



Piaggio & C. S.p.A.

Remuneration Report

**prepared pursuant to art. 123-ter of Italian Legislative Decree 58/1998 and art. 84-
quater of Consob Regulation 11971/1999**

28 February 2018

REMUNERATION REPORT

This remuneration report (“**Remuneration Report**”) has been prepared pursuant to art. 123-*ter* of Legislative Decree 58 of 24 February 1998 (“**Consolidated Law on Finance**) and art. 84-*quater* of the CONSOB regulation, adopted with resolution no.11971 of 14 May 1999 (“**Consob Regulation on Issuers**”) and has been prepared in accordance with Annex 3A, Scheme 7-*bis* of the same regulation.

The Remuneration Report is divided into the following sections.

- Section I illustrates the Company's policy regarding the remuneration of members of the Board of Directors, senior managers and key managers with reference to at least the following year and the procedures used for adoption and implementation of this policy;
- Section II contains the individual remuneration for directors, statutory auditors and senior managers and in aggregate form for key managers:
 - it provides an adequate representation of each of the items that make up the remuneration, including benefits in the event of termination of office or termination of employment (if any), highlighting the consistency with the Company's policy with regard to remuneration adopted in the previous year;
 - it illustrates in detail the remuneration paid in the reporting year for whatever reason and in whatever form by the Company and its subsidiaries or associates.

Moreover, Section II contains information on the equity investments held, in the issuer and its subsidiaries, by members of the administration and control bodies, senior managers and other key managers, as well as their not-legally-separated spouses and children (minors), in accordance with the provisions of art. 84-*quater*, paragraph 4, of the Consob Regulation on Issuers.

SECTION I

This section of the Remuneration Report describes the essential features of the Remuneration Policy adopted by the Company (hereinafter the “**Remuneration Policy**”), which defines the principles and guidelines to which the Piaggio Group adheres in determining and monitoring the application of remuneration practices for board directors, senior managers and key managers.

The Remuneration Policy, already adopted by the Board of Directors on 23 February 2012 on the proposal of the Remuneration Committee, was last approved by the Board of Directors on 28 February 2018, on the basis of a proposal put forward by the Remuneration Committee. The Remuneration Policy defines the goals pursued and the principles that underlie the determination of retribution for governance bodies, general managers and key managers.

The Remuneration Policy was drawn up in the light of the recommendations in the Corporate Governance Code as promoted by Borsa Italiana S.p.A., as amended in July 2015.

Pursuant to the Articles of Association and the law, the Board of Directors currently in office will expire with approval by the General Shareholders' Meeting of the financial statements as at 31 December 2017. As mentioned above, the Company did not modify the Remuneration Policy in 2017. In any case, any changes and variations to the Remuneration Policy that may be made in future by the Company will be appropriately highlighted and described in the remuneration reports of coming years.

As required by Consob Regulation no. 17221 of 12 March 2010 concerning transactions with related parties (the “**Regulation on Related Parties**”), as transposed in the internal procedure adopted by the Company on 30 November 2010 and most recently updated on 26 February 2018 (and available on the group *website* at www.piaggiogroup.com in the *Governance* section), approval of the Remuneration Policy by the General Shareholders' Meeting exempts the Company from applying the above procedure for related party transactions in resolutions concerning the remuneration of directors and key managers, provided that these are consistent with the Remuneration Policy. Furthermore, pursuant to art. 13, paragraph 1, of the Regulation on Related Parties, the aforementioned procedure does not apply to shareholders' resolutions that are pursuant to art. 2389, paragraph 1, of the Italian Civil Code, regarding remuneration due to the members of the Board of Directors and the executive committee, or to the resolutions concerning the remuneration of directors assigned special duties which falls within the total amount previously determined by the General Shareholders' Meeting, pursuant to art. 2389, paragraph 3, second sentence of the Civil Code.

1. Parties involved in the preparation and approval of the Remuneration Policy

The main parties and bodies involved in the preparation and approval of the Remuneration Policy are the General Shareholders' Meeting, the Board of Directors, the Remuneration Committee and the Board of Statutory Auditors.

1.1 Board of Directors

The Board of Directors:

- constitutes among its members the Remuneration Committee;
- in coherence with the Remuneration Policy, establishes the remuneration of directors vested with special offices, following the opinion of the Board of Statutory Auditors and at the proposal of the Remuneration Committee;
- establishes, at the proposal of the Remuneration Committee, the Remuneration Policy;
- approves the Remuneration Report in accordance with article 123-ter of the Consolidated Law on Finance and article 84-*quater* of the Consob Regulation on Issuers;
- prepares remuneration plans based on shares or other securities for directors, employees and co-workers, including senior managers, submits these for approval by the General Shareholders' Meeting pursuant to art. 114-*bis* of the Consolidated Law on Finance and ensures implementation.

