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Corporate Governance Report

Pursuant to article 124-ter of the Consolidated Law on Finance and 89-bis of Consob Regulation on Issuers and article IA.2.6 of the Instructions to the Regulation of the Markets

Glossary

Code: the Corporate Governance Code of listed companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

Civil Code: the Italian Civil Code

Board: the Board of Directors of the Issuer

Issuer: the Issuer of listed shares to which the Report refers

Financial period: the financial period to which the Report refers

Stock Exchange Regulation Instructions: the Instructions of the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

Stock Exchange Regulation: the Regulation of the Markets organised and managed by Borsa Italiana S.p.A.

CONSOB Regulation of Issuers: a Regulation issued by Consob, approved in Resolution no.11971 in 1999 establishing the rules for issuers

CONSOB Regulation of Markets: a Regulation issued by Consob, approved in Resolution 16191 in 2007 establishing the rules for markets

Report: in respect of corporate governance, the Company has to draft a report pursuant to article 124-ter of the Consolidated Law on Finance (TUF), article 89-bis of the Consob Regulation of Issuers and article IA.2.6. of Stock Exchange Regulation Instructions

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

1. ISSUER'S PROFILE

Founded in 1884, the Issuer, with registered office in Pontedera (Pisa), is today one of the leading world manufacturers of 2-wheeled motor vehicles.

The Issuer is one of the top 4 operators in its market industry. 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 3- and 4-wheeled light transport sector with the Ape, Porter and Quargo brands.

The Issuer is organised according to a traditional administration and control model, as established in articles 2380-bis sqq. of the Italian Civil Code, with Shareholders' Meetings, a Board of Directors and Board of Statutory Auditors.

The Chairman and Chief Operating Officer of the Issuer is Roberto Colaninno, Deputy Chairman is Matteo Colaninno and General Managers are Daniele Bandiera (Operations) and Michele Pallottini (Finance)..

2. INFORMATION about SHAREHOLDERS (pursuant to article 123-bis of the Consolidated Law on Finance) at 31/12/2008

a) Structure of the share capital

At the time of publishing this Report, the Issuer's share capital was fully subscribed and paid up and amounted to 205,941,272.16 Euros divided into 396,040,908 ordinary shares with a nominal value of 0.52 Euros each. The shares, each of which gives one voting right, are indivisible and issued as dematerialised shares.

At 31 December 2008, 9,415,000 option rights were reported as having been granted and, on the date of this report, 9,805,000 option rights had been granted to managers of Italian and foreign subsidiaries and operational



Directors in the aforesaid subsidiaries, which grant the right to purchase ordinary shares of the Issuer in the corporate portfolio, in compliance with the Incentive Scheme approved by the Issuer's Shareholders' Meeting on 7 May 2007 and disclosed to the market in a release prepared pursuant to article 84-bis of Consob Regulation of Issuers. The main items of the Incentive Scheme have been described in section 11.3 of the Operating Report and in disclosure documents published by the Issuer pursuant to article 84-bis of Consob Regulation of Issuers. These documents are available for consultation on the corporate web site of the Issuer www.piaggiogroup.com under the Section Investor Relations/Corporate Documentation.

b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

Categories of shares:

	N° shares	% of share capital	Listed (indicate the markets) / unlisted	Rights and obligations
Ordinary shares	396,040,908	100	MTA	Each share gives right to one vote. Rights and duties of shareholders are those provided in article 2346 and sqq. of the Italian Civil code.

Financial instruments that grant the right to subscribe newly issued shares:

	Listed (indicate the markets) / unlisted	N° of instruments in circulation	Category of shares servicing the conversion/exercise	N° of shares servicing the conversion/exercise
Warrants	unlisted	41	ordinary shares	Up to a maximum number of 25,000,000 shares.

c) Significant equity investments in the share capital

At 31 December 2008, own shares in the Issuer's portfolio amounted to 26,650,686, corresponding to 6.729% of share capital. On the same date, significant shareholdings in the Issuer, according to disclosures made pursuant to article 120 of the Consolidated Law on Finance were as follows:

At the time this Report was approved, own shares in the Issuer's portfolio amounted to 27,372,977 corresponding to 6.91% of share capital. On the same date, significant shareholdings in the Issuer's equity are those stated in disclosures made pursuant to article 120 of the Consolidated Law on Finance and article 114, section 7 of the same law and were as follows continued on next page in table 1:

Declarant	Direct shareholder		% of ordinary share capital	% of voting share capital
	Name	Title		
Omniaholding S.p.A.	IMMSI S.p.A.	Ownership	52.972	52.972
		Lender	1.943	1.943
		Total	54.915	54.915
	Omniaholding S.p.A.	Ownership	0.025	0.025
	Piaggio & C. S.p.A.	Ownership	6.729	6.729
	Total	61.769	61.769	
Diego della Valle	Diego della Valle & C. S.a.p.a.	Ownership	5.01	5.01
		Total	5.01	5.01
Girondi Giorgio	G.G.G. S.p.a.	Ownership	2.103	2.103
	Doutdes S.p.a.	Ownership	0.328	0.328
		Total	2.431	2.431
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	Ownership	2.14	2.14
		Total	2.14	2.14



Tab 1

Declarant	Direct shareholder		% of ordinary share capital	% of voting share capital
	Name	Title		
Omniaholding S.p.A.	IMMSI S.p.A.	Ownership	53.337	53.337
	Omniaholding S.p.A.	Ownership	0.025	0.025
	Piaggio & C. S.p.A.	Ownership	6.91	6.91
		Total	60.272	60.272
Diego della Valle	Diego della Valle & C. S.a.p.a.	Ownership	5.01	5.01
		Total	5.01	5.01
Girondi Giorgio	G.G.G. S.p.a.	Ownership	2.103	2.103
	Doutdes S.p.a.	Ownership	0.328	0.328
		Total	2.431	2.431
State of New Jersey Common Pension Fund D	State of New Jersey Common Pension Fund D	Ownership	2.14	2.14
		Total	2.14	2.14
Intesa Sanpaolo S.p.A.	Banca di Trento e Bolzano S.p.A.	Pledged	0.148	0.148
	Banca Fideuram S.p.A.	Pledged	0.005	0.005
	Banca IMI	Ownership	2.324	2.324
	Cassa di Risparmio del Veneto S.p.A.	Pledged	0.001	0.001
	Cassa di Risparmio di Firenze S.p.A.	Pledged	0.001	0.001
	Cassa di Risparmio di Bologna	Pledged	0.000	0.000
	Intesa Sanpaolo Private Banking	Pledged	0.001	0.001
	Intesa Sanpaolo S.p.A.	Pledged	0.031	0.031
		Total	2.510	2.510

d) Securities bearing special rights

No securities have been issued bearing special rights of control.

e) Employee share ownership: mechanism to exercise voting rights

There is no employee share ownership scheme.

f) Restrictions to voting rights

There are no restrictions to voting rights.

g) Shareholder agreements

On 31 October 2008, the agreement between Omniaholding S.p.A., B&L S.r.l. and Ruggero Magnoni and Rocco Sabelli entered into on 6 November 2002 (subsequently integrated on 13 March 2003 and on 9 November 2005), ceased to be in force, which had the scope of governing the relations as Shareholders of Omniainvest S.p.A.

To the best knowledge of the Issuer, at 31 December 2008, no shareholder agreements are to be reported with subject matter that is significant pursuant to article 122 of the Consolidated Law on Finance.

h) Appointment and substitution of Directors and changes to the bylaws

The provisions of the bylaws of the Issuer that govern the composition and appointment of the Board of Directors (article 12) are appropriate for ensuring compliance with provisions introduced with regard thereto by Law 262/2005 (article 147-ter of the Consolidated Law on Finance TUF) and Legislative Decree no. 303 of 29 December 2006.

The company is governed by a Board of Directors consisting of no less than 7 (seven) and no more than 15 (fifteen) members. The Shareholders' Meeting establishes, upon appointing directors, the number of Board Members within the aforesaid limits and, likewise, the term of office that may not in any case exceed three financial years, and said the office shall expire at the Shareholders' Meeting called for approving the financial statements for the last financial year of office. Board directors may be re-elected.

Directors are nominated by the Ordinary Shareholders' meeting on the basis of a slate of candidates submitted by the shareholders, in which candidates are listed and assigned a progressive number.

In accordance with article 12.3 of the Issuer's bylaws, the slate of candidates for the office of Director must be filed by the shareholders at the registered office no later than 15 (fifteen) days before the date of the Shareholders' Meeting in first call.

Only Shareholders that, alone or together, represent at least 2.5% (two point five percent) of share capital may submit lists of candidates or, another percentage, established in legal or regulatory provisions.

For a slate to participate in the apportionment of the Directors to be elected, it needs to obtain at least half the per-

centage of votes required in order to present the slate itself.

Minority Shareholder slates give the right to 1 (one) Director.

The appointment mechanism adopted for choosing the candidates of the various slates is as follows:

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

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

If the appointment of the minimum number of Directors having the necessary requirements of independence established by law in relation to the overall number of Directors is not ensured with the candidates elected in the above manner, the non-independent candidate elected as listed last in the slate that received the most votes, as per point a) above, shall be substituted by the independent candidate not elected in the same slate listed in the progressive order, or, otherwise, by the first independent candidate listed in order not elected in the other slate, depending on the number of votes they each received. This substitution procedure shall continue until the Board is made up of at least the minimum number of members having the requirements established in paragraph 3 of article 148 of the TUF required by law. Finally, if this procedure does not ensure this last result, then the substitution will be made by simple

majority shareholder resolution, conditional upon the presentation of candidates having the above requirements.

