PIAGGIO GROUP

Report on Corporate Governance and Corporate Ownership 2016

Report on Corporate Governance and Corporate Ownership

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

Issuer: **Piaggio & C. S.P.A.**
Web site: **www.piaggiogroup.com**

Financial year to which the Report refers: **2016**
Date of approval of the report: **27 February 2017**

Indice

Glossary

Code: the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., as per the last update of July 2015, is available at www.borsaitaliana.it, in the section Borsa Italiana - Regulations - Corporate Governance.

Civil code: the 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.

Instructions to the Stock Exchange Regulations: the instructions to the Regulations for Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations: the Regulations of Markets 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 on 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 of the Consob Regulation on Issuers, available under the law at the registered office, on the website of Borsa Italiana S.p.A., on the website of the issuer at www.piaggiogroup.com as well as at the authorised storage mechanism "eMarket Storage" available at www.emarketstorage.com.

TUF (Consolidated Law on Finance): Legislative Decree no. 58 of 24 February 1998 (as amended).

1. Issuer profile

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

The Issuer is classified amongst the first 4 world operators in the reference market. The product range includes scooters, 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®, Piaggio Porter® and Quargo® vehicles.

The Issuer is organised in accordance with the traditional compliance programme contemplated in Articles 2380-bis et seq. of the Civil Code, with powers reserved respectively to the General 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; until 28 February 2017 Gabriele Galli was General Manager Finance, while Simone Montanari was appointed Chief Financial Officer as of 1 March 2017.

2. Information on the corporate ownership structure (pursuant to article 123 bis of the Consolidated Law on Finance) as of 31/12/2016

a) Share capital structure (Article 123-bis, paragraph 1, letter a), Consolidated Law on Finance)

The Issuer has a share capital of Euro 207,613,944.37, fully subscribed and paid up, divided into 361,208,380 ordinary 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	Rights and obligations
Ordinary shares	361,208,380	100	Screen-based stock market	Each share gives the right to one vote. The shareholders rights and obligations are those in Articles 2346 et seq. of the Civil Code.

b) Restrictions on the transfer of securities (Article 123-bis, paragraph 1, letter b), Consolidated Law on Finance)

There are no securities transfer restrictions.

c) Significant investments in capital (Article 123-bis, paragraph 1, letter c), TUF)

As at 31 December 2016, significant investments in the capital of the Issuer, as resulting from disclosures pursuant to article 120 of the Consolidated Law on Finance and from disclosures received by the Issuer, were as follows:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	50.0621	50.0621
	Omniaholding S.p.A.	0.0858	0.0858
	Total	**50.1479**	**50.1479**
Diego della Valle	Diego della Valle & C. S.r.l.	5.4924	5.4924

d) Securities that grant special rights (Article 123-bis, paragraph 1, letter d), Consolidated Law on Finance)

No securities have been issued bearing special rights of control.

The articles of association of the Issuer do not contain provisions relating to the increased vote pursuant to art. 127-quinquies of the Consolidated Law on Finance.

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, letter f), Consolidated Law on Finance)

There are no restrictions on voting rights.

g) Shareholder agreements (Article 123-bis, paragraph 1, letter g), Consolidated Law on Finance)

As far as the Issuer is aware, as of 31 December 2016 no agreements were ongoing between shareholders of the company, of a content relevant pursuant to Article 122 of the Consolidated Law on Finance.

h) Changes to the Articles of Association (Article 123-bis, paragraph 1, letter 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 Civil Code: mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code; the transfer of the registered head office within the national territory; share capital reduction due to withdrawal; amending the articles of association, without prejudice to the above resolutions also being passed by the Extraordinary Shareholders' Meeting.

i) Delegation of powers to increase the share capital and authorisations for the acquisition of treasury shares (Article 123-bis, paragraph 1, letter m), Consolidated Law on Finance)

Authorisation to purchase treasury shares

On 14 April 2016 the Shareholders' Meeting authorised the purchase and disposal of ordinary treasury shares - subject to withdrawal of the authorisation granted by the Shareholders' Meeting on 13 April 2015 - 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, letter 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,, considering that 3 July 2016 saw then entry into force of the new European rules on buy-back programmes set out in Regulation EU No. 596/2014 of 16 April 2014 on market abuse, supplemented by the "technical standards" developed by ESMA (European Securities and Markets Authority). Therefore, as of 3 July 2016, the above regulatory references to EC Regulation no. 2273/2003 of 22 December 2003 must be understood to have been replaced by the provisions of EU Regulation no. 596/2014 of 16 April 2014 relating to market abuse and the ESMA "technical standards", as well as by the provisions currently in force and applicable. The programme also enables the Company to acquire own shares for their subsequent cancellation, in the terms and in the manner resolved by the competent company boards.

To this end, the Shareholders' Meeting authorised, pursuant to and for the purposes of Article 2357 of the Civil Code, the purchase, on one or more occasions, for a period of eighteen months as from the date of the resolution - and therefore up until 14 October 2017 - 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, empowering the Board of Directors to identify the amount of shares to be purchased for each of the purposes mentioned above before starting each purchase programme and at a price that is no higher than the highest price between the price of the last independent transaction and highest independent offer price in the trading venues where the purchase is made, provided that the unit amount is at least a minimum of 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.

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 14 April 2016.

The same meeting also established, pursuant to the law, that purchases of treasury shares must be contained within the limits of distributable earnings and available reserves resulting from the latest available financial statements (also interim) approved at the time of executing the transaction and that, upon purchase and disposal of treasury shares the necessary accounting entries are made, in compliance with the provisions of the law and applicable accounting standards.

On 2 May 2016, the Board of Directors - following authorisation for the purchase and disposal of treasury shares decided by the General Shareholders' Meeting of 14 April 2016 - approved a treasury share purchase programme concerning a maximum of 15,000,000 ordinary shares.

For information concerning the treasury share purchase programme in progress, reference is made to the press releases available on the Issuer's website at www.piaggiogroup.com, in the section Investors – Financial press releases.

As at 31 December 2016, the Issuer holds 3,054,736 treasury shares, equal to 0.846% of the share capital. At the date of this Report, the number of Issuer's treasury shares had not changed compared to 31 December 2016.
In the year, a total of 3,038,736 shares, equal to 0.841% of the share capital, were purchased at a weighted average price of €1.8430.

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

l) Change of control clauses (Article 123-bis, paragraph 1, letter h), of the TUF) and statutory provisions concerning takeover bids (Articles 104, paragraph 1-ter and 104-bis, paragraph 1, of the TUF)

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 2016. Specifically the following agreements have been made:

› a syndicated Term Loan and Revolving Credit Facility totalling Euro 220 million;
› an addendum totalling Euro 30 million to the syndicated Term Loan and Revolving Credit Facility subscribed to in the previous year;
› a debenture loan totalling Euro 250 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 60 million;
› a loan agreement with the European Investment Bank, totalling Euro 70 million;
› loan agreements totalling USD 56.5 million with International Finance Corporation to support the Indian and Vietnamese subsidiaries;
› a loan agreement with Banco Popolare totalling Euro 10 million;
› a Revolving Credit Facility with Banco Popolare totalling Euro 10 million.
› a loan agreement with the Banca Popolare Emilia Romagna totalling €25 million.
› a Revolving Credit Facility with Banca del Mezzogiorno - MediodCredito Centrale totalling Euro 20 million.
› a syndicated term loan and with Banca Popolare di Milano totalling Euro 25 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) Indemnities to Directors in the case of resignation, dismissal or termination of employment following a public purchase offer (Article 123-bis, paragraph 1, letter i), Consolidated Law on Finance)

The Company has stated that no agreements have been entered into between the Issuer and the Directors that provide for indemnities in the case of resignation, dismissal/termination without just cause, or if the employment ceases following a public offering. For further details, reference is made to the Remuneration Report available at www.piaggiogroup.com in the section Governance - Shareholders' Meeting.

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 the internal control and risk management system (Article 123-bis, paragraph 2, letter b)) reference is made to sections 11 and 12;

› for information on the rules of procedure for general 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 committees (Article 123-bis, paragraph 2 lit. d)), see sections 5, 7, 8, 9, 11, 12, 15 and 16.

3. Compliance

The Issuer has adopted the Code, which is available on the Internet site of Borsa Italiana SpA (www.borsaitaliana.it). Neither the Issuer nor strategically important subsidiaries are subject to non-Italian legal provisions affecting their corporate governance structure.

4. Management and co-ordination

The Issuer is subject to the management and co-ordination of IMMSI S.p.A. 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.

5. 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 provisions of the Articles of Association of the Issuer governing the composition and appointment of the Board (Article 12) are suitable to ensure compliance with the provisions of Legislative Decree no. 27 of 27 January 2010 concerning the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders of listed companies as well as the discipline of the balance between genders in the composition of management bodies pursuant to Article 147-ter, paragraph 1-ter of the Consolidated Law on Finance, as introduced by Law 120/2011, and Article 144-undecies of the Consob Regulation on Issuers. In particular, with reference to the latter regulation, in 2014 the Board of Directors of the Company unanimously approved the changes to Article 12 of the Articles of Association, providing for the introduction of criteria to ensure that the composition of the Board of Directors of the Company complies with the regulations in force at any time in the area of gender balance. For further information on the changes introduced please refer to the minutes of the meeting and to the updated articles of association, available on the company's website www.piaggiogroup.com in the section Governance – Articles of Association, as well as at the authorised storage mechanism "eMarket Storage" available at the website www.emarketstorage.it.

The company is governed by a Board of Directors composed of a number of members not less than 7 (seven) and not more than 15 (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 a tenured university position 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.

