



**PIAGGIO  
GROUP**

**Report  
on Corporate Governance  
and Corporate Ownership  
2017**



# 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](http://www.piaggiogroup.com)**

Financial year to which the Report refers: **2017**  
Date of approval of the report: **28 February 2018**



# Contents

Glossary	3
1. Issuer profile	5
2. Information on the corporate ownership structure (pursuant to article 123 bis of the consolidated law on finance)	6
a. share capital structure (article 123-bis, paragraph 1, letter a), consolidated law on finance)	6
b. restrictions on the transfer of securities (article 123-bis, paragraph 1, letter b), consolidated law on finance)	6
c. significant investments in capital (article 123-bis, paragraph 1, letter c), tuf)	6
d. securities that grant special rights (article 123-bis, paragraph 1, letter d), consolidated law on finance)	6
e. employee share ownership: exercising of voting rights (article 123-bis, paragraph 1, lit. E), consolidated law on finance)	6
f. restrictions on voting rights (article 123-bis, paragraph 1, letter f), consolidated law on finance)	6
g. shareholder agreements (article 123-bis, paragraph 1, letter g), consolidated law on finance)	7
h. changes to the articles of association (article 123-bis, paragraph 1, letter l), consolidated law on finance)	7
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)	7
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)	8
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)	9
3. Compliance	9
4. Management and co-ordination	9
5. Board of directors	11
5.1. Appointment and replacement of board directors (pursuant to article 123-bis, paragraph 1, lit. L), consolidated law on finance)	11
5.2. Composition (pursuant to article 123-bis, paragraph 2, letters d) and d-bis of the consolidated law on finance)	13
5.3. Operation of the board of directors (pursuant to article 123-bis, paragraph 2, lit. D), consolidated law on finance)	18
5.4. Role of the board of directors (pursuant to article 123-bis, paragraph 2, lit. D), consolidated law on finance)	18
5.5. Authorised bodies	21
5.6. Other executive directors	21
5.7. Independent directors	21
5.8. Lead independent director	23
6. Processing of corporate information	23
6.1. Procedure for the disclosure of inside information	24
6.2. Procedure for management of the register of persons who have access to inside information	24
6.3. Procedure for the fulfilment of internal dealing obligations	25
7. Committees within the board (pursuant to article 123-bis, paragraph 2, lit. D), consolidated law on finance)	25
8. Appointment proposal committee	25
9. Remuneration committee	26
10. Directors' remuneration	27
11. Internal control and risk management committee	28
12. Internal control and risk management system	30
12.1. The director appointed to oversee the functioning of the internal control and risk management system	31
12.2. Internal auditing supervisor	32
12.3. Organisational model pursuant to legislative decree 231/2001	33
12.4. Independent auditors	35
12.5. Executive in charge of financial reporting	35
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)	36
12.7. Risk manager and compliance officer	39
12.8. Coordination between persons involved in the internal control and risk management system	39
13. Interests of directors and transactions with related parties	41
14. Related party transactions committee	42
15. Appointment of statutory auditors	42

---

16. Composition and operation of the board of statutory auditors (pursuant to Article 123-bis, paragraph 2, letters d) and e-bis of the Consolidated Law on Finance)	45
16.1. Operation of the board of statutory auditors	47
17. Relationships with shareholders	47
18. General meetings (pursuant to Article 123- bis, paragraph 2, lit. c), Consolidated Law on Finance)	48
19. Additional corporate governance practices (pursuant to Article 123-bis, paragraph 2, lit. a), Consolidated Law on Finance)	50
20. Changes after the financial year-end	50
21. Considerations on the letter from the chairman of the corporate governance committee, 13 december 2017	50

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## Glossary

**Code/Corporate Governance Code:** the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as per the last update of July 2015, available at [www.borsaitaliana.it](http://www.borsaitaliana.it), under the section Borsa Italiana - Regulations - Corporate Governance.

**Civil code:** the Civil Code.

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

**Issuer/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. 20249 of 2017 (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 Article 123-ter of the Consolidated Law on Finance and Article 84-quater of the Consob Regulation on Issuers, available pursuant to law at the registered office, on the website of Borsa Italiana S.p.A., on the website of the issuer at [www.piaggiogroup.com](http://www.piaggiogroup.com) as well as on the authorised storage system "eMarket Storage" available at [www.emarketstorage.com](http://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 31/12/2017

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

The Issuer has a share capital of Euro 207,613,944.37, fully subscribed and paid up, divided into 358,153,644 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	358,153,644	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 of 31 December 2017, 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.	50.0703	50.0703
	Omniaholding S.p.A.	0.1370	0.1370
	<b>Total</b>	<b>50.2073</b>	<b>50.2073</b>
Diego della Valle	Diego della Valle & C. S.r.l.	5.5392	5.5392

### 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 2017 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 12 April 2017, the Shareholders' Meeting resolved to authorise the purchase and use of treasury shares - subject to withdrawal of the authorisation granted by the Shareholders' Meeting of 14 April 2016, for the portion not executed - in order to provide the company with a strategic investment opportunity for all purposes allowed by the applicable regulations, including the purposes referred to in Article 5 of Regulation (EU) 596/2014 (Market Abuse Regulation, hereinafter referred to as "MAR") and in accordance with the practices permitted by Article 13 of MAR. This includes the purchase of treasury shares on the basis of the subsequent annulment thereof, in line with the terms and procedures to be decided by the competent company boards.