If only one slate is presented or no slate is presented, then the shareholders resolve in accordance with the majority established by law, without observing the above procedure.

Whenever during the course of the financial year, one or more Directors are unable to hold office, so long as the majority is made up of Directors appointed by the Shareholders' Meeting, replacement shall be made pursuant to the provisions of article 1386 of the Italian Civil Code and according to the following procedure:

- (i) the Board, upon resolution passed by the Statutory Board of Auditors, shall appoint Directors, replacing those no longer in office within the ambit of candidates (that are still eligible for election) belonging to the same list to which the Directors no longer in office belonged and the Shareholders' Meeting shall pass a resolution, with the legal majority, complying with the same criterion;
- (ii) whenever no candidates that have not been previously elected are available on the aforesaid list or, whenever, for whatever reason it is not possible to comply with the provision of point (i), the Board, upon resolution passed by the Statutory Board of Auditors and, subsequently the Shareholders' Meeting shall provide for the Directors to be replaced with the majorities provided by law, without voting the list.

In any event, the Board and the Shareholders' Meeting shall proceed with appointments ensuring that the elected Directors have the requisites prescribed by law, by the statute and any other applicable provisions.

Whenever the majority of Directors appointed by the Shareholders' Meeting is no longer in office, then the entire Board of Directors shall fall from office and the Shareholders'

Meeting shall be called forthwith by the Directors remaining in office for the purpose of reconstituting the Board.

Changes to the bylaws are governed by current *pro tempore* regulations.

i) Powers to increase the share capital and authorisations to purchase own shares

1. Within the context of the 2004-2007 Stock Option Plan, the Board of Directors obtained the following authorisations for increasing the share capital of the Issuer:

- In resolution passed on 7 June 2004, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board of Directors, pursuant to article 2443 of the Italian Civil Code, with the faculty for a period of five years from the time that the resolution became enforceable, to increase share capital paid in cash, with a premium, in one or more increases, for a maximum nominal amount of 10,587,241.60 Euros, via issuing up to a maximum number of 20,360,080 shares with a par value of 0.52 Euros, servicing option rights, pursuant to paragraphs five and six of article 2441 of the Italian Civil Code, within the context of the 2004-2007 Stock Option Plan; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Italian Civil Code, that the share capital will be deemed increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.
- In resolution passed on 8 March 2006, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board of Directors, pursuant to article 2443 of the Italian Civil Code, with the faculty for a period of five years from the time that the resolution became enforceable, to increase share capital, paid in cash, with a premium, in one or more increases, for a maxi-

imum nominal amount of 551,200.00 Euros, via issuing a maximum number of 1,060,000 new ordinary shares with a par value of 0.52 Euros, servicing option rights, pursuant to paragraphs five and six of article 2441 of the Italian Civil Code, within the context of the 2004-2007 Stock Option Plan approved by Board Resolution on 4 May 2004; the Board was also empowered to establish, in accordance with paragraph 2 of article 2439 of the Italian Civil Code, that the share capital will be deemed increased, by each increase, by an amount equal to the subscriptions received within five years from the date of filing the above resolution with the Registry of Companies.

At the time of publishing this Report, the Board of Directors exercised the faculty to increase share capital servicing option rights under the 2004-2007 Stock Option Plan for a total nominal amount of 11,113,840.92 Euros via issuing 21,372,771 new ordinary shares, each with a par value of 0.52 Euros.

It should be noted that all the options granted under the aforementioned 2004-2007 Stock Option Plan have been exercised.

2. Within the context of Warrant PIAGGIO & C. 2004-2009, the Board of Directors was authorised to increase share capital of the Issuer:

- With a resolution on 18 April 2005, the Extraordinary Shareholders' Meeting of the Issuer granted powers to the Board, in accordance with article 2443 of the Italian Civil Code, to increase on one or more occasions, the share capital up to an amount of 13,000,000.00 Euros par value, against payment, with or without premium, by issuing a maximum number of 25,000,000 ordinary shares with the same features as those already in circulation, for a period five years from the date of filing the above resolution with the Registry of Companies, dis-

applying pre-emption rights in the company's interest, in accordance with paragraph 5 of article 2441 of the Italian Civil Code, and reserving the right to subscribe these shares exclusively to the holders of the "PIAGGIO & C. 2004-2009 Warrants"; the Board was also empowered to ensure that the share capital be increased by the amount of the subscriptions received within the period that will be determined by a Board resolution, as well as, consequently, the power to establish, from time to time, the issue price of the shares, the coupon, the timing, the methods and the conditions of issue, including the powers to ensure that the new shares are released against offset of the receivables to which the holders of such warrants may be entitled as a result of exercising those warrants.

At the presentation date of this Report, no capital increase has been carried out in connection with the above powers.

On 7 May 2007, the Ordinary Shareholders' Meeting of the Issuer, pursuant to and per the effects of article 114-*bis* of the Consolidated law on Finance, approved an Incentive Scheme for Executive Managers of the company or Italian and/or foreign subsidiaries pursuant to article 2359 of the Italian Civil Code and, likewise, Executive Directors of the aforesaid subsidiaries ("2007-2009 Scheme"), to be executed by free grant of option rights valid for purchasing Piaggio ordinary shares in the Company portfolio. To this end, the Shareholders' Meeting, likewise, authorised, pursuant to and per the effects of article 2357 of the Italian Civil Code, the purchase, in one or more occasions and at any time, for the maximum period permitted by applicable legislation and from the time of the date of the resolution, of ordinary corporate shares, up to a maximum amount of 10,000,000 shares, at a price included between a minimum and maximum corresponding to the arithmetic average of official listed prices of Piaggio ordinary shares in the ten

market trading days prior to each single purchase transaction, decreased or increased by 10%, respectively.

In execution of the foregoing, the Company has launched a program for the purchase of its own shares that was concluded on 7 July 2008 with the purchase of 10,000,000 shares at a weighted average price of 3.0367 Euros, for a total outlay of 30,367,026.00 Euros, of which 26,829,743.66 Euros already posted to the 2007 Balance Sheet.

On 24 June 2008, the Ordinary Shareholders' Meeting of the Issuer appoint a purchase and disposal plan for ordinary Company shares for the purpose of: (i) proceeding with the purchase and/or disposal of its own shares for the purpose of investment and stabilisation of share trends and liquidity of the same on the Stock Market; (ii) permitting the use of own shares within the context of transactions connected with current operations or projects in line with the strategic guidelines of the Company, in relation to which there are opportunities for share swaps, including allocating said shares for use for any convertible bond loans and/or warrants.

To this end, the Shareholders' Meeting approved, pursuant to and per the effects of article 2357 of the Italian Civil Code, the purchase, on one or more occasions, for a period of eighteen months from the date of the resolution, of ordinary shares of the Company, up to a maximum number which, taking account, from time to time, of the shares held in the Company portfolio, shall not exceed in total 10% of share capital at a minimum unit price that shall be no less than 20% and a maximum unit price of no more than 10% compared to the arithmetic average of Piaggio official listed share prices during the ten days of trading prior to each single purchase transaction or, in the event that purchases shall be made via public tender or swap, at a minimum and maximum price not less than 10% and not exceeding 10%, respectively compared to the official listed Piaggio share price quoted the day before the offer to the public.

In execution of the foregoing, the Issuer purchased on 31 December 2008 16,650,686 own shares at a weighted average price of 1.3635 Euros and, at the time of writing this report, 17,372,977 own shares at a weighted average price of 1.3536 Euros.

l) Change of control clauses

The Issuer has entered into a number of significant agreements, the subject matter of which is illustrated in a relevant section of the Financial Statements closed at 31 December 2008, which shall be amended or discharged in the event of changes in the control of the contracting Company and, specifically: a loan agreement and credit line opened with Banca Intesa Sanpaolo S.p.A. and Mediobanca for a total of 250 million Euros; a bond loan for 150 million Euros issued by Piaggio Finance and secured by the Issuer; a framework agreement for operational credit lines for 70.3 million Euros granted by a pool of banks represented by Banca Intesa Sanpaolo S.p.A. as agent; a loan agreement with Efibanca for 1 million Euros; a loan agreement with Banca Europea for investments for 150 million Euros.

m) Payments to Directors in the event of resignation, removal or termination of employment following a take-over bid

No agreements have been signed between the Issuer and the Directors that envisage indemnities in the event of resignation, removal/revocation without cause or if employment is terminated following a take-over bid.

3. COMPLIANCE

The Issuer has adopted the Code.

Neither the issuer nor its subsidiaries with strategic relevance are subject to non Italian provisions of law impacting the Corporate Governance structure of the Issuer.

4. MANAGEMENT AND CO-ORDINATION ACTIVITIES

The Issuer and the companies that it controls are subject to the management and co-ordination of IMMSI S.p.A. pursuant to article 2497 sqq. of the Italian Civil Code.

This activity is carried out as illustrated in the specific section of the Directors' Report.

5. BOARD OF DIRECTORS

5.1. Composition

The Board of the Issuer in office at the time of this report is composed of eleven members appointed by the Ordinary Shareholders' Meeting of 28 August 2006. It is hereby stated that, during the course of financial year 2006, pursuant to article 2386, paragraph 1 of the Italian Civil Code,

Director Gianclaudio Neri was voted via co-optation to replace Rocco Sabelli. The Ordinary Shareholders' Meeting of 7 May 2007 confirmed this appointment and the Board, as composed, shall remain in office up to the time that the Shareholders' Meeting is called to approve the financial statements for financial year ending 31 December 2008. It should be noted that the Board currently in office was appointed with resolutions passed with a majority vote (without adopting the slate system) on motion tabled by Shareholder IMMSI S.p.A. in compliance with the provisions of article 12.4 of the Issuers' bylaws.