Pursuant to art. 12.3 of the Articles of Association of the Issuer, Directors are appointed by the ordinary Shareholders' Meeting, in accordance with the pro tempore rules in force at any time concerning the balance between genders, based on the lists submitted by Shareholders in which candidates are listed with a sequential number.

Each shareholder, as well as shareholders who have entered into a significant shareholder agreement pursuant to art. 122 of the Consolidated Finance Act, as well as the Parent Company, its subsidiaries and joint ventures pursuant to art. 93 of the Consolidated Finance Act, cannot present or take part in presenting more than one list, either by proxy or through trust companies, nor can they vote on different list. The endorsements and votes cast in breach of such prohibition shall not be assigned to any list.

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 nominate candidates on slates. By resolution no. 19856 of 25 January 2017, Consob set the relative share capital threshold required to nominate candidates on slates for election to the Governance bodies of Issuers at 2.5% (two point five per cent). The lists of candidates for the office of Director must be filed by Shareholders at the registered offices, without prejudice to any additional forms of advertising and filing procedures prescribed by regulatory provisions in force at any time, at least 25 (twenty-five) days before the date set for the Shareholders' Meeting in first call; for the purposes of submission of the list,

ownership of the shareholding required is determined having regard to the shares registered in the name of the shareholder on the date on which the lists are filed with the Issuer; certification of the same can also be submitted subsequent to filing the list, provided that this takes place within the deadline for the publication of such lists.
Lists that have a number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (in any case rounded upwards) of candidates belong to the less represented gender.

If minority lists are presented, 1 (one) Director is appointed from these lists, as described below.

The appointment mechanism adopted for choosing candidates nominated in different slates is as follows:

a. all the Directors but one are selected from the list that obtained the highest number of the votes in the sequential order in which they appear;
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.

If the minority list at point b) did not obtain a percentage of votes equal to at least half of the required percentage, pursuant to what has been stated above, for the purpose of presenting the very same list, all the Directors to be appointed will be selected from the list at 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.

If, in addition, with the candidates elected in the manner described above, a composition of the Board of Directors compliant with pro tempore legislation in force at any time concerning the balance between genders is not ensured, the candidate of the more represented gender elected as last in the sequential order in the list that received the most votes shall be replaced by the first candidate of the less represented gender not elected from the same list according to the sequential order. This replacement procedure is repeated until a composition of the Board of Directors compliant with pro tempore legislation in force at any time concerning the balance between genders has been ensured. If the aforesaid procedure does not ensure the last result indicated above, the replacement will take place by resolution passed by the Shareholders' Meeting by relative majority subject to the presentation of candidates belonging to the less represented gender.

If only one or no list is presented, the Shareholders' Meeting shall resolve according to the legally prescribed majorities, disregarding the above procedure but without prejudice to the provisions of the second paragraph of Article 12 of the Articles of Association and in compliance with pro tempore legislation in force at any time concerning the balance between genders.

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 either case, the Board and the Shareholders' Meeting are to ensure that only candidates eligible for election under laws in force, the Articles of Association and other applicable provisions are appointed as Directors, also with regard to the regulations in force at any time concerning the balance between genders.

If a majority of the directors appointed by the shareholders leave office, the entire Board of Directors will be required to resign and a Shareholders' Meeting called by the remaining directors for the appointment of a new Board.

The Board has decided to not adopt a plan for the succession of executive directors, considering the current shareholder and organisational structure of the Issuer, as well as practice of appointing persons with considerable experience gained within the Company as Executive Directors.

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

The Board comprising 9 (nine) members – of which 5 (five) independent – was appointed by the Ordinary Shareholders' Meeting on 13 April 2015, based on 2 lists of candidates submitted, respectively, by the majority shareholder IMMSI SpA and a group of investors in total representing 2.88% of the share capital, in accordance with art. 12.3 of the articles of association.
The Board and its current members will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2017.
For further information on the lists filed for appointment of the administrative body, reference is made to the Issuer's corporate website www.piaggiogroup.com and the section Governance - Company Boards, with the curricula of Board Directors including their professional profiles.

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).
Participation in Board meetings indicates participation of the director in Board meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).
Other offices: indicates the overall number of 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 as at 31 December 2016.

Name	Position	Year of birth	In office from	In office until	List M/m	Exec.	Non-Exec.	Indep.	Indep. Consolidated Law on Finance	Participation in Board meetings	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	1943	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12	M	X				7/8	7
Matteo Colaninno	Deputy Chairman	1970	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12	M		X			8/8	3
Michele Colaninno	Director	1976	13/04/2015 First appointment: 28/08/2006	Approval of the financial statements as of 31.12	M		X			8/8	9
Vito Varvaro	Director	1954	13/04/2015 First appointment: 16/04/2009	Approval of the financial statements as of 31.12	M		X	X	X	8/8	2
Graziano Gianmichele Visentin	Director	1950	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12	M		X	X	X	8/8	18
Maria Chiara Carrozza	Director	1965	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12	M		X	X	X	8/8	0
Giuseppe Tesauro	Director	1942	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12	M		X	X	X	4/8	1
Andrea Formica	Director	1961	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12	m		X	X	X	7/8	1
Federica Savasi	Director	1975	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12	M		X			8/8	0

Structure of committees

Name	Position	A.C.	Participation A.C.	R.C.	Participation R.C.	C.R.C.	Participation C.R.C.
Giuseppe Tesauro	Director	P	-	P	1/1	M	5/7
Vito Varvaro	Director			M	1/1	M	6/7
Graziano Gianmichele Visentin	Director			M	1/1	P	7/7
Maria Grazia Carrozza	Director	M	-				

Legend
A.C.: Indicates the Appointment Proposal Committee C/M indicates whether the director is chairman or member of the Appointment Proposal Committee.
Participation A.C. indicates participation of the Director in Appointment Proposal Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).
R.C: indicates the Remuneration Committee; C/M indicates whether the director is chairman/member of the Remuneration Committee.
Participation R.C. indicates participation of the Director in Remuneration Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).
C.R.C.: indicates the Internal Control and Risk Management Committee; C/M indicates whether the director is chairman/member of the Internal Control and Risk Management Committee.
Participation C.R.C.: indicates participation of the Director in the Internal Control and Risk Management Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).

The Board also meets the requirements of Article 37, paragraph 1, letter d), of Consob Regulations on Markets that establish - for companies subject to the management and coordination of another Italian company listed on regulated markets - the requirement of a Board to have a majority of members consisting of independent Directors pursuant to the above Regulations.

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 27 February 2017, the Board, based on the outcome of the verification of offices presently held by its Directors in other stock companies, considered that the number and standing of the offices held do not interfere and are therefore compatible with an effective conduct of the office of Director of the Issuer.

With reference to the offices assumed by the Issuer's Directors in the Parent Company IMMSI S.p.A., it is pointed out moreover that, as for the previous board, the majority of the Issuer's Board members do not hold administrative and management appointments in IMMSI S.p.A. and in the group of which it is parent company.

The list of the companies in which each director, outgoing and/or currently in office, holds management or control appointments as of December, 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.

Positions held by directors in office at the date of this Report:

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

1_Appointments terminated as of 07.02.2017

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.	Honorary Chairman of the Board of Directors and Director1
	RCN Finanziaria S.p.A.*	Director
	Piaggio Fast Forward Inc.*	Chairman of the Advisory Board
	Intermarine 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
Michele Colaninno	IMMSI S.p.A.*	Chief Executive Officer and General Manager
	Ominiaholding S.p.A.*	Chief Executive Officer
	Omniainvest S.p.A.*	Chief Executive Officer
	ISM Investimenti S.p.A.*	Chairman of the Board of Directors
	Piaggio Fast Forward Inc.*	Chairman of the Board of Directors
	RCN Finanziaria S.p.A.*	Director
	Is Molas S.p.A.*	Director
	Immsi Audit S.c.a r.l.*	Director
	Intermarine S.p.A. *	Director
Vito Varvaro	Vitale Barberis Canonico S.p.A.	Director
	Cantine Settesoli Società Cooperativa	Chairman of the Board of Directors
Graziano Gianmichele Visentin	21 Investimenti SRG S.p.A.	Director
	Air One S.p.A.	Statutory Auditor
	Alitalia Cityliner S.p.A.	Statutory Auditor
	Centomilacandele Scpa	Statutory Auditor
	Coima SGR S.p.A.	Statutory Auditor
	Alitalia Compagnia Aerea Italiana S.p.A.	Statutory Auditor
	Cosi S.p.A.	Statutory Auditor
	Eurostazioni S.p.A.	Statutory Auditor
	Fabrica S.p.A.	Chairman of the Board of Statutory Auditors
	Fedrigoni S.p.A.	Director
	GCF S.p.A.	Statutory Auditor
	Indesit Company S.p.A.	Chairman of the Board of Statutory Auditors
	Industria e Innovazione S.p.A.	Director
	Istituto Europeo di Oncologia S.r.l.	Statutory Auditor
	Schemaquattordici S.p.A.	Statutory Auditor
	Stefanel S.p.A.	Director
	Ricerca 12 S.p.A.	Statutory Auditor
	Ricerca Finanziaria S.p.A.	Statutory Auditor
Maria Chiara Carrozza		
Giuseppe Tesauro	CARIGE – Cassa di Risparmio di Genova e Imperia S.p.A.	Chairman

Full name	Company	Management and control positions held in public companies
Andrea Formica	Grow S.r.l.	Shareholder & Director
	K-Bek S.r.l.	Shareholder & Director
Federica Savasi		

Induction Programme

The type of board disclosure allows Directors to have adequate knowledge of the sector in which the Issuer operators, of corporate dynamics and their developments, as well as the regulatory and self-regulatory reference framework.

