



**PIAGGIO  
GROUP**

**Report  
on Corporate Governance  
and Corporate Ownership  
2014**



# Report on Corporate Governance and Corporate Ownership

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

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

Financial year to which the Report refers: **2014**  
Date of approval of the report: **27 February 2015**



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## Glossary

**Code:** the Corporate Governance Code for listed companies approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A., as per the last update of July 2014, is available at [www.borsaitaliana.it](http://www.borsaitaliana.it), in the section Borsa Italiana - Regulations - Corporate Governance.

**Civil code:** the Civil Code.

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

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

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

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

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

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

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

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

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

**Remuneration Report:** the remuneration report prepared pursuant to art. 123-ter of the Consolidated Law on Finance and art. 84-quater Consob Regulation on Issuers pursuant to legislation at the registered office of the company, on the website of Borsa Italiana S.p.A., on the website of the Issuer at [www.piaggiogroup.com](http://www.piaggiogroup.com) and the authorized storage mechanism 1Info available on the website [www.1info.it](http://www.1info.it).

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





## *1. Issuer profile*

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

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

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

The Issuer's Chairman and Chief Executive Officer is Roberto Colaninno, the Deputy Chairman Matteo Colaninno, and the General Manager Finance Gabriele Galli.

## 2. Information on the Corporate Ownership Structure (pursuant to article 123 bis of the Consolidated Law on Finance) as of 31/12/2014

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

The Issuer has a share capital of Euro 207,613,944.37, fully subscribed and paid up, divided into 363,674,880 ordinary shares with no stated par value. Each share carries the right to one vote, is indivisible, and was issued in dematerialised form.

Categories of shares that make up the share capital:

	N° of shares	% of share capital	Listed (indicate the markets) / not listed	Rights and obligations
Ordinary shares	363,674,880	100	Screen-based stock market	Each share gives the right to one vote. The shareholders rights and obligations are those in Articles 2346 et seq. of the Civil Code.

On 7 May 2007, the Shareholders' Meeting of the Issuer approved an incentive plan for Piaggio Group managers based on stock options, which was amended by the Ordinary Shareholders' Meeting of the Issuer on 16 April 2010 ("**2007-2009 Stock Option Plan**"), and disclosed to the market in the information prepared in accordance with Article 84-bis of the Consob Regulation on Issuers. The 2007-2009 Stock Option Plan is reserved for senior management of the Issuer, its Italian and foreign subsidiaries and Directors with delegated powers in said subsidiaries and provides for allocation free of charge of stock options valid, as appropriate, for the purchase of treasury shares in the Company's portfolio, or for subscribing to newly-issued shares arising from an increase in share capital, paid and in tranches, with the exclusion of option rights pursuant to articles. 2441, paragraph 8, of the Italian Civil Code, and 134 of the Consolidated Law on Finance resolved by the Extraordinary Shareholders' Meeting of 16 April 2010.

It is pointed out that, as at 31 December 2014, the Plan is considered as terminated, as all effects have ceased following the exercise of all Stock Options granted and that have not expired. The essential elements of the 2007 - 2009 Stock Option Plan are described in the Report on Operations and in information documents published by the Issuer pursuant to art. 84-bis of the Consob Regulation on Issuers as well as in the Remuneration Report prepared pursuant to art. 123-ter of the Consolidated Law on Finance and 84-quater of the Consob Regulation on Issuers. The documents are available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the *Governance / Management* section.

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

There are no securities transfer restrictions.

### c) Significant investments in capital (Article 123-bis, paragraph 1, letter c), Consolidated Law on Finance)

As of 31 December 2014, the Issuer's treasury shares amounted to 2,466,500, equal to 0.6782% of the share capital.

At the same date, significant investments in the capital of the Issuer, as resulting from disclosures pursuant to Article 120 of the Consolidated Law on Finance and from disclosures received by the Issuer, were as follows:

Declarer	Direct shareholder	% of ordinary share capital	% of shares with voting rights
Omniaholding S.p.A.	IMMSI S.p.A.	50.2450	50.2450
	Omniaholding S.p.A.	0.0275	0.0275
	<b>Total</b>	<b>50.2725</b>	<b>50.2725</b>
Diego della Valle	Diego della Valle & C. S.r.l.	5.4551	5.4551
	<b>Total</b>	<b>5.4551</b>	<b>5.4551</b>
Financiere de l'Echiquier	Financiere de l'Echiquier <sup>1)</sup>	5.0867	5.0867
	<b>Total</b>	<b>5.0867</b>	<b>5.0867</b>
UBS GROUP AG	UBS GLOBAL ASSET MANAGEMENT (UK) LIMITED	0.0032	0.0032
	UBS AG	2.5973 <sup>2)</sup>	2.5973 <sup>3)</sup>
	<b>Total</b>	<b>2.6005</b>	<b>2.6005</b>

1\_ In a capacity as manager, inter alia, of the FCP Agressor fund which holds – as of 31 December 2014 - 2.2823% of the share capital.  
2\_ Of which 0.3047 % without vote.  
3\_ Of which 0.3047 % without vote.

At the date of this Report, the number of Issuer's treasury shares had not changed compared to 31 December 2014.

It is also pointed out that, at the date of this Report, the shareholding of Financiere de l'Echiquier has decreased, as resulting from the communication received from the Issuer pursuant to art. 120 of the Consolidated Law on Finance, to 4.9019% of the share capital (ordinary and voting), of which 2.2575% held by the FCP Agressor Fund.

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

No securities have been issued bearing special rights of control.

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

#### *e) Employee share ownership: mechanism for exercising voting rights (Article 123-bis, paragraph 1, letter e), Consolidated Law on Finance)*

There is no employee share ownership scheme.

#### *f) Restrictions on voting rights (Article 123-bis, paragraph 1, letter f), Consolidated Law on Finance)*

There are no restrictions on voting rights.

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

As far as the Issuer is aware, as of 31 December 2014 no agreements were ongoing between shareholders of the company, of a content relevant pursuant to Article 122 of the Consolidated Law on Finance.

#### *h) Changes to the Articles of Association (Article 123-bis, paragraph 1, letter l), Consolidated Law on Finance)*

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

The Board of Directors is also tasked with passing resolutions on the following, in compliance with Article 2436 of the Civil Code: mergers or spin offs, defined as simplified in accordance with articles 2505, 2505-bis, 2506-ter, last paragraph, of the Civil Code; the transfer of the registered head office within the national territory; share capital reduction due to withdrawal; amending the articles of association, without prejudice to the above resolutions also being passed by the Extraordinary Shareholders' Meeting.

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

##### *Powers to increase share capital*

The Extraordinary Shareholders Meeting of 16 April 2010 resolved to increase share capital against payment in tranches by the deadline of 30 October 2015, for a maximum nominal amount of Euro 2,891,410.20, in addition to Euro 6,673,309.80 by way of premium, excluding option rights pursuant to art. 2441, paragraph 5 and paragraph 8 of the Civil Code and art. 134 of the Consolidated Law on Finance, by issuing a maximum of 5,220,000 new ordinary Piaggio shares of no nominal value, with the same characteristics as those in circulation, regular dividend, to be reserved for subscription by beneficiaries of the 2007-2009 Stock Option Plan approved by the ordinary Shareholders Meeting of 7 May 2007 and subsequently amended by the ordinary Shareholders Meeting on 16 April 2010 and corresponding assignment free of charge of option rights on shares reserved for top management of the Company and of Italian and foreign subsidiaries of the same. Please note, as specified in letter a) of this paragraph, that as of 31 December 2014, the 2007-2009 Stock Option Plan is to be considered terminated, having lost any effect following exercise of all the Options granted and not expired.

##### *Authorisation to purchase treasury shares*

On 28 April 2014 the Shareholders' Meeting authorised the purchase and disposal of ordinary treasury shares - subject to withdrawal of the authorisation granted by the Shareholders' Meeting on 15 April 2013 - in order to provide the Company with a useful strategic investment opportunity for any purpose permitted by applicable provisions, including the purposes contemplated in "market practices" allowed by Consob pursuant to Article 180, paragraph 1, letter c), of the Consolidated Law on Finance with resolution no. 16839 of 19 March 2009 and in EC regulation no. 2273/2003 of 22 December 2003, as well as for the purchase of treasury shares according to their subsequent cancellation, according to the terms and procedures approved by competent Company Boards.

To this end, the Shareholders' Meeting authorised, pursuant to and for the purposes of Article 2357 of the Civil Code, the purchase, on one or more occasions, for a period of eighteen months as from the date of the resolution - and therefore up until 28 October 2015 - of ordinary shares of the Company up to a maximum which, taking account of Piaggio ordinary shares held from time to time in the Company's and subsidiaries' portfolios, is not globally above the maximum limit established by applicable ad interim regulations and, depending on cases, (a) of an amount that is no higher than the highest price between the price of the last independent operation and highest independent offer price of negotiations in which the purchase is made, provided that the unit amount is at least a minimum of 20% and a maximum not exceeding 10% the arithmetic mean of official Piaggio share prices registered in the ten stock exchange days prior to each purchase operation; or (b) in the case purchases are made by a public purchase or exchange offer, of an amount of at least 10% and a maximum not exceeding 10% the official registered Piaggio share price on the stock exchange day preceding notification to the public.