The professional *curricula* of Directors are available at the registered office of the Issuer and on the corporate web site www.piaggiogroup.com at the section Investor Relations / Corporate Documentation.

Name	Office	In office from	Exec.	Non exec	Indep.	Indep. TUF	% BoD	Other offices
Roberto Colaninno	Chairman CEO	28/08/2006	X				89	7
Matteo Colaninno	Deputy Chairman	28/08/2006		X			78	3
Gianclaudio Neri	Director			X			100	3
Michele Colaninno	Director	28/08/2006		X			89	9
Luciano Pietro La Noce	Director	28/08/2006		X			100	11
Giorgio Magnoni	Director	28/08/2006		X			67	3
Daniele Discepolo	Director	28/08/2006		X	X	X	89	9
Franco Debenedetti	Director	28/08/2006		X	X	X	100	4
Riccardo Varaldo	Director	28/08/2006		X	X	X	100	3
Luca Paravicini Crespi	Director	28/08/2006		X	X	X	89	6
Gian Giacomo Attolico Trivulzio	Director	28/08/2006		X			100	5

LEGEND

Exec.: indicates whether the Director may be qualified as executive

Non-exec.: indicates whether the Director may be qualified as non-executive

Indep.: indicates whether the Director may be qualified as an independent in accordance with the provisions of the Code

Indep. TUF: indicates whether the Director has the requirements of independence established in paragraph 3 of article 148 of the TUF (article 144-decies, of CONSOB's Regulation of Issuers)

% BoD: indicates (in percentage terms) the attendance of the Director at Board meetings

Other offices: indicates the overall number of offices held in other companies of the group to which the Issuer belongs, in companies listed on regulated markets (even abroad), in financial, banking, insurance companies or companies of significant dimensions.



Name	Position	A.C.	% A.C.	R.C.	% R.C.	ICC	% I.C.C.
Luciano Pietro La Noce	Director	M	–	M	100		
Daniele Discepolo	Director					P	100
Franco Debenedetti	Director	P	–	M	100		
Riccardo Varaldo	Director			P	100	M	50
Luca Paravicini Crespi	Director	M	–			M	75

LEGEND

A.C.: indicates the Appointment Committee; P/M indicates whether the Director is Chairman/member of the appointment Committee

% A.C.: indicates attendance, as a percentage, of Directors at Appointment Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Appointment committee meetings held during the financial year or since appointment)

R.C.: the Remuneration Committee; C/M indicates whether the Director is Chairman/member of the Remuneration Committee

% R.C.: indicates (in percentage terms) the attendance of the Director at Remuneration Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Remuneration Committee meetings held during the financial period or since appointment)

I.C.C.: the Internal Control Committee; C/M indicates whether the Director is Chairman/member of the Internal Control Committee

% I.C.C.: indicates (in percentage terms) the attendance of the Director at Internal Control Committee meetings (this percentage is calculated on the number of meetings attended by the Director out of the number of Internal Control Committee meetings held during the financial period or since appointment)

There were no changes in the Board composition after the end of the financial period.

Maximum aggregation of positions held in other companies

The Board has not deemed it necessary to establish the general criteria on the maximum number of offices as directors or as members of control committees in other companies that may be deemed compatible with efficient performance of the office of Director in the Issuer, it being understood that each Director has a duty to evaluate the compatibility of offices of Director and Statutory Auditor held in other companies listed on regulated markets, in



investment companies, banks, insurance companies or enterprises of a significant dimension, with diligently carrying out tasks assigned as Director of the Issuer.

During the course of the meeting held on 26 February 2009, the Board, having regard to the outcome of the audit on current appointments held by the company's Directors in other enterprises, held that the number and type of offices held do not interfere with Directors' duties and, thus, are compatible with the efficient carrying out of Director's duties with the Issuer.

As regards the positions held by Directors of the Issuer in the parent company IMMSI S.p.A., it is hereby stated that the majority of the Board members of the Issuer hold no management or control position in IMMSI S.p.A.

A page is a list of companies in which each Director holds a management or control office at the time of preparing this report, and with those companies highlighted in which an office is held that form part of the Group controlled by or which the Issuer is part.

Full name	Company	Management and control positions held in incorporated companies
Roberto Colaninno	- IMMSI S.p.A. *	Chairman, BoD
	- Omniaholding S.p.A. *	Chairman, BoD
	- RCN Finanziaria S.p.A. *	Chairman, BoD
	- Omniainvest S.p.A. *	Director
	- Rodriguez Cantieri Navali S.p.A. *	Director
	- Alitalia Compagnia Aerea Italiana S.p.A.	Chairman, BoD
	- Air One S.p.A.	Chairman, BoD
Gianclaudio Neri	- Rodriguez Cantieri Navali S.p.A. *	Chief Executive Officer and General Manager
	- Intermarine S.p.A. *	Deputy Chairman and Director
	- RCN Finanziaria S.p.A. *	Director
Matteo Colaninno	- Omniaholding S.p.A. *	Deputy Chairman and Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Omniainvest S.p.A. *	Director
Michele Colaninno	- Is Molas S.p.A. *	Director
	- Omniainvest S.p.A.	Director
	- Rodriguez Cantieri Navali S.p.A. *	Director
	- Omniaholding S.p.A. *	Chief Executive Officer
	- IMMSI S.p.A. *	Director
	- Piaggio Vietnam Co. Ltd. *	Director
	- ISM Investimenti S.p.A.*	Director
	- Immsi Audit S.c.a r.l.*	Director
	- RCN Finanziaria S.p.A.*	Director
	Daniele Discepolo	- Zucchi S.p.A.
- Esaote S.p.A.		Director
- Beta Skye S.r.l.		Chairman, BoD
- Investimenti & Sviluppo S.p.A.		Director
- KREnergy S.p.A. già Kaitech S.p.A.		Chairman, BoD
- Fondazione Filarete		Director
- Artemide Group S.p.a.		Director
- Tag Group S.r.l.		Chairman, BoD
- Mascioni S.p.A.		Director
Luciano Pietro La Noce		- Rodriguez Cantieri Navali S.p.A. *
	- Is Molas S.p.A. *	Chairman, BoD
	- Apuliae S.p.A. *	Chairman, BoD
	- Pietra S.r.l. *	Chairman, BoD
	- Omniainvest S.p.A. *	Chief Executive Officer
	- B&L S.r.l.	Only Director
	- IMMSI S.p.A. *	Chief Executive Officer
	- RCN Finanziaria S.p.A. *	Chairman, BoD

Full name	Company	Management and control positions held in incorporated companies
Giorgio Magnoni	- ISM Investimenti S.p.A.*	Deputy Chairman
	- Banca Popolare di Mantova	Director
	- Air One S.p.A.	Director
	- Acqua Blu S.r.l.	Chairman, BoD
	- Life Science Capital S.p.A.	Director
Franco Debenedetti	- SO.PA.F. S.p.A.	Deputy Chairman BoD and Executive
	- CIR S.p.A.	Director
	- COFIDE S.p.A.	Director
Luca Paravicini Crespi	- Fondazione Rodolfo Debenedetti	Director
	- IRIDE S.p.A.	Director
	- CIR S.p.A.	Director
	- Gruppo Editoriale l'Espresso S.p.A.	Director
	- Scala Group S.p.A.	Director
Riccardo Varaldo	- Education.it S.p.A.	Director
	- Consilium SGR S.p.A.	Director
	- Il Gallione S.p.A.	Director
	- Finmeccanica S.p.A	Director
	- Intesa Sanpaolo S.p.A.	Board Member
Gian Giacomo Attolico Trivulzio	- Italy-Japan Business Group	Member of Supervisory Committee
	- Immobiliare Molgora S.p.A.	Chairman, BoD
	- Spafid S.p.A.	Director
	- Ecovolt S.r.l.	Director
	- Solar Prometheus S.r.l.	Director
	- Fondazione Poldi Pezzoli	Director

* The company is part of the Group to which the Issuer belongs.

5.2. The role of the board of directors

During the course of the financial year, the board held 9 (nine) meetings on the following dates: 30 January 2008; 7 March 2008; 7 May 2008; 29 May 2008; 11 June 2008; 31 July 2008; 12 September 2008; 31 October 2008; 5 December 2008. Board meetings lasted ninety minutes on average. For the current financial year, the calendar of the main corporate events for 2009 (already disclosed to the Market and Borsa Italiana S.p.A., according to regulatory provisions, on 30 January 2009) plans for 4 (four) meetings to be held on the following dates:

- 26 February 2009 – approval of draft financial statement

and consolidated financial statement closed at 31 December 2008.

- 29 April 2009 – approval of interim operating statement as at 31 March 2009;

- 30 July 2009 – approval of 1H financial report as at 30 June 2009;

- 30 October 2009 – approval of interim operating statement as at 30 September 2009.

The calendar is available, in Italian and English language versions, on the corporate web site of the Issuer www.piaggiogroup.com, at the section Investor Relations / Corporate Governance/ Calendar Corporate Events.

The Board is central to the corporate organisation. It is in charge of the strategic and organisational functions and responsibilities, as well as of ascertaining the existence of the controls needed to monitor the performance of the Issuer and of the Group companies which report to the Issuer.

Pursuant to article 17.1 of bylaws, the Board is empowered for the management of the company and, to this end, may pass resolutions or implement any actions it may deem necessary or useful for attaining the corporate object, with the exception of any matters reserved by law or by bylaws as coming under the competence of the Shareholders' Meeting.

