



**PIAGGIO
GROUP**



**Corporate Social
Responsibility Report
2016**

Index

Corporate Social Responsibility Report	5
Letter from the Chairman	7
Methodological note	8
Its foundations	10
Materiality analysis	10
Report contents	11
Report boundary	13
Process of drawing up and assurance	13
The Commitment of Piaggio Group	14
Piaggio's Corporate Social Responsibility Model	17
Generation of sustainable value	18
Sustainability strategy	19
Stakeholders' involvement	20
The process of the Sustainability Plan	24
Group profile	26
The Group's international dimension	28
The product range	29
The brands	29
Company structure at 31 December 2016	31
Main events and recognitions in 2016	32
Piaggio - facts and figures	33
Piaggio Group Certifications	34
Corporate Governance	36
Role of the Board of Directors	38
Code of Ethics	39
Business Ethics Committee	40
Organisational model pursuant to Legislative Decree 231/2001	40
Fighting against corruption	41
Compliance with laws and regulations	42
Risk management	44
The Economic Dimension	48
2016 results and future objectives	50
Determination and distribution of Added Value	50
Public grants and tax benefits	52
Value for shareholders	53
Dividends	54
Communication with shareholders and Investor Relations	54
The Product Dimension	56
Group Objective	61
Research guidelines	63
Applications	64
Industrial patent rights	75
Funded national and European projects	76

The environmental dimension	78
Production sites	81
Environmental certifications	82
Reduction of energy consumption	83
Reducing emissions of CO ₂ and other pollutants	84
Conserving water resources	86
Waste handling and recovery	87
Avoiding soil contamination	88
Biodiversity	88
Environmental spending and investments	88
Logistics	89
<hr/>	
The Social Dimension	90
Developing human resources	93
Staff	93
Personnel management policies	94
Industrial relations	104
Occupational health and safety	107
Meeting customer requirements	110
Responsible management of the supply chain	120
Supporting local communities	123
<hr/>	
Table of GRI-G4 indicators	130
<hr/>	
Report on the limited audit of the Corporate Social Responsibility Report	144
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Corporate Social Responsibility Report

REPORTING PERIOD	<ul style="list-style-type: none"> › Financial year 2016 (from 1 January to 31 December 2016).
ANNUAL REPORTING	<ul style="list-style-type: none"> › Cycle.
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CONTENTS OF THE REPORT	<ul style="list-style-type: none"> › The contents of the 2016 CSR are based on the requirements of the Global Reporting Initiative G4 - Core option.
STATEMENT	<ul style="list-style-type: none"> › The CSR Report 2016 has been subjected to a limited audit by PricewaterhouseCoopers Advisory SpA, an independent third-party company. It carried out its work in accordance with the "International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the purpose of checking CSR Report compliance with the "G4 Sustainability Reporting Guidelines" published in 2013 by the GRI-Global Reporting Initiative.
CONTACTS	<ul style="list-style-type: none"> › BUSINESS ETHICS COMMITTEE Email: businessethics.committee@piaggio.com › INVESTOR RELATIONS Raffaele Lupotto – Senior Vice President, Head of Investor Relations Email: investorrelations@piaggio.com Tel. +390587 272286 Fax +390587 276093 › PRESS OFFICE Email: press@piaggio.com

Letter from the Chairman



This is a period full of changes and mobility is now one of the most critical and complex elements that will undoubtedly shape the world's future. In this race, hectic at times, it is necessary for companies to base their roots on three basic pillars for a credible and sustainable development: innovation, people and curiosity.

They are the pillars upon which the Piaggio Group is built and which support the Group companies and departments devoted to research and development (such as the Italian offices in Pontedera and the PADc - Piaggio Advance Design Center in Pasadena), to the testing of new technological solutions (such as the Aprilia Racing department development platform), the study of innovative solutions that can anticipate and respond to the mobility needs of the future (such as

Piaggio Fast Forward in Boston).

These drivers are clear to us and guide us in the pursuit of the main objective of the Piaggio Group, namely to meet the most progressive mobility needs, while reducing the environmental impact of our vehicles and ensuring excellent performance for our Customers.

Thus, in 2016 extraordinary products were launched on the market, such as the Piaggio Wi-Bike, a pedal-assist e-bike entirely designed, developed and produced within the Group. The interpretation of mobility in the future, which will be totally integrated into and connected with mobile devices, efficient and environmentally sustainable.

Furthermore, last June we presented a prestigious partnership between the Piaggio Group and the international charity (RED), which has led to the development of (Vespa 946) RED which, through a percentage of its sale proceeds, supports the Global Fund activities to fight AIDS, tuberculosis and malaria in the most disadvantaged areas of the world. It is the meeting of two prestigious, world-renowned brands that join in the battle for a world where no child will be born with HIV.

In a world that is becoming more and more complex, there are issues that an international group like ours cannot ignore, and which we have to address in order to contribute to the responsible growth of the global economy and do our part in safeguarding the future well-being. The risks arising from pollution and climate change are two fundamental issues in our sector that have helped us become more aware of the way to go. In 2016, we therefore introduced the new i-Get motors that further reduce fuel consumption and emissions while increasing performance; we also announced the launch of a project that embodies a technological and cultural challenge: Electric Vespa.

The Piaggio Group thus intends to honour its historical roots by developing a Vespa that will once again change the concept of mobility. We have always been a pioneer in electrical power units, a tradition that dates back to the mid-70s, and we have launched the first and most popular of hybrid scooters. Now it's time to make a major evolutionary step and 2017 will be critical to our growth.

It is not a coincidence that we started 2017 presenting the first projects developed by Piaggio Fast Forward, Gita and Kilo, autonomous and smart vehicles, designed to assist people in their daily lives of tomorrow.

Indeed, our industrial and intellectual development is always focused on Consumers, their needs and their quality of life.

Indeed, one of the Piaggio Group's priority is to better understand and anticipate our end user needs and expectations. This one of the reasons we have developed a new global Customer Relationship Management platform that can follow the consumer in the pre- and post-purchase phases; in addition, we have promoted our Motoplex dealership model in every world market (as of today, over 200 of them have been inaugurated in four continents). In any part of the globe, this model places the customer at the center of a premium environment, technologically-oriented, fun and easy-going, surrounded by our brands and products.

A year of growth, challenges and satisfactions, that was made possible especially by the men and women who make up our group and every day help us build our successes with passion, professionalism and pride. A unique heritage, the most important resource for the future of this company.

Chairman and Chief Executive Officer
Roberto Colaninno

METHODOLOGICAL NOTE

Its foundations	10
Materiality analysis	10
Report contents	11
Report boundary	13
Process of drawing up and assurance	13

*We move fast in a rapidly and constantly
changing world to provide products that solve
problems and create new opportunities.*

Since 2008, the Piaggio Group has published, on a voluntary basis, its annual Corporate Social Responsibility Report, which provides information on the economic as well as the environmental and social performance of the Group and is an important form of dialogue with internal and external stakeholders.

Its foundations

The 2016 Corporate Social Responsibility Report is prepared in compliance with the "Sustainability Reporting Guidelines" (GRI-G4) Core option, published in May 2013 by the GRI - Global Reporting Initiative. The contents are based on principles of materiality, the inclusion of stakeholders, the context of sustainability and completeness. The quality of information and adequacy of its presentation is guaranteed by principles of fairness, clarity, accuracy, timeliness, comparability and reliability.

Information was provided and the final document was prepared involving all functions and companies of the Group, coordinated at a central level by the Group's Consolidated Financial Statements function, under the supervision of the Business Ethics Committee.

In reference to the principle of materiality in particular, the depth with which different topics were looked into in the reporting was determined based on their weight in the objectives and strategies of Piaggio Group and the relevance to the stakeholders, determined by a structured process of materiality analysis.

Materiality Analysis

The analysis of materiality was conducted based on the GRI-G4 guidelines with respect to the definition of the relevant topics and application of the principle of materiality.

In 2016 there was a structured process of mapping and prioritisation of the Group's relevant stakeholders, which saw the involvement of the corporate structures which handle the relations with the various stakeholders (Business Ethics Committee, Investor Relations, Personnel Management, After Sales, Product Development, Finance, Technologies Management, Purchasing Management, Sales Management, External Relations Management). The relevance of the different stakeholders was evaluated and pondered in relation to the following parameters: dependency (taken as the importance of the relationship to the stakeholder), influence (importance of the relationship to the Company) and urgency (temporal dimension of the relationship).

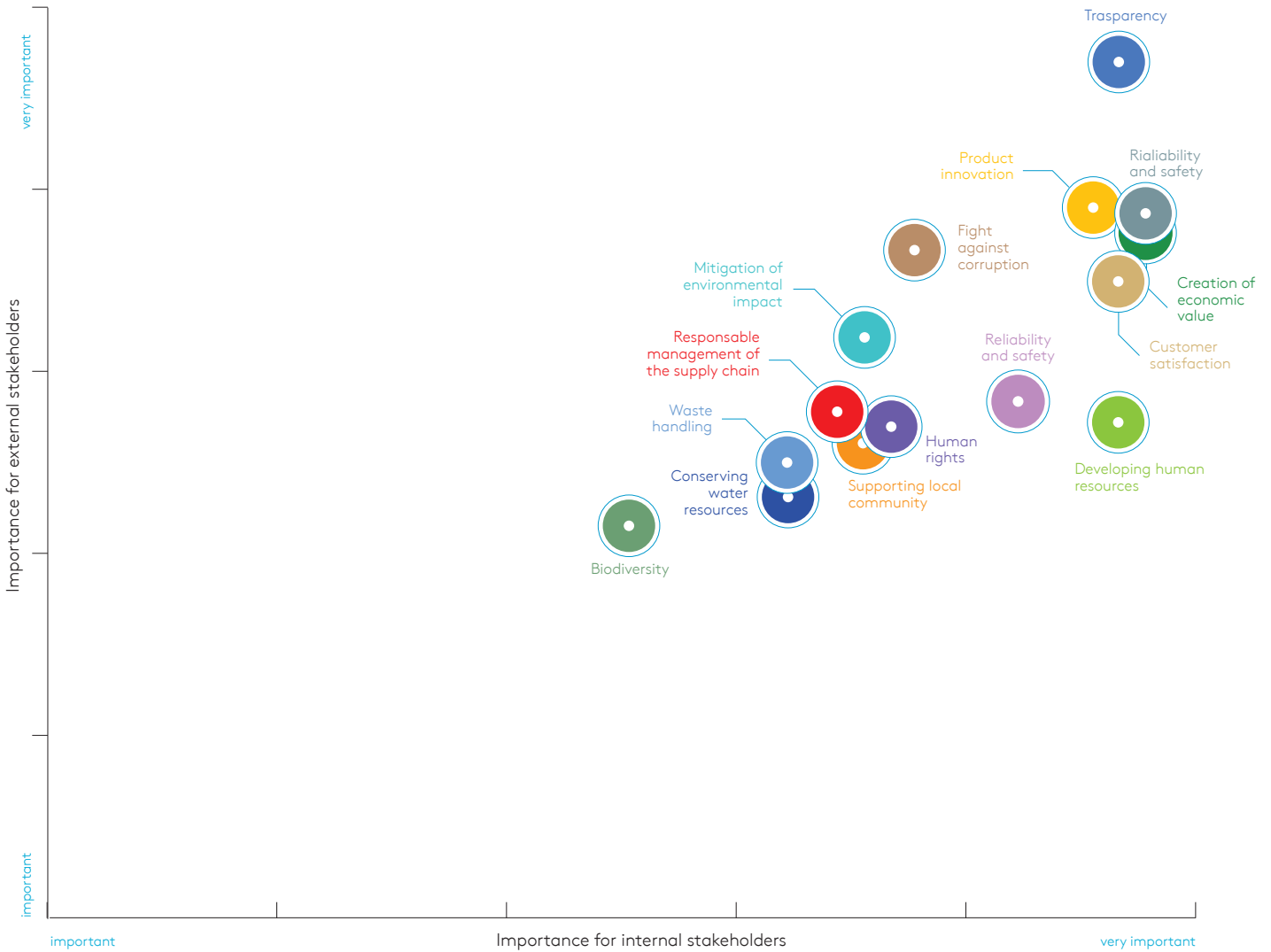
The topics relevant to Piaggio were defined based on different sources, among which are the corporate policies and principles, the 2015 Sustainability Report, and the initiatives for listening to the stakeholders. Two dimensions were looked into on these topics:

- > on the Stakeholder side, the relative importance of each topic as perceived by the Company function in relation with the stakeholders;
- > on the Company's side, the topics on which Piaggio means to focus its efforts and the "level" of commitment.

Therefore, in the upper part of the matrix there are topics into which - in the area of the Group's strategic objectives - a significant investment is foreseen in the next few years.

The analysis of the two dimensions has made it possible to prioritise the topics and position them on a matrix. The materiality matrix provides a summary framework of the topics which could potentially influence the actions and performances of Piaggio, its stakeholders' decisions, as well as the level of "alignment" or "misalignment" between the priority of intervention that stakeholders attribute to the different topics and the level of commitment that the Group takes on relative to them.

Materiality diagram



Report contents

On the basis of the results of the materiality analysis, we can define the structure of the 2016 Sustainability Report focusing it on "material" topics. Similarly, the level of materiality of the topics - in turn broken down into detailed subtopics - has influenced the level of depth with which the individual topics and GRI G4 indicators are gone into, as well as the choice of the most suitable reporting tool to represent them (2016 Consolidated Financial Statements and Corporate Governance Report). For a discussion or an in-depth analysis of more specific subjects, respectively, of the operating performance and the governance, reference is made to the abovementioned documents.

The GRI Content Index in the Appendix contains precise references to the 2016 Sustainability Report and other Group Reporting tools.

Dimension	Topic	Impact on	Chapter of reference	Reporting perimeter
ECONOMIC	Transparency, Creation of economic value and Fight against corruption	All Group companies – Shareholders and Lenders – Human resources – Suppliers	Corporate Governance and the economic dimension	All Group companies
PRODUCT	Product innovation and sustainable mobility, Reliability and safety	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies - Customers	The Product Dimension	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies
ENVIRONMENTAL	Mitigation of environmental impact, Waste handling, Conserving water resources and Biodiversity	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Local Communities - Suppliers	The Environmental Dimension	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited
SOCIAL	Developing human resources, Reliability and safety and e Human rights	Human resources	Developing human resources	All Group companies
	Meeting customer requirements	Customers and dealers	Meeting customer requirements	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited
	Responsible management of the supply chain	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies - Suppliers	Responsible management of the supply chain	Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited - Piaggio Advance Design Center – Piaggio Fast Forward - Foshan Piaggio Vehicles Technologies
	Supporting local communities	All Group companies - Local communities	Supporting local communities	Piaggio Museum and Foundation - Piaggio & C - Piaggio Vietnam - Piaggio Vehicles Private Limited

Report boundary

The information and figures contained in this Corporate Social Responsibility Report 2016 refer to the subsidiaries (Italian and foreign) as of 31 December 2016 and their activities developed during the year, unless otherwise indicated.

The figures for 2015 and 2014, taken from previous editions, are shown only for comparison. Where possible, the figures in this Corporate Social Responsibility Report refer to a three-year period, to allow for an evaluation of performance over time.

Financial figures are taken from the Consolidated Group Financial Statements of the Piaggio Group, which have already been audited.

The report duly indicates when aggregate data derive from estimates. In some cases, data could be affected by rounding off defects due to the fact that figures are represented in millions of euros; please be noted that changes and incidence in percent were calculated based on data expressed in thousands and not on the rounded figures expressed in millions.

Process of drawing up and assurance

The process of reporting and monitoring of Key Performance Indicators (KPI) relevant to sustainability involves the Holding for that which concerns transversal topics, and all the Divisions and Group Companies for the topics and specific indicators of the different sectors of activity.

Within the structures involved, those responsible for gathering, verifying and processing the KPI of competence were identified. The Consolidated Financial Statements Unit of the Administration, Finance and Control Division is responsible for the consolidation of the results. It has to coordinate the entire process of gathering and processing the quantitative indicators, not to mention the coordination of the process of drawing up the Sustainability Report. The Sustainability Report is submitted to the Business Ethic Committee for analysis and evaluation, which verifies its completeness and reliability; the document is then approved by the Board of Directors and finally presented at the General Shareholders' Meeting at the same time as the Group's Consolidated Financial Statements.

To improve the reporting process and assure all stakeholders of the reliability of the information reported, the 2016 Sustainability Report was subjected to a limited audit by PricewaterhouseCoopers Advisory SpA; issue a "Report on the limited audit of the Corporate Social Responsibility Report" based on indications provided by ASSIREVI, the Italian Association of Auditors (Research document no. 153). The report that describes the principles adopted, the activities carried out and the relative conclusions is in the Appendix.

THE COMMITMENT OF PIAGGIO GROUP

Piaggio's Corporate Social Responsibility Model	17
Generation of sustainable value	18
Sustainability strategy	19
Stakeholders' involvement	20
The process of the Sustainability Plan	24





Expansion only relates to growth from an economic point of view; progress relates to social, cultural and environmental development. Our company mission drives us to pursue progress, to be agents of truly sustainable development with a human face.

Piaggio is a group distinguished today by a strong international presence, but which has exported a business model targeting innovation and a strong link with the places where it operates, and a philosophy of doing business characterised by strong social responsibility: a culture of safety, respect for people and the protection of natural resources are a common theme throughout the Piaggio Group.

We are aware that to be able to successfully work in the global market a precise environmental policy needs to be at the centre of our business model which is in line with the needs of the communities where we work and helps their economic and social development.

The Group's conduct is guided by the principles and values set forth by the Group's Code of Ethics, which all Group personnel is required to observe as well as all those who interact with the Company throughout the world.

The Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.

In particular, its industrial strategy is based on technological innovation which targets environmentally friendly mobility.

In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social well-being.

Safeguarding the environment while carrying out all Company operations is essential for humankind, technology and nature to coexist peacefully. The Group therefore makes sustainable products, which must be manufactured using production facilities with minimal environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.

In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources, minimal harmful emissions and waste from production.

People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met.

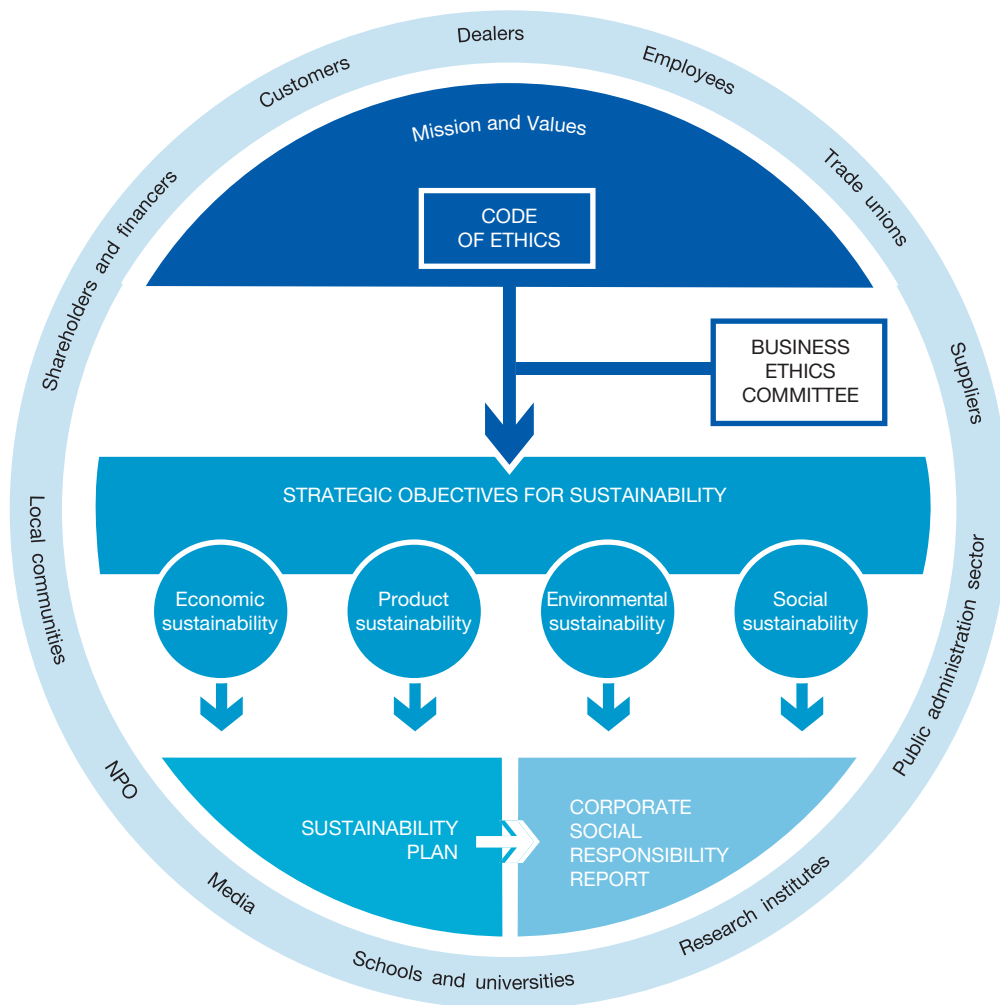
In order to achieve the objective of sustainable development, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. The success of a company over time is closely linked to customer confidence and satisfaction: customers must be listened to, informed and respected, establishing relations based on transparency and trust.

Piaggio's commitment is demonstrated by the trust and interest it attracts from socially responsible investors, who have been among the parent company's main shareholders for a number of years.

Piaggio's Corporate Social Responsibility Model

The Corporate Social Responsibility (CSR) model adopted by Piaggio is based on its mission and the values which have made a name for the Company over the years and which are the cornerstone of the Group's Code of Ethics, established in 2004.

The mission and values form the basis for strategic sustainability objectives, based on contexts that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. With these and the strategic objectives it has defined, the Group has prepared a mid/long-term sustainability plan. This plan is reported on in the Corporate Social Responsibility Report with the utmost transparency and with a view to continually improving economic, environmental, social and product performance. The whole process is coordinated by a committee specifically set up in 2008: the Business Ethics Committee.



Piaggio's Corporate Social
Responsibility Model

Mission

The mission of the Piaggio Group is to generate value for its stakeholders by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.

To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective well-being of the community.

To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition.

To become a leading European company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

Values

Value for customers: Managing and developing a fast, flexible organisation, in which all processes, persons and external partners (suppliers and dealers) are focused on the generation of value perceivable by the client.

Value for shareholders: Achieving objectives for returns on capital employed to meet the expectations of shareholders and ensure ongoing growth.

Value of people: Nurturing the capabilities and talents of each individual, attracting and retaining the highest value resources.

Value of brands: Investing in brand strength as leverage for developing market share and building a unique and distinctive market positioning.

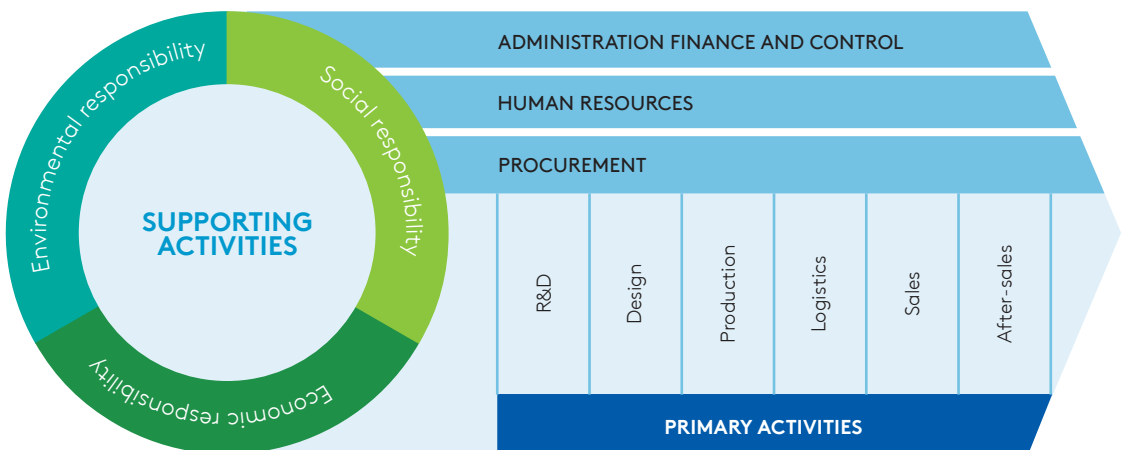
Customer-focussed innovation: Developing innovative products that stand out for their unique style, quality, safety, energy efficiency and low environmental impact.

Internationalisation: Becoming a truly multinational business in terms of organisation, culture, global market presence and respect for local culture in each of the countries in which the group operates, and in exemplary the way its international human resources are handled.

Generation of sustainable value

Piaggio Group pursues the creation of value and growth over the long term through responsible management of all stakeholder expectations.

The organisational structure of Piaggio Group analysed through the application of the model of the value chain theorised by Prof. Michael Porter in 1985 is the following:



Each primary company function, in carrying out its own activities, seeks to create value for all shareholders, while complying with business ethics and adopting a number of social values.

Specifically:

- › R&D (Research and Development) deals in the development of technologies which may be applied to next-generation products;
- › Design studies the vehicles that will be sold next, which best meet customer needs;
- › Operating activities researches how to lower consumption and emissions and responsible consumption of resources;
- › Logistics seeks to maximise the efficiency of activities to manage the flow of tangible goods going into and coming out of the organisation;
- › The Marketing and sales offices perform product advertising on the market and management of the sales process, strictly following the rules established by the Istituto di Autodisciplina Pubblicitaria - Self-Regulatory Institute of Advertising;
- › After-sales service for customers is performed with the care and competence necessary to guaranteeing one of the highest service standards on the market.

Support and procurement processes

The support processes are those that do not directly contribute to creation of output, but which are necessary to its production, and are:

- › Procurement: all those activities for the purchase of the resources needed to produce output and for the organisation to function;
- › Management of human resources: recruitment, selection, hiring, training, teaching, updating, development, mobility, remuneration, rewards systems, trade union negotiations and collective bargaining, etc.
- › Infrastructure activities: all the other activities including accounting, finance, planning, information systems, legal affairs, general management, etc.

Sustainability strategy

The Group's Corporate Social Responsibility (CSR) strategic objectives – which are largely integrated with and connected to the development of the strategic plan – are based on the following areas.

Economic	<ul style="list-style-type: none"> › Timely, correct, in-depth information to stakeholders. › Creating value while respecting business ethics.
Product	<ul style="list-style-type: none"> › Technological investments to meet the need for sustainable mobility. › Innovation to develop products that are environmentally friendly, safe and cost-effective.
Environmental	<ul style="list-style-type: none"> › Reduction of energy consumption. › Reducing emissions of CO₂ and other pollutants. › Conserving natural resources. › Waste handling and recovery.
Social	<ul style="list-style-type: none"> › Developing, training and promoting human resources so that everyone's expectations and aspirations are met. › Listening to and assisting customers, to establish relations based on transparency and trust. › Developing Company Advocacy in co-partnership with the Dealers network. › Sale of products that are environmentally friendly, reliable, safe and cost-effective. › Working together with suppliers, through jointly developed projects. › Fighting against corruption. › Respecting human rights. › Engaging and supporting local communities through social, cultural and educational initiatives.

Stakeholders' involvement

Developing a corporate social responsibility strategy goes hand in hand with defining the Company's business context and all its players (inside and outside the organisation) whose activities have an impact on Company operations. In fact stakeholders are defined as having an interest in or expectations (social, economic, professional, human) of the Company.

Based on this definition, the Group has identified a series of categories of stakeholders in relation to its operations.

Map of Piaggio Group stakeholders



By pursuing a constructive ongoing dialogue with its stakeholders, Piaggio aims to develop an integrated approach to managing the environment it operates in. Careful monitoring of all its stakeholders' expectations is a great opportunity for it to further improve its operations. It is in this context that Piaggio is focussing its efforts: on identifying possible areas for improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

The corporate website of the Piaggio Group –www.piaggiogroup.com – is designed to offer clear and up-to-date information in terms of financial and institutional disclosures, and on the corporate activities of the Group. It plays a central role in communications between the company and its stakeholders.

Map of the topics meaningful to stakeholders

Customers and dealers

Engagement methods:

- › Contact centre
- › Customer satisfaction surveys
- › Communication outlets (websites, social media)
- › Events (travelling tests, trade fairs)
- › Dealer Website
- › Dealer Support Services/Help desk
- › Motoplex (new sales format)

Stakeholder expectations	Our actions
Quality, safety and reliability of the products.	<ul style="list-style-type: none"> › Investment in ever safer and more reliable products. › Obtaining quality certification.
Low consumption and emissions.	<ul style="list-style-type: none"> › Study of innovative engines with low consumption and emissions.
Rapid response and problem solving.	<ul style="list-style-type: none"> › Effort to improve professionalism, timeliness and courtesy of the contact centre personnel and dealers.
Sales support.	<ul style="list-style-type: none"> › Development of a dedicated website and a new sales format.

Suppliers

Engagement methods:

- › Daily relations
- › Suppliers portal

Stakeholder expectations	Our actions
Continuity of the supply.	<ul style="list-style-type: none"> › Implementation of Suppliers Portal.
Collaboration and sharing of best practices.	<ul style="list-style-type: none"> › Vendor Rating Campaigns. › Appropriate conduct guidelines to prevent incidents of corruption.

Local Communities

Engagement methods:

- › Meetings, Exhibitions and Events
- › Rallies
- › Charity activities

Stakeholder expectations	Our actions
Contributions to supporting charity initiatives.	<ul style="list-style-type: none"> › Support for numerous charity initiatives.
Organisation of get-togethers and events for connoisseurs.	<ul style="list-style-type: none"> › Through the Vespa World Club and the Moto Guzzi World Club, the Group organises shows, get-togethers and contests for its customers.
Development of local communities.	<ul style="list-style-type: none"> › The Piaggio Foundation and the Piaggio Museum carry out the function of meeting place and cultural reference for the territory.
Respecting the environment.	<ul style="list-style-type: none"> › Attainment of the environmental certification for production establishments.

Institutions and Public Administration

Engagement methods:

- › Ongoing dialogue on the regulatory developments
- › Periodic ad hoc meetings
- › Participation in the parliamentary committees charged with discussing and formulating new regulations
- › Meetings and presentations

Stakeholder expectations	Our actions
Compliance with laws and regulations. Receptiveness and a propositional attitude regarding environmental and social themes.	<ul style="list-style-type: none">› Appropriate conduct guidelines to prevent incidents of corruption.› Investments into R&D of innovative products that are abreast of any restrictions of current regulations.
Support on specific technical themes.	<ul style="list-style-type: none">› Proactive participation in the parliamentary committees charged with discussing and formulating new regulations.
Pursuing common objectives.	<ul style="list-style-type: none">› Participating in trade associations.

Media

Engagement methods:

- › Press releases
- › Events and Company communication initiatives
- › Press product launches
- › Product test rides
- › Wide - Piaggio Magazine
- › Web sites

Stakeholder expectations	Our actions
Availability, transparency and timeliness of information on the Company and its products.	<ul style="list-style-type: none">› Abiding by the self-regulatory code of business communications.› Strengthening relations with the media in the different countries where the Group is active.

Shareholders and lenders

Engagement methods:

- › Conference call/Road Show
- › Piaggio Analyst and Investor Meeting
- › Corporate website

Stakeholder expectations	Our actions
Clear and timely information.	<ul style="list-style-type: none">› Promotion of ongoing dialogue with analysts and lenders.
Remuneration and defence of the asset value of the investment.	<ul style="list-style-type: none">› Treasury shares purchasing policy.

Human resources

Engagement methods:

- › Company intranet
- › Piaggio InfoPoint
- › Piaggio Net International
- › Web Mail
- › Evaluation Management System
- › Wide - Piaggio Magazine
- › Meetings with trade unions

Stakeholder expectations	Our actions
Clear and timely company communication.	› Promotion of ongoing, constructive dialogue with employees.
Safe and healthy work environment.	› Attainment of health and safety certifications for Group plants.
Opportunity for professional development and training.	› Preparation of professional and managerial career paths for young talents.
Transparent reward policies.	› Remuneration policy characterised by meritocratic and fair criteria.
Respecting human rights and diversity.	› Abiding by a code of ethics that explicitly prohibits any form of discrimination or forced labour.
Open and constructive dialogue.	› Piaggio promotes ongoing, constructive dialogue with trade unions.

Universities and Research Centres

Means of involvement

- › Cooperation in research projects
- › Training
- › Work placements

Stakeholder expectations	Our actions
Cooperation on common projects.	› Collaboration with universities and research institutes on research projects.
Training.	› Promotion of internships for final year students, college undergraduates and graduates. › Teaching carried out by its personnel in some departments.

The process of the Sustainability Plan

As part of the entire Group's steadfast commitment to social responsibility, Piaggio has adopted a process of continual improvement based on a CSR plan which aims to provide the utmost transparency for stakeholders and continual improvement. For the purpose of defining the Sustainability Plan, stakeholder expectations and Group strategic objectives as well as international reporting standards, such as GRI and disclosure requirements of ethical investors, were taken into account.

The Sustainability Plan is updated each year when the CSR is prepared by the Consolidated Financial Statements team, which also handles the drawing up of this document.

The process is composed of three stages:

- › *the planning stage*: the commitment and objectives are defined in cooperation with the functions and operating areas involved in their achievement. Thus defined, the proposed Sustainability Plan is submitted to the Business Ethic Committee for approval, which analyses its consistency with the Group's strategies and is formally approved by the Board of Directors together with the approval of the CSR document;
- › *the management stage*: the responsibility for reaching individual objectives put in the plan is up to the functions and the operating areas who have the resources, tools, and necessary competence to achieve them;
- › *the monitoring stage*: to guarantee the commitments taken up in the Sustainability Report, together with the new objectives set for the future, proof of the results achieved towards the commitments taken up is given.



