

**REPORT by the BOARD OF STATUTORY AUDITORS
on the FINANCIAL STATEMENTS as at 31 December 2019**

To the Shareholders,

In this report – drawn up in accordance with article 153 of Legislative Decree no. 58/1998 and the second paragraph of article 2429 of the Italian Civil Code – the Board of Statutory Auditors of Piaggio & C. SpA describes the work and checks that it carried out in the financial year ended 31 December 2019, in compliance with the relevant legislation, and the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants).

1. The work of the Board of Statutory Auditors

In 2019 the Board of Statutory Auditors carried out its statutory duties in compliance with the rules of the Italian Civil Code, Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016, Legislative Decree no. 58/1998 (the Consolidated Law on Finance or “TUF”), the company’s articles of association, and the rules issued by public regulatory authorities, also taking into account the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants).

Over the course of the year, the Board of Statutory Auditors held nine meetings, five of which with the Control and Risk Committee.

The Board also attended all the meetings of the Board of Directors.

The Chair of the Board of Statutory Auditors, or another member of the Board, attended the meetings of the Control and Risk Committee.

The head of Internal Audit also attended the meetings of the Board of Statutory Auditors, as a permanent guest, to ensure continuous interfacing with the third-level control function.

2. Significant transactions during the year

In the course of its supervisory work, the Board of Statutory Auditors periodically obtained from the company’s directors, also by attending their board meetings, information on the activities and most important business, economic and financial transactions approved and implemented by the company and its subsidiaries, also pursuant to article 150(1) of the TUF.

The Board of Statutory Auditors also checked whether there were any significant non-recurring transactions, as defined in CONSOB Communication no. DEM/6064293 of 28 July 2006, noting that in 2019 there were no such transactions.

3. Checks

3.1 – Checking of compliance with the law, the articles of association, and the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies

Based on the information gathered in the course of its work, the Board of Statutory Auditors did not discover any transactions that were not compliant with the principles of sound governance, not approved and implemented in compliance with the law and the company's articles of association, not in the company's interests, or not in line with the resolutions adopted by the shareholders' meeting, or any transactions that were manifestly imprudent, risky or such as to compromise the integrity of the company's equity value.

The Board of Statutory Auditors was not aware of any transactions involving a potential conflict of interest.

The Board of Statutory Auditors checked that the procedure governing business with related parties was compliant with the rules of law and was properly followed.

In particular, in accordance with that procedure, the Chair and/or other statutory auditors attended meetings of the Control and Risk Committee to discuss transactions with related parties; the Board received periodic information about the trends in this area.

The Board of Statutory Auditors judged that the Board of Directors, in its report and in the notes on the financial statements, had provided adequate information about transactions with related parties, taking account of the rules in force. So far as the Board of Statutory Auditors is aware, no intercompany transactions in 2019 were in conflict with the company's interests.

In 2019, there were no atypical or unusual transactions. The most significant ordinary transactions were prudent, did not conflict with the resolutions adopted by the shareholders' meeting, and were not such as to harm the company's equity value.

The Board of Statutory Auditors, noting that Piaggio & C. SpA had adopted the Code of Practice for the Self-Regulation of the Committee of Corporate Governance of Listed Companies, checked that its members satisfied the independence criteria, and that the criteria and procedures adopted by the Committee to evaluate the independence of directors had been correctly applied.

3.2 – Checking of the adequacy of the internal control system and the systems for managing risk and the organisational framework

The Board of Statutory Auditors checked the adequacy of the internal control system and risk management system by:

- holding meetings with the company's management;
- holding periodic meetings with the control functions – Internal Audit, Risk Management and the *Dirigente Preposto* (the manager in charge of preparing the company's financial reports) – in order to evaluate their planning methods, based on identification and evaluation of the main risks involved in the processes and associated with the organisational units;
- examining the periodic reports by the control functions and periodic information on the outcome of monitoring;
- gathering information from those in charge of the functions;
- discussing the results of the audit firm's work;
- participating in the work of the Control and Risk Committee and, when the issues required this, discussing them with the Committee;
- meeting the subsidiary's supervisory bodies.