By virtue of the Issuer's commitments with Borsa Italiana S.p.A., on being listed, the Board, in the meeting of 28 August 2006, passed a resolution in respect of the management responsibilities of the Board of Directors which, in addition to those powers granted by law or corporate bylaws, shall be vested as a collegiate body with the following powers:

- a) to acquire or dispose of equity investments in companies or business units;
- b) to sign and amend loan agreements of any kind in excess of 25 million Euros;
- c) to provide collateral security on assets and to provide guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
- d) to transfer trademarks, patents and other intellectual property rights, as well as to sign licensing agreements;
- e) to sign and amend long-term agreements of a commercial nature, including joint ventures;
- f) to buy and sell property;
- g) to carry out other extraordinary transactions valued in excess of 50 million Euros;

- h) without prejudice to the above items, to carry out dealings with related parties, as defined by the provisions of applicable law and regulations, with the exclusion of transactions that are typical and usual Company business carried out at arm's length;
- i) to appoint the Company's general manager and manager in charge of administration, finance and control;
- j) to appoint the directors and the general managers of the companies controlled directly and indirectly.

As part of its duties, the Board examines and approves the strategic, industrial and financial plans of the Issuer and of the group which reports to the Issuer, the Issuer's corporate governance system and the structure of the group which reports to the Issuer.

Pursuant to article 2381 of the Italian Civil Code and the implementing criterion 1.1.C of the Code, during the course of the financial year, the Board verified, at least once every quarter, the suitability of the organisational, administrative and general accounting structure of the Issuer and its subsidiaries with strategic relevance, specifically with regard to the internal control system and management of conflicts of interest, according to the procedures adopted by the Issuer for this purpose. Within the context of this activity, the Board availed itself, depending on cases, of the support of the internal Control Committee, the body in charge of internal control, of the auditing firm Cogitek S.r.l. and the executive manager responsible for drafting corporate accounting documents and, likewise, procedures and audits carried out pursuant to Law 262/2005.

It should be noted with regard thereto that, on 14 November 2008, the Issuer terminated the Plan for Adapting subsidiaries, established and governed by laws of States not belonging to the European Union, under the conditions provided in article 36 of the Consob Market Regulation

("Plan"). On the basis of parameters of significance and relevance adopted in the recent Consob Resolution no. 16530/2008, subsidiaries outside of the European Union with strategic relevance are: Piaggio Vehicles Pvt Ltd and Piaggio Group Americas Inc.

A description of the Plan and enabling activities implemented by the Issuer with regard thereto are illustrated in the 3Q interim Report at 30 September 2007 and subsequent corporate financial statements.

As regards the remuneration of Directors, in accordance with article 18 of the bylaws, each Director was reimbursed the expenses incurred in the performance of his duties and received annual emoluments approved by the Ordinary Shareholders' Meeting at the time of appointment, which remain unchanged in the absence of a different Shareholder resolution.

The emoluments of the Chairman, the Deputy Chairman and the Managing Director were approved by the Board on 28 August 2006, upon favourable opinion expressed by the Board of Statutory Auditors.

As regards the remuneration of the top management, the Issuer implements a policy that envisages incentives linked to company profitability, also by means of specific corporate incentive plans that include the granting of stock options.

The Board assessed general operating performance at least quarterly, taking account of the information received from the delegated bodies, as well as periodically comparing actual results with the budgets.

Following the listing of the Issuer and the resolutions subsequently passed by the Board in the meeting on 28 August 2006 concerning the division of its management duties, the



Board needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries that have a significant strategic, economic, business or financial importance to the Issuer itself.

In compliance with current regulatory provisions and the bylaws, the Board also needs to examine and grant prior approval to dealings of the Issuer and its subsidiaries where one or more Directors have personal or third party interests.

As far as management of conflicts of interest and dealings with related parties of the Issuer and the group which the Issuer is the parent are concerned, please see point 13 further on.

On 26 February 2009, the Board of directors of the Issuer ordered the annual evaluation pursuant to implementing Criterion 1.C.1, letter g) of the Code to be carried out, deeming the composition and functioning of the management body to be suitable in respect of management and organisational needs of the Issuer, taking into account that of the total of eleven members of the Board, ten Directors are Non-executive Directors, of which four Directors are independent Non-Executive Directors, who, likewise, guarantee the suitable composition of the Committees constituted within the Board.

The shareholders have not authorised derogations from the rule prohibiting competition, as established in article 2390 of the Italian Civil Code.

5.3. Strategic executives

Managing Directors

The Chairman of the Issuer, Roberto Colaninno, also holds the position of Chief Executive Officer.

The Chairman and Chief Executive Officer has been granted full powers of ordinary and extraordinary management, except for the powers reserved to the entire Board by law, the bylaws and the Board resolution passed on 28 August 2006 (Refer to 5.2 above).

Chairman

The Chairman of the Board:

- a) is the key manager of the Issuer (*Chief Executive Officer*) and
- b) is not the controlling shareholder of the Issuer.

Information to the Board

During the course of the financial year, the Chief Executive Officer reported to the Board on the activities carried out during the financial year by virtue of his delegated powers at least once every quarter and using methods suitable for allowing Directors to express an informed opinion on matters submitted to them for review.

5.4. Other executive directors

There are no other Executive Directors.

5.5. Independent directors

The number and stature of the Non-executive Directors and the Independent Directors ensure that their judgement may have a significant weight upon the decision-making of the Issuer's Board. The Non-executive Directors and the Independent Directors bring their specific competencies to Board discussions and contribute to decisions being made in the company's interest.

That the independent Directors currently in office possess the requisites of independence provided for under article 3

of the Code and article 148, paragraph 3, letters b) and c) of the Consolidated Law on Finance has already been verified by the Board upon their appointment and re-verified during the meeting held on 26 February 2009.

It should be noted that, in order to rule out potential risks of limiting management independence of the Issuer that could arise, in particular, by an overlapping of the Boards of the Issuer and of the parent company IMMSI S.p.A.: (a) on the Board of the Issuer currently in office, there are six Non-Executive Directors and, namely - Michele Colaninno, Matteo Colaninno, Luciano Pietro La Noce, Giorgio Magnoni, Gianclaudio Neri and Gian Giacomo Attolico Trivulzio and four independent Non-Executive Directors, namely - Directors Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo and Luca Paravicini Crespi; (b) the majority of the members of the Board of the Issuer has no management or control duties in IMMSI S.p.A.

The Independent Directors possess the requirements for independence as per article 3 of the Code and article 148, paragraph 3, points b) and c) of the Consolidated Law on Finance, in that each of them:

- (i) does not directly or indirectly control the Issuer, even through subsidiaries, trustees or third parties, nor is able to exercise substantial influence on it;
- (ii) is not party, either directly or indirectly, to any shareholder agreement by which one or more individuals can exercise control or substantial influence over the Issuer;
- (iii) is not, nor has been in the last three years, a key manager (that is, the Chairman, the Legal Representative, Chairman of the Board of Directors, an Executive Director or a manager with strategic responsibilities) of the Issuer, of a strategic subsidiary, of a company jointly controlled with the Issuer, of a company or an entity that, even jointly through a shareholder agreement, controls the Issuer or exercises substantial influence over it;

- (iv) has no, nor has in the previous year, direct or indirect (for example, through subsidiaries or companies in which the individual is a key manager, as described in point (iii) above, or as a partner in a firm of professionals or consultancy firm), significant business, financial or professional relationship or employment contract: (a) with the Issuer, one of its subsidiaries, or with any of their key managers, as described in point (iii) above; (b) with a party that, even jointly with others by means of a shareholder agreement, controls the Issuer, or – in the case of a company or entity – with its key managers, as described in point (iii) above;
- (v) notwithstanding point (iv) above, has no independent or employment work relationship, nor other relationships of a professional or economic nature such as to compromise his/her independence: (a) with the Issuer, its subsidiaries, parent companies or jointly-controlled companies; (b) with the Issuer's Directors; (c) with parties related by marriage, family or affinity within the fourth degree of the Directors of the companies as described in point (a) above;
- (vi) does not receive, nor has received in the last three years, from the Issuer or a subsidiary or parent company, significant additional remuneration beyond the fixed emolument as Non-executive Director of the Company, including incentive plans (even stock-based) connected with company performance;
- (vii) has not been a Director of the Issuer for more than nine of the last twelve years;
- (viii) is not an Executive Director in another company in which an Executive Director of the Issuer is also Director;
- (ix) is not a shareholder or Director in a company or entity belonging to the network of the company mandated to audit the Issuer;
- (x) is not a close relative of a person who is in one of the above situations and is not a spouse, relative or with

an affinity within the fourth degree of Directors of the Issuer, its subsidiaries, parent companies or jointly-controlled companies.

The Board of Statutory Auditors has verified the correct application of criteria and inspection procedures adopted by the Board for evaluating the independence of its members and the outcome of said verification shall be disclosed within the context of the Report of the Statutory Board of Auditors to the Shareholders' Meeting pursuant to article 153 of the consolidated Law on Finance.

During the year, 2 meetings of the Independent Directors were held: on 7 May 2008 and on 5 December 2008.

During the course of said meetings, at which the Chairman and CEO, Roberto Colaninno, was invited to attend, the progress of the 2008-2010 Strategic Plan, business development outlook and the strategic industrial actions implemented reviewed, specifically with regard to the Asian markets; furthermore, issues regarding corporate organisation and management were also examined.