GROUP PROFILE

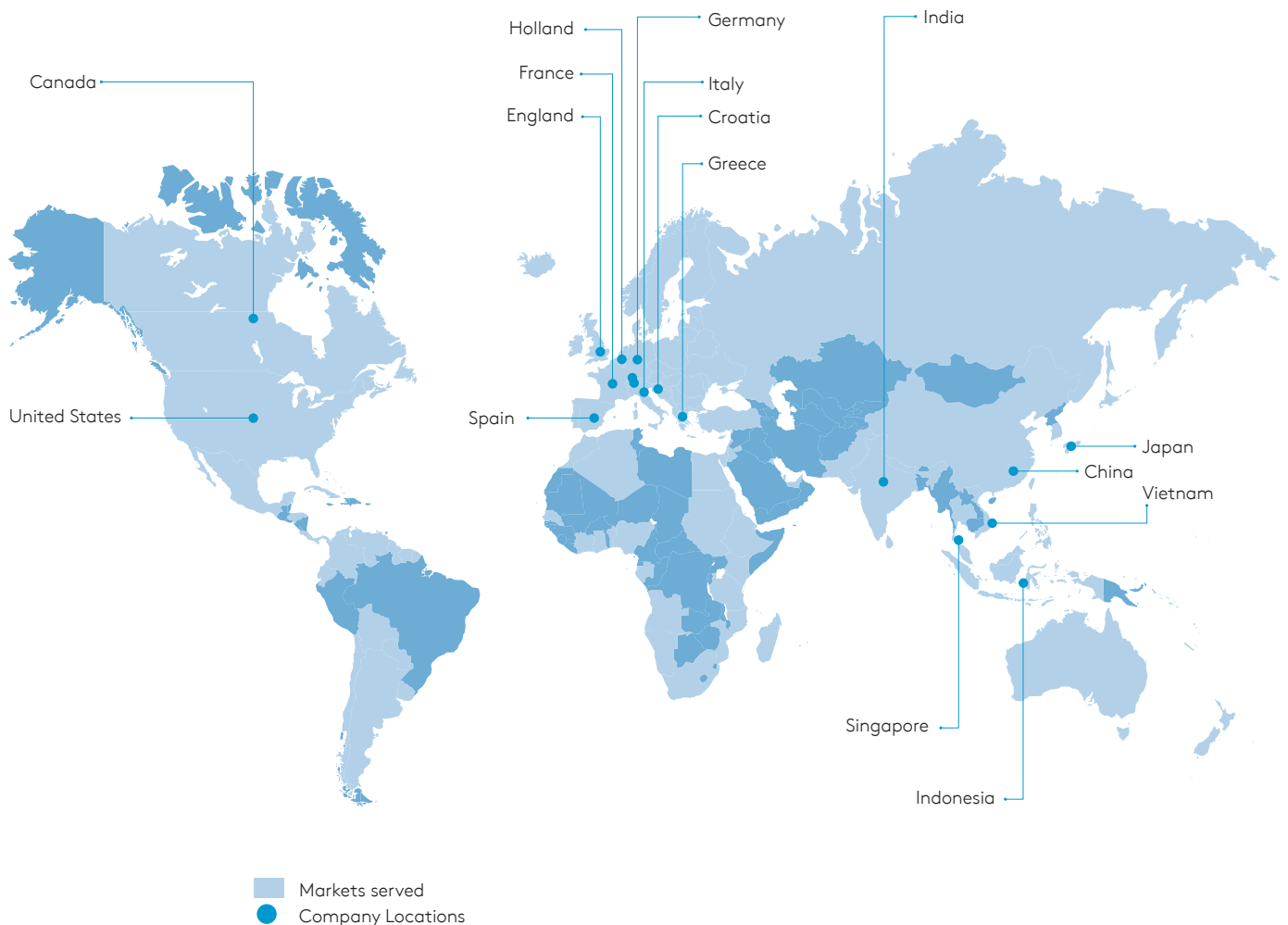
The Group's international dimension	28
The product range	29
The brands	29
Company structure at 31 December 2016	31
Main events and recognitions in 2016	32
Piaggio - facts and figures	33
Piaggio Group Certifications	34

*We move people and things,
but also emotions and passions,
through global brands that have
made history and have become
legend.*

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field. The Group is also a major player worldwide in the commercial vehicles market.

The Group's international dimension

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale (Venice) with a technical centre for the development of motorcycles for the entire Group and the headquarters of Aprilia Racing; in Scorzè (Venice), which manufactures Aprilia, Scarabeo and Derbi two-wheelers, and Piaggio Wi-Bikes; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Baramati (in the Indian state of Maharashtra), which manufactures three- and four-wheeler light transport vehicles for the Indian market and exports, the Vespa for the Indian market and engines for the Group's commercial vehicles; in Vinh Phuc (Vietnam), which manufactures scooters and engines for the local market and Asean area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which is therefore consolidated with the equity method in the Group's results. In the US, the Piaggio Group Advanced Design Center operates at Pasadena, California. In addition, Piaggio Fast Forward Inc. was set up in Cambridge, Massachusetts in June 2015, a subsidiary of Piaggio & C. S.p.A., for research into innovative solutions in the mobility and transport sector.



The product range

The Group's range of products, sold in nearly 100 countries, includes scooters, motorcycles and mopeds from 50 to 1,400cc, 3- and 4-wheeler vehicles, plus a new concept of electric bicycle.

The brands



Ape

Ape is a successful brand with over sixty years of history; it is recognised in Europe and worldwide as the prototype of light, handy and versatile transport, making Piaggio the absolute market leader in India in this specific product segment.



Aprilia

The Aprilia brand has racing in its blood and flies the sporting flag for the Piaggio Group. With 294 Grand Prix races won in the Road Racing World Championship, Aprilia holds the record for the most wins of any European manufacturers in the history of the premier class motorcycle road racing. In the Superbike World Championship, Aprilia conquered 41 wins and 89 podiums. To these are added as many as 54 world titles: 38 in World motorcycle racing championships (20 in the 125cc class and 18 in the 250cc class), 7 in the Superbike World Championships (winning both the Rider's and Manufacturer's titles in 2010, 2012 and 2014, and the Manufacturer's title in 2013) and 9 in Off Road races (7 in Supermoto and 2 in Trials).



Derbi

Derbi is the first motorcycle for many generations of young riders. The brand has a competitive spirit, winning 21 world titles and embracing a motorcycling philosophy centred on sport, adventure and fun.



Gilera

Gilera, the stylish, sporty Italian brand, produces premium vehicles with a stand-out style, performance and technology. Gilera is focused on a young, sports-oriented target clientèle looking for a vehicle with a superior performance and a dynamic, distinctive design that caters for their mobility needs, with advanced technological solutions that offer an outstanding riding experience.



Moto Guzzi

Moto Guzzi is one of the world's best known brands of motorcycle, with fans and clubs in all four corners of the globe. Founded in 1921, Moto Guzzi is part of Italy and the world's motorcycle history. The company's business has continued uninterrupted for more than 90 years, starting from the legendary Mandello del Lario site where the "Eagle Brand" originated in 1921.

Moto Guzzi has made a name for itself over the years manufacturing motorcycles renowned for their remarkable reliability, which have become famous thanks to their visibility at international rallies and première sporting events. The current Moto Guzzi range features 750cc to 1,400cc touring, road enduro, custom and naked bikes, all with 90° V twin cylinder engines and final cardan drive.



Piaggio

The Piaggio brand is a symbol of freedom in everyday life. Offering a complete range of original, creative and intelligent products for metropolitan mobility, plus an exclusive, sophisticated style.

Close to its customers' needs, the Piaggio concept is driven by technological innovation, safety and respect for the environment.

Piaggio is a leader in the two-wheeler light mobility segment in Europe and the United States. Building on its leadership, history and brand value, it is developing major investments to meet the changing mobility needs of large Asian markets.



Veicoli Commerciali

Piaggio Veicoli Commerciali is the partner of choice for all customers that need a vehicle on a daily basis to meet their professional and business requirements, with a range of commercial vehicles that are compact, easy-to-handle, with a large load capacity and environmentally friendly.



Scarabeo

Scarabeo is one of the Piaggio Group premium brands. A unique design, the utmost in comfort and technological innovation are the drivers behind the brand that is an Italian "style setter" among younger customers and the most exclusive high-wheeled scooter.



Vespa

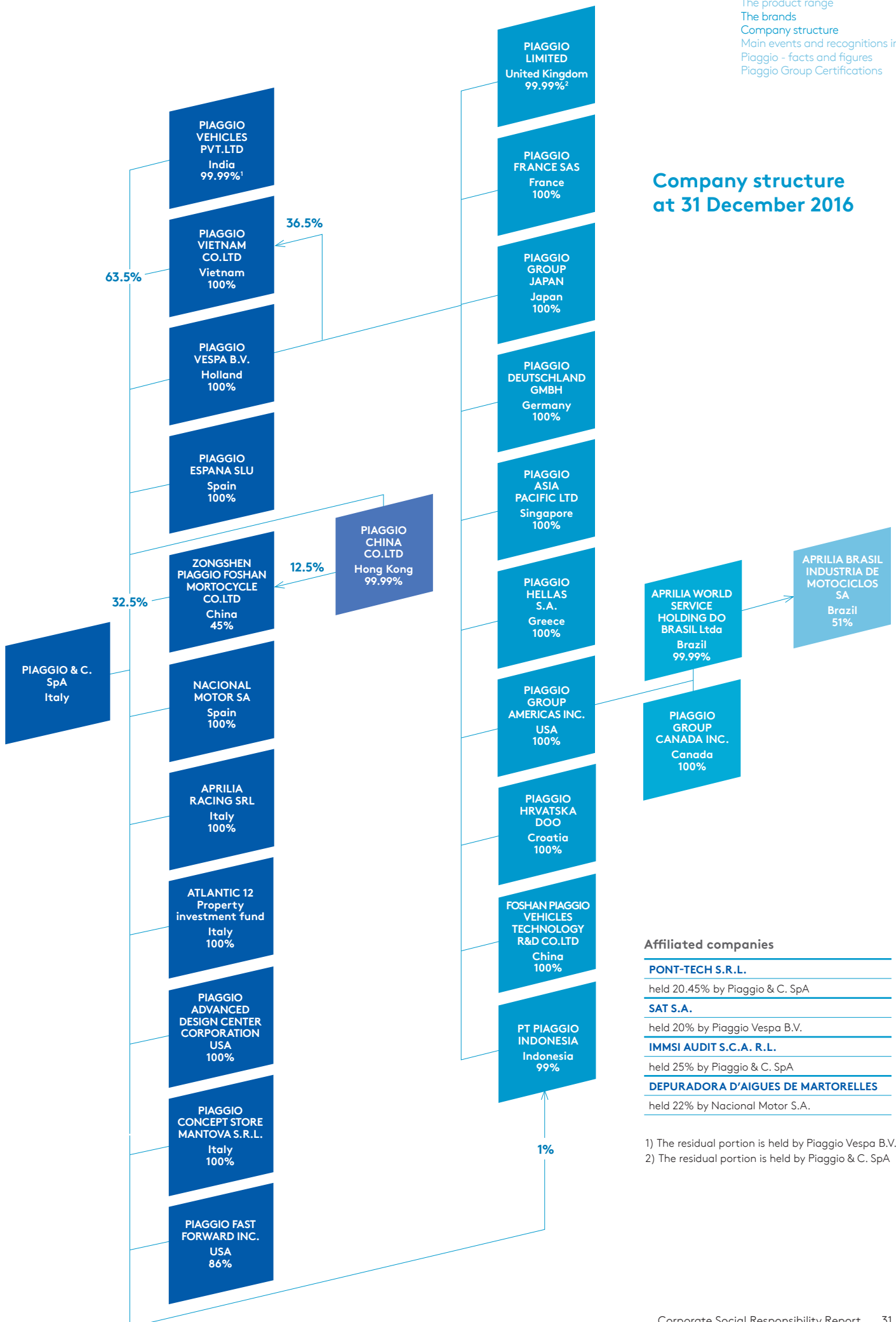
Vespa is the icon of a unique and distinctive lifestyle. Its eternal success stems from its remarkable historical background and iconic status.

Vespa is an icon of the two-wheeler segment, the brand which "invented" the scooter, with a wealth of values that all reflect an Italian way of life, a joie de vivre and a taste for beautiful objects.

On the strength of this success, Vespa has a vintage yet modern soul, a recognition worldwide that is unrivalled and a timeless image on all markets where it is sold.

In Europe, Asia and America, Vespa is a byword for an exclusive, elegant, "Made in Italy" scooter.

Company structure at 31 December 2016



Affiliated companies

PONT-TECH S.R.L.

held 20.45% by Piaggio & C. SpA

SAT S.A.

held 20% by Piaggio Vespa B.V.

IMMSI AUDIT S.C.A. R.L.

held 25% by Piaggio & C. SpA

DEPURADORA D'AIGUES DE MARTORELLES

held 22% by Nacional Motor S.A.

1) The residual portion is held by Piaggio Vespa B.V.

2) The residual portion is held by Piaggio & C. SpA

Main events and recognitions in 2016

Compasso d'Oro Award

June 2016 - The international jury of the XXIV Premio Compasso d'Oro ADI has awarded an Honorable Mention in the category DESIGN FOR MOBILITY, to the Vespa 946 for the following reasons: *"The Vespa brings the lines that have made it such a famous and loved brand up to date, while also considering the need for sustainability and a low environmental impact"*.

Fight against AIDS

June 2016 - The Piaggio Group and (RED), the no-profit organisation established in 2006 by Bono and Bobby Shriver, announced the start of a partnership to support fund raising for programmes to fight AIDS. The Piaggio Group will develop a special version of the Vespa, giving 150 USD from each sale to the activities of the Global Fund to fight AIDS.

USA 2016 Motorcycle of the Year

The influential US magazine *"Motorcycle.com"* presented the awards of the annual *"2016 Motorcycle of the Year"* contest. The contest, divided into 15 categories, with the presence of the most important brands in the world - saw the Aprilia Tuono 1100 V4 win the prestigious - Motorcycle of the Year Honorable Mention as well as the *"Best Streetfighter/Hooligan Year"* award. The Aprilia RSV4 RR/RF was crowned *"Best Sportbike of the Year"*. The Vespa GTS 300 Super ABS held the title as *"Best Scooter of the Year"* for the second consecutive year.

Carbon Disclosure Project

October 2016 - The Piaggio Group has been included in the Climate "B" List of the CDP Climate Change Report 2016. The results were published in the Global Climate Change Report 2016, which reports how the largest listed companies in the world perform in the fight against climate change.

CORPORATE ART AWARDS for "Best involvement of Social Media"

November 2016 - The Piaggio Foundation was awarded the prestigious first prize for *"Best involvement of Social Media"*.

India 2016 Scooter of the year

December 2016 - The Indian financial program CNBC named the Aprilia SR 150 as Scooter of the Year. A few hours later, also the national Indian NewsTV, NDTV, named the Aprilia SR 150 as best product in the crowded Indian market occupied the major world competitors.

Australia 2016 Motorcycle of the Year

December 2016 - The influential magazine Australian Motorcycle Magazine named Aprilia Tuono 1100 RF as *"2016 Motorcycle of the Year"*.

Piaggio - facts and figures³

³) Figures are stated as of 31
December 2016

1,313.1 million EUR

Consolidated
revenue

532.0 thousand units

Vehicles sold

503.4 thousand units

Vehicles Produced

170.7 million EUR

EBITDA

14.0 million EUR

Net profit

491.0 million EUR

Net debt

6,706

Employees at the end of
the period

96.7 million EUR

Investments

50.1 million EUR

Research and Development
expenditure

Piaggio Group Certifications

The Piaggio Group possesses excellent environmental, quality and occupational management systems at all its production sites.

		Production sites						
		Pontedera	Noale and Scorzè	Mandello del Lario	Baramati Engine Plant	Baramati Two-Wheeler Site	Baramati Commercial Vehicles Site	Vinh Phuc
Certification	ISO 9001 Quality management systems	since 1995	since 2006	since 2010		since 2013		since 2009
	14001 Environmental management system	since 2008	since 2008	since 2010	since 2015	since 2013	since 2015	since 2011
	BS OHSAS 18001 Occupational Health and Safety Management	since 2007	since 2007	since 2010	since 2015	since 2013	since 2015	since 2013
	ISO TS 16946 Suppliers' quality systems				since 2012		since 2013	
	ISO 50001 Energy management systems					since 2015		

Piaggio's production sites in Italy – Pontedera, Noale, Scorzè and Mandello del Lario – as well as its production sites in Vietnam and India have for many years held certifications for **Quality** (ISO 9001 or ISO/TS 16949), **Environment** (ISO 14001) and **Occupational Health and Safety** (BS OHSAS 18001).

4) DNV=Det Norske Veritas is one of the world's leading certification bodies.

In November 2016, audits were conducted by the certification company Det Norske Veritas (DNV)⁴ in order to issue the **Quality** (ISO 9001), **Environment** (ISO 14001) and **Occupational Health and Safety** (BS OHSAS 18001) certification for the Pontedera, Noale-Scorzè and Mandello del Lario sites. The outcome of the audit was successful and without "non-compliances".

Annual audits by the certification body demonstrate the Company's commitment to its Quality, Health and Safety and Environmental policies established by Top Management and are proof of the reliability of Management Systems which are applied with the contribution of managers from all functions and the individuals who work in them.

Following the publication in late 2015 of the new edition of the ISO 9001 and ISO 14001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted.

The Indian subsidiary Piaggio Vehicles Private Ltd. also obtained the **ISO 50001** certification for its energy management systems at its two-wheeler production site.




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Charleston
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LIAGGIO

CORPORATE GOVERNANCE

Role of the Board of Directors	38
Code of Ethics	39
Business Ethics Committee	40
Organisational model pursuant to Legislative Decree 231/2001	40
Fighting against corruption	41
Compliance with laws and regulations	42



We analyse how cities and their transport networks are developing, to learn to manage urban systems that are growing larger and more complex.

The Corporate Governance system adopted by Piaggio & C. S.p.A. (hereinafter **"Piaggio & C."** or the **"Company"**) conforms to the principles in the Self-Regulatory Code of companies listed on Borsa Italiana SpA and to national and international best practices, guaranteeing the proper and responsible management of the Company, in order to promote confidence among shareholders, customers and partners.

To these ends, over time Piaggio & C. has made all the suitable adjustments required by the changes made to the Self-Regulatory Code of the listed Companies, as last approved in July 2015. Piaggio & C. also has individuated and appointed the roles of Risk Manager and Compliance Officer.

Currently, the Company Boards which make up the system of Corporate Governance of Piaggio & C. are: the Board of Directors, the Board of Statutory Auditors, the committees within the Board of Directors and the General Shareholders' Meeting. Specifically, the Board of Directors is supported by the Internal Control and Risk Management Committee, the Remuneration Committee, the Appointment Proposal Committee and the committee for the operations with related parties.

The Board of Directors has also set up a Supervisory Body pursuant to Legislative Decree no. 231/2001 as well as a Business Ethics Committee.

For more information on the company boards, refer to the Report on Corporate Governance and Corporate Ownership for the year ending 31 December 2016, available online at www.piaggiogroup.com in the Governance section.

Role of the Board of Directors

The Company is governed by a Board of Directors (also known as **"Board"**) composed of a number of members not less than 7 (seven) and not more than 15 (fifteen).

The Articles of Association of Piaggio & C. regarding the composition and appointment of the Board require compliance with relevant provisions introduced by Italian Law 262/2005 and by Italian Legislative Decree no. 29 December 2006, no. 303, as well as Italian Legislative Decree no. 27 of 27 January 2010 implementing Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies and Italian Law 120/2011 on gender equality.

The Board of Directors is central to the corporate organisation. It is in charge of strategic and organisational functions and responsibilities, and ascertains the existence of controls needed to monitor the performance of Piaggio & C. and of Group companies. As part of its duties, the Board examines and approves the strategic, industrial and financial plans of Piaggio & C. and of the Piaggio Group, as well as the corporate governance system and structure of Piaggio & C. and of the Group reporting to it.

Piaggio & C. Board of Directors, appointed by the General Shareholders' Meeting on 13 April 2015, is composed of nine members whose professional résumés are lodged at the registered office of the Company and available on the Company website www.piaggiogroup.com/Governance - Management.

Name	Position	Year of birth	In office from	In office until	List M/m	Exec.	Non Exec.	Indep.	Indep. Consolidated Law on Finance	Participation in Board meetings	Other positions
Roberto Colaninno	Chairman Chief Executive Officer	1943	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12.2017	M	X				7/8	7
Matteo Colaninno	Deputy Chairman	1970	13/04/2015 First appointment: 23/10/2003	Approval of the financial statements as of 31.12.2017	M		X			8/8	3
Michele Colaninno	Director	1976	13/04/2015 First appointment: 28/08/2006	Approval of the financial statements as of 31.12.2017	M		X			8/8	9
Vito Varvaro	Director	1954	13/04/2015 First appointment: 16/04/2009	Approval of the financial statements as of 31.12.2017	M		X	X	X	8/8	2
Graziano Gianmichele Visentin	Director	1950	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	8/8	18
Maria Chiara Carrozza	Director	1965	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	8/8	0
Giuseppe Tesauero	Director	1942	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X	X	X	4/8	1
Andrea Formica	Director	1961	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	m		X	X	X	7/8	1
Federica Savasi	Director	1975	13/04/2015 First appointment: 13/04/2015	Approval of the financial statements as of 31.12.2017	M		X			8/8	0

The Board of Directors comprises a majority of independent, non-executive directors who, thus, due to their number and authority are able to have a significant influence on the decisions the Piaggio & C. Board makes. These directors bring their specific competencies to Board discussions and contribute to decisions being made in the Company's interest. The independence of the independent Directors is always reviewed, as recommended by the Corporate Governance Code, by the Piaggio & C. Board of Directors on an annual basis.

Already at the moment of joining the regulated market, Piaggio & C. appointed a Lead Independent Director who, in cooperation with the Chairman of the Board of Directors, coordinates the contribution of all the independent Directors.

Code of Ethics

Piaggio & C. has adopted a Code of Ethics since 2004 for the Organisational Model pursuant to Italian Legislative Decree 231/2001. The Code of Ethics was last updated in 2015 following a review of the Organisational Model pursuant to Italian Legislative Decree 231/2001, in order to tailor it more closely to the social and ethical values that the Piaggio Group is based on and that inspire its work. The Code of Ethics, available on the Company's website (www.piaggiogroup.com/Governance), widely distributed and in force in all of the Group's companies, defines the principles and values which the entire company organisation takes inspiration from in a clear and transparent manner:

- > complying with the laws of countries where Piaggio operates;
- > dismissing and condemning unlawful and improper behaviour;
- > preventing breaches of lawfulness, constant search for transparency and openness in managing the business;
- > seeking excellence and market competitiveness;
- > respecting, protecting and valuing human resources;
- > pursuing sustainable development while respecting the environment and rights of future generations.

Names and positions of Piaggio & C. Board of Directors members as of 31.12.2016

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.

The Group's Code of Ethics sets out the social and ethical responsibilities of each member of the Company's organisation. In particular the ethical and social responsibilities of senior management, middle management, employees and suppliers are defined in order to prevent any party acting in the name of and on behalf of Group companies, from adopting a conduct which is irresponsible or unlawful.

The articles of the Code of Ethics also set forth an important principle on how to manage relations with policy makers: "The Company does not make contributions or offer advantages and/or benefits to political parties and trade unions or to their representatives or candidates without prejudice to compliance with applicable law."

In view of the specificity and relevance of the Indian economy, the Code of Business Conduct & Ethics and the Whistle Blower Policy have been drafted and adopted since December 2016 for the Indian affiliate; the Whistle Blower Policy is specifically intended to protect and guarantee those who report any alleged violations of the Code, thereby also safeguarding the effective application of the Code itself.

At the same time, again in view of the peculiarities of the Indian society, a "Policy on Prevention of Sexual Harassment of women at the workplace" has been adopted by the Indian affiliate to avert incidents of sexual harassment at the factory.

Business Ethics Committee

The Piaggio Group was the first organisation to establish a Business Ethics Committee in Italy, in 2008. This committee develops rules and regulations for organisational conduct in line with international best practices on corporate social responsibility.

In coordinating the entire corporate responsibility process, the committee:

- › monitors instruments, conduct, and relations between management and Company personnel and all stakeholders;
- › optimises relations with local communities and stakeholders;
- › measures ethical standards, which are an integral part of the good governance of a Company;
- › implements the provisions in the Code of Ethics, including the activity concerning the receipt and management of reports of frauds that may involve employees, managers, and partners of Piaggio & C. and of Group companies;
- › produces the CSR Report and manages all activities needed for the planning, implementation, monitoring and reporting of the Group's sustainability initiatives.

All operations concerning relations between the Piaggio Group and the external world are analysed and revised by the Committee, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

Lastly, it should be noted that the Business Ethics Committee, as part of the Fraud Policy, is tasked with collecting all of the reports regarding fraud, calling meetings and making opportune assessments together with involved bodies.

Organisational model pursuant to Legislative Decree 231/2001

The internal control and risk management system of Piaggio & C. includes the Organisational, Management and Control Model for the prevention of corporate crimes pursuant to Legislative Decree no. 231/2001 ("Model pursuant to Legislative Decree 231/2001"), which Piaggio & C. has adopted since 2004.

The Model pursuant to Italian Legislative Decree 231/2001 is comprised of 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 Decree 231/2001. The Company has for some time now set in place a special e-mail whose references are in the Guidelines for Conduct, which let anyone send a message directly to the Supervisory Body to report any relevant cases. This message must be read exclusively by the Supervisory Body thus guaranteeing that the operations of the body are carried out in compliance with Model 231/2001 of the Company. The Model pursuant to Italian Legislative Decree 231/2001 – widely distributed by e-mail to all Piaggio Group senior management, middle management and employees in Italy, as well as published on the Company intranet – is constantly monitored and periodically updated. Piaggio & C. has also established a “Fraud Policy” with information channels for receiving, analysing and processing reported fraud that may involve employees, directors and partners of Piaggio and 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 Model is available on the corporate web site (www.piaggiogroup.com) in the section Governance/ Governance System.

Fighting against corruption

As stated in the Code of Ethics, in pursuing its mission the Group ensures, through the adoption of appropriate tools, including organisational tools, compliance with the absolute prohibition of any practice of corruption, request for and/or provision of preferential treatment, of any collusive behaviour, solicitation, whether direct/ indirect and/or through third parties, of personal benefits of any kind for oneself and/or for others, of material benefits and/or any other advantage of any extent in favour of third parties, whether they be private or public entities or government representatives, both Italian and foreign.

When participating in public tenders or competitions called by Public Administration as well as in any negotiations or contracts entered into with both Public Administration and private entities, all those involved must behave according to good faith and in accordance with the law, correct commercial practice and current regulations, as well as with the corresponding company procedures, avoiding any situation from which violation of laws and/or principles of fairness and transparency in the conduct of negotiations may arise. Such negotiations must be conducted only by those previously and expressly authorised to do so, respecting roles and in accordance with corporate procedures; adequate mechanisms for traceability of information flows towards the contracting party must also be put in place. Any request for advantages, any intimidating and/or constrictive or oppressive behaviour on the part of Public Administration officials or third contracting parties or which one has merely become aware of, must be immediately reported.

The functional managers who are commonly in touch with the Public Administration must:

- › provide their partners with guidelines regarding which operative conduct to follow in formal and informal contacts with the various public subjects, according to the characteristics of each individual area of activity, sharing their knowledge of regulations and their awareness of situations liable to offence;
- › provide for adequate tracing mechanisms as regards official information channels with the Public Administration;
- › maintain and request on the part of those having relations with Public Administration conduct characterised by fairness, transparency, traceability and in good faith, respecting the roles and responsibilities attributed; strictly observe and enforce therefore, also with specific reference to relations with Public Administration, company procedures aimed at abstractly identifying and tracing the functions and positions responsible and appointed for relations with Public Administration, in compliance therefore with corporate roles;
- › make clear, truthful, complete and traceable statements to public authorities and exhibit complete,

truthful and unaltered documents and data;

- › maintain correct and clear conduct such as to avoid inducing the counterparty into even potential error. All consultants, suppliers, customers, and whoever is related to the Company, are committed to the observance of the laws and regulations in force in all the countries where the Company operates;
- › no relation will be initiated or continued with those who do not intend to comply with such principles. When appointing these subjects to operate as representatives and/or in the interest of the Group towards the Public Administration, the appointment must be in writing, with a specific binding clause requiring compliance with the principles of ethics and conduct adopted by the Group.

Identical conduct guidelines to those indicated for relations with Public Administration must also be adopted with regard to relations with any private third party, such as suppliers, customers, competitors, partners and/or any contractual counterparty.

When contributions, grants or financial support are requested from the State, the public corporations or the European Union, all the employees involved in such procedures must:

- › be correct and truthful when using and presenting documents and declarations that are complete and pertinent to the activities for which such benefits can be legitimately requested and obtained;
- › once the requested outpayment has been obtained, the sum should be employed for the goals to which it was originally requested and obtained. The people in charge of administrative/accounting functions must verify that each operation and transaction is: legitimate, consistent, congruous, authorised, verifiable; correctly and adequately registered, so that the process of decision, authorisation and implementation can be verified; supported by correct, authentic and appropriate documentation, so that careful inspections can be carried out at any time regarding the characteristics and the motivations of the operation, and the individuation of those who have authorised, carried out, registered and verified the operation itself.

Please note that no incidents of corruption occurred in the reporting year.

Compliance with laws and regulations

During 2016, none of the Piaggio Group companies were affected by episodes concerning employee discrimination or the breach of employee rights. Moreover, no infringement procedures have been filed against the Piaggio Group for the breach of anti-competitive or anti-trust laws.

As of 31 December 2016, there were no sanctions in place concerning non-compliance with laws and regulations, including environmental laws and regulations, marketing, advertising, promotions, sponsorships and the supply and use of products.

Finally, no cases regarding the breach of consumer privacy or loss of consumer data were reported in 2016.

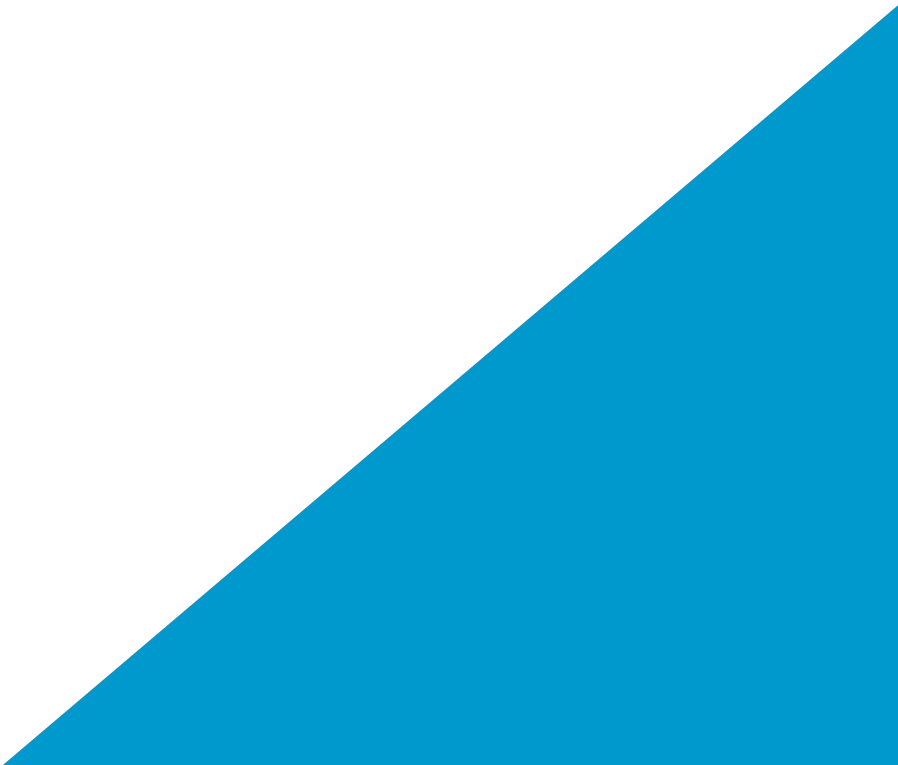


MOTO GUZZI

WILD
N° 4
WORKS

11

RISK MANAGEMENT



*We imagine how people will move in the future,
to anticipate their needs and aspirations.*

The Piaggio Group is engaged in an Enterprise Risk Management (ERM) project to define and gradually implement a structured and integrated system for detecting, measuring and managing company risks in line with existing best practices in the area, as defined by the Committee of Sponsoring Organizations of the Treadway Commission (CoSO) and the applicable regulatory requirements (Borsa Italian's New Corporate Governance Code).

The Piaggio Group's risk model identifies CSR risks implicit in internal risks, as briefly described below.

Reputational risk

Risk connected with a worsening of how stakeholders perceive the Group and its reputation, and loyalty to it.

Risk connected with the environment and with health and safety

Risk that the Group does not guarantee a safe work environment, with potential negative impacts (for example legal proceedings brought by employees, loss of reputation, the payment of compensation). Risk connected with potential negative environmental impact that may damage property or persons and expose the Group to sanctions, costs for compensation and reputational damage.

Risk connected with the development of environmentally compatible products

Risk connected with inadequate technological investments that are functional for sustainable mobility, for creating environmentally friendly products and an adequate technological level of products to meet new mobility needs of consumers and regulatory developments.

Risk connected with the sustainable supply chain

Risk connected with the use of suppliers or subsuppliers that do not meet adequate standards of sustainability, in line with the Group's sustainability strategy.

Risks connected with diversity

Risk arising from a failure to value diversity within the organisation and the absence of management that is heterogeneous as regards competency, experience, age brackets and gender; risk arising from discriminatory actions that may occur on the labour market due to gender, sexual orientation and other diversity aspects.


To deal with these risks, the Piaggio Group has excellent environmental, quality and safety management systems at all its production sites.

For a more detailed analysis of all the risks identified by the Piaggio Group, refer to the Report on Operations in the 2016 Consolidated Financial Statements.



THE ECONOMIC DIMENSION

2016 results and future objectives	50
Determination and distribution of Added Value	50
Public grants and tax benefits	52
Value for shareholders	53
Dividends	54
Communication with shareholders and Investor Relations	54



Capital as such is not evil; it is its wrong use that is evil. Capital in some form or other will always be needed.

M. K. Gandhi

Integrating economic choices with those of a social and environmental nature is a fundamental commitment for the creation of value in the long term.

The creation of economic value is fundamental for a Company's operations and it is what its existence and business outlook depend on. For a manufacturing Company, creating added value is the first way to be socially responsible, and this value may benefit a plurality of stakeholders in different ways.

The economic dimension of acting as a company must be fully enhanced within the role that it plays for all its stakeholders. To these ends, Piaggio Group carefully oversees the process of producing value and makes transparent, punctual and exhaustive communication regarding the process in the Report on Operations of the 2016 Consolidated Financial Statements (see chapter "Financial position and performance of the Group") to which reference is to be made for any in-depth information.

2016 results and future objectives

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
Shareholder remuneration.	› Safeguarding shareholder's value.	› Distribution of dividends.	› Safeguarding shareholder's value.	› Distribution of dividends and protection of equity for shareholders.
Conducting business operations fairly and transparently.	› Continuing improvement of the corporate web site.		› Continuing improvement of the corporate web site.	› Swift and timely compliance with laws and regulations. › Continuing improvement of the corporate web site. › Ongoing adaptation of the Code of Ethics to national and international best practices.