1.2 Remuneration Committee

The Remuneration Committee of the Company, constituted within the Board of Directors in accordance with the Corporate Governance Code, consists of all non-executive and independent directors.

The Remuneration Committee has the following tasks:

- to make proposals to the Board of Directors regarding the remuneration of the Chief Executive Officer and directors with special offices, monitoring the application of the decisions made;
- to make general recommendations to the Board of Directors regarding the remuneration of key managers in the Piaggio Group, taking into account information and indications given by the Chief Executive Officer, periodically checking the criteria adopted for the remuneration of said executives.
- to support the Board of Directors in preparing and implementing any remuneration plans based on shares or other financial instruments.

The Remuneration Policy has therefore been outlined and approved by the Board of Directors at the proposal of the Remuneration Committee.

1.3 General Shareholders' Meeting

With regard to remuneration, the General Shareholders' Meeting:

- determines the remuneration of the members of the Board of Directors and of the Board of Statutory Auditors pursuant to art. 2364, paragraph 1, no. 3 of the Italian Civil Code;
- expresses an advisory vote on Section I of the Remuneration Policy Report provided by the Board of Directors (at the proposal of the Remuneration Committee);
- makes resolutions on any remuneration plans based on shares or other financial instruments intended for directors, employees and co-workers, including key managers, pursuant to art. 114-*bis* of the Consolidated Law on Finance.

1.4 Board of Statutory Auditors

The Board of Statutory Auditors expresses its opinion on proposals for the remuneration of executive directors and, more generally, of directors holding particular offices, verifying the consistency of said proposals with the Remuneration Policy.

2. Illustration of the objectives and general guidelines of the Remuneration Policy and description of policies regarding fixed and variable remuneration components

The remuneration of directors, senior managers and key managers, where identified, is defined so as to ensure an overall remuneration structure that is able to acknowledge the professional value of those involved and allow an appropriate balance between fixed and variable components, with the aim of creating sustainable value in the medium and long term and ensuring a direct link between remuneration and specific performance objectives.

In particular, the guidelines inspiring the Remuneration Policy are based on the following criteria:

- (i) the fixed component and variable component take into account the strategic objectives and associated business risks taken by the Company;
- (ii) the variable component has an upper limit;
- (iii) the fixed component is sufficient to remunerate the services of the person concerned should the variable component not be paid due to failure in achieving the assigned objectives;
- (iv) the performance objectives are:
 - priority, i.e. directly related to the medium to long term strategy of the Company;
 - specific, i.e. clear and concrete in terms of expected results;
 - measurable, i.e. assessed with clear and predefined indicators;
 - realistic, i.e. deemed achievable although challenging and ambitious;
 - defined over time, i.e. referred to a specific time dimension.

The variable component will be paid only on achieving the expected result. The amount of the incentive to be paid to each person involved is determined based on the achievement of results effectively pursued. In this regard it is pointed out that - at present - the Company has not considered it necessary to introduce the so-called "claw back" clauses on the variable

remuneration component; however, the Company reserves the right to assess whether or not to apply any correction mechanisms *ex post* to the variable remuneration component through the introduction of such clauses.

In the event that the Company carries out transactions that are particularly exceptional and strategically important with regard to their impact on Company results, the Board of Directors, at the proposal of the Remuneration Committee, has the power to allocate, at its discretion, specific *bonuses* to executive directors and key managers.

The Company may provide incentive and loyalty plans based on shares or other financial instruments, aimed at directors, employees and co-workers, including key managers, pursuant to art. 114-*bis* of the Consolidated Law on Finance.

There are no deferred remuneration payment systems.

The Remuneration Policy does not foresee stipulation with directors and key managers of agreements governing *a priori* economic aspects in the event of termination of office, or which concern any advance termination of employment at the initiative of the Company or the interested party.

In defining the Remuneration Policy, the Company has not used remuneration policies implemented by other companies as a reference, and has not sought the cooperation of independent experts.

3. Remuneration of directors

Within the Board of Directors it is possible to distinguish between:

- (i) Non-executive directors: Directors.
- (ii) Executive directors: the Chairman and Chief Executive Officer, Roberto Colaninno.