The Chairman and Chief Executive Officer of the Company has also ensured, also through the meeting with the top management of the Company and the Directors, that the latter obtained detailed information and explanations on the activities and projects of the group controlled by the Issuer, as well as on the regulatory and self-regulatory reference framework.

In particular, during the year 2016, the directors and auditors had the opportunity to deepen their knowledge of the automotive sector through participation in Board meetings to provide updates on the business plan from 2014 - 2017 (held on 10 March 2016) as well as to examine the relevant regulatory framework by taking part in the amendment of procedures relating to market abuse, following the entry into force of the MAR.

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 appoints a Secretary, who may also be a non-member of the Board.

Pursuant to Article 17.4 of the Articles of Association, the Board of Directors may delegate its powers and capacities to an executive committee, within the limits contemplated by law and the Articles of Association. The Board may also delegate, within those same limits, some of its powers and capacities to the Chairman and/or other members, and may appoint and delegate powers and capacities to one or more Chief Executive Officers.

Under Article 14 paragraphs 1 and 2 of the articles of association, the Board is convened by the Chairman - or their replacement under the articles of association - by letter sent, also by fax or any other suitable means of communication, to the address for service of each standing Director and Auditor at least 3 (three) days before the date fixed for the meeting. 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 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.

Pursuant to Article 14.4 of the Articles of Association, Board meetings are held at the registered office of the company or at another venue, provided it is located in Italy. Meetings may be called whenever deemed necessary by the Chairman, or person acting on his behalf in accordance with the Articles of Association, or when requested by the Chief Executive Officer, if appointed, or by at least three Board members, without prejudice to the power to call Board meetings granted to other parties in accordance with law. Attendees may participate in Board of Directors' meetings remotely via the use of audiovisual links (video or teleconferencing). In this case, each of the participants must be identifiable, and each assured the possibility of speaking and voicing their views in real time and of receiving, transmitting and viewing any documentation not provided in advance; It must also be assured that examinations, addresses and decision-making are conducted live, without delays. The Directors and Statutory Auditors connected by a long-distance network must be able to avail of the same documentation distributed to those attending the meeting at the official meeting venue. The meeting of the Board of Directors is deemed to have been held at the place where the Chairman and the Secretary are located and must work jointly.

Pursuant to Article 15 of the Articles of Association, a majority of serving Board members is required at meetings for any decisions taken by the Board of Directors to be valid. Resolutions are passed with the majority of the voting members, excluding any abstainers. In the case of a tie, the vote of the person chairing the meeting prevails. Voting must be conducted 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 year 8 (eight) Board meetings were held.
The Issuer's current Board met on the following dates: 11 February 2016, 10 March 2016, 11 March 2016, 2 May 2016, 6 May 2016, 27 July 2016, 28 October 2016 and 15 December 2016.
The Board meetings lasted on average 2 (two) hours.
At least 4 (four) Board meetings are scheduled for the current financial year. In addition to those already held on 24 January 2017 (Chairman's statement), 23 February 2017 (analysis of 2017 Budget and impairment testing), and 27 February 2017 (approval of the draft separate and consolidated financial statements at 31 December 2016), the calendar of the main corporate events of 2017 (already communicated to the market and to Borsa Italiana S.p.A. in accordance with regulations on 24 January 2017) envisages another 3 (three) meetings on the following dates:

› 5 May 2017 – approval of the Interim Report on Operations as of 31 March 2017;
› 28 July 2017 – approval of the Half-Year Financial Report as of 30 June 2017;
› 27 October 2017 – approval of the Interim Report on Operations as of 30 September 2017.

On 3 November 2016, Consob approved the amendments to Consob Regulation on Issuers relating to quarterly interim reports, as a result of the legislative process that began in February with the transposition (through Legislative Decree no. 25 of 15/2/2016) of the Transparency Directive II (2013/50/EU), which removed the obligation to publish these reports.
Against this background, Consob has decided not to exercise the option to re-introduce additional periodic disclosures with to annual and half-yearly interim financial reports, making issuers' responsible for deciding whether to publish this information, the level of content and the timing made available to the public.
In this regard it is noted that the company, in order to ensure the continuity and regularity of disclosures to the financial community, has voluntarily decided to continue to publish quarterly disclosures and from FY 2017 onwards – and until otherwise decided – will adopt the communication policy described in detail in the press release of 15 December 2016, available on the Issuer's corporate website www.piaggiogroup.com and on the "eMarket storage" storage mechanism available at www.emarketstorage.com.
The Calendar of corporate events 2017 is available in Italian and English, on the corporate website of the Issuer www.piaggiogroup.com, in the section Investors - Financial Calendar as well as at the authorised storage mechanism called "eMarket Storage" available at the website www.emarketstorage.it.

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 provided in a suitable way, so as to enable Directors to make informed decisions on the matters submitted to them, with draft documents requiring approval provided well in advance, excepting cases of demonstrated urgency or special confidentiality requirements. In particular, as regards meetings to approve financial reports, the Issuer sends relative material at least 48 (forty-eight) hours in advance of board meetings. This time-frame is considered appropriate by all Directors and has normally been observed.

The Chairman of the Board of Directors ensures that sufficient time is allocated to discuss items on the agenda, so that all board directors may intervene, guaranteeing constructive debate during board meetings.

Board meetings were attended by executives of the Issuer and of the group of which the Issuer is the parent company, to report on items on the agenda.

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

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 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 trademarks, patents and other intellectual property rights, as well as the stipulation of licence agreements, of an amount or value above €2.5 million;
e. conclusion and amendment of agreements of a multi-year commercial nature, including joint ventures, that do not fall within the scope of the Company's ordinary 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.

As part of its duties, the Board examines and approves the strategic, business and financial plans of the Issuer and of the group headed by it, periodically monitoring implementation. The Board also defines the corporate governance system of the Issuer and structure of the group reporting to it.

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 Civil Code and application criterion 1.C.1. letter c) of the Code, during the financial year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and of its subsidiaries of strategic importance, on at least a quarterly basis, with particular reference to the internal control and risk management system and the management of conflicts of interest, according to the procedures adopted by the Issuer to this end. As part of these activities, the Board was assisted, as necessary, by the Internal Control and Risk Management Committee, the Internal Auditing Supervisor and the independent auditors IMMSI Audit S.c.a r.l, the Executive in Charge of Financial Reporting and the procedures and controls implemented also pursuant to Law 262/2005.

The Board also evaluated the general results of operations at least quarterly, taking into consideration the information received from the Chief Executive Officer, periodically comparing the results achieved with those programmed.

On 11 March 2016, the Issuer's Board, pursuant to application criterion 1.C.1.g) of the Code, has carried out an annual assessment on the basis of a questionnaire divided into various areas of inquiry (i.e. composition, structure, size and functioning of the Board, interaction with management, risk governance, composition and committee structure, etc.) and with the possibility to make comments and proposals; this questionnaire has been sent to and completed by all Directors, and examined by the Board on 27 February 2016. At the end of the assessment, the Board found that it was suitable to perform the functions allocated to it by current law and that the size, composition and functioning of the Board and its committees are adequate for the management and organisational requirements of the Issuer, also taking into account the professional characteristics, experience (also managerial) of its members, their length of service as well as the presence, out of a total of 9 (nine) members, of 8 (eight) non-executive directors, of which five (5) independent non-executive directors, who also ensure a suitable composition of the Board's Committees.

The Shareholders' Meeting has 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 powers reserved to the Governance Body as a whole by law, by the Articles of Association, and by the Board of Directors' resolution adopted on 13 April 2015 (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.

As regards the Chairman and Chief Executive Officer, interlocking directorate status, pursuant to criterion 2.C.5 of the Code, does not apply.

The Chairman has powers of management as he also holds the position of Chief Executive Officer.
Under the Articles of Association, the Chairman of the Board of Directors is vested with the power and capacity to chair Shareholders' Meetings (Article 9), to call Board meetings (Article 14), to represent the Company legally before third parties and at law, and to act as signatory for the Company (Article 23).
The Deputy Chairman, Matteo Colaninno, is responsible for substituting the Chairman in his capacities, as required.

Executive Committee

The Board of the Issuer has not established an Internal Executive Committee.

Reporting to the Board and the Board of Statutory Auditors

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

5.6. Other executive directors

There are no other executive directors.

5.7. Independent directors

The Board of Directors comprises a majority of independent, non-executive Directors who, by their number and authority, are such that they ensure their opinion has a significant weight on 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 also note that, in order to exclude the potential risks limiting the Issuer's management autonomy, which could lead, in particular, to an overlapping of the administrative bodies of the Issuer and the Parent Company IMMSI S.p.A.: (a) in the Issuer's Board currently in office there are 3 (three) non-executive directors, in the persons of directors Matteo Colaninno, Michele Colaninno and Federica Savasi and 5 (five) independent non-executive directors, in the persons of directors Giuseppe Tesauro, Graziano Gianmichele Visentin, Maria Grazia Carrozza, Vito Varvaro and Andrea Formica; (b) the majority of the members of the Issuer's Board does not hold administrative and management positions in IMMSI S.p.A.. and the group in which it is the parent company.
Compliance with the independence requirements of art. 148, paragraph 3, letters b) and c) of the Consolidated Law on Finance, art. 37, paragraph 1, letter d) of the Consob Market Regulations and art. 3 of the current Code of Independent Directors was verified in the meeting held on 13 April 2015 following the appointment by the Ordinary Shareholders of the directors currently in office and, most recently, during the Board of Directors meeting of 27 February 2017, on the basis of declarations of independence made in February 2017, while expressing a positive assessment regarding the composition of the Board of Directors, composed of a majority of independent directors, as required by the relevant regulations.
In this composition, the Board also meets the requirements of Article 37, paragraph 1, letter d), of Consob Regulations on Markets that establish, for companies subject to the management and coordination of another Italian company listed on regulated markets, the requirement of a Board to have a majority of members consisting of independent Directors pursuant to the above Regulations.