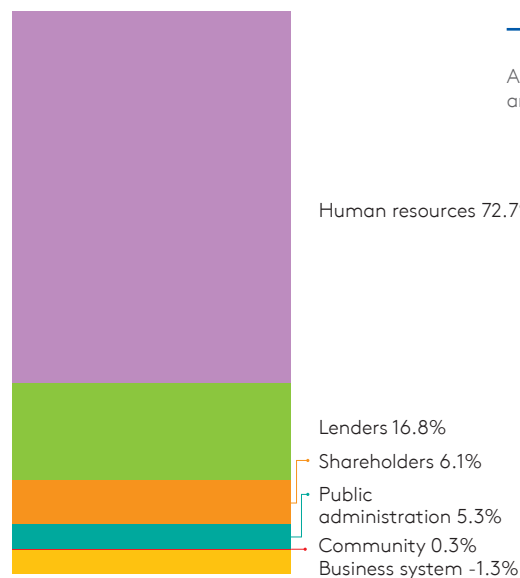
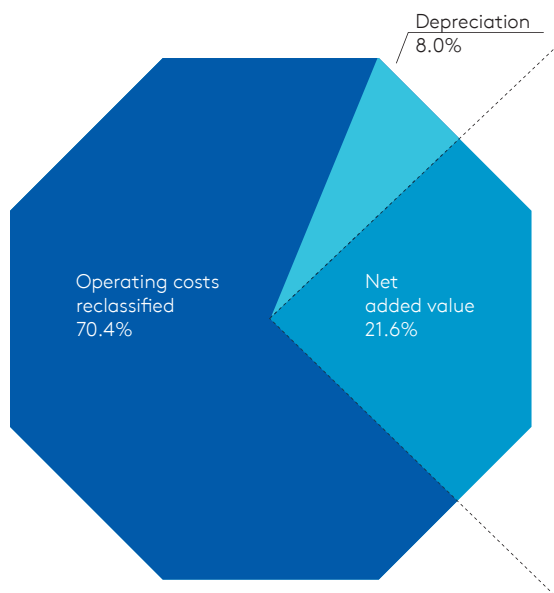
Determination and distribution of Added Value

Added Value is an asset produced by the Piaggio Group, which is distributed, in different forms, to various stakeholders.

The breakdown of the net Global Added Value among the various stakeholders is as follows: remuneration to human resources (direct remuneration comprising salaries, wages and termination benefits and indirect remuneration comprising social security contributions), remuneration to lenders (interest payable and exchange losses), remuneration to shareholders (dividends distributed), remuneration to the Public Administration sector (total taxes paid), external donations and donations to the community. The value held by the Group comprises retained earnings.

	2016	2015	2014
<i>(figures in thousands of euros)</i>			
Net revenues	1,313,109	1,295,286	1,213,272
Income/(loss) from investments	588	295	-184
Financial income	13,518	19,783	13,956
Other operating income reclassified	31,107	26,054	25,499
Economic value generated	1,358,322	1,341,418	1,252,543
Operating costs reclassified	-955,934	-941,429	-864,019
Amortisation/Depreciation	-108,459	-105,014	-89,353
Net added value	293,929	294,975	299,171
Remuneration to human resources	213,775	213,326	211,513
Remuneration to lenders	49,508	56,685	56,919
Shareholder remuneration	17,962	26,007	0
Remuneration to the Public Administration sector	15,639	12,684	14,383
External donations and donations to the community	967	413	292
Distributed added value	297,851	309,115	283,107
Business system	-3,922	-14,140	16,064
Added value retained by the Group	-3,922	-14,140	16,064

How added value is determined and distributed



Added value generated and distributed in 2016

The net Global Added Value generated by Piaggio in 2016 amounted to approximately €293,929, or 21.6% of the economic value generated. Most of this amount refers to remuneration to human resources (72.7%), followed by remuneration to lenders (16.8%) and to the shareholders (6.1%). Compared to 2015, Global Added Value decreased by 0.4%.

Public grants and tax benefits

In 2016 the Piaggio Group benefited from government aid in the form of research grants, training grants and tax benefits in the amount of € 2,278 thousand.

Research grants, totalling € 705 thousand, were obtained for research projects. The contents and results of these are commented on in the chapter on the product dimension.

Training grants totalled € 412 thousand and were obtained by the Parent Company.

Piaggio Vehicles Private Limited (India) obtained a grant for exports and its amount, € 1,161 thousand, was calculated as a percentage of the FOB value of the exports.

Grants obtained	2016	2015	2014
	(figures in thousands of euros)		
Grants	705	3,729	173
Export grants	1,161	1,143	853
Training grants	412	245	334
Total	2,278	5,117	1,360

Instead, tax benefits totalling € 1,392 thousand were obtained by the companies operating in Vietnam and France.

Specifically:

- › Piaggio Vietnam benefited from an exemption on income tax resulting from manufacturing and trading activity on the Vietnamese market, which led to a tax reduction of 50% compared to the rate for these activities.
- › Piaggio France received a tax credit totalling €41,000, related to the total of salaries paid in 2016. More specifically, the tax credit is equal to 6% of the total amount of wages that, in relation to the individual employee, do not exceed a certain threshold represented by a reference minimum wage (SMIC) multiplied by 2.5.

Tax benefits	2016	2015	2014
	(figures in thousands of euros) ⁵		
	<u>Tax exemption</u>		
Piaggio Vietnam	1,351	2,068	1,462
	<u>Tax credit</u>		
Piaggio France	41	45	54
Total	1,392	2,113	1,516

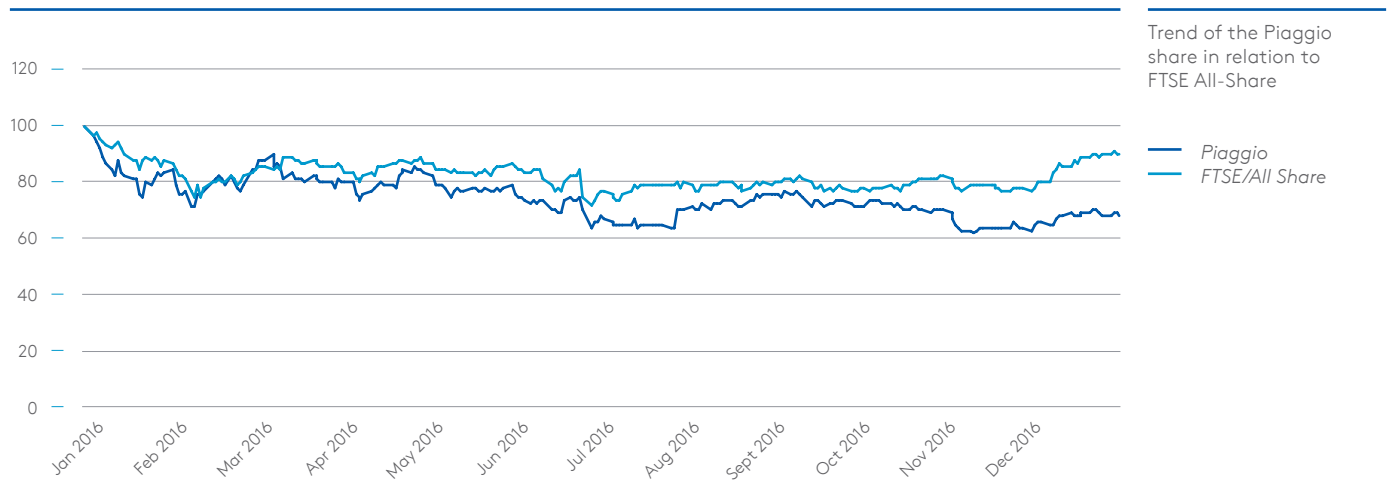
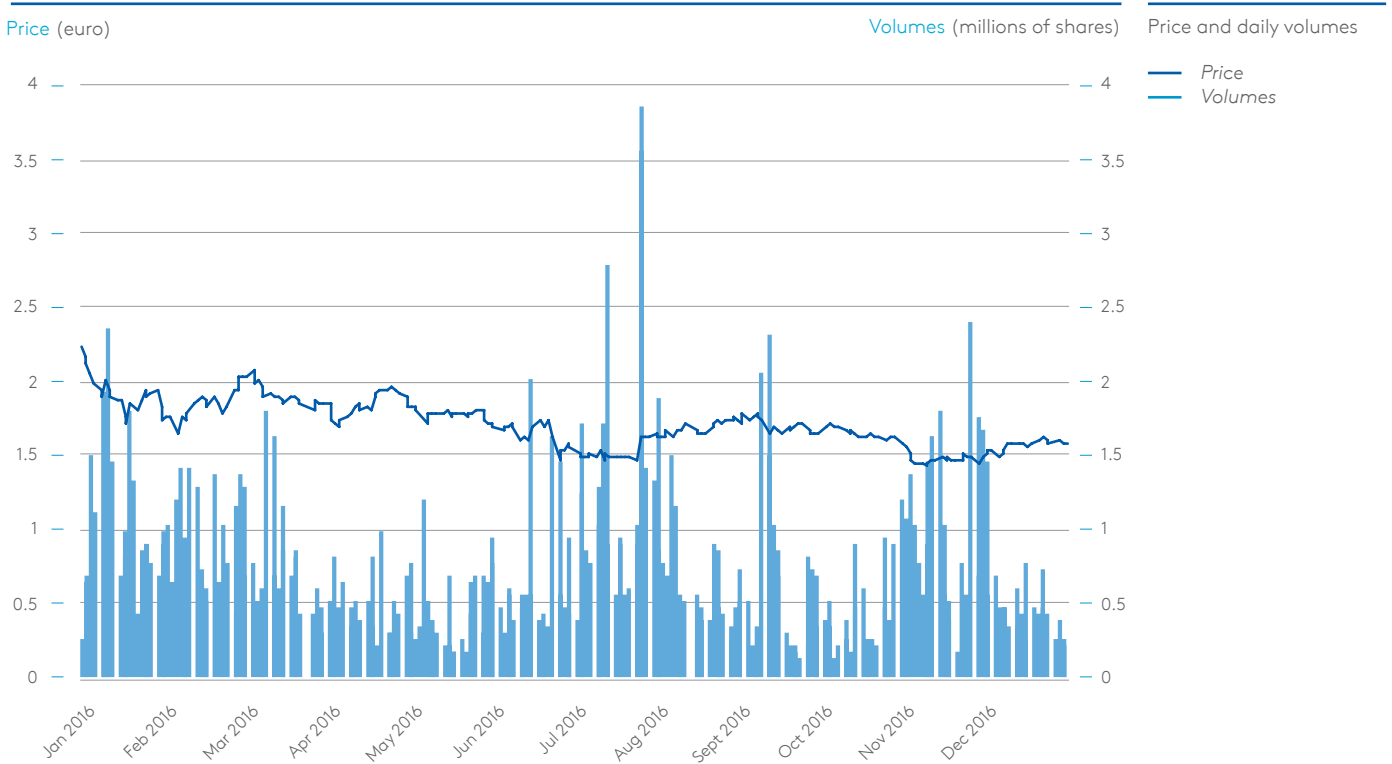
5) Values in currencies other than the Euro have been converted using the annual average exchange rate.

In the course of 2016, a loan agreement was disbursed by the European Investment Bank for an amount of € 70,000 thousand, to support the Group Research & Development projects.

Subsidised loans obtained	2016	2015	2014
	(figures in thousands of euros)		
Loans			
- of which subsidised loans	-	-	-
- of which EIB loans	70,000	-	-

Value for shareholders

Piaggio & C. SpA has been listed on the Milan Stock Exchange since 11 July 2006. The Piaggio share, affected by the market volatility characterising the second part of the year, ended 2016 at a price of 1.59 euro per share, down compared to the end of 2015.



Dividends

The Shareholders Meeting of Piaggio & C. S.p.A. of 14 April 2016 resolved to distribute a dividend of 5.0 eurocents per ordinary share. In 2015 the Company had distributed a dividend of 7.2 eurocents per ordinary share.

Statement of Piaggio & C.
SpA dividends for -2016
-2015

Detachment date	2016	2015
Detachment date	18 April 2016	20 April 2015
Payment date	20 April 2016	22 April 2015
Dividend per share (euro)	0.05	0.072

Communication with shareholders and Investor Relations

Piaggio considers financial disclosure to be of fundamental importance in building a relationship of trust with the financial market.

In particular the Investor Relations function engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to promote a correct perception of the Group's value.

In 2016, the Group had numerous occasions to engage with the financial community, meeting investors on the main European and Asian financial markets during road shows and conferences. Initiatives also included direct meetings and conference calls, managed daily by the IR function, and institutional communication events concerning quarterly results.

The Company's web site (www.piaggiogroup.com) is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English.

In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community, Piaggio share consensus as well as corporate governance documents (articles of association, insider trading and material concerning shareholders' meetings).

**Testimonials - taken from the publication of Etica SGR
"Active shareholder engagement 2015"**

For the fifth year, Etica Sgr attended the general shareholders' meeting of Piaggio, an Italian motorcycle manufacturer which works in the scooter, motorcycle and lightweight transport vehicle sector, with which it has a long-standing intense dialogue related to certain aspects of corporate sustainability. During the 2014 shareholders' meeting, Etica Sgr had asked the company to take part in the CDP initiatives, to better report the impact of Piaggio's activities on climate change. This year the company decided to accept Etica Sgr's request and to answer the Climate Change questionnaire promoted by the organisation for the first time, demonstrating a growing awareness related to the risks and opportunities resulting from climate change.

Piaggio, subject to job reduction policies in the Noale plant and job protection contracts in the Pontedera and Scorzè plants, demonstrated a significant commitment to establishing a dialogue with the trade unions, as well as providing detailed information in corporate documents, confirming the importance of placing the product and research and development in Italy. At the general shareholders' meeting, Etica Sgr focussed much attention on the procedure for managing employment stability and was able to appreciate Piaggio's commitment in these delicate operations.

THE PRODUCT DIMENSION

Group Objective	61
Research guidelines	63
Applications	64
Industrial patent rights	75
Funded national and European projects	76

*We design innovative, beautiful, efficient, smart
and sustainable technologies to reinvent mobility
for future generations.*

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
2W Vehicles Study, research and development of environmentally sustainable products: > reducing fuel consumption and emissions; > increasing performance.	> Creation of new Wi-Bike versions. > Use of Wi-Bike in sharing services.	> Development of version with automatic electronic gear. > Development of increased torque version for Wi-Bike engine. > Development of enhanced 350W model.	> Marketing of new Wi-Bike models with electronic gear and model with increased torque.	> Research into electric vehicles for urban mobility.
	> Widespread application of iGet engines.	> Vespa GTS 125 equipped with water iGet presented.	> Application to other brand models.	> Research and development for new devices aimed at further reducing consumption and emissions by decreasing absorption and improving engine use.
	> Widespread application of the Start & Stop device.	> Marketing of the Start & Stop version of the water iGet engine on Piaggio Medley fully successful.	> Application of the Start & Stop device to other brand models.	> Research on electronic and electromechanical devices to reduce pollution in urban use.
	> Study of innovative high performance automatic transmissions, both simplified and high performing. > Refinement of high-performance version. Creation of prototypes for simplified models.	> High-performance version fully developed for use in competitions. > Study of innovative solutions for medium-size vehicles.	> Prototypes and development of both stepped and continuous innovative solutions.	> Creation of versions available for sale and their industrial production.
	> Study of modular battery applications for secondary or alternative use to the vehicle mounted ones: extension of contacts with partners from other sectors to assess profitability.	> Production of prototype units for field testing.	> Continuing the modular battery development and testing programme.	> Continued research into making batteries with higher energy densities, longer ranges and greater reliability at a lower cost.
	> Spreading of PMP system and increase of functionality, introduction of version with internal phone and call management.	> New Moto Guzzi MGX21 model introduced. > New features for use on the track (see PMP Box).	> The new PMP version will be applied to Aprilia RV4, Tuono V4, RS125, Tuono 125, Piaggio Mp3, Beverly, and Vespa GTS (with different functionalities depending on the model).	> Continuous improvement of system and harmonisation with other electronic on-board devices in terms of safety, comfort, data exchange, improved reliability.

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
3/4W Vehicles Developing environmentally > low consumption and low CO ₂ emissions; > good product end life recycling and recovery levels.	Porter Europe > Start of production of GPL version in February 2016 and CNG version in May 2016.	Porter Europe > Production of GPL version started in February 2016 and of CNG version in April 2016.	Porter Europe > Technical and economic feasibility assessment of new 4 wheeler vehicle for urban and short distance mobility.	> Development of new vehicles and line-up completion for urban and short distance mobility (Europe, India and export markets) transport of goods and people with the following main objectives: <ul style="list-style-type: none"> - reduced consumption; - high mobility/handling in urban settings; - high specific payload; - use of environmentally friendly tractions.
	Porter Electric > Feasibility study to update traction and fast-recharge system.	Porter Electric > Technical feasibility study carried out.	Porter Electric > Economic feasibility and business case in Q1 2017.	
	3W India > Development of Ape City BSIV and Ape 501 BSIV to respond to new regulatory requirements that will take effect on 1 April 2017 and for the continuous improvement of the TCO ⁶ . > Feasibility study and subsequent development of the Ape City medium Body AF ⁷ for use in suburban environments.	3W India > Planning of development of Ape City BSIV and Ape 501 BSIV complied with, to respond to new regulatory requirements that will take effect on 1 April 2017 and for the continuous improvement of the TCO. > Feasibility study of the Ape City medium Body AF and of specific PWT version for use in suburban environments started. Completion of feasibility study and preparation of related business case by March 2017.	3W India > Start of production of Ape City BSIV and Ape 501 BSIV in February 2017. > Completion of technical/ economic feasibility study for Ape Medium Body AF Vehicles and related development for use in suburban areas (taxi sharing) in line with business case results for the Indian market. December 2017 target.	
Porter 600 India (Porter 650 BSIV) > Development and industrialisation activities consistent with the Business Plan. > Target TCO improvement of 20%.	Porter 600 India (Porter 700 BSIV) > Porter 700 development plan complied with, with revised objectives and product contents in line with market developments.	Porter 600 India (Porter 700 BSIV) > Completion of development and industrialisation of Porter 700. Start of production in April 2017.	Porter 600 India (Porter 700 BSIV) > Completion of development and industrialization of Porter 1000. Start of production in June 2017.	
	Porter 1000 India BSIV > Development and industrialization of the new Porter BSIV 1000 was started in line with new market demands (improved performance, e.g. braking, handling, ...).	Porter 1000 India BSIV > Completion of development and industrialization of Porter 1000. Start of production in June 2017.		

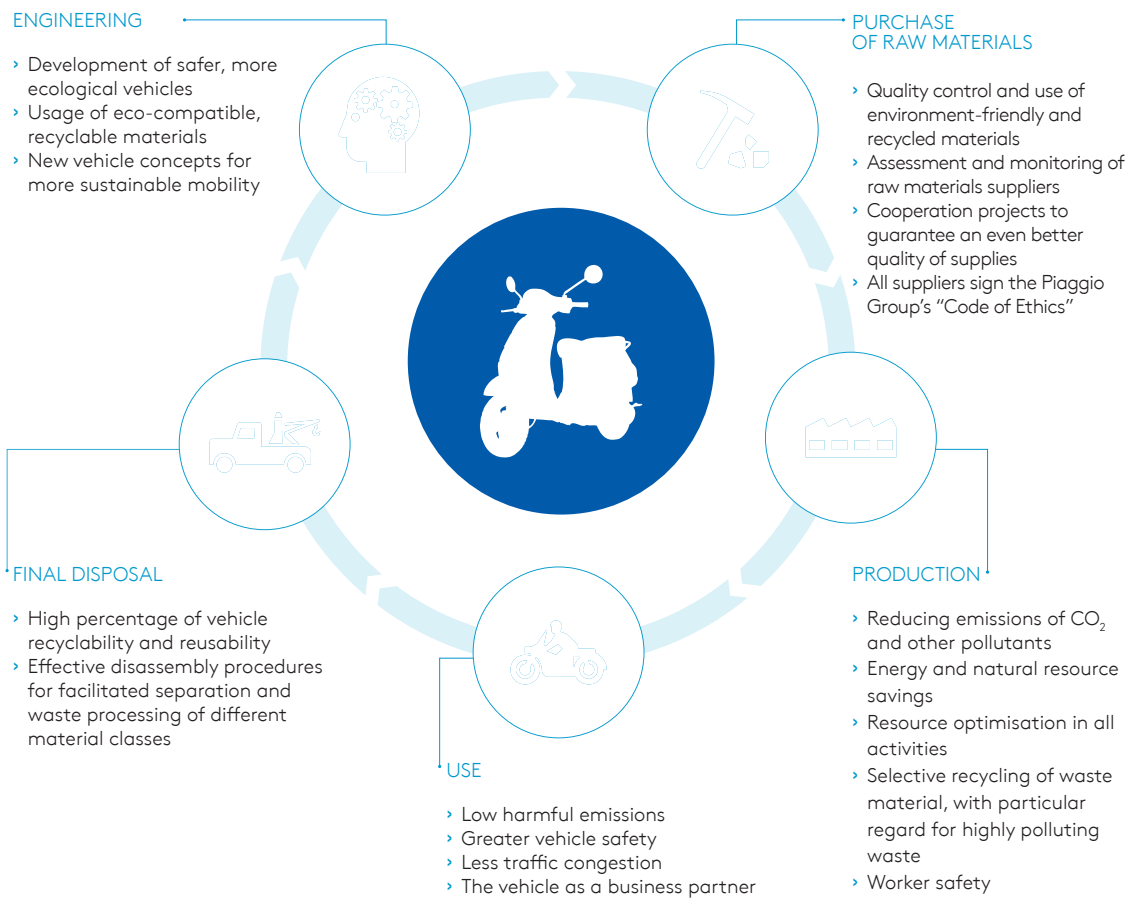
6) TCO – Total cost of Ownership

7) AF – Alternative Fuel

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
<p>Meeting demand for professional and commercial short-distance mobility, offering a last-mile transport solution:</p> <ul style="list-style-type: none"> > compact, agile, easy-to-drive vehicles, with good handling in urban environments; > vehicles with a high load capacity and specific payload; > definition of a vehicle for new sales activities such as street food and street shop. 	<ul style="list-style-type: none"> > Development of Ape Classic and Calessino in line with the new EU4 standards in force from 1 January 2017. > Monitoring of the Street food market. > Ongoing expansion of the export market. Launch of the Ape City Upgrade range in export markets. > New Ape City Cargo. Development of freight vehicle with AF motor for Indian and export markets. 	<ul style="list-style-type: none"> > Development planning of Ape Classic and Calessino complied with, in line with the new EU4 standards in force from 1 January 2017. > Analyses were started of new innovative concepts for the urban mobility of vehicles and people. > Monitoring of the Street food market through ongoing partnerships with outfitters to launch new models. > Ape City Upgrade range launched in new export markets (e.g. Mexico). > Production of New Ape City Cargo AF started in December 2016. 	<ul style="list-style-type: none"> > Completion of development and industrialization of Ape Classic and Calessino EU4. Start of production in June 2017. > Assessment of new innovative concepts for the urban mobility of vehicles and people. > Monitoring of the Street food market. > Ongoing expansion of the Export market. > Assessment of technical/ economic feasibility of Ape50 EU4 vehicle for the European market. > Feasibility analysis of new version of LPG/CNG 3-wheeler vehicles with objective to improve emissions and fuel consumption levels at sustainable costs for the developing markets. 	

Group Objective

The main objective of the Piaggio Group is to meet the most progressive needs for mobility, through a deep understanding of people and their habits, reducing the environmental impact and fuel consumption of its vehicles, ensuring customers excellent levels of performance. In its effort to ensure the sustainability of its products, the Piaggio Group takes into account the entire life cycle, which comprises the design, procurement of raw materials, production proper, use of the product by customers and, finally, decommissioning, which consists in disassembly at the end of service life and in the disposal and/or recycling of the components and raw materials.



During its life cycle, every product directly and indirectly affects both the health and safety of people and the environment understood as ecosystem quality.

For this reason the Piaggio Group focuses its R&D activities on developing innovative solutions to reduce the emission of pollutants and to increase the safety, reliability and recyclability of its products.

A constant focus is placed on research into vehicles that are at the forefront in terms of:

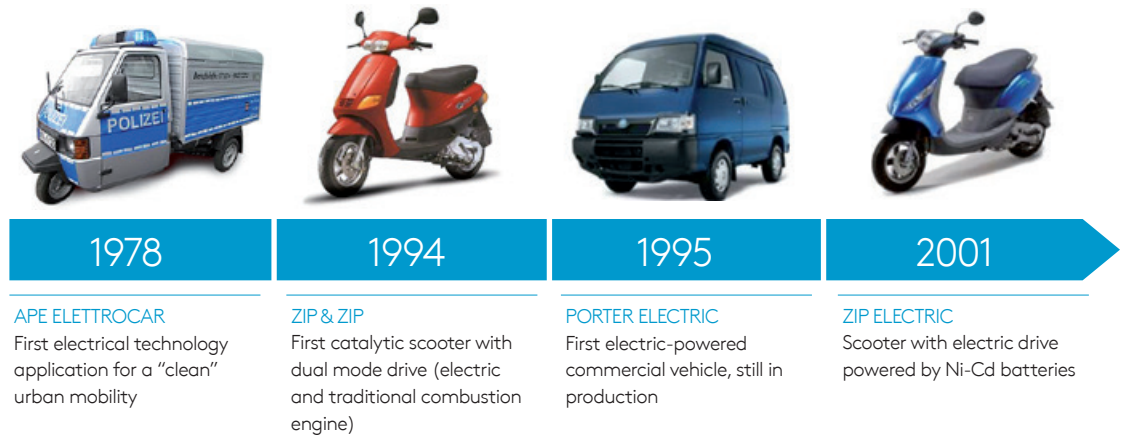
- › **ecology:** products that can cut the emissions of pollutant gases and CO₂ in urban and extra-urban areas; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;

- > **reliability and safety:** vehicles that allow a growing number of people to get about town easily, while contributing to ease traffic congestion and ensuring high levels of active, passive and preventive safety;
- > **recyclability:** products that reduce the environmental impact at the end of their life cycle to a minimum;
- > **cost-effectiveness:** vehicles with lower running and maintenance costs.

A vocation that reaches far back

Piaggio's emphasis on the environmental compatibility of its products has deep roots; in 1978 it produced the Ape Elettrocar, featuring an electric motor with incorporated differential and Pb batteries, a forerunner of zero emission vehicles (ZEV). In 1995 it was followed by the electric Porter. In the field of two-wheelers, in 1994 the Zip&Zip was put on the market, the first scooter with dual mode drive in the world, that is, equipped with two engines-electric and conventional catalytic, to be used in alternation; in 2001 came the Electric Zip, a ZEV.

Piaggio - An "electric" story



Still today, this emphasis is seen in the spread of hybrid or full electric products on different vehicle types (2, 3, 4 wheels). In late 2015 production was started of the Piaggio eBike, marketed under the name Wi-Bike to emphasise its characteristics as eco-friendly and connected vehicle.

Piaggio - A zero-emissions range



Research guidelines

Orientation

The awareness of public opinion and institutions on the issues of environmental sustainability and urban and extra-urban mobility is constantly increasing.

Rapid and often chaotic urbanisation, which is not always supported by the development of a public transport network, has increased the number of vehicles on roads and, as a result, traffic congestion and the amount of pollutants emitted in urban areas.

This awareness further fuels the Piaggio Group's commitment to providing mobility solutions designed to improve the quality of life in towns and cities by reducing traffic congestion and air and noise pollution.

Spread of motorcycles for individual mobility is in and of itself a way to reduce traffic and pollution, but to be effective, it requires an actual increase in two-wheeler vehicle safety, which may be attained through research and installation of active, passive and preventive safety systems on products. Indeed, making two-wheeler vehicles safer and more comfortable may increase their use and, at the same time, decrease the number of cars on the road, which in turn cuts fuel consumption and harmful emissions by approximately 50% (in the same traffic conditions)⁸.

Therefore the main guidelines for the Group's research are:

- › reduction of consumption and emissions, improvement of internal combustion engines, improvement of vehicles, better performance;
- › safety and comfort;
- › alternative, hybrid, electric engines;
- › environmental compatibility of the product and the process.

⁸) See research conducted by the French ADEME Agency (Agence de l'Environnement et de la Maîtrise de l'Énergie), in Paris on a circular route, with 31 km travelled in different traffic conditions.

Partnerships with universities and research centres

The Piaggio Group is aware of the great value of innovation and research and believes in the importance of sharing knowledge and ideas and in the stimulus that it can give to improving technologies, processes and products. For this reason the Piaggio Group has always been engaged on many fronts to consolidate the synergy between the world of research and its industrial sector.

Over the last few years, and especially in 2016, the Group has maintained ongoing exchange and research relations with universities and research centers at the National and European level.

The objective of these partnerships is to support continuing innovation through:

- › partnerships in research and development projects;
- › participation in European and national projects;
- › experimental research dissertations.

Entity	Purpose of Research or Collaboration	Year ⁹
University of Pisa	Vehicle dynamics, Education, European and national projects;	2016
University of Florence	Passive safety, virtual modelling, European and national Projects	2016
University of Bologna	Endothermic engines	2016
University of Modena and Reggio Emilia	Education	2016
Polytechnic of Milan	ICT, European and national Projects, "Italy 2020" Consortium	2016
Polytechnic of Turin	"Italy 2020" Consortium, national Projects	2016
University of Padua	Regional projects on Hybrid Vehicles, Vehicle Dynamics	2014
University of Perugia	Experimental aerodynamics	2016
University of Rome - Tor Vergata	Innovative materials and technologies, National Projects	2015
University of Rome - La Sapienza	National Projects	2014

⁹) 2016 means that the collaboration is ongoing. If a previous year is displayed in the column, it means that the collaboration is not currently in place.

University of Naples	Numerical and experimental fluid dynamics, National Projects	2014
Fiat Research Centre (CRF)	"Italy 2020" Consortium, national Projects	2016
COMETA Research Consortium in Catania	App Development for Virtual Reality	2015
QUINN Consortium in Pisa	Customer Experience, National Projects	2015
Numidia Consortium in Rome	Virtual Reality, National Projects	2015
SCIRE Consortium in Naples	Structural Analysis, National Projects	2015
Hellenic Institute of Transport in Athens (GR)	European projects	2016
Austrian Institute of Technology (A)	European projects	2016
IK4 CIDETEC (E)	Next-generation batteries, European Projects	2016
University of Warwick (UK)	Electronic control systems, European Projects	2016
Czech Tech University of Prague (CZ)	Ergonomics, European Projects	2016
Ricardo (UK and D)	Endothermic engines, Electronic control systems, European Projects	2016
Idiada (E)	Active and Passive Safety, European Projects	2016

Technological antennas (Group Research Centres)

In addition to external partnerships, the Group has three technological antennas of a high-calibre: the Piaggio Advanced Design Center in Pasadena (USA), the multiple world champion Aprilia Racing team and Piaggio Fast Forward.

The Piaggio Advanced Design Center acts as an in-company research centre with the purpose of providing a window into changes in society, lifestyle and the formulas of urban and metropolitan mobility, developing an international system of skills and research in the field of style and product marketing which generate spin-offs and stimuli to develop in the technical sphere.

As one of the most victorious and prestigious teams in the world, and also engaged in the MotoGP championship since 2015, Aprilia Racing has an ongoing technical partnership with the Group's Development Department, with constant sharing of ideas and skills.

Piaggio Fast Forward is focused on some key issues such as the future of mobility, intelligent urban transport, short-distance delivery of freight, travelling in closed or open environments, network connected devices that can improve mobility, sport, leisure and recreational activities. The Company's headquarters are in Boston, Massachusetts, near some of the most prestigious research universities worldwide such as MIT and Harvard, as well as one of the most active start-up communities in the world. Piaggio Fast Forward is led by a team of young innovators mostly specialised in robotics engineering, design and anthropology, with the aim to study and develop innovative mobility solutions to anticipate and meet the new lifestyles and the new needs of the world population.

Applications

Continuous improvement of its products is the main objective of the Piaggio Group's Research.

In this ongoing process, improving engines and in particular cutting fuel consumption and emissions while improving performance (including rideability and user enjoyment) are of the utmost importance. The Piaggio Group has always developed technical solutions that anticipate future regulations, in order to reduce pollutant emissions and fuel consumption.

To achieve the best possible results, engine research must be focused on three key areas:

- › optimisation of engine thermal fluid dynamics, with particular reference to the combustion process;
- › reduction of organic leaks (friction, pumping);
- › improvement in the performance of the CVT transmission system.

Engine acoustics and timbre were also focussed on, developing numerical/experimental methodologies

for designing the intake and exhaust systems and engine components with acoustic emissions that are lower and “more pleasant”.

Engine improvement: real examples from the scooter sector

An example of continuous improvement is the work on the 125 cc engine, which is fitted on all scooters with that size engine and meets the Euro 4 standard (the most restrictive standard in force).

In 2011, the “Three Valve” 125 and 150 cc generation – extremely advanced – was launched on the Vespa LX and then on the Liberty.

During 2013, the 3V engine was fine-tuned to further reduce fuel consumption to 44 km/l during the global WMTC benchmark test¹⁰. This value is taken as a benchmark in the comparative table below. The process of continuous improvement has led to the development of the iGet 125 and 150 engines, with air and water cooling. The project, which aims to reduce overall noise and improve rideability, also helped optimise the engine injection and control system.

Year (model)	km/l	Change vs. 3V
Liberty 125 3V (2013)	44	benchmark
New Liberty iGet (2015)	45	+2.27%
Medley 2015 iGet water-cooled	47.5	+7.95%

10) WMTC – Worldwide (harmonized) Motorcycle (emission) Test Cycle; established by UNECE Global Technical Regulation No. 2, it has been used since 2006 as a test cycle for measuring emissions as an alternative to the European driving cycle for L3e motorcycles and then extended to all “L” vehicle categories. The Piaggio Group uses this standard cycle and results are presented in this form.

Mileage on the WMTC cycle improved for the 125cc scooter.

Improved efficiency: a leap into the future

The new engines of the “iGet 4V Water” family, available in 125cc and 150cc, come equipped with electronic injection, four valve cylinder heads and radiator fitted on the propeller. They can be used with the “Start & Stop” system. This device replaces the starter and alternator and has no transmission gears that can cause noise.

Compliant with the Euro4 standard, they are the result of a design philosophy guided primarily by new and higher levels of quality and reliability.

Each component, from the exhaust to the inside of the gearbox cover and the new air filter has been designed to make for a smooth, quiet and comfortable ride, and to lengthen the life of the engine. The design aims above all to reduce friction and in particular friction in the timing system.

The mechanical noise is also extremely low thanks to reduced play and optimised materials and shapes.

Building the radiator into the engine has reduced the overall weight of the vehicle and engine warm-up times, with benefits in terms of consumption and cold emissions.

The gearbox has been entirely redesigned and uses a latest-generation double toothed belt to minimise passive losses, as well as a setting that improves rideability, performance and consumption. The new built-in engine electronic control unit, integrated with the S&S management part (Alternator, S&S Inverter, RISS), has been entirely developed by Piaggio.