In particular, the Shareholders' Meeting resolved the following:

- (i) to authorise the purchase of ordinary shares of the company, pursuant to and for the purposes of Article 2357 of the Civil Code, on one or more occasions, for a period of eighteen months as from the date of the resolution, and therefore up until 12 October 2018. The aforementioned purchase is permitted up to a maximum amount which, in consideration of the 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 of an amount that is no higher than either the price of the last independent operation or the highest independent offer price of negotiations in which the purchase is made, whichever of the two is greater. This shall apply provided that the unit amount is at least 20% lower and a maximum of 10% higher than the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase operation;
- (ii) to authorise the Board of Directors (and the Chairman and Chief Executive Officer of behalf thereof) to identify the amount of shares to be purchased in relation to each purchase programme, for the purposes indicated above prior to the start of the programme, and to purchase these shares in accordance with the procedures established by the applicable provisions of Consob Regulation 11971/1999 (as amended) implementing Article 132 of the Consolidated Law on Finance, in compliance with the conditions relative to trading pursuant to Article 3 of the Commission Delegated Regulation (EU) 2016/1052. This must take place within a time frame deemed appropriate to the interests of the company, attributing the broadest powers for execution of the purchase transactions pursuant to this resolution, as well as any other formalities relating thereto, including any assignments to intermediaries qualified in accordance with the law. This includes the right to appoint executive officers with special powers of attorney;

(iii) to authorise the Board of Directors (and the Chairman and Chief Executive Officer on behalf thereof) to dispose of the treasury shares purchased pursuant to this resolution - or in any case those which exist within the company's portfolio - at any time, in whole or in part and in one or more tranches, by selling these in or out of the stock exchange, pursuant to and for the purposes of Art. 2357-ter of the Civil Code. This may also occur by means of assignment of real and/or personal rights, including but not limited to the loan of securities in compliance with the pro tempore laws and regulations in force, and for the purposes pursuant to this resolution, in line with the terms, procedures and conditions applicable to the disposal of treasury shares deemed most appropriate to the interests of the company, attributing the broadest powers for execution of the disposal transactions pursuant to this resolution, as well as any other formalities relating thereto, including any assignments to intermediaries qualified in accordance with the law. This includes the right to appoint executive officers with special powers of attorney; disposals of treasury shares held by the Company will be effected in compliance with laws and regulations in force governing the execution of orders for the trading of listed securities, including practices permitted in accordance with Article 13 of the MAR, and may occur in one or more tranches, timed as best suits the interests of the Company. The authorisation referred to herein is granted without time limits, and with reference to treasury shares already held by Piaggio & C. S.p.A. at the date of this resolution.

At the Shareholders' Meeting, it was also established that purchases of treasury shares must be contained within the limits of the distributable profits and reserves available following the latest financial statements (including interim statements), approved at the time of execution of the transaction. It was also stipulated that, upon purchase and disposal of treasury shares, the necessary accounting entries must be made, in compliance with the provisions of the law and of applicable accounting standards.

The Extraordinary Shareholders' Meeting of 12 April 2017 also resolved to annul all treasury shares with no par value owned by the company, keeping the current share capital the same by reducing the IFRS transition reserve, for a total of Euro 5,646,053.19.

On 3 May 2017, the Board of Directors - following authorisation for the purchase and disposal of treasury shares as granted by the General Shareholders' Meeting of 12 April 2017 - approved a treasury share purchase programme for a maximum of 15,000,000 ordinary shares. During the financial year, no treasury shares were purchased.

At the date of this Report, the Issuer did not hold any treasury shares.

For information concerning the treasury share purchase programme currently in operation, reference should be made to the press releases available on the Issuer's website at [www.piaggiogroup.com](http://www.piaggiogroup.com), under the section Investors - Financial press releases.