5.6. Lead independent director

The Board has appointed the Independent Non-executive Director, Daniele Discepolo, as Lead Independent Director in accordance with the Code so that he may be the point



of reference and co-ordination of the requests of the Non-executive Directors, especially the Independent Directors. The Lead Independent Director, Daniele Discepolo, an Independent Director possessing the necessary accounting and finance skills, is also Chairman of the Internal Control Committee.

During the year, the Lead Independent Director called 2 meetings of the Independent Directors of the Issuer. Refer to 5.5 above.

6. TREATMENT OF CORPORATE INFORMATION

6.1. The procedure for release and disclosure of insider information

The Board, for the purpose of monitoring access to and the circulation of insider information before it is released to the public domain and, likewise, for ensuring compliance with obligations of confidentiality provided by law and regulations and, likewise, for the purpose of governing internal management and disclosure to the public of the aforesaid information adopted, during the meeting of 28 August 2006, a “Procedure for the public disclosure of Insider information”.

In accordance with this procedure, the Chairman of the Board, the Chief Executive Officer and the Investor Relations department (refer to point 7 below) ensure the proper handling of the disclosure to the market of insider information and monitor compliance with said Procedure.

The Investor Relations department and the Chief Press Officer, informed by the top management of the Group or otherwise aware of significant facts concerning the Issuer or its subsidiaries, discuss with the General Manager Finance and the Head of Legal Affairs for the purpose of verifying the requirements of law and, in particular, whether information should be deemed insider information.

If it is considered insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the



Head of Legal Affairs, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

The press release is put on the Network Information System (NIS) organised and managed by Borsa Italiana, and is transmitted to CONSOB and to at least two press agencies via the NIS. Furthermore, the Company inserts the press release on the www.piaggiogroup.com corporate web site in the Investor Relations section and ensures the information remains there for at least two years.

So as to ensure the handling of insider information within the Group, the Procedure is notified to the Managing Directors of the main subsidiaries, that is, those companies controlled by the Issuer that are consolidated.

The handling of insider information regarding subsidiaries is the responsibility of their Managing Directors, who shall promptly transmit to the General Manager Finance and/or the Investor Relations department of the Issuer all information that they consider may be insider information in accordance with the Procedure.

The General Manager Finance and/or the Investor Rela-

tions department receiving the insider information advice from the Managing Directors of subsidiaries discusses with the Head of Legal Affairs to verify the legal obligations and in particular if the information is to be considered insider information.

If it is considered insider information or applicable regulations require public disclosure, the Chief Press Officer prepares a press release and, with the assistance of the Head of Legal Affairs, ensures that it complies with current applicable law.

The text of the press release must be submitted to the Chairman and to the Chief Executive Officer and, if necessary, to the Board of Directors for final approval prior to its public disclosure.

6.2 Register of persons with access to insider information

With particular reference to the requirement for listed issuers, for parties in controlling relations with them and for persons acting in their name or on their behalf, to establish and manage a register of persons with access to insider information in accordance with article 115-bis of the TUF, in a meeting on 3 May 2006, the Board of Directors of the Company resolved to (i) mandate the parent company IMMSI S.p.A., in accordance with article 152-bis of the Regulation of Issuers, to keep, manage and update the register of persons with access to insider information of Immsi S.p.A. also on behalf of Piaggio and the companies of the Piaggio Group; (ii) acknowledge the “Procedure for the management of the register of persons with access to insider information” adopted by IMMSI S.p.A. with a resolution of its Board of Directors on 24 March 2006.

On 5 November 2007 the Board, deeming it appropriate for the Issuer to independently establish, keep and manage a register of persons with access to insider information relating to the group which reports to the Issuer, adopted an independent “Procedure for the management of the regis-

ter of persons with access to insider information – Piaggio & C. S.p.A. Group” envisaging its application also regarding parties that control the Issuer, subject to the necessary adjustments to the corporate organisational structures in the respective organigrammes.

Both procedures are available on the www.piaggiogroup.com corporate web site in the Investor Relations / Procedures section.

6.3. Internal dealing

In relation to managing disclosure obligations arising out of the new law on Internal Dealing provided for under 114, paragraph 7 of the Consolidated Law on Finance and articles 152-sexies, 152-septies and 152-octies Issuers Regulation, in force for listed corporations as from 1 April 2006, the Board of Directors of the Issuer, on 3 May 2006 passed a resolution adopting the “Procedure for compliance with Internal Dealing obligations”, binding and valid from the time of listing of the Company.

Releases regarding significant transactions pertaining to the Internal Dealing regulation carried out in 2007 have been disclosed to the market in compliance with said Procedure and are available on the Issuer’s www.piaggiogroup.com corporate web site in the Investor Relations section.



7. COMMITTEES WITHIN THE BOARD OF DIRECTORS

Within the Board of Directors, a number of Committees have been set up and, namely - the Appointments Committee, the Remuneration Committee and the Internal Control Committee. It should be noted that the Issuer has not set up a committee that performs the functions of two or more of the committees provided in the Code or committees other than those provided for in the Code.

8. APPOINTMENTS COMMITTEE

The Board, in compliance with the provisions of the Code and in consideration of the presence in the bylaws of the slate voting system for the appointment of the Board, has established an internal Appointments Committee.

During the year, there was no need to hold meetings of the Appointments Committee.

The Appointments Committee mostly consists of Independent Non-executive Directors.

The Appointments Committee has three members: Franco Debenedetti (the Chairman), Luca Paravicini Crespi and Luciano La Noce.

Appointments Committee functions

The Appointments Committee has the duty of verifying that the procedure of presenting slates established in the bylaws is carried out correctly and transparently, in compliance with the applicable provisions of law and the bylaws. Having verified compliance of the above procedure, with particular reference to the completeness of the documents to be filed and the timeliness of such filing, the committee carries out the necessary formalities for the presentation of those slates to the shareholder meeting called to appoint the Board or its members.

In accordance with article 6.C.2, point c) of the Code, the Appointments Committee is also authorised to express,

whenever it deems necessary, opinions to the Board regarding its size and composition.

9. REMUNERATION COMMITTEE

The Board of the Company, in compliance with the provisions of the Code, has established an internal Remuneration Committee.

During the course of the financial year, the remuneration Committee held 1 (one) meeting on 31 July 2008.

The Remuneration Committee is composed on mostly independent, Non-Executive Directors.

The Remuneration Committee has three members: Riccardo Varaldo (the Chairman), Luciano La Noce and Franco Debenedetti.

During the course of the financial year, the Remuneration Committee did not pass resolutions for which it was necessary for Directors to abstain from voting.

Remuneration Committee meetings were attended by non-members upon the invitation of the Committee itself.

Functions of the Remuneration Committee

The duties of the Remuneration Committee are: (i) to formulate proposals to the Board regarding the remuneration of the Chief Executive Officer and the other Directors with specific duties, monitoring the application of such decisions; and (ii) to formulate general recommendations to the Board regarding the remuneration of senior managers with strategic responsibilities within the Piaggio Group, taking account of the information and indications provided by the Chief Executive Officer, while periodically assessing the criteria adopted for the remuneration of senior management.

The Remuneration Committee also has duties in relation to the management of any stock option plans approved

by the competent organs of the Company. During the meeting of 31 July 2008, the Remuneration Committee reviewed the Incentive and Loyalty Scheme for Piaggio top management and Piaggio Italian and foreign subsidiaries ("2007-2009 Scheme"), reporting that the Company had concluded its own share purchase program servicing the Scheme in July 2008.

During the course of this meeting, further grant of 3,260,000 options to 24 beneficiaries was also assessed, which was found to be compliant with the terms and criteria established under the Scheme.

Minutes were duly taken at the remuneration committee meeting.

In carrying out its duties, the Remuneration Committee was able to access information and other corporate departments required for executing its tasks and well as, availing itself of external consultants under the conditions established by the Board of Directors.

The Remuneration Committee did not receive any financial resources in that the Committee uses the Issuer's in-house resources and structures for carrying out its functions.

10. DIRECTORS EMOLUMENTS

The remuneration of the Executive Directors is not linked to the financial results of the Issuer and/or the achievement of specific objectives previously indicated by the Board.

A significant part of the remuneration of senior managers with strategic responsibilities is linked to the financial results of the Issuer and/or the achievement of individual objectives previously indicated by the Chief Executive Officer.

There is a stock-based incentive plan for managers of the Issuer or of Italian and/or foreign companies it controls, in



accordance with article 2359 of the Italian Civil Code, and the managing directors of those subsidiaries.

The remuneration of the Non-executive Directors is not linked to the financial results of the Issuer.

There is no stock-based incentive plan for Non-executive Directors.

The remuneration of the Non-executive Directors was decided by the shareholders.

All Directors of the Issuer receive the same emoluments of 40,000 Euro per annum.

In relation to disclosure obligations provided under article 78 of the Issuers Regulation, the following table reports the emoluments received by Board Directors and the two General Managers during the financial year according to the criteria indicated in Schedule 3C of the aforesaid regulation.

In particular, the emoluments for the office indicate: (i) the emoluments for the period approved by the shareholders, or as per paragraph 2 of article 2389 of the Italian Civil Code, still to be paid and (ii) any profit sharing, (iii) attend-

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Total
Roberto Colaninno	1,040,000 (1)				1,040,000
Matteo Colaninno	100,000 (2)				100,000
Gianclaudio Neri	40,000				40,000
Michele Colaninno	40,000			3,333	43,333 (3)
Luciano Pietro La Noce	40,000				40,000
Giorgio Magnoni	40,000				40,000
Daniele Discepola	60,000 (4)				60,000
Franco Debenedetti	40,000				40,000
Riccardo Varaldo	50,000 (5)				50,000
Luca Paravicini Crespi	50,000 (5)				50,000
Gianclaudio Attolico Trivulzio	40,000				40,000
Daniele Bandiera			9,923	505,186	515,109
Michele Pallottini			10,474	903,045	913,519

(1) This amount includes 600,000 Euro as emoluments for the office of Chairman and 400,000 Euro as emoluments for the office of Chief Executive Officer.