In the course of 2016 this engine was also installed on the Vespa GTS 125 and in the next year it will gradually replace the Quasar engine on all models.

Riding pleasure

One example of the application of research to improve riding pleasure is the new power unit for the Moto Guzzi Roamer V9 and V9 Bobber, developed to increase the available torque at low rpm and engine elasticity, key ways to ensure a pleasurable ride and fun on the road.

The changes have affected a large part of the traditional longitudinal V90° twin-cylinder engine, now in the Euro4 version. In addition to the crankcase and the drive shaft, the lubrication system has also been redesigned to reduce power consumption. New low flow oil pump; new piston cooling

oil jets, equipped with control valve and flow management; new thermodynamics, first of all in the bore and stroke values. The timing now has inclined valves to improve volumetric efficiency. The electronic engine control unit and electronic injection system are new. The six-speed gearbox is new and highly precise with soft changes, and the clutch is single disc. The final transmission again uses a cardan shaft. In the course of 2016, improvements were also extended to the V7-III family, the third generation of Moto Guzzi's most popular model. In this case the maximum power is increased by 10%.

Increasing performance

While this initiative applies to all the Group's projects, the product that is emblematic of its technical ability in the field of performance research and continuous refinement is certainly the RSV4 1000. This motorcycle is the 2014 World Superbike champion, with an engine that was entirely redesigned in 2015 to get 16 horsepower more and a 1.6 kg weight reduction. The 2017 versions, of both the RSV4 1000 and the Tuono 110 V4, were developed in 2016 and will constitute a further step forward in terms of technology and performance. 2017 will also see this model more involved in Superbike racing.

The distinctive features remain unchanged, starting from the narrow V4-cylinder layout. Compliance with Euro 4 regulations did not lead to any change in power and maximum torque (201 hp at 13,000 rpm and 115 Nm at 10,500 rpm). The new exhaust system is equipped with dual Lambda probe and integrated valve. The engine control unit is new and more powerful in order to manage the higher maximum rotation speed of 300 rpm. The intake ducts with variable geometry were eliminated, as no longer required, reducing weight by 500 grams as well as the overall dimensions. New lighter pistons, new connecting rod heads to reduce friction. The valve springs and the timing are also new. Finally the gearbox is now provided with a linear sensor that guarantees perfect operation of the electronic control.

During 2016, the Aprilia Shiver and the Aprilia Dorsoduro also benefited from changes aimed at improving performance and user enjoyment. The 2017 versions have a new two-cylinder Euro 4 engine developing over 95 hp and 90 Nm of torque. The electronic control includes, in addition to the full Ride-by-Wire multimap throttle, also the traction control and the ABS.

Adjustment of engines for the demands of Asian Markets

Models sold on Asian markets offer customers the style, image and technology of the Piaggio Group, but reinterpreted according to their needs. They maintain the same high technological, quality and performance standards of their European counterparts, but often differ to models for the EMEA Market.

The Vespa manufactured and sold in India has a 125HE¹¹ and 150cc engine with carburettor, with type approval based on Indian Bharat stage III regulations (that differ from Euro3 standards).

The main reason for retaining the carburettor was ease of maintenance, which is greatly appreciated by customers and garages. Versions with carburettors able to meet future Bharat IV regulations have already been planned.

The engines mounted on models made in Vietnam, the air 3V or the water 4V i-Get engines, benefit from an overall fine-tuning that makes them more suitable for that country's specific conditions. In urban areas, these are characterised by very low average speeds due to the highly congested traffic. A special calibration of the CVT gearbox has been adopted that enhances smooth operation and reduction in fuel consumption (and of CO₂ emissions accordingly). Also with regard to the engine thermodynamics, the torque curve has been specifically modified (maximisation at low speeds) for rideability at low speed, since pure performance is not a specific request of the Vietnamese market.

11) The "High Efficiency" or "HE" engine, specifically for the Indian market, is based on the "LEm 3Valve" but features major changes to the piston rods (bearings instead of bushings) as well as the final transmission (lighter, less absorption). The changes are also designed to further reduce the fuel consumption of an engine which, for market reasons, is less powerful in its EMEA and Vietnam versions.

Improvement of the vehicles, reduction of absorption

This objective is methodically pursued by using aerodynamic simulations (CFD) and validation of the results through comparative analysis with experimental data obtained in the University of Perugia's wind tunnel.

Increase in safety and comfort

Recent years have seen major focus on this year, which can be summed up in the following points:

- › ABS for light scooters: the new Medley, developed in 2015 and marketed in 2016, is fitted by default with disc brakes with ABS. Each wheel has a sensor and a phonic wheel to measure angular speeds. The 2-channel hydraulic control unit continuously compares the two signals and activates the ABS system, when the change of speed of one of the two wheels is abnormal, avoiding locking and ensuring stability and braking efficiency even on low friction coefficient surfaces. The new Liberty 125 is also equipped with single-channel ABS, a completely new feature especially for Asian markets, which will get a specific version;
- › Traction control for vehicles without the ride by wire system, combined with ABS, for optimal grip during acceleration and braking; the system was extended to the entire Vespa product line > 50 cc., MP3, Beverly, X10 and to the Moto Guzzi V7 and V9;
- › the study and trial of an advanced semi-active electronic suspension system ADD (Aprilia Dynamic Damping) and its application to the mass produced Aprilia Caponord 1200;
- › extension of the Ride by wire to the majority of Group vehicles, including the 500 version of MP3, which allows adoption of "by wire" Traction Control together with ABS, to maximise traction while accelerating or breaking, and offers the multi-map management of the engine to adapt the power supply to the traction or driving conditions;
- › in the course of 2016, a new dial was developed which integrates the sensors of the "By Wire" device, allowing for savings in terms of weight and cost and the ability to more easily extend this technology to the scooters. The debut model in 2016 was the Moto Guzzi MGX21. In 2017 this innovation will be extended to other models;
- › the Moto Guzzi MGX21 also featured new controls on the handlebars based on CAN technology (digital protocol), which permits a drastic reduction of wired connections on particularly complex interfaces such as that of the motorcycle in question;
- › cruise control (based on Ride by Wire) available on the Aprilia and Moto Guzzi;
- › the APRC system (Aprilia Performance Ride Control based on the ride by wire system) on the RSV4 includes:
 - new ATC: Aprilia Traction Control, traction control adjustable on the fly, without closing the throttle, 8 levels with the convenient joystick control;
 - new AWC: Aprilia Wheelie Control, the wheelie control system, adjustable to 3 levels, has new, much more precise operating strategies thanks to the repositioning of the inertial platform. Wheelie control can now be adjusted on the fly without closing the throttle, like the ATC;
 - new ALC: Aprilia Launch Control, for use on the track only, with three settings, uses new and even more effective operating strategies;
 - new AQS: Aprilia Quick Shift, the electronic gearbox that allows shifting without closing the throttle and without using the clutch, now with the downshift function as well, to allow clutchless downshifting. Its open-throttle downshifting feature is exclusive;
 - new APL: Aprilia Pit Limiter, the system that lets you select and limit the top speed allowed in pit lane at the track or simply make it easier to comply with posted speed limits on the road;
 - new ACC: Aprilia Cruise Control. The new electronic management allowed an advanced cruise control system to be introduced, which is very convenient during longer trips, since a set speed can be maintained without using the throttle;
- › Multimap cornering ABS (RSV4 RR and RF), developed to ensure safety on the road and racing performance. The system ensures optimal braking and ABS action when cornering. The new ABS system combines with Aprilia's RLM (Rear Liftup Mitigation), which limits the lifting of the

rear wheel when decelerating sharply. Each of the three mappings of the Cornering ABS can be combined with any of the three new engine maps (Sports, Track, Race) so that riders of various experience and ability can find their best combination. The three maps are “full power” and only differ for the delivery curve and the engine brake’s percentage;

- › electrically adjustable suspension, on the Piaggio X10 and Aprilia Caponord, of which the ADD package is a part (electronic suspension);
- › dissemination and expansion of the Piaggio Multimedia Platform info-mobility system, based on linking the smartphone and the vehicle via Bluetooth®, iOS and Android¹²;
- › development and installation on Porter and Porter Maxxi of the electronic stability control system (ABS+ESC);

During 2016 a new dashboard was developed that was adopted by most of the Aprilia models (Shiver 900, RSV4 1000 and Tuono 1100) with TFT technology. It displays clear and easy to read information by adjusting the background and font colour to light conditions, which are automatically detected by the integrated sensor.

¹²) See box.

PIAGGIO MULTIMEDIA PLATFORM - putting Piaggio scooters in touch with the world

The innovative multimedia platform, called PIAGGIO MULTIMEDIA PLATFORM (PMP) connects the vehicle via Bluetooth to a smartphone (iOS or Android), making it possible to use a phone to increase on-board instruments and increase functions available to the Customer. PMP also makes it possible to connect the vehicle to Internet through a Data Network connection, offering a truly vast range of functions and development possibilities.

PMP is now available on Piaggio X10, MP3 and Liberty; Vespa GTS 2014, Vespa 946; Aprilia Caponord, Aprilia RSV4, Aprilia Tuono V4 1100; Moto Guzzi V7 and Moto Guzzi California.

The main functions of these systems are:

- › Extended dashboard
- › Safety
- › Navigation
- › User Manual
- › Eco Meter
- › Grip Warning

The highly advanced Piaggio Multimedia Platform V4-MP available on the Aprilia RSV4 and Tuono transforms the smartphone into a semi-professional tool for track use. With this version, there is active communication between the vehicle and the smartphone: the rider can change the settings of their RSV4 and Tuono V4 through the smartphone.

The features introduced by the new version include:

Active Electronic Setup: Using the GPS feature of your smartphone, the system recognises the position of the bike at any given time on the track and automatically changes the electronic adjustments (traction control and anti-wheelie), based on the settings the rider has selected, corner by corner. This allows you to increase safety and effectiveness on the track, adjusting the control parameters at every point on the circuit and without distractions.

Adaptive Race Assistant: This feature provides tips in real time to safely take the best advantage of your RSV4. The application compares rider performance to the best lap on the track in real time and assists by immediately indicating how to gradually improve performance.

Advanced Telemetry Dashboard: Allows you to use your smartphone display to see, in addition to all the information normally on the standard instrument cluster, numerous other parameters acquired from the bike telemetry such as, for example: instant power sent to the driveshaft; instant torque sent to the driveshaft; percentage of available power; drive to the rear wheel; rear wheel slippage; longitudinal and lateral acceleration (G-G diagram); lean angle, etc.

In 2016, an additional module was developed for the analysis of vehicle operation directly from smartphones and a module for the automatic acquisition of lap times and for improving driving style (in terms of performance) for semi-professional use on the track. Both modules will be available on Aprilia bikes from January 2017.

Tilting vehicles

Certainly, as part of its research work on Active Safety, Piaggio's most ambitious and symbolic objective is the study and development of new vehicles based on entirely new product formulas, such as three- and four-wheeler tilting vehicles that guarantee superior stability even on wet or uneven road surfaces, and shorter braking distances compared to conventional scooters. The benchmark in this sector is the tilting three-wheeler Piaggio MP3, which went on sale in 2006. These new concepts, in addition to other safety devices, can achieve safety levels close to car manufacturing standards, whilst retaining all the benefits of two-wheeler vehicles in terms of size, emissions and consumption.

ADVANTAGES OF THE MP3

SAFETY:

Constant average vertical force on the front wheels
Tests proved that when changing from a smooth to paved or cobbled surface, the reduction in force for the MP3 was 18% and 38% less compared to an equivalent two-wheeler vehicle.

Braking distance
The MP3's braking distance is 12% shorter than an equivalent two-wheeler on a smooth surface and 20% shorter on uneven surfaces.

FUNCTIONS:

MP3 does not require riders to put their feet on the ground to maintain balance during short stops, for example at traffic lights.
Using the block during stationary operation prevents the risk of the vehicle being accidentally dropped.

Alternative engines, plug-in and electric hybrids

Two-wheeler sector

In recent years the most cutting-edge effort to reduce environmental impact has been the development of the 125 and 300 Hybrid engine, which began in 2009. This innovation uses a parallel hybrid powerplant, combining an ultra-modern internal combustion engine with electronic injection and an electric motor. The integrated management of two powerplants improves overall vehicle performance and drastically reduces pollutant emissions. In 2013, the development of new modular 1.5 kWh batteries was completed; these will be the forerunners of future families of modular batteries that will incorporate numerous functional improvements to increase their versatility.

The research continued in 2016, particularly concerning:

- › study and development of solutions aimed at improving performance and reliability of the electronic control systems;
- › study and development of solutions aimed at improving the energy accumulation systems, new 1.5 kWh modular batteries (lithium) and their use even in fields unconventional for Piaggio;
- › study and development of solutions aimed at guaranteeing better vehicle usability for the customer through a Smart Autonomy Management (GIA, patented by Piaggio).

Wi-Bike: an entirely new product

As a logical consequence of Piaggio's commitment to technology for the environment, in 2015 the production began on the Wi-Bike – a pedal-assist e-bike built entirely by Piaggio. Wi-Bike is a new vehicle concept that offers a comprehensive response to the most advanced mobility needs, no longer simply seen as the ability to get around but also sharing information locally and online. Thanks to PMP (Piaggio Multimedia Platform) technology, the Piaggio Wi-Bike Project presents a highly advanced interface between man and mechanical means that guarantees constant

sharing of data.

The 250W-350W motor springs from Piaggio's experience in the hybrid and full electric field, entirely designed, developed and built by Piaggio Group, just like the lithium battery and the control electronics. Its compact shape is conceived to fit into the frame harmoniously and ergonomically. The Man/Machine interface is central to the project; the "contactless" automatic display connects to and is powered via NFC¹³ and acts as an ignition and antitheft key. The use of PMP - with specific functions derived and extended with respect to that described for motorcycles and scooters - is original and lets you manage the bicycle and your physical performance by adjusting and monitoring effort levels, and also lets you interact with social networks in real time, receive weather information, etc.

You can also use the smartphone to update software, run an initial diagnosis and a more complete check. It can also be used as an electronic key (keyless system): the vehicle recognises the owner and automatically prepares for connection and use.

The battery offers a long range between 60 and 120 km depending on the means and conditions of use. A GPS/GSM module is lodged in the battery, which acts both as a satellite antitheft and as a data transmission unit. This way you can get the charging status through the app; if it is too low, for example after a long winter break, the device sends an alert to the owner's smartphone. It has a belt transmission and on some versions there is an automatic electronic gear with CVT. The exclusive DEA (Dynamic Engine Assistance) lets you programme the level of assistance in relation to the power offered by the cyclist. For example, the cyclist can set a favourite value for effort (power, frequency, and speed), while the motor instantly adjusts its contribution to absorb the altimetric variations. Piaggio Wi-Bike becomes a true fitness machine.

Electric Vespa Concept

The mobility of the future according to the Piaggio Group was presented at EICMA 2016, where we unveiled the Electric Vespa project, which embodies the new mobility solution according to the most elegant and beloved two-wheeler brand in the world.

The Electric Vespa project confirms the Piaggio Group's commitment not only to moving people but also to changing the way in which people move.

This concept will result in the final version of the Electric Vespa which will be, first of all, a real Vespa, bringing the best electric technology to a vehicle that will retain the qualities the Italian brand is known for. Vespa's typical style, agility, ease of use and riding pleasure will be complemented by innovative connectivity solutions.

Three/four wheeler sector

Piaggio new product strategy is focused on the medium and short distance transport of people and goods (focus on vehicle handling and compactness) with great attention to environmental issues.

In Europe just as in India, this challenge is faced through:

- > the study, production and sale of low consumption engines with reduced pollutant emissions;
- > the use of alternative fuels;
- > the sale of electric vehicles;
- > high transportation efficiency (ratio between transportable weight and total weight on ground).

The current Indian legislation provides for the introduction of BSIV emission limits from April 2017 and consequently for production discontinuance of BSIII vehicles.

The choice of anticipating compliance with BSIV limits with the Porter 1000 has been very important in a country such as India where the latest reports on the Green Economy have confirmed ground gas values not in line with world standards.

A common goal for the entire Piaggio range manufactured in India is to reduce consumption and TCO (Total Cost of Ownership), with ongoing efforts to improve vehicle efficiency.

In line with the development of the Indian 3-wheeler vehicle market, which is increasingly oriented to the use of alternative fuels (LPG, CNG), especially in towns and cities, in March 2016 Piaggio launched the new Ape City Upgrade, aiming to further reduce consumption and maintenance

13) NFC – Near Field Communication – is a technology that enables two devices to communicate by using bi-directional short-range radio connectivity within a few centimetres.

costs while ensuring lower emissions and therefore lower environmental impact.

The new Ape City Upgrade is also available in the single fuel LPG version, which ensures lower costs per kilometre and minimum environmental impact, thanks to the characteristics of this alternative, environmentally friendly fuel which complies with current regulations in some of the main urban centres in India.

The driving comfort of this vehicle was also improved leading to a significant reduction in driver's fatigue.

The availability of this new product in all its versions led to an increase in the number of countries where Piaggio successfully exports its vehicles.

In 2017 Piaggio will not only launch the new Ape City BSIV for the transport of passengers and goods in accordance with regulations and with the new efficiency / comfort objectives, but it will also introduce a new product in the Indian market that uses alternative fuels, with the goal of further significantly reducing fuel consumption and the associated emissions. All this is to anticipate the product developments in line with future emission limits to be issued shortly (introduction of BSVI limits expected by 2020).

The Indian Porter range (Porter600 and Porter1000) is constantly being developed to improve its competitiveness in terms of manoeuvrability and transport efficiency. To complete the range, in the first half of 2015 the Porter1000 BSIV was added alongside the existing BSIII versions and in early 2017, the Porter700 BSIV version will be marketed with an increased capacity from 600kg to 700kg.

Marketing of the new Porter and Maxxi versions of the Euro6 Porter began in Europe in September 2015, with petrol powertrain and, in the first months of 2016, the alternative fuel versions (LPG/CNG) were also offered in line with product/customer mission objectives.

The range of commercial vehicles offered by Piaggio for the European market focuses on "intra-city" mobility, with special attention on limiting fuel consumption and pollutant emission levels; these are fundamental elements for a sustainable transport system, especially in the "last mile" handling and delivery process, which has a directly impact on the quality of life in metropolitan areas and historical centers.

Piaggio has directed its efforts for years to equip its vehicles with alternative fuel engines such as LPG, natural gas and electricity. The availability of these internally constructed engines contributed to increasing the number of circulating vehicles that use cleaner fuels (LPG and CNG) and to the spread of zero-emission electric vehicles.

Bi-Fuel engines cut CO₂ emissions and fuel cost-per-kilometre compared to petrol engines.

In the combined cycle (NEDC¹⁴), the CO₂ emissions of Porter Eco-Power fall by about 7% and the cost-per-kilometre for fuel is reduced by about 48%¹⁵.

For the Porter Green Power, however, the decrease in CO₂ emissions is around 17% and the cost-per-kilometre for fuel is down about 46%. In addition to the reduction in emissions, through the introduction of low environmental impact engines, Piaggio commercial vehicles ensure low environmental impact of the transport of goods in city centres, especially in historical city centres, thanks to their limited size and high transportation efficiency (ratio between transportable weight and total weight on ground).

14) *The New European Driving Cycle is a driving cycle defined by the Community directives.*

15) *Source Ministry of Economic Development for average fuel price in 2016 of Petrol and LPG. 2016 average figures for natural gas, (source: Metanauto) (Petrol: 1.444 €/l; LPG 0.564 €/l, CNG 0.978 €/kg).*

	<p>COMPACT SIZE</p>	<ul style="list-style-type: none"> › ideal solution for mobility in historical city › easy to drive › reduced dimensions
	<p>EFFICIENCY</p>	<ul style="list-style-type: none"> › load capacity › modularity › cost-effectiveness
	<p>ECO-FRIENDLY</p>	<ul style="list-style-type: none"> › Petrol › LPG › Methane › Electric › Diesel

More than 7,500 Piaggio Electric models have been sold throughout Europe since 1995. Full Electric technology at Piaggio has grown from 1995 to date, and even strengthened and improved. This technology continues to prove its validity, being not only accessible, reliable and simple, but also ensuring excellent performance both in terms of output power (11 kW@96V) and torque (55 Nm at 1,800 rpm).

“Life Cycle Management” in two-wheelers

Although no legislation on recyclability for two-wheelers is currently in force or is planned, the Piaggio Group has taken steps in this direction. The technologies and materials used for the design and construction of the Group’s scooters and motorcycles have targeted environmental compatibility and their effective end-of-life disposal since the introduction of the Sfera 50 model (1989). As from 2008, Piaggio has also changed the title blocks of drawings and information in its bills of materials so that materials used in constructing vehicles can be checked and disassembly can be optimised for easier disposal.

Through a partnership with UniFi, the characteristics of recyclability of the MP3 125 Hybrid in accordance with ISO 22628 were analysed. This was done by taking apart a real vehicle and registering all of its components. The recyclability rate was 88%, which is considerably higher than the 85% limit of current laws (currently in force in the automotive segment only for N1 and M1 categories), demonstrating the high environmental compatibility of the Piaggio vehicle as regards end-of-life treatment.

“Life Cycle Management” in four-wheelers

In the four-wheel sector, the regulatory panorama is similar to that of cars. With the introduction of the European Regulation REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) in 2007, automotive manufacturers must follow AIG (Automotive Industries Guidelines) which include monitoring the use of hazardous/prohibited substances, and checking the recyclability and recoverability rates of materials used. In this regard, Piaggio has adopted a challenging process over the years to guarantee high recyclability levels of its vehicles, achieving important results such as the limited use of materials considered hazardous (lead, chromium, mercury and cadmium) and an end-of-life vehicle disposal manual.

Piaggio constantly monitors the recyclability and recoverability rates of its vehicles, retaining at all times indicators above 85% and 95% respectively, higher than the limits set out in Directive 2000/53/EC. The Porter MAXXI Multitech Euro 6 pick-up, for example, has a 91.5% recyclability rate and a 96.1% recoverability rate. Piaggio's passion for the environment is also channelled into its commitment to guaranteeing the environmental compatibility of its commercial vehicles, from the design stage until the end of their working life.

The survey also paved the way for a database, which updates in real time vehicle material compositions and their recyclability and recoverability rates, from the design stage onwards.

Below are the recyclability and recoverability rates updated based on vehicle BOMs at December 2016, for each of the models fitted with a Euro6 petrol, LPG and electric engine.

	MULTITECH EURO6	MULTITECH GPL EURO6	EVO
Recyclability (R_{cyc})	PORTER = 89.47 % MAXXI = 91.5 %	PORTER = 89.66 % MAXXI = 91.45 %	PORTER = 91%
Recoverability (R_{cov})	PORTER = 95.39 % MAXXI = 96.1 %	PORTER = 95.38 % MAXXI = 96.1 %	PORTER = 95.8%

Use of recycled plastics

On all Piaggio Group vehicles, mass-pigmented polypropylene components (floorboard, leg shield back plate, air cleaner, etc.) can be made of recycled materials, at the discretion of the supplier. The table below gives an estimate based on an analysis (Life Cycle Management study) of a product currently on sale (Beverly 2014, vehicle technologically representative of all scooters manufactured).

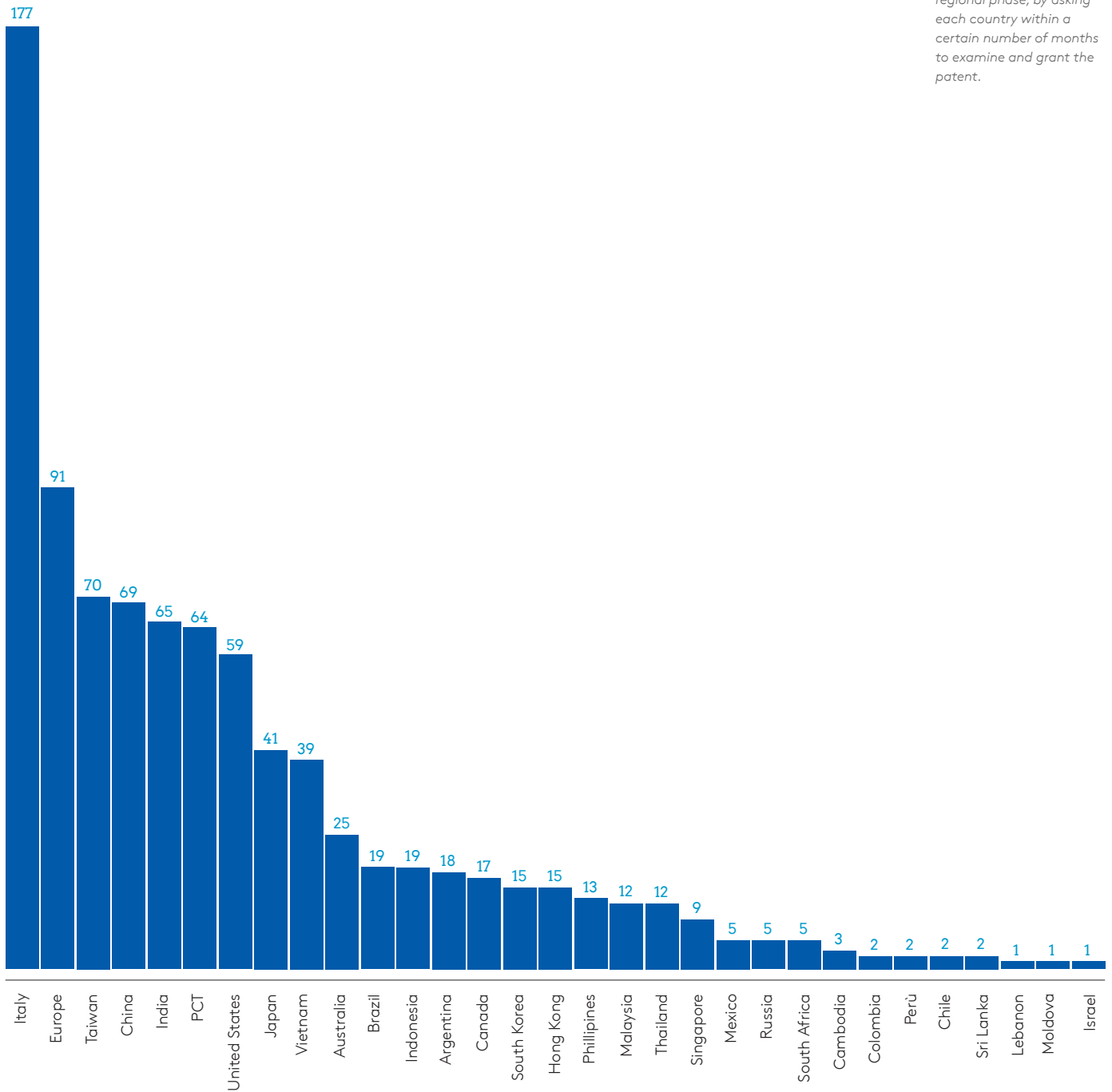
Plastic materials in body parts

Plastic materials in body parts	%
Total weight of plastic body parts / total weight of vehicle	10
Total weight of mass-pigmented polypropylene parts (possibly of recycled materials) / total weight of vehicle	7
Total weight of mass-pigmented polypropylene parts / total weight of body parts	70

Industrial patent rights

The intense research and development activities constantly ends up leading to the filing of patents in countries where the Group operates¹⁶. The portfolio of patents has increased about 15% since 2015, from 762 to 879.

Piaggio Group IP rights as of 31 December 2016 (total 879)



¹⁶ The PCT (Patent Cooperation Treaty) is a type of deposit that allows you to “reserve” the patent all over the world, setting the priority date and ownership, and then enter the national or regional phase, by asking each country within a certain number of months to examine and grant the patent.

Funded national and European projects

Piaggio Group promotes funding applications at the regional, national and European locations, in a nod to the quality of its research.

Regional Projects

ADAMo

The ADAMo (**A**daptive **D**igital **A**erodynamics for **M**otorcycles) Project, presented as part of the Regional Call for ICT and Photonics, components engineering and advanced integrated systems (devices / products / processes), was finally admitted in 2016 and will start in January 2017.

The project concept consists in the creation of an Active System of Aerodynamic Control for motorcycles that can modify the aerodynamic flow depending on operating conditions and the performance requested, using, among other things, a dedicated user interface on smartphone (App). The University of Pisa (data transmission systems), CUBIT (advanced centre for innovation), RICO (development of electronic sensors), TELCOMMS (advanced communications systems), INFN (entity for research, technical development HPC), PSM (prototyping and engineering) are part of the consortium (which must be formed by companies and entities headquartered in Tuscany).

Centauro

The CENTAURO project (**C**o-working, **E**fficiency and **preveN**tion in the motor vehicle industry through **T**echnologies of **AU**tomation with **RO**botics) submitted to the FAR-FSC 2014 competition in the Tuscany region was approved. The project will be coordinated by Piaggio and aims to develop robotic automation technologies to:

- › reduce the physical workload for operators involved in the working with and moving materials and goods;
- › increase business efficiency and competitiveness by reducing the time required for the selected production processes;
- › reduce the environmental impact of production processes by raising the proportion of separately collected light waste from production sites.

The project started during 2015. It is part of the partnership with the Institute of Biorobotics of the Scuola Superiore Sant'Anna and three dynamic Tuscan SMEs: Robot System Automation, Roggi and Robotech.

HORIZON 2020 and CEF (Connecting Europe Facilities) European Projects

The first European projects approved under the Horizon 2020 - Smart, Green and Integrated Transport programme began in 2015. Piaggio was the lead applicant for the RESOLVE project (GV5-2014 programme) and is a partner in the eCAIMAN proposal (GV1-2014 programme). Piaggio also joined the consortium for the i_HeERO project (CEF programme).

Resolve

The RESOLVE project (**R**ange of **E**lectric **S**olutions for **L-C**ategory **VE**hicles), approved under the call H2020 - GV.5-2014 - Electric two-wheelers and new light vehicle concepts is coordinated by Piaggio and involves the companies KTM, Marelli, Bosch, Ricardo, as well as universities and research centers of excellence (University of Pisa, Florence, Warwick, Idiada). RESOLVE was funded under the European Green Vehicle Initiative and aims to develop electric engines whose efficiency and sustainability will be demonstrated on two electric-powered tilting four-wheeler prototypes in categories L2 and L6. In the course of 2016, activities were carried out to define the vehicle architecture and to design the electric powertrains of the vehicles.

In December 2016 the project was submitted to the mid-cycle Technical and Administrative test

conducted by the Officer in charge of the European Commission in Brussels, with a favourable outcome.

eCAIMAN

Also under the European Green Vehicles Initiative (GV1-2014-Next generation of competitive lithium ion batteries to meet customer expectations programme), the project “eCAIMAN – **E**lectrolyte, **C**athode and **A**node **I**mprovements for **M**arket **N**ear next generation of Li-ion Batteries” has been approved.

The project aims to develop a new generation of Li-ion batteries with superior characteristics and performance to those currently on the market, while ensuring technological, quality and cost standards that are competitive and attainable at European level. At the end of the project, the results should be usable by all European OEMs in the automotive field.

Project activities officially began in late April 2015 and are expected to last for three years (2015-2018). The project is coordinated by the AIT (Austrian Institute of Technology) and has a total of 15 partners.

i_HeERO

Piaggio has joined the consortium for the i_HeERO project, coordinated by ERTICO, regarding the third phase of implementation of the emergency call (eCall) system in Europe. The project started in November 2015 and will end in 2017. Piaggio is participating actively in project activities, in particular:

- › in the P2W cluster, together with other 2-wheeler vehicle manufacturers, which aims at defining the minimum requirements for an emergency call (eCall) system suitable for motorbikes;
- › in the Italian pilot site, to test the eCall system in Italy and check its compatibility with the national architecture of emergency systems and the European 112 emergency number infrastructure, together with partners Telecom Italia, Autostrada del Brennero and emergency centres in Lombardy (AREU) and Trentino (CUE) for the management of PSAPs (Public Safety Answering Points) in Varese and Trento.

Future Radar

In 2016, the FUTURE-RADAR project was approved, which will support the European technological platform ERTRAC (European Road Transport Research Advisory Council) and the European Initiative PPP “Green Vehicle” to create and implement the research and innovation strategies necessary to implement a sustainable and competitive a European road transport system.

The purpose of the project is to provide support to the European Commission for the definition of guidelines and research topics in the field of Road Transport.

Piaggio is involved in the project as the main interlocutor for the two-wheeler sector.

THE ENVIRONMENTAL DIMENSION

Production sites	81
Environmental certifications	82
Reduction of energy consumption	83
Reducing emissions of CO ₂ and other pollutants	84
Conserving water resources	86
Waste handling and recovery	87
Avoiding soil contamination	88
Biodiversity	88
Environmental spending and investments	88
Logistics	89

When future generations will judge those who came before them on environmental issues, they may reach the conclusion that they 'did not know': let us make sure that we will not be remembered in history as the generation that knew, but did not care.

Mikhail Sergeevich Gorbachev

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
Protecting the environment: > reducing pollutant emissions; > conserving natural resources.	> Mandello Plant: completion of decontamination building D area.	> Mandello Plant: progress with decontamination of building D area.	> Mandello Plant: removal of asbestos roofs completed (building G renovation).	> Evaluation/application of new technologies with lower environmental impact. > Renovation of the Mandello del Lario production site for a more virtuous management of operations. > Final separation of the internal sewage system serving the Pontedera production site by building a new sewage system for the industrial painting wastes. > Reduction of asbestos cement roofs (various sites in Italy) At the Pontedera plant, plan to dismantle 100% of non-encapsulated roof by 2017.
	> Pontedera Plant: commissioning of new 2W paint plant scheduled for spring 2016; continuous monitoring of post-combustion emissions from the new paint plant; 5% reduction of performance KPI by optimising energy management through the monitoring system.	> Pontedera Plant: start of new 2W paint plant; monitoring system launched; reduction of asbestos cement roofs: asbestos removal from building 25 roof completed. Dismantling of building 35 roof.	> Pontedera Plant: reduction in methane consumption by changing the steam distribution network; reduction in electricity consumption through the installation of power factor correction units.	
			> Scorzè Plant: Reduction in electricity consumption through the replacement of compressors.	

17) Code of Ethics - Article 8: Without prejudice to compliance with the specific applicable regulation, the Company pays attention to environmental issues in its decisions, also adopting - where operationally and economically feasible and compatible - environmentally friendly production technologies and methods, with the aim of reducing the environmental impact of its activities.

Piaggio aims at applying a model of sustainable development that not only satisfies the expectations of stakeholders (investors, shareholders, staff, suppliers, community, public administration) by guaranteeing economic and social sustainability, but also roots its actions in environmental sustainability, meaning the ability to safeguard natural resources and the ability for the ecosystem to absorb direct and indirect impacts generated by production activities.

