



PARMALAT S.p.A.

*Annual Report on Corporate Governance
and the Company's Ownership Structure
(year ended December 31, 2016)*

Approved by the Board of Directors on March 3, 2017

Available on the Company website:

http://www.parmalat.com/it/corporate_governance/come_amministriamo/relazione/

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The purpose of this report (the “Report”), approved by the Board of Directors of Parmalat S.p.A. (“Parmalat” or the “Company”) on March 3, 2017, is to provide a general overview of the system of corporate governance adopted by Parmalat.

In compliance with the requirements of the applicable laws and regulations and consistent with the guidelines of Borsa Italiana S.p.A. (“Borsa Italiana”), as set forth most recently in the “Presentation Format for the Report on Corporate Governance and the Company’s Ownership Structure” of January 2017, this Report contains information about the Company’s Ownership Structure and Parmalat’s adoption of the Corporate Governance Code for Listed Companies, in the edition updated most recently in July 2015, as approved by the Corporate Governance Committee promoted by Borsa Italiana and certain industry associations (the “Corporate Governance Code”).

The Corporate Governance Code is available on the following page of Borsa Italiana’s website:
<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

For additional information about compensation, please see the Compensation Report, approved by the Board of Directors on March 3, 2017.

1. Issuer's Profile

1.1 Governance Structure

Parmalat, a company listed on the Italian Online Stock Exchange (Mercato Telematico Azionario – MTA) adopted the conventional management and control system pursuant to which, the functions of the Shareholders' Meeting notwithstanding, the Company's management is entrusted to the Board of Directors and the control function is performed by the Board of Statutory Auditors. The independent auditing of the financial statements is performed by external auditors, retained by the Shareholders' Meeting.

Consistent with the Company Bylaws, the Board of Directors appointed a Chief Executive Officer to whom it entrusted the management of the Company, reserving certain issues for its exclusive jurisdiction.

The Chairperson of the Board of Directors, elected by the Shareholders' Meeting on April 29, 2016, exercises the powers assigned to her by the Bylaws and is the Company's legal representative.

Pursuant to the Bylaws, the same person cannot serve concurrently both as Chairman and Chief Executive Officer.

The Board of Directors established two internal committees that provide consultative and proposal-making support to the Board of Directors: the Control and Risk Committee (which also serves as the Committee for Related-party Transactions) and the Nominating and Compensation Committee.

1.2 Mission of the Parmalat Group

The Parmalat Group is a food-industry group with a multinational strategy that seeks to increase the well-being of its consumers throughout the world. The ultimate purpose of the Group is to create value for its shareholders while adhering to ethical principles of business conduct, to perform a useful social function by fostering the professional development of its employees and associates, and to serve the communities in which it operates by contributing to their economic and social progress.

Parmalat is one of the top players in the global market for foods with a high value added, which deliver appropriate nutrition and wellness to consumers, and holds an important leadership position in selected product categories and countries with high growth potential for the Group.

Milk and dairy products and fruit beverages, foods that play an essential role in everyone's daily diet, are key categories for the Group.

The values of the Parmalat Group are described in the Code of Ethics, which is available on the Company website: www.parmalat.com → Corporate Governance page.

The Code of Ethics contains all of those principles that, having been enunciated in general form, must then be embodied in the rules, standards and procedures that govern Parmalat's individual operations. Thus, the Code of Ethics establishes a standard of behavior that all associates (including Directors, employees and all those who, irrespective of the legal nature of their relationship with the Group, operate on the Group's behalf and as its representatives, under the Company's management or oversight) are required to comply with and cause others to abide by. The values and rules of conduct set forth in the Code of Ethics provide the foundation for the Group's corporate culture, which emphasizes attention to qualitative excellence pursued through continuous technological innovation, with the goal of providing consumers with maximum guarantees and protection. The provisions of the Code constitute a tool that can be used to safeguard the Group's reliability, assets and business reputation and ensure that all counterparties are treated with respect. Therefore, the Parmalat Code of Ethics should be applied by all Group companies in Italy and abroad, taking into account cultural, political, social, economic and commercial differences.

2. Information About the Company's Ownership Structure

Share Capital Structure at December 31, 2016

At December 31, 2016, the Company's share capital, as authorized by the Shareholders' Meeting on May 31, 2012, amounted to 1,940,000,000 euros, of which 1,855,132,916 euros was subscribed and paid-in.

The share capital consists of common shares, par value 1 euro each. Pursuant to the relevant provisions of the applicable laws and the Bylaws, the common shares, which are registered shares, entitle their holders to vote at Ordinary and Extraordinary Shareholders' Meetings and convey all of the administrative and property rights that the law provides to owners of voting shares.

Regarding the Company's share capital at December 31, 2016, please note that:

- 3,568,353 shares representing 0.2% of the share capital were still held in a deposit account c/o Parmalat registered in the name of individually identified commercial creditors;
- 2,049,096 shares, or 0.1% of the share capital, were available to the Company as treasury shares.

The Extraordinary Shareholders' Meeting held on February 27, 2015 resolved to extend the subscription deadline for the share capital increase referred to in Article 5, Letter b), of the Company Bylaws, reserved for challenging and late-filing creditor, delegating to the Board of Directors the powers necessary to implement the abovementioned extension, and delegate to the Board of Directors the task of regulation the allotment of warrants after January 1, 2016, all of the above with the aim of complying with the provisions of the Composition with Creditors regarding the allotment of shares and warrants.

On November 10, 2015, the Board of Directors approved a resolution to apply for listing the 2016-2020 Parmalat Warrants; the application was submitted to Borsa Italiana but, given the limited number of warrants that the Company estimates will be issued, Borsa Italiana found that the requirements for listing financial instruments in accordance with Article 2.1.3, Section 2, Letter e), of the Regulations of the Markets Organized and Operated by Borsa Italiana could not be met. Pursuant to the abovementioned provision, the financial instruments did not satisfy the general conditions for being traded in a fair, orderly and efficient manner.

Please note that, thus far, a total of 650 new warrants governed by the Regulation of the "2016-2020 Parmalat Common Share Warrants" have been awarded.

On the date this Report was approved, the amount of the Company's share capital was unchanged compared with December 31, 2016.

Restrictions on the Transfer of Securities

There are no restrictions on the transfer of securities,

Shareholders with Significant Equity Interests

Based on the data contained in the Stock Register and other information available as of the approval date of this Report, the shareholders listed on the table that follows are believed to own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 3% of the voting shares. The ownership percentages shown were computed based on the share capital existing on the approval date of this Report, amounting to 1,855,132,916 euros).