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

### ***1) 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 2017. Specifically the following agreements have been made:

- › a syndicated term loan and revolving credit facility totalling Euro 250 million;
- › 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;
- › a guarantee for a loan agreement for the Vietnamese subsidiary totalling USD 19.7 million with the International Finance Corporation;
- › a debenture loan totalling Euro 30 million, issued by the Company;
- › a loan agreement with Banca Popolare Emilia Romagna totalling €25 million.
- › a syndicated term loan and revolving credit facility with Banca Popolare di Milano totalling Euro 25 million;

- › a Revolving Credit Facility with Banca del Mezzogiorno - MediodCredito Centrale totalling Euro 20 million.
- › a loan agreement with Banca del Mezzogiorno MedioCredito Centrale totalling €10 million;
- › a loan agreement with Banco Popolare totalling Euro 10 million;
- › a loan agreement with Banco IFIS totalling Euro 10 million.

With regard to takeover bids, the provisions of the Articles of Association of the Issuer do not derogate from the provisions of the passivity rule provided for under Article 104, paragraphs 1 and 1-bis of the Consolidated Law on Finance, nor do they provide for the application of breakthrough provisions as referred to in Article 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](http://www.piaggiogroup.com) in the section Governance - Shareholders' Meeting.

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

- › For information on the appointment and replacement of directors (Article 123-bis, paragraph 1 lit. l), part one), see section 5.1;
- › as regards information on the main characteristics of 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 function of the governance and control bodies and committees (Article 123-bis, paragraph 2 letters d) and d-bis), see sections 5, 7, 8, 9, 11, 12, 15 and 16.

## **3. Compliance**

The Issuer has adopted the Code, which is available on the website of Borsa Italiana SpA ([www.borsaitaliana.it](http://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. I), 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. For further information on the above provisions, reference should be made to the Articles of Association published on the company's website [www.piaggiogroup.com](http://www.piaggiogroup.com) under the section Governance/Documents and procedures and on the authorised storage system, "eMarket Storage", which can be viewed at [www.emarketstorage.com](http://www.emarketstorage.com).

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 aforementioned 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. 20273 of 24 January 2018, 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 current legislation in force 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 current legislation in force concerning the balance between genders has been ensured. If the aforementioned 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.

In its last meeting of 28 February 2018, the Board decided to not adopt a plan for the succession of executive directors, in light of the current shareholder and organisational structure of the Issuer, as well as the practice of appointing persons with considerable experience gained within the company as executive directors.

## ***5.2. Composition (pursuant to Article 123-bis, paragraph 2, letters d) and d-bis of the 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](http://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 2017.

Name	Position	Year of birth	In office from	In office until	List M/m	Exec.	Non-Exec.	Indep.	Indep. Consolidated Law on Finance	Participation in Board meetings	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	1943	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12.2017	M	X				9/9	6
Matteo Colaninno	Deputy Chairman	1970	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12.2017	M		X			9/9	3
Michele Colaninno	Director	1976	13/04/2015 First appointment: 28/08/2006	Approval of the financial statements as of 31.12.2017	M		X			9/9	10
Vito Varvaro	Director	1954	13/04/2015 First appointment: 16/04/2009	Approval of the financial statements as of 31.12.2017	M		X	X	X	9/9	1
Graziano Gianmichele Visentin	Director	1950	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	9/9	16
Maria Chiara Carrozza	Director	1965	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	9/9	0
Giuseppe Tesauro	Director	1942	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	6/9	0
Andrea Formica	Director	1961	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	m		X	X	X	9/9	2
Federica Savasi	Director	1975	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X			9/9	0

As regards company policies on diversity concerning members of the Board of Directors in office in reference to aspects such as age, gender and educational and professional background (Article 123-bis, letter d-bis) of the Consolidated Law on Finance: (i) the Board of Directors of the company comprises 2 directors of the least represented gender, in compliance with laws on gender balance; (ii) Board members vary in age, from 42 to 76 years; (iii) the educational and professional backgrounds of the directors ensure a balanced combination of member profiles and experiences within the administrative body, with members selected in order to ensure that all functions thereof are executed correctly.

Moreover, the Board of Directors currently in office will provide more detailed information for shareholders on the diversity policy adopted for company boards in the reports prepared pursuant to Article 125-ter of the Consolidated Law on Finance, with specific reference to the appointment of the Board of Directors and the Board of Statutory Auditors by the Shareholders' Meeting, convened in order to approve the Financial Statements as of 31 December 2017, and also pursuant to criterion 1.C.1. letter h) of the Corporate Governance Code.

Name	Position	A.C.	Participation A.C.	R.C.	Participation R.C.	C.R.C.	Participation C.R.C.
Giuseppe Tesouro	Director	P	-	P	1/1	M	3/10
Vito Varvaro	Director			M	1/1	M	9/10
Graziano Gianmichele Visentin	Director	M	-	M	1/1	P	9/10
Maria Grazia Carrozza	Director	M	-				

#### Structure of committees

##### Legenda

**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 16, paragraph 1, letter d), of the 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 28 February 2018, 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.

