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**Piaggio & C. S.p.A.**

**Explanatory Memorandum**

**Appointment of the Board of Directors, subject to the determination of the number of members and term of office; determination of fees. Related and consequent resolutions.**

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Dear Shareholders,

With the approval of the financial statements as at 31 December 2014, the term of office of Board of Directors of your company, appointed by the ordinary Shareholders' Meeting of 13 April 2012, will expire; it is therefore necessary to appoint a new Board of Directors, subject to the determination of the number of members and term of office.

In this regard, it is pointed out that, pursuant to art. 12.1 of the Articles of Association, the company is governed by a Board of Directors composed of a number of members not less than 7 (seven) and not more than 15 (fifteen). The ordinary Shareholders' Meeting determines, at the time of their appointment, the number of the Board members within the aforesaid limits, as well as their term of office that shall not exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called for approval of the financial statements for the last financial year of their office. Directors may be re-elected.

Pursuant to art. 12.2 of the Articles of Association, Directors must possess the requisites envisaged by current legal requirements, the Articles of Association and other applicable regulations. Individuals cannot be appointed as Directors of the Company and, if they are appointed such appointment is void, unless they have gained at least three years' experience in:

- a) administration and supervision activities, i.e. senior management tasks in joint stock companies with share capital of at least two million euros; 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.

The Directors must possess the requisites prescribed by *pro tempore* applicable legal regulations; a minimum number of Directors equal to the minimum prescribed by legal regulations must possess the independence requisites referred to in art. 148, paragraph 3, of Legislative Decree No.58/1998.

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

Each Shareholder, as well as Shareholders taking part in 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.

We also remind you that Shareholders submitting a "minority list" should consult the recommendations issued by Consob with communication no. DEM/9017893 of 26 February 2009.

Only those shareholders who, alone or as a group, represent at least 2.5% of the share capital, or another percentage established by legal or regulatory provisions, may submit lists. It is pointed out

that, with resolution no. 19109 of 28 January 2015, Consob set the relative share capital ownership threshold required to submit lists for election of the Board of Directors of the Company at 2.5%.

Lists submitted by Shareholders must be filed at the registered office, in Pontedera (PI), Viale Rinaldo Piaggio 25, at least twenty five days before the date set for the Shareholders' Meeting in first call, i.e. by 19<sup>th</sup> March 2015 at 18:00. Filing of lists for the appointment of the Board of Directors may also be made by sending a fax to 0587.21.90.25 or to the certified e-mail address [piaggiogroup.corporate.governance@legalmail.it](mailto:piaggiogroup.corporate.governance@legalmail.it). In the case of submission of lists by fax/certified e-mail, a certified copy of a valid identity document of the submitters must also be sent.

Shareholders are also recommended, in the composition of the candidate lists, to comply with the provisions of art. 37, paragraph 1, letter d) of Consob Regulation 16191 of 29 October 2007 (the “**Market Regulation**”), which envisages that for subsidiaries subject to direction and coordination by other Italian or foreign companies with shares listed on regulated markets, a Board of Directors composed of a majority of independent directors, as defined by art. 37, para.1-*bis*, of the Market Regulation, is also required. In addition, pursuant to said art. 37, paragraph 1, letter d) of the Market Regulation, Directors who, while respecting the requirements indicated above, simultaneously hold the office of Director in the company exercising direction and coordination activities (i.e. Immsi S.p.A.) cannot be qualified as independent.

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.

Together with each list, within the abovementioned deadline, the following must be filed at the registered office:

- (i) information concerning the identity of the shareholders' who submitted the list;
- (ii) an abridged *curriculum vitae* of the candidates included in the list, containing the personal and professional details of each candidate; as well as
- (iii) the declarations made by each candidate whereby they accept their candidacy and attest, under their responsibility, that there are no grounds for ineligibility and incompatibility, as well as that they possess the requisites prescribed by the law and the Articles of Association for their respective positions, and that they are fit to qualify as independent Directors.

Ownership of the required shareholding, pursuant to the above, for the purposes of submitting the list, is attested by sending to the Company, on the part of the intermediary qualified to keep the accounts of the communication provided for by art. 23 of the Regulation concerning centrally managed services, payment, guarantee systems and the related management companies adopted by the Bank of Italy and Consob on 22 February 2008, as subsequently amended, also after having filed the list, provided that this takes place at least twenty one days before the date set for the Shareholders' Meeting in first call, i.e. by 23<sup>rd</sup> March 2015. Please note that ownership of the shareholding is determined having regard to the shares that are recorded in the name of the Shareholder on the date on which the lists are filed with the Company.