SIGNIFICANT INTERESTS HELD

SHAREHOLDER	NO. OF SHARES	%
SOFIL S.A.S	1,627,713,708	87.74%

Securities that Convey Special Rights

No securities that convey special control rights have been issued.

Employee Stock Ownership: Method of Exercising Voting Rights

There is no employee stock ownership plan.

Restrictions of the Right to Vote

There are no restrictions of the right to vote.

Shareholders' Agreements

As of the date of approval of this Report, Parmalat is not aware of any shareholders' agreements, as defined in Article 122 of the TUF.

Change of Control Clause and Provisions of the Bylaws Concerning Tender Offers

As of the approval date of this Report there was no change of control clause in effect with an impact on the effectiveness or content of material stipulations, except for a clause included in the agreement with a pool of banks for a medium/long-term credit line for a total amount of 500 million euros. Additional information is provided in the financial statement documents at December 31, 2016.

Parmalat's Bylaws do not provide any waiver with regard to the passivity rule provisions of Article 104, Sections 1 and 2, of the Italian Uniform Financial Code (Testo unico delle disposizioni in materia di intermediazione finanziaria – TUF) nor do they contemplate the implementation of the neutralization rules of Article 104-*bis*, Sections 2 and 3, of the TUF.

Delegation of the Power to Increase Share Capital and Purchase Treasury Shares

The Board of Directors has not been authorized to increase the Issuer's share capital, as required by Article 2443 of the Italian Civil Code.

The Shareholders' Meeting has not authorized the purchase of treasury shares, as required by Article 2357 and following articles of the Italian Civil Code

Guidance and Coordination Activities

The Company is subject to guidance and coordination by B.S.A. S.A..

On April 16, 2015, the Board of Directors, being cognizant of the favorable opinion rendered by the Internal Control, Risk Management and Corporate Governance Committee, approved the *Procedure Governing Influenced Decisions Within the Framework of Guidance and Coordination Activities* (hereinafter, in brief, the "Procedure"), which is applicable to all Italian and foreign subsidiaries.

The Procedure constitutes the organizational safeguard for tracing influenced decisions within the Group .

The Procedure requires that whenever Directors and key executives of Parmalat and its subsidiaries are the recipients of a significant directive or an influenced decision, as defined in the Procedure, they are required to report it, as

applicable, to the Control and Risk Committee or the Board of Directors in the manner indicated in the Procedure before adopting the decisions. More specifically, issues that may be the subject of a significant directive include:

- Acquisitions and divestments of equity investments and business operations;
- Acquisitions, conveyances and divestments of real estate;
- Stipulation of joint venture agreements;
- Issuance of guarantees and provision of collateral for the benefit of the Company or its subsidiaries;
- Receipt of financing facilities;
- Mergers, demergers and spinoffs;
- Industrial, financial and strategic plans;
- Investments in property, plant and equipment and intangible assets.

More specifically, the Chief Executive Officers of the subsidiaries, acting in the capacity as parties responsible for the Procedure's correct implementation, in the certification letters that they send to the Corporate Accounting Documents Officer and the Chief Executive Officer, pursuant to Article 154 *bis* of the TUF, shall declare and attest that, as of the date of receipt of the Procedure, they shall promptly communicate any influenced transactions, as required by the Procedure.

In order to prevent a decision from being adopted in a conflict of interest situation or in a manner prejudicial to the Company, a description must be provided of the advantages and benefits, in any way fruit of the reasons and interests that justify the decision, specifically with regard to:

- the actual existence, i.e., the concrete, tangible or measurable nature of the advantages/benefits for the Company;
- the predictability of the advantages/benefits, i.e., the fact that they are not mere expectations;
- the adequacy of the advantages/benefits, i.e., their ability to balance or offset the potential harmful effects that could derive from adopting the decision, taking also into account the advantages deriving from other transaction linked with or related to the influenced decision;
- the timeliness of the advantages/benefits, i.e., the time horizon for the occurrence of the described advantages..

The Board of Directors is required to identify the reasons and interests, if they exist, that could produce benefits capable of offsetting any harmful effects and allow the adoption of the influenced decision.

The Company is one of the first operators to adopt an internal procedural system capable of ensuring a more effective governance and greater transparency in transactions with the controlling entity that exercises guidance and coordination activity over the Company.

Lastly, to complete this disclosure, it is worth mentioning that the Company is in compliance with the requirements of Article 37 of the Consob's Market Regulations, as specified in the corresponding certification included in the Report on Operations.

More specifically, on March 3, 2017, the Board of Directors verified that Parmalat did meet the requirements listed in Article 37, Section 1, of the Markets' Regulation in that:

- it was in compliance with the disclosure requirements of Article 2497 *bis* of the Italian Civil Code;

- it possessed independent negotiating ability in transactions with customers and suppliers;
- it had established a Control and Risk Committee (which also functions as a Committee for Related-party Transactions) and a Nominating and Compensation Committee, the members of both committees being exclusively independent Directors, as defined in Article 37, Section 1 *bis*, of the Markets' Regulation and Article 148, Section 3, as cited in Article 147 *ter* of the TUF.

3. Compliance

Parmalat abides by the recommendations of the Corporate Governance Code, as updated in July 2015; on July 12, 2016, the Board of Directors reaffirmed its adoption of the Corporate Governance Code.

On the same occasion, the Board of Directors, further to and consistent with the amendments to Article 18 of the Bylaws adopted by the Shareholders' Meeting on April 29, 2016, approved a resolution declaring that the Parmalat Corporate Governance adopted in 2005 was no longer valid. This decision was part of a broader process to upgrade the Company's governance model that also affected the Parmalat Corporate Governance Code adopted on a self-regulating basis in connection with the Composition with Creditors, with the aim of incorporating the provisions that already existed in the Company Bylaws.

Parmalat and its most strategic subsidiaries are not subjected to requirements of non-Italian laws that could affect its Corporate Governance structure.

4. Board of Directors

4.1 Election and Replacement

In accordance with the provisions of Article 11 of the Bylaws, the Company is governed by a Board of Directors comprised of not less than 7 (seven) and not more than 11 (eleven) Directors, who are elected from slates of candidates.

The shareholders entitled to file slates of candidates are those who, alone or together with others, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Ordinary Shareholders' Meetings or, if lower, represent the percentage required by the Italian Securities Commission (Commissione Nazionale per le Società e la Borsa – Consob) of the share capital subscribed on the date the slate is filed and consisting of shares that convey the right to vote at Ordinary Shareholders' Meetings. This percentage interest must be documented in special certifications that, if not available on the date the slates are filed, must be produced at least 21 days before the date of the Shareholders' Meeting. The percentage interest that must be held in order to file slates of candidates for election to the Board of Directors shall be specified in the notice of the Shareholders' Meeting convened to vote on the election of the Board of Directors.