3.3 – Checking of the administrative and accounting system and the process of reporting financial and other information

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, also following the changes made to the Italian system by Legislative Decree no. 135/2016, monitored the process and checked the efficacy of the internal control and risk management systems in respect of financial reporting.

The Board of Statutory Auditors periodically met the *Dirigente Preposto* to exchange information on the administrative and accounting system, and on its reliability to give a true picture of transactions.

In the course of these meetings, the *Dirigente Preposto* did not report any shortcomings in the operating and control processes that could alter the view that the administrative and accounting procedures are adequate and actually applied.

The Board of Statutory Auditors examined the *Dirigente Preposto*'s report on the financial statements for 2019, which sets out the results of the tests on the controls, the main issues detected in light of the relevant rules of law and methodologies, and the appropriate remedies.

The Board of Statutory Auditors also noted the statements issued on 26 February 2020 by the Managing Director and the *Dirigente Preposto*, pursuant to article 154-*bis* of the TUF and article 81-*ter* of CONSOB Regulation no. 11971/1999. According to these statements, there are no shortcomings that could alter the view that the administrative and accounting procedures are adequate.

The Board of Statutory Auditors also took note of the checks carried out by the *Dirigente Preposto* with regard to the consolidated subsidiaries; no critical issues emerged from these.

The audit firm, PricewaterhouseCoopers S.p.A, in the course of periodic meetings and in light of its Supplementary Report – required by article 11 of Regulation (EU) No 537/2014 and issued on 24 March 2019 – did not inform the Board of Statutory Auditors of any critical issues that could affect the internal control system in relation to administrative and accounting procedures; nor did it ever mention any reprehensible facts or irregularities to be reported in compliance with article 155(2) of the TUF.

The Board of Directors drew up, in compliance with the law, Piaggio Group's consolidated financial statements for the year ended 31 December 2019. These were audited by the audit firm PricewaterhouseCoopers S.p.A. As required by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants), the Board of Statutory Auditors verified that the procedures governing the preparation and layout of the financial statements and directors' reports were followed.

In light of the above, there is nothing that leads the Board of Statutory Auditors to believe that the business was not run in compliance with the principles of sound governance or that the organisational framework, system of internal controls and accounting and administrative apparatus were not, as a whole, suited to the needs and size of the company.

The company has prepared a Non-Financial Statement ("NFS"): an obligation introduced by Legislative Decree no. 254/2016 for financial years starting on or after 1 January 2017. These rules were supplemented by the "Regulation Implementing Legislative Decree no. 254 of 30 December 2016, published on 18 January 2018 by CONSOB in the form of Resolution no. 20267.

The company has prepared the NFS, as a section in the directors' report, on a consolidated basis and the Board of Statutory Auditors, in compliance with article 3(7) of Legislative Decree no. 254/2016, has verified – also in light of the audit firm's own report pursuant to article 3(10) of Legislative Decree no. 254/2016, issued on 24 March 2020 – that the NFS is complete and is compliant with the rules of law and NFS drafting criteria. The Board did not discover anything that needs to be mentioned in this report.

3.4 – Checking in accordance with Legislative Decree no. 39/2010

The Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, checked the work of the audit firm, in compliance with article 19 of Legislative Decree no. 39/2010, as recast.

Following the so-called “Barnier Reform” and the ensuing new domestic legal framework introduced by Regulation (EU) No 537 of 16 April 2014 and Legislative Decree no. 135 of 17 July 2016, which has recast Legislative Decree no. 39/2010, the Board of Statutory Auditors has undergone appropriate training in this respect.

Moreover, at the invitation of the Board of Statutory Auditors, the company has drawn up adequate procedures for checking the payments made to the audit firm in accordance with the Barnier Reform.

As already mentioned, during the year, the Board of Statutory Auditors met the audit firm PricewaterhouseCoopers S.p.A. several times, pursuant to article 150 of the TUF, in order to exchange information about the work performed in the course of their respective duties.