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
	RCN Finanziaria S.p.A.*	Director
	Piaggio Fast Forward Inc.*	Member 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
	ACEM (Association des Constructeurs Européens de Motocycles, or the The European Association of Motorcycle Manufacturers in English)	Deputy Chairman
Vito Varvaro	Vitale Barberis Canonico S.p.A.	Director
Graziano Gianmichele Visentin	21 Investimenti SRG S.p.A.	Director
	Air One 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
	Fedrigoni S.p.A.	Director
	GCF S.p.A.	Statutory Auditor
	Industria e Innovazione S.p.A.	Director
	Istituto Europeo di Oncologia S.r.l.	Statutory Auditor
	Schemaquattordici S.p.A.	Statutory Auditor
	Ricerca 12 S.p.A.	Statutory Auditor
	Ricerca Finanziaria S.p.A.	Statutory Auditor
Whirpool Italia Holding S.r.L.	Chairman of the Board of Statutory Auditors	
Whirpool Italia S.r.L.	Sole statutory auditor	
Maria Chiara Carozza		

Full name	Company	Management and control positions held in public companies
Andrea Formica	Grow S.r.l.	Shareholder & Director
	Ceffa sc	General Manager
Federica Savasi		

### Induction Programme

The type of board disclosure allows Directors to have adequate knowledge of the sector in which the Issuer operates, 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, directors and auditors were able to further their knowledge of the automotive sector by taking part in board meetings where issues relating to company dynamics and developments were discussed, and where investments were approved. During the current year, directors and auditors were also able to further their knowledge of the applicable legal, regulatory and self-regulatory frameworks, taking part in meetings of the Board of Directors, during which the following were amended: (i) internal procedures adopted by the company on the management of inside information and of the insider and internal dealing list, following in-depth discussions on the latest legal developments concerning market abuse, and in particular, with regard to the recommendations in Guidelines no. 1/2017 on the "Management of inside information" adopted by Consob on 13 October 2017 (see Section 6 of this Report); and (ii) the procedure for related-party transactions, after a close examination of the provisions set out in the Consob Related Party Regulations (see Section 13 of this Report).



### ***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 9 (nine) meetings of the Board of Directors were held.

The Issuer's current Board met on the following dates: 24 January 2017, 23 February 2017, 27 February 2017, 3 May 2017, 23 June 2017, 28 July 2017, 12 September 2017, 27 October 2017, 28 November 2017.

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 the meetings

already held on 26 February 2018 (2017 budget analysis and impairment testing) and on 28 February 2018 (approval of the draft financial statements and consolidated financial statements as of 31 December 2017), the calendar of key corporate events for 2018 (already communicated to the market and to Borsa Italiana S.p.A. in accordance with the regulations on 30 January 2018) envisages another 3 (three) meetings on the following dates:

- › 8 May 2018 – approval of the Interim Report on Operations as of 31 March 2018;
- › 27 July 2018 – approval of the Half-Year Financial Report as of 30 June 2018;
- › 26 October 2018 – approval of the Interim Report on Operations as of 30 September 2018.

To ensure the continuity and regularity of disclosure of information to the financial community, the company has voluntarily decided to continue to publish quarterly information, and from the current financial year onwards – 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](http://www.piaggiogroup.com) and on the "eMarket storage" system, which can be viewed at [www.emarketstorage.com](http://www.emarketstorage.com).

The Calendar of corporate events 2018 is available in Italian and English, on the corporate website of the Issuer [www.piaggiogroup.com](http://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](http://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, the Issuer will send the relevant material at least 48 (forty-eight) hours in advance of the board meeting. 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.

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

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

Alongside the powers vested in the Board of Directors by law and by the Articles of Association, the following 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 operations with related parties of the Issuer and the group of which the Issuer is parent, reference is made to section 13 hereunder.

Pursuant to Article 2381 of the Civil Code and to 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 subsidiaries thereof considered to be of strategic importance, on at least a quarterly basis, with particular reference to the internal control and risk management system and the process for managing conflicts of interest, in accordance with the procedures adopted by the Issuer for this purpose. 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.

Pursuant to application criterion 1.C.1.letter g) of the Code, the Issuer's Board of Directors carried out an annual assessment on the basis of a questionnaire divided into various areas of inquiry (i.e. composition, structure, size and function of the Board, interaction with management, risk governance, composition and structure of committees etc.), with the possibility to make comments and suggestions; this questionnaire was sent to and completed by all Directors, and examined by the Board on 28 February 2018. In light of the results of this assessment, the Board deemed the administrative body to be capable of performing the functions allocated to it by current legislation, maintaining that the size, composition and function of the Board itself and the committees thereof are able to meet the management and organisational requirements of the Issuer. The professional characteristics and experience (including managerial experience) and length of service of its members were also taken into account, as well as the presence of 8 (eight) non-executive directors, of which five (5) independent non-executive directors out of a total of 9 (nine) members. The foregoing are also responsible for ensuring that the composition of the Board's Committees is fit for purpose.