Starting with the first Board of Directors elected after the date of enactment of the statute governing gender parity, and as long as these provisions are in effect, the composition of the Board of Directors shall comply with the criteria set forth in the applicable provisions of laws and regulations.

Slates filed by shareholders must be deposited at the Company's registered office, directly or using a remote communication system that allows identification of the filers, twenty-five days before the date of the Shareholders' Meeting convened to vote on the election of the Board of Directors. The slates of candidates shall be made available to the public at the Company's registered office, on its website and in any other manner required pursuant to Consob regulations at least twenty-one days before the date of the Shareholders' Meeting.

Together with each slate, the shareholders must file, within the deadline stated above, affidavits by which each candidate accepts to stand for election and attests, on his/her responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he/she has met the requirements for election to the respective office. Each candidate must file together with his/her affidavit a curriculum vitae listing his/her personal and professional data and, if applicable, showing his/her suitability for being classified as an independent Director.

The election of the Board of Directors will be carried out in the following manner:

- a) A number of Directors equal to the total number of Directors that need to be elected, minus 1 (one), will be drawn from the slate that received the majority of votes, taken in the sequence in which they are listed on the slate;
- b) The remaining Director will be elected from the slate that received the second highest number of votes and is not connected in any way, either directly or indirectly, with the parties who filed or voted for the slate that obtained the highest number of votes, drawing from that slate the candidate who is listed first, in accordance with the numerical sequence with which the candidates are listed on the slate. If the minority slate referred to in this paragraph b) failed to receive a percentage of votes equal, as a minimum, to half of the percentage required to file slates, as explained above, all Directors that need to be elected will be drawn from the slate referred to in paragraph a).

If candidates receive the same number of slate votes, the Shareholders' Meeting will be asked to vote again, and the candidate who receives a plurality of the votes will be elected.

If at the end of the balloting the Shareholders' Meeting failed to elect a sufficient number of Directors who meet the independence requirements pursuant to the laws and regulations in effect, the candidate who does not meet the abovementioned requirements elected last based on the sequence on the slate that received the highest number of votes shall be excluded and replaced with the next candidate who meets the independence requirements drawn from the slate of the excluded candidate. If necessary, this process will be repeated until the required number of elected independent Directors is reached.

If at the end of the balloting the requirements of the provisions of laws and regulations concerning parity between elected candidates of the male gender and the female gender are not complied with, the candidate of the more represented gender elected last in consecutive order from the slate that received the highest number of votes shall be excluded and replaced with the first candidate, in consecutive order, of the less represented gender from the same slate who was not elected. This substitution process will be repeated until the composition of the Board of Directors is in compliance with the gender parity regulation in effect at any given time. If the adoption of this procedure does not allow the achievement of the abovementioned result, the substitution shall be carried out by means of a resolution adopted by the Shareholders' Meeting with the majorities required pursuant to law, after the names of candidates belonging to the less represented gender are submitted.

If only one slate is filed or no slates are filed or the election concerns only a portion of the Board of Directors, the Shareholders' Meeting will vote with the applicable statutory majorities and in accordance with the provisions of Article 11, Paragraph 2, of the Bylaws, provided the regulations governing gender parity at any given time are complied with.

If one or more Directors should leave office in the course of the reporting year, irrespective of the reason, the Board of Directors shall proceed in accordance with provisions of Article 2386 of the Italian Civil Code, taking appropriate action to ensure compliance with the provisions of the laws and the Bylaws in effect regarding the presence of independent Director and guarantee the presence on the Board of Directors of the number of members required by the gender parity regulations in effect at any given time.

If one or more the departing Directors were elected from a minority slate (i.e., a slate different from the one referred in Article 11, Section 10, Letter a)) containing names of candidates who had not been elected, the Board of Directors shall replace the departing Directors by appointing candidates taken in sequence from the slate of the departing Director, provided these candidates are still electable and are willing to serve, while complying with the regulations in effect concerning the presence of independent Directors and with gender parity regulations.

Subsequent to the replacement by the Board of Directors, the Shareholders' Meeting shall fill vacancies on the Board of Directors in accordance with the statutory majorities, without restrictions with regard to slates and candidacies, but

always in compliance with the regulations in effect concerning the presence of independent Directors and with gender parity rules. However, if vacancies that need to be filled on the Board of Directors results from the departure of Directors originally drawn from a minority slate, the vacancies shall be filled by asking the Shareholders' Meeting to vote for candidate drawn from the slate to which the departing candidate belonged, provided these candidates are still electable and are willing to serve, with the candidate who receives the highest number of favorable votes being declared the winner, irrespective of the number of negative votes cast or abstentions. If there are no candidates who are electable and willing to serve, the Shareholders' Meeting shall fill the vacancies on the Board of Directors in accordance with the majorities required pursuant to law, without any restrictions regarding slates or candidacies.

Whenever the majority of the members of the Board of Directors elected by the Shareholders' Meeting leave office for any cause or reason whatsoever, the remaining Directors elected by the Shareholders' Meeting will be deemed to have resigned and their resignation will become effective the moment a Shareholders' Meeting convened on an urgent basis by the Directors still in office elects a new Board of Directors.

Directors must meet the requirements of the applicable statutes or regulations.

Lastly, with regard to corporate governance posts, the Bylaws (Article 14) state that the same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer.

Succession Plans

The Nominating and Compensation Committee addressed the issue of the succession of the Executive Director, studying the process of his/her replacement under the different and unforeseeable situations leading to that post being vacated.

With regard to the method for the appointment of the Executive Director, in view of the fact that there is a majority shareholder who exercises guidance and coordination over the Company and operates in the same business sector, the Nominating and Compensation Committee did not find it necessary to develop a specific succession plan with special mechanisms, should the replacement of the Executive Director become necessary before the originally scheduled date.

To identify a professional with suitable qualifications for replacing the Executive Director, when his/her mandate is ended ahead of schedule, the Board of Directors shall coordinate its activities with the majority shareholder.

Should it become necessary to replace the Executive Director, the Board of Directors shall immediately fill the vacancy on the Board of Directors by coopting a Director pursuant to Article 2386, Section 1, of the Italian Civil Code, by a resolution approved by the Board of Statutory Auditors. The term of office of the Director thus appointed shall run until the next Shareholders' Meeting.