Specifically, Piaggio seeks to minimise the environmental impact of its industrial activities by carefully defining the manufacturing technological cycle and by using the best technology and the most modern production methods. The pursuit of these environmental sustainability goals is blazing a trail of ongoing improvement of environmental performance.

This commitment, enacted in the Code of Ethics¹⁷ and stated by top management in the Group's "environmental policy" which is the basis for the environmental certification (ISO 14001) programmes already undertaken and maintained at production sites, is a mandatory benchmark for all company sites no matter where they are working.

Quantitative data on the mitigation of the environmental impact resulting from the Group's operations are reported on in the sections below. The presented data are referred to the entire Group, except for the commercial premises, for which resource consumption, atmospheric emissions, waste-water discharge and waste production mainly concern office activities. Since their contribution to Group data has been deemed to be marginal, these have not been included in the enclosed tables.

With these objectives in mind, initiatives and goals for the future focus on the following areas:

- › maintaining environmental certification awarded to all production sites;
- › reducing energy consumption;
- › reducing emissions of CO₂ and other pollutants;
- › conserving water resources;
- › waste handling and recovering;
- › absence of soil contamination;
- › biodiversity;
- › environmental spending and investments.

Production sites

The Piaggio Group has a strong international presence.

At its Italian site in Pontedera (in the area near Pisa), the Group has three facilities, one for the manufacture of commercial vehicles, one for the manufacture of scooters and engines for two-wheeler vehicles, and one for the supply of aluminium and steel components for vehicles and engines.

Beside the latter facilities, which make up the most important industrial complex in the 2-wheeler sector in Europe, two other plants in Italy are dedicated to the European production (Scorzè, where the Wi-bike is produced among others, and Mandello del Lario).

The Group also has its own production sites in Vietnam (at Vinh Phuc), with a site for the manufacture of two-wheeler vehicles and a site for the production of 3V engines, and in India (at Baramati, in the state of Maharashtra) with a site for the manufacture of commercial vehicles and engines, in addition to a production site for scooters for the Indian market.

Unit	EMEA and Americas			India	Asia Pacific	Total
	Pontedera	Noale and Scorzè	Mandello Del Lario	Baramati	Vinh Phuc	
2016	120,374	31,608	9,499	41,836	111,577	314,894
2015	123,289	25,453	7,293	28,354	97,274	281,663
Change 2016-2015	-2.36%	24.18%	30.25%	47.55%	14.70%	11.8%
2014	138,370	25,747	6,793	26,226	103,532	300,668

Vehicles produced
(two-wheeler)

Unit	EMEA and Americas		India	Total
	Pontedera		Baramati 3-4W	
2016	7,961		180,545	188,506
2015	6,859		190,003	196,862
Change 2016-2015	16.07%		-4.98%	-4.2%
2014	6,513		206,499	213,012

Vehicles Produced
(3/4 wheeler)

Engines produced

Unit	EMEA and Americas		India	Asia Pacific	Total
	Pontedera	Baramati	Vinh Phuc		
2016	128,377	66,240	109,603	304,220	
2015	130,567	47,479	90,531	268,577	
Change 2016-2015	-1.68%	39.51%	21.07%	13.3%	
2014	142,471	52,271	94,572	289,314	

The Piaggio Group has defined a specific organisational structure to achieve the environmental sustainability objectives of its production sites.

The responsibilities and roles of the Environmental Management System (EMS) with Organisational Units / Functions involved are reported in the Quality, Environmental and Occupational Health and Safety Management Manuals, for sites in Italy.

Environmental organisational structure of Italian sites of the Piaggio Group

Environmental Management System	
Management Representative	Personnel, Organisation and Quality Systems Manager
Management System Manager	General Plants Operating Unit Manager
Coordination and control	Environmental Manager
Audits	Process Auditor (Internal Auditor)

The Head of the Environmental Management System reports to the Representative of the Processes Quality & Cost Engineering Department about the performance of the Management System and about any need for improvement. The Environmental Management System Manager, a position held by the General Plants Manager, has power of attorney to perform his duties and responsibilities, while Environmental Managers are appointed by the Environmental Management System Manager and appointed after obtaining approval of their affiliated Manager.

The subsidiaries in Vietnam and India (PVPL) have EHS (Environment Health and Safety) teams which work full-time on environmental, health and safety issues, with clearly defined roles and responsibilities. Piaggio Vietnam's EHS team is led by the Technology and Maintenance Manager who reports to the Director of Operations while a full-time employee is responsible for the management of environmental issues. The environmental team at PVPL, consisting of Senior management, engineers and operators, is part of the Maintenance Department and reports to the Director of Operations.

Environmental certifications

For several years now, the Piaggio Group has implemented an environmental management system in its facilities in compliance with the international standard ISO 14001.

Following the publication in late 2015 of the new edition of the ISO 14001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted; this decision was driven by Piaggio awareness that the new requirements substantially coincide with its own objectives.

The Piaggio Group holds the ISO 14001 certificate for Environmental Management System also for the manufacturing plants of Baramati 2Wheeler, Engines and Commercial Vehicles (India) and Vinh Phuc (Vietnam).

Moreover, since 2015 the Indian subsidiary has obtained the **ISO 50001** certification (for energy management systems) for its two-wheeler site.

Reduction of energy consumption

Although the structure of the Company's production sites has been designed to run on fossil fuels, Piaggio is engaged in optimising the management of existing sites to cut consumption. Specifically, when reconfiguring or restructuring plants, the technology functions carry out evaluations and analysis to introduce machinery and methods that minimise the environmental impact.

Especially starting in 2014, rigorous research initiatives designed to reduce energy waste were launched in Pontedera. The two most significant projects in this area, already started and now in full operation, are:

- › the renewal of the compressors at the plant and the introduction of an automatic control system of machines under operation to optimise energy performances and cover the plant's requirements.
- › the implementation of the smart metering system, which makes the consumption measurements detected by the over 90 meters at the plant, usable, observable, comparable in almost real time (with a 3 hour delay) and analysable.

In 2016, efforts were focused on the optimisation of consumption at the departments, in some cases reaching 35% of energy savings.

In 2016, however, there has been an increase in energy consumption at the Italian facilities. For the Mandello plant, the increase is due to increased production levels. The slight increase at the Noale and Scorzè factories reflected the longer operation time of the plants, due to tests and experiments.

A special case was the situation at the Pontedera factory, where the increase in the main items of energy consumption was caused by the need to use both the old and the new paint facilities in the scooter department, during the start-up of the new plant. The latter had an excellent environmental performance in terms of air pollution.

Finally, in Baramati, in addition to having considerably reduced the consumption of diesel fuel, the factory uses a product obtained from vegetable oils (bio-diesel) that does not contribute to the consumption of fossil resources.

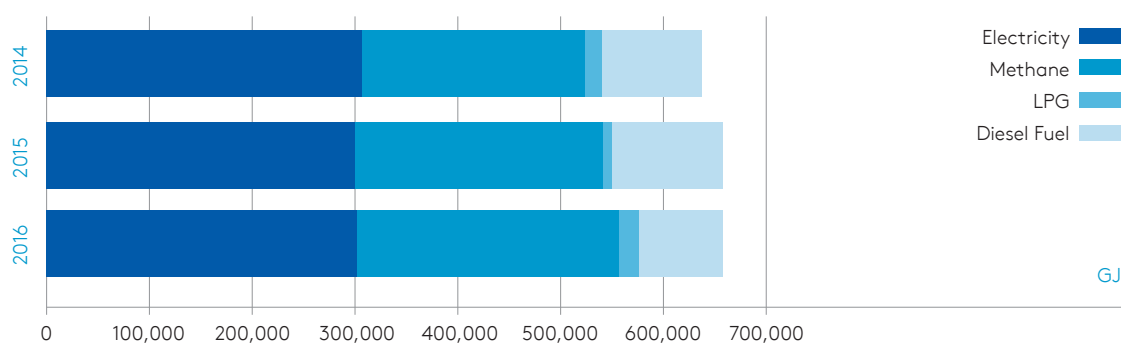
Energy consumption of Piaggio Group production sites

		Pontedera	Noale and Scorzè	Mandello Del Lario	Baramati	VinhPhuc	Total
Electricity (Thousand KWh)	2016	40,109	4,378	827	25,071	13,560	83,945
	2015	38,762	4,180	767	25,873	13,330	82,912
	Change 2016-2015	3.5%	4.7%	7.8%	-3.1%	1.7%	1.2%
	2014	40,213	3,800	746	26,562	13,270	84,591
Methane/Natural Gas (Sm ³)	2016	6,173,722	270,863	153,337			6,597,922
	2015	5,742,963	309,577	142,125			6,194,665
	Change 2016-2015	7.5%	-12.5%	7.9%			6.5%
	2014	5,378,771	197,091	135,095			5,710,957
GPL ¹⁸ (Ton.)	2016				377	21	398
	2015				158	20	178
	Change 2016-2015				138.6%	5.0%	123.6%
	2014				199	22	221
Diesel fuel ¹⁸ (Litres)	2016	1,633			1,675,129	617,033	2,293,795
	2015	1,860			2,322,563	701,390	3,025,813
	Change 2016-2015	-12.2%			-27.9%	-12.0%	-24.2%
	2014	1,590			2,168,530	696,578	2,866,698

18) Some values are based on estimates.

Piaggio Group energy consumption

The figures are calculated using conversion standards defined by the GRI guidelines (1 gallon of diesel = 0.138 GJ; 1,000 m³ of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.



Reducing emissions of CO₂ and other pollutants

Greenhouse gases (mainly CO₂) and Volatile Organic Compounds (VOCs), released by solvents used in painting, are some of the most hazardous substances for air pollution generated by automotive operators.

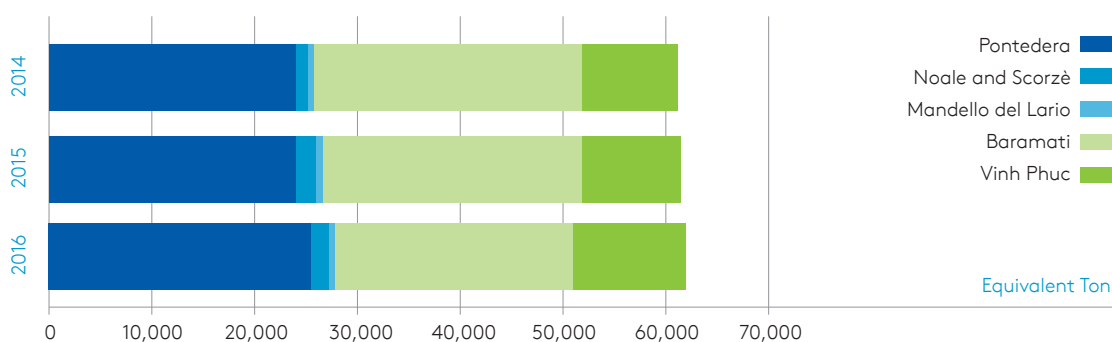
The structural works (replacement of boilers and restructuring of distribution networks) carried out over time and already described in previous CSR Reports, show that the changes made were appropriate. Indeed, in 2016 emission levels were substantially in line with those already detected in previous years.

The largest reductions were in Baramati, where improvement measures were put in place regarding the systems (heat recovery, elimination of heat losses in the ovens) and operating management in the paint shop.

Ton		Pontedera	Noale and Mandello Del Scorzè	Mandello Del Lario	Baramati	Vinh Phuc	Total
2016	direct ¹⁹⁾	12,162	532	300	4,481	1,841	19,316
	indirect	13,107	1,431	271	18,452	8,966	42,227
2015	direct ¹⁹⁾	11,234	605	278	6,213	2,058	20,388
	indirect	12,667	1,366	251	19,043	7,683	41,010
Change 2016-2015	direct ¹⁹⁾	8.3%	-12.1%	7.9%	-27.9%	-10.5%	-5.3%
	indirect	3.5%	4.8%	8.0%	-3.1%	16.7%	3.0%
2014	direct ¹⁹⁾	10,526	388	266	5,801	2,052	19,033
	indirect	13,270	1,254	246	19,550	7,649	41,969

Direct and indirect CO₂ emissions of Piaggio Group production sites

¹⁹⁾ CO₂ emissions deriving from the combustion of methane, natural gas, diesel fuel and LPG.



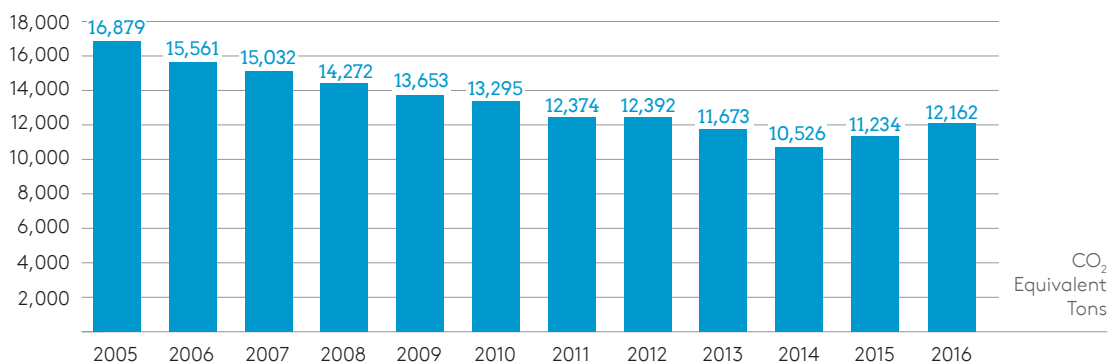
For the factories located in Italy, it should be noted that for the determination of gases with a greenhouse effect resulting from the use of diesel, fuel oil and methane, the conversion criteria of the "Emission Trading" Directive (Directive 2003/87/EC) were used.

With reference to CO₂ emissions, the industrial plant at Pontedera comes under the sensitivity area classification of the "Emission Trading" directive (Directive 2003/87/EC) which implements the Kyoto Protocol. The site is classed as a "Group A" site, relative to companies releasing the lowest amount of CO₂ indicated in the Directive.

CO₂ emissions are almost entirely due to the combustion of methane and only marginally to the combustion of diesel fuel in back-up power generators.

The monitoring and reporting of CO₂ emissions from the Pontedera plant are governed by a specific Group procedure, which is periodically audited in-company and annually audited by a certification body.

A chart summarising CO₂ emissions from Piaggio's plant at Pontedera for the year 2005 onwards is given below. The amounts shown have been certified by the verification body accredited by the National Competent Authority (ANC), except for the 2016 figure, the certification of which is planned for March 2017.



Direct CO₂ emissions of the Pontedera site (CO₂ Equivalent Tons)

Other significant emissions at the production sites of the Piaggio Group²⁰

20) Reported data are also based on processing using estimates.

		Pontedera	Noale and Scorze'	Mandello Del Lario	Baramati	Vinh Phuc	Total
COV (Ton.)	2016	111.2			336.0	3.8	451.0
	2015	122.3			380.0	3.0	505.3
	Change 2016-2015	-9.1%			-11.6%	26.7%	-10.7%
	2014	118.4			452.0	4.4	574.8

Although emissions of VOCs at the Group have decreased considerably in the last few years, the use of technologies with less impact on atmospheric pollution and on water resources is being evaluated. Specifically, in the Pontedera factory a new paint plant for scooters was put into operation in the course of 2016, which has already generated positive effects on the amount of emitted VOCs, although it is expected that the greatest benefits in this regard will be recorded at the end of 2017.

Conserving water resources

Piaggio has always recognised the immense value of the natural resources it uses and has developed production processes designed to reduce water consumption. At Pontedera site, water supply wells have inverters that can regulate system flow rates based on the amount of water required by the hydraulic loop.

Water procurement of Piaggio Group production sites

	m ³	Pontedera	Noale and Scorze'	Mandello Del Lario	Baramati	VinhPhuc	Total
2016	Water from wells	242,489	17,955	1,268			261,712
	Water from the mains	58,510	9,441	854	254,889	124,665	448,359
	Total	300,999	27,396	2,122	254,889	124,665	710,071
2015	Water from wells	245,687	7,599	2,490			255,776
	Water from the mains	43,110	7,959	704	297,956	119,351	469,080
	Total	288,797	15,558	3,194	297,956	119,351	724,856
Change 2016-2015	Total	4.2%	76.1%	-33.6%	-14.5%	4.5%	-2.0%
2014	Water from wells	333,337	5,035	8,025			346,397
	Water from the mains	45,572	5,897	747	275,781	103,255	431,252
	Total	378,909	10,932	8,772	275,781	103,255	777,649

At the Mandello plant, where well water is used exclusively for cooling systems, the low outdoor temperatures recorded, combined with good water management practices, have brought a further drop in consumption.

Water consumption slightly dropped, and despite having already obtained drastic reduction which could lead to the conviction of having reached a level difficult to further improve, Piaggio continues to undertake activities and tests aimed at additional reductions. A special case was the increase in water pumped from the wells in Noale and Scorze' (less than 2% of total withdrawals) due to a previous measurement anomaly, remedied at the beginning of 2016.

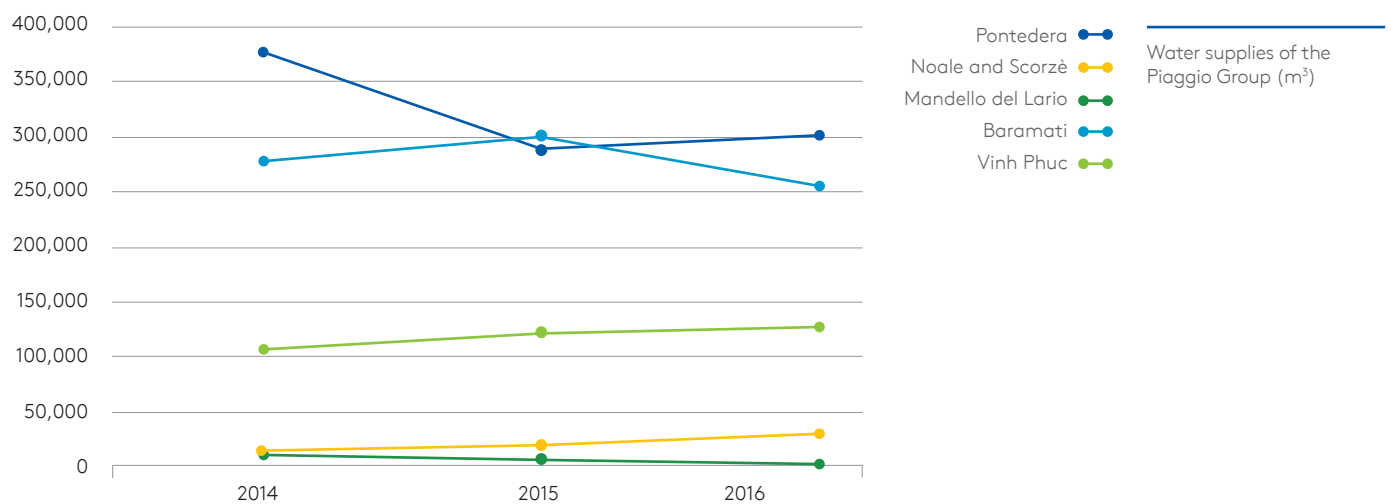
As regards waste water, environmental respect is ensured with processes to treat and purify waste water.

Below we report the destination of waste water produced, estimated to be equivalent to the amount of water supply used, for each production site:

› **Pontedera:** all industrial and most non-industrial waste water is conveyed to a chemical/physical purification plant outside the site. After biological treatment, the waste is discharged into an open channel. A small part of the waste-water coming from the toilets located in two areas of the factory, is directly discharged into the public sewer system;

- › **Noale**: all buildings are connected to the public sewer system. The waste water is of a non-industrial origin only (from toilets and the site canteen);
- › **Scorzè**: the plant is not served by the public sewer system, so waste water is biologically purified at the site and then conveyed to the local Rio Desolino canal;
- › **Mandello del Lario**: the plant discharges a part of waste water directly into the public sewer system (non-industrial waste water, canteen waste water, etc.), while waters used in the cooling plants are discharged into the Torrente Valletta stream;
- › **Baramati**: waste water is treated and used for irrigation purposes;
- › **Vinh Phuc**: the site has a chemical/physical purification plant for waste from painting pre-treatment operations before it is conveyed to the public sewer systems, where all other site waste (non-industrial waste) is sent. The final destination is in the public sewer system.

In terms of recycled and reused water, only the sites of Baramati and Vinh Phuc reuse part of the drawn water. Specifically, approximately 114,889 m³ of water were recycled and reused by the Indian site in 2016, equal to 45.1% of the total amount drawn by the site. In the Vietnamese factory, waste water recovery amounted to 12,316m³/y or approximately 9.9%.



Waste handling and recovering

Where possible, the Piaggio Group tries to recover rather than dispose of waste and reconditioning and reuse have been a common practice at all sites for several years now. The Company is also committed to using environmentally compatible processes and technologies that can reduce the production of waste. Moreover, it has a priority objective of further increasing its recovered waste/disposed of waste ratio. Sites with an environmental management system have specific procedures in place to facilitate waste disposal and recovery, thus avoiding operations that are harmful for the environment or that may affect activities. In all the other factories, the general indications were obtained from the above procedures and adjusted to reflect locally applicable regulations.

Waste produced at Piaggio Group production sites

Ton		Pontedera	Noale and Scorzè	Mandello Del Lario	Baramati	Vinh Phuc	Total
2016	Total waste	6,001	691	236	1,754	1,067	9,750
	Hazardous	11.6%	3.6%	3.0%	29.3%	70.7%	20.5%
	For recycling	94.5%	99.7%	97.7%	71.3%	21.2%	82.8%
2015	Total waste	3,591	710	181	1,946	913	7,340
	Hazardous	21.9%	3.1%	3.0%	22.9%	66.8%	25.5%
	For recycling	89.0%	90.5%	96.2%	77.3%	24.6%	78.2%
Change 2016-2015	Total	67.1%	-2.6%	30.7%	-9.8%	16.9%	32.8%
2014	Total waste	1,876	564	331	1,859	1,137	5,766
	Hazardous	26.3%	3.8%	0.6%	22.6%	76.1%	31.2%
	For recycling	84.6%	89.6%	99.5%	78.9%	19.0%	71.2%

Especially evident is the change in waste volume between 2015 and 2016 at the Pontedera production site, which in 2016 saw the completion of the first year of direct packaging management, following the amendment of the Municipal Regulations according to which, as of the second half of 2015, cardboard, wood and nylon packaging is no longer considered as municipal waste.

For other sites, there were no significant increases or decreases and the changes were attributable to production changes or optimisation of the waste cycle.

Avoiding soil contamination

We report that in 2016, as in 2015, no spills or polluting events of significance occurred at any of Piaggio's production sites.

At the Mandello and Pontedera, decontamination initiatives are under way due to historic contaminations of the sites. These situations emerged during demolition work in Mandello and during environmental monitoring campaigns in Pontedera. In both cases, the pollutants found have not been used in the production sites for several decades, providing the historical nature of their origin. In accordance with legal obligations, the two situations have been reported to the relevant authorities and managed according to their instructions.

Biodiversity

Piaggio's production sites are not located in protected areas or areas with high levels of biodiversity. The sole exception is the Scorzè site, which although located in an industrial zone, conveys its waste water into the drainage basin of the Venetian Lagoon. As such the production site is subject to restrictions imposed by specific laws.

Environmental spending and investments

The Group's commitment to environmental sustainability is further proven by the € 1.3 million invested in the environment by Italian production sites in 2016. To this amount, around € 7 million must be added, which were recognised in the accounts in relation to the progress of construction works for the new paint plant. As forecasted and described in earlier reports, the new plant, in addition to ensuring high quality standards, has led to significant environmental benefits, especially with regard to atmospheric emissions.

	2016	2015	2014
figures in euro			
Waste disposal, waste treatment and environmental restoration costs	425,850	402,555	332,819
Costs for prevention and environmental management	882,053	2,096,939	1,629,451
Total	1,307,903	2,499,494	1,962,270

 Environmental spending
 and investments in Italy

Logistics

The Group has consolidated its logistics model aimed at benefiting from the synergies among the various distribution centres in Europe and identifying opportunities for optimisation, paying particular attention to service quality aspects.

To optimise distribution the model calls for targeted management of departures and routes to travel. The procedure also disciplines:

- › the vehicles and equipment used by logistics operators certified by Piaggio, in accordance with the relevant quality standards;
- › replacement of vehicles for internal shuttling with others equipped with systems to cut CO₂ emissions;
- › the packaging collection service to manage the pick-up of packaging from dealers and its disposal according to local regulations in force;
- › disposal and waste sorting of waste material (e.g., due to decontainerisation) and packaging substitution;
- › printing of only the documents which are necessary.

To reduce transfer needs to a minimum the model requires that produced vehicles are stored in the distribution centre adjacent to the production site and that importing of overseas products is centralised.

Thanks to centralised management of all logistics centres (Pontedera, Quinto di Treviso, Mandello):

- › the number of trips needed to transfer stock between centres has been reduced;
- › the use of electronic archives for storing shipment documents has been consolidated and paper copies reduced;
- › printing of shipping documents to be sent to end customers has been minimised, and electronic documents are used whenever possible.

As part of the distribution of vehicles (for the contract in force in the period 2014-2016), a process for the improvement of operational activities was started, which in 2016 recorded a total reduction of distribution operations of 0.81% for the two-wheeler sector and of 0.34% for the Commercial Vehicles sector compared to 2015.

For the new contract for the 2017-2019 period, which is being finalised, activities are in the start-up phase for the dematerialisation of transport documents to the largest extent possible, in order to almost completely eliminate the use of paper documents. In addition, to further optimise saturation of vehicle transport travels and minimise the number of travels between hubs for the transfer of vehicles in stock, a centralisation process is ongoing for the Moto Guzzi (manufactured at the Mandello factory) and the Aprilia (manufactured at the Scorzè factory) distribution warehouse.

The production centres in India and Vietnam also set up procedures aimed at minimising the number of trips for shipping produced vehicles and consumption of packing materials.

THE SOCIAL DIMENSION

Developing human resources	93
Staff	93
Personnel management policies	94
Industrial relations	104
Occupational health and safety	107
Meeting customer requirements	110
Responsible management of the supply chain	120
Supporting local communities	123

*We give a voice to different cultures, to drive
development, knowledge and better quality of
life.*

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
Skills model	<ul style="list-style-type: none"> Update and simplify the skills model in line with the organisation and business needs. 	<ul style="list-style-type: none"> Update managerial skills World Wide. Align the managerial skills model of the Indian subsidiary to that of the Piaggio Group. 	<ul style="list-style-type: none"> Review R&D technical skills in keeping with the current organisational structure. Review technical skills according to a Digital awareness approach. 	<ul style="list-style-type: none"> Assessment and alignment of skills to strategic plan requirements.
Talent management	<ul style="list-style-type: none"> Continuation of the development of talented individuals through further global training sessions, remote training and development plans. (Piaggio Way programme). Creating a special community to facilitate networking and remote collaboration. 	<ul style="list-style-type: none"> First Piaggio Way Global training event session delivered. Completion of training programme for participants in the second round of the Piaggio Way, who continue to be part of the talent group as Alumni. Assessment in EMEA, India and Asia and entry of fourth round Piaggio Way talents. Set up of the community on the professional social network to share expertise and best practices (Linkedin). 	<ul style="list-style-type: none"> Strengthening of the global talent development programme Piaggio Way, through the introduction of specific online training sessions. Organisation of business-related project work activities, developed through multi-cultural and cross-functional teams. Assessment for participants in Piaggio Way fifth round. Adoption of talent attraction and retention policies through specific training and rewarding initiatives. 	<ul style="list-style-type: none"> Development of innovative training activities according to the Piaggio Academy approach. Assessment of proposed development tools and analysis of results for continuous improvement.
Succession Planning	<ul style="list-style-type: none"> Consolidation and dissemination of global succession management process. Update IT systems used for managing and monitoring the succession plan. 	<ul style="list-style-type: none"> Global implementation of the IT tool "Succession Plan". Monitoring and initiatives to facilitate expatriates being succeeded by local staff. 	<ul style="list-style-type: none"> Consolidation of the IT tool "Succession Plan" in the various organisational units in cooperation with the HR Managers. Digitisation and integration with other IT tools for the management and mapping of strategic resources. 	<ul style="list-style-type: none"> Continuous updating of the Succession planning process to reflect organisational and business developments.
Training	<ul style="list-style-type: none"> Management of a shared management training catalogue for all geographic areas covered by the company. Management of shared e-learning programmes for all geographic areas covered by the company in the field of safety and conduct-related aspects of the safety policy. 	<ul style="list-style-type: none"> Designing a management training catalogue based on the Piaggio skills model, learning levels and corporate seniority. Designing three Company Training Programmes dedicated to Executives and Managers of the Piaggio Group. Development of a tool for managing deadlines of health and safety training on the basis of specific roles. 	<ul style="list-style-type: none"> Development of specific programmes to ensure strategic business skills are maintained and developed. Establish a register of Internal Trainers to capitalise on our technical and professional knowledge and experience. 	<ul style="list-style-type: none"> Implementation of Company Training Programmes at Group level. Computerisation of the health and safety training Schedule.
Health and safety	<ul style="list-style-type: none"> Structure of responsibilities and sub-responsibilities. Implementation of an IT system to manage legal requirements in the field of H&S and audits of legal compliance. 	<ul style="list-style-type: none"> The new organisational structure has been completed and maintenance/update activities are now continuing. Currently, legal requirements are managed through the involvement of the concerned entities via dedicated emails. Legal compliance audits were conducted with the support of external consultants; the thorough examination carried out, showed full control concerning the applicability of existing requirements and the adequacy of the management system. 	<ul style="list-style-type: none"> Implementation of the BBS (Behavior Based Safety) program. 	<ul style="list-style-type: none"> Implementation of an IT system for evaluation of risks and management of health and safety groupwide. Alignment of the health and safety management system with the new ISO 45001 standard - Risk based approach, which will replace the OHSAS 18001 standard.

Developing human resources

Human resources, with their skills, capacities and dedication, are the key factor in Piaggio's competitiveness and growth.

Everything we do as individuals or as a team is shaped by our strategic vision, result-driven approach, constant commitment to customer satisfaction, desire for innovation and awareness of the future needs of the market, to generate value for each and every stakeholder. People are the key element that enables us to meet challenges in an increasingly dynamic and competitive international scenario.

It is for these reasons that Piaggio places such central importance on people in the organisation, assuring them our respect and protection in all Group companies.

Staff

In 2016, the Group continued to pursue the rationalisation and redesign of the organisation. As of 31 December 2016, group employees were 6,706, down by 347 (- 4.9%) compared to 31 December 2015.

Employee/staff numbers	2016	2015	2014
EMEA and Americas	3,752	3,872	4,008
of which Italy	3,518	3,638	3,734
India	2,113	2,353	2,622
Asia Pacific 2W	841	828	880
Total	6,706	7,053	7,510

Company employees by geographic segment as at 31 December

Employee/staff numbers	2016	2015	2014
Dirigenti	100	105	110
Quadri	581	579	554
Impiegati	1,783	2,012	2,122
Operai	4,518	4,866	5,030
Total	6,982	7,562	7,816

Average number of Company employees by professional category²¹

n. persone	Graduate	High School	Middle School	Primary School	Total
EMEA and Americas	682	1,637	1,345	88	3,752
of which Italy	548	1,555	1,333	82	3,518
India	567	1,546	0	0	2,113
Asia Pacific 2W	826	15	0	0	841
Total	2,075	3,198	1,345	88	6,706

Company employees by educational qualifications as of 31 December 2016

21) During 2015, the criteria for identifying professional categories in India were updated to bring them closer into line with the Group as a whole, resulting in an equivalent reclassification of the 2014 figures.



An entry turnover rate of 1.2% and leaving turnover rate of 4.6% were recorded in Italy in 2016.

Company employee turnover in Italy as of 31 December 2016

Employee/ staff numbers	Staff as of 31 December 2016	Men	Women	< 31	31 - 40	41 - 50	> 50	Total	% Turnover
Incoming									
Senior management	62	1	2			3		3	4.8%
Middle management	234	6	2		3	5		8	3.4%
White collars	905	15	15	15	12	3		30	3.3%
Blue collars	2,317	2				2		2	0.1%
Total	3,518	24	19	15	15	13		43	1.2%
Leavers									
Senior management	62	4	2		1	3	2	6	9.7%
Middle management	234	10	0		3	4	3	10	4.2%
White collars	905	39	13	5	15	7	25	52	5.8%
Blue collars	2,317	76	17		4	7	82	93	4.0%
Total	3,518	129	32	5	23	21	112	161	4.6%

Personnel management policies

Piaggio adopts a system of recruitment, development and salary packages for personnel which recognises and rewards merit and performance. Any type of discrimination is explicitly forbidden by the Code of Ethics.

The primary focus on human resources and the development of core competencies for business development are the cornerstone of relationships with people and are reflected in the following corporate policies.

Competitive organisation

Organisational innovation is pursued as a means of sharpening the group's competitive advantage and supporting the creation of a multicultural, multinational, lean, customer-oriented organisation that generates value and works in an integrated way, based on a "network" logic, with all partners (e.g.: suppliers, dealers) that contribute to the company's value chain, and ready for the digital transformation that is taking place in recent years.

In its relations with staff and regardless of the work they carry out, Piaggio respects the principles set forth by the Group's Code of Ethics in all circumstances, as well as the laws in force in the geographic areas where it operates.

Piaggio does not resort to child labour according to the age limits in force in the various countries or to forced labour and adheres to main international laws, such as the UN Convention on the Rights of the Child (UNCRC) and the 1998 Human Rights Act.

Recruitment and internal mobility

Through the complete digitisation of the selection process, our technical expertise in Recruiting was extended from Corporate to all the Group companies.

Today, our selection practices are based on a uniform evaluation mode, which also involves tests we can deliver through our in-house certified analysts, who are employees of the Group.

Each activity carried out by each individual recruiter has been made traceable and visible.

The Group's visibility as an employer has been amplified by the setting up of Corporate pages on major social networks, with the Marketing and Communication departments' contribution to the design and ongoing updating.

The full computerisation of the process led to the establishment of a candidates' database, which is constantly updated through the ongoing analysis of the national and international labor market.

Career development

Career and development paths are based primarily on an assessment of skills, behaviors, performance and potential, with the aim to create a pool of highly motivated people to fill key positions.

The development of core competencies required by business and market developments is a priority. This is why the Group’s human resources development policies focus on building, maintaining and developing factors that are instrumental for competing in international contexts which are continually evolving.