The Shareholders' Meeting also authorised the filing of portfolio treasury shares without time limits and the authorisation was issued also with reference to treasury shares already owned by the Issuer at the date of the Shareholders meeting resolution of 28 April 2014, with the exclusion of treasury shares for the "2007 - 2009 Stock Option Plan" to be assigned to plan beneficiaries according to the terms and conditions established by the relative authorisation ruling approved by the Ordinary Shareholders' Meeting of 7 May 2007, as amended by the Ordinary Shareholders' Meeting of 16 April 2010. For further details, reference is made to the minutes of said Shareholders' Meetings, available on the Issuer's website at [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section Governance / Shareholders' Meeting.

On 8 May 2014, the Board of Directors - following authorisation for the purchase and disposal of treasury shares decided by the General Shareholders' Meeting of 28 April 2014 - approved a treasury share purchase programme concerning a maximum of 15,000,000 ordinary shares.

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

As of 31 December 2014 the Issuer holds 2,466,500 treasury shares, equal to 0.6782% of the share capital, of which none is intended to service the 2007-2009 Stock Option Plan which, as stated above, is to be considered terminated, having lost any effect upon exercise of all the Options granted and not expired.

In 2014 a total of 1,826,831 shares, equal to 0.5023% of the share capital, were purchased at a weighted average price of Euro 2.068.

At the date of this Report, the number of Issuer's treasury shares had not changed compared to 31 December 2014.

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

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

The Issuer has a number of significant agreements in place which contemplate amendment or termination in the event of a change in control of the contracting party. Details of the agreements are provided in a specific section of the Financial Statements as of 31 December 2014. Specifically the following agreements have been made:

- › a syndicated *Term Loan and Revolving Credit Facility* totalling Euro 220 million;
- › a debenture loan totalling Euro 250 million, issued by the Company;
- › a debenture loan totalling USD 75 million, issued by the Company;
- › a loan agreement with the European Investment Bank, totalling Euro 150 million;
- › a loan agreement with the European Investment Bank, totalling Euro 60 million;
- › loan agreements totalling USD 56.5 million (approximately Euro 45 million) with International Finance Corporation to support the Indian and Vietnamese subsidiaries;
- › a *Revolving Credit Facility* with Banco Popolare totalling Euro 20 million.

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

### *m) Indemnities to Directors in the case of resignation, dismissal or termination of employment following a public purchase offer (Article 123-bis, paragraph 1, letter i), Consolidated Law on Finance)*

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

As regards the effects of termination of employment relative to the 2007 – 2009 Stock Option Plan, reference is made to documents published by the Issuer pursuant to Article 84-bis of Consob Regulation on Issuers. The documents are available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section *Governance - Management*. It is in any case pointed out that, as at 31.12.2014, the 2007 - 2009 Stock Option Plan is considered as terminated, as all effects have ceased following the exercise of all Stock Options granted and not expired.

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

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

## **3. Compliance**

The Issuer has adopted the Code, which is available on the Internet site of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

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

## **4. Management and co-ordination**

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





## 5. Board of directors

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

The provisions of the Articles of Association of the Issuer governing the composition and appointment of the Board (Article 12) are suitable to ensure compliance with the provisions of Legislative Decree no. 27 of 27 January 2010 concerning the implementation of Directive 2007/36/EC on the exercise of certain rights of shareholders of listed companies as well as the discipline of the balance between genders in the composition of management bodies pursuant to Article 147-ter, paragraph 1-ter of the Consolidated Law on Finance, as introduced by Law 120/2011, and Article 144-undecies of the Consob Issuer Regulations. In particular, with reference to the latter regulation, the Board of Directors of the Company at its meeting held on 23 October 2014, unanimously approved the changes to Article 12 of the Articles of Association, providing for the introduction of criteria to ensure that the composition of the Board of Directors of the Company complies with the regulations in force at any time in the area of gender balance. For further information on the changes introduced please refer to the minutes of the meeting and to the updated articles of association, available on the company's website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the section Governance – Articles of Association, as well as at the authorised storage mechanism “1Info” available at the website [www.1info.it](http://www.1info.it).

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

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

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

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

Each Shareholder, and the Shareholders taking part to a Shareholders' Agreement pursuant to Article 122 of Legislative Decree No. 58/1998, as well as the controlling entity, the subsidiaries and joint ventures pursuant to Article 93 of Legislative Decree No. 58/1998, cannot present or take part, even by proxy or through a trust company, to more than one list, nor can they vote different lists. The endorsements and votes cast in breach of such prohibition shall not be assigned to any list.

Only those shareholders who, alone or as a group, represent at least 2.5% (two point five percent) of the share capital, or another percentage established by legal or regulatory provisions, may nominate candidates on slates. By resolution no. 19109 of 28 January 2015, Consob set the relative share capital threshold required to nominate candidates on slates for election to the governance bodies of the Issuer at 2.5% (two point five per cent). The lists of candidates for the office of Director must be filed by Shareholders at the registered offices, without prejudice to any additional forms of advertising and filing procedures prescribed by regulatory provisions in force at any time, at least 25 (twenty-five) days before the date set for the Shareholders' Meeting in first call; for the purposes of submission of the list,



ownership of the shareholding required is determined having regard to the shares registered in the name of the shareholder on the date on which the lists are filed with the Issuer; certification of the same can also be submitted subsequent to filing the list, provided that this takes place within the deadline for the publication of such lists.

Lists with a number of candidates greater than or equal to three shall be composed of candidates from both genders, in such a way that at least one fifth (on the occasion of the first term after 12 August 2012) and thereafter one third (in any case rounded up) of candidates belong to the less represented gender.

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

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

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

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

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

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

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

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

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

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

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

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

## *5.2. Composition (pursuant to Article 123-bis, subsection 2 (d), Consolidated Law on Finance)*

The Board of Directors of the Issuer in office at the date of this Report consists of 11 (eleven) members - 6 (six) are independent - elected by the Ordinary Shareholders' Meeting held on 13 April 2012, based on the single slate of candidates filed by the majority shareholder IMMSI S.p.A., in accordance with the provisions of Article 12.4 of the Articles of Association, which obtained 241,095,553 votes in favour, equal to 87% of voting share capital. The majority of current Directors, in office since 13 April 2012, held the same position on the previous Board.

The Board and its current members will remain in office until the date of the Shareholders' Meeting convened to approve the Financial Statements for the year ended 31 December 2014.

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

Name	Position	Year of birth	In office from	In office until	List M/m	Exec.	Non-Exec.	Indep.	Indep. Consolidated in Law on Finance	Participation in Board meetings	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	1943	13/04/2012 First appointment: 23/10/2003	Approval of the financial statements as at 31.12.2014	M	X				6/7	6
Matteo Colaninno	Deputy Chairman	1970	13/04/2012 First appointment: 23/10/2003	Approval of the financial statements as at 31.12.2014	M		X			7/7	3
Michele Colaninno	Director	1976	13/04/2012 First appointment: 28/08/2006	Approval of the financial statements as at 31.12. 2014	M		X			6/7	10
Vito Varvaro	Director	1954	13/04/2012 First appointment: 16/04/2009	Approval of the financial statements as at 31.12.2014	M		X	X	X	7/7	1
Daniele Discepolo	Director	1947	13/04/2012 First appointment: 08/04/2005	Approval of the financial statements as at 31.12.2014	M		X	X	X	7/7	11
Mauro Gambaro	Director	1944	13/04/2012 First appointment: 13/04/2012	Approval of the financial statements as at 31.12.2014	M		X	X	X	7/7	1
Andrea Paroli	Director	1970	13/04/2012 First appointment: 22/09/2010	Approval of the financial statements as at 31.12.2014	M		X			7/7	5
Franco Debenedetti	Director	1933	13/04/2012 First appointment: 28/08/2006	Approval of the financial statements as at 31.12.2014	M		X	X	X	5/7	2
Luca Paravicini Crespi	Director	1954	13/04/2012 First appointment: 28/08/2006	Approval of the financial statements as at 31.12.2014	M		X	X	X	5/7	7
Riccardo Varaldo	Director	1935	13/04/2012 First appointment: 28/08/2006	Approval of the financial statements as at 31.12.2014	M		X	X	X	7/7	-
Livio Corghi	Director	1946	13/04/2012 First appointment: 15/09/2009	Approval of the financial statements as at 31.12.2014	M		X			3/7	2

Members of the Board of Directors

**LEGEND**

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

*Exec.:* indicates if the director can be classified as an executive.

*Non-exec.:* indicates if the director can be classified as non-executive.

*Indep.:* indicates if the director can be classified as independent in accordance with the criteria established by the Code.

*Indep. Consolidated Law on Finance:* indicates if the director has the independence requisites established by Article 148, subsection 3 of the Consolidated Law on Finance (Article 144-decies, of the Consob Regulation on Issuers).

*Participation in Board meetings* indicates participation of the director in Board meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).

*Other offices:* indicates the overall number of appointments in other companies of the Issuer's Group, in listed companies on regulated markets (including foreign), in financial, banking and insurance companies or those of significant dimensions.

## Structure of committees

*\*in office since 9 February 2015 Until such date, director Michele Colaninno was part of the Committee in question.*

### LEGEND

*A.C.:* Indicates the Appointment Proposal Committee

*C/M* indicates whether the director is chairman or member of the Appointment Proposal Committee.

*Participation A.C.* indicates participation of the Director in Appointment Proposal Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).

*R.C.:* indicates the Remuneration Committee; *C/M* indicates whether the director is chairman/member of the Remuneration Committee.

*Participation R.C.* indicates participation of the Director in Remuneration Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).

*C.R.C.:* indicates the Internal Control and Risk Management Committee; *C/M* indicates whether the director is chairman/member of the Internal Control and Risk Management Committee.

