



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

**Explanatory Memorandum**

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

Dear Shareholders:

With the approval of the financial statements as at 31 December 2017, the term of office for the Board of Directors of your company, appointed by the ordinary Shareholders' Meeting of 13 April 2015, will expire; it is therefore necessary to appoint the new Board of Directors, subject to the determination of the number of members and term of office.

In this regard, we wish to remind you, in particular, of the following:

#### Composition of the Board of Directors

Pursuant to art. 12.1 of the Articles of Association, the Company is administered by a Board of Directors consisting of not less than 7 (seven) and not more than 15 (fifteen) members, in compliance with the provisions on gender balance laid down in art. 147-ter, paragraph 1-ter, of Legislative Decree 58/1998 (the “**Consolidated Law on Finance**”).

At the time of its appointment, the ordinary Shareholders' Meeting is required to determine the number of Board members within the aforesaid limits, as well as their term of office, which cannot exceed three financial years, whereafter their appointment expires as at the date of the Shareholders' Meeting called to approve the Financial Statements for the last financial year of their office. Directors may be re-elected.

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

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

The Directors must possess the requisites prescribed by *currently* applicable legal regulations; a minimum number of Directors equal to the minimum prescribed by legal regulations must possess the independence requisites set out in art. 148, paragraph 3, of the Consolidated Law on Finance.

If a Director no longer has the prescribed requisites his or her term of office shall immediately expire. If a Director falls short of the independence requisite described above his or her term of office does not expire if the minimum number of Directors prescribed by legal regulations still possesses such requisite.

#### Board of Directors appointment mechanism based on the list vote

Pursuant to art. 12.3 of the Articles of Association, Directors are appointed by the ordinary Shareholders' Meeting, in accordance with current regulation concerning gender balance and based on the lists submitted by Shareholders in which candidates must be listed with a sequential number. Please note that, pursuant to said article of the Articles of Association, lists that have a number of

candidates greater than or equal to three must be composed of candidates belonging to both genders, in such a way that at least one third (rounded upwards) of candidates belong to the less represented gender.

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

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

Only those shareholders who, alone or as a group, represent at least 2.5% of the share capital, or another percentage established by legal or regulatory provisions, may nominate candidates on slates. It should be noted that, with resolution no. 20273 of 24 January 2018, Consob set the relative share capital ownership threshold required to submit lists for election of the Board of Directors of the Company at 2.5%.

Lists submitted by Shareholders must be filed at the registered office, in Pontedera (PI), Viale Rinaldo Piaggio 25, at least twenty-five days before the date set for the Shareholders' Meeting on first call, i.e. by 22 March 2018. Filing of lists for appointment of the Board of Directors may also be made by fax on 0587.21.90.25 or using the certified e-mail address [piaggiogroup.corporate.governance@legalmail.it](mailto:piaggiogroup.corporate.governance@legalmail.it). In the case of submission of lists by fax/certified e-mail, a valid identification document must also be sent by the submitters.

Shareholders are also reminded that, whilst composing candidate lists, to comply with the provisions of art. 16, paragraph 1, letter d), of Consob Regulation no. 20249 of 28 December 2017 (the "**Market Regulation**"), which provides that for subsidiaries subject to the management and coordination of other Italian or foreign companies with shares listed on regulated markets, a Board of Directors composed of a majority of independent directors is also required, as defined by art. 16, paragraph 2, of the Market Regulation and therefore in possession of the requirements set forth in art. 148, paragraph 3, of the Consolidated Law on Finance and art. 3 of the Corporate Governance Code. Pursuant to aforementioned art. 16, paragraph 1, letter d) of the Market Regulation, moreover, those Directors who comply with the aforementioned requirements yet simultaneously hold the office of Director in the company that exercises management and coordination activities (i.e. Immsi S.p.A.) cannot be considered independent.

Together with each list, the following must be filed at the registered office by the aforementioned deadline:

- (i) information concerning the identity of the Shareholders who presented the list;
- (ii) an abridged curriculum vitae of the candidates included in the list, containing the personal and professional details of each candidate; as well as
- (iii) declarations made by each candidate whereby they accept their candidacy and attest, under their responsibility, that there are no grounds for ineligibility and incompatibility, and

whereby they possess the requisites prescribed by law and the Articles of Association for their respective positions, and that they are fit to qualify as independent Directors.

Ownership of the shareholding required, pursuant to the foregoing, for the purposes of submitting the list, is attested by the qualified accounting intermediary sending to the Company the notice provided for by art. 23 of the Regulation concerning centrally managed services, payment, guarantee systems and the related management companies adopted by the Bank of Italy and Consob on 22 February 2008, as subsequently amended, also after having filed the list, provided that this takes place at least twenty one days before the date set for the Shareholders' Meeting on first call, i.e. 26 March 2018. Please note that ownership of the shareholding is determined for the shares that are recorded in the name of the Shareholder on the date on which the lists are filed with the Company.