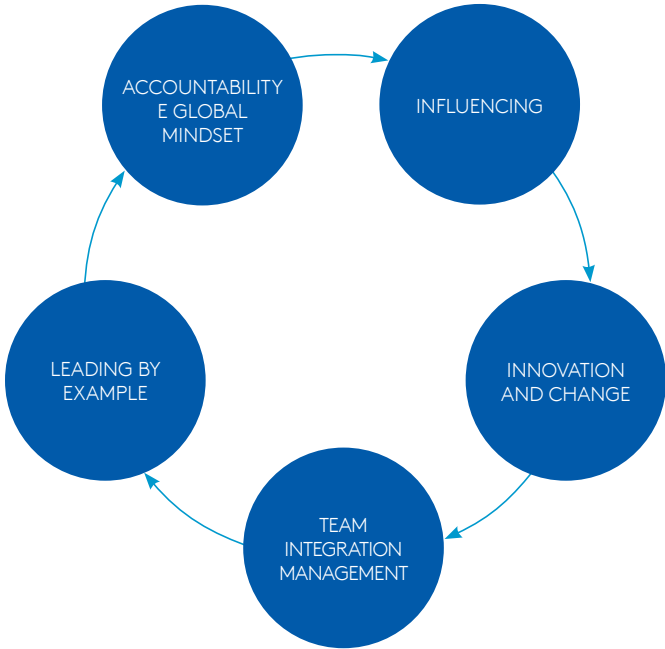
The Group’s managerial and professional competencies model

In line with the Group’s strategic plan and its core values, Piaggio has identified a managerial competencies model that represents the skills set to be implemented day by day to ensure personal success and the success of the company on a global level.

At the same time, it has developed a benchmark model of professional competencies that reflect the company’s pool of professional skills and know-how, which is the true foundation and the only real guarantee of the continuity and quality of results.

During 2016, the identification of managerial and technical/professional competencies was also updated at Group level, and development and training plans were configured to overcome gaps identified in 2015.

In addition, consistent with the organisational developments occurred in 2015, the managerial skills model was updated for the Indian subsidiary, in line with that already in force for the entire Group and with the introduction of new skills related to the local cultural context.



Development paths

The goal of the development tools is to continuously build and improve the managerial and professional skills required by the respective models, while bringing potential to fruition and assessing and rewarding excellent performance. The set of tools provided by Piaggio includes:

- › development plans, which identify the actions to be taken for the growth of the employee;
- › job rotation and participation in strategic or international projects;
- › management and professional training (see “training” section);
- › Piaggio Way - the young talent management programme (see “talent management” section).

During 2016, development actions to consolidate the Company’s international mindset were consolidated as well as the internal growth of high-potential individuals. In this regard, we note the greater participation of Indian and Asian people in the talent management programme.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that the strategic and technological know-how of the Group is kept and developed at the international level. Given that in 2015 the succession plans monitoring and managing tools had been consolidated and updated for the Group’s key positions, in 2016 these processes were integrated through the use of a dedicated IT platform globally.

Reviews

The Group places great importance on using transparent criteria and methods for reviewing employees with respect to:

- › performance,
- › managerial and professional competencies,
- › international mobility,
- › potential,

in relation to the employee’s role, company needs and possible development paths.

Evaluation outcomes are discussed by reviewers with the people they evaluate, and may form the basis of a development and training plan with a specific schedule.

Employees are evaluated by comparing their competencies against the Company mode for their specific role, as evidenced by concrete and observable action in their everyday work. The review process is managed in an integrated way through a dedicated IT platform and provides the information necessary for the processes of succession planning, management reviews and a gap analysis of professional competencies, which are conducted across the Group.

Performance evaluation influences both development and career paths and rewarding.

During 2016, the Evaluation Management System was consolidated at Group level. This standard evaluation system is for all white collar and managerial staff, assisted by computer tools for the real-time management of all evaluations, for human capital development purposes.

Percentage of employees who received performance and career development reviews in 2016

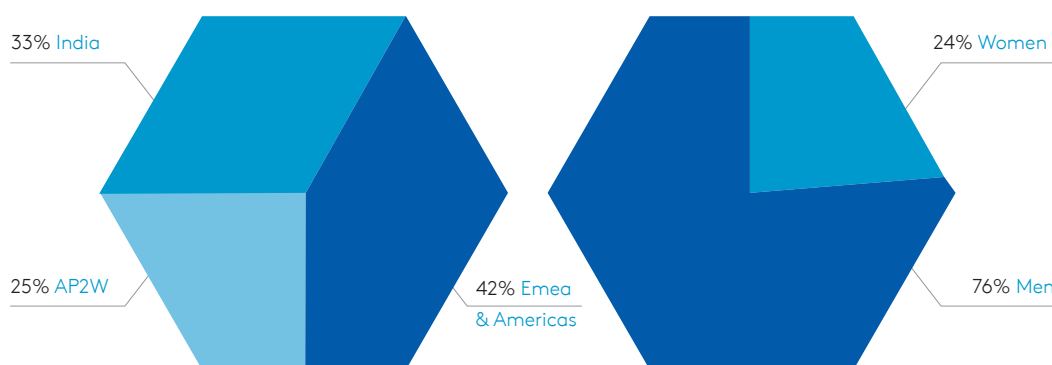
Geographic segment	EMEA&Americas	of which Italy	Asia Pacific 2W	India
Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
White collars	100%	100%	100%	100%
Blue collars	n.a.	n.a.	100% ²²	n.a.

22) A specific process based on local standards was adopted for worker performance reviews in Vietnam.

Talent Management: the Piaggio Way programme

As of 2010, the programme for the management of young talent, called Piaggio Way, has been one of the development tools used by the Group. It is aimed at employees around the world who show a high potential, great enthusiasm for their work and the courage to undertake new paths, in order to identify and ensure a growth path for the most deserving resources.

Since the launch, four assessment sessions have been completed, involving a total of 248 employees across all geographical areas of the Group. Currently 48 employees take part to the programme. The geographical breakdown is as follows: 42% EMEA, 33% India, 25% Asia Pacific. Piaggio Way boasts a community of 52 students who have completed their development plan and who still remain active in the programme.



Geographic distribution of talent and breakdown by gender as of 31 December 2016

The talents added to the programme are given fast-lane access to development, involving:

- › job rotation;
- › strategic and international projects;
- › events involving top management;
- › coaching and personalised training.

To remain on the programme participants undergo a structured annual Talent Review conducted with the involvement of Piaggio top management.

Training

The Group has put in place a platform, called Piaggio Global Training, which is used to manage and monitor the whole training process.

The process methodology, starting from the analysis of training needs, is the same in every region thereby ensuring a uniform Training policy.

2016 was the first year of full use of the platform, from the analysis of training needs to the management and planning of classrooms and the management of satisfaction and learning assessment surveys after each course.

During 2016, the Health and Safety training process was also fully computerised; as a result, a computerised schedule of the main mandatory campaigns will be available.

Thematic area	2016 ²³				2015 ²³			
	Emea	Americas	India	Asia Pacific 2W	Total	Emea Americas	India	Asia Pacific 2W
Managerial training	3,452	11,056	1,108	15,616	4,129	10,160	1,431	15,720
Technical – professional training	11,950	13,224	1,086	26,260	8,429	38,281	52	46,762
Language training	4,353	1,400	6	5,759	8,074	939	996	10,009
Health and safety training	6,157	5,108	4,405	15,670	4,686	7,965	801	13,452
Total	25,912	30,788	6,605	63,305	25,318	57,345	3,280	85,943

Hours of training by training area

²³) Data does not include on-the-job training

Total training hours by professional category

Professional category	2016 ²⁴	2015 ²⁴
Senior management	1,075	1,073
Middle management	10,345	8,935
White collars	28,765	36,290
Blue collars	19,507	25,847
Other workers	3,613	13,798
Total	63,305	85,943
Total per-capita	9.4	12.2

24) Data does not include on-the-job training

Training hours by gender

Thematic area	2016			2015		
	Men	Women	Total	Men	Women	Total
Managerial training	14,260	1,356	15,616	14,285	1,435	15,720
Technical – professional training	23,588	2,672	26,260	43,728	3,034	46,762
Language training	4,127	1,632	5,759	7,415	2,594	10,009
Health and safety training	14,420	1,250	15,670	11,913	1,539	13,452
Total	56,395	6,910	63,305	77,341	8,602	85,943

When analysing data for 2016, we note that the number of hours devoted to Managerial training remained stable while the number of training hours on health and safety issues increased, especially in EMEA & Americas and in the Asia Pacific areas, due to specific training projects designed to encourage a culture of safety.

As regards the Technical-Vocational Training, despite a significant increase in EMEA & Americas and in the Asia Pacific area, the aggregate number of hours declined, as the 2015 figure for India was influenced by vast campaigns on Quality Management, Project Management and Lean Management.

Rewards

Reward policies aim to reward people and their work on the basis of competitive, fair and merit-based criteria that are clearly explained during the review process and which are designed to motivate and retain the human resources that contribute the most to achieving the company's results.

The Group reward system is differentiated for the various professional groups in the Company, and consists of a fixed salary component and variable objective- and benefits-based incentive systems.

Salary packages

Piaggio offers to new recruits and all its employees a salary package in line with the best market practices. Accordingly, Piaggio has adopted a structured salary review process based on:

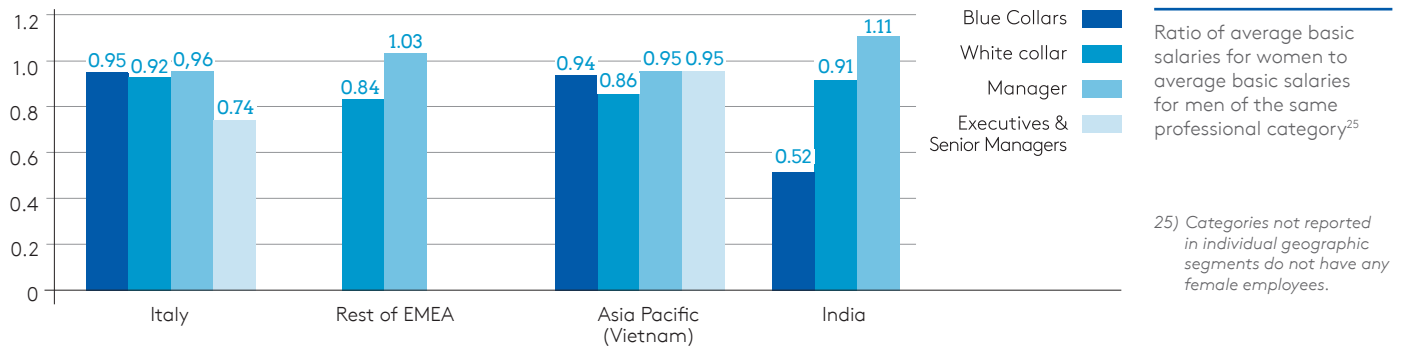
- › comparing salaries with market benchmarks, considering the market positioning of the Company as a whole and the review of individual organisational roles, which is periodically revised. Comparisons are conducted using internationally-recognised methods, with the support of specialist consultants;
- › setting out guidelines for the salary review process that take into account company results and focus on criteria of meritocracy, competitiveness, internal fairness and sustainability;
- › specific identification of fixed and variable salary components, in accordance with guidelines, with meritocracy logics and retention needs relative to strategic resources for the business.

On the basis of internal analyses carried out in each country of activity, no significant differences were detected within the Piaggio Group between the basic salary and the remuneration of men compared to women with the same category, experience and assigned duties.

In fact, the ratio of minimum standard entry-level salaries to the local minimum wage in Italy in 2016 was 1.08 for male and female white collars and 1.96 for newly-hired male middle management

and 1.66 for female middle management.

An equivalent comparison made in Vietnam and India for blue collars alone showed a ratio of 1.05 and 1.00 respectively. In these markets there are no legal minimums for white collars and middle management.



Objective-based incentive systems

The achievement of excellent results in terms of objectives set by the company is rewarded through variable incentive systems, focused on business-related qualitative and quantitative objectives as well as on the internal efficiency of each area of responsibility.

The full process of setting objectives and reviewing results is conducted with employees, using objective criteria.

Benefits

Piaggio offers a benefits package in line with the best local market practices, which is structured on an organisational basis. Benefits include, by way of example:

- > company car;
- > private health insurance;
- > company medical centre at various sites;
- > agreements with local groups and facilities of interest for employees.

Benefits are provided to full-time as well as to part-time employees without differentiation.

Diversity and equal opportunities

The Group rejects any form of discrimination on the basis of gender, age, nationality, ethnic background, ideology or religion. It operates in strict compliance with laws and contractual requirements, and in keeping with the customs, practices and usages of each country in which the Company operates.

Piaggio operates globally with a diversity of employees, in terms of age and gender, in Europe, the Americas and Asia. For Piaggio, managing diversity means acknowledging and respecting differences as part of the shared substratum of company culture. Staff diversity represents various different ways of pursuing and achieving the highest levels of performance within a single, broader Group organisational design.

The Group's concrete commitment to embracing diversity is reflected by its adoption of a Code of Ethics, conformity to international laws on equal opportunities and use of policies that protect forms of diversity already found within the Company.

The company seeks to spread its culture and values throughout the world with a view to creating the conditions for promoting an international mindset and a truly multinational organisation in which all employees can benefit from equal opportunities.

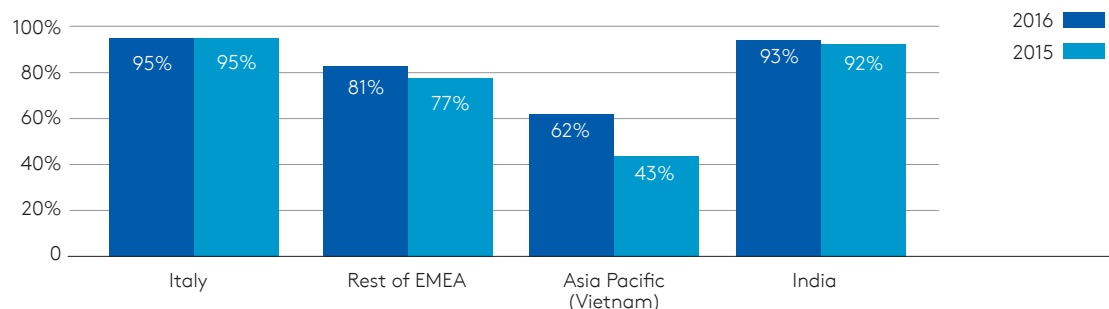
Human resources management processes are conducted applying the same principles of merit, fairness and transparency in all the countries in which the Group operates, with the accent placed on aspects of relevance for the local culture.

Piaggio selects and hires its staff based solely on the candidates' characteristics and experiences

26) Figures include senior managers, first- and second-level executives reporting to top management at Piaggio & C SpA, and the first- and second-level executives of subsidiaries. The term local refers to the national level and local senior managers means senior managers with nationality the same as the country where they work.

Percentage of senior managers of local nationality divided by geographic segment as of 31 December

and the requirements of the position. As shown in the graph below²⁶, Piaggio promotes and supports the recruitment of candidates from many parts of the world, to contribute to the international mindset that is a key value for the Group.



In order to promote and sustain intercultural exchange and diversity management, the Group encourages the international mobility of its people, enabling the reciprocal secondment of employees between Group companies.

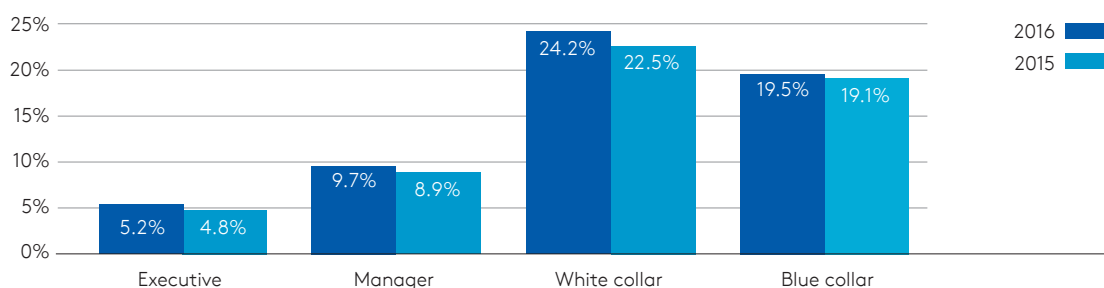
Female employment

Female employees at Piaggio play a fundamental role at all levels of the organisational structure and in 2016 they accounted for 19.6% of the workforce, up by 0.6 percentage points compared to 2015.

Company employees by gender and geographic segment as of 31 December

Employee/staff numbers	2016		2015	
	Men	Women	Men	Women
EMEA and Americas	2,624	1,128	2,725	1,147
of which Italy	2,441	1,077	2,545	1,093
India	2,067	46	2,306	47
Asia Pacific	698	143	681	147
Total	5,389	1,317	5,712	1,341

Number of women employees as of 31 December



Company employees by contract type, gender and geographic segment as of 31 December 2016

Employee/staff numbers	Fixed-term contract			Open-ended contract		
	Men	Women	Total	Men	Women	Total
EMEA and Americas	5	4	9	2,619	1,124	3,743
of which Italy	5	4	9	2,436	1,073	3,509
India	765	26	791	1,302	20	1,322
Asia Pacific	196	34	230	502	109	611
Total	966	64	1,030	4,423	1,253	5,676

Equal opportunities are offered to employees of both genders, with concrete initiatives in place to help people strike a balance between work and domestic life. Such initiatives include alternatives to full time work.

Employee/staff numbers	Full time			Part time		
	Men	Women	Total	Men	Women	Total
EMEA and Americas	2,530	818	3,348	94	310	404
<i>of which Italy</i>	2,351	772	3,123	90	305	395
India	2,067	46	2,113	0	0	0
Asia Pacific	698	142	840	0	1	1
Total	5,295	1,006	6,301	94	311	405

Company employees by profession, gender and geographical segment as of 31 December 2016



Part-time employment in Italy as of 31 December 2016

Piaggio's aim is to consolidate its number of female employees and make their working conditions easier. To this end, alternatives to full time work have been in use for several years in Italy and are becoming increasingly popular with employees.

In 2016, 395 employees were working an alternative to full-time hours in Italy: in particular, 4.7% of the workforce was employed with a horizontal part-time contract, and 6.5% on a job-share contract.

Young employees

Within the Group, the company's largest population is in the 41-50 age group. The generational mix is a crucial precondition for the acquisition and spreading of knowledge among young people from the most experienced workers, who can stand up as an example and pass on the skills and abilities learned over time.

Employee/staff numbers	up to 30	31-40	41-50	> 50	Total	
2016	Senior management	0	4	38	55	97
	Middle management	0	172	281	146	599
	White collars	228	648	531	324	1,731
	Blue collars	1,340	722	1,328	889	4,279
	Total	1,568	1,546	2,178	1,414	6,706
2015	Senior management	0	3	40	61	104
	Middle management	2	145	290	136	573
	White collars	291	778	547	317	1,933
	Blue collars	1,591	658	1,306	888	4,443
	Total	1,884	1,584	2,183	1,402	7,053

Company employees by professional category and age bracket as of 31 December

Company employees up to 30 years of age by geographic segment as of 31 December 2016



People with disabilities

Piaggio not only guarantees people with disabilities the chance to work, but also recognises the value of their diversity and importance of dialogue in any activity, from the simplest to the most complex. In agreement with trade union organisations and the laws in force, which require companies to employ a certain number of people with disabilities, in Italy Piaggio has forged alliances with social cooperatives, convinced that work can contribute to personal development.

The insertion and integration of disabled people into the workforce is also made possible in practice by the accessibility of company facilities and the existence of a relative company procedure.

Employees with disabilities in Italy (pursuant to Law no. 68/1999) as of 31 December

Employee/staff numbers	2016	2015
Senior management/Middle management/White collars	9	11
Blue collars	124	132
Total	133	143
Percentage out of total employees	3.8%	3.9%

In 2016, 133 people with disabilities and from legally protected categories were employed at sites in Italy. The breakdown in the table above shows that people with disabilities account for 3.8% of the total workforce.

Parental/maternity leave

Our companies apply the laws passed by pertinent national legislation.

The Group does not discriminate in any way against women who take maternity leave. Indeed, to support work-child care balance, a horizontal part-time contract has been granted to 167 employees in Italy. In addition, as further support to work-life balance, in Pontedera employees can benefit from an agreement for child support (see Industrial Relations section).

As proof of the above, the following information has been provided for the companies where the phenomenon is more numerically significant.

	Parental/maternity leaves								
	Italy			Vietnam			EMEA & Americas		
	M	W	Total	M	W	Total	M	W	Total
Employees on maternity leave during 2016	32	35	67	87	29	116	2	5	7
Employees returning in 2016 after maternity leave	32	28	60	86	23	109	2	5	7
Employees returning in 2015 after maternity leave	24	18	42	84	25	109	1	2	3
Employees returning to work and on the payroll 12 months after returning from maternity leave	24	18	42	79	19	98	1	1	2
Retention Rate %	100.00%	100.00%	100.00%	94.05%	76.00%	89.91%	100.00%	50.00%	66.67%

Personnel dialogue and involvement

Piaggio Group's Internal Communication Policy is aimed at informing employees on business performance and prospects and bringing them closer to top management strategies.

The system is based on the conviction that sharing strategic objectives with every employee is a key factor to success.

Piaggio uses communication and information tools which respect and empower the social and cultural realities within the Group.

More specifically, in Italy, "PiaggioNet" is the national intranet portal that provides information on the Group, news on current company events and on product ranges, as well as numerous services for the staff (e.g. online payslip, management of travel expenses, internal manuals/procedures, Piaggio Global Training platform, online house organ Wide Piaggio Magazine). In 2016, the Piaggio Welfare section was strengthened to increase visibility of the related issues and initiatives which contribute to the "welfare" of employees and their families (healthcare plans, agreements, supplementary pensions, corporate canteen, corporate medical centers, Family area).

Through specific intranet stations ("Piaggio InfoPoint"), located in the Italian factories of the Piaggio Group, also blue collars have access to the news (company news, new products) and to many services using their corporate badge.

Similar information is made available to the employees of foreign subsidiaries through the dedicated intranet portal "PiaggioNet International", whose contents are published in English.

Additional specific initiatives are provided for employees of premises in Asia and India, for example:

- › Forums dedicated to employees in India (V-Speak and Crucial Conversation);
- › A quarterly meeting at Piaggio Vietnam with management to share quarterly results and future targets;
- › INDIA E-Care: this is an online platform where external consultants reply to questions regarding various personal problems of employees and their families, guaranteeing confidentiality;
- › Piaggio Vietnam Safety Corner: collects suggestions from employees on safety issues.

Industrial relations

The Piaggio Group acknowledges the role of trade union organisations and workers' representatives and is committed to establishing relations with them focussed on attention, dialogue and a common understanding; in fact, verification and continuous dialogue are considered as essential elements to identify the best solutions for the company specific needs.

The Piaggio Group's Industrial Relations policy is therefore based on involving workers and their representatives in pursuing company objectives, and is focussed on ongoing dialogue and engagement. The solutions and conduct adopted in various countries where the Group operates are in line with the social and institutional context, but are always consistent with the fundamental principles and overall needs of the Group.

Italy

During 2016, dialogue and exchange of views with the trade unions and with employee representatives continued with the aim to find shared solutions to the market crisis and deal with its impact on workers. Through collective bargaining, shared management tools were identified that can adequately address the long-term crisis in the sector, while safeguarding the skills present in the company by promoting their reuse.

At the Pontedera facility, which is confirmed as a center of excellence in innovation, research and design and in the production of vehicles and engines, a union agreement signed in October 2015 had extended the Solidarity Contract until November 2016; however, as a result of the recovery of the urban and suburban mobility segment, both in Italy and in Europe, the Solidarity programme was early terminated on 30 March 2016.

Subsequently, after a residual use of the ordinary redundancy fund in the period between July and October 2016, the Solidarity Contract was reactivated from November 2016 to April 2017.

In February 2016, a mobility procedure was activated for 180 employees in order to downsize staff activities and structurally rebalance the production workforce.

At the Noale production site, the ordinary redundancy fund was used due to an unexpected drop in work volumes in the period from January to May 2016; thus, at the end of April 2016, a new agreement was signed with the trade unions for the use of the Solidarity Contract for the period from June 2016 to January 2017.

The streamlining of staff activities and the downsizing of the overall workforce continued through a new redundancy procedure for 15 employees.

As for the Scorzè facility, by a union agreement signed in December 2015, the Solidarity Contract initially in force from February 2015 to January 2016, was extended up to January 2017.

In January 2016, a redundancy procedure was activated for 75 employees in order to structurally rebalance the production workforce.

By contrast, at the Mandello del Lario production site, 2016 saw confirmation of a rising trend in sales volumes; the ramp up in production was met through the use of temporary contracts and flexible weekly work hours. The ordinary redundancy fund was only residually used in the months of October and November 2016.

Membership of trade union organisations at Italian sites (2014–2016) is shown in the table below:

	2016			2015			2014		
	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario	Pontedera	Noale and Scorzé	Mandello del Lario
FIOM	269	134	40	321	134	43	373	145	42
UILM	303	1	2	326	1	2	330	1	2
FIM	321	137	23	334	137	21	354	128	24
UGL	11			13	0	0	19	0	0
USB	26								
CGIL/CISL/UIL	2			2	0	0	2	0	0
Total	932	272	65	996	272	66	1.078	274	68
	34.0%	50.0%	66.0%	35.1%	48.7%	65.3%	36.8%	48.3%	65.4%

As regards **industrial action**, the trend of strikes in 2016 showed an increase in the number of hours lost for this reason; this increase is connected to the strikes for the renewal of the National Collective labour agreement for the sector and to a slight increase in minor industrial actions compared to the previous year.

All micro-disputes at the company were at the Pontedera site.

A summary table of the hours lost due to strikes in 2015 and 2016 in the various company offices in Italy is provided below:

		2016	2015
N° HOURS LOST DUE TO STRIKES	general/category	19,151	144
	company	9,913	6,807
	TOTAL	29,064	6,951
% HOURS LOST compared to HOURS WORKED	general/category	1%	0%
	company	0.5%	0.34%
	<i>of which Pontedera compared to hours worked at Pontedera</i>	0.61%	0.41%
	TOTAL	1.50%	0.34%
NO. OF DAYS LOST DUE TO STRIKES	general/category	2,394	18
	company	1,239	851
	TOTAL	3,633	869

A structured company welfare system has been established in Italy, with services that aim to increase the well-being of employees and their families, in economic and social terms. In particular, the following have been put in place for employees at Pontedera:

- › a supplementary health scheme, with the chance for employees to extend insurance cover to their families by paying an additional contribution;
- › a childcare agreement between the Company and the Association of Valdera Communities.

A national trade union agreement at the end of 2011 established a private health insurance fund (Metasalute) for metal and steel processing workers in Italy; the company started paying its portion of the fund in 2012. Participation in the scheme is voluntary and became operative in 2013.

The scheme also includes health benefits/services for employees:

- › at Pontedera, the company medical centre for employees has specialists (an optician, an orthopaedic specialist, a lung specialist, a dermatologist and an ENT specialist) for consultations during working hours;
- › at Noale/Scorzè and Mandello del Lario, all employees are entitled to paid time off for specialist consultations outside the company and for clinical analyses.

All sites also offer employees vaccinations free of charge.

Vietnam

In Vietnam, trade union representatives at a company level (selected by a Company Trade Union Committee) are tasked with protecting employees, helping them to understand aspects concerning labour regulations and company policies, and providing economic support for some company initiatives benefiting employees.

In particular, the current Trade Union Committee, elected in February 2014 and comprising 15 members who will remain in office for 6 years, made an excellent contribution in 2016, having sponsored and assisted the company in a number of events to bolster employee motivation. The main events are outlined below, following on from those organised last year:

- › **“Run for Safety”**, half-day event promoting awareness on safety issues on the part of all employees, especially blue collars. It was also presented to local authorities to emphasise the company’s strong focus on safety issues;
- › to mark International Women’s Day (March), the **“Excellent Female Trade Union Member”** event was organised, to award 10 female employees that had particularly excelled for results achieved in the past year and for their commitment to and compliance with company policies and procedures;
- › the **“Nutrition Day”** for employees’ children: in June, paediatric doctors met with employees to provide advice on the nutrition and health of their children. The half-day event was attended by approximately 1500 children, mainly the sons and daughters of blue-collar workers. In particular, the children, who were entertained with games, entertainers and small gifts, were examined by 12 national nutrition doctors;
- › **“Piaggio Vietnam Summer Vacation”** a three-day event in August, during which employees with families received a bonus to spend on 3 days off at a location jointly identified by the company and the trade unions.

No strikes were held in 2016.

India

The Indian subsidiary has always based trade union relations on cooperation, seeking to establish an ongoing dialogue and exchange of views. Trade unions and the Company acknowledge that it is in the reciprocal interest of employees and the Company to guarantee and pursue an even greater level of productivity and higher product quality standards so as to guarantee an optimal performance of factory operating processes, while retaining a competitive edge in the automotive industry.

In India, trade unions have a two-tier structure - at a company and local/area level; this structure is also replicated at the Indian subsidiary where the trade union system comprises a company trade union committee with Piaggio workers’ representatives, and a central trade union committee, which is the highest hierarchical level, with members selected by the trade union. At present, the Company trade union committee (appointed in December 2016 and remaining in office for one year) has 8 members.

A collective company agreement is in place at the Indian subsidiary, signed in July 2013, with a 4-year validity and expiring on June 2017.

In 2016, main activities concerning industrial relations focussed on:

- › maintaining and achieving productivity levels of blue-collar workers as established in the July 2013 agreement. The agreement establishes labour levels based on productivity indicators linked to various production levels;
- › implementing a flexible, temporary labour model. The use of temporary blue-collar workers is related to production volumes based on pre-established ratios;
- › maintaining and improving positive and cooperative relations with workers and trade unions;
- › guaranteeing full compliance with labour laws, also in view of new government legislation (for example the Provident Fund Act, Minimum Wages Act, Apprentice Act, etc.);
- › employee involvement to improve business climate and, therefore, employee motivation. In line with this approach, Piaggio carried out numerous employee-engagement activities, including

family picnics, sports competitions, awards for children who have done particularly well at school and buying schoolbooks for the children of employees.

Occupational health and safety

Safeguarding and improving the health and safety of workers is integral to the Piaggio Group's operations and strategic within the framework of its more general objectives. This principle is valid and adopted in all countries where the Piaggio Group operates. In particular, the Group has taken concrete actions for:

- › continual developments towards a safer working environment, based on assessing all aspects of safety at work and the associated systems, beginning with planning new activities or when reviewing existing ones;
- › safer conduct through education, information and awareness of all workers, to enable them to perform their duties safely and to become accountable with respect to Health and Safety at Work.

Health prevention and protection for workers in such a complex industrial context as the Piaggio Group, both in Italy and abroad, can only take place through an adequately structured organisation which specifically aims to foster as far as possible a safety "culture" within the company. Therefore, the belief that safety must focus on conduct and daily activities is today disseminated at all levels. This approach has led the Piaggio Group to adopt safety management standards that are very similar in all countries where it operates, regardless of regulatory constraints that may be less stringent than corporate standards. In this framework, the sites in Italy, India and Vietnam have an Occupational Health and Safety Management System certified to OHSAS 18001 by an accredited certification body.

In line with Health and Safety Management System requirements, the Group has identified safety training as the key driver for disseminating a culture and fostering a conduct focussed on safety leadership and for generating commitment and steering conduct.

Promoting health is another important aspect for Piaggio, and this is achieved based on two areas of action: free testing and information campaigns on healthy lifestyles. Each Group site has a health unit for prevention, surveillance and first aid, manned by specialist medical and paramedical staff.

Italy

In November 2016, Piaggio & C. SpA was audited in view of renewing its certification of the Health and Safety Management System for the Pontedera, Noale, Scorzè, Mandello del Lario facilities and the warehouse of Quinto di Treviso. The re-certification audit was successful and also led to an extension of the scope of certification to the offices of Milan, Mantua and Rome.

In the course of 2016, upon completion of the reorganisation of the health and safety at work management system started in 2015 and based on the identification of different levels of responsibility, the sole Health and Safety Representatives were identified for the Noale, Scorzè and Mandello del Lario sites.

In order to further strengthen the new organisation, a parallel review was started with respect to the company health training and surveillance procedures, as well as on the issues of technical and professional verification and of cooperation and coordination of external providers that have to perform activities within the production areas.

Given the close relationship established between the "Training" and the "Safety, Hygiene and Occupational Medicine" bodies, we were able to activate a series of innovative courses for Area Maintenance workers, aimed at raising awareness on health and safety issues and at encouraging

a proactive approach to the multiple activities to be performed routinely.

Accident Frequency²⁷ Index in Italy

Production sites	2016	2015	2014
Pontedera	1.5	2.4	2.5
Noale and Scorzè/Quinto	1.1	1.4	0.6
Mandello del Lario	0.5	1.6	1.2

The three industrial sites in Italy showed a reduction in the accident frequency index for the year 2016, which reflected increased awareness of Supervisors and Workers on safety issues and increased number of inspections carried out in the production areas.

Accident Severity²⁸ Index in Italy

Production sites	2016	2015	2014
Pontedera	82.1	73.1	130.8
Noale and Scorzè/Quinto	23.6	65.5	22.4
Mandello del Lario	9.4	19.5	49.6

In the Pontedera production site, the Severity Index in 2016 was broadly in line with the previous year. In the Mandello del Lario facility the Index dropped by 50%, taking into account the only accident occurred in 2016. As for the Noale Scorzè/Quinto facilities, the index fell significantly and was back in line with the figure for the year 2014 and earlier.

Vietnam

The main priority of the company is the compliance with local laws, international health and safety standards and Piaggio Group policies. In this framework, it guarantees that objectives to improve occupational health and safety are pursued through an Occupational Safety and Medicine unit.

The persons in charge, all managers and supervisors, and all employees ensure and cooperate towards the implementation and effective enforcement of safety and health programmes in the workplace, to safeguard their own and their colleagues' safety.

In accordance with Group guidelines, suppliers and external companies that perform works at the site are contractually bound to comply with occupational health and safety policies, respect Piaggio Vietnam procedures and programmes, and observe instructions given to them. Their violation is a breach of the contract and sufficient reason for termination thereof. The company organises specific safety courses for "contractors".

In addition, a Safety Committee has been established involving all members of functions and chaired by the production manager. The Committee members are responsible for managing any safety-related issues within their functional area and the required corrective actions. They also conduct periodic audits of the entire site and report to the committee on all relevant aspects regarding safety, so that corrective actions may be promptly taken.

In order to effectively implement general health and safety regulations, a programme of activities is defined each year, based on operating plans, that are updated on an ongoing basis.

In parallel with training and awareness-raising activities, we have implemented a number of initiatives aimed at building a culture of safety and at raising the awareness of employees and their families on this issue; these include for example "Run for Safety", "Safe Riding Competition" and "Nutrition Day".

There has been a company medical centre at the Vinh Phuc site in Vietnam since 2013, with nurses and a doctor who monitor general health problems, offer check-ups and provide medical

27) The frequency index is calculated as $If = (\text{no. of accidents} \times 100,000) / \text{Hours worked}$. The number of accidents is calculated considering only accidents in the workplace, excluding accidents reported pursuant to article 53 of Italian Presidential Decree no. 1124/65. Accidents as of article 53 include both commuting accidents and accidents not considered reliable (due to the lack of a specific, short-term external cause of the injury or the lack of a causal link).