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 referred to in Art. 148, paragraph 3, letters b) and c) of the Consolidated Law on Finance, Art. 16, paragraph 1, letter d) of the Consob Market Regulations (which correspond to the former Article 37, paragraph 1, letter d) of the Consob Market Regulations) and Art. 3 of the Code of Independent Directors currently in office was verified in the meeting of the Board of Directors held on 13 April 2015 following the appointment by the Ordinary Shareholders of the directors currently in office (the market was notified on the same date), and, most recently, during the meeting of the Board of Directors on 28 February 2018, on the basis of the declarations of independence made in February 2018. A positive assessment was expressed with regard the composition of the Board of Directors, which is made up of a majority of independent directors, as required by the relevant regulations.

In this composition, the Board also meets the requirements of Article 16, 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.

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At the meeting held on 21 February 2018, 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; the results of this inspection will be detailed in the Statutory Auditor's report, pursuant to Article 153 of Consolidated Law on Finance.

During the year, the independent directors met on 24 January, 28 July and 27 October, in order to discuss significant issues concerning company policy and strategies.

### 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 may represent a point of reference for the independent and non-executive directors and coordinate the petitions submitted by these individuals, as well as working with the Chairman in order to ensure that all 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 inside 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 inside 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 2016, in order to comply with the new EU provisions on market abuse (Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014, the so-called Market Abuse Regulation ("MAR") and relative European Commission implementing standards), and in order to monitor access to and circulation of inside information before it is disseminated to the public, to ensure compliance with the confidentiality requirements provided by the laws and regulations in force, and to govern the internal management and external disclosure of this information, the company adopted the "Procedure for the Disclosure of Inside Information", the "Procedure for Management of the Insiders List" and the "Procedure for Meeting Insider Trading Obligations", with effect from 3 July 2016.

On 26 February 2018, the Board amended: (i) the "Procedure for the Disclosure of Inside Information" and the "Procedure for the Management of the Insiders List", in order to take account, inter alia, of the

latest guidelines issued by the European Securities and Markets Authority, ESMA (including the Questions and Answers on the Market Abuse Regulation, last updated by ESMA), as well as the recommendations in the Guidelines no. 1/2017 on the "Management of Inside Information", as adopted by Consob on 13 October 2017; (ii) the "Procedure for Meeting Insider Trading Obligations", in order to ensure compliance, inter alia, with amendments made by Consob to the Consob Regulation on Issuers with Resolution no. 19925 of 22 March 2017.

The latest versions of these procedures are available on the Issuer's website [www.piaggiogroup.com](http://www.piaggiogroup.com) under the section Governance - Market Abuse.

### **6.1. Procedure for the disclosure of inside 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 inside information (as defined in art. 7 MAR) and Confidential information (as defined in the Procedure) concerning the Issuer and its subsidiaries.

In particular, inside 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 press release text must be submitted to the Chairman of the Board of Directors or the Chief Executive Officer, and if deemed advisable or necessary, to the Board of Directors, for final approval before certification and external disclosure. If the information contained therein refers to accounting data, the text must also be submitted to the executive in charge of financial reporting, pursuant to and for the purposes of Article 154-bis of the Consolidated Law on Finance.

The purpose of the procedure is to ensure compliance with applicable legal and regulatory provisions and to guarantee the utmost confidentiality of inside 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 inside 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 inside 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 inside 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. During 2018, the Committee met on 28 February 2018, in order to give its opinion on the size and composition of the new Board, and on the professional positions considered appropriate for board members to hold.

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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 may participate 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.

During the financial year, a meeting of the Remuneration Committee was held on 23 February 2017, during which the Remuneration Report pursuant to Art. 123-ter of the Consolidated Law on Finance was examined, with reference to 2016. 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 half an hour and was recorded in the meeting minutes as is standard procedure. The Chairman of the Committee informed the Board of Directors of the matters dealt with at the next appropriate meeting.

A meeting of the Remuneration Committee was held on 21 February 2018, during which the Remuneration Report pursuant to Art. 123-ter of the Consolidated Law on Finance was examined with reference to 2017. 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 half an hour and was recorded in the meeting minutes as is standard procedure. The Chairman of the Committee informed the Board of Directors of the matters dealt with at the next appropriate meeting.

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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, has been subsequently confirmed in following years, and was last approved on 28 February 2018.

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](http://www.piaggiogroup.com), under Governance – Management.