While waiting to appoint a replacement for the former Executive Director, the Board of Directors shall consider the possibility of assigning part of the functions previously performed by the former Executive Director to one or more Board members or whether it should temporarily managed the Company jointly as a single body, relying on the support of management, particularly with regard to managers who reported directly to the Executive Director and appear to possess the managerial competencies and power of representation necessary to guarantee continuity of management over the short term.

4.2 Composition

The current Board of Directors, elected by the Shareholders' Meeting convened on April 29, 2016, is comprised of 9 Directors, including 8 (eight) drawn from the slate filed by Sofil S.a.s. – Société pour le Financement de l'Industrie Latière S.a.s. on April 4, 2016, and one drawn from a minority slate filed by the shareholders *FIL INVESTMENTS International, Gabelli Funds LLC, Setanta Asset Management Limited, Amber Capital UK LLP and Amber Capital Italia SGR S.p.A.* also on April 4, 2016.

The Shareholders' Meeting convened on April 29, 2016 also voted to elect Gabriella Chersicla Chairperson of the Board of Directors.

The Board of Directors was elected for a three-year term, i.e., until the Shareholders' Meeting convened to approve the financial statements at December 31, 2018.

During the 2016 reporting year, on January 8, 2016 specifically, Paolo Lazzati (Independent Director) resigned from his post for personal reasons, effective immediately. Paolo Lazzati was Chairman of the Nominating and Compensation Committee and served on the Internal Control, Risk Management and Corporate Governance Committee.

On February 18, 2016, Laura Gualtieri (Independent Director) resigned from the posts she held at the Company due to newly arisen professional commitments. Laura Gualtieri served on the Nominating and Compensation Committee and the Litigation Committee.

On February 18, 2016, the Board of Directors appointed Elena Vasco and Nicolò Dubini to the Company's Board of Directors, pursuant to Article 2386 of the Italian Civil Code and Article 11 of the Company Bylaws, as replacements for Paolo Lazzati and Laura Gualtieri, who resigned, verifying that they met the independence requirements pursuant to Article 3 of the Corporate Governance Code and Article 147-ter, Section 4, of the TUF. The newly appointed Directors were drawn from the slate filed by the shareholder Sofil S.a.s. at the Shareholders' Meeting of April 17, 2014.

On March 10, 2016, the Director Antonio Sala handed in his resignation effective as of the approval of the 2015 financial statements by the Shareholders' Meeting convened for April 29, 2016. Yvon Guérin and Patrice Gassenbach joined in this decision, in turn handing in their resignation from the Board of Directors, effective as of the same date. Pursuant to Article 11, Section 18, of the Company Bylaws, this situation triggered the expiration of the term of office of the entire Board of Directors effective as of the Shareholders' Meeting convened for April 29, 2016, which then proceeded with the election of a new Board of Directors.

Detailed CVs of the Directors in office as of the writing of this Report and the information referred to in Article 144-*octies*, Letter b.1), of the Issuers' Regulations, as cited in Article 144-*decies*, of the Issuers' Regulations, are available on the Company website: www.parmalat.com → *Corporate Governance* → Il Consiglio di Amministrazione.

The table that follows lists the Directors who were in office as of the writing of this Report and the governance posts that they held.

Post held at Parmalat S.p.A.	Director	Year of birth	Date when first elected	In office since	In office until	Slate	Exec./ Non-exec.	Independent	Posts held at other companies that are not part of the Parmalat Group
Chairperson of the Board of Directors	Gabriella Chersicla	1962	May 31, 2012	April 19, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non-exec.	Pursuant to Art. 147-ter of the TUF(*)	<ul style="list-style-type: none"> ➤ Director of Maire Tecnimont S.p.A. ➤ Statutory Auditor of RCS MediaGroup S.p.A. ➤ Statutory Auditor of ePRICE S.p.A. ➤ Director of Castello SGR S.p.A.
Chief Executive Officer	Yvon Guérin	1965	July 12, 2011 (coopted) or April 16, 2015	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	-	Exec.	Not independent	
Director	Pier Giuseppe Biandrino	1957	April 29, 2016	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Pursuant to Art. 3 of Borsa Italiana's Corporate Governance Code and Art. 147-ter of the TUF	<ul style="list-style-type: none"> ➤ Director of Edison S.p.A. ➤ Director of Acsm Agam S.p.A.
Director	Nicolò Dubini	1948	February 18, 2016 (appointed pursuant to Article 2386 of the Italian Civil Code and Article 11 of the Bylaws)	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Pursuant to Art. 3 of Borsa Italiana's Corporate Governance Code and Art. 147-ter of the TUF (*)	
Director	Angela Gamba	1970	April 29, 2016	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Pursuant to Art. 3 of Borsa Italiana's Corporate Governance Code and Art. 147-ter of the TUF	
Director	Patrice Gassenbach	1946	April 17, 2014	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Not independent	

<i>Post held at Parmalat S.p.A.</i>	<i>Director</i>	<i>Year of birth</i>	<i>Date when first elected</i>	<i>In office since</i>	<i>In office until</i>	<i>Slate</i>	<i>Exec./ Non-exec.</i>	<i>Independent</i>	<i>Posts held at other companies that are not part of the Parmalat Group</i>
Director	Umberto Mosetti	1965	May 31, 2012	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	"FIL Investments International", "Gabelli Funds LLC", "Setanta Asset Management Limited", "Amber Capital UK LLP" and "Amber Capital Italia SGR S.p.A."	Non exec.	Pursuant to Art. 3 of Borsa Italiana's Corporate Governance Code and Art. 147-ter of the TUF (*)	➤ Director Sorgenia S.p.A.
Director	Michel Peslier	1959	April 29, 2016	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Not independent	
Director	Elena Vasco	1964	February 18, 2016 (appointed pursuant to Article 2386 of the Italian Civil Code and Article 11 of the Bylaws)	April 29, 2016	Shareholders' Meeting to approve financial statements at 12/31/18	Sofil Sas	Non exec.	Pursuant to Art. 3 of Borsa Italiana's Corporate Governance Code and Art. 147-ter of the TUF (*)	

(*) Please note that Article 147-ter, Section 4, of the TUF cites Article 148, Section 3, of the TUF.