(2) This amount includes 60,000 Euro as emoluments for the office of Deputy Chairman.

(3) The emoluments are paid to the company of employment.

(4) This amount includes 20,000 Euro as emoluments for the office of Chairman of the Internal Control Committee.

(5) This amount includes 10,000 Euro as emoluments for the office of member of the Internal Control Committee.

ance payments, (iv) expenses refunded; the non-monetary benefits column indicates the fringe benefits (following a criterion of taxable income) including any insurance policies; Bonuses and other incentives include one-off portions of remuneration; other remuneration indicates (i) emoluments for positions held in listed and unlisted subsidiaries (ii) employee remuneration (gross of social security and tax charges for the employee's account, excluding the mandatory collective social security charges for the company's account and the provision for employee leaving indemnity) (iii) indemnities payable upon leaving office, and (iv) any other remuneration from other services provided.

Other than the two General Managers, whose remuneration is indicated in the above table, the Issuer has no further senior managers with strategic responsibilities.

11. THE INTERNAL CONTROL COMMITTEE

The Board has established an Internal Control Committee.

During the course of the financial year, the Internal control committee held 4 (four) meetings on 6 February 2008; 23 June 2008; 13 October 2008 and 1 December 2008.

The Internal Control Committee of the Issuer consists of Independent Non-executive Directors.

The Internal Control Committee had at least three members during the financial year under review and, namely: Daniele Discepola (the Chairman), Riccardo Varaldo and Luca Paravicini Crespi.

The Director Daniele Discepola possesses the necessary

accounting and finance skills required by the Board at the time of his appointment.

Attendance at Internal Control committee meetings by non-members was upon invitation from the Committee.

Functions of the Internal Control Committee

The Internal Control Committee is a consultative body that can put forward proposals to the Board and is mandated to carry out the following duties:

- (i) assist the Board in carrying out internal control activities, in particular in defining the guidelines of the system and the periodic monitoring of the adequacy, effectiveness and actual functioning of the system;
- (ii) examine the work plan prepared by the person in charge of internal control and the half-yearly reports transmitted by him;
- (iii) assess, together with the Manager in charge of preparing the corporate accounting documents and the auditors, the adequacy of the accounting principles used for the audit and their consistency for the purposes of preparing the consolidated financial statements;
- (iv) assess the proposals formulated by the auditors regarding the mandate, the work plan prepared for the audit and the results illustrated in the report and in the letter of suggestions;



- (v) report to the Board, at least every six months, at the time of approving the financial statements for the financial period and the half-year report, regarding activities carried out and the adequacy of the internal control system;
- (vi) carry out any further duties that the Board deems appropriate to assign to the Committee, in particular regarding relations with the auditors and the consultative functions concerning dealings with related parties envisaged by the specific procedure approved by the Board.

During the course of the financial year, the Internal Control Committee carried out ongoing inspection and audit activities in respect of the internal control system and, within this context, monitored the progress of internal auditing work plan, with specific regard to the implementation of measures resulting from audit activities carried out in previous financial years, the progress of the 2008 audit plan and the progress of risk analysis activities and implementation of measures for guaranteeing full compliance of the Issuer with the provisions of Law 262/2005.

With regard to the foregoing, on 14 November 2008, the Issuer reported successful completion of measures directed towards guaranteeing compliance of its subsidiaries, established under, and governed by laws of States outside the European Union with provisions provided under article 36 of the Consob Market Regulation. This disclosure may be accessed on the corporate web site of the Issuer www.piaggiogroup.com in the section Investor relations / Corporate Documents.

At meetings, the Internal Control Committee discussed the most suitable initiatives to be implemented in relation to auditing activities, with a view to progressively improving the internal control system, thereby ensuring maximum efficiency and safety.

The Chairman of the Board of Statutory Auditors, Giovanni Barbara attended all Internal Control Committee meetings.

Minutes were duly taken at all Internal Control Committee meetings.

In carrying out its functions, the Internal control Committee was able to access information and other corporate departments required for executing its tasks and well as, availing itself of external consultants under the conditions established by the Board of Directors.

The Internal control Committee did not receive any financial resources in that it made use of in-house resources and corporate structures of the Issuer for carrying out its duties.

12. THE INTERNAL CONTROL SYSTEM

The Board defines the guidelines of the internal control system, that is, the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with regulations and the law, the safeguarding of corporate assets.

The Board (i) prevents and manages corporate risks regarding the Issuer and the group which reports to the Issuer by defining suitable control guidelines that ensure that such risks are correctly identified and adequately measured, monitored, managed and assessed, even as regards safeguarding corporate assets and the fit and proper management of the company; (ii) periodically (at least annually) verifies the adequacy, efficiency and effectiveness of the internal control system.

In carrying out these functions, the Board avails itself of a designated Director supervising the working of the inter-

nal control system ("Designated Director") and an Internal Control Committee; it also takes account of the organisational and management models adopted by the Issuer and the group which reports to the Issuer in accordance with Law 231/2001.

The Board, in response to a proposal by the Director Appointed and having obtained the opinion of the Internal Control Committee, has appointed the Person in charge of Internal Control and ensured that the individual receives adequate means to carry out his/her functions, even from the viewpoint of operating structure and internal organisational procedures to access the information needed by the position, authorising the Chief Executive Officer and the General Manager Finance to agree the terms and conditions of the appointment.

During the course of the financial year, the Internal Control Committee regularly reported to the Board on the Committee's activities, on the outcome of audits and on the workings of the Internal Control system, stating that the system was substantially adequate for meeting the needs of the size and organisational and operational structure of the Issuer.

The Board of Directors of the Issuer, on the basis of the indications provided by the Internal Control Committee, was able to express the opinion that the internal control system of the Issuer was adequate, efficient and actually being implemented during the meeting held on 26 February 2009.

12.1. The director in charge of the internal control system

The Board appointed a Designated Executive Director, Roberto Colaninno, Chairman and CEO, to supervise the working of internal control system.

The Designated Executive Director appointed to supervise the working of the internal control system:

- identified the main corporate risks (strategic, operating, financial and compliance), taking account of the characteristics of the activities carried out by the Issuer and its subsidiaries, and periodically submitted them to the Board for examination;
- implemented the guidelines drawn up by the Board, as well as planned, implemented and managed the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency;
- adapted this system to the development of operations and to the legal and regulatory framework;
- submitted to the Board the appointment of the Person in Charge of Internal Control.

12.2. The person carrying out internal control

The Board on 12 December 2006, upon a proposal submitted by the Designated Director and having regard to the favourable opinion expressed by the Internal Control Committee, appointed Pierantonio Piana, in his capacity as head of Cogitek S.r.l., as the Person in Charge of Internal Control, granting powers to the Chairman and General Manager for Finance to officially draft the terms and conditions of the appointment.

It should be noted with regard thereto that, on 26 February 2009, the Board of the Issuer, acknowledging that the consortium company, Immsi Audit S.c. a r.l., began operations as of 1 January 2009, with the task of carrying out all internal auditing activities of companies of the Immsi Group, upon proposal submitted by the Designated Director and having regard to the opinion of the Internal Audit Committee, resolved to appoint Maurizio Strozzi, Managing Director of Immsi Audit S.c. a r.l., as Person in Charge

of Internal control, replacing Pierantonio Piana, whose appointment expired upon approval of the draft financial statement closed at 31 December 2008.

The Person in Charge of Internal Control is not responsible for any operational area and does not report to any persons in charge of operational areas, including the accounting and finance area.

During the financial year, the Person in Charge of Internal Control:

- had direct access to all the information needed to perform his duties;
- reported on his activities to the Internal Control Committee and the Board of Statutory Auditors;
- reported on his activities also to the Designated Executive Director supervising the working of the internal control system.

During the course of the financial year, the Person in Charge of Internal Control, with the support of the internal audit structure, continued verification of the internal control system. In the first instance, initiatives were implemented directed towards responding to the Issuer's Corporate Governance rules, both via structural and organic advancement, impacting all corporate processes of the Issuer, including risk analysis carried out on the internal control system, both by performing compliance audits in respect of a number of legislative provisions, such as Legislative Decree 231/2001 and Law 262/2005, which were followed by suitable support given to the Supervising Body and Person in Charge of Internal Control; with reference to Law 262/2005, the control systems of the most significant foreign subsidiaries outside the European Union were analysed (using specific scoping methods, validated by corporate management and the Regulatory authority), as required by article 36 of the Consob Market regulation. Still with regard to Corporate Governance, activities have been

implemented directed towards inspecting the presence and correct working of accounting/management procedures on a number of significantly important accounting entries, verification of commitments taken on when the issuer was listed, as well as verification of dealings with related parties.

In the second instance, audit activities also spanned a number of more business-oriented areas, such as verification of the efficiency of production processes, the reliability of the industrial accounting system, issues linked to inspection of the sales network and customer satisfaction.

The Issuer also has an internal audit function and the Person in charge of Internal Control is also in charge of this area.

Internal Audit role was performed by Mr. Pierantonio Piana, head of Cogitek S.r.l. during the financial year.

No ties exist between the Issuer and the designated Person in Charge of the Internal Audit role.

The Internal Audit role has been assigned to an external person for the purpose of guaranteeing full independence and autonomy in performing the relevant activities.

