savings";
- › Confindustria (Italian manufacturers' association) "Guidelines for the activities of Financial Reporting Manager pursuant to article 154-bis Consolidated Law on Finance).

In addition to the "Format for the corporate governance report and corporate ownership" issued by Borsa Italiana.

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COSO model, produced by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework" published in 1992 and updated in 1994 by the Committee of Sponsoring Organizations of the Treadway Commission.

## *Main characteristics of the risk management and internal control system in relation to the financial reporting process*

### *Methodological approach*

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

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

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

- › The Accounting and Administrative Control Model – a document issued to all employees directly involved in preparing and/or controlling accounting information, which defines the operating procedures of the Accounting Control System.
- › Group Accounting Manual – a document promoting the development and application of consistent accounting criteria within the Group as regards the identification, classification and measurement of operating activities.
- › Operating instructions for financial statements and reporting, and closing schedules – documents informing company functions in detail about operating procedures for managing financial statement preparation activities, within defined, shared deadlines.
- › Administrative and accounting procedures – documents defining the responsibilities and control rules to follow with particular reference to administrative/accounting processes.

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

- a.* identification and assessment of financial disclosure risks;
- b.* identification of controls for identified risks;
- c.* evaluation of controls for identified risks and management of any problems detected.

### *System Elements*

#### *a) Identification and assessment of financial disclosure risks*

Risks relative to accounting disclosure are identified and assessed based on a structured risk assessment process. The process identifies the objectives of the financial disclosure internal control system in order to guarantee a true and accurate financial disclosure. These objectives are based on financial statement "assertions" (existence and occurrence of events, completeness, rights and obligations, valuation/recording, presentation and disclosure), and other control objectives (such as compliance with authorisation limits, separating duties and responsibilities, the documentation and traceability of operations, etc.).

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

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



In particular, these parameters are defined:

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

#### *b) Identification of controls for identified risks*

As stated above, controls necessary to mitigate risks identified in administrative/accounting processes are identified, considering control objectives associated with financial disclosure.

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

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

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

#### *c) Evaluation of controls for identified risks and problems detected*

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

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

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

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

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

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

#### [Roles and functions involved](#)

The risk management and internal control system for financial disclosure is governed by the financial reporting manager appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting manager is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement

for the separate and consolidated annual financial statements, and the separate and consolidated half-year reports. The financial reporting manager is also responsible for identifying suitable administrative and accounting procedures for the preparation of the separate and consolidated annual financial statements and, with the support of the Internal Audit department, for providing subsidiaries considered "material" for the purposes of consolidated Group financial reporting with guidelines for assessing their own financial and administrative audit systems.

In carrying out activities, the Executive in Charge of Financial Reporting:

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

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

## 13. Interests of directors and transactions with related parties

The Company has defined appropriate procedures for significant transactions and transactions with related parties, designed to guarantee Directors full and exhaustive information on such transactions.

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

### *Significant Transactions*

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

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

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

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

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

The procedure governing significant transactions can be viewed on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the Governance section.

### *Transactions with Related Parties*

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

The procedure was adopted with the prior approval of the Procedure Approvals Committee, in accordance with Article 4, paragraph 3 of the Regulation, whose report was provided to all members of the Board.

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



## 14. Related party transactions committee

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

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

## 15. Appointment of statutory auditors

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

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

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

Only shareholders who – either alone or jointly – hold a total of shares with voting rights representing at least 2.5% (two point five percent) of the share capital with the right to vote in Ordinary General Meeting have the right to present lists, or else those who represent another percentage that has possibly been set or required by laws or regulations. With resolution No. 18083 of 25 January 2012, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the control bodies of issuers at 2.0% for the year of reference.

The election of Statutory Auditors takes place as follows:

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

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

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

The above-mentioned provisions regarding the appointment of Statutory Auditors do not apply to Shareholders' Meetings to which only one list has been presented, or voted. In those cases, the Shareholders' Meeting shall resolve with a relative majority.