Maximum Number of Governance Posts Held at Other Companies

At a meeting held on March 9, 2012, the Board of Directors, approved a criterion that could be applied to identify the maximum number of governance posts that may be held compatibly with the obligation to serve effectively as a Director of Parmalat S.p.A., stating that the maximum number of governance posts held may not be greater than 3 (three) for executive Directors and 7 (seven) for non-executive Directors, including service on the Board of Directors of Parmalat S.p.A. These limitations refer to posts held at publicly traded companies, financial entities and large companies (i.e., with revenues/shareholders' equity greater than 1 billion euros). In this regard, the Board of Directors also stated that, in exceptional cases, this limit can be waived by means of a reasoned resolution approved by the Board of Directors. Such resolution, which shall be disclosed in the Annual Report on Corporate Governance, must explain the reason for the change, based on considerations that take into account the size, organization and ownership relationships that exist among the various companies in question.

This approach is still valid today and there have been no variances concerning the Directors nor has the Board of Directors provided any waivers for these requirements.

Induction Program

On May 9, 2016, subsequent to the election of the Board of Director, a meeting was held to provide an overview of the Company, the Group and Parmalat areas of business

At the Board meetings, Directors had an opportunity to obtain a more in-depth understanding of the Company's dynamics, risk management issues and the evolution of the legislative and regulatory framework.

4.3 Role of the Board of Directors

4.3.1 Role of the Board of Directors

In 2016, the Board of Directors met 15 (fifteen) times, including:

- ✓ the first meeting of the year, on February 18, 2016, with the composition shown in the first one of the tables provided below;
- ✓ six meeting of the Board of Directors in office until April 29, 2016;
- ✓ eight meetings of the current Board of Directors, which is in office since April 29, 2016.

The attendance percentage of each Director at the abovementioned Board meetings is listed in the tables below.

Meeting of February 18, 2016

	Attendance at Board Meetings
G. Chersicla	Present
P. Gassenbach	Excused
L. Gualtieri (**)	Present
P. Lazzati (*)	-
U. Mosetti	Present
R. Perotta	Present
A. Sala	Present

(*) Please note that, on January 8, 2016, the Director P. Lazzati resigned from his post. Paolo Lazzati was Chairman of the Nominating and Compensation Committee and served on the Internal Control, Risk Management and Corporate Governance Committee.

(**) On February 18, 2016, at the end of a Board Meeting the Director L. Gualtieri resigned from the posts she held at the Company. L. Gualtieri served on the Nominating and Compensation Committee and the Litigation Committee.

Six meetings from February 18 to April 29, 2016

	Attendance % at Board Meetings
G. Chersicla	100%
Y. Guérin	100%
N. Dubini (*)	100%
P. Gassenbach	83.33%
U. Mosetti	100%
R. Perotta	83.33%
A. Sala	100%
E. Vasco (*)	100%

(*) Please note that the Directors N. Dubini and E. Vasco were appointed as replacement for Directors P. Lazzati and L. Gualtieri, who resigned.

Eight meetings from April 29 to December 31, 2016

	Attendance % at Board Meetings
G. Chersicla	100%
Y. Guérin	100%
P. Biandrino	100%
N. Dubini	100%
A. Gamba	100%
P. Gassenbach	75%
U. Mosetti	87.50%
M. Peslier	87.50%
E. Vasco	75%

The average duration of Board meetings was about 3 hours and 30 minutes for each meeting,

The Board of Directors held its first meeting of 2017 on January 11, 2017.

At this point, four meetings of the Board of Directors have been scheduled for 2017, as per the Company calendar published on January 16, 2017. Aside from the mandatory meetings, nine additional meetings of the Board of Directors had been held as of the approval date of this Report.

A calendar of Board meetings scheduled for 2017 to review annual and interim results was published on the Company website: www.parmalat.com, Press Room → Press Releases page.

The Company will promptly communicate any changes in the dates announced in the abovementioned calendar.

Directors and Statutory Auditors receive in advance documents explaining the items on the Agenda, except in urgent cases or when special confidentiality must be maintained. In these extraordinary cases, the abovementioned documents are supplied at the meeting and a comprehensive discussion of the issues on the meeting's agenda must always take place.

With regard to the forwarding of supporting documents, the deadline of at least two days before a meeting of the Board of Directors was generally complied with, except for exceptional circumstances.

In the performance of their duties, the Directors reviewed the information they received, specifically asking for all clarifications, in-depth analyses and additional information that they may deem necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

As a rule, the Chief Financial Officer and the General Counsel attend the meetings of the Board of Directors, at the Chairman's invitation; occasionally, the Chairman may ask the Human Resource Manager and the Internal Auditing Manager to attend a Board meeting when issues within their competencies are discussed. Until April 2016, the Corporate Affairs Manager attended the meetings of the Board of Directors (subsequently, this function has been performed by the Chief Financial Officer).

After each Committee meeting, the respective Chairpersons reports to the Board of Directors about the activities carried out by the Committee.

The Chairperson ensured that issues were adequately discussed, with the involvement of all Board members, consistent also with their specific competencies, and that the items on the agenda of Board meetings were adequately and thoroughly analyzed.

In the corporate governance system adopted by Parmalat S.p.A., the Board of Directors plays a central function, enjoying the most ample ordinary and extraordinary powers needed to govern the Company, with the sole exception of the powers reserved for the Shareholders' Meeting pursuant to law.

Specifically, pursuant to Article 17 of the Company Bylaws, the Board of Directors has sole jurisdiction over the following areas:

- it reviews and approves the strategic, industrial and financial plans of the Company and the Group and the corporate structure of the Group headed by the Company, periodically monitoring the implementation of those plans;
- it defines the Company's governance system and the Group's structure;
- it adopts resolutions concerning transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, particularly when these transactions are carried out with related parties;
- it assesses the adequacy of the organizational, administrative and accounting structure of the Company and its strategically significant subsidiaries, specifically regarding the internal control and risk management system;
- it drafts and adopts the rules that govern the Company and its Code of Ethics, and defines the applicable Group guidelines, while acting in a manner that is consistent with the principles of the Bylaws;
- it establishes the Oversight Board required pursuant to Legislative Decree No. 231/2001;
- it grants and revokes powers to Directors and the Executive Committee, if one has been established, defining their limits and the manner in which they may be exercised, and determines at which intervals, usually not longer than quarterly, these parties are required to report to the Board of Directors on the exercise of the powers granted to them;
- it verifies whether Directors met and continue to satisfy the independence requirements;
- it determines the attributions and powers of General Managers, if appointed;
- it designates the candidates to the posts of Chairman, if one has not been elected by the Shareholders' Meeting, and of Chief Executive Officer and/or General Manager of strategically significant subsidiaries;
- after reviewing the recommendations of the relevant Committee and with the input of the Board of Statutory Auditors, it determines the compensation of Managing Directors and the allocation of the total compensation provided for the individual members of the Board of Directors and the Committees, if such allocation has not been determined by the Shareholders' Meeting;

- it adopts resolutions concerning the settlement of disputes that arise from the insolvency of companies that are parties to the Composition with Creditors. These resolutions may be validly adopted with the favorable vote of 8/11 of the Directors who are in office.
- it adopts resolutions concerning the establishment or closing of secondary headquarters, reductions of share capital in the event of reimbursements, amendments to the Company Bylaws to comply with new legislation, relocation of the registered office within Italy, mergers in the cases covered by Articles 2505 and 2505 *bis* of the Italian Civil Code and demergers in the cases covered by Article 2506 *ter* of the Italian Civil Code.
- it designates the Directors who are empowered to represent the Company;
- it oversees the overall performance of the Company's operations, with special emphasis on conflict of interest situations, specifically taking into account information received from the delegated entities and periodically comparing actual results with planned results;
- it reviews and approves the periodic reports required by the relevant laws and regulations.