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

The lists shall also be subject to other types of advertisement provided for by current applicable law and other regulations. In particular, at least twenty one days before the date of the Shareholders' Meeting (i.e. by 26 March 2018) the lists will be made available to the public at the registered office, on the Company's website and via other regulated forms required by Consob.

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

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

#### Procedures for appointment of the Board of Directors

The procedure for appointing Directors is as follows:

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

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

If, for candidates elected according to the above indicated methods, a number of directors having the requisites of independence is not ensured in accordance with art. 12 of the Articles of Association that is equal to the minimum number established by the law in relation to the overall number of the directors, the non-independent candidate elected last in progressive order from the list who had the highest number of shareholders' votes, mentioned in a) above, shall be substituted by the independent candidate not elected from the same list in accordance with the progressive order, or, in default, by the first independent candidate in accordance with the progressive order not elected from other lists, in accordance with the number of votes that each obtained. This

substitution procedure shall take place until the Board of Directors is composed of the number of members having the requisites mentioned in art. 148 paragraph 3 of the Consolidated Law on Finance equalling at least minimum prescribed by the law. Finally, should said procedure not ensure the result indicated in the foregoing, the substitution shall take place by a resolution passed by a relative majority at a shareholders' meeting, subject to the presentation of candidatures for persons having the above mentioned requisites.

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

Pursuant to art. 12.4 of the Articles of Association, if only one or no list is presented, the Shareholders' Meeting shall resolve according to the legally prescribed majorities, disregarding the above procedure, but without prejudice to the provisions of art. 12.2 of the Articles of Association and current legislation in force concerning gender balance.

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Finally, it should be noted that the Board of Directors of the Company at the meeting of 28 February 2018 established the guidelines on the professional and managerial figures whose presence is deemed appropriate in the Board of the Company, as well as on the policy of diversity in the composition of the Board of Directors, in accordance with the provisions of the Corporate Governance Code for listed companies (see art. 1, par.1. g) and h)) at the proposal of the Appointment Proposal Committee, taking into account the results of the self-assessment.

In this regard, the Board deemed it appropriate to provide the following indications:

- taking into account the company's size and activities, it is considered appropriate that the number of Directors does not exceed the current number of 9 (nine) Directors;
- to possess the professionalism requisites set out in art. 12.2 of the Articles of Association;
- in compliance with legislation on gender balance, at least one third of Directors must belong to the less represented gender;
- by virtue of the provisions of art. 16 of the Market Regulation, the majority of Directors must meet the requirements of independence pursuant to law and the Corporate Governance Code for listed companies in order to guarantee correct composition of the Committees: possession of the requisites of independence must be assessed mainly with regard to aspects of substance, also taking into due consideration the importance of continuity in the company's business;

- as regards the policies on diversity (art. 123-*bis*, letter d-*bis* of the Consolidated Law on Finance) and in order to facilitate the understanding of the organisation of the Company and its activities, as well as the development of an efficient governance of the same, without prejudice to the legal requirement regarding gender balance, it is appropriate that: (a) the Board is characterised by the diversity of its members; and (b) the educational and professional career of Directors guarantees a balanced combination of profiles and experiences, suitable to ensure the correct performance of its functions;
- it is up to each candidate to evaluate the compatibility of the appointment as Director of the Company with any additional offices of director and statutory auditor in other companies listed on regulated markets, in financial, banking, insurance companies or companies of significant size;
- with regard to the balance between executive and non-executive members, it is considered that (a) Executive Directors should be granted broad management powers and should have previous experience in the management of listed companies of comparable size, type of activity and complexity; (b) all the other Directors should be non-executive pursuant to the Corporate Governance Code for listed companies, also with a view to ensuring their profitable contribution to the company's strategic decisions, especially with reference to potential situations of conflict of interest.

#### Determination of remuneration for the Board of Directors

Finally, you are required to determine the remuneration of the members of the Board of Directors. In this regard, note that, pursuant to art. 18.1 of the Articles of Association, in addition to reimbursement of expenses incurred for the performance of the office, Directors are entitled to an annual remuneration that is decided by the Ordinary Shareholders' Meeting appointing them and which shall remain unchanged unless changed by resolution of the Shareholders' Meeting.

Alternatively, pursuant to art. 18.3 of the Articles of Association, the Shareholders' Meeting may fix an overall amount for the remuneration of all Directors, including those conferred with special positions, the allocation of which being established by the Board of Directors after consulting the Board of Statutory Auditors.

Milan, 28 February 2018

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