*Participation C.R.C.:* indicates participation of the Director in the Internal Control and Risk Management Committee meetings (indicates the number of meetings attended by the Director compared to the total number of meetings held during the year or after taking office).

*1\_Office terminated as of 31.12.2014. Since 1.1.2015 holds the office of Honorary Chairman and member of the Board of Directors of Alitalia – Società Aerea Italiana S.p.A.*

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

Name	Position	A.C.	Participation A.C.	R.C.	Participation R.C.	C.R.C.	Participation C.R.C.
Daniele Discepolo	Director	M*	-	M	1/1	P	7/7
Franco Debenedetti	Director	P	-	M	1/1		
Riccardo Varaldo	Director			P	1/1	M	6/7
Luca Paravicini Crespi	Director	M	-			M	6/7

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

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

### Maximum accumulation of offices held in other companies

The Board has not considered the definition of general criteria regarding the maximum number of appointments for administration and control in other companies that can be considered compatible with an effective conduct of the role of director of the Issuer, it being understood that each director must evaluate the compatibility of the offices of director and statutory auditor held in other companies listed on regulated markets, in financial, banking and insurance companies or those of significant dimensions, with the diligent conduct of the duties assumed as a director of the Issuer.

During the meeting held on 27 February 2015, the Board, based on the outcome of the verification of offices presently held by its Directors in other stock companies, considered that the number and standing of the offices held do not interfere and are therefore compatible with an effective conduct of the office of Director of the Issuer.

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

The list of the companies in which each director holds management or control appointments as of 31 December 2014, indicating whether the company in which they hold the appointment forms part or not of the Group of which the Issuer is Parent Company or forms a part.

Full name	Company	Management and control positions held in public companies
Roberto Colaninno	IMMSI S.p.A.*	Chairman of the Board of Directors
	Omniaholding S.p.A.*	Chairman of the Board of Directors
	Omniainvest S.p.A.*	Chairman of the Board of Directors
	Alitalia Compagnia Aerea Italiana S.p.A. <sup>1</sup>	Chairman of the Board of Directors <sup>1</sup>
	RCN Finanziaria S.p.A.*	Director
Matteo Colaninno	Intermarine S.p.A. *	Director
	Omniaholding S.p.A.*	Deputy Chairman and Chief Executive Officer
	Omniainvest S.p.A.*	Director
	IMMSI S.p.A.*	Director

Full name	Company	Management and control positions held in public companies
Michele Colaninno	IMMSI S.p.A.*	Chief Executive Officer and General Manager
	Ominiaholding S.p.A.*	Chief Executive Officer
	Omniainvest S.p.A.*	Chief Executive Officer
	ISM Investimenti S.p.A.*	Chairman of the Board of Directors
	Banca Popolare di Mantova	Deputy Chairman of the Board of Directors
	RCN Finanziaria S.p.A.*	Director
	Is Molas S.p.A.*	Director
	Piaggio Vietnam Co. Ltd.*	Director
	Immsi Audit S.c.a.r.l.*	Director
Intermarine S.p.A. *	Director	
Vito Varvaro	Cantine Settesoli Società Cooperativa	Chairman of the Board of Directors
Daniele Discepolo	Beta Stepstone S.p.A.	Chairman of the Supervisory Body
	Esaoite S.p.A.	Chairman of the Supervisory Body
	Artemide S.p.A.	Director, Chairman of the Internal Control and Risk Management Committee
	Fondazione Filarete	Director
	Manucor S.p.A.	Director
	Gruppo Argenta S.p.A.	Chairman of the Supervisory Body
	TrueStar S.p.A.	Director
	Risanamento S.p.A.	Chairman of the Board of Directors
	Monte dei Paschi di Siena	Director
	Pianoforte Holding S.p.A.	Chairman of the Board of Statutory Auditors
MER MEC S.p.A.	Chairman of the Board of Statutory Auditors	
Andrea Paroli	Pietra S.r.l.*	Chairman of the Board of Directors
	RCN Finanziaria S.p.A.*	Director
	Is Molas S.p.A.*	Director
	ISM Investimenti S.p.A.*	Director
	Intermarine S.p.A.*	Director
Franco Debenedetti	CIR S.p.A.	Director
	ISPI S.p.A.	Director
Mauro Gambaro	Marsilli & Co. S.p.A.	Director
Luca Paravicini Crespi	Gruppo Editoriale l'Espresso S.p.A.	Director, member of the Internal Control and Risk Management Committee and Remuneration Committee
	Consilium SGR S.p.A.	Director
	Scala Group S.p.A.	Director
	Simplicissimus Book Farm S.r.l.	Director
	Alpa S.p.A.	Director
	Fidenter S.p.A.	Director
Ecor Naturasi S.p.A.	Director	
Riccardo Varaldo	-	-
Livio Corghi	RCN Finanziaria S.p.A.*	Director
	Intermarine S.p.A.*	Chief Executive Officer

### *Induction Programme*

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

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

### *5.3. Operation of the board of directors (Pursuant to article 123-bis, paragraph 2, lit. d), Consolidated Law on Finance)*

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

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

Pursuant to Article 14.1 and 14.2 of the Articles of Association, Board meetings are called by the Chairman, or by his substitute in accordance with the Articles of Association, by letter, fax or other suitable means of communication sent to the address for service of each Director and Statutory Auditor at least 3 (three) days in advance of the meeting date. In urgent circumstances, Board meetings may be called by telegram, fax, electronic mail or other electronic means at least twenty-four hours before the meeting date.

Board meetings are chaired by the Chairman or, in his absence or disability, by the deputy chairman or, where two or more deputy chairmen are appointed, by the longest serving deputy chairman or, where their length of service is equivalent, by the most senior of the deputy chairmen, in terms of age.

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

Pursuant to Article 15 of the Articles of Association, a majority of serving Board members is required at meetings for any decisions taken by the Board of Directors to be valid. Resolutions are passed with the majority of the voting members, excluding any abstainers. In the case of a tie, the vote of the person chairing the meeting prevails. Voting must be conducted by open vote.

#### *5.4. Role of the board of directors (Article 123-bis, subsection 2(d), Consolidated Law on Finance)*

During the course of the financial year 7 (seven) Board meetings were held on the following dates: 19 March 2014, 20 March 2014, 4 April 2014, 8 May 2014, 11 July 2014, 28 July 2014 and 23 October 2014. The Board meetings lasted on average two hours.

The 2015 calendar of corporate events for the year underway (disclosed to the market and Borsa Italiana S.p.A. in accordance with regulations on 22 January 2015) envisages 4 (four) Board meetings scheduled for the following dates:

- › 27 February 2015 – approval of the Draft Financial Statements and Draft Consolidated Financial Statements as of 31 December 2014.
- › 24 April 2015 – approval of the Interim Report on Operations as of 31 March 2015;
- › 30 July 2015 – approval of the Half-Year Financial Report as of 30 June 2015;
- › 30 October 2015 – approval of the Interim Report on Operations as of 30 September 2015.

The Calendar is available in Italian and English, on the corporate website of the Issuer [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section Investors - Financial Calendar as well as at the authorised storage mechanism 1Info available at the website [www.1info.it](http://www.1info.it).

The Chairman of the Board of Directors and Chief Executive Officer are responsible for ensuring that sufficient information is provided to all directors on the business tabled in the meeting agenda. In particular this information is provided in a suitable way, so as to enable Directors to make informed decisions on the matters submitted to them, with draft documents requiring approval provided well in advance, excepting cases of demonstrated urgency or special confidentiality requirements. In particular, as regards meetings to approve financial reports, the Issuer sends relative material at least 48 (forty-eight) hours in advance of board meetings. This time-frame is considered appropriate by all Directors and has normally been observed.

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

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

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

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

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

- a. acquisition or disposal of investments in companies, enterprises or business branches;
- b. conclusion and modification of loan agreements in whatever form entered into, the amount of which is greater than EUR 25 million;
- c. granting of secured guarantees on assets and personal guarantees for third party obligations, other than those granted in the interest of directly or indirectly controlled companies;
- d. the transfer of brands, patents and other intellectual ownership rights, as well as the conclusion of licensing contracts for a value or amount of over Euro 2.5 million;
- e. conclusion and amendment of agreements of a multi-year commercial nature, including joint ventures, that do not fall within the scope of the Company's ordinary operations;



- f.* purchase and sale of real estate;
- g.* other extraordinary administration transactions, the amount of which is greater than EUR 50 million;
- h.* without prejudice to the provisions of the above clauses, transactions concluded with related parties, as defined pursuant to applicable legal and regulatory directives, with the exclusion of the typical and usual transactions for company business concluded at market conditions;
- i.* appointment of the company's general manager and manager of the administration, finance and control division;
- j.* appointment of the members of the administrative bodies and general managers of the directly or indirectly controlled companies.

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

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

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

Pursuant to Article 2381 of the Civil Code and application criterion 1.C.1. letter c) of the Code, during the financial year the Board evaluated the adequacy of the organisational, administrative and general accounting structure of the Issuer and of its subsidiaries of strategic importance, on at least a quarterly basis, with particular reference to the internal control and risk management system and the management of conflicts of interest, according to the procedures adopted by the Issuer to this end. As part of these activities, the Board was assisted, as necessary, by the Control and Risk Management Committee, the Internal Auditing Supervisor and the independent auditors IMMSI Audit S.c.a r.l, the Executive in Charge of Financial Reporting and the procedures and controls implemented also pursuant to Law 262/2005.