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Lists that fail to comply with the aforesaid legal provisions shall be deemed as not having been submitted.

The lists will also be subject to other types of advertisement provided for by *pro tempore* applicable law and other regulations. In particular, at least twenty one days before the date of the Shareholders' Meeting (i.e. 23<sup>rd</sup> March 2015) the lists will be made available to the public at the registered office, on the Company's website and via other forms required by Consob by regulation.

Each candidate may be included in one list only under penalty of ineligibility. No candidates may be included in the lists who (without prejudice to any other ground of ineligibility or forfeiture of right) do not possess the requisites prescribed by legal regulations, the Articles of Association or other provisions applicable to their respective positions.

Each person entitled to vote may vote for one list only.

The procedure for appointing Directors is as follows:

- a) all Directors to be elected 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 list that may not in any way, not even indirectly, be linked with the shareholders who submitted or voted the list referred to in point a) and that received most 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).

If, by following the procedures indicated above, an insufficient number of Directors is appointed with the necessary independence requisites set forth in the second paragraph of Article 12 of the Articles of Association equal to the minimum number set by the law in relation to the overall number of Directors, the last non-independent Director appointed in sequential order from the list that obtained the highest number of votes, as per point a) above, will be replaced by the independent candidate appearing in sequential order on the same list, or, failing this, by the first independent candidate in sequential order that was not appointed from the other lists, based on the number of votes obtained by each list. This replacement procedure will continue until the Board of Directors has a number of members with the independence requisites prescribed by Article 148, paragraph 3 of Legislative Decree No. 58/1998 equal to the minimum number prescribed by legal regulations. 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 possessing the aforesaid 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.

Pursuant to art. 12.4 of the Articles of Association, should only one list be submitted or should no list be submitted, the Shareholders' Meeting shall deliberate with the legal majorities, without observing the list voting procedure, without prejudice nevertheless to the provisions of art. 12.2 of the Articles of Association and compliance with the *pro tempore* provisions concerning the balance between genders.

Finally, please note that the Company's Board of Directors in the meeting of 27 February 2015 defined, in accordance with the provisions of the Corporate Governance Code for listed companies (*see* article 1.C.1. g) and h)), subject to the opinion of the Appointment Proposal Committee and taking into account the results of the self-assessment, the guidelines concerning the professional figures whose presence is deemed appropriate in the Board of the company.

In this regard, the Board felt that:

- taking into account the dimensions and activities of the Company, the number of no more than 11 Directors is adequate;
- in accordance with the Articles of Association, Directors must have an overall experience of at least three years in: a) administration and supervision activities, i.e. senior management tasks in joint stock companies with share capital of at least two million euros; or b) professional activities or university teaching in legal, economic, financial and technical-scientific fields strictly related to the Company's operations; 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's operations.
- in addition to the provisions of the law and the Articles of Association on gender balance, it is recommended to ensure a varied composition of skills, professional characteristics and age in the Board, in order to ensure adequate analysis of all the items on the agenda;
- 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 Company, 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 Company.
- the Executive Director should be granted broad management powers; he must have previous experience in managing listed companies comparable in terms of size, type of business and complexity with the Company;
- the other Directors should all be non-executive pursuant to the Corporate Governance Code for listed companies, in order to ensure a fruitful contribution in strategic corporate decisions, especially with respect to potential situations of conflict of interest;

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- according to the provision of art. 37 of the Market Regulation, the majority of the Directors must be in possession of the requisites of independence pursuant to legislation and the Corporate Governance Code for listed companies, in order to ensure the proper composition of the Committees: possession of the requisites of independence must be assessed mainly with regard to issues of substance, taking into due consideration the importance of continuity in the company's activities.

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Finally, you are also required to determine the remuneration of members of the Board of Directors. In this regard, you are reminded that, in accordance with article 18.1 of the Articles of Association, Directors, in addition to reimbursement of expenses incurred in the performance of their duties, are entitled to an annual fee that is deliberated by the Shareholders' Meeting appointing them.

Pursuant to article 18.3 of the Articles of Association, the Shareholders' Meeting may determine the overall amount for all Directors, including those conferred with particular responsibilities, the breakdown of which is determined by the Board of Directors, after consulting with the Board of Statutory Auditors.

Mantua, 27 February 2015

For the Board of Directors  
Chairman and Chief Executive Officer  
(Roberto Colaninno)