With regard to the foregoing, it should be noted that, in the meeting held on 26 February 2009, the Board of Directors of the Issuer assigned the internal audit role to Maurizio Strozzi, Managing Director of the consortium company Immsi Audit S.c. a r.l., replacing Pierantonio Piana, head of Cogitek S.r.l.

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 purpose of preventing corporate crimes provided for in Legislative

Decree 231/2001, as amended ("Model"). At the date of this Report, the Supervisory Body, in office for the years 2006-2007-2008, and thus up to the time of approval of the financial statements at 31 December 2008, consists of Giovanni Barbara, a member of the Board of Statutory Auditors and chosen from among the statutory auditors; Alessandro Bertolini, head of Legal Affairs at the Issuer, who tendered his resignation as from 30 November 2008; and Enrico Ingrassia, the Chairman, as the member designated by the Chief Executive Officer together with the Chairman of the Board of Statutory Auditors, chosen among external executives possessing the necessary prerequisites.

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

The Model is currently undergoing review and updating for the purpose of including new statutory offences and crimes provided by Law 123/07 and Legislative Decree 81/2008 occupational health and safety, and Legislative decree 231/07 regarding anti-laundering and anti-receiving stolen goods.

During the final part of 2008, an e-mail account was set up on the corporate Intranet allowing Piaggio employees to send a message directly to the Supervisory Body for the purpose of reporting any relevant cases. Such messages may only be read by the Supervisory Body, thereby rendering the relationship between the Supervisory Body and the actual corporation of the Issuer compliant with the Model. It should be noted that, during the course of 2008, the Supervisory Body of the Issuer met 8 times, with all members in attendance at all scheduled meetings.

At the last meeting, held on 27 January 2009, the Supervisory Body approved the 2009 Activity Plan.



The model has been sent to all Piaggio Group executive managers and has been published on the corporate Intranet and is available on the corporate web site of the Issuer www.piaggiogroup.com at the section Investor Relations / Corporate Governance/ Governance Model.

12.4. Independent auditors

Deloitte & Touche S.p.A. has been appointed as external auditor of accounts. The appointment was made by the Shareholders' Meeting of 30 March 2006 and terminates on the date that the financial statements closed as at 31 December 2011 are approved.

12.5. Manager in charge of preparing the corporate accounting documents

The Manager in Charge of Preparing the Corporate Accounts of the Issuer is Alessandra Simonotto, Head of Accounting and Accounts Payable/Receivable at the Issuer.

Pursuant to article 17.3 of the bylaws of the Issuer, the Manager in Charge of Preparing the Corporate Accounting Documents shall possess the requisites of good name and standing and reliability prescribed by legislation in force for those persons holding administrative and management positions and be professionally suitably qualified in the administrative and accounting fields. This knowledge, to be verified by the Board, must have been acquired through

work experience in a position of adequate responsibility for a suitable period of time.

The Manager in Charge of Preparing Corporate Accounting documents is appointed by the Board, upon prior mandatory favourable opinion being expressed by the Board of Statutory Auditors.

Upon appointment, the Board granted all relevant powers and resources required for performing assigned duties to the Manager in Charge of Preparing corporate Accounting Documents.

13. DIRECTORS' INTERESTS AND DEALINGS WITH RELATED PARTIES

The "Procedure for significant transactions and dealings with related parties", approved by the Issuer during the Board meeting of 28 August 2006, establishes the criteria (quantitative and/or qualitative) that apply for identifying transactions that only the Board may review and approve. These criteria have been identified in relation to the type of dealing in question, with specific and distinct reference to (i) significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings", as defined below); as well as (ii) dealings with related parties ("Dealings with Related Parties", as defined below).

In order to concretely implement articles 9.C.1 and 9.C.2 of the Code, the Board has defined specific procedures to ensure the Directors receive complete and exhaustive information regarding Significant Dealings and Dealings with Related Parties.

Significant Dealings

The following are considered to be significant dealings from the economic, business and financial viewpoint or in relation to the activities of the Issuer ("Significant Dealings"):

- 1) the acquisition or disposal of equity investments in companies or business units;
- 2) the signing and amending of loan agreements of any kind in excess of 25 million Euros;
- 3) the provision of collateral security on assets and guarantees on third party obligations other than those provided in the interests of companies controlled directly or indirectly;
- 4) the transfer of trademarks, patents and other intellectual property rights, as well as the signing of licensing agreements;
- 5) the signing and amending of long-term agreements of a commercial nature, including joint ventures;
- 6) the purchase and sale of property;
- 7) other extraordinary transactions valued in excess of 50 million Euros;
- 8) the appointment of the Company's general manager and manager in charge of administration, finance and control;
- 9) the appointment of directors and general managers of the companies controlled directly and indirectly.

For the purposes of calculating the amounts indicated in points 2) and 7) above, reference must be made to each dealing individually considered; exceptionally, for dealings that are strictly and objectively linked within the same

strategic or executive plan, reference must be made to the overall value of all the associated dealings.

In relation to each Significant Dealing, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction. In particular, it shall be provided with exhaustive information regarding the strategic reasons for the Significant Dealing the foreseeable economic and financial effects of the transaction, even at the consolidated level.

Dealings with Related Parties

In compliance with article 2, paragraph 1, letter h) of the Consob Issuers Regulation, Related Parties are defined as such by the International Accounting Standard concerning balance sheet disclosures on transactions with Related Parties, adopted according to the procedure provided under article 6 of (EC) Regulation 1606/2002 (International Accounting Standard IAS 24).

So as to ensure prompt compliance with the principles and procedures outlined above, the delegated bodies prepare and update the list of names of identifiable Related Parties. Review and approval of Dealings with Related Parties, with the exclusion of Typical Transactions with related Parties under Market Conditions (as defined further on) are the sole prerogative of the Board.

It being understood that, the entire Board shall be responsible for reviewing and approving Typical Transactions with Related Parties under market Conditions that qualify as Significant Dealings. In said cases, the rules and procedures that have been described above for Significant Dealings shall apply.

As regards the above Procedure:

- a "Typical transaction" is one that is recurring, usual or part of normal business affairs of the Issuer as regards type, purpose and method of determining the consideration;



- an “Arm’s length transaction” is one closed at market conditions or at conditions in line with normally followed negotiating procedures or at conditions not differing from those practised for similar transactions.

In relation to each Dealing with Related Parties reserved for the Board, the Board shall receive from the delegated bodies information that is sufficient to permit a preliminary examination of the key elements of such transaction, with particular reference to the following elements:

- general features of the transaction (indicating in particular: the purpose, the reasons, the consideration and the timing of the transaction, as well as the nature of the relationship);
- method of determining the consideration and/or of the main terms and conditions that may generate liabilities for the Company;
- foreseeable economic and financial effects of the transaction, even at the consolidated level;
- any interests (even if indirect) of members of the company boards in the transaction.

The Board, following having received due disclosure from the delegated bodies and, whenever it shall deem it fitting and necessary, and having taken account of the nature of the transaction, the amount involved and the other features of the single Dealings with Related Parties (as prescribed by the implementing criterion 9.C.1 of the Code), may request that said transaction be concluded with the assistance of one or more experts, who shall provide an opinion on the business financial terms and/or the technical methods and those for executing the transaction. The choice of experts to be used shall fall upon individuals of proven professionalism and competence, of whom the Board shall ascertain the independence and the absence of conflicts of interest in the transaction.

In accordance with article 9.C.2 of the Code, Directors who have an interest, even if potential or indirect, in a Dealing with Related Parties must previously and exhaustively

inform the Board of the existence of the interest and the related circumstances. The Board must assess, in relation to each concrete case and on the basis of the information provided by the Director in question, also by taking account of the need to ensure the proper functioning of the management body, the appropriateness of requiring said Director: (i) to absent himself from the meeting before discussions begin until a decision has been taken; or (ii) to abstain from voting.

Dealings with Related Parties other than those reserved for the examination and approval of the Board fall within the purview of the delegated bodies, in accordance with the mandates granted them.

Except as specified below, the delegated bodies provide the Board, in the next meeting, exhaustive information regarding the key elements of the Dealing with Related Parties carried out by themselves, as well as any risk profiles or other critical elements. In particular, exhaustive information must be provided regarding the following elements:

- the general features of the transaction (indicating in particular the nature of the relationship and the reasons behind the transaction);
- the foreseeable economic and financial effects of the transaction, even at the consolidated level.

In all cases, wherever they deem it appropriate, the delegated bodies retain the right to submit for examination and approval of the Board of the Issuer the Dealings with Related Parties that, while not being reserved for the Board, contain specifically critical and/or risk elements for the safeguarding of corporate assets or the protection of minority interests. In this case, the related procedure is applied.

The procedure for Significant Dealings and that for Dealings with Related parties is available for consultation on the corporate web site of the Issuer www.piaggiogroup.com, at the section Investor Relations / Corporate Governance / Procedure.



14. APPOINTMENT OF STATUTORY AUDITORS

The appointment and substitution of Statutory Auditors is governed by applicable law and regulations in force and by article 24 of the Issuer's bylaws. The provisions of the Issuer's bylaws governing the appointment of the Board of Statutory Auditors are appropriate to ensure compliance with the provisions of paragraph 2-bis of article 148 of the TUF introduced by Law 262/2005 and the provisions of Law 303/2006.

In accordance with article 24 of the Issuer's bylaws, the slates presented by the shareholders must be filed at the registered office at least fifteen days before the date of the shareholder meeting in first call.