### *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.

On the basis of the Remuneration Policy, as most recently confirmed by the Board in its meeting of 28 February 2018, a significant part of the remuneration of executive directors is linked to the achievement of 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.

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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 Tesauo.

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.* supports the Board, with adequate preliminary activities, in its assessments and decisions concerning the management of risk arising from injurious events which come to the knowledge of the Board
- IX.* 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 year 10 (ten) meetings of the Internal Control and Risk Management Committee were held on the following dates: 1 February 2017, 23 February 2017, 27 February 2017, 5 April 2017, 3 May 2017, 6 July 2017, 26 July 2017, 28 July 2017, 11 October 2017, 29 November 2017.

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 2017 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.

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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 Board. In addition, at the invitation of the Committee and in relation to specific topics of interest, the General Manager Finance in office until 28 February 2017, the Chief Financial Officer in office since 1 March 2017, the executive in charge of financial reporting, the Risk Officer, the Compliance Officer, the Head of Tax, the Internal Audit function supervisor, and certain company managers and representatives of the independent auditors were also invited to attend the meetings.

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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.

Besides the meeting held on 21 February 2018, a further 4 (four) meetings of the Internal Control and Risk Management Committee have been scheduled in the year, with a frequency of at least quarterly.

## **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:

- a.** defines the nature and level of risk compatible with the Issuer's strategic objectives, including in its assessment all risks that could be relevant in view of medium- to long-term sustainability;
- b.** 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;
- c.** 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;

- d. 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;
- e. describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
- f. 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.

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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 26 February 2018, the Issuer's Board of Directors judged the Issuer's internal control and risk management system to be adequate, effective and properly functioning, in consideration of the indications provided by the Internal Control and Risk Management Committee (among other elements). 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.

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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 2018 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 an audit of the internal control and risk management activities, in accordance with the Internal Audit Plan scheduled for the year, as approved by the Board on 23 February 2017. Financial, operational and compliance auditing activities were carried out (with particular reference to audits carried out for the purpose of compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001), assessing the reliability of information systems (accounting systems included), and the risk assessment system, as well as monitoring the adoption of the plans for correction/improvement agreed following these 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 2017, 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 Supervisory Board currently in office was appointed by the Board of Directors on 13 April 2015 for the 2015-2016-2017 financial years, and therefore up until the approval of the Financial Statements as of 31 December 2017. The Supervisory Board comprises Giovanni Barbara, Statutory Auditor of the Issuer, Ulisse Spada, Head of Legal and Corporate Affairs of the Issuer and Compliance Officer and Antonino Parisi, who holds the position of Chairman of the Supervisory Board, elected from a pool of external professionals with the necessary requisites. The Issuer considered the feasibility of assigning supervisory functions to the Board of Statutory Auditors, but considered the supervisory functions of an ad hoc organisation, i.e. the Supervisory Board, to be more efficient and effective at monitoring the functioning of and compliance with the Model.

During the year, the Model was updated to bring it into line with the organisation of the company and with developments in case law and changes in the legal/regulatory framework. Specifically, this involved the integration and introduction of additional predicate offences as envisaged in recent regulatory reforms which have come into force from time to time, along with a revision of the model's structure.

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

With the assistance of an external consultant, the Special Part of the Model was updated, to take into account findings from the most recent Risk Assessment and to align this with internal procedures.

With the approval of the Supervisory Board, the revision was carried out maintaining the configuration of the Model for groups of predicate offences, whilst introducing process-based approval, formalising specific decision protocols for "sensitive processes" in relation to individual groups of offences.

The Special Part of the Model was revised on the basis of an analysis of the documentation ("Analysis of the risk profile November 2016" and of the body of procedures: procedures on the Market Abuse Regulation, Finance Manuals and relative procedures, Organisational Manuals and relative Management and Operating Procedures, the Integrated Quality, Environment and Safety Manual and relative procedures). The analysis was carried out in the following stages:

- › identification of an adequate layout to guarantee continuity and alignment with the applicable General Part and to provide clearer, more complete and more intelligible content;
- › analysis of the contents of the applicable Special Part, assessing the extent to which this aligned with the existing risk assessment matrix, and of detailed procedures;
- › identification of the content of the new Special Part and the sections into which it should be divided, with regard to the groups of offences considered significant for the company.
- › preparation of the new Special Part comprising 12 separate sections per family of predicate offences (a section has been created for each family of offence, with the exception of cases where the offences in the various articles of Legislative Decree no. 231/2001 are similar and are addressed in the same section).

In particular, each section:

- › describes the offences considered potentially applicable to the company and the relative administrative sanctions payable by the organisation, as defined by Legislative Decree no. 231/2001;
- › describes the so-called "sensitive processes" of reference and the corporate functions involved, as well as the procedures, control and behavioural measures implemented and the flows of information to the Supervisory Board.