In particular, it was verified that each of the independent Directors:

1.1 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;

1.2 is not connected to the Issuer or its subsidiaries or parent companies or companies subject to joint control or the directors of the Issuer and the entities referred to in paragraph 1.1. by relationships of self-employment, employment or other relationships of an economic or professional nature that might compromise their independence;

1.3 does not entertain, nor has recently entertained, even indirectly, with the Issuer or persons linked to the Issuer, relations such as to currently influence their independence of judgement and therefore, for example:
- › does not control the Issuer or is not be able to exercise considerable influence over the same, or participate in a shareholders' agreement through which one or more persons may exercise control or significant influence over the Issuer and this both directly and indirectly, also through subsidiaries, trustees or nominees;
- › is not, or was not in the three previous three 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;

1.4 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 paragraph 1.3. 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:
- › with the Issuer, its subsidiaries, or any of its significant representatives (in the sense specified in point 1.3 above);
- › with a person who, alone or jointly with others through a shareholders agreement, controls the Issuer, or rather – being a company or entity – with the related significant representatives (in the sense indicated in point 1.3 above);
- › is not, or was not in the previous three financial years, an employee of the abovementioned entities;

1.5 does not receive, or has not received in the previous three financial years, from the Issuer or from a subsidiary or parent company, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the Issuer and to the remuneration for participation in committees recommended by the Code) also in the form of participation in incentive plans linked to company performance, including stock options;

1.6 has not held the position of director of the Issuer for more than nine years in the last twelve years;

1.7 has not held the position of executive director in another company in which one of the Issuer's executive directors is also a director;

1.8 is not a shareholder or director of a company or entity belonging to the corporate network of the independent auditor engaged by the Issuer;

1.9 is not a close relative (meaning by this, inter alia, parents, children, spouse, unless legally separated, cohabiting partner and cohabiting family members) of a person who is in one of the situations referred to in the previous points;

In accordance with the declarations of independence made by the Independent Directors, they have committed to maintain their independence for the duration of their term of office, and to promptly inform the Board of Directors of any situations that may affect such status. Pursuant to Article 12, paragraph 2 of the Articles of Association of the Issuer, if a Director no longer qualifies for independent status as required by Article 148, paragraph 3 of the Consolidated Law on Finance, the Director will remain in office if the minimum number of Directors indicated by law still have independent status.

At its meeting of 7 July 2016, 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 2016, the Independent Directors met on 2 May 2016.

5.8. Lead independent director

The Board has designated the non-executive independent director Giuseppe Tesauro as Lead Independent Director, pursuant to the Code, so that he represents a point of reference and co-ordinates the petitions of independent Directors and non-executive Directors, and cooperates with the Chairman in order to ensure that Directors receive complete and timely information. The Lead Independent Director, Giuseppe Tesauro, independent director in possession of the necessary competence on legal, accounting and finance matters, also holds the position of Chairman of the Remuneration Committee, of the Appointment Proposal Committee and of the Committee for Transactions with Related Parties.

6. Processing of corporate information

The Board adopted (i) in its meeting of 28 August 2006, a "Procedure for the publication of price-sensitive information", as last amended and approved by the Board at its meeting held on 23 October 2014; (ii) on 5 November 2007, a "Procedure for the management of the Register of persons with access to price-sensitive information - Piaggio & C. S.p.A. Group", as last amended on 23 October 2014, providing for the said procedure to apply also to entities in a control relationship with the Issuer; (iii) on May 3, 2006, it approved the "Procedure for the fulfilment of Internal Dealing obligations", as last amended and approved by the Board at its meeting held on 17 December 2012.

During the year, in order to come into line with the new EU rules on market abuse (Regulation (EU) no. 596/2014 of the European Parliament and of the Council of the European Union of 16 April 2014, the Market Abuse Regulation ("**MAR**") and associated European Commission implementing standards) and in order to monitor access to and circulation of price-sensitive information before it is disseminated to the public, to ensure compliance with the confidentiality requirements provided by laws and regulations, and to govern0 the internal management and external disclosure of this information, the Company adopted – with effect from 3 July 2016 – the "Procedure for the Disclosure of Price-Sensitive Information", the "Procedure for management of the Register of Persons who have access to Price-Sensitive Information" and the "Procedure for the fulfilment of Internal Dealing obligations"; these procedures, which replace the previously applicable procedures of the Company mentioned above, are available on the Issuer's corporate website www.piaggiogroup.com in the section Governance - Market Abuse.

6.1. Procedure for the disclosure of price-sensitive information

The procedure was adopted by Piaggio & C. S.p.A. in compliance with the provisions of article 17 MAR and the associated European Commission implementing standards. It governs the provisions and procedures relating to the internal management and external disclosure of price-sensitive information (as defined in art. 7 MAR) and Confidential information (as defined in the Procedure) concerning the Issuer and its subsidiaries.

In particular, price-sensitive information must be disclosed in apposite communications prepared jointly by the Legal & Corporate Affairs department, the External & Media Relations department and the Investor Relations department; The text of the press release must be submitted to the Chairman of the Board of Directors or the Chief Executive Officer and, if deemed appropriate or necessary, to the Board of Directors, for final approval before disclosure, subject to certification – if the text is related to accounting disclosures by Executive in Charge of Financial Reporting pursuant to art. 154-bis of the Consolidated Law on Finance (TUF). La procedure is designed to ensure compliance with the laws and regulations in force and ensure the maximum privacy and confidentiality of price-sensitive information; Specifically, the Procedure is designed to ensure greater transparency with the market and adequate preventive measures against market abuse and, in particular, against insider trading.

6.2. Procedure for management of the register of persons who have access to price-sensitive information

Article 18 of the MAR and associated implementing standards of the European Commission regulations establish the obligation for "issuers, or persons acting on their behalf or for their account" to draw up, manage and update a register of persons who have access to price-sensitive information as defined in Article 7 MAR.

Pursuant to article 7 MAR, inside information is "information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments".

The obligation to establish and maintain the register are aimed at encouraging operators to pay more attention to the value of price-sensitive information and, therefore, to stimulate the establishment of adequate internal procedures for monitoring their circulation prior to dissemination to the public.

6.3. Procedure for the fulfilment of internal dealing obligations

The procedure governs the disclosure requirements for transactions involving financial instruments carried out by relevant persons, as identified in the same procedure, to ensure greater transparency with the market and adequate preventive measures against market abuse and, in particular, against insider trading.
The procedure was adopted by Piaggio & C. SpA in implementation of the regulations set forth in Article 19 MAR, supplemented by Articles 7 and following of Delegated Regulation (EU) 2016/522 of the European Commission of 17 December 2015 and Commission Implementing Regulation (EU) 2016/523 of 10 March 2016.

7. 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 and Risk Management Committee and a Related Party Transactions Committee from its members.

The Issuer has not established any committee performing the functions of two or more of the committees required by the Code, nor has it "distributed" functions among the Committees differently than recommended by the Code or reserved the functions of one or more committees required by the Code for the entire Board, coordinated by the Chairman.

8. Appointment proposal committee

In compliance with the Code and in consideration of the list-based voting system in the Articles of Association for nominations to Administrative Body, the Board of Directors has established an internal Appointment Proposal Committee.
The Appointment Proposal Committee appointed by the Board on 13 April 2015 is composed, as of the date of this Report, of independent non-executive directors as required by Article 5.P.1 of the Code, in the persons of Giuseppe Tesauro (Chairman), Maria Grazia Carrozza and Graziano Gianmichele Visentin.

Functions of the Appointment Proposal Committee

The Appointment Proposal Committee has the duty of ensuring that the presentation procedure for lists set by the Articles of Association takes place correctly and transparently, in respect of applicable legislation and the Articles of Association. 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 Shareholders' Meeting convened for the appointment of the Board of Directors or its members.
Pursuant to the application criterion 5.C.1 letters 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 committee or makes recommendations on the professional figures whose presence on the Board is deemed appropriate, and proposes to the Board candidates for directorships in cases of co-optation when independent directors need to be replaced.

During the financial year the Appointment Proposal Committee did not hold any meetings, having exhausted its duties in 2015 when the new Board of Directors was elected by the shareholders of the Issuer from the 2 slates of candidates presented, respectively, by the majority shareholder IMMSI S.p.A. and a group of investors overall representing a total of 2.88% of share capital.

In carrying out its functions, the Appointment Proposal Committee was able to access and consult the corporate information and departments necessary to carry out its duties, and also use external consultants within the terms set by the Board.

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

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 appointed by the Board on 13 April 2015 and in office at the date of this Report, consists of three independent non-executive directors in the persons of Giuseppe Tesauro, acting as Chairman, Vito Varvaro and Graziano Gianmichele Visentin.
Director Graziano Gianmichele Visentin has the experience in finance and remuneration policies considered suitable by the Board at the time of his appointment.

Pursuant to application criterion 6.C.6., no Director participates in meetings of the Remuneration Committee in which proposals are formulated to the Board of Directors regarding his/her remuneration

Functions of the Remuneration Committee

The Remuneration Committee, besides making proposals on the remuneration policy adopted by the Issuer, has the following duty: (i) to make proposals to the Board regarding the remuneration of the Chief Executive Officer and other directors who hold special positions, monitoring the application of the decisions 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.
It also has the responsibilities and functions envisaged in the Remuneration Policy adopted by the Company.