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

On 27 February 2015, the Issuer's Board conducted the annual review required by application criterion 1.C.1 letter g) of the Code. The review found that the size, composition and operation of the Board of Directors and its committees were adequate, given the Issuer's management and organisational requirements and considering the professional and managerial characteristics and experience of its members, their seniority in office, as well as the fact that out of a total of 11 (eleven) Board members, 10 (ten) are non-executive directors, 6 (six) of whom are independent non-executive directors, who also ensure a suitable composition of the Board's committees.

In compliance with the Corporate Governance Code, the Board also decided to conduct self-assessment of its capacity to adequately perform the functions assigned to it by regulations in force. This assessment was conducted in January 2015; it concerned the Financial Year and was based on a self-assessment questionnaire sent to all board directors. The questionnaire - with different sections (i.e. on the composition, structure and operation of the Board, interaction with management, risk governance, the composition and structure of committees, etc.), and sections for comments and proposals - was compiled by all Directors and examined by the Board.

The Shareholders' Meeting has not authorised exceptions to the ban on competition contemplated in Article 2390 of the Civil Code.



## 5.5. Authorised bodies

### Chief Executive Officers

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

Wide-ranging powers for the ordinary and extraordinary administration of the Company have been delegated to the Chairman and Chief Executive Officer, with the exception of the powers reserved to the Governance Body as a whole by law, by the Articles of Association, and by the Board of Directors' resolution adopted on 13 April 2012 (see sections 5.3 and 5.4 above).

### Chairman and Deputy Chairman

The Chairman of the Board:

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

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

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

### Board information

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

It is pointed out that the Board of Directors has not appointed an Executive Committee.

## 5.6. Other executive directors

There are no other executive directors.

## 5.7. Independent directors

The Board of Directors comprises a majority of independent, non-executive Directors who, by their number and authority, are such that they ensure their opinion has a significant weight on the Issuer's board decisions. The non-executive and independent directors bring their specific competencies to board discussions, contributing to the making of decisions that conform to corporate interests. Please also note that, in order to exclude the potential risks limiting the Issuer's management autonomy, which could lead, in particular, to an overlapping of the administrative bodies of the Issuer and the Parent Company IMMSI S.p.A.: (a) the Issuer's current Board of Directors includes 4 (four) non-executive Directors – Matteo Colaninno, Michele Colaninno, Livio Corghi and Andrea Paroli - and 6 (six) independent non-executive Directors – Daniele Discepolo, Franco Debenedetti, Riccardo Varaldo, Luca Paravicini Crespi, Vito Varvaro and Mauro Gambaro; (b) the majority of the members of the Issuer's Board does not hold administrative and management positions in IMMSI S.p.A.. and the group in which it is the parent company.

The Board, in its meeting held on 13 April 2012, following the appointment of the new Board, as resolved by the General Shareholders' Meeting of 13 April 2012, evaluated and verified the actual existence of the requirements of independence of each of the independent directors, as presented by the majority shareholder IMMSI SpA in the sole list of candidates, expressing a positive assessment on the composition of the Board, composed of a majority of independent directors pursuant to Article 12 of the Articles of Association, Article 148, paragraph 3, letter b) and c) of the Consolidated Law on Finance and Article 3 of the Code according to the criteria set out therein.

The independent status as of Article 3 of the Code and Article 148 paragraph 3 letter b) and c) of the Consolidated Law on Finance of independent Directors in office was last verified in the meeting held on 27 February 2015 based on criteria set out in the above regulations. In this regard it is pointed out that the Board of the Issuer, having acknowledged the declarations of independence made by the independent Directors, resolved to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 letter e) of the Corporate Governance Code for the Director Daniele Discepolo - in office since 8 April 2005 - preferring a profile of substance and also taking into account possession by the same of the requirements of high professionalism and experienced, which have proved valuable over time for the Issuer. In view of the above, the Board therefore, during said meeting, confirmed the existence of the requirement of independence pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance and Article 3 of the Corporate Governance Code for of all independent directors, expressing at the same time a positive assessment as to the composition of the Board of Directors, composed of a majority of independent directors, as required by the relevant regulations and the Articles of Association.

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

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

- I.* does not control the Issuer, either directly or indirectly, or through subsidiaries, trust companies or through third parties, nor is it able to exercise any considerable influence thereon;
- II.* does not participate, either directly or indirectly, in any shareholder agreement through which one or more persons can exercise control or considerable influence over the Issuer;
- III.* is not, or was not in the three previous financial years, a significant representative of the Issuer (i.e. chairman, legal representative, executive director, or executive with strategic responsibilities) or one of its subsidiaries having strategic significance or a company subjected to the joint control of the Issuer, or a company or entity that – together with others through a shareholders agreement – controls the Issuer or is capable of exercising a considerable influence thereon;
- IV.* does not, or did not in the previous financial year, carry out – either directly or indirectly (e.g. via subsidiaries or companies in which they are significant representatives, in the sense indicated

- in item (iii) above, or as a partner in a professional firm or a consulting company) – important commercial, financial or professional relationships or working relationships as employees in the past three financial years: (a) with the Issuer, one of its subsidiaries, or with one of its significant representatives in the sense indicated in item (iii) above (b) with a person who, alone or jointly with others through a shareholders agreement, controls the Issuer, or rather – being a company or entity – with related significant representatives in the sense indicated in item (iii) above, thereof;
- V. notwithstanding the indications under item (iv) above, does not have a working relationship as an employee or contractor, or other asset-based or professional relationships that could jeopardise a director's independence: (a) with the Issuer, its subsidiaries or parent companies, or with companies subject to joint control; (b) with directors of the Issuer; (c) with spouses, relatives and the like up to the fourth degree of kinship of directors of the companies as under item (a) above;
  - VI. does not receive, or has not received in the previous three financial years, any large bonuses from the Issuer, or from a subsidiary or Parent Company, additional to the fixed salary of a non-executive director of the Issuer, including participation in incentives plans based on corporate performance, such as stock option plans;
  - VII. subject to the above, has not been a Director of the Issuer for more than 9 (nine) of the last 12 (twelve) years;
  - VIII. does not hold the position of executive director in another company in which one of the Issuer's executive directors is also a director;
  - IX. is not a shareholder or director of a company or entity belonging to the corporate network of the independent auditor engaged by the Issuer;
  - X. is not a close family member of a person who falls into the categories mentioned in the previous points and who is not a spouse or relative by consanguinity or affinity within the fourth degree of kinship of the directors of the Issuer, its subsidiaries, parent companies or companies subject to its joint control.

In the same meeting of 27 February 2015, the independent Directors also undertook to maintain their independent status during their term of office, and to promptly inform the Board of Directors of any situations that may affect such status. Pursuant to Article 12, paragraph 2 of the Articles of Association of the Issuer, if a Director no longer qualifies for independent status as required by Article 148, paragraph 3 of the Consolidated Law on Finance, the Director will remain in office if the minimum number of Directors indicated by law still have independent status.

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

During 2014 two meetings of the Committee of Independent Board Directors were held, during which the Independent Board Directors spoke with the Chairman and Chief Executive Officer of the Company to obtain information concerning corporate strategies, significant transactions being conducted and Group organisation. During one of the meetings referred to the, Committee of Independent Board Directors also met the top management of the Company, in order to deepen the knowledge of the activities and projects of the group headed by the Issuer and to stimulate discussion among the Directors and managers of the group itself.

### 5.8. *Lead independent director*

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

## 6. Processing of corporate information

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

In order to monitor the access and circulation of price-sensitive information before it has been made public, to ensure that statutory obligations regarding privacy are respected and to regulate the internal management and external communication of this information, in its meeting on 28 August 2006 the Board adopted a "Procedure for the publication of price-sensitive information". This procedure was last amended and approved by the Board in the meeting of 23 October 2014 in order to align it with the start up of the authorised storage system which took place in May 2014 and is available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the section Governance - Market Abuse.

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

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

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

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

The press release is entered into the SDIR-NIS circuit, organised and managed by Borsa Italiana and, via this circuit, is sent to Consob and to at least two press agencies.

The press release is also filed with the authorised storage system 1Info available at [www.1info.it](http://www.1info.it) and inserted, within the opening of the business day following the day of its dissemination, on the corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the Investors section, ensuring a minimum permanence of said information of at least 5 (five) years.

In order to ensure the proper management of price-sensitive information within the Group, the procedure is made known to the Managing Directors of the main subsidiaries, i.e. the Issuer's subsidiaries that fall within its scope of consolidation.

The management of price-sensitive information concerning subsidiaries is entrusted to their Managing Directors, who shall promptly send any information that, in their judgement, could contain price-sensitive information for the purposes of the procedure, to the Issuer's Investor Relations Officer.

The Investor Relations Officer, notified of the price-sensitive information by the Managing Directors of the subsidiaries, checks with the Head of Legal and Company Affairs that legal obligations have been met, and in particular whether the information should be considered price-sensitive.

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

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

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

With special reference to the requirement of listed Issuers, entities having control over them and persons acting in their name or on their account, to establish and manage a register of persons having access to price-sensitive information pursuant to art. 115-bis of the Consolidated Law on Finance, the Board meeting held on 3 May 2006 resolved: (i) pursuant to and for the effects of art. 152-bis, paragraph 4 of the Regulations on Issuers, to grant powers to the Parent Company IMMSI S.p.A. to keep, manage and update the register of persons having access to IMMSI S.p.A.'s price-sensitive information, also on behalf of Piaggio and companies belonging to the Piaggio Group; (ii) to implement the "Procedure for the

management of the Register of persons having access to Price-sensitive Information" adopted by IMMSI S.p.A. by approval of its own Board of Directors at the meeting held on 24 March 2006.