The Model has also been expanded, with the introduction of regulations on Whistleblowing in the general section, as provided for by Law no. 179 of 2017, and additions to the list of predicate offences which are not considered applicable to the company, including new offences established by Law no. 161 of 2017 on illegal immigration and xenophobia.

The Model in force comprises a general part and special part, divided into sections in relation to the different groups of offences referred to in the Decree.

The general part begins with the Code of Ethics: in 2004, Piaggio & C. adopted a Code of Ethics as part of its Organisational Model pursuant to Legislative Decree no. 231/2001; the Code was last updated in July 2017 with the introduction of a specific article on the protection of human rights, which the company commits to observing, ensuring compliance with principles designed to safeguard human rights at international level, as expressed in the various international conventions on this topic. These rights specifically regard respect for personal dignity and for rights relating to personality, as well as the prohibition of all forms of discrimination, in particular where employees are concerned.

These principles were already respected by the company well before the introduction of the article, in light of the fact that they are implicit in the Code of Ethics and inherent to the Group; here, they have been described more explicitly, with a view to ensuring it is fully in line with the ethical and social values that inspire Piaggio Group's activities, and upon which these are based. The Code of Ethics has been distributed extensively and is in effect across all Group Companies; it sets out the principles and values that inspire the entire organisation in a clear and transparent manner:

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

The Group's Code of Ethics sets out the social and ethical responsibilities of each member of the company's organisation. In particular the ethical and social responsibilities of senior management, middle management, employees and suppliers are defined in order to prevent any party acting in the name of and on behalf of Group companies, from adopting a conduct which is irresponsible or unlawful. In view of the specificity and relevance of the Indian economy, the Code of Business Conduct & Ethics and the Whistle Blower Policy have been drafted and adopted since December 2016 for the Indian affiliate; the Whistle Blower Policy is specifically intended to protect and guarantee those who report any alleged violations of the Code, thereby also safeguarding the effective application of the Code itself.

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

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](http://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.

During the financial year, the Supervisory Board of the Issuer met 4 (four) times, holding joint meetings with the Board of Statutory Auditors and the Audit and the Internal Control and Risk Management Committee of the company, in order to engage in a mutual exchange of information on the 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 2017, as required by the Model.

In the meeting held on 21 February 2018, the Supervisory Board also approved the activity plan for 2018; at least 4 (four) Supervisory Board meetings are scheduled for the financial year 2018, 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"<sup>(1)</sup> 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".

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.

<sup>1</sup>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.



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 (Alessandra Simonotto) and Compliance Officer (Ulisse Spada) 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 those 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 Board, the Risk Manager and the Compliance Officer. This ensures maximum efficiency of the internal control and risk management system as implemented by the Issuer, while also reducing the repetition or duplication of activities.

On 28 February 2018, 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.

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## 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](http://www.piaggiogroup.com), under the section Governance/Documents and procedures .

## ***Transactions with Related Parties***

Subject to a prior favourable opinion from the Committee for the Approval of Procedures, prepared pursuant to Article 4, paragraph 3 of the Regulations and made available to the members of the Board, the company approved the procedure for related party transactions during the board meeting of 30 November 2010, subsequently amended on 26 December 2018 with the same procedure. This procedure governs the approval and management of transactions with related parties pursuant to Article 4 of the Consob Related Party Regulations.

The latest version of the Procedure governing related party transactions is available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), under the section Governance/Documents and procedures .

## ***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](http://www.piaggiogroup.com), under the section Governance/Documents and procedures .

## ***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. For further information on the above provisions, reference should be made to the Articles of Association published on the company's website [www.piaggiogroup.com](http://www.piaggiogroup.com) under the section Governance/Documents and procedures and on the authorised storage system "eMarket Storage", which can be viewed at [www.emarketstorage.com](http://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. 20273 of 24 January 2018, 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 Chair 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, according to the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, which complies with current legislation in force 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, letters d) and e-bis 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 lists filed for appointment of the control body, reference should be made to the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) and the section Governance - Company Boards, where the professional curricula vitae of the Statutory Auditors are available, 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	Chairman	1949	13/04/2015 Date of first appointment 13/04/2015	Approval of the financial statements as at 31.12. 2017	M	X	11/11	3
Giovanni Barbara	Statutory Auditor	1960	13/04/2015 Date of first appointment 13/07/2004	Approval of the financial statements as at 31.12. 2017	M	X	8/11	7
Daniele Girelli	Statutory Auditor	1960	13/04/2015 Date of first appointment 13/04/2015	Approval of the financial statements as at 31.12. 2017	M	X	11/11	9
Elena Fornara	Alternate Auditor	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	Alternate Auditor	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 2017. 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.consob.it](http://www.consob.it), under the section on Entities and Markets/ Positions of members of control bodies.