Appointment of the Board of Statutory Auditors is made on the basis of candidate slates submitted by Shareholders. Each Shareholder and, likewise, Shareholders that have entered into significant Shareholder Agreements pursuant to article 122 of the Consolidated Law on Finance and also the controlling entity, subsidiaries and those subject to shared control pursuant to article 93 of the Consolidated Law on Finance, may not submit or collaborate together to submit, also excluding via *interposta persona* or fiduciary company more than one slate, nor may they vote different slates.

Only those shareholders who, alone or as a group, repre-

sent at least 2.5% (two point five percent) of the share capital with voting rights, or another percentage established by legal or regulatory provisions, may submit slates.

The Board of Statutory Auditors is elected as follows:

- a) in the order in which they are listed, two standing auditors and one substitute are taken from the slate that received the most shareholder votes;
- b) in the order in which they are listed, one standing auditor and the other substitute are taken from the second slate that received the most shareholder votes, which, in accordance with applicable regulations, may not in any way, not even indirectly, be linked with the shareholders who presented or voted the slate referred to in point a).

In the event of two or more slates receiving the same amount of votes, the older candidates will be elected as Statutory Auditors.

The standing auditor taken from the second slate that received the most shareholder votes, as per point b) above, becomes Chairman of the Board of Statutory Auditors.

The above procedures for electing the Board of Statutory Auditors do not apply when only one list is presented or votes; in such cases, the shareholders vote by relative majority.

If, at the end of the term for presenting the slates, only one slate has been filed, or only slates presented by shareholders who are significantly linked in accordance with applicable law and regulations at the time, then slates may be presented for another five days after such date; in this case, the minimum threshold for presenting slates is halved.

When the shareholders need to appoint the standing and/or substitute auditors needed to complete the Board of Statutory Auditors, the following procedure is used: if statutory auditors elected in the majority slate need to be substituted, the appointment is by relative majority without any restriction of slates; if, however, statutory auditors elected

in the minority slate need to be substituted, the shareholders substitute them by relative majority, choosing among the candidates indicated in the slate to which the statutory auditor to be substituted belonged.

15. STATUTORY AUDITORS

The Board of Statutory Auditors in office at the time of drafting this Report was appointed by the Ordinary Shareholders' Meeting of 30 March 2006. It should be noted that, during the course of financial year 2007, Substitute Auditor, Maurizio Maffei ceased to hold office as Substitute Auditor and on 7 May 2008, the Ordinary Shareholders' meeting appointed Elena Fornara as his replacement. The Board of Statutory Auditors, so composed, shall remain in office up to the Shareholders' Meeting called for approv-

ing the Financial Statements for year ending 31 December 2008. It should be noted that the Board of Statutory Auditors in office was elected on the basis of provisions of bylaws in force prior to corporate listing and the replacement of the Substitute Auditor was made without adopting the slate mechanism.

The Board of Statutory Auditors in office is composed of the following members (table 2)

In relation to disclosure obligations prescribed under article 78 of the Issuers regulation, the following table 3 shows the emoluments paid to Statutory Auditors during the course of the financial year according to the criteria shown in Schedule 3C of said regulation.

Tab 2

Name	Office	In office From	Indep.	% attendance	Other offices
Giovanni Barbara	Chairman	30/03/2006	X	100	–
Attilio Francesco Arietti	Standing Auditor	30/03/2006	X	90	–
Alessandro Lai	Standing Auditor	30/03/2006	X	90	2
Mauro Girelli	Substitute Auditor	30/03/2006	X	–	2
Elena Fornara	Substitute Auditor	07/05/2008	X	–	–

LEGEND

Indep.: indicates whether the statutory auditor may be qualified as independent in accordance with the criteria of the Code.

% attendance: indicates attendance as a percentage that the auditor was present at Statutory Auditor meetings (this percentage is calculated taking into account the number of meeting attended by the Auditor compared to the number of meetings held by the board of Statutory Auditors during the financial period or after taking office).

Other offices: indicates the total number of offices held in listed companies (for a list of offices held in corporations defined in Book V, Title V, Sections V, VI and VII of the Italian civil Code, please see the Statutory Auditors' Report on supervisory and inspective activities prepared pursuant to article 153 of the Consolidated Law on Finance).

Tab 3

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other remuneration	Total
Barbara Giovanni	110,783	-	-	34,117	144,900
Arietti Attilio Francesco	76,597	-	-	-	76,597
Lai Alessandro	77,011	-	-	-	77,011
Girelli Mauro	-	-	-	13,816	13,816
Fornara Elena	-	-	-	-	-

For professional *curricula* of Statutory Auditors pursuant to articles 144-octies and 144-decies of CONSOB Issuers Regulation are available at the corporate web site of the Issuer www.piaggiogroup.com under the section Investor relations / Corporate Documentation.

During the course of the financial year, the Board of Statutory Auditors held 10 (ten) meetings on the following dates: 5-6 February 2008; 9 April 2008; 24 April 2008; 7 May 2008; 20 May 2008; 24 June 2008, 31 July 2008, 22 September 2008, 13 October 2008 and 5 December 2008.

The delegated management body provided the Board of Statutory Auditors in a timely fashion with suitable reports on the activities performed, on the general progress of operations and the foreseeable outlook, as well as details of transactions deemed significant due to their size and features carried out by the Issuer and by its subsidiaries, as prescribed by law and in bylaws, at least once each quarter period.

The Board of Statutory Auditors, on 13 October 2008 verified that the requisites of independence of its members still existed, already verified upon their appointment, on the basis of criteria provided in the Code in relation to the Independence of Directors.

The Issuer requires any Statutory Auditor who, on his own behalf or on behalf of third parties, has an interest in a specific transaction of the Issuer to promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board regarding the nature, terms, origin and scope of the interest. The Statutory Auditors periodically verify the independence of the auditors and express their opinion in the report to the shareholders.

The Board of Statutory Auditors, in carrying out its business, regularly co-ordinated with the internal audit function

and the Internal Control Committee through discussions with the manager of the internal audit function and the Person in charge of Internal Control.

16. SHAREHOLDER RELATIONS

The Company believes it is in its own interest from the time of the listing – as well as its duty towards the market – to promote continuous discussion with the shareholders and institutional investors, based on a reciprocal understanding of roles; this relationship is to be developed in compliance with the “Procedure for the public disclosure of insider information” described in point 6 above.

In this respect, it is believed that these relations with the shareholders and institutional investors may be facilitated by establishing dedicated corporate structures with adequate staff and organisational means.

To this end, an Investor Relations office was established to handle relations with the shareholders and institutional investors and to carry out any specific duties regarding the handling of price-sensitive information, as well as relations with CONSOB and Borsa Italiana S.p.A.

At the time of drafting this report, the Head of Investor Relations was Michele Pallottini (who also holds the office of Finance General Manager). He may be contacted at: investorrelations@piaggio.com

Investor information is also ensured by making the most significant corporate documents available in a timely and continuous manner on the Company web site in the “Investor Relations” section.

Specifically, on the aforementioned web site, all press releases distributed to the Market, interim financial approved by the competent corporate management bodies may be freely accessed and consulted by investors, available as Italian and English language versions (financial statements and consolidated financial statements; half-year report; quarterly reports), as well as the documentation distributed at meetings with professional investors, analysts and the

financial community. Furthermore, the web site contains the Issuer's bylaws, the documents prepared for shareholder meetings, releases regarding Internal Dealing, the current corporate governance report and any other document which needs to be published on the Issuer's web site in accordance with applicable regulations.

It should be noted that, for the purpose of updating the Market in a timely fashion, the Company has set up an e-mail alert service that allows subject matter released on the web site to be received in real time.

17. SHAREHOLDERS' MEETINGS

In accordance with article 8.2. of the Issuer's bylaws, "Shareholders for whom the advice established by paragraph 2 of article 2370 of the Civil Code has been received by the Company no later than two business days prior to the date of the individual Shareholders Meeting may attend the meeting".

To facilitate shareholder attendance at these meetings, the bylaws also establish that the Shareholders Meeting may be held with attendees taking part in more than one location, connected by video, conditional upon compliance with the collective method and the principles of good faith and of shareholders receiving equal treatment (paragraph 2 of article 6 of the bylaws).

The Company does not currently see the need to propose the adoption of a specific regulation governing shareholder meetings, considering that it deems appropriate that, in principle, the shareholders shall be assured the widest attendance and voice in shareholder discussions.

The Board reported to the Shareholders' Meeting of activities performed and planned and worked in order to ensure that Shareholders received suitable information and disclosure on all necessary matters in order to be able to take



those decisions for which the Shareholders' Meeting is responsible, having opportune knowledge thereof.

The Board, during the meeting held on 26 February 2009, acknowledged, pursuant to implementing Criterion 11.C.6 of the Code that, during the course of the financial year, a significant change occurred in the market capitalisation of the Issuer following which, in September 2008, the Issuer moved from the Blue Chip to the Standard segment. However, the Board of Directors does not deem it necessary to submit to the Shareholders' Meeting amendments to bylaws in relation to established percentages for exercising prerogatives protecting minorities, in that, in adopting article 144-quater Consob Issuers Regulation for submitting slates for appointing members of the Board of Directors and the Board of Statutory Auditors - articles 12.3 and 24.1 of the Issuer's bylaws require a threshold of 2.5% of share capital or a different percentage whenever established or cited in legal or regulatory provisions. With regard thereto, with Resolution no. 16779 of 27 January 2009, Consob established as 2.5% of share capital, the shareholding quota required for submitting candidate slates for electing members to management and control bodies at the Issuer with reference to the Financial Statements for year ending 31 December 2008.

18. CHANGES AFTER THE CLOSE OF THE FINANCIAL PERIOD

After the close of the financial period, no changes occurred to the corporate governance structures other than those reported in the specific sections.