Non-executive directors

All non-executive directors are paid a fixed annual remuneration, as approved by the General Shareholders' Meeting. Directors participating in the Internal Control and Risk Management Committee and the Remuneration Committee, both composed of all independent directors as required by the Corporate Governance Code, are paid an additional fixed amount in consideration of the additional commitment required. The Deputy Chairman receives additional remuneration compared to the office of director. Independent directors do not receive specific remuneration, except for those who are called upon to participate in the committees listed above.

In addition, expenses incurred by directors for performance of their duties are reimbursed by the Company.

All directors also benefit from “Directors and Officers” insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence.

The Remuneration Policy does not provide for the payment of fringe benefits.

Executive directors

The remuneration of Executive Directors is determined in accordance with best practices of companies of comparable size and governance structure and comprises:

- i) a fixed annual component, determined to a significant extent, consistent with the position and commitment required and, in any case, such as to be sufficient to remunerate services rendered should the variable component not be paid due to failure in achieving the objectives of referred to below;
- ii) a variable component related to the objectives identified by the three-year Strategic Plan approved by the Company, a period considered consistent with the objective of creating value for shareholders over the medium to long term and with a correct risk management policy. The amount of the variable component is determined annually by the Board of Directors, at the recommendation of the Remuneration Committee, according to the concrete achievement of the established objectives.

The variable is therefore paid on an annual basis with reference to long-medium term objectives defined in the three-year Strategic Plan.

The variable component can reach up to a maximum of 30% of the amount established for fixed remuneration. Executive directors also benefit from "Directors and Officers" insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence.

The Remuneration Policy does not provide for the payment of fringe benefits.

In light of the structure of the remuneration of the sole Executive Director on the Board of Directors at the date of this Report and the position held by him (Chairman and CEO), the Company did not deem it necessary - at the time - to introduce so-called "*clawback*" clauses on the variable remuneration component, considering that the interest of the Company was nevertheless protected by the provisions applicable in case of violations of the law or the regulations.

4. Remuneration of general managers and key managers

The remuneration of key managers is determined in accordance with the general principles set out in paragraph 2., and comprises:

- (i) a fixed annual component, determined to a significant extent, consistent with the position and commitment required and, in any case, such as to be sufficient to remunerate services rendered should the variable component not be paid due to failure in achieving the objectives of referred to below;
- (ii) a variable annual component payable on achievement of predetermined corporate objectives (so-called MBO), linked to expected results based on the Strategic Plan approved by the Company. The variable component is equal to a predetermined percentage of the gross fixed annual remuneration, generally at least 50 % of the latter;
- (iii) fringe benefits such as allocation of Company vehicles, housing contributions and membership of pension and insurance plans that reflect normal pension and social security protection, as provided by the applicable National Collective Employment Contract. There are no other fringe benefits.

Key managers are reimbursed for expenses incurred for the performance of their duties and benefit from “Directors and Officers” insurance coverage for liability concerning acts committed in the exercise of their functions, except in cases of malice and gross negligence, in addition to the general protection provided by the applicable National Collective Employment Contract.

SECTION II

This section contains the individual remuneration for directors, statutory auditors and general managers and in aggregate form for key managers:

- in the first paragraph, it provides an adequate representation of each of the items that make up the remuneration, including benefits in the event of termination of office or termination of employment (if any), highlighting the consistency with the Company's policy with regard to remuneration adopted in the previous year; It should be noted that the remuneration paid in 2017 is consistent, in terms of amount and constituent items, with the Remuneration Policy approved by the Board of Directors;
- in the second paragraph, it explains in detail the remuneration paid in the reporting year (2017) for whatever reason and in whatever form by the Company and by its subsidiaries or associates, highlighting any components of said remuneration related to activities carried out in previous years and also remuneration payable in one or more subsequent periods for activity carried out in the reporting period, possibly indicating an estimated value for components not objectively quantifiable in the reporting year;
- in the third paragraph, it indicates, with the criteria laid down in Attachment 3A, Scheme 7-ter of the Consob Regulation on Issuers, investments held, in the Issuer and its subsidiaries, by members of the Controlling Bodies, by the general manager and by other key managers, as well as their not-legally-separated spouses and children (minors), directly or through subsidiaries, trust companies, or through an intermediary, according to the Shareholders' Register, communications received and other information acquired from the members of Controlling Bodies themselves, from the general manager and from key managers.