On 5 November 2007, the Board, considering the expediency for the Issuer of establishing, keeping and independently managing a register of persons with access to price-sensitive information regarding the Group of which the Issuer is the Parent Company, adopted an independent "Piaggio & C. S.p.A. Group procedure for the management of the Register of persons having access to price-sensitive information", last amended on 23 October 2014, which is applicable to all subsidiaries controlled by the Issuer, as adjusted to suit their respective organisational structures and roles in the companies.

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

### *6.3. Internal dealing*

Regarding the management of reporting requirements deriving from the new Internal Dealing regulation pursuant to Article 114, paragraph 7 of the Consolidated Law on Finance, and Articles 152-sexies, 152-septies and 152-octies of the Consob Regulation on Issuers, applicable to listed companies as of 1 April 2006, the Board of Directors approved the adoption of the "Procedure to comply with Internal Dealing requirements" on 3 May 2006, effectively binding as of the date of listing. This procedure was last amended and approved by the Board in the meeting of 17 December 2012 and is available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the section *Governance - Market Abuse*.

Details of operations carried out during the year, that require disclosure relative to Internal Dealing, are available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com) in the section *Governance - Market Abuse - Internal Dealing Archive*.

## ***7. Committees within the board (pursuant to article 123-bis, section 2, letter d), Consolidated Law on Finance)***

The Board of Directors has appointed an Appointment Proposal Committee, a Remuneration Committee, an Internal Control and Risk Management Committee and a Related Party Transactions Committee from its members.

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

## 8. Appointment proposal committee

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

The Appointment Proposal Committee appointed by the Board on 13 April 2012 was composed, as of 31 December 2014, of a majority of independent non-executive directors as required by Article 5.P.1 of the Code, in the persons of Franco Debenedetti (Chairman), Michele Colaninno and Luca Paravicini Crespi.

It is pointed out that the Board of Directors, on 9 February 2015, changed the composition of the Appointment Proposal Committee which, at the date of this Report, is composed as follows: Franco Debenedetti (Independent non-executive director) acting as Chairman; Luca Paravicini Crespi (Independent non-executive director) and Daniele Discepolo (Independent non-executive director).

### *Functions of the Appointment Proposal Committee*

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

Pursuant to the application criterion 5.C.1 letters a) and b) of the Code, the Appointment Proposal Committee also gives opinions to the Board, if and when necessary, on the size and composition of the committee or makes recommendations on the professional figures whose presence on the Board is deemed appropriate, and proposes to the Board candidates for directorships in cases of co-optation when independent directors need to be replaced.

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

During the year there were no meetings of the Appointment Proposal Committee since there were not the conditions imposing or making it appropriate for it to meet. After the year end, namely on 27 February 2015, the Appointments Proposal Committee met in its new composition in order to express the guidelines concerning the professional figures whose presence was deemed appropriate in the Company's Board in view of the imminent expiry of the mandate of the current Board of Directors.

The meeting of the Committee, recorded in the minutes, lasted half an hour.

## 9. Remuneration committee

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

The Remuneration Committee comprises independent and non-executive Directors.

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

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

No Director participates in meetings of the Remuneration Committee in which proposals are formulated to the Board of Directors regarding his/her remuneration.

### *Functions of the Remuneration Committee*

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

During the financial year, one Remuneration Committee meeting was held. In particular, the Committee met on 20 March 2014 in order to propose to the Board confirmation of the policy on the remuneration of Directors and key management personnel provided for in Article 6 of the Code (the "**Remuneration Policy**"), already approved at the proposal of the said Committee, by the Board of Directors in its meeting of 23 February 2012 and submitted to the advisory vote of the Shareholders Meeting as per last approval on 28 April 2014.

The Committee also confirmed that the remuneration of appointed persons is in line with that recognised in previous terms of office and is consistent with positions undertaken, relative responsibilities and the professional qualifications of appointed persons. In this regard, the Committee duly took into account, among others, the size of the Company and the Piaggio Group's global outlook for growth.

The meeting, which was recorded in minutes, lasted thirty minutes.

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

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

## **10. Directors' remuneration**

### *General remuneration policy*

The Board, at the proposal of the Remuneration Committee, approved on 23 February 2012 the Remuneration Policy for Directors and key management personnel in compliance with principle 6.P.4 of the Code.

The Remuneration Policy, as approved in 2012, was subsequently confirmed during the Board Meetings held on 27 February 2013, 20 March 2014 and 27 February 2015.

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



### *Share-based remuneration plans*

Please refer to Section II, paragraph 1 of the Remuneration Report published pursuant to art. 123-ter of the Consolidated Law on Finance and to the documents published by the Issuer pursuant to Article 84-bis of the Consob Issuer Regulations, available on the corporate website of the Issuer [www.piaggiogroup.com](http://www.piaggiogroup.com), under Governance – Management. Please note that the 2007-2009 Stock Option Plan approved by the Ordinary Shareholders' Meeting of 7 May 2007 and subsequently amended by resolution of the Ordinary Shareholders' Meeting of 16 April 2010, is to be considered terminated, since all effects have ceased following the exercise of all Stock Options granted and not expired according to the Plan. The 2007-2009 Stock Option Plan included, as beneficiaries, the General Manager Finance, but not the Directors of the Issuer itself.

### *Remuneration of executive directors*

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

According to the remuneration policy, as last confirmed by the Board in its meeting on 27 February 2015, a significant part of the remuneration of executive Directors is linked to achieving specific performance targets. In particular, the remuneration of the Chairman and Chief Executive Officer consists of a fixed component - determined in accordance with the commitments required of the office - and a variable component.

### *Remuneration of key management personnel*

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

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

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

### *Remuneration of non-executive directors*

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

It is nevertheless pointed out that the remuneration of non-executive directors is not linked to Company business results and the same do not benefit from any share-based incentive plans.

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

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

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

## **11. Internal control and risk management committee**

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

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

The Internal Control and Risk Management Committee is composed of three members: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

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

Participation of non-members in the Internal Control and Risk Management Committee meetings took place by invitation of the Committee.

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

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

During the course of the financial year 7 (seven) meetings of the Internal Control and Risk Management Committee were held on the following dates: 16 January 2014, 17 March 2014, 20 March 2014, 16 June 2014, 28 July 2014, 16 September 2014 and 25 November 2014.

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

The Committee meetings lasted on average two hours.

Minutes were duly taken of the above meetings.

During the financial year, the Internal Control and Risk Management Committee constantly monitored the internal control and risk management system. In particular, the Committee focussed on the following:

- I.* developments in the organisational structure of the Issuer, changes to processes and company activities;
- (ii) the progress of the internal auditing work plan, with particular reference to the implementation of measures relative to audits of previous years, the progress of the 2014 Audit Plan activities and compliance audits conducted pursuant to Law no. 262/2005 and Legislative Decree no. 231/01; (iii) monitoring of the independence, adequacy, effectiveness and efficiency of the Internal Audit Function

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

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

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

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

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

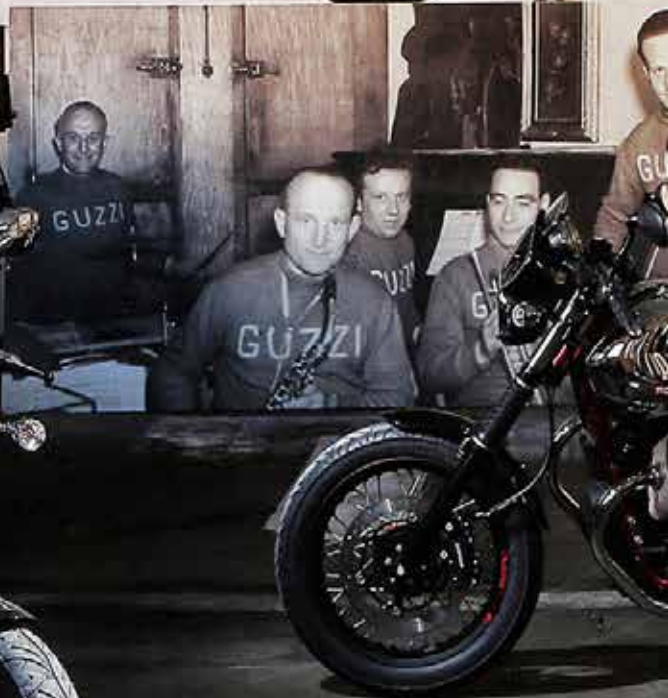
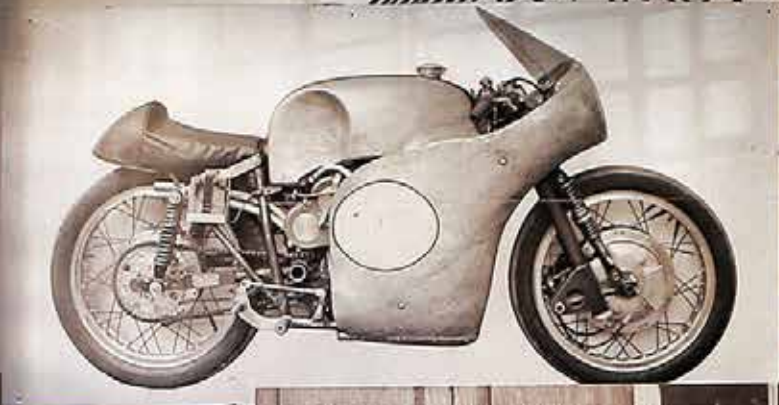
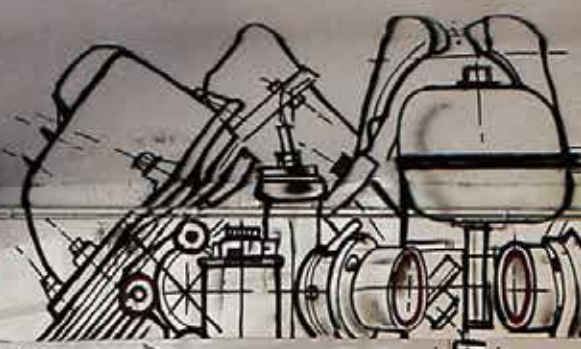
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In carrying out its functions, the Internal Control and Risk Management Committee was able to access and consult the corporate information and departments necessary to carry out its duties, and also use external consultants within the terms set by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

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

At least 4 (four) Internal Control and Risk Management Committee meetings are scheduled for 2015, held at least every three months.