In 2016, a meeting of the Remuneration Committee was held on 7 March 2016 during which the Remuneration Report pursuant to art. 123-ter of the Consolidated Law on Finance with reference to 2015 was examined. The meeting was led by the Chairman of the Committee and was attended by the Chairman and members of the Board of Statutory Auditors. The meeting lasted approximately 1 (one) hour and was recorded in minutes. The Chairman of the Committee informed the Board of Directors of the matters dealt with at the next appropriate meeting.
During the current year, the Committee has already met on 23 February 2017 for the examination of the Remuneration Report for 2016 pursuant to art. 123-ter of the Consolidated Law on Finance and further meetings are planned for the rest of the year.

In carrying out its functions, the Remuneration Committee had the right to access information and company functions necessary to perform its duties.

No financial resources were allocated to the Remuneration Committee in that, in order to fulfil its duties, it uses the Issuer's corporate resources and facilities.

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 compliance with principle 6.P.4 of the Code.
The Remuneration Policy, as approved in 2012, was subsequently confirmed during the Board Meetings held on 27 February 2013, 20 March 2014, 27 February 2015, 11 March 2016 and most recently on 27 February 2017.

Reference is made to Section I of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance for a description of the Remuneration Policy.

Share-based remuneration plans

Please refer to Section II, paragraph 1 of the Remuneration Report published pursuant to art. 123-ter of the Consolidated Law on Finance and to the documents published by the Issuer pursuant to Article 84-bis of the Consob Regulation on Issuers, available on the corporate website of the Issuer www.piaggiogroup.com, under Governance – Management.
In 2014, the share-based remuneration plan for the Piaggio Group managers (stock options) came to an end having exhausted its effects upon exercise of all options granted not lapsed. The plan was approved by the general shareholders' meeting of 7 May 2007 (Stock Option Plan 2007-2009) and subsequently

amended by resolution of the general shareholders' meeting on 16 April 2010.

Remuneration of executive directors

Reference is made to that illustrated in Section I paragraph 3 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.
According to the Remuneration Policy, as most recently confirmed by the Board in its meeting on 11 March 2016, a significant part of the remuneration of executive Directors is linked to achieving specific performance targets. In particular, the remuneration of the Chairman and Chief Executive Officer consists of a fixed component - determined in accordance with the commitments required of the office - and a variable component.

Remuneration of key management personnel

Reference is made to that illustrated in Section I paragraph 4 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

Incentive mechanisms for the Internal Auditing Supervisor and Executive in Charge of Financial Reporting

The incentive mechanisms for the Internal Auditing Supervisor and Executive in Charge of Financial Reporting are consistent with their duties.

Remuneration of non-executive directors

Reference is made to that illustrated in Section I paragraph 3 of the Remuneration Report issued pursuant to art. 123-ter of the Consolidated Law on Finance.

It is nevertheless pointed out that the remuneration of non-executive directors is not linked to Company business 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, Reference is made to that illustrated in Section II of the Remuneration Report issued pursuant art. 123-ter of the Consolidated Law on Finance.

11. Internal Control And Risk Management Committee

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

The Issuer's Internal Control and Risk Management Committee is composed exclusively of non-executive independent Directors.

The Board of Directors has appointed an internal Internal Control and Risk Management Committee composed of independent directors: Graziano Gianmichele Visentin acting as Chairman, Vito Varvaro and Giuseppe Tesauro.

The Board of Directors, upon appointment, assessed the situation and found that the entire Committee was composed of persons who have adequate experience in accounting and finance.

The Internal Control and Risk Management Committee, in assisting the Board of Directors

I. provides the Board a preliminary opinion for the fulfilment of the duties delegated to it by the Code concerning internal control and risk management and in particular in decisions on the appointment, dismissal, remuneration and allocation of resources of the Internal Audit supervisor;
II. evaluates, with the Executive in charge of financial reporting and after consulting with the independent auditors and the Board of Statutory Auditors, the correct use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements;
III. expresses opinions on specific aspects concerning the identification of main company risks;
IV. examines periodic reports on the evaluation of the internal control and risk management system, and reports of particular importance prepared by the Internal Audit Function;
V. monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
VI. requests the Internal Audit Function to audit specific operating areas, informing the Chairman of the Board of Statutory Auditors;
VII. reports to the Board at least half-yearly, when the annual and interim financial statements are approved, on activities performed and on the adequacy of the internal control and risk management system;
VIII. gives the Board an opinion on decisions relative to the appointment, removal from office, remuneration and availability of resources of the Internal Audit Function Manager.

During the course of the financial year 8 (eight) meetings of the Internal Control and Risk Management Committee were held on the following dates: 10 February 2016, 9 March 2016, 11 March 2016, 12 April 2016, 7 July 2016, 27 July 2016, 7 September 2016 and 28 October 2016.

The meetings were always attended by the Chairman of the Board of Statutory Auditors or at least one member of said Board.

The Committee meetings lasted on average 2 (two) hours.

The meetings of the Internal Control and Risk Management Committee were led each time by the Chairman of the Committee and minutes were duly taken.
During the financial year, the Internal Control and Risk Management Committee constantly monitored the internal control and risk management system. In particular, the Committee focussed on the following:

I. developments in the organisational structure of the Issuer, changes to processes and company activities;
II. the progress of the internal auditing work plan, with particular reference to the implementation of measures relative to audits of previous years, the progress of the 2016 Audit Plan activities and compliance audits conducted pursuant to Law no. 262/2005 and Legislative Decree no. 231/01;

III. monitoring of the independence, adequacy, effectiveness and efficiency of the Internal Audit Function also through the verification of specific indicators and the Quality Assurance Review process activated by the function that has led to attainment of the relevant certification, in compliance with international standards of the profession;
IV. review, with the Financial Reporting Officer and the General Manager Finance, after consulting with the Independent Auditors and the Board of Statutory Auditors, of the financial disclosure process, accounting standards used in reporting, the financial statements and consistency of the accounting standards used in preparing the Consolidated Financial Statements, as well as instructions to subsidiaries pursuant to Article 114 paragraph two of the Consolidated Law on Finance;
V. the impairment test procedure adopted by the Company in order to verify adequacy and compliance with IAS/IFRS, as regards the implementation of recommendations in the document of Banca d'Italia, Consob and ISVAP of 3 March 2010;
VI. examination of risk management and evolution of the risk assessment process.

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

Meetings of the Internal Control and Risk Management Committee were largely held at the same time as the meetings of the Issuer's Board of Statutory Auditors and Supervisory Body. In addition, at the invitation of the Committee and in relation to specific topics of interest, the General Manager Finance, the Manager responsible for preparing the financial reports, the Risk Officer, the Compliance Officer, the Head of Tax, the Internal Audit function supervisor, certain Company managers and representatives of the auditing firm were also invited to attend the meetings.

Legislative Decree no. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC 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 and risk management 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.

In carrying out its functions, the Internal Control and Risk Management Committee was able to access and consult the corporate information and departments necessary to carry out its duties, and also use external consultants within the terms set by the Board.

No specific financial resources were allocated to the Internal Control and Risk Management Committee as it uses the Issuer's corporate resources and facilities, including the Internal Audit Function, to carry out its duties.

The Internal Control and Risk Management Committee reported to the Board on a regular basis during the financial year regarding its work, the outcome of its audits and the functioning of the internal control and risk management system, stating how the control and risk management system is basically consistent with the size and organisational and operational structure of the Issuer.

For the year 2017, in addition to those already held on 10 February 2017, 23 February 2017 and 27 February 2017, at least another four (4) meetings have been planned of the Internal Control and Risk Management Committee, on at least a quarterly basis.

12. Internal control and risk management system

The internal control and risk management system comprises rules, procedures and organisational structures to identify, measure, manage and monitor main risks. This system is integrated at various levels with general organisational and corporate governance strategies adopted by the company, and contributes to safeguarding corporate assets, the efficiency and effectiveness of company processes, the reliability of financial information, and compliance with laws, regulations, the company's articles of associations and internal procedures.

As part of this system, the Board, after consulting with the Internal Control and Risk Management Committee:
g. defines the nature and level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that can be relevant in view of medium- to long-term sustainability;
h. defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;
i. evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;
j. approves, at least annually, the work plan prepared by the Internal Audit Function Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;
k. describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
l. evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

In exercising these functions, the Board works with a director who is in charge of overseeing the functioning of the internal control and risk management system (the **Director In Charge**), and with the Internal Control and Risk Management Committee; the Board also takes into consideration the compliance programmes adopted by the Issuer and Companies of the Group of which the Issuer is Parent Company, in accordance with Legislative Decree 231/2001.

The Internal Control and Risk Management Committee reported to the Board on a regular basis during the financial year regarding its work, the outcome of its audits and the functioning of the internal control and risk management system, stating how the control and risk management system is basically consistent with the size and organisational and operational structure of the Issuer.

On 27 February 2017, the Issuer's Board of Directors judged the Issuer's internal control and risk management system to be adequate, effective and properly functioning, also on the basis of the indication provided by the Internal Control and Risk Management Committee.

For a description of the main characteristics of the internal control and risk management system in relation to the financial disclosure process, pursuant to Article 123-bis, paragraph 2, letter b), of the Consolidated Law on Finance, reference is made to point 12.6. below.

12.1. The director appointed to oversee the functioning of the internal control and risk management system

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

The Director appointed to oversee the functioning of the internal control and risk management 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 and risk management system, continuously verifying its overall adequacy and effectiveness;
› arranged for the adaptation of this system to the dynamics of business operating conditions and the legal and regulatory framework;
› proposes the appointment of the Internal Auditing Manager to the Board.