1. Remuneration for members of the Board of Directors and Statutory Auditors, to general managers and key managers

All the non-executive directors of the Company receive an equal remuneration of Euro 40,000 per year, determined by the General Shareholders' Meeting of 13 April 2015. An additional remuneration of Euro 10,000 was paid to the directors called to participate in the Internal Control and Risk Management Committee and to the Remuneration Committee, as decided by the Board of Directors on 13 April 2015, in consideration of the greater commitment required. The Chairman of the Internal Control and Risk Management Committee receives an additional amount of Euro 20,000.

The remuneration of the Chairman and Chief Executive Officer and Deputy Chairman were approved by the Board of Directors on 13 April 2015, having obtained the opinion of the Board of Statutory Auditors and the Remuneration Committee.

The remuneration of the Chairman and Chief Executive Officer, as provided for by the Remuneration Policy, consists of a gross annual fixed component of Euro 1,250,000 (plus Euro 40,000 for the office of director) and a variable component. The amount of the variable component payable (which can reach up to a maximum of 30% of the amount established for the fixed remuneration) is determined by the Board of Directors, at the proposal of the Remuneration Committee.

For the 2017 financial year, the Remuneration Committee met to formulate the proposal to be presented to the Board of Directors, and thus determined that the variable component of the remuneration of the Chairman and Chief Executive Officer for the financial year 2017 would be Euro 375,000, equal to 30% of the fixed component. This variable component was confirmed by the resolution of the Board of Directors on 28 February 2018.

The Deputy Chairman of the Company receives additional remuneration compared to the office of director of Euro 60,000.

In line with the provisions of the Remuneration Policy, the remuneration paid to the General Manager Finance, Mr. Gabriele Galli, in office until 28 February 2017, was equal to Euro 259,802.84 for the period from 1 January 2017 to 28 February 2017.

Please note that at the date of this Remuneration Report, the Company has not identified the key managers. No agreements have been stipulated with the directors that regulate economic aspects *ex ante* in the event of termination of office or with regard to any form of termination of the employment relationship at the initiative of the Company or the interested party.

Finally, on 13 April 2015, the Company's Ordinary Shareholders' Meeting resolved to set the remuneration for Statutory Auditors at Euro 40,000.00 gross per year for each statutory auditor, and Euro 75,000.00 gross per year for the Chairman of the Board of Statutory Auditors.

2. Details of remuneration paid in the financial year

In relation to the reporting requirements set out in scheme 7-bis of Attachment 3A of the Consob Regulation on Issuers no. 11971/99, with regard to remuneration paid to members of the Controlling Bodies, General Managers and other Key Managers, for whatever reason and in whatever form, also by subsidiaries and associates, the above information is provided according to the procedures described below.

The information is provided separately with reference to positions in the Company that prepares the financial statements and for those possibly held in subsidiaries and associates, whether listed or not¹.

Fixed remuneration are shown separately, possibly in a footnote and on an accrual basis: (i) remuneration approved by the Shareholders meeting for the period, even if not paid; (ii) attendance fees; (iii) lump-sum expense reimbursement; (iv) remuneration received for performing special duties, pursuant to article 2389, paragraph 3 of the Italian Civil Code (for example, Chairman, Deputy Chairman); (v) fixed remuneration from employment gross of tax and social security charges borne by the employee, excluding mandatory collective insurance social security charges borne by the Company and the termination benefit provision. The other components of remuneration from employment (bonuses, other remuneration, fringe benefits, etc.) are indicated in the corresponding columns, specifying in the notes the part paid for the office of director and that for employment.

Remuneration for participation in committees this is indicated on an accrual basis and may be indicated at an aggregate level. An indication is provided in the notes of the committees to which the director belongs and, in the event of participation in several committees, the remuneration received for each.

Bonuses and other incentives remuneration accrued (*vested*), even if not yet paid, during the year for targets achieved in the same year, based on monetary incentive plans, is included. Under no circumstances are *stock-options* assigned or exercised or other remuneration in financial instruments included.

Profit sharing the amount accruing is indicated, even if approval of the financial statements and distribution of profits have not yet taken place.

Fringe benefits the value of *fringe benefits* (according to a criterion of tax liability), including any insurance policies and supplementary retirement funds, is indicated

Termination of office or employment indemnity the indemnity accrued, even if not yet paid, in favour of Directors for termination of office during the reporting year, with reference to the financial year in which termination of office actually took place, are indicated. The estimated value of any fringe benefits, the amount of any consulting contracts and indemnity related to any non-competition clauses is also indicated. The amount of the indemnity related to non-competition clauses is indicated only once when the office is terminated, specifying in the first part of the second section of the report the duration of the non-competition clause and the actual payment date.