28) The severity index is calculated as $Ig = (\text{working days lost} / \text{hours worked}) \times 100,000$. In calculating the Index, working days lost because of all events that resulted in absence from work were calculated; so accidents reported pursuant to article 53 of Presidential Decree no. 1124/65 (commuting accidents and accidents not considered reliable due to the lack of a specific, short-term external cause of the injury or the lack of a causal link) were also considered.

assistance in first-aid situations. During 2016 a special software has been acquired to record accesses and activities, in order to monitor and stratify data and identify actions/areas for improvement.

In 2016, the facility was successfully audited in view of renewing its certification of the Health and Safety Management System.

	2016	2015	2014
Vietnam	0.2	0.3	0.1

Accident Frequency Index
in Vietnam

India

In order to guarantee the highest occupational health and safety standards, the Indian subsidiary has an organisational structure that operatively involves the "Occupier" (employer), which is a single person for various production sites who has responsibility for the health, safety and well-being of all employees in the work place, Factory Managers and a Safety Committee comprising 20 members that include Executives, Managers and White Collars. The Safety Committee meets at regular intervals to plan, revise and discuss action plans necessary to establish and disseminate a safety culture in the work place among employees. The presence of a Health & Safety team guarantees that the entire system may operate effectively.

The persons in charge, all managers and supervisors, and all employees ensure and cooperate towards the implementation and effective enforcement of safety and health programmes in the workplace, to safeguard their own and their colleagues' safety.

In line with the Group's approach, a great deal has been invested in training over the last few years as a main driver to increase each employee's accountability in relation to safety and, consequently, to promote their proactive approach and involvement in safety issues.

In 2016, training was provided to employees on safety in the workplace, for a total of about 5100 hours, in order to increase each person's awareness on how to safely carry out activities, both under normal operating conditions and in emergency situations (fire fighting).

Alongside the training and awareness-raising activities, a number of initiatives were introduced to reward and reinforce exemplary behaviour. For example, again this year, as part of the safety week celebration held 4-11 March 2016, awards were handed out to the winners of various competitions (Best Area for Safety Deployment, Safety Poster, Safety Quiz Competition).

Programmes for the spreading of a safety culture were also implemented, involving both the employees (Employee Medical Check-up) and the local schools (Medical Health Check-up, Road Safety and Fire Fighting Training).

In 2016, the facilities were successfully audited in view of renewing the certification of the Health and Safety Management System.

	2016	2015	2014
Engine & Commercial Vehicles	0.0	0.1	0.3
2W India	0.0	0.0	n/a

Accident Frequency Index
in India

The accident rate was zero in 2016 as no occupational accidents occurred during the year.

Meeting customer requirements

Product quality and reliability

Quality and reliability are fundamental concepts when it comes to scooters, motorcycles and commercial vehicles, as they are the drivers behind customer satisfaction and safety.

29) UNI ISO 9000 definition

Quality is the set of properties and characteristics of a product or service that give it the capacity to satisfy the express and implicit needs of the customer/user²⁹. For manufactured products, these needs generally include conformity to regulations and specifications, reliability, ease of use and maintenance.

30) UNI ISO 8402 definition

Reliability is the ability of an item to perform a required function in established conditions and for an established period of time³⁰.

Pursuing continual improvement in the quality of our vehicles through a detailed, precise, robust and mandatory product development process, constant pursuit of excellence in the management of internal and external production processes, careful and scrupulous auditing of outgoing quality from the customer's perspective, all combined with an effective product and component traceability system, are essential for guaranteeing the reliability of the vehicles sold. The Company also has dedicated functions, which test the reliability of all new and existing products, from initial design to marketing. Tests are not limited to laboratory testing, but also to dynamic road testing based on different purposing profiles, based on the actual use of vehicles by customers.

Quality systems certification

As regards Quality, the Piaggio Group is committed to continually improving the performance of its processes and (internal and external) customer satisfaction. The achievement and continuous retention of Quality Management System certification at global level (ISO 9001 or ISO/TS 16949) is part of the Company's shared culture and belongs to all Group employees. Following the publication in late 2015 of the new edition of the ISO 9001, Piaggio decided, for the Italian facilities of the Group, to conform to the new standard already in 2016, despite a three-year adjustment period is permitted. The results obtained in terms of product reliability, improving process performance, increasing customer satisfaction (internal and external customers) stem from the fact that all employees pursue quality, customer focus, continual improvement and excellence as part of their everyday activities.

Supply verification/audits

The quality of Piaggio products also depends on the quality of its supplies. The Piaggio Group is very much involved in scouting and audits, in order to select new suppliers, constantly monitor quality levels and approve processes for the development of new components. Piaggio's auditors carry out these activities through scheduled supplier audits.

New suppliers only become part of Piaggio's "basket" after a detailed and positive assessment of their production processes, the products that derive from them and certification of the functions, dimensions and materials described in the project specifications.

Audits, requested by the Purchasing Department, evaluate a potential supplier's quality system and capacity to develop the product in question.

Suppliers successfully evaluated and included as qualified suppliers may also be subject to process audits in the event of:

- › the development of new products;
- › the resolution of problems identified during mass production;
- › problems reported during the vehicle warranty period.

Audits for new products are scheduled to evaluate the supplier's capacity to manage the processes necessary to manufacture the new product and provide technical support in defining and controlling these processes as and when deemed necessary or as requested.

Audits for consolidated products are performed to solve specific problems identified during production, verify the supplier's capacity to control processes involved in product manufacturing and periodically monitor improvement in services in terms of output/complaints³¹, to resolve problems identified under warranty and, finally, to verify the effectiveness of corrective actions taken by suppliers to prevent these problems reoccurring.

³¹) Returns, reprocessed,
selected, material
accepted as an exception.

Quality control of finished products

Piaggio has a comprehensive quality management system to monitor end product quality levels in the various phases of the production process and prior to dispatch to the client. Standard procedures adopted at all Piaggio Group sites allow to monitor constantly the quality level of all vehicles manufactured, ensuring product standards that consistently meet and comply with legal and regulatory requirements as well as the expectations of end customers. Each vehicle manufactured at Piaggio Group sites is subject to multiple quality controls throughout the assembly process and at the end of the line. In addition, scheduled controls and checks are carried out "off-line" by highly qualified and well-trained personnel, according to procedures and standards drawn up with the customer in mind, i.e. they monitor vehicle design as well as functions, both statically and dynamically.

Staff select a sample of vehicles each day, from end products/identified products, prior to dispatch to the end client. These vehicles undergo rigorous testing and inspections on test benches and on the road, based on a standard check list. Any anomalies detected are classified with a score based on the severity of the defect and impact they could have on the end client.

The final quality status compared to the objective status is available for each model. A meeting is held each day between the Quality, Production, Design and Technologies departments, and other operating units involved. In the meeting, all anomalies detected the previous day are examined, and corrective actions, relative responsibilities and implementation times are determined for each anomaly.

If serious functional anomalies are detected, the dispatch of all vehicles from the same lot and a sample of vehicles from the previous lot are immediately stopped. These vehicles are then carefully retested and repaired, as necessary, before authorisation and subsequent dispatch.

Product traceability

The traceability of vehicles and their main components is essential and helps to identify and promptly separate out any production batches with presumed and/or actual defects, thereby both preventing the sale of potentially defective products and enabling the performance of corrective actions in the field.

Piaggio has adopted a system for efficient product traceability which identifies products, components and materials deemed to be significant at all stages of the production cycle. In particular, all components manufactured internally and externally that have a direct impact on user health and safety, the environment and compliance with type approval are identified.

The system therefore traces all identified components, maintaining records of tests, controls and inspections, certifying product quality in view of the processes it has undergone in the various stages of the production cycle. This makes it possible to promptly and systematically trace any product anomalies/defects identified and their causes, and adopt effective corrective actions, broadly and specifically identifying all vehicles with components from the faulty lot and, if necessary, promptly launching initiatives to protect customers.

New product development process

The New Product Development process is the set of cross-functional activities that, starting with the product concept, are geared towards the design and manufacturing of a new product, up until the start of production.

To ensure consistent achievement of company targets in terms of quality, reliability, product cost, time-to-market and innovation, Piaggio has further improved its product development model by making major changes both in terms of the activities involved and the areas of responsibility.

The new process model – structured in several stages each with specific objectives, activities and outputs – is designed to:

- › consolidate robust and rigorous product development methodologies (innovation, concept, style, initiative management, product life-cycle management);
- › monitor Key Performance Indicators for each specific initiative;
- › encourage greater and more structured accountability, clarity of roles and decision-making speed;
- › make the best use of all the skills available in the company on a global level;

all based on the following guiding principles:

- › Simultaneous and Concurrent Engineering by the various stakeholders involved in the process (Suppliers/Partners, Manufacturing, Technologies, After Sales, Accessories, etc.);
- › clearly identified stages and gates throughout the process;
- › rigorous control on achieving the project quality requirements for each gate;
- › monitoring the degree of maturity of the deliverables for each gate;
- › an asynchronous “Pre-Development” process that runs parallel to the product development process, to develop content/innovative solutions;
- › the use of digital mock-ups throughout the product development process.

Product information

Due to the type of business it does, Piaggio Group is subject to numerous national and international regulations that govern information on its products, both in the field of advertising communication and in the field of manuals related to each individual vehicle. Piaggio’s user and maintenance booklets provide information on how to use the vehicle correctly, while encouraging users to drive in a safe and responsible manner, for instance, by:

- › always complying with speed limits and the Highway Code;
- › using all precautions for safe driving and passive safety systems (e.g., wearing a helmet when riding motorcycles and scooters);
- › always being cautious and paying the utmost attention when driving, especially when road conditions are wet and slippery;
- › refraining from altering vehicle performance: it is forbidden by the law and dangerous for driving safety.

Dealer

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
<p>Improve and update support tools for the management of the relationship governed by the concession contract.</p>	<ul style="list-style-type: none"> › Implementation and development of the Motoplex Format in the main European markets. › Improvement in identification and quality of the offering. › Development of the digital sales point. › New Piaggio Commercial Vehicles website. 	<ul style="list-style-type: none"> › A series of online stores implemented with the Motoplex format in all markets with direct presence and in the major ones managed by importers. › In Italy 30% of the dealer network started the Motoplex Format implementation process, 26 dealers took radical steps to facilitate the development of the Brand Experience at the Point of Sale. › Specific Identity format for Piaggio Commercial Vehicles created, in line with corporate standards (Motoplex) but suitable for B2B³² distribution . › Definition of new distribution standards (review of dealership and after sales contract) to be applied to the Italian and Selling Agencies markets. › Initiated analysis of potential suppliers, by analysing entities already active on the markets. › New Piaggio Commercial Vehicles website. Entirely new web platform (9 EU country websites) developed. 	<ul style="list-style-type: none"> › Continue implementation of the Motoplex format, both on markets with direct presence and those managed by importers. › Increase the level of regional implementation of the Format and develop the “Custom Shop” and “Racing Shop” applications related to the Moto Guzzi customisation and the Aprilia Racing preparation. › Updating the identity of the points of sale and service through implementation of the new image. › Implementation of the new format across the entire organisation. › Start the centralised CRM project. › Qualitative selection of the sales network and strengthening of partnership. › Start of process for the harmonisation of Dealers’ websites and of the pilot project for the creation of the integrated Dealer’s Web Site. › Development of analytical tools and of new features and implementation of strategies to promote site traffic. › Strengthening of Dealer training (e-learning) process. 	<ul style="list-style-type: none"> › Improvement of the customer experience at sales point and gaining of customer loyalty.

32) Business to Business.

The Piaggio Group has always been customer-oriented and focused on their satisfaction. As such, Piaggio constantly analyses their needs and requirements against a global background of great change, directing increasing efforts to this task. Mobility, safety, efficiency and innovation are the concepts that drive our actions, which must be transferred through the creation of strong relationships with the commercial network – a key aspect in ensuring customer satisfaction. Dealer management is based on trust, honesty in business dealings, transparency in contractual commitments, courtesy and cooperation. Furthermore to ensure that the customer-centric approach is present at all stages of the commercial process, the network is guided in two directions: on the one hand towards respecting the principles set out in company procedures, the Piaggio Code

of Ethics and Guidelines for Conduct published on the website (www.piaggiogroup.com), and on the other towards keeping up-to-date with, understanding and learning new information provided by the Group in terms of customer approach as well as content, whether regulatory in nature or strictly relating to the product.

The main commitment consists in overseeing the quality of the distribution to guarantee reliability, transparency and continuity of service throughout the lifecycle of the customer. Innovation is one of the key levers in this process, which translates into optimising operating activities but above all into implementing new services for dealers and end customers, made possible by technological innovation and constant review of relationship-building processes with a view towards simplification and transparency.

Dealers and their personnel represent the main communication channel for managing customers and activating the company's brand, assisted by the Group's Customer Service activities. Product quality and customer service in general are the Company's top priorities.

Against this background comes the introduction of the new Retail format concept, called Motoplex, developed by Piaggio, which aims to create a new and unique language for the sales network so as to bring individual dealerships up to date in visual and service terms.

Our commercial partnership is therefore based on a combination of company tools including the Dealer Portal and the Marketing Portal, designed to keep the flow of information from the Piaggio Group to the grass roots fast and consistent. It is also worth noting the activities to improve the knowledge and expertise of dealerships through periodic meetings, such as Road Shows, Dealer Meetings to discuss individual products and technical training.

New Retail Format: Motoplex

Each Piaggio Group brand needs the right location to best express its own values and enable customers to truly experience it. For this reason, Piaggio has created two new and revolutionary "concept stores" first in Mantua and then in Milan, to act as forerunners in developing the dealer network to ensure that customers receive a superior service while also strengthening the ability to transmit the brand's values through the sales point.

Motoplex was designed for this very purpose: building exclusive, well-defined spaces focused on each Piaggio Group brand, connecting the physical and digital environments and creating a true motorcycling experience in a high quality space to inform and engage customers like never before. Thanks to creative and highly interactive presentation content, the judicious use of technology greatly facilitates the sales process; the comfortable lounge areas create spaces to meet and share experiences.

The Motoplex complex revolves around the idea of using "brand islands" that allow the customer to truly experience the brand in question through presentations of the vehicle, accessories and communications.

By producing a book specifically for the dealer network, Piaggio has given its individual local sales entities guidelines for the proper adaptation of the Motoplex approach. At the same time, it has begun to develop and implement the new sales format in major city centres both in Italy and abroad, with the aim of broader expansion over the next two years.

New Commercial Vehicles Retail image format

Based on the broader guidelines establishing the Piaggio image, we developed the retail identity of the Piaggio Commercial Vehicles brand which stands out for its B2B nature and its target. This format translated into a catalogue of materials that can be directly ordered by dealers, under the supervision of our organisation. The goal for 2017 is to extend the application of the project to the entire network, the trial stage having achieved encouraging results.

New Commercial Vehicles web site

One of the objectives of Piaggio Commercial Vehicles for 2016 was to put online a new, increasingly modern and international website that materializes in the virtual space what has already been implemented for distribution. This was designed to provide customers or potential buyers with a fast, fun, simple and effective tool accessible from any device (PC or mobile), at every latitude

and longitude of the globe, with special attention to Piaggio's differentiated commercial proposal depending on the market, to suit the extremely variable local needs. At year-end the project became operational across the board, using "twin" sites differentiated only by the specific content (typically price list, brochures and special promotions, if any). The goals for 2017:

- › developing an analytical process of user behaviour in order to maximise the effectiveness of website contents;
- › expand the set of navigation tools and new functionalities to be launched first on the Italian website and, subsequently, on the other websites;
- › gradually and continuously increase the websites' appeal, including through the support of promotional campaigns, as already done in Italy at the end of 2016 on a test basis.

Dealer Portal

The Dealer Portal is the daily interface between the Company and the dealership, guaranteeing a continuity that goes beyond physical presence or phone calls.

For years the Group has invested to make the communication channel, that is the Dealer Portal, more modern and oriented toward a reciprocal exchange of information, ensuring access to applications, information and technical and commercial documents, which can be used to management relations with the market, according to standards and rules that can be shared in real time. Access is personalised in function of the profile assigned to the dealer by the dealership contract. Specifically, the Dealer Portal enables dealerships to:

- › get informed on promotions and product sales tools;
- › access technical and administrative documents and sales literature in real-time;
- › learn and train their own staff on product maintenance and customer management techniques;
- › share corporate information, press releases, activities under way.

Marketing Portal

The Marketing Portal ensures Dealers are kept up-to-date in terms of marketing and communication tools and activities, ensuring the uniform presentation of the brand at local level.

The Portal is connected to the Dealer through a single-authentication system, giving it personalised access depending on the brands it deals with and allowing it to:

- › access promotional communication campaigns provided by the Group in line with company policy;
- › customise these campaigns according to local requirements, while being consistent with corporate guidelines;
- › access content about point of sale material, product brochures and stationery materials (letterhead/business cards, etc.), directly managing orders of the quantities required for its activities;
- › access product information, in terms of photos of the available range, sales manuals, institutional and editorial videos.

In addition, the Marketing Portal allows the company to monitor the use of these materials by dealers through easy access to statistics and breakdowns calculated in real time on the platform.

Dealer meetings and training

Training and meetings with sales networks are a constant part of Group activities. Examples include the local dealer conventions (Road Shows), workshops on specific topics, the pilot tests on panels of dealers for new projects and, last but not least, technical training. The aim of all these activities is to ensure that Group and dealer initiatives are effectively translated into ways to manage customers that build customer loyalty and consolidate the Group's reputation on the market.

The Group also promotes responsible sales techniques, based on information that is transparent, complete and conforming, given to customers during all stages of the sales process.

Customers

The Piaggio Group has traditionally viewed its customers' needs and satisfaction as a prior objective. In this customer-centric approach, the entire organisation is geared towards ensuring that innovation and the Group's history and tradition are translated into providing end-users with the best possible product experience and service. Customer Opinion Surveys and Customer Service comprise the customer engagement tools for building enduring customer relationships based on trust.

The Group pursues continuous innovation in its customer relationship management tools, alongside its Executive and Dealer Dashboard, which are designed to ensure that shared quality and service standards for managing sales processes are taken up across the organisation (company front-end). Listen to the customers, bringing their needs into the organisation and orienting it to satisfy them is the role of the "Customer experience" function.

Customer Experience

Over time, Piaggio has created and established a customer engagement platform in the main markets where the Group's products are sold, to understand the changing expectations of customers and assess the effectiveness of its initiatives.

The main items studied and monitored, also based on benchmarking with leading competitors are:

- › the motivations for choosing a brand and the fundamental features of products and services;
- › the adaptation of sales and assistance structures to satisfy specific needs;
- › brand awareness and loyalty.

In 2016 in Europe the research and analysis methods already launched in previous years to measure product and service experience were confirmed (telephone interviews on new products and web surveys on the established product range). Product reliability and perceived quality are still the key factors for customer retention: all comments received from customers were used to provide product innovation and development teams with information to supplement data from defects under warranty and technical tests and trials.

As regards the Vietnamese markets, the traditional product and service experience telephone surveys were confirmed, supported by "welcome calls" made by Piaggio Vietnam personnel a few days after the purchase for 100% of customers, to evaluate the effectiveness of the sales network in transferring the Brand values to end customers.

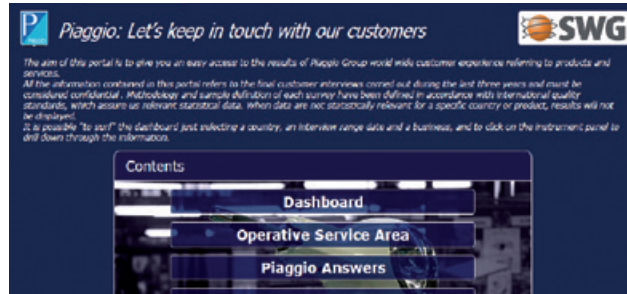
In the second half of 2016, the second measurement of the Product and Service experience was launched in the Indian market, in the key states where Piaggio sells Vespa. The 2016 results will be available within the first quarter of 2017 and will enable monitoring of the level of satisfaction with the new Vespa models launched in the Indian market at the end of 2015, by also measuring the effectiveness of corrective actions taken both on products and on the service network after the first survey year. The survey will also monitor the initial customer assessments on the Aprilia SR, after about 3 months from its introduction in the market.

In 2016, the method for measuring the customer experience and the macro steps of the buying process was also applied to the Indonesian market. The results will be available within the first quarter of 2017 and will form the basis for defining the next action plans.

In addition, in the United States, a research was launched in July 2016 to measure customer experience, the target being customers of Piaggio scooters and motorcycles. The results, presented in September 2016, constituted the basis for defining the action and marketing plans for the next three years.

All the information on customer experience is shown and managed on a "Let's Keep in touch with our customers" portal which has been completely overhauled with the addition of simple dashboards, updated in real time, used to monitor customers' opinions and feedback. The portal contains results from the past 4 years and can be used for trend analyses.

The portal contains a specific section for downloading customer experience documents, as well as a “web discussion” section where it is possible to share ideas, tips and read other viewpoints.



Home page dedicated to Customer Experience

The platform shared with all in-house players offers monitoring of the perceived value of innovations adopted not only at a product level, but also in services.

	Analysis scope	
	Brand/Product	Service
Net Promoter Score Index	X	X
Loyalty - commitment to repurchase	X	X
Customer Satisfaction Score	X	X
Level of satisfaction on specific aspects and their relevance	X	X
Defect rate perceived by the customer	X	
Defect severity	X	

Types of indicators used by Piaggio to monitor Customer Experience

In addition to the above activities, during the trade shows (EICMA in Milan and INTERMOT in Cologne) or the events organised by the Piaggio Group in the course of the year (test rides, Moto Guzzi Open House), ad hoc surveys were started concerning both specific types of products (e.g. Wi-Bike, V9, California) and analysis of specific product categories (e.g. car accessories or clothing and lifestyle) to test their popularity with potential customers and define any appropriate changes before production, to better meet market needs and expectations.

Overall, about 55,200 people were interviewed worldwide in 2016, including owners of scooters, motorcycles and potential new customers.

In addition, in 2016 a shared corporate platform was created that stores all the results of market research analyses carried out by the Group’s various business functions. The database, created on the SharePoint platform, enables the company to access the main studies carried out in the various markets and is an important information asset that can be used as reference by all the concerned functions.

Customer service

Customer service, together with the dealer network, represents the most important channel for our relationship with customers.

The Group’s Contact Center Project operates in a multichannel environment, by contact and customer targets, and has a virtual on-line space on the SAP CRM platform for all main European markets - Italy, France, Spain, Germany, Benelux and Great Britain, as well as for the USA, Indonesia and Vietnam. In India, another management tool specifically developed for this market, was implemented.

There were 52,500 managed contacts in Europe and 2,700 in USA, Vietnam and Indonesia in 2016; problems with products and/or services accounted for 23% of calls for assistance.

The Group’s level of service on the main markets was up to par with outstanding standards for the sector: indeed, 85% of the calls is managed within 30 seconds and the average time for solving the requests barely goes over 24 hours.

The platforms are all characterised by standardised management of customer reports that help

set Group-wide response standards, while allowing real-time management of all the markets and functions involved in customer management.

Digital Presence

With the introduction of new technologies, consumer buying process has changed dramatically. Digital channels have acquired a fundamental role and market studies confirm that about 80% of consumers go to the dealership after they have already searched online and obtained information on the chosen model. Moreover, as is the case already in several sectors, 34% of consumers expect an integrated physical and digital experience, for which they are willing to pay more.

In 2015, recognising the importance of a multi-channel customer experience and that every customer is a digital customer, but not all customers are equal, the Piaggio Group embarked on a major Digital Transformation process.

One of the major projects in the Digital area is the new CRM asset, which has a dual objective. On the one hand Piaggio wanted to redesign its customer experience, using digital media to help target buyers with the purchasing process, by providing an integrated experience between physical and digital channels that is consistent and increasingly customised to the actual characteristics and needs of each customer. On the other hand the project is designed to increase the amount of data relative to all phases of the purchase process and manage it, bringing great benefits for the company: better knowledge of the habits, needs and interests of its clients for personalised management of services, offers and communications. In 2017, the CRM project will see the first markets involved in the implementation of automated marketing campaigns, with greater knowledge of prospects and customers in all phases of the buying process.

The project is expected to bring about increased consumers' preference for the Group's brands, greater customer satisfaction and loyalty, which are arguably related to market share and turnover.

Within the Digital Transformation project, the digital experiences of the Group's leading brands consolidated even further, with the creation of new digital assets on a global level, which aim to ensure consistent image and services across all markets. In particular, the new Vespa website was created, our social media presence was strengthened with daily postings on Facebook, Twitter and Instagram, platforms were launched for the pre-booking of vehicles and the presence of Vespa online store was reinforced, which saw an increase in turnover of 49% compared to 2015.

Vespa World Club

Since 1946 Vespa has been attracting the attention of its users. Initially spontaneously and later organised and assisted by the Parent Company, they started to lay the foundations for Vespa Clubs which we still have. The membership trend and the number of Vespa Clubs in the world and Italy continue to rise.

In 2006, the Piaggio Group and the Piaggio Foundation established the Vespa World Club (VWC), a non-profit association, created to oversee the management of Vespa Clubs, to preserve the fleet of vintage Vespas still in circulation and help collectors find and restore vintage scooters and continue to organise rallies and great races in Europe and all over the world, guaranteeing Vespa owners outstanding-quality events.

In particular the Vespa World Club:

- › promotes initiatives and coordinates social, tourist, sports and competitive events;
- › establishes bodies representing national Vespa Clubs vis-à-vis all national and international organisations;
- › holds trophy events, rallies, competitions, shows, exhibitions, congresses, conferences and meetings;
- › deals with and acts in the interests of members;
- › promotes and provides training on road safety and awareness;
- › promotes studies and historical research work on relations between Vespa and the community;

- › provides a channel for the Company to reach fans.

2016 Activities

In 2016, the VWC organised the following events:

- › *Vespa World Days (global tourist rally)* held in Saint Tropez (France), with more than 4,000 registrations;
- › *Vespa Rally European Championship* with 4 stages;
- › *Vespa Raid European Championship* which was held in Monza;
- › *Vespa International Historic Register rally* held in Pontedera.

Moto Guzzi World Club

The Moto Guzzi World Club was established in 2002 with a view to:

- › promoting interest, awareness and the historic value of the Moto Guzzi brand and motorcycles;
- › creating and developing bonds between the owners of Moto Guzzi motorcycles;
- › organising events, meeting, conferences and competitions;
- › promoting national and international motorcycle tourism and rediscovering and promoting local touring opportunities thanks to club activities and the exchange of information between members;
- › creating and developing ties with non-profit organisations and other charities and sports and non-sports associations with a social, humanitarian or environmental mission, etc., which can benefit from the initiatives promoted by the Club in the motorcycling world and other sectors;
- › promoting relations with the parent company and co-ordinating its own activities and those of its members with the work of other national and international brand-related clubs.

Today, after 14 years of activity, Moto Guzzi World Club boasts direct members and 82 recognised clubs in Italy plus:

- › 6 clubs recognised in America, Asia and Australia, representing approximately 7,500 members;
- › 20 clubs recognised in Europe, representing approximately 5,000 members.

2016 Activities

Over the course of 2016 the Moto Guzzi World Club:

- › organised a national rally in Bordighera;
- › supported various rallies organised by recognised clubs;
- › promoted and developed the "Moto Guzzi Trophy", safe economy run, on 6 Italian circuits (Varano dè Melegari, Imola, Magione, Franciacorta, Vallelunga, Misano) and dedicated to vintage motorcycles;
- › offered organisational and logistic support to the inventors of the Aprilia Cup, the competition created following the example of the Moto Guzzi Trophy, on the same dates.

The rally of the "Mediterranean Area" was also held in Puglia, in Santa Maria di Leuca, where the Guzzi clubs from Greece, Malta and Albania get together with the Moto Guzzi Club Aquile dell'Etna, Moto Guzzi Club Aquile e Rose di Calitri and Moto Guzzi Club Capo di Leuca.

Responsible management of the supply chain

Piaggio Group produces vehicles that are sold under its brand on the various markets around the world. The only exception is the vehicles purchased by the Chinese subsidiary Zongshen Piaggio Foshan and supplier Jincheng Group (about 30,500 pieces in 2016, equivalent to 5.7% of the vehicles sold).

Piaggio is a leader in engine technology and produces engines at its plants both for internal production and to meet the demand of other manufacturers.

All the other components that constitute a vehicle are purchased externally and assembled in-company.

Italian plants

In 2016 Italian plants purchased merchandise and spare parts for an overall value of 380 million euros (excluding complete vehicles) from about 790 suppliers.

The first ten suppliers made up 19% of the total purchases.

Geographic localisation of the suppliers of Italian plants

Geographic segment	2016	2015	2014
Emea	70%	71%	69%
China+Taiwan	19%	18%	18%
Vietnam	3%	2%	4%
India	7%	7%	7%
Japan	1%	1%	1%
Other	-	1%	1%

In 2016 payments were made to suppliers for about € 602 million.

Indian plants

In 2016 plants in India purchased raw materials, merchandise and spare parts for an overall value of 234 million euros from about 780 suppliers.

The first ten suppliers made up 39% of the total purchases.

Geographic localisation of the suppliers of Indian plants

Geographic segment	2016	2015	2014
India	98%	99%	99%
Other	2%	1%	1%

In 2016 payments were made to suppliers for about € 333 million.

Vietnamese plants

In 2016 plants in Vietnam purchased merchandise and spare parts for an overall value of 152 million euros from about 220 suppliers.

The first ten suppliers made up 41% of the total purchases.

Geographic localisation of the suppliers of Vietnamese plants

Geographic segment	2016	2015	2014
Vietnam	47%	56%	55%
China + Taiwan	22%	27%	25%
Emea	24%	11%	12%
India	2%	2%	3%
Other	5%	4%	6%

In 2016 payments were made to suppliers for about € 184 million.

Group relations with suppliers are based on loyalty, impartiality and respect of equal opportunities of all parties concerned.

The Piaggio Group is convinced that accountability is a commitment that should not be confined within the company but should positively involve all stakeholders in the company-supplier chain; this is why suppliers worldwide that wish to do business with Piaggio have to sign the general conditions of supply of the Piaggio Group which include the “Code of Ethics and Guidelines for doing business”; audits are regularly conducted on the Group’s direct material suppliers to ensure their effective compliance.

In keeping with the Group’s Policy, every year the Purchasing Unit tries to improve the procurement process by promoting the technical skills of buyers and focussing the process on management of the various goods’ categories.

Over the last few years, Piaggio Group Management has started a process of common development with its suppliers by setting up a specific department called “Vendor Assessment” as well as assigning the “Finance” Function to define and monitor activities of possible risks areas involving financial and corporate issues, to protect and guarantee the complete independence between corporate areas involved in the procurement processes, as well as to place priority on meeting the needs of all stakeholders.

Corporate Finance Area

The responsibility for activities relating to the monitoring of the financial and corporate reliability of Strategic Suppliers rests with the Corporate Finance Area.

In 2016, activities for the verification of the Group’s suppliers continued, and the mapping of the controlling shareholders (identified in the beneficial owner) and of strategic partners was started. Moreover, in terms of Compliance, we began the verification of suppliers to identify any politically exposed persons and/or entities included in anti-terrorist lists, in order to mitigate reputational risk. The Financial Assessment of Aprilia Racing Strategic Suppliers continued in 2016, along with an analysis of the reliability of the main Sponsor Companies of the Aprilia Racing Team.

Dialogue and interaction with suppliers is continually improved in terms of quality and tools used; the purpose is to monitor the financial performance and rating of suppliers, in advance and on an ongoing basis. All possible company variations that may affect perceived risk are presented to a Suppliers Committee (comprising the Managers of Materials and Components Purchasing, Tools and Services Purchasing, the Finance Manager, the General Finance Manager, the Product Development and Technologies Department and Manufacturing and Production Technologies Department) during periodic meetings in order to identify corrective and performance improvement actions, if criticalities are identified.

Vendor Assessment

The purpose of the Vendor Assessment department within the Piaggio Group is to forge a long-lasting, mutually satisfying relationship with a network of highly qualified partners. In addition to managing the Supplier Qualification Process, the function has the task of doing an evaluation of the purchasing performance through Vendor Rating Campaigns.

Supplier relations are defined by specific Company processes comprising two fundamental stages: new supplier qualification and supplier monitoring.

New supplier qualification is an inter-functional process based on specific standards that lead to a potential supplier being included in the Supplier List, for its chosen goods’ category; after an initial documentary prequalification stage, a multidisciplinary, supplier qualification team is involved, with specific positions giving a technical, economic/financial and corporate rating on goods’ categories.

Suppliers are monitored through at least two annual assessment sessions, called “Vendor Rating Campaign”, during which we investigate the supplies for the period in question, on the basis of

the quality of the business relationship, the technical-scientific cooperation, compliance with delivery schedules and the quality of the product supplied. This provides a reference framework for procurement strategies and actions concerning suppliers.

During the year the process had the following outcomes:

- › assignment of a Vendor Rating Index, which measures the performance of the vendor using a weighted average of the assessments made by corporate functions (for direct materials, the relevant functions are Purchasing, R&D, Quality, Manufacturing and Spare Parts);
- › assignment of a Criticality Rating that takes into account both the reliability of the supplier in economic and financial terms and the Quality function's assessment, to decide whether a supplier is "critical" for the purposes of granting them new supply agreements.

At present, Criticality Ratings have been assigned to most Group suppliers of European production sites only. In terms of "spending" the indicator for 2016 covered 99% of purchases of direct materials and 60% of services and works provided. The evaluation process was also carried out in Vietnam and India.

The assessment on the economic and financial reliability is carried out at the corporate level by the Finance Area.

Suppliers portal

To ensure the effective and efficient management of supplier relationships, the Supplier Portal, based on the SRM-SAP system, is available in Italy, India and Vietnam.

The "SRM – Suppliers Portal" system is a computer tool to exchange information and documents on purchasing materials, components, equipment and services in real time between all Company functions and suppliers, so as to guarantee the proper and transparent management of all purchasing process stages: purchase requests to purchase orders, price lists and supply programmes, incoming goods, invoices and information on payments.

In particular, the Portal ensures the achievement of the following objectives:

- › greater collaboration with suppliers, through self-service, connectivity, document and information sharing tools;
- › greater efficiency of purchasing processes, through the implementation of automated tools, and greater compliance with purchasing procedures;
- › minimization of manual activities;
- › quality and accuracy of information;
- › reducing business processes and communication times;
- › low use of "paper" (including through the use of the digital signature);
- › reducing billing anomalies;
- › visibility of the entire authorization process, from purchase orders to orders.