The Appointed Director also uses the Internal Audit function to audit specific operating areas and the compliance of company operations with internal rules and procedures, informing the Chairman of the Board of Directors, the Chairman of the Internal Control and Risk Management Committee and the Chairman of the Board of Statutory Auditors.
During the year, the Appointed Director did not need to exercise the power to request the Internal Audit function to conduct specific audits other than those set out in the Audit Plan.
The Director in Charge provided the Internal Auditing Supervisor its indications for the composition of the Audit Plan, for which account was also taken, according to a risk-based approach, of similar indications made by the Control Bodies.

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, and ensures an adequate level of professionalism, independence and organisation.

On 13 April 2015, the Board renewed the appointment, at the proposal of the Director in Charge, with the approval of the Internal Control and Risk Management Committee and the Board of Statutory Auditors, of the Chief Executive Officer of Immsi Audit S.c.a.r.l., Maurizio Strozzi as Internal Audit Supervisor with the task of verifying that the internal control and risk management system is functional and appropriate. No specific financial resources have been allocated to the Internal Auditing 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.

This organisational solution adopted by the Immsi Group:

I. avoids duplication of facilities by centralising verification activities on one entity;
II. maximises the independence of the Internal Auditing Supervisor from corporate structures, with respect to which the same operates independently;
III. continuously monitors, through a specifically dedicated person, the effectiveness, adequacy and operating efficiency of the internal control and risk management system of the Company and the Group.

The Internal Audit Function Manager, who is not responsible for any operating area of the Issuer directly reports on activities carried out to the Board of Directors, and has direct access to all information useful for his position. During the financial year, the Internal Audit Function Manager:
› verified, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the Internal Control and Risk Management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;
› prepared periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks; prepared the audit plan for the 2017 financial year, comprising an audit of information system reliability, including accounting systems.

During the year, the Internal Audit Supervisor, with the assistance of the Internal Audit structure, conducted the audit of internal control and risk management activities, in accordance with the Internal Audit Plan scheduled for the year, approved by the Board on 11 February 2016, carrying out the financial, operational and compliance auditing activities (with particular reference to audits carried out for the purpose of compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001) auditing the reliability of information systems, including accounting systems, and the risk assessment system, as well as monitoring adoption of the improvement/corrective plans agreed following such internal auditing activities.

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 and functions and Company Management, in order to agree and implement preventive/corrective measures, the implementation of which is continuously monitored until their completion. The Internal Auditing Supervisor therefore presented the audit reports to the Chairman and Executive Director in Charge of supervising the functioning of the internal control and risk management system, to the Chairman of the Internal Control and Risk Management Committee, the Chairman of the Board of Statutory Auditors, as well as to the Supervisory Board, the Executive in Charge of Financial Reporting and the Risk Manager, for the areas under their responsibility. This presentation was made at the end of the related audits, both by sending the audit reports and with examination of the specific outcomes during periodic meetings with mentioned recipients. In a specific report, the Internal Auditing Supervisor has also reported on the work of Internal Audit in 2016, also representing its views on the adequacy of the Company's internal control and risk management system.

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 Board was appointed by the Board of Directors on 13 April 2015 with a term of office covering the years 2015-2016-2017, and ending with the approval of the Financial Statements as of 31 December 2017. The Committee consists of Statutory Auditor Giovanni Barbara, the Head of the Issuer's Legal and Company Affairs department and Compliance Officer, Ulisse Spada, and Antonino Parisi, an external professional satisfying the necessary criteria for the appointment, who chairs the committee. Already during 2013, the Issuer had considered the feasibility of assigning Supervisory Functions to the Board of Statutory Auditors, considering nevertheless the supervisory functions of an ad

hoc organisation, i.e. the Supervisory Board, as more efficient and effective in monitoring the functioning of and compliance with the Model.
During the year, the Model was updated in certain parts and brought more into line with the Company's organisation and trends in case law. The update involved the integration and introduction of additional predicate offences envisaged in recent regulatory reforms, which came into force from time to time and most recently in February 2017.
The update has focused in particular on the introduction of the offences of false corporate statements, computer crimes, unlawful data processing and environmental crimes. The Model also now covers the crimes of illicit intermediation and exploitation of labour.

The Model is divided into a general section and individual special sections for the different types of offence covered by the Decree:
› Special Part Offences against the Public Administration pursuant to Articles 24 and 25 of the Decree;
› Special Part Corporate Offences as of Article 25-ter of the Decree;
› Special Part Market Abuse as of Article 25-sexies of the Decree;
› Special Part Offences concerning occupational Health and Safety as of Article 25-septies of the Decree;
› Special Part Offences relating to Receiving and Recycling Stolen Property, Use of money, goods or assets of illicit origin and Self-laundering as of Article 25-octies of the Decree;
› Special Part Computer crime and the unlawful processing of data pursuant to Article 24-bis of the Decree;
› Special Part Transnational crimes pursuant to Law no. 146/2006;
› Special Part Organised Crime pursuant to Article 24-ter of the Decree;
› Special Part Environmental Offences as of Article 25-undecies of the Decree;
› Special Part Forgery and alteration of trademarks, patents and distinctive marks pursuant to Article 25-bis.1 of the Decree;
› Special Part Crimes against industry and trade as of Article 25-bis.1 of the Decree;
› Special Part Crimes concerning infringement of copyright pursuant to Article 25-novies of the Decree;
› Special Part Employment of citizens from other countries without applicable residence authorisation pursuant to Article 25-duodecies of the Decree.

The Model is monitored and updated on an ongoing basis.

The Model has been sent to all Piaggio Group senior managers, middle managers and employees and has been published on the Issuer's website www.piaggiogroup.com, in the section Governance/ Governance Systems. The Model is updated on an ongoing basis and likewise company procedures are updated accordingly, the correct application of which is monitored through planned compliance activities, suggested and coordinated by the Supervisory Board and carried out by Internal Audit Function Management. This monitoring process also involves Process Owners, i.e. the parties/entities responsible for company processes that are considered "sensitive" as regards the commission of offences, that periodically report to the Supervisory Board. employees (managers and lower levels) also receive training on the contents of the Model.
Third parties (e.g. suppliers, customers, consultants, etc.) are informed of adoption by the Company of the Code of Ethics and Code of Conduct and, when signing agreements, they are required to expressly accept the ethical and conduct principles adopted.

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

The Supervisory Board operates at top management level according to principles of independence, autonomy, professionalism and impartiality, and on the basis of the Regulations approved by the Board of Directors to whom it reports periodically on its activities carried out, information received and any sanctions adopted. The Company has for some time now had an e-mail account active - the details of which are contained in the Code of Conduct - allowing anyone to send messages directly to the Supervisory Board for reporting suspected offences. This message may only be read by the Supervisory Board, thus ensuring that the operations of the Board are exercised in accordance with the Model.

It is pointed out that, during the year, the Supervisory Board of the Issuer met 6 (six) times, also with joint meetings with the Board of Statutory Auditors and the Audit and the Internal Control and Risk Management Committee of the Company for a mutual exchange of information on audit activities carried out.
In particular, the Board, during the year i) monitored the effective application of the Model according to the specific audit plan of reports by company representatives, through examination of the results of the internal control audits carried out pertinent to Legislative Decree 231/2001, as well as through meetings and hearings with Company management; ii) monitored the adequacy of the Model in relation to maintenance over time of the requisites of solidity and functionality, iii) examined the proposed updates to reflect changes in laws and corporate organisational changes having taken place, as well as personnel training put in place by the Company and iv) prepared and presented to the Board of Directors of the Company a report on the activities carried out during 2016, as required by the Model.

In the meeting held on 11 January 2016, the Supervisory Body also approved the activity plan for 2016. At least 4 (four) Supervisory Board meetings are scheduled for the financial year 2017, on at least a quarterly basis.

12.4. Independent auditors

PricewaterhouseCoopers S.p.A. has been appointed to audit the accounts.
The appointment was approved by the Shareholders' Meeting held on 13 April 2012 and ends on approval of the Financial Statements as of 31 December 2020.

12.5. Executive in charge of financial reporting

The Issuer's Executive in Charge of Financial Reporting 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 Executive in Charge of Financial Reporting 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 competence, to be verified by the Board of Directors, must be gained through work experience gained in positions of adequate responsibility for a reasonable period of time.

The Executive in Charge of Financial Reporting was appointed by the Board, subject to obligatory approval by the Board of Statutory Auditors.

At the time of this appointment, the Board attributed Executive in Charge of Financial Reporting 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 disclosure process (Article 123-bis, paragraph 2 lit. B), consolidated law on finance)

Introduction

Purposes and objectives

The risk management and internal control system in relation to Piaggio Group financial disclosure was developed using the "2013 COSO Report"[1] as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by Senior 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 operations;
- Reliability of financial reporting;
- Compliance with applicable laws and regulations".

1_The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework" published in 1992 and last updated in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission

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

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

Methodological approach

The Piaggio Group's risk management and internal control system for financial disclosure is part of the Group's broader internal control and risk management system, which consists of a number of elements, including:

- The Code of Ethics;
- The Organisational and Management Model pursuant to Legislative Decree no. 231/2001 and relative protocols;
- Procedures for reporting internal dealing;
- Principles and procedures for conducting significant transactions and transactions with related parties;
- The system of powers and duties;
- The Company organisational chart and job descriptions;
- Procedures for disclosing information to the market;
- The Enterprise Risk Management Process adopted (ERM),
- The Accounting control system.
- The Fraud Policy.