At a meeting held on March 3, 2017, the Board of Directors, based also on a document previously discussed with the Control and Risk Committee, found that the organizational, administrative and accounting structure of Parmalat and its Group was adequate, specifically regarding the internal control and risk management system.

As for defining the types and level of risk that are compatible with the Company's strategic objectives, taking into account all of the risks that could become significant from the perspective of the medium/log-term sustainability of the Company's operations, the Board of Directors launched during the reporting year a project aimed at analyzing in detail these issues, in coordination with the Company's entities that contribute to creating and maintaining an effective internal control system. The progress made in implementing this project is reviewed in the internal control section of this Report.

At a meeting held on July 12, 2016, Parmalat's Board of Directors established the criteria for identifying transactions that are strategically, economically and financially significant executed by the Issuer and the subsidiaries over which it has jurisdiction.

More specifically, transactions that are deemed to be of a major economic and financial significance, in addition to the transaction reserved for the Board of Directors pursuant to Article 2381 of the Italian Civil Code and the Company Bylaws, include the following:

1. placements of financial instruments;
2. the provision of financing facilities and guarantees, investment and divestment transactions, including those involving real estate, and transactions involving the acquisition or sale of equity investments, companies or business operations, assets or other activities;
3. mergers or demergers, when at least one of the parameters listed below, when applicable, is equal to or greater than 15%;
 - a. total assets of the absorbed (merged) company or of the business operations being demerged/total assets of the Company (data taken from the consolidated financial statements, if prepared);
 - b. result before taxes and extraordinary items of the absorbed (merged) company or of the business operations being demerged/result before taxes and extraordinary items of the Company (data taken from the consolidated financial statements, if prepared);
 - c. total shareholders' equity s of the absorbed (merged) company or of the business operations being demerged/total shareholders' equity of the Company (data taken from the consolidated financial statements, if prepared).

The Board of Directors carried out a self-assessment of the Board itself and its Committees regarding their activities, size suitability and composition in 2016.

This activity was carried out with the support of an external consultant, for which purpose the Board of Directors selected Spencer Stuart, a consultancy that already supported the Board of Directors in the performance of its self-assessment in 2015. Please note that Spencer Stuart declared that it received no other assignments from the Company or its subsidiaries, other than to provide its support in the self-assessment performed by the Board of Directors.

The methodological approach used was that of a meeting of all participants, guided by the consultant, during which, based on a guide previously supplied to all Directors, the indications and opinions of the Directors about the activities of the Board of Directors and its Committees could be gathered, focusing on recommendations to correct any weaknesses and problems that may have been identified. This method was chosen to encourage the participation of Directors, optimizing individual contributions and fostering the exchange of opinions and experiences, in a context open to discussion.

At the meeting, some specific issues were discussed, including:

- 1) the modalities and effectiveness of the involvement of the Board of Directors and the contribution provided in analyzing the Company's business and strategies and in reviewing the key decisions made in 2016;
- 2) an assessment of the risk governance model;
- 3) an analysis of the processes by which the Board of Directors conducts its activities and of the Board's size and composition;
- 4) an analysis of the structure, composition and size of the Board Committees and of the effectiveness of the reports provided to the Board of Directors about the work performed.

Essentially, the meeting showed that Parmalat's Board of Directors rendered a positive assessment of its activities, albeit with a different approach to the assessment process by a Director. The overwhelming majority of Directors also believed that the Committees are functioning well and that specific issues are analyzed in detail in the reports provided, which were found to be well structured and complete.

The indications developed by this process included a recommendation to organize one or two Strategy Days, with management's participation, and visits of the Company's facilities outside Italy, to acquire a better understanding of the Group's business and management.

The Shareholders' Meeting was not asked to authorize, generally and preventively, waivers of the non-compete obligation set forth in Article 2390 of the Italian Civil Code.

4.4 Delegated Entities

Chief Executive Officer and General Manager

On May 9, 2016, the Board of Directors appointed Yvon Guérin, the Company's General Manager and a member of the Board of Directors, to the post of Chief Executive Officer, providing him with the powers necessary to perform this function, and named him Director in Charge of the Company's Internal Control System. On the same date, Yvon Guérin declared that he did not own any shares of the Company.

More specifically, Yvon Guérin, in his capacity as Chief Executive Officer, in addition to being the Company's legal representative, was provided with powers to:

- i) implement the resolutions of the Board of Directors;
- ii) design the organizational, administrative and accounting structure of the Company and the Group and submit it to the Board of Directors;

- iii) develop strategic industrial and financial plans of the Company and the Group for submission to the Board of Directors;
- iv) hire, appoint and fire executives and promote the recruitment of strategic personnel for the Company and the Group;
- v) open and close checking accounts, make deposits and withdrawals, execute transactions in these accounts using available credit lines and, if necessary, fill out signature specimen forms and/or delegate the depositing function, but always within the limit mentioned below, and request, negotiate, execute, amend and cancel loan agreements of any type (credit lines, bank advances, discounting facilities, bank loans, mortgages, financing facilities and operating and finance leases) with banks and credit institutions, financial entities and companies, determining the modalities, terms and conditions, all of the above for amounts of up to 100 million euros per transaction;
- vi) establish/extend time bank deposits and transaction of a similar type, execute bank money transfers through accounts in the Company's name, provide loans, guarantees and endorsements for the benefit of direct and/or indirect subsidiaries, setting their terms, modalities and conditions, execute insurance contracts and policies of any type and kind, including those executed for liquidity investment purposes, all of the above for amounts of up to 100 million euros per transaction;
- vii) negotiate and execute contracts to hedge financial risks (derivatives), signing all related documents, including contracts required pursuant to international regulations (ISDA/EMIR) and the respective implementation forms and carrying out any additional necessary and/or appropriate activity, always with a limit of up to 100 million euros per transaction;
- viii) as Company representative, attend meetings of companies, entities and associations in which the Company hold an equity stake or interest, all of the above with the most ample voting right, including capital increase or recapitalization transactions, in any forms they may be carried out, for amounts of up to 100 million euros per transaction, and with the power to appoint representative as substitutes for attending individual meeting;
- ix) buy and sell equity investments, personal property and real property, buy and sell companies and/or business operations, for a maximum amount of amounts of up to 100 million euros per transaction.