Supporting local communities

Commitment	2016 Objectives	2016 Results	2017 Objectives	Mid-term objectives
Development of relations with local communities where the Group operates.	<ul style="list-style-type: none"> › Development of collaborations to promote and build the value of Piaggio and its local area. 	<ul style="list-style-type: none"> › Organisation of many exhibitions, conferences and cultural events at the Piaggio Museum. 	<ul style="list-style-type: none"> › Development of collaborations to promote and build the value of Piaggio and its local area. 	<ul style="list-style-type: none"> › Development of relations with local institutions to raise the competitiveness and attractiveness of the local areas in which the Piaggio Group operates. › Foundation and Museum: completion of cataloguing, conservation and restoration work on historical vehicles which belong to the various Group brands.

Piaggio Foundation

The Piaggio Foundation, a non-profit institution, carries out the function of meeting place and cultural reference for the territory.

During 2016, the Piaggio Foundation confirmed its role as agent for the conservation and enhancement of Piaggio historical heritage and as center active in cultural education and in the promotion of creativity. The beauty of and the valuable additions to the museum collections, the great historical value of the documents kept in the Archive, the number of quality events and training programs for young people have increased the popularity and appreciation of the Piaggio Foundation nationwide.

Piaggio Museum

New pieces continued to be added to the museum collections with the acquisition and restoration of new vehicles. New audio-visual media, ultra HD televisions and touch-screen tables have also been installed to offer visitors an improved Museum experience.

2016 was a year full of events that, together with the growing appeal of the Museum, have attracted 56,000 visitors, up approximately 30% on the previous year. Vespa's seventieth anniversary celebrations, which were held at the Piaggio Foundation and everywhere in the city of Pontedera, significantly contributed to this gratifying result.

Piaggio historical archive

Over the course of 2016, as usual the historic archive made a crucial contribution to many of the Piaggio Foundation's activities. It continued its valuable role in helping with research and the management of requests from academics and researchers, as well as supporting the educational activities of the Museum and iconographic and document research for use in books and publications and for decorating internal and external exhibitions and events. In particular, it provided an extremely important documentary contribution to the show *In viaggio con Vespa. Un'avventura lunga 70 anni* [Travelling with Vespa. An adventure 70 years long], especially as regards the reconstruction of endeavours of the great Vespa travellers of the past.

It continued and strengthened its cooperation with Piaggio in the areas of historical consulting,

selection and sending of images used at international events and in publications, with particular reference to the historical and communication material collected during the celebrations of Vespa's 70th anniversary (of which, special mention deserves the exhibition-event organised by Piaggio during the Vespa World Days 2016 in Saint-Tropez) and the realisation of the *FuturPiaggio* monograph. *6 Italian Lessons on Mobility and Modern Life*, edited by Jeffrey T. Schnapp (Rizzoli New York, soon to be published).

Cultural project

"In the area of its cultural project, the Piaggio Foundation hosts temporary exhibits and shows of great artists from the past, contemporaries and up-and-coming young talent, also involving them in educational and scholastic projects. Thanks in part to this collaboration, over time, the Piaggio Foundation has acquired a rich collection of paintings, sculptures and installations, including the numerous vehicles that are part of Piaggio history, interpreted or painted by artists, the most famous and prestigious of which is undoubtedly the Vespa that was decorated by Salvador Dalí in 1962. These works are on display at the Piaggio Museum, along with the collections of Vespa, Ape and Gilera that form a suggestive bond between science, technology, art and style".

It is with this presentation that the Piaggio Foundation was nominated for the prestigious **CORPORATE ART AWARDS**, designed to identify, foster and promote excellence in collaboration between the business and the art world on an international level, and was awarded the first prestigious prize for **"BEST INVOLVEMENT OF SOCIAL MEDIA"**, receiving the highest number of votes. The President of the Foundation, Riccardo Costagliola, received the award in the presence of Minister Franceschini on 23 November in Rome, at the Italian Ministry of Cultural Heritage and Activities and Tourism.

The following activities have led to these results.

Exhibitions

The exhibitions held during 2016 focused on the subject of **travelling**, of which Vespa has always been an undisputed symbol, and of **women**, to whose emancipation Vespa has made a vital contribution. Among the hosted exhibitions we would highlight:

- › *Declinazione donna* [The many facets of women]. The artist, Giovanna Biondi, exhibited portraits of both ordinary and famous women photographed in different world settings and some images of Vespa interpreted as a female creature.
- › *Homo Viator*. Exhibition of the artist Ciro Palumbo whose works portray a man who travels in time, in the mind, in dreams but also in everyday life. He also proposed the theme of travel with original works of arts dedicated to Vespa.
- › *In viaggio con Vespa. Un'avventura lunga 70 anni*. During the celebrations for Vespa's 70th anniversary, the Piaggio Foundation dedicated a major exhibition to one of the most evocative and fascinating aspects of the history of the "most popular scooter in the world", which since its creation has attracted an increasing number of enthusiast fans: the journey.
- › *Una storia intorno alle storie* [A story about stories]. Exhibition of the artist Daria Palotti at the end of her educational workshop with students from the high school XXV Aprile of Pontedera. On display works by the artist and the students who also created works inspired by Vespa.
- › *Al femminile. Presenze, assenze, visioni* [A female view. Presences, absences and visions]. A celebration of women and their emancipation by three artists, with different approaches: Patricia Glauser: sculptures; Federico Cavicchioli: reworked photos Laura Aprile: female portraits.
- › *Materia. L'origine della creazione*. [Matter. The origin of creation] The artist Enrico Bacci, renowned for his portraits of famous people made using the collage technique, including that of President Obama on exhibit at the White House, presented works from his traditional painting and collage production, as well as several works dedicated to Vespa and original collages dedicated to women.
- › *Si comincia un'altra vita. Storie di matrimonio all'ombra della Vespa*. [Another life is starting. Wedding stories marked by Vespa] The exhibition of 14 wedding dresses worn between 1946 and 1959 by young local women was an opportunity for retracing the changes in lifestyle that affected the Italian society after World War II. Through projections, photographs, interviews and images coming in part from Piaggio's

Historical Archive and in part from the private collections of the protagonists, the exhibition winds its way through the evolution of women's role in a historical period marked by great changes. The Vespa, a symbol of renaissance and emancipation, was present in the exhibition with a selection of models from those years, starting with the Vespa 98, the first to come out from the Pontedera factory, in the spring of 1946.

- › *“Era” il 4 novembre 1966. Cinquant'anni dall'alluvione a Pontedera* [“It was” the 4 November 1966. Fifty years after the Pontedera flooding]. The exhibition used unpublished images to narrate the sequence of events occurred during the day of the flood, 4 November 1966: the moments when the water flooded the city, the streets covered by mud and the volunteers and the Pontedera citizens at work to clean up the city and help the Piaggio factories resume production.
- › *Tutti in moto! Il mito della velocità in cento anni di arte* [Everybody on a bike! The myth of speed in one hundred years of art]. The exhibition was entirely devoted to the myth of speed and its impact on the visual arts, on life ideals and on the social customs of Italians, from the late nineteenth century to the boom years. Curated by Daniela Fonti and Filippo Bacci di Capaci, it was held in two locations in Pontedera: the Praetorian Palace and the Piaggio Museum.
- › *Futurismo, velocità e fotografia* [Futurism, speed and photography]. The exhibition, curated by Giovanni Lista, documented the Futurist approach to dynamism, aerodynamics and speed as a myth of modernity.

Side events to the exhibitions hosted

Alongside the exhibition *In viaggio con Vespa. Un'avventura lunga 70 anni*, a large number of side events were organised:

- › *Stamp obliteration* event organised for the seventieth anniversary of Vespa.
- › Two creative workshops for children, with the authors of the books: *C'era una volta una Vespa...* [There was once a Vespa] and *I CANTAVESPA raccontano: Teseo e la Vespa parlante* [THE CANTAVESPA narrate: Theseus and the talking Vespa].
- › *In viaggio con Vespa...A ogni viaggiatore la sua storia* [Travelling by Vespa... Every traveller have their story]. The writers-travellers Alberto Bortoluzzi, Alberto Colle Conte, Lorenzo Franchini, Mario Pecorari and Sandra Carozzi told their story through the reading of passages from their books, the projection of photos and videos of their trips on a Vespa. The singer-songwriter and traveller Davide Taloni narrated his trips on a Vespa through his music.
- › *Modartech fashion show*. The “Dolce Vita” paired with technology and sustainability on Modartech runway. The Final Work of young designer was inspired by Vespa's 70th anniversary.
- › *Due ruote nel vento* [Two wheels in the wind]. Soirée dedicated to Giorgio Bettinelli. The story of the most famous traveller by Vespa, Giorgio Bettinelli, was narrated during the Vespa Historical Registry rally. The story was narrated by journalist Giovanni Bogani who last interviewed Bettinelli and by actor Nicola Pecci who played readings from Bettinelli's books. In the background and “co-starring”, the music that accompanied the projection of journey photos.

Concerts and shows

- › *Santa Cecilia Choir*. Amateur choir with special focus on a polyphonic a cappella repertoire.
- › *Sinfonia in acqua* [Symphony in the water]. Event at the conclusion of the exhibition “Schizzi di luce” [Sketches of light]. Multi-art music, video and stage performance where music, pictures, poetry, science and philosophy are interwoven.
- › *Mumble mumble – ovvero confessioni di un orfano d'arte* [Mumble mumble - or confessions of an artist who lost his artist father]. Play by Emanuele Salce with Paolo Giommarelli, featuring projections on the life of Vittorio Gassman and Luciano Salce and with the involvement of high school students.
- › *Profumi d'Oriente* [Scents from the East]. Chiara Morandi, first violin of the regional orchestra, created a program with her orchestra inspired by the musical flavours of the Near and Far East.
- › *Pontedera Musica 2016 – Concerti di Primavera* [Spring concerts]. Opera Recital with arias by Giuseppe Verdi and Giacomo Puccini.
- › *Essere Leonardo da Vinci - Un'intervista impossibile* [Being Leonardo da Vinci - An impossible interview]. The true story of Leonardo da Vinci played by maestro Massimiliano Finazzer Flory to discover the painter, scientist and inventor, his secrets, how he worked, his passions, the advice of a lifetime.
- › *Chi Vespa ...Viaggia nella musica* [When you choose Vespa ... you travel in music]. Concert of the Istituto

Pacinotti Choir in Pontedera in collaboration with the Philharmonic “*Volere è Potere*”. The proceeds were donated to the pediatric hospital Meyer in Florence.

- › *Chi Vespa ...Viaggia nella musica - Musica moderna Concert Movie!* Live music accompanying short films played by the Steelwind Saxophone Quartet.
- › Concerts *Verdi e Mascagni e serata Brahms*. Two superb classic concerts from the Livorno Music Festival concert schedule.
- › Series of three concerts of the *Accademia della Chitarra* [Guitar Academy].
- › Presentation of the ministerial project *Lirismo e vita: voci femminili del Novecento* [Lyricism and life: female voices of the twentieth century]. Texts of Elsa Morante, Antonia Pozzi and Alda Merini reinterpreted by students from the schools of Pontedera, Prato and Pistoia.
- › *Mr. Volare*. Concert tribute to Domenico Modugno.

Conferences

- › *Design & Communication - Le nuove professioni*: conference organised in collaboration with the Modartech Institute. Renowned testimonials from the design, fashion and communication world described the scenario and outlook of their market, offering a direct view and engaging in an interactive exchange with young people.
- › *#DIREFARECULTURA*: conference organised by ANCI, and sponsored by the Piaggio Foundation to support policies that promote culture, and good practices. Working groups and plenary session coordinated by Klaus Davi.

Events and programmes dedicated to young people and students

- › *Crea@tivity 11*. Two days of events with an international feel: exhibitions, conferences, meetings, hosted at the Piaggio Museum in Pontedera. An excellent window on the world of design, creativity and innovation. A great opportunity to reflect on the role of and cultural exchange between schools, universities and businesses. This year the event paid tribute to the visions of scientist and pioneer Nikola Tesla, the sometimes debated father of many of the discoveries of our time.
- › Awarding of the students who won the classical literature contest *Certamen in Ponticulo Herae*.
- › Awarding of the students who won the *Math Games Contest*.
- › Awarding of students who graduated with full marks from the *High Schools of Valdera*.
- › Theatrical Performance *Pitagora un uomo nuovo* [Pythagoras a new man].
- › Presentation of the *Children's book Boscoborgo* with organisation of educational workshops.
- › Conference on *Andrea da Pontedera*.
- › Presentation of the project *Chi Vespa?*

Furthermore, the Piaggio Foundation continued to offer the Educational Programme for young people, from preschool to university, on historical, technical, artistic and economic topics..

Events organised in association with vespa clubs or other motorcycle clubs

- › National rally dedicated to *Vespa's 70th anniversary*, organised by the Vespa Club and the City of Pontedera.
- › International rally of the *Vespa Historical Registry*.
- › Stage of the *Giro d'Italia on a Vespa*.
- › *Rally of La Toscana e le sue genti Association*, with the participation of about two hundred owners of historic vehicles.
- › Celebration, together with the Ape Club of Italy, of the *Seventieth Anniversary of the Ape's presentation* at the Bicycle and Motorcycle Show in Milan.
- › Rally of the *Vintage Car Club FIAT 500*.

Publications

The preparation of the book *Vallis Arni # Arno Valley: La Toscana dal fiume al mare tra eredità storica e prospettive future* [Tuscany from the river to the sea, its historical legacy and future perspectives] is ongoing, written in collaboration with the University of Pisa.

Tenders awarded

The Piaggio Foundation won the following tenders in 2016:

- › Call for tenders in the cultural field launched by the Tuscany Region for accredited museums with the project *"In viaggio nel Museo Piaggio"* [Travelling in the Piaggio Museum], regarding the implementation of an App that provides a guided tour of the Piaggio Museum with a focus on the main sites and exhibited works.
- › Call for tenders launched by the Tuscany Region for the museum systems with a project, presented in conjunction with the Unione Valdera grouping, focused on the subject of interaction between art and the local communities, in which the Museum worked on the workshop-exhibition *"Una storia intorno alle storie"* [A story about the stories].
- › Call for tenders launched by the Ministry of Education with the project *Chi Vespa?* presented together with the Pontedera high schools Montale and XXV Aprile to promote Italian excellence combined with the Vespa myth in Italy and in Europe.

Initiatives outside the museum

Like every year, the Museum's vintage vehicles and the images and documents from the Piaggio Historical Archive have been used for prestigious events in Italy and abroad. The following is a list of the initiatives that involved a loan of vintage vehicles as well as images and documents from the archive.

Event	Place	Vehicle
Frankfurt Fair, exhibition "Ambiente 2016" [Environment 2016]	Frankfurt	Vespa Alcantara Dolce Vita (2014)
Exhibition at the Walking in the City (Pisa tourist office at the Cathedral)	Pisa	Vespa 125 (1949) colore non di serie (non-standard colour)
Exhibition at the Unicoop Center to promote the exhibition In viaggio con Vespa	Pontedera	Vespa 125 ET3 (1976)
Exhibition 70th Years Young organised during the Vespa World Days	Saint Tropez	Vespa 98 (1946), Vespa 125 Vacanze Romane (1951), Vespa 150 GS (1955), Vespa 125 Dolce Vita (1958), Vespa 50 (1963), Vespa 180 Rally (1968), Vespa PX Unità d'Italia (2011), Vespa ET4 150 Ferrari (2001), Vespa GT 250 60° (2006), Vespa PX Bettinelli (1998), Vespa GTS 250 Taloni (2006), Vespa GTS 70° (2016)
Triennale Design Museum, exhibition "Design after design. Una nuova Preistoria - 100 verbi"	Milan	Vespa T.A.P. (1956)
Exhibition "La Vespa e il cinema" [Vespa and the Movies], ADP LOG Space Alessandro Del Piero	Turin	Vespa GTS 70° (2016), Vespa Vacanze Romane (1951), Vespa GS 150 (1955), Vespa Rally 180 (1968), Vespa Nespolo (2010)
Exhibition "La Vespa e il Cinema" at Lenfilm in collaboration with the Istituto italiano di cultura	Saint Petersburg	Vespa GTS 300 "Nespolo" (2010), Vespa PX "Dolce Vita Alcantara" (2015), Vespa "Venice" (2010)

Charity activities and sponsorships

2016 saw the onset of the collaboration between the Piaggio Group and (RED) - an association founded in 2006 by Bono and Bobby Shriver - which contributed 360 million USD to the Global Fund to fight AIDS, Tuberculosis and Malaria. The aid provided by (RED) to the Global Fund had an impact on more than 70 million people through activities such as prevention, treatment, counselling, HIV testing and support services. As part of the partnership a Vespa 946 (RED) was produced and marketed in Europe, Asia, Pacific Area and the United States. For each Vespa 946 (RED) sold, 150 USD will be

donated to the Global Fund and the fight against AIDS. This is a tangible and valuable contribution, through which (RED) will be able to provide more than 500 days of medical care, saving lives against HIV and helping prevent the virus transmission from infected mothers to their unborn children.

Piaggio continued the Vespa for Children project in 2016, a humanitarian initiative for charity which, by involving the Group's companies, intends to create charitable projects aimed at social solidarity in the fields of health and social care for children in developing countries.

Piaggio Vietnam was especially active in supporting the local associations that are involved in road safety and children's health.

These activities also contributed to enhance and strengthen the traditional conjunction between Vespa and the world of art, through the creation of unique pieces that were subsequently auctioned, with the proceeds being entirely donated to charities.

In collaboration with Operations Smile, a Vespa Primavera was entirely decorated using the traditional and ancient local Vietnamese lacquer technique and was auctioned during the charity gala, which took place in October 2016, reaching a value of 19,000 USD.

2016 also saw the launch of the "Aia Vietnam Eye" project, a program designed to celebrate the vibrant Vietnamese contemporary art scene and to promote local artistic talents.

The activity included the launch of a compendium containing the works of the most talented emerging contemporary Vietnamese artists, and two unique models of the Vespa Primavera and Vespa Sprint will be built.

The two Vespa will be customised by Vietnamese contemporary artists and will be auctioned during a charity event that will take place in 2017 at the Saatchi Gallery; the proceeds will be donated for a fundraising project to support a school project for local artists.

The initiative is sponsored by the Vietnam Life Insurance Co Ltd (AIA), in collaboration with Parallel Contemporary Art and the Saatchi Gallery, and it is supported by the Vietnamese government, the Italian Embassy in Vietnam and the British ambassador in Hanoi.

The Indian subsidiary has also supported a number of local initiatives for non-profit organisations that work in the fields of health and education.

In 2016 – also under the aegis of the Vespa for Children project – Piaggio participated in various events in Italy to help the community by donating vehicles for charity auctions. Piaggio also participated in the charity Auction for the Fondazione Abio Italia Onlus by purchasing one of the 26 Mickey Mouse statues made by Disney and sold at the auction; the auction proceeds were donated to the ABIO Foundation for the creation of child-friendly areas at the hospitals, first of all the paediatric Neuropsychiatric ward of L'Aquila hospital, the reference hospital for the areas affected by the earthquake in central Italy.

The Group took part in some very important cultural events, like for example the Mantua Literature Festival, not to mention other events organised by the Vespa World Club.

Lastly, for some years now, for the end of the year holidays, together with the entire Immsi Group, Piaggio Group fosters educational and rehabilitative activities for disabled children affected by brain damage by making a donation to the "Casa del Sole Onlus" association, in the name of all the employees of the Immsi and Piaggio groups. In forty years of activities, the non-profit making organisation Casa del Sole Onlus has assisted over five thousand children affected by brain damage and been a valuable source of help for their families.



TABLE OF GRI-G4 INDICATORS

Table of GRI-G4 indicators

G4 Content Index for "In accordance" - Core		
GENERAL STANDARD DISCLOSURES		Reference
1. STRATEGY AND ANALYSIS		
G4.1	Statement from the most senior decision-maker of the organization.	Letter from the Chairman
2. ORGANIZATIONAL PROFILE		
G4.3	Report the name of the organization.	The commitment of the Piaggio Group
G4.4	Report the primary brands, products, and services.	Group profile – Brands
G4.5	Report the location of the organization's headquarters.	Group profile
G4.6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Group profile
G4.7	Report the nature of ownership and legal form.	Corporate Governance
G4.8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Group profile
G4.9	Report the scale of the organization.	Group Profile – Piaggio - facts and figures
G4.10	Report the total number of employees by employment contract and gender. Report the total number of permanent employees by employment type and gender. Report the total workforce by employees and supervised workers and by gender. Report the total workforce by region and gender. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	The Social Dimension - Staff
G4.11	Report the percentage of total employees covered by collective bargaining agreements.	The social dimension - Industrial relations
G4.12	Describe the organization's supply chain.	The social dimension - Responsible management of the supply chain
G4.13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Group Profile
G4.14	Report whether and how the precautionary approach or principle is addressed by the organization.	The social dimension - The environmental dimension - The product dimension
G4.15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	The product dimension - Funded national and European projects
G4.16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic This refers primarily to memberships maintained at the organizational level.	The product dimension - Funded national and European projects The social dimension - Supporting local communities

GENERAL STANDARD DISCLOSURES		Reference
3. IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4.17	List all entities included in the organization's consolidated financial statements or equivalent documents. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report. The organization can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	Methodological note - Report boundary
G4.18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Methodological note
G4.19	List all the material Aspects identified in the process for defining report content.	The commitment of the Piaggio Group - Sustainability strategy Methodological note - Materiality analysis, Report contents
G4.20	For each material Aspect, report the Aspect Boundary within the organization.	Methodological note
G4.21	For each material Aspect, report the Aspect Boundary outside the organization.	Methodological note
G4.22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Methodological note
G4.23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Methodological note - The social dimension - Developing human resources
4. STAKEHOLDER ENGAGEMENT		
G4.24	Provide a list of stakeholder groups engaged by the organization.	The commitment of the Piaggio Group - Stakeholders' involvement
G4.25	Report the basis for identification and selection of stakeholders with whom to engage.	The commitment of the Piaggio Group - Stakeholders' involvement
G4.26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	The commitment of the Piaggio Group - Stakeholders' involvement
G4.27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	The commitment of the Piaggio Group - Stakeholders' involvement

GENERAL STANDARD DISCLOSURES		Reference	
5. REPORT PROFILE			
G4.28	Reporting period (such as fiscal or calendar year) for information provided.	Corporate Social Responsibility Report Methodological note	
G4.29	Date of most recent previous report (if any).	Corporate Social Responsibility Report Methodological note	
G4.30	Reporting cycle (such as annual, biennial).	Corporate Social Responsibility Report Methodological note	
G4.31	Provide the contact point for questions regarding the report or its contents.	Corporate Social Responsibility Report	
G4.32	Report the 'in accordance' option the organization has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	Corporate Social Responsibility Report Methodological note	
G4.33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	Methodological note Report on the limited audit of the Corporate Social Responsibility Report	
6. GOVERNANCE			
G4.34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Corporate Governance	
7. ETHICS AND INTEGRITY			
G4.56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Corporate Governance - Code of Ethics The commitment of the Piaggio Group	
MATERIAL ASPECTS		Reference	Omissions
ECONOMIC			
<i>Aspect: Economic performance</i>			
G4.DMA	Disclosure on management approach	The economic dimension - Determination and distribution of Added Value	
G4.EC1	Direct economic value generated and distributed	The economic dimension - Determination and distribution of Added Value	
G4.EC4	Financial assistance received from government	The economic dimension - Public grants and tax benefits	

MATERIAL ASPECTS		Reference	Omissions
ECONOMIC			
<i>Aspect: Market presence</i>			
G4.DMA	Disclosure on management approach	The social dimension - Developing human resources - Personnel management policies	
G4.EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The social dimension - Developing human resources - Reward policies	
G4.EC6	Proportion of senior management hired from the local community at significant locations of operation	The social dimension - Developing human resources - Diversity and equal opportunity	
<i>Aspect: Indirect economic impacts</i>			
G4.DMA	Disclosure on management approach	The social dimension - Responsible management of the supply chain Supporting local communities	
G4.EC7	Development and impact of infrastructure investments and services supported	The social dimension - Responsible management of the supply chain Supporting local communities	
G4.EC8	Significant indirect economic impacts, including the extent of impacts	The social dimension - Responsible management of the supply chain Supporting local communities	
<i>Aspect: Procurement practices</i>			
G4.DMA	Disclosure on management approach	The social dimension - Responsible management of the supply chain	
G4.EC9	Proportion of spending on local suppliers at significant locations of operation	The social dimension - Responsible management of the supply chain	
ENVIRONMENTAL			
<i>Aspect: Materials</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications The product dimension	
G4.EN2	Percentage of materials used that are recycled input materials	The product dimension	Only part of the components are reported (plastic)

MATERIAL ASPECTS		Reference	Omissions
ENVIRONMENTAL			
<i>Aspect: Energy</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications Environmental sustainability - Reduction of energy consumption	
G4.EN3	Energy consumption within the organization	The environmental dimension - Reduction of energy consumption	
G4.EN6	Reduction of energy consumption	The environmental dimension - Reduction of energy consumption	
G4.EN7	Reductions in energy requirements of products and services	The product dimension	
<i>Aspect: Water</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications - Conserving water resources	
G4.EN8	Total water withdrawal by source	The environmental dimension - Conserving water resources	
G4.EN9	Water sources significantly affected by withdrawal of water	The environmental dimension - Conserving water resources	
G4.EN10	Percentage and total volume of water recycled and reused	The environmental dimension - Conserving water resources	
<i>Aspect: Biodiversity</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications - Biodiversity - Conserving water resources	
G4.EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The environmental dimension - Biodiversity	

MATERIAL ASPECTS		Reference	Omissions
ENVIRONMENTAL			
<i>Aspect: Emissions</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications - Reducing emissions of CO ₂ and other pollutants	
G4.EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	The environmental dimension - Reducing emissions of CO ₂ and other pollutants	
G4.EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	The environmental dimension - Reducing emissions of CO ₂ and other pollutants	
G4.EN19	Reduction of greenhouse gas (GHG) emissions	The environmental dimension - Reducing emissions of CO ₂ and other pollutants	
G4.EN20	Emissions of ozone-depleting substances (ODS)	The environmental dimension - Reducing emissions of CO ₂ and other pollutants	
G4.EN21	NOX, SOX, and other significant air emissions	The environmental dimension - Reducing emissions of CO ₂ and other pollutants	The VOC is reported
<i>Aspect: Effluents and waste</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications The environmental dimension - Conserving water resources The environmental dimension - Waste handling and recovery	
G4.EN22	Total water discharge by quality and destination	The environmental dimension - Conserving water resources	
G4.EN23	Total weight of waste by type and disposal method	The environmental dimension - Waste handling and recovery	
G4.EN24	Total number and volume of significant spills	The environmental dimension - Soil contamination	

MATERIAL ASPECTS		Reference	Omissions
ENVIRONMENTAL			
<i>Aspect: Products and services</i>			
G4.DMA	Disclosure on management approach	The product dimension	
G4.EN27	Extent of impact mitigation of environmental impacts of products and services	The product dimension	
G4.EN28	Percentage of products sold and their packaging materials that are reclaimed by category	The product dimension	
<i>Aspect: Compliance</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications Corporate Governance - Compliance with laws and regulations	
G4.EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Transport</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications The environmental dimension - Logistics	
G4.EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	The environmental dimension - Logistics	
<i>Aspect: Overall</i>			
G4.DMA	Disclosure on management approach	The environmental dimension - Environmental certifications The environmental dimension - Environmental spending and investments	
G4.EN31	Total environmental protection expenditures and investments by type	The environmental dimension - Environmental spending and investments	

MATERIAL ASPECTS		Reference	Omissions
SOCIAL LABOUR PRACTICES AND DECENT WORK			
<i>Aspect: Employment</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies	
G4.LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	The social dimension - Staff	The report relates only to Italy.
G4.LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	The social dimension - Reward policies	
G4.LA3	Return to work and retention rates after parental leave, by gender	The social dimension - Diversity and equal opportunity	
<i>Aspect: Labour/management relations</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies The social dimension - Industrial relations	
G4.LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The social dimension - Industrial relations	
<i>Aspect: Occupational health and safety</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies - The social dimension - Occupational health and safety	
G4.LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	The social dimension - Occupational health and safety	The frequency index is reported for all production sites and lost day rate is reported for Italy only
<i>Aspect: Training and education</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies - The social dimension - Developing human capital	
G4.LA9	Average hours of training per year per employee by gender, and by employee category	The social dimension - Training	
G4.LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	The social dimension - Developing Human Capital	
G4.LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	The social dimension - Assessment	

MATERIAL ASPECTS		Reference	Omissions
SOCIAL LABOUR PRACTICES AND DECENT WORK			
<i>Aspect: Diversity and equal opportunity</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies	
G4.LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	The social dimension - Diversity and equal opportunity	
<i>Aspect: Equal remuneration for women and men</i>			
G4.DMA	Disclosure on management approach	The social dimension - Personnel management policies - The social dimension - Reward policies	
G4.LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	The social dimension - Reward policies	
SOCIAL HUMAN RIGHTS			
<i>Aspect: Investment</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
G4.HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Non discrimination</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
G4.HR3	Total number of incidents of discrimination and corrective actions taken	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Freedom of association and collective bargaining</i>			
G4.DMA	Disclosure on management approach	The social dimension - Industrial relations	
G4.HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	The social dimension - Industrial relations	

MATERIAL ASPECTS		Reference	Omissions
SOCIAL HUMAN RIGHTS			
<i>Aspect: Child labour</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
G4.HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Forced or compulsory labour</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
G4.HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Human rights grievance mechanisms</i>			
SOCIAL SOCIETY			
<i>Aspect: Local communities</i>			
G4.DMA	Disclosure on management approach	The social dimension - Supporting local communities	
G4.SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	The social dimension - Supporting local communities	
<i>Aspect: Anti corruption</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
G4.SO5	Confirmed incidents of corruption and actions taken	Corporate Governance - Code of Ethics Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Public policy</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Code of Ethics	
G4.SO6	Total value of political contributions by country and recipient/beneficiary	Corporate Governance - Code of Ethics	

MATERIAL ASPECTS		Reference	Omissions
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SOCIAL SOCIETY

Aspect: Anti-competitive behaviour

G4.DMA	Disclosure on management approach	Corporate Governance - Compliance with laws and regulations	
G4.SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Corporate Governance - Compliance with laws and regulations	

Aspect: Compliance

G4.DMA	Disclosure on management approach	Corporate Governance - Compliance with laws and regulations	
G4.SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Corporate Governance - Compliance with laws and regulations	

SOCIAL PRODUCT RESPONSIBILITY

Aspect: Customer health and safety

G4.DMA	Disclosure on management approach	The product dimension - Research guidelines; Applications The social dimension - Meeting customer requirements - Product quality and reliability	
G4.PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	The product dimension - Research guidelines; Applications The social dimension - Meeting customer requirements - Product quality and reliability	

Aspect: Product and service labeling

G4.DMA	Disclosure on management approach	The social dimension - Meeting customer requirements - Product quality and reliability	
G4.PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	The social dimension - Meeting customer requirements - Product quality and reliability	
G4.PR5	Results of surveys measuring customer satisfaction	The social dimension - Meeting customer requirements - Customers	

MATERIAL ASPECTS		Reference	Omissions
SOCIAL			
PRODUCT RESPONSIBILITY			
<i>Aspect: Marketing communications</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Compliance with laws and regulations	
G4.PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Customer privacy</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Compliance with laws and regulations	
G4.PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Corporate Governance - Compliance with laws and regulations	
<i>Aspect: Compliance</i>			
G4.DMA	Disclosure on management approach	Corporate Governance - Compliance with laws and regulations	
G4.PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Corporate Governance - Compliance with laws and regulations	



Report on the limited auditing of the Corporate Social Responsibility Report



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE CORPORATE SOCIAL RESPONSIBILITY REPORT 2016

To the Shareholders of
Piaggio & C. SpA

We have carried out a limited assurance engagement on the Corporate Social Responsibility Report (hereinafter the "Report") of Piaggio Group (hereinafter the "Group") for the year ended 31 December 2016.

Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative*, as indicated in the paragraph "Methodological note" of the Report, and for that part of internal control that they consider necessary to prepare Corporate Social Responsibility Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Piaggio Group, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the IAASB (*International Auditing and Assurance Standards Board*) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

Our company applies the *International Standard on Quality Control 1 (ISQC (Italy) 1)* and, therefore, maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles, with the professional principles and with the applicable laws and regulations.

PricewaterhouseCoopers Advisory SpA

Sede legale: Milano 20149 Via Monte Rosa 91 Tel. 02667201 Fax 0266720501 Cap. Soc. Euro 7.700.000,00 i.v. - C.F. e P.IVA e Iscrizione al Reg. Imp. Milano n° 03230150967 - Altri Uffici: Bari 70122 Via Abate Ginna 72 Tel. 0805640311 Fax 0805640349 - Bologna 40126 Via Angelo Finelli 8 Tel. 0516186211 - Cagliari 09125 Viale Diaz 29 Tel. 0706848774 - Firenze 50121 Viale Gramsci 15 Tel. 0552482811 Fax 0552482899 - Genova 16121 Piazza Piccapietra 9 Tel. 01029041 - Napoli 80121 Via dei Mille 16 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873431 Fax 0498734399 - Palermo 90141 Via Marchese Ugo 50 Tel. 0916256313 Fax 0917829221 - Parma 43121 Viale Tanara 20/A Tel. 0521275911 Fax 0521 781844 - Roma 00154 Largo Fochetti 28 Tel. 06570831 Fax 06570832336 - Torino 10122 Corso Palestro 10 Tel. 0115773211 Fax 0115773299 - Treviso 31100 Viale Felissent 90 Tel. 0422313711 Fax 0422313798 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 Fax 040364737 - Verona 37135 Via Francia 21/C Tel. 0458263001

Società soggetta all'attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl
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The procedures we performed consisted in verifying compliance of the Report with the principles for defining the content and the quality of a sustainability report set out in the *G4 Sustainability Reporting Guidelines*, and are summarised as follows:

- comparing the financial information reported in chapter “The Economic Dimension” of the Report with the information included in the Group’s consolidated financial statements as of 31 December 2016 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 20 March 2017;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
 - meetings and interviews with management of Piaggio & C. SpA to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
 - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the Directors for the Report”;
- obtaining a representation letter, signed by the legal representative of Piaggio & C. SpA, on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the Directors for the Report”, as well as the reliability and completeness of the disclosed information.

Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 (*reasonable assurance engagement*) and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Corporate Social Responsibility Report of Piaggio Group as of 31 December 2016 has not been prepared, in all material respects, in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* as disclosed in the paragraph “Methodological note” of the Report.

Turin, 21 March 2017

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.



*We would like to thank all colleagues who helped
in preparing this document.*

*This report is available on the Internet at:
www.piaggiogroup.com*



Management and Coordination
IMMSI S.p.A.
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Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077