Other remuneration any additional remuneration arising from other services provided is shown separately on an accrual basis. Information on any loans, advance payments and guarantees granted by the Company or its subsidiaries to Executive Directors and to the Chairman of the Board, in the case in which, taking into account the particular conditions (other than those of the market or applicable in a standardised form to categories of persons), they represent a form of indirect remuneration, is included in the notes.

Fair Value of equity remuneration the *fair value* at the grant date of remuneration accruing in the year for incentive plans based on financial instruments, estimated according to international accounting standards, is indicated².

Note that the table below includes all the those who held office as a member of the governance and control bodies or as a Senior Manager or Key Manager at any time over the year, including for only a fraction of the year.

¹ If a company has been a subsidiary or associate for a fraction of a year, the entire annual remuneration is indicated, provided that the subsidiary/associate status is present at the balance sheet date.

² This item does not refer to the entire allocation of *equity* remuneration made during the year, but only to the part recognised in the financial statements, in accordance with the accounting standards that require the vesting period of the rights themselves, spreading the related cost over said period, to be taken into account.

Table 1 - Remuneration paid to members of the Board of Directors, general managers and key managers.

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
Roberto Colaninno	Chairman/CEO	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	1,290,000						1,665,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				1,290,000			375,000			1,665,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				1,290,000						1,665,000		
Matteo Colaninno	Deputy Chairman	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	100,000						100,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				100,000						100,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				100,000						100,000		
Michele Colaninno	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000						40,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Federica Savasi	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000						40,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		

Vito Varvaro	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000	10,000 (Member RC)					60,000		
					10,000 (CRC member)	Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000	20,000					60,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	20,000					60,000		
Giuseppe Tesauro	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000	10,000 (Chairman RC)					60,000		
					10,000 (CRC member)	Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000	20,000					60,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	20,000					60,000		
Graziano Gianmichele Visentin	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000	20,000 (Chairman CRC)					70,000		
					10,000 (Member RC)	Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000	30,000					70,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000	30,000					70,000		
Maria Chiara Carrozza	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000						40,000		
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000						40,000		
Andrea Formica	Director	01/01/17 - 31/12/17	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					

(I) Remuneration in the company preparing accounts			40,000					40,000		
(II) Remuneration from subsidiaries and associates										
(III) Total			40,000					40,000		
Gabriele Galli	General Manager Finance	01/01/17 - 28/02/17	259.802,84				332,76	260.135,60	161.555,89	
						Bonuses and other incentives	Share of profits			
(I) Remuneration in the company preparing accounts			259.802,84				332,76	260.135,60	161.555,89	
(II) Remuneration from subsidiaries and associates										
(III) Total			259.802,84				332,76	260.135,60	161.555,89	

(1) remuneration from employment

Table 3 – Remuneration paid to members of the Board of Statutory Auditors.

Full name	Position	Period in which the office was held	Expiry of office	Fixed remuneration	Remuneration for participation in committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair Value of equity remuneration	Termination of office or employment indemnity
						Bonuses and other incentives	Share of profits					
Piera Vitali	Chairman	01/01/2017-31/12/2017	Approval of 2017 Financial Statements	75,000						75,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				75,000					75,000			
(II) Remuneration from subsidiaries and associates												
(III) Total				75,000					75,000			
Giovanni Barbara	Statutory Auditor	01/01/2017-31/12/2017	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000					40,000			
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000					40,000			
Daniele Girelli	Statutory Auditor	01/01/2017-31/12/2017	Approval of 2017 Financial Statements	40,000						40,000		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				40,000					40,000			
(II) Remuneration from subsidiaries and associates												
(III) Total				40,000					40,000			
Giovanni Naccarato	Alternate Auditor		Approval of 2017 Financial Statements	-						-		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				-								
(II) Remuneration from subsidiaries and associates												
(III) Total				-					-			
Elena Fornara	Alternate Auditor		Approval of 2017 Financial Statements	-						-		
						Bonuses and other incentives	Share of profits					
(I) Remuneration in the company preparing accounts				-								

(II) Remuneration from subsidiaries and associates									
(III) Total	-						-		

3. Investments of members of the administrative and control bodies, general managers and key managers (Scheme no. 7)-ter of Annex 3A to the Consob Regulation on Issuers)

The members of the administrative and control bodies do not hold investments in the Company or in its investees.