## 12. Internal control and risk management system

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

As part of this system, the Board, after consulting with the Internal Control and Risk Management Committee:

- a. defines the nature and level of risk compatible with the Issuer's strategic objectives;
- b. defines the guidelines for the internal control and risk management system, so that main risks concerning the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the level of compatibility of these risks with a business management in line with strategic objectives identified;
- c. evaluates, at least annually, the adequacy of the internal control and risk management system in relation to business characteristics and the risk profile undertaken, as well as its effectiveness;
- d. approves, at least annually, the work plan prepared by the Internal Audit Function Manager, after consulting with the Board of Statutory Auditors and the Internal Control and Risk Management Director;
- e. describes, in the corporate governance report, the main characteristics of the internal control and risk management system, evaluating its adequacy;
- f. evaluates, after consulting with the Board of Statutory Auditors, the results of the independent auditors in their letter of findings and fundamental issues identified during auditing.

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

Following the proposal of the Director in Charge and having obtained the opinion of the Internal Control and Risk Management Committee and of the Board of Statutory Auditors, the Board appointed the Internal Auditing Supervisor, ensuring that this person is supplied with the resources suitable to carry out his functions – resources that also regard the operating structure and internal organisational procedures to access the information necessary for the role – granting powers to the Chief Executive Officer to formalise the terms and conditions of this appointment.

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

On 27 February 2015, the Issuer's Board of Directors judged the Issuer's internal control and risk management system to be adequate, effective and properly functioning, also on the basis of the indication provided by the Internal Control and Risk Management Committee.

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



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

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

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The Director appointed to oversee the functioning of the internal control and risk management system:

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

The Appointed Director also uses the Internal Audit function to audit specific operating areas and the compliance of company operations with internal rules and procedures, informing the Chairman of the Board of Directors, the Chairman of the Internal Control and Risk Management Committee and the Chairman of the Board of Statutory Auditors.

### *12.2. Internal auditing supervisor*

As of 1 January 2009, IMMSI Audit S.c.a r.l. is responsible for the internal auditing of all IMMSI Group companies; this consortium is equally owned by said companies, including the Issuer, and ensures an adequate level of professionalism, independence and organisation.

On the proposal of the Director in Charge, subject to approval of the control and risk management committee and the opinion of the Board of Statutory Auditors, the Board appointed the Chief Executive Officer of Immsi Audit S.c.a.r.l., Maurizio Strozzi, as Internal Auditing Supervisor, responsible for ensuring that the internal control and risk management system is operating and adequate. No specific financial resources have been allocated to the Internal Auditing Supervisor since the same uses, to carry out his tasks, the means and facilities of the Issuer and of Immsi Audit S.c.a.r.l. which charges back to each consortium company the costs incurred for activities undertaken on its behalf.

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

The Internal Audit Function Manager, who is not responsible for any operating area of the Issuer directly reports on activities carried out to the Board of Directors, and has direct access to all information useful for his position. During the financial year, the Internal Audit Function Manager:

- › verified, on both an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and adequacy of the Internal Control and Risk Management system, through an audit plan approved by the Board of Directors and based on a structured process that analyses and prioritises main risks;

- › prepared periodic reporting, which included appropriate information on activities and an assessment of the adequacy of the internal control and risk management system, as well as compliance with action plans established to reduce risks; prepared the audit plan for the 2015 financial year, comprising an audit of information system reliability, including accounting systems.

During the year, the Internal Audit Manager, with the aid of the Internal Audit structure, performed a verification of the activities of the internal control and risk management system, in accordance with the Internal Audit Plan for the three-year period 2012-2014, originally approved by the Board on 1 December 2011 and subsequently updated, for the year 2014, by the Board of Directors meeting on 20 March 2014, developing activities related to financial, operational and compliance auditing (with particular reference to the audits carried out for the purposes of compliance with the provisions of Law 262 /2005 and Legislative Decree 231/2001), verifying the reliability of information systems, including accounting systems, and the risk assessment system, as well as monitoring concerning adoption of the improvement/corrective plans agreed following these internal auditing activities.

The results of audits carried out compared to the Audit Plans have always been analysed, discussed and shared between the Internal Audit function, the various Managers of the processes and functions and Company Management, in order to agree and implement preventive/corrective measures, the implementation of which is continuously monitored until their completion. The Internal Auditing Supervisor therefore presented the audit reports to the Chairman and Director in Charge of supervising the functioning of the internal control and risk management system, to the Chairman of the Internal Control and Risk Management Committee, the Chairman of the Board of Statutory Auditors, and to the Supervisory Board and Executive in Charge of Financial Reporting, for areas in their responsibility.

### *12.3. Organisational model pursuant to Legislative Decree 231/2001*

On 12 March 2004 the Issuer adopted an organisational, management and control model for the prevention of the corporate crimes contemplated by Legislative Decree 231/2001, and amendments thereto ("**Model**"). The current Supervisory Board was appointed by the Board of Directors on 13 April 2012 with a term of office covering the years 2012-2013-2014, and ending with the approval of the Financial Statements as of 31 December 2014. The Committee consists of the Chairman of the Issuer's Board of Statutory Auditors, Giovanni Barbara, the head of the Issuer's Legal and Company Affairs department, Ulisse Spada, and Antonino Parisi, an external professional satisfying the necessary criteria for the appointment, who chairs the committee. Already during 2013, the Issuer had considered the feasibility of assigning Supervisory Functions to the Board of Statutory Auditors, considering nevertheless the supervisory functions of an ad hoc organisation, i.e. the Supervisory Board, as more efficient and effective in monitoring the functioning of and compliance with the Model. This assessment was also confirmed for the Financial year.

This Model comprises a general part, consisting mainly of the Code of Ethics, General Principles of Internal Control Guidelines for Conduct, Internal Control Guidelines, divided into Instrumental and Operating processes, and the Disciplinary System, as well as special individual parts based on the type of offences referred to in the Decree:

- › Special Part Offences against the Public Administration pursuant to Articles 24 and 25 of the Decree;
- › Special Part Corporate Offences as of Article 25-ter of the Decree;
- › Special Part Market Abuse as of Article 25-sexies of the Decree;
- › Special Part Offences concerning occupational Health and Safety as of Article 25-septies of the Decree;
- › Special Part Offences concerning the Handling of Stolen Goods and Money Laundering as of Article 25-octies of the Decree;
- › Special Part Computer crime and the unlawful processing of data pursuant to Article 24-bis of the Decree;
- › Special Part Transnational crimes pursuant to Law no. 146/2006;
- › Special Part Organised Crime pursuant to Article 24-ter of the Decree;



- › Special Part Environmental Offences as of Article 25-undecies of the Decree;
- › Special Part Forgery and alteration of trademarks, patents and distinctive marks pursuant to Article 25-bis.1 of the Decree;
- › Special Part Crimes against industry and trade as of Article 25-bis.1 of the Decree;
- › Special Part Crimes concerning infringement of copyright pursuant to Article 25-novies of the Decree;
- › Special Part Employment of citizens from other countries without applicable residence authorisation pursuant to Article 25-duodecies of the Decree.

The Model is monitored and updated on an ongoing basis.

The Model has been sent to all Piaggio Group senior managers, middle managers and employees and has been published on the corporate Intranet [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section Governance/Governance Systems. The Model is updated on an ongoing basis and likewise company procedures are updated accordingly, the correct application of which is monitored through planned compliance activities, suggested and coordinated by the Supervisory Board and carried out by Internal Audit Function Management. This monitoring process also involves Process Owners, i.e. the parties/entities responsible for company processes that are considered "sensitive" as regards the commission of offences, that periodically report to the Supervisory Board. employees (managers and lower levels) also receive training on the contents of the Model.

Third parties (e.g. suppliers, customers, consultants, etc.) are informed of adoption by the Company of the Code of Ethics and Code of Conduct and, when signing agreements, they are required to expressly accept the ethical and conduct principles adopted.

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

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

It is pointed out that, during the year, the Supervisory Board of the Issuer met five (5) times, also with joint meetings with the Board of Statutory Auditors and the Audit and the Internal Control and Risk Management Committee of the Company for a mutual exchange of information on audit activities carried out, with an overall participation of its members at its meetings of 93%.