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

- The Financial and Administrative Audit Model – a document available to all employees directly involved in the preparation or auditing of financial reports, which outlines how the financial audit system works.
- The Group Accounting Manual – a document designed to promote the development and application of standard accounting policies across the Group for the recognition, classification and measurement of operations;
- Operational instructions for financial statements and reports and closing schedules – documents designed to instruct the various company departments on specific operational procedures for preparing financial statements by set common deadlines;
- Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Piaggio Financial and Administrative Audit Model identifies the methodological approach to be taken for the risk management and internal control system, involving the following separate stages:
a. Identification and assessment of risks involved in financial disclosure;
b. Identification of controls to minimise risks identified;
c. Assessment of controls to minimise risks identified and the management of any problems found.

Elements of the system

a) Identification and assessment of financial disclosure risks

Risks connected with the preparation of financial reports are identified through a step-by-step risk assessment process. The process involves identifying the objectives that the internal control system for financial disclosure is expected to deliver, so as to ensure that financial reports are fair and truthful. Those objectives cover the assertions made in financial reports (regarding the existence and occurrence of events, comprehensiveness, rights and obligations, the measurement/recognition of items, presentation and disclosures) and other control objectives (such as, for example, compliance with approval limits, the separation of roles and responsibilities, the documentation and traceability of transactions, and so on).
Risk assessment is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

The process of determining boundaries for including "material" entities and process, in terms of their potential impact on financial disclosure, is designed to identify the accounts, subsidiaries and administrative-accounting processes of material relevance for the consolidated financial statements, on the basis of quantitative and qualitative criteria.

Those criteria are determined by:

- setting quantitative thresholds for checking accounts against the consolidated financial statements, and checking the relative contribution of Group subsidiaries to the consolidated financial statements;
- making qualitative judgements on the basis of managers' knowledge of the company and existing specific risk factors inherent to administrative-accounting processes.

b) Identification of controls for identified risks

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the 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 disclosure process ensure that administrative and accounting procedures and relative controls are updated, as concerns areas in their remit.

If, after defining the scope of actions, sensitive areas are identified which are not regulated, either wholly or in part, by administrative and accounting procedures, existing procedures are supplemented and new procedures are formalised, overseen by the 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 financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

The adequacy and effective application of administrative and accounting procedures and their relative controls are assessed through monitoring and testing activities, on the basis of best practices in the field.

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

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. The assessment made of controls may entail the identification of compensatory controls, corrective measures or improvement plans to address any problems identified.

Once cleared by the Chief Executive Officer, the management summary is sent to the Board of Statutory Auditors, to the Internal Control and Risk Management Committee, and to the Board of Directors.

Said Management Summary is also sent to the Parent Company's Executive in Charge of Financial Reporting.

Roles and departments 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 and interim financial statements, and the separate, consolidated and 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 Auditing Supervisor, who independently audits the operation of the control system and assists the Executive in Charge of Financial Reporting in monitoring the system, and the Compliance Officer, for matters concerning the legal/regulatory compliance of financial disclosure;
› 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;
› co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
› establishes reciprocal information flows with the Internal Control and Risk Management Committee and the Board of Directors, on the use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements, as well as the adequacy of the risk management and internal control system for financial disclosure, as part of an overall assessment of corporate risks also in a capacity as Risk Officer.

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

12.7. Risk manager and compliance officer

In the meeting of 26 October 2012, the Board also established the positions of Risk Manager and Compliance Officer, in order to update the internal control and risk management system to recommendations of the Corporate Governance Code. In particular, considering the size, complexity and risk profile of the Issuer, two new positions were appointed, tasked with assisting the Director in Charge of the internal control and risk management system and the Board of Directors.
The Risk Manager and Compliance Officer operate independently, periodically reporting to the Board on their activities.

12.8. Coordination between persons involved in the internal control and risk management system

To guarantee the ongoing coordination of persons involved in the internal control and risk management system, the Issuer has arranged for all periodic meetings to take place simultaneously and jointly between the Internal Control and Risk Management Committee, the Internal Auditing Supervisor, the Board of Statutory Auditors, the Executive in Charge of Financial Reporting, the Supervisory Body, the Risk Officer and the Compliance Officer. This ensures maximum efficiency of the internal control and risk management system implemented by the Issuer, while also reducing the duplication of activities.

On 27 February 2017, the Board of Directors – in accordance with criterion 7.C.1 of the Code – expressed its opinion that the coordination between persons involved in the internal control and risk management system was "adequate".

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 Company has approved the procedure governing significant transactions, which defines the 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"):

1. acquisitions or disposals of investments in companies or branches of companies;
2. the conclusion or modification of loan contracts of any type stipulated for amounts of more than EUR 25 million;
3. the granting of collateral guarantees on assets and personal guarantees for commitments to third parties other than those granted in the interest, directly or indirectly, of subsidiary companies;
4. the transfer of brands, patents and other intellectual ownership rights, as well as the conclusion of licensing contracts;
5. the conclusion and modification of multi-year commercial agreements, including joint-venture agreements;
6. the purchase and sale of real estate;
7. other extraordinary administrative transactions having an amount of more than EUR 50 million;
8. the appointment of the General Manager and the head of the company's administration, finance and control departments;
9. the appointment of the members of administrative bodies and the general managers of directly and indirectly held subsidiary companies.

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 is available on the Issuer's corporate website www.piaggiogroup.com, in the section Governance/Market Abuse.

Transactions with Related Parties

The Company, subject to a prior favourable opinion from the Committee for the Approval of Procedures, prepared pursuant to article 4(3) of the Regulations and made available to the members of the Board, approved the procedure for related party transactions during the board meeting of 30 November 2010, subsequently amended on 17 December 2012 with the same procedure. 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 governing transactions with related parties, effective as of 1 January 2011, is available on the Issuer's corporate website www.piaggiogroup.com, in the section Governance - Related Party Transactions.

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 and re-appointed by the Board on 13 April 2015, the Committee consists exclusively of 3 (three) independent directors who, in compliance with applicable regulations, must in no way be related to any transactions they review. In particular, the members of the Related Party Transactions Committee in office until approval of the financial statements at 31 December 2017 were: Giuseppe Teasuro, as Chairman, Vito Varvaro and Graziano Gianmichele Visentin.

The Committee is tasked with the duties identified in the Procedure, which is available on the Issuer's corporate website www.piaggiogroup.com, in the section Governance - Related Party Transactions.

15. Appointment of statutory auditors

The appointment and replacement of statutory auditors is governed by ad interim laws and regulations in force, and by Article 24 of the Issuer's Articles of Association. The provisions of the Articles of Association of the Issuer governing the appointment of the Board of Statutory Auditors are suitable to ensure compliance with the provisions of Legislative Decree no. 27 of 27 January 2010 concerning the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders of listed companies as well as the discipline in force at any time on the balance between genders in the composition of control bodies pursuant to Article 148, paragraph 1-bis of the Consolidated Law on Finance, as introduced by Law 120/2011, and Article 144-undecies of the Consob Regulation on Issuers. In particular, with reference to the latter regulation, the Board of Directors of the Company, within the scope of its meeting held on 23 October 2014, unanimously approved the changes to Article 24 of the Articles of Association, providing for, in compliance with said regulations, the introduction of criteria to ensure that the composition of the Board of Statutory Auditors of the Company complies with the pro tempore regulations in force at any time in the area of gender balance. For further information on the changes approved by the Board, please refer to the minutes of the meeting and to the updated articles of association, available on the company's website www.piaggiogroup.com in the section Governance – Articles of Association, as well as at the authorised storage mechanism "eMarket Storage" available at the website www.emarketstorage.com.

Pursuant to art. 24 of the Articles of Association of the Issuer, the Board of Statutory Auditors is appointed, in accordance with the pro tempore discipline in force at any time concerning the balance between genders, based on the lists submitted by Shareholders in which candidates are listed with a sequential number. The list is made up of two sections: one for the candidates to be appointed as Statutory auditors, the other one for the candidates to be appointed as Alternate auditors.

The lists submitted by Shareholders must be filed at the registered offices, without prejudice to any additional forms of filing procedures prescribed by regulatory provisions in force at any time, at least 25 (twenty-five) days before the date set for the Shareholders' Meeting in first call.

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.

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% (two point five per cent) of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be fixed by the law or other regulations. By resolution no. 19856 of 25 January 2017, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the control bodies of issuers at 2.5% for the year of reference.

Lists that have an overall number of candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (in any case rounded upwards) of candidates for the position of Statutory Auditor and at least one third (in any case rounded upwards) of candidates for the position of Alternate Auditor belong to the less represented gender of said list.

The procedure for appointing the Statutory Auditors is as follows:

a. two Standing 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 auditors and the other Alternate auditor are selected from the second list which obtained the highest number of votes at the Shareholders' Meeting and which, pursuant to the law and other applicable regulations, is not connected, even indirectly, with the subjects who presented or voted the list which obtained the highest number of votes, based on the sequential order in which they appear in the sections of the list.

If there is a tie among two or more slates, the Statutory Auditors appointed will be those most senior in age.
The Chairman of the Board of Statutory Auditors shall be the Standing Auditor selected from the second list that obtained the highest number of votes pursuant to point b) above.
If with the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, compliant with pro tempore legislation in force at any time concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.
The previous provisions regarding the appointment of Statutory Auditors do not apply to Shareholders' Meetings in respect of which only one list is presented or voted; in such cases the Shareholders' Meeting resolves by relative majority, without prejudice to compliance with legislation in force at any time concerning the balance between genders.
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 ad interim 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 auditors and/or the Alternate ones in order to integrate the Board of Statutory Auditors the procedure adopted is 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; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority

voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.
If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to Article 122 of the Consolidated Law on Finance, the relative majority of the votes that may be cast at the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.
The replacement procedures described above shall in any event ensure compliance with legislation in force relating to the balance between genders.