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

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







## 16. Statutory auditors (pursuant to article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)

The Board of Statutory Auditors in office at the date of this Report was unanimously appointed by the Ordinary General Meeting of Shareholders on 16 April 2009, based on the one candidate list submitted by the majority shareholder IMMSI S.p.A., as provided for in article 24 of the articles of association, and will remain in office until approval of the Financial Statements for the year ended 31 December 2011.

The Board in office comprises the following:

Name	Position	In office since	Slate (M/m)	Indep. per the Code	% attend. in B. of S. A.	Other positions
Giovanni Barbara	Chairman	16/04/2009	M	X	90	11
Attilio Francesco Arietti	Statutory Auditor	16/04/2009	M	X	100	12
Alessandro Lai	Statutory Auditor	16/04/2009	M	X	100	11
Mauro Girelli	Alternate Auditor	16/04/2009	M	X	–	24
Elena Fornara	Alternate Auditor	16/04/2009	M	X	–	3

### Legend

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

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

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

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

As regards remuneration paid during the year to administrative and control bodies for any reason and in whatever form, please refer to that illustrated in section 2 of the Remuneration Report issued pursuant art. 123-ter of the Consolidated Law on Finance.

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

During the financial year 10 (ten) meetings of the Board of Statutory Auditors were held on the following dates: 11 February 2011; 21 February 2011; 2 March 2011; 22 March 2011; 13 April 2011, 16 May 2011; 7 July 2011; 27 July 2011; 4 October 2011; and 25 November 2011.

The meetings lasted on average 3 (three) hours.

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

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

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

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

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

On 20 February 2012, the Board of Statutory Auditors reviewed the independent status of its members, checking that they still possessed the independence requisites to qualify as independent on the basis of the criteria set forth by the Code for independent directors, as had been checked upon their original appointment.

The Issuer expects Statutory Auditors who – for their account or for a third party's – have an interest in a certain transaction of the Issuer's, to promptly and fully inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of their interest. Statutory Auditors periodically monitor the independence of the independent auditors, expressing their opinion on an annual basis in a report to the Shareholders' Meeting.

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

At least four Board of Statutory Auditors' meetings are scheduled for the current financial year. Besides the meetings held on 20 February 2012 and 23 February 2012, meetings are due to be held at least once every quarter over the year.

### *16.1 Rules of procedure of the board of statutory auditors*

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

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

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

## *17. Relationships with shareholders*

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

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

For this purpose, an Investor Relations Department was established to take care of relations with the majority of shareholders and institutional investors, and possibly carry out specific tasks in the management of price-sensitive information and in relations with Consob and Borsa Italiana S.p.A..

At the date of this Report, the head of the Investor Relations Department is Raffaele Lupotto. This department can be contacted at: [investorrelations@piaggio.com](mailto:investorrelations@piaggio.com)

Investor Relations reporting is also ensured by making available the most significant corporate documentation in a timely and on-going basis on the Company's website, in the Investors section.

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

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

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



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## **18. General meetings (article 123-bis, paragraph 2, lit. c), Consolidated Law on Finance)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with application criterion 9.C.4 of the Code, and in consideration of Article 144-*quater* of the Consob Regulation on Issuers concerning candidate slates for the nomination of members of the Board of Directors and the Board of Statutory Auditors, the Board found there to be no need to submit to the shareholders amendments to the Articles of Association regarding the ownership thresholds applicable to protect minority interests, given that Articles 12.3 and 24.1 of the Issuer's Articles of Association set the ownership threshold at 2.5% of the share capital with voting rights, or as otherwise required or set forth by law or regulations in force. In this regard we report that by resolution No. 18083 of 25 January 2012, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the governance and control bodies of issuers at 2.0% for the year of reference.

## ***19. Additional corporate governance practices (pursuant to article 123-bis, paragraph 2, lit. a), Consolidated Law on Finance)***

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

## ***20. Changes after the financial year-end***

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



Management and Coordination

IMMSI S.p.A.

Share capital EUR 205,941,272.16 fully paid up

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

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