The Chief Executive Officer is the person chiefly responsible for managing the Company; there is no interlocking directorate situation applicable to him because he does not serve as a Director of other listed Companies whose Chief Executive Officer is a Parmalat Director.

With regard to the performance of his duties, Mr. Guérin reports only to the Board of Directors, which has exclusive jurisdiction over the handling of his employment relationship as General Manager.

Chairperson of the Board of Directors

On April 29, 2016, the Shareholders' Meeting elected Gabriella Chersicla Chairperson of the Board of Directors.

Pursuant to the Bylaws, the Chairperson is empowered to represent the Company vis-à-vis third parties and in court proceedings.

As of the writing of this Report, no management powers have been delegated to the Chairperson of the Board of Directors and she does not perform a specific function in the development of Company strategies.

The role of the Chairperson of the Board of Directors is governed by Article 14 of the Company Bylaws.

The specific duties of the Chairman of the Board of Directors are listed below:

- she convenes meetings of the Board of Directors, determining the meeting's Agenda and, in preparation for the meetings, transmits to the Directors, as expeditiously as appropriate based on the circumstances, but at least two days before the meeting, the supporting documents required to participate in the meeting with adequate knowledge of the issues at hand;
- she supervises the meeting and the voting process;

- she handles the preparation of Minutes of the meeting;
- she ensures that there is an adequate flow of information between the Company's management and the Board of Directors and, more specifically, ensuring the completeness and confidentiality of the information that the Board uses as a basis for making its decisions and exercising its power to manage, guide and control the activities of the Company and the entire Group;
- she ensures that the Board of Directors and the Board of Statutory Auditors are provided with adequate information ahead of meetings of the Board of Directors;
- in general, she ensures that the Company is in compliance with the provisions of all laws and regulations, and with the Bylaws and the corporate governance rules of the Company and its subsidiaries; is responsive to the regulations and conduct guidelines issued by the entity governing the regulated market where the Company's shares are traded, and adheres to best industry practices.

The Chairperson of the Board of Directors is not the person who is chiefly responsible for managing the Issuer and is not the Issuer's controlling shareholder.

Reporting to the Board of Directors

The Chief Executive Officer and General Manager reports to the Board of Directors and the Board of Statutory Auditors on the work he performed and the use of the powers he has been granted on a quarterly basis as a minimum and whenever necessary or upon request by the Board of Directors.

4.5 Other Executive Directors

Please note that only the Chief Executive Officer, General Manager and Director in Charge of the Company's Internal Control System qualifies as an executive Director in accordance with Article 2.C.1 of the Corporate Governance Code.

4.6 Independent Directors

The number, competencies and authoritativeness of the non-executive Directors is sufficient to ensure that their opinion could have a significant weight in the decision-making process of the Board of Directors.

The independence requirement is governed by Article 3 of the Corporate Governance Code of Borsa Italiana and Article 147-ter, Section 4, of the TUF, as cited in Article 148. Section 3, of the TUF.

The Board of Directors in office is comprised of six independent Directors who, upon agreeing to stand for election, declared that they met the independence requirements, including:

- a) G. Chersicla, Chairperson of the Board of Directors, pursuant to Article 147-ter, Section 4, of Legislative Decree No. 58/1998;
- b) P. Biandrino, N. Dubini, A. Gamba, U. Mosetti and E. Vasco, pursuant to Article 147-ter, Section 4, of Legislative Decree No. 58/1998 and Article 3 of the Corporate Governance Code.

The Board of Directors assesses the independence of the Directors at least once a year, taking also into account the information that individual interested parties are required to provide.

On May 9, 2016, Parmalat's Board of Directors assessed the independence of the Directors elected by the Shareholders' Meeting on April 29, 2016. Based on the affidavits provided by the Directors and the information available to the Company, the following Directors met the independence requirements of Article 147-ter, Section 4, of the TUF and Article 3.C.1. of the Corporate Governance Code: Pier Giuseppe Biandrino, Nicolò Dubini, Angela Gamba, Umberto Mosetti and Elena Vasco. Gabriella Chersicla qualified as independent pursuant to Article 147-ter, Section 4,

of the TUF. Please also note that the Board of Statutory Auditors, acting in accordance with Article 8.C.1. of the Corporate Governance Code, verified that all of its members met the independence requirements, also based on the criteria set forth in Article 3.C.1. of the Corporate Governance Code regarding the independence of Directors, and informed the Board of Directors accordingly.

At a subsequent meeting held on March 3, 2017, the Board of Directors assessed the independence of the Directors. The assessment of the independence of the Board of Directors is focused on ensuring that none of the Directors are parties to relationships that could presently affect their independence of judgment, without prejudice to the obligation to comply with legal and regulatory provisions applicable at any given time; when verifying whether the Directors met the independence requirements, the Board of Directors applied all the criteria specified in the Corporate Governance Code.

At a meeting held on May 16, 2016, the Board of Statutory Auditors, as required by Article 3.C.5. of the Corporate Governance Code, stated that it checked the verification criteria and procedures deployed by the Board of Directors to assess the independence of its members.

Independent Directors in office since April 29, 2016 met only once, regarding the 2016 reporting year, at a meeting held on January 11, 2017, without the presence of the other Directors.

4.7 Lead independent Director

The Company did not appoint a Lead Independent Director because it does not meet the requirements for the establishment of such a position, as set forth in Article 2.C.3 of the Code.

5. Handling of Corporate Information

Transparency in market communications and accuracy, clarity and completeness of disclosures are values that are binding on all members of the Company's governance bodies and all Group managers, employees and associates.

Directors, Statutory Auditors and Company employees are required to treat as confidential the documents and information to which they may become privy in the performance of their functions and must comply with the procedure specifically established for the internal handling and public disclosure of said documents and information.

Further to the changes introduced in the E.U. legislation on market abuse, which went into effect on July 3, 2016, the Company updated its procedures and corporate documents dealing with these issues; more specifically, on December 12, 2016, the Board of Directors approved the procedures governing the handling and public disclosure of insider information ("*Procedure for the Management and Disclosure of Insider Information*" and "*Procedure to Manage the Register of Parties with Access to Insider Information*") and updated the Internal Dealing Code.