16. Composition and operation of the board of statutory auditors (pursuant to Article 123-bis, paragraph 2, letter d) of the Consolidated Law on Finance)

The Board of Statutory Auditors in office at the date of this Report was elected by the Shareholders' Meeting held on 13 April 2015, from the 2 lists of candidates filed, respectively, by the majority shareholder IMMSI S.p.A. and by a group of investors representing in total 2.88% of the share capital, in accordance with the provisions of Article 24 of the Articles of Association, and will remain in office until the approval of the Financial Statements for the year ending 31 December 2017.

For further information on the slate filed for appointment of the control body, reference is made to the Issuer's corporate website www.piaggiogroup.com and the section Governance - Company Boards, with the professional curricula of Statutory Auditors, pursuant to Articles 144 octies and 144 decies of the Consob Regulation on Issuers.

The Board in office at the date of this Report is constituted as follows:

Name	Position	Year of birth	In office from	In office until	List (M/m)	Indep. as per the Code	Part. B. of S.A.	Other positions
Piera Vitali	Presidente	1949	13/04/2015 Date of first appointment 13/04/2015	Approval of the financial statements as at 31.12.2017	M	X	7/7	5
Giovanni Barbara	Sindaco Effettivo	1960	13/04/2015 Date of first appointment 13/07/2004	Approval of the financial statements as at 31.12.2017	M	X	5/7	9
Daniele Girelli	Sindaco Effettivo	1960	13/04/2015 Date of first appointment 13/04/2015	Approval of the financial statements as at 31.12.2017	M	X	7/7	10
Elena Fornara	Sindaco Supplente	1974	13/04/2015 Date of first appointment 07/05/2008	Approval of the financial statements as at 31.12.2017	M	X	–	–
Giovanni Naccarato	Sindaco Supplente	1972	13/04/2015 Date of first appointment 13/04/2015	Approval of the financial statements as at 31.12.2017	m	X	–	–

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 statutory auditor can be qualified as independent according to the criteria set by the Code.
Part. B. of S.A.: indicates participation of the Statutory Auditor in Board meetings (indicates the number of meetings attended by the Director compared to the total number of Board meetings held during the year or after taking office).
Other offices: indicates the total number of other offices as director or statutory auditor held with companies as identified by Book V, Title V, Sections V, VI and VII of the Civil Code, as of 31 December 2016. 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, in the section Corporate Boards – Public disclosures.

As regards remuneration paid during the year to administrative and control bodies for any reason and in whatever form, reference is made that illustrated in Section II of the Remuneration Report issued pursuant art. 123-ter of the Consolidated Law on Finance.

During the financial year 7 (seven) meetings of the Board of Statutory Auditors were held on the following dates: 11 January 2016, 7 March 2016, 21 March 2016, 12 April 2016, 7 July 2016, 7 September 2016, 28 October 2016.

The Board meetings lasted on average 2 (two) hours and 30 (thirty) minutes.

The Chief Executive Officer 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 their size and characteristics.

The Internal Control and Risk Management Committee and the Chairman of the Issuer's Supervisory Body attended all the meetings of the Board of Statutory Auditors without exception, to ensure that the control bodies were more effectively informed.
Legislative Decree no. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC", identifies the Board of Statutory Auditors as the "Internal Control and Risk Management 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 and risk management 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 financial year the Internal Control and Risk Management Committee worked closely with the Board of Statutory Auditors and with the supervisor of the Internal Audit function.
Starting from the year 2017, the Internal Control and Audit Committee will be allocated the new powers set out under article 19 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016.

The Board of Statutory Auditors, most recently during the meetings of 7 July 2016 and 23 February 2017, has verified the ongoing fulfilment of the independence requirements set out in article 3 of the Code and article 148(3) (b-c) of the Consolidated Law on Finance, as already certified upon their appointment. In this regard it is also pointed out that the Board of the Issuer, subject to the assessment of the Board of Statutory Auditors as to its composition, resolved to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 letter e) of the Corporate Governance Code (referred to by criterion 8.C.1 of the Code) with respect to Statutory Auditor Giovanni Barbara, focusing on a profile of the substance and also taking into account of possession on the part of the same of the requirements of high professionalism and experience, which have proved valuable over time for the Issuer.

Statutory auditors that have a personal interest or interest on behalf of a third party in any of the Issuer's transactions are required to promptly and fully inform the other statutory auditors and the Chairman of the Board of Directors of the nature, terms, origin and scope of their interest.

At least 6 (six) Board of Statutory Auditors' meetings are scheduled for the current financial year, held at least every three months. The Board of Statutory Auditors has already met this financial year, on 1 February 2017 and 23 February 2017.

16.1. Operation of the board of statutory auditors

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

Pursuant to Article 25.2 of the Articles of Association, Board of Statutory Auditors' meetings can be held using teleconferencing or video conferencing facilities providing that:

a. the Chairman and the person in charge of taking minutes attend the same official meeting venue;
b. all participants can be identified and are able to follow the discussion, receive, transmit and examine the documents, take part verbally and in real time in all the items on the agenda. If the above requisites are met, the meeting of the Board of Statutory Auditors shall be deemed to have been held at the place where the Chairman and the person taking the minutes are located.

The type of disclosure to the board allows Statutory Auditors to have adequate knowledge of the sector in which the Issuer operates, of corporate dynamics and their developments, as well as the regulatory framework.

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.

For the dissemination of regulated information to the public, the Issuer uses the SDIR-NIS system approved by Consob and managed by BIt Market Services S.p.A., with registered office in Piazza Affari 6, Milan.

The disclosure of information in relations with investors is also ensured by the provision of the most significant corporate documents, in a timely and regular manner on the Company's website in the Investors section and, where required by the applicable regulations, in the authorised storage mechanism called "eMarket Storage" at www.emarketstorage.it.

More specifically, via the website investors can view, in both Italian and English, all press releases to the market, interim financial data approved by competent corporate bodies (annual financial reports, half-year financial reports, and interim reports on operations), and documents distributed during meetings with professional investors, analysts and the financial community.

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

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.

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

Pursuant to 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. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the only meeting call; otherwise, reference is made the date of each meeting call.

Ordinary shareholders' meetings are called at least once a year to approve the annual financial statements, by and no later than one hundred and twenty days after the end of the financial year. The shareholders' meeting is also called in ordinary and extraordinary session any time the Board of Directors deems appropriate and in all circumstances envisaged by law. Shareholders' meetings must be called without delay when requested in accordance with law.

Pursuant to 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, also as an extract, the meeting notice is also published in the Gazzetta Ufficiale della Repubblica Italiana 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 for a Shareholders' Meeting is set by the person or body exercising the power to call the meeting in accordance with law or the Articles of Association. Where a shareholders' meeting is called at the request of shareholders, the agenda will be based on the business specified in the request. If requested by shareholders in accordance with law, additional business will be added to the agenda within the deadline and in the manner contemplated by applicable laws and regulations.

Holders of voting rights 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. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be before three days prior to the date when the Shareholders' Meeting is convened on first call, or before the five days prior to that date if the notice convening the meeting requires the Company to give replies to the questions. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site.

Pursuant to article 9 of the Articles of Association, the General Meeting of Shareholders is chaired by the Chairman of the Board of Directors, or in his/her absence or 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. In the absence or impediment of the Chairman, the sole Deputy Chairman, or all Deputy Chairmen, the General Meeting of Shareholders is chaired by a Director or Shareholder appointed by the majority of those present. The 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.

For the legitimacy of both ordinary and extraordinary shareholders' meetings and the validity of shareholders' resolutions, the provisions of law and the Articles of Association apply.

In order to facilitate participation at shareholders' meetings and the exercise of voting rights, under Article 6.2 of the Articles of Association teleconferencing and video conferencing facilities may be used to hold both ordinary and extraordinary shareholders' meeting, with participants located in several remote or nearby venues, providing that decisions are taken by vote and that the principles of good faith and the equal treatment of all shareholders are upheld.

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.

Under Article 17 of the Articles of Association and without prejudice to the provisions of Article 2436 of the Civil Code, the decision-making powers of the shareholders' meeting may be delegated to the Board of Directors for decisions concerning:

› mergers and demergers, where defined as simplified in accordance with Articles 2505, 2505-bis, and 2506-ter, final subsection, of the Civil Code;
› the opening or closing of branches;
› the transfer of the registered head office within the national territory;
› which board directors are to be empowered to represent the company legally;
› share capital reduction due to withdrawal;
› amendments to the Articles of Association to comply with laws and regulations.

Resolutions concerning the above matters may otherwise be adopted at extraordinary shareholders' meetings.

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.

The Board reported on activities performed and planned to the shareholders at Shareholders' Meetings, and endeavoured to ensure that shareholders had adequate information regarding the necessary elements to make fully-informed decisions on matters reserved to the shareholders' meeting. During the General Shareholders' Meeting of 14 April 2016, the majority of Directors was present, including the Chairman of the Internal Control and Risk Management Committee and the Remuneration Committee and the Chairman of the Appointment Proposal Committee, as well as all Statutory Auditors.

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. 19856 of 25 January 2017, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the governance and control bodies of issuers at 2.5% 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 has not adopted any additional corporate governance practices with respect to those required by laws and regulations in force 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.

PIAGGIO GROUP

Management and Coordination
IMMSI S.p.A.
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Pisa Economic and Administrative Index no. 134077