In particular, the Board, during the year i) monitored the effective application of the Model according to the specific audit plan of reports by company representatives, through examination of the results of the internal control audits carried out pertinent to Legislative Decree 231/2001, as well as through meetings and hearings with Company management; ii) monitored the adequacy of the Model in relation to maintenance over time of the requisites of solidity and functionality, iii) examined the proposed updates to reflect changes in laws and corporate organisational changes having taken place, as well as personnel training put in place by the Company and iv) prepared and presented to the Board of Directors of the Company a report on the activities carried out during 2014, as required by the Model.

In the meeting held on 23 February 2015, the Supervisory Body also approved the activity plan for 2015. At least 4 (four) Supervisory Board meetings are scheduled for the current financial year, on at least a quarterly basis.

## 12.4. External auditors

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

## 12.5. Executive in charge of financial reporting

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

Pursuant to art. 17.3 of the Issuer's Articles of Association, the Executive in Charge of Financial Reporting must have the professional requisites characterised by detailed expertise in administration and accounting, as well as the reputation requisites prescribed by the legislation in force for those who carry out administrative and management functions. This competence, to be verified by the Board of Directors, must be gained through work experience gained in positions of adequate responsibility for a reasonable period of time.

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

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

## 12.6. Key aspects of the existing risk management and internal control systems for financial disclosure process (article 123-bis, paragraph 2 lit. B), consolidated law on finance)

### Introduction

#### Purposes and objectives

The risk management and internal control system in relation to Piaggio Group financial disclosure was developed using the "2013 COSO Report"<sup>(1)</sup> as a reference model. According to this report, the Internal Control System, given its broadest meaning, is defined as "a process, carried out by the Board of Directors, by Senior Management and other subjects of the company structure, intended to provide reasonable certainty as to achieving objectives in the following categories:

- › Effectiveness and efficiency of operations;
- › Reliability of financial reporting;
- › Compliance with applicable laws and regulations".

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

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

- › Legislative Decree no. 58 dated 24 February 1998 (Consolidated Finance Act);
- › Law no. 262 dated 28 December 2005 (as amended inter alia by the legislative decree implementing the so-called "Transparency Directive" approved on 30 October 2007) concerning the preparation of company's corporate accounting documents;
- › Consob Regulation on Issuers, issued on 4 May 2007, "Statement of the Executive in Charge of Financial

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<sup>1</sup> The COSO Model, developed by the Committee of Sponsoring Organizations of the Treadway Commission - "Internal Control – Integrated Framework" published in 1992 and last updated in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission.

- Reporting and of the delegated executive officers on financial statements, consolidated financial statements, and half-year reports in accordance with Article 154-bis of the Consolidated Law on Finance";
- › Consob Regulation on Issuers, issued on 6 April 2009, "Implementation of Transparency Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose transferable securities are admitted to trading on a regulated market and amending Directive 2001/34/EC";
  - › the Civil Code, which extends liability for corporate matters (Article 2434), for breach of trust as a result of the giving or promise of benefits (Article 2635) and for the offence of obstructing public supervisory authorities in the performance of their functions (Article 2638) to Executives in charge of financial reporting;
  - › Legislative Decree No. 231/2001 which, in consideration of the aforementioned Articles of the Civil Code and the administrative liability of legal entities for offences committed by their employees, treats the executive in charge of financial reporting as top management.

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

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

and finally the "Guidelines for the preparation of the report on corporate governance and ownership" issued by Borsa Italiana.

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

##### *Methodological approach*

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

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

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

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

- › Administrative and accounting procedures – documents that identify responsibilities and rules in administrative and accounting processes.

The Piaggio Financial and Administrative Audit Model identifies the methodological approach to be taken for the risk management and internal control system, involving the following separate stages:

- a.* Identification and assessment of risks involved in financial disclosure;
- b.* Identification of controls to minimise risks identified;
- c.* Assessment of controls to minimise risks identified and the management of any problems found.

#### Elements of the system

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

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

Risk assessment is therefore focused on the different areas of the financial statements in which the failure to deliver control objectives would have a potential impact on financial disclosure requirements.

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

Those criteria are determined by:

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

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

The controls needed to mitigate risks identified in administrative-accounting processes are identified by considering, as mentioned earlier, the control objectives associated with financial disclosure. Specifically, underlying processes are linked to financial statement accounts classified as "material" so as to identify suitable controls to assure delivery of the objectives of the internal control system for financial disclosure. Assessments are then made of the adequacy and effective application of the controls identified. For automatic controls, the assessment of adequacy and effective application also concerns general IT controls on the software applications used to support processes of material relevance.

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

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

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

The financial audit system is reviewed and assessed regularly at least once every six months, and when the separate annual financial statements, consolidated annual financial statements, and the condensed consolidated interim financial statements are each prepared.

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

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

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

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

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

### *Roles and departments involved*

The risk management and internal control system for financial disclosure is governed by the financial reporting manager appointed by the Board of Directors. Working in concert with the Chief Executive Officer, the financial reporting manager is responsible for designing, implementing and approving the Financial and Administrative Audit Model, assessing its application and issuing an attestation statement for the separate and consolidated annual and interim financial statements, and the separate, consolidated and half-year reports. The financial reporting manager is also responsible for identifying suitable administrative and accounting procedures for the preparation of the separate and consolidated annual financial statements and, with the support of the Internal Audit department, for providing subsidiaries considered "material" for the purposes of consolidated Group financial reporting with guidelines for assessing their own financial and administrative audit systems.

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

- › liaises with the Internal Auditing Supervisor, who independently audits the operation of the control system and assists the Executive in Charge of Financial Reporting in monitoring the system, and the Compliance Officer, for matters concerning the legal/regulatory compliance of financial disclosure;
- › is assisted by Function Managers. These managers ensure complete, reliable information flows to the Executive in Charge of Financial Reporting, for areas in their remit, for accounting disclosure purposes;
- › co-ordinates the activities of the administrative managers of "material" subsidiaries, who, together with their executive officers, are tasked with implementing a suitable financial audit system in their respective companies to control administrative-accounting processes, assessing the effectiveness of the system over time, and reporting outcomes to the parent company via internal attestation statements;
- › establishes reciprocal information flows with the Internal Control and Risk Management Committee and

the Board of Directors, on the use of accounting standards and their consistency in the preparation of the Consolidated Financial Statements, as well as the adequacy of the risk management and internal control system for financial disclosure, as part of an overall assessment of corporate risks also in a capacity as Risk Officer.

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

### *12.7. Risk manager and compliance officer*

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

The Risk Manager and Compliance Officer operate independently, periodically reporting to the Board on their activities.

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

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

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

The Company has defined appropriate procedures for significant transactions and transactions with related parties, designed to guarantee Directors full and exhaustive information on such transactions. In compliance with regulations in force and the Articles of Association, the examination and prior approval of the transactions by the Issuer and its subsidiaries in which one or more directors hold a personal interest or interest on behalf of third parties, are reserved to the Board.

### *Significant Transactions*

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

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

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

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

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

The Procedure governing significant transactions is available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section Governance/Market Abuse.



### *Transactions with Related Parties*

The procedure governing transactions with related parties was approved by the Company at the Board meeting of 30 November 2010 and amended on 17 December 2012. The procedure sets forth rules for the approval and management of transactions with related parties in accordance with Article 4 of Consob Regulation no. 17221 of 12 March 2010 and amendments thereto (the "**Regulation**").

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

The Procedure governing transactions with related parties, effective as of 1 January 2011, is available on the Issuer's corporate website [www.piaggiogroup.com](http://www.piaggiogroup.com), in the section Governance - Related Party Transactions.

## 14. Related party transactions committee

The Issuer's Board of Directors appointed a Related Party Transactions Committee responsible for approving both minor and major transactions with related parties. Operative as of 1 January 2011 and re-appointed by the Board on 13 April 2012, the Committee consists exclusively of 3 (three) independent directors who, in compliance with applicable regulations, must in no way be related to any transactions they review. Specifically, the three members of the Related Party Transactions Committee are: Daniele Discepolo as Chairman, Riccardo Varaldo and Luca Paravicini Crespi.

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

## 15. Appointment of statutory auditors

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

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

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

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

Shareholders are entitled to present lists only if, alone or with other Shareholders, they hold shares with voting rights representing at least 2.5% (two point five per cent) of the share capital with voting rights at the Ordinary Shareholders' Meeting, or a different percentage that may be fixed by the law or other regulations. By resolution no. 19109 of 28 January 2015, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the control bodies of the Issuer at 2.5% for the year of reference.

Lists with a number of candidates greater than or equal to three shall be composed of candidates from both genders, in such a way that at least one fifth (on the occasion of the first term after 12 August 2012)

and thereafter one third (in any case rounded up) of candidates for Statutory Auditor and that at least one fifth (on the occasion of the first term after 12 August 2012) and thereafter one third (in any case rounded up) of candidates for Alternate Auditor belong to the less represented gender .

The procedure for appointing the Statutory Auditors is as follows:

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

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

The Chairman of the Board of Statutory Auditors shall be the Standing Auditor selected from the second list that obtained the highest number of votes pursuant to point b) above.

If with the procedures described above, a composition of the Board of Statutory Auditors, in terms of its statutory members, compliant with pro tempore legislation in force at any time concerning the balance between genders is not ensured, the necessary replacements shall be made, within the scope of candidates for the office of Statutory Auditor of the list which obtained the greatest number of votes, according to the sequential order in which the candidates are listed.

The previous provisions regarding the appointment of Statutory Auditors do not apply to Shareholders' Meetings in respect of which only one list is presented or voted; in such cases the Shareholders' Meeting resolves by relative majority, without prejudice to compliance with legislation in force at any time concerning the balance between genders.