The audit firm:

- issued on 24 March 2020 – in accordance with article 14 of Legislative Decree no. 39/2010 and article 10 of Regulation (EU) No 537 of 16 April 2014 – its audit reports, from which it emerges that the individual and consolidated financial statements, for the year ended 31 December 2019, were drawn up clearly and give a true and fair view of the assets and liabilities, financial position, profitability and cash flow of Piaggio & C. S.p.A. and its group. These reports also certify that the directors' report on the individual and consolidated financial statements for the year ended 31 December 2019 and the information given in the “Report on governance and ownership structures” are consistent with the individual and consolidated financial statements for the year ended 31 December 2019. The audit firm did not discover any material errors in the information.

The audit firm submitted to the Board of Statutory Auditors, again on 24 March 2019 [*sic*], the Supplementary Report required in accordance with article 11 of Regulation (EU) No 537/2014. The Board of Statutory Auditors will bring the Supplementary Report to the attention of the next Board of Directors' meeting.

In relation to the financial reporting process, the Supplementary Report does not indicate any significant shortcomings in the internal control system that deserve to be brought to the attention of those responsible for governance.

In its Supplementary Report to the Board of Statutory Auditors, the Audit Firm made the statement on its independence required by article 6 of Regulation (EU) No 537/2014; there was nothing in this statement to indicate any situations that could compromise its independence.

Moreover, the Board of Statutory Auditors took note of the Report on Transparency drawn up by the audit firm and published on its website in accordance with article 18 of Legislative Decree no. 39/2010.

Finally, as already mentioned, the Board of Statutory Auditors examined the content of PricewaterhouseCoopers S.p.A.'s report on the NFS, issued in accordance with article 3(10) of Legislative Decree no. 254/2016 on 15 March 2018 [sic].

The Board of Statutory Auditors reports that in 2019, in addition to the auditing of the individual and consolidated financial statements and the financial statements of the company's subsidiaries, PricewaterhouseCoopers and its network were entrusted with the following work, with the approval of the Board of Statutory Auditors.

EUR	Service provider	Client	Fee for 2019
Auditing	PWC	Parent company Piaggio & C	369,314
	PWC	Subsidiaries	148,571
	PWC network	Subsidiaries	394,332
NFS and CSR auditing	PWC	Parent company Piaggio & C	54,000
Certification services	PWC	Parent company Piaggio & C	50,000
	PWC network	Subsidiaries	65,513
Other services	PWC	Parent company Piaggio & C	233,000
Total			1,314,730

The audit firm also confirmed that, over the course of the year, as there were no grounds for doing so, it did not issue any other opinions required by law.

3.5 – Dealings with the Supervisory Board

As recommended by the rules of conduct issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (National Council of Professional Accountants), in 2019 the Board of Statutory Auditors obtained all useful information from the Supervisory Board in order to verify that it had the necessary level of autonomy, independence and expertise to carry out its duties effectively.

The Board of Statutory Auditors also gathered information from the Supervisory Board about the adequacy, working and actual implementation of the Organisational Model adopted by the company.

The Supervisory Board reported on the work it carried out in the course of the year ended 31 December 2019, without flagging up any particular issues, and describing a situation basically in line with that required by the Organisational and Management Model referred to in Legislative Decree no. 231/2001.

Apart from the facts that it has already described above, the Board of Statutory Auditors is not aware of anything to be reported to the shareholders' meeting.

During the year the Board received no complaints from the shareholders under article 2408 of the Italian Civil Code.

In the course of its work, and on the basis of the information gathered, the Board of Statutory Auditors has not discovered any omissions, reprehensible facts, irregularities or significant circumstances that need to be reported to the regulatory authorities or mentioned in this report.

In conclusion, the Board of Statutory Auditors – taking into account the specific duties of the audit firm when auditing the accounts and when verifying the reliability of the individual financial statements, the fact that the audit firm has issued an unqualified opinion, and the statements issued pursuant to article 154-*bis* of Legislative Decree no. 58/1998 by the *Dirigente Preposto* – has no further comments that it wishes to make to the shareholders' meeting, pursuant to article 153 of the TUF, about the approval of the financial statements for the year ended 31 December 2019, as accompanied by the directors' report and as presented by the Board of Directors. Therefore it has no objection to the approval of the financial statements, the proposed allocation of the year's profit, and the distribution of dividends.

Milan, 24 March 2019

For the Board of Statutory
Auditors
The Chair

Piera Vitali

[Signed]