As regards company policies on diversity in relation to the composition of the Board of Statutory Auditors (Article 123-bis, letter d-bis of the Consolidated Law on Finance): (i) one Statutory Auditor and one Alternate Auditor are of the least represented gender, in compliance with laws on gender balance; (ii) without prejudice to the professional requirements set out by law, the educational and professional backgrounds of members of the Board of Statutory Auditors currently in office ensure that these individuals have the appropriate profiles and experience to ensure that all functions thereof are executed correctly.

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 10 (ten) meetings of the Board of Statutory Auditors were held on the following dates: 1 February 2017, 23 February 2017, 9 March 2017, 20 March 2017, 5 April 2017, 3 May 2017, 6 July 2017, 26 July 2017, 11 October 2017, 29 November 2017.

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 Board attended most of the meetings of the Board of Statutory Auditors, to ensure that the control bodies were as effectively informed as possible.

Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, identifies the Board of Statutory Auditors as the Internal Control and Audit Committee, appointed to carry out the following activities in particular:

- › to inform the competent body of the audit outcome and send the latter the additional report, as per Article 11 of Regulation No 537/2014, along with any observations;
- › to monitor the financial disclosure process and make recommendations or proposals to ensure the integrity of this process;
- › to monitor the effectiveness of internal quality control and business risk management systems and, if applicable, of internal auditing activities, as regards financial disclosures by the organisation subject to audit, without affecting its independence;
- › to monitor the auditing of the financial statements and consolidated financial statements, in consideration of any results and findings of quality controls conducted by Consob pursuant to Article 26, paragraph 6 of Regulation No 537/2014, where available;
- › to verify and monitor the independence of the statutory auditors or independent auditors pursuant to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree no. 39/2010 and of Article 6 of Regulation No 537/2014, in particular as concerns the adequacy of services provided other than those concerned with the auditing of the entity in question, in accordance with Article 5 of the aforementioned Regulation;
- › to be responsible for the procedure to appoint the statutory auditors or independent auditors or to recommend the appointment of statutory auditors or independent auditors pursuant to Article 16 of Regulation No 537/2014.

The Board of Statutory Auditors - most recently during the meetings of 7 July 2016, 23 February 2017 and 21 February 2018 - verified the ongoing fulfilment of the independence requirements as set out in Article 3 of the Code and Article 148, paragraph 3, letters b) and 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 21 February 2018.

## 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 inside 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 inside information and in relations with Consob and Borsa Italiana S.p.A.

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

The Issuer uses the "eMarket SDIR" circuit in order to disclose regulated information to the public and the centralised storage system "eMarket STORAGE" to store regulated information, which can be accessed at [www.emarketstorage.com](http://www.emarketstorage.com); the circuit and system are both managed by Spafid Connect S.p.A., with head office in Foro Buonaparte 10, Milan. Reporting activities with regard to investor relations are also ensured, with the most significant corporate documentation made available in a timely and on-going basis on the company's website, under the section Investors.

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, communications concerning insider trading, the annual Corporate Governance Report, and any other document that the Issuer is required by regulations in force to publish on its website.

In order to update the market in a timely fashion, the company has set up an email alert service that allows the material published on the website 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.

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

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The Board 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. The Shareholders' Meeting of 12 April 2017 was attended by the Chairman of the Board of Directors Roberto Colaninno, along with Board Directors Matteo Colaninno, Michele Colaninno, Graziano Visentin and Vito Varvaro, as well as by all of the 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. 20273 of 24 January 2018, 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%.

## ***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.

## ***21. Considerations on the letter from the chairman of the corporate governance committee, 13 december 2017***

The letter of 13 December 2017 from the Chairman of the Corporate Governance Committee to the Chairpersons of the Boards of Italian listed companies was brought to the attention of the Board of Directors of the Issuer in the meeting of 28 February 2018.

The Board took note of the analyses and recommendations contained within the letter and confirmed the overall adequacy of the company with respect to the indications on the quality of pre-board disclosures (see section 5.4 of this Report), the establishment and functions of the appointments committee (see section 8 of this Report), the quality of the independent directors (see section 5.7 of this Report), and the contents of the board review (see section 5.4 of this Report).

With reference to the additional profiles referred to in the letter, reference should be made to the succession plans already mentioned in this Report (see section 5.1), and to the Remuneration Report prepared pursuant to Article 123-ter of the Consolidated Law on Finance as regards claw-back clauses and termination indemnities.





Management and Coordination

IMMSI S.p.A.

Share capital € 207,613,944.37, fully paid up

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

Pisa Register of Companies and Tax Code 04773200011

Pisa Economic and Administrative Index no. 134077