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

When the Shareholders' Meeting must appoint the Standing auditors and/or the Alternate ones in order to integrate the Board of Statutory Auditors the procedure adopted is as follows: if Statutory auditors elected from the majority list are to be replaced, the appointment takes place by relative majority voting regardless of the lists presented; conversely, if the Statutory Auditors elected from the minority list are to be replaced, the Shareholders' Meeting shall replace them by relative majority voting, selecting them from among the candidates indicated in the list of the statutory auditor to be replaced.

If the application of the above procedures does not allow, for whatever reason, the replacement of the Statutory Auditors designated by the minority, the Shareholders' Meeting will replace them by relative majority voting; however, in verifying the result of this last voting no account will be taken of the votes cast by the subjects who according to the communications made in compliance with current legal regulation have, even indirectly or jointly with other Shareholders taking part to a Shareholders' Agreement pursuant to Article 122 of the Consolidated Law on Finance, the relative majority of the votes that may be cast at the Shareholders' Meeting, as well as those Shareholders who control, are controlled or are subject to joint control by the same.

The replacement procedures described above shall in any event ensure compliance with legislation in force relating to the balance between genders.

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

The Board of Statutory Auditors in office at the date of this Report was elected by the Shareholders' Meeting held on 13 April 2012, from a single slate of candidates filed by the majority shareholder IMMSI S.p.A., obtaining 273,578,951 votes in favour, equal to 93.73% of voting share capital, in accordance with the provisions of Article 24 of the Articles of Association, and will hold office until the approval of the Annual Financial Statements for the year ended 31 December 2014.

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

The current board consists of the following statutory auditors:

Name	Position	Year of birth	In office from	In office until	List (M/m)	Indep. as per the Code	Part. B. of S.A.	Other positions
Giovanni Barbara	Chairman	1960	13/04/2012 Date of first appointment 13/07/2004	Approval of the financial statements as at 31.12.2014	M	X	8/8	14
Attilio Francesco Arietti	Statutory Auditor	1950	13/04/2012 Date of first appointment 23/10/2003	Approval of the financial statements as at 31.12.2014	M	X	8/8	14
Alessandro Lai	Statutory Auditor	1960	13/04/2012 Date of first appointment 23/10/2003	Approval of the financial statements as at 31.12.2014	M	X	8/8	9
Mauro Girelli	Alternate Auditor	1957	13/04/2012 Date of first appointment 23/10/2003	Approval of the financial statements as at 31.12.2014	M	X	–	23
Elena Fornara	Alternate Auditor	1974	13/04/2012 Date of first appointment 07/05/2008	Approval of the financial statements as at 31.12.2014	M	X	–	9

**LEGEND**  
*M/m slate:* indicates whether the statutory auditor was drawn from the slate attracting a majority (M) or minority (m) of votes.  
*Indep.:* indicates whether the statutory auditor can be qualified as independent according to the criteria set by the Code.  
*Part. B. of S.A.:* indicates participation of the Statutory Auditor in Board meetings (indicates the number of meetings attended by the Director compared to the total number of Board meetings held during the year or after taking office).  
*Other offices:* indicates the total number of other offices as director or statutory auditor held with companies as identified by Book V, Title V, Sections V, VI and VII of the Civil Code, as of 31 December 2014. For information on appointments to governance and supervisory boards held by the members of the Board of Statutory Auditors, see also the data published by Consob, in accordance with Article 144-quinquiesdecies of the Consob Regulation on Issuers, on the website [www.sai.consob.it](http://www.sai.consob.it), in the section Corporate Boards – Public disclosures.

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

Over the course of the financial year, the Board of Statutory Auditors held eight meetings on the following dates: 16 January 2014, 12 February 2014, 17 March 2014, 3 April 2014, 28 April 2014, 16 June 2014, 16 September 2014 and 25 November 2014.

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

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

The Internal Control and Risk Management Committee and the Chairman of the Issuer's Supervisory

Board attended all the meetings of the Board of Statutory Auditors without exception. Legislative Decree no. 39/2010, "Implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/ and 83/349/EEC and repealing Council Directive 84/253/EEC", identifies the Board of Statutory Auditors as the "Internal Control and Risk Management Committee" responsible for monitoring: i) the financial disclosure process; ii) the effectiveness of internal control systems; iii) the statutory audit of the annual accounts and consolidated accounts; iv) the independence of the independent auditors, and in particular the provision of additional, non-audit services to the audited entity.

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

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

During the meeting of 25 November 2014, the Board of Statutory Auditors reviewed the independent status of its members, on the basis of the criteria set forth by the Code for independent directors, and as already verified on their original appointment. In this regard it is also pointed out that the Board of the Issuer, subject to the assessment of the Board of Statutory Auditors as to its composition, resolved to consider it appropriate, in the interest of the Company, not to apply criterion 3.C.1 letter e) of the Corporate Governance Code (referred to by criterion 8.C.1 of the Code ) with respect to all members of the Board of Statutory Auditors, focusing on a profile of the substance and also taking into account possession on the part of members of the Board of the requirements of high professionalism and experience, which have proved valuable over time for the Issuer. In view of the above, the Board therefore, during the meeting of 27 February 2015, confirmed the existence of the requirement of independence pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance and Article 3 of the Corporate Governance Code for of all Statutory Auditors.

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

The Board of Statutory Auditors, in performing its duties, worked with the Internal Auditing Supervisor and Internal Control and Risk Management Committee.

At least 6 (six) Board of Statutory Auditors' meetings are scheduled for the current financial year, held at least every three months. The Board of Statutory Auditors has already met this financial year, on 9 February 2015.

### *16.1. Operation of the board of statutory auditors*

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

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

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

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





## *17. Relationships with shareholders*

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

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

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

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

The disclosure of information in relations with investors is also ensured by the provision of the most significant corporate documents, in a timely and regular manner on the Company's website in the Investors section and, where required by the applicable regulations, in the authorised storage mechanism called "1info" at [www.1info.it](http://www.1info.it).

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

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

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



## ***18. Shareholders' meetings (pursuant to article 123-bis, subsection 2(c), Consolidated Law on Finance)***

Pursuant to Article 8.2 of the Issuer's Articles of Association, all shareholders registered as of the seventh market trading day prior to the first scheduled date of a Shareholders' Meeting, as notified to the Company within the statutory term by the intermediary responsible by law for the keeping of shareholder accounts, are entitled to attend the shareholders' meeting and exercise their voting rights. To this end, reference is made to the date of the first call, as long as the dates of any subsequent calls are indicated in the only meeting call; otherwise, reference is made the date of each meeting call.

Ordinary shareholders' meetings are called at least once a year to approve the annual financial statements, by and no later than one hundred and twenty days after the end of the financial year. Ordinary and extraordinary shareholders' meetings may also be called whenever considered appropriate by the Board of Directors, and where required by law. Shareholders' meetings must be called without delay when requested in accordance with law.

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

The agenda for a shareholders' meeting is set by the person or body exercising the power to call the meeting in accordance with law or the Articles of Association. Where a shareholders' meeting is called at the request of shareholders, the agenda will be based on the business specified in the request. If requested by shareholders in accordance with law, additional business will be added to the agenda within the deadline and in the manner contemplated by applicable laws and regulations.

Holders of voting rights may ask questions on business posted in the agenda both before and during the shareholders' meeting. Questions submitted before the shareholders' meeting will be answered at the latest during the meeting itself. The Company reserves the right to provide a single reply to questions regarding one and the same matter. The notice convening the meeting indicates the deadline by which questions to submit to the Shareholders' Meeting must be sent to the Company. The deadline may not be before three days prior to the date when the Shareholders' Meeting is convened on first call, or before the five days prior to that date if the notice convening the meeting requires the Company to give replies to the questions. In the latter case, the replies shall be given at least two days prior to the Shareholders' Meeting, and may also be published in a specific section of the Company's Internet site.

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

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

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

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

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

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

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

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

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The Board reported on activities performed and planned to the shareholders at Shareholders' Meetings, and endeavoured to ensure that shareholders had adequate information regarding the necessary elements to make fully-informed decisions on matters reserved to the shareholders' meeting. During the General Shareholders' Meeting of 28 April 2014, the majority of Directors was present, including the Chairman of the Internal Control and Risk Management Committee and the Remuneration Committee.

In accordance with application criterion 9.C.4 of the Code, and in consideration of Article 144-quater of the Consob Regulation on Issuers concerning candidate slates for the nomination of members of the Board of Directors and the Board of Statutory Auditors, the Board found there to be no need to submit to the shareholders amendments to the Articles of Association regarding the ownership thresholds applicable to protect minority interests, given that Articles 12.3 and 24.1 of the Issuer's Articles of Association set the ownership threshold at 2.5% of the share capital with voting rights, or as otherwise required or set forth by law or regulations in force. In this regard we report that by resolution no. 19109 of 28 January 2015, Consob set the relative share capital ownership threshold required to nominate candidate slates for election to the governance and control bodies of issuers at 2.5% for the year of reference.

## ***19. Additional corporate governance practices (Pursuant to Article 123-bis, subsection 2(a), Consolidated Law on Finance)***

The Issuer has not adopted any additional corporate governance practices with respect to those required by laws and regulations in force and described in this Report.

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

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



**PIAGGIO & C. s.p.a.**

Management and Coordination

IMMSI S.p.A.

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

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

Pisa Register of Companies and Tax Code 04773200011

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