These documents are available to the public on the Corporate Governance page of the Company website, at the address: www.parmalat.com/it/corporate_governance/internal_dealing/.

No Director or Statutory Auditor of Parmalat indicated that the he/she holds or has held an equity interest in the Company.

6. Establishment and Activities of the Internal Committees of the Board of Directors

Article 18 of the Company Bylaws calls for the establishments of internal committees within the Board of Directors.

Consistent with this provision and the recommendations of the Corporate Governance Code, which the Company adopted, the following committees were established on May 9, 2016:

- Nominating and Compensation Committee (which functions both as the Nominating Committee and the Compensation Committee);
- The Control and Risk Committee, which, in accordance with the Procedure Governing Related-party Transactions, also serves as the Committee for Related-party Transactions.

The composition, tasks and activities of the Committees are defined upon their establishment, consistent with the provisions of the abovementioned Procedures. Thus far, the Board of Directors has not established any additional committees with a consultative or investigative function.

All Committees are comprised exclusively of independent Directors.

Committee chairpersons may invite individuals who are not Committee members, including executives, employees and/or consultants, to attend Committee meetings for discussions involving specific issues.

Consistent with the recommendations of the Corporate Governance Code, the Chairperson of each Committee informs the Board of Directors about the issues debated by the Committee at the first available meeting held by the Board of Directors after the Committee meeting.

Minutes are kept of each Committee meeting and the minutes are recorded in a special Minute Book.

The composition, activities and functions of the individual Committees are explained below.

7. Nominating and Compensation Committee

Until January 8, 2016, this committee was comprised of three members (Paolo Francesco Lazzati – Chairman, independent, Laura Gualtieri, independent, and Umberto Mosetti, independent, elected from the minority slate). On January 8, 2016, Paolo Francesco Lazzati resigned, effective immediately, from his posts as Director and Committee Chairman; on February 18, 2016, Laura Gualtieri also resigned from her posts at the Company.

On February 18, 2016, further to the abovementioned resignations, the Board of Directors, acting pursuant to Article 2386 of the Italian Civil Code and Article 11 of the Bylaws: resolved to fill the vacancies on the Committee as follows:

- Elena Vasco (*), Chairperson
- Nicolò Dubini (*)
- Umberto Mosetti

Subsequently, on May 9, 2016, the Board of Directors appointed: Elena Vasco (independent), serving as Chairperson, Nicolò Dubini (independent) and Angela Gamba (independent).

Committee meetings are coordinated by its Chairperson and minutes are kept of each Committee meeting. The Chairperson informs the Board of Directors about the Committee's activities at the first available meeting held by the Board of Directors after the Committee meeting.

In 2016, the Nominating and Compensation Committee held 6 (six) meetings, with all members in attendance.

The average length of Committee Meetings was about one hour for each meeting.

A breakdown of the attendance at Committee meetings is provided in the table below:

From January 1, 2016 to February 18, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Paolo Francesco Lazzati	=	=
Laura Gualtieri	1	100
Umberto Mosetti	1	100

From February 18, 2016 to May 9, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Elena Vasco*	4	100
Nicolò Dubini*	4	100
Umberto Mosetti	4	100

(*) The Directors E. Vasco and N. Dubini were appointed on February 18, 2016 as replacements for P. Lazzati and L. Gualtieri, who resigned on January 8, 2016 and February 18, 2016, respectively.

From May 9, 2016 to December 31, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Elena Vasco	1	100
Nicolò Dubini	1	100
Angela Gamba	1	100

Upon appointing the Committee members, the Board of Directors assessed whether all Committee members met the necessary knowledge and expertise requirements in the finance area and regarding compensation policies.

The following parties may be invited to attend Committee meetings: the Chairperson of the Board of Directors, the Group Human Resource Manager, who may be asked from time to time to address issues under his jurisdiction, and, occasionally, external professionals.

The Board of Statutory Auditors is always invited to attend Committee meetings; in 2016, at least one member of the Board of Statutory Auditors was present at all Committee meetings.

Functions Attributed to the Nominating and Compensation Committee

The Nominating and Compensation Committee performs the functions specified in the Corporate Governance Code, which the Company adopted; more specifically:

- It provides the Board of Directors with opinions regarding the Board's size and composition and makes recommendations about the professional competencies the presence of which is deemed desirable within the Board of Directors and regarding the issues referred to in Article 1.C.3 (guidance concerning the maximum number of Directors) and Article 1.C.4 (waiver of non-compete agreement) of the Corporate Governance Code.
- It submits recommendations to the Board of Directors regarding candidates for the post of Directors, who will be coopted by the Board when necessary to fill vacancies for independent Directors.
- It submits recommendations or renders opinions to the Board of Directors regarding the compensation of executive Directors and other Directors, as well as the determination of the performance targets upon which the

variable compensation component is based. It monitors the implementation of the resolutions adopted by the Board of Directors, specifically verifying whether the performance targets are being met.

- At the request of the Chief Executive Officer or the General Manager, it defines the parameters and submits proposals for determining the compensation of the Company's senior management and the adoption of stock option or stock grant plans or plans involving other financial instruments that may be used to provide an incentive to and increase the loyalty of senior management.;
- It supports the Board of Directors in defining a compensation policy for Directors and executive with strategic responsibilities and periodically assesses the adequacy, overall consistency and concrete implementation of the abovementioned compensation policy, using for this purpose the information provided by the managing Directors.

The Committee, in the performance of its functions, was able to access all information and Company functions necessary to execute its tasks and rely on the support of external consultants, in accordance with the terms specified by the Board of Directors.

The Company's Human Resource Department collaborates with the independent consultants Willis Towers Watson to provide the Committee with information about market practices in the compensation policy areas.

Thus far, an expense budget has not been approved for the Nominating and Compensation Committee; however, the Board of Directors provided the Committee with the financial support needed to perform its assigned functions; in 2016, the Committee did not use any financial resources.

For additional information, please see the relevant sections of the Compensation Report published pursuant to Article 123 *ter* of the TUF.

8. Compensation of Directors

The Board of Directors, based on a prior favorable opinion by the Nominating and Compensation Committee, adopted a policy for the compensation of Directors and executives with strategic responsibilities.

For additional information about this policy, see the Compensation Report published pursuant to Article 123 *ter* of the TUF.

The compensation of non-executive Directors is not tied to the achievement of economic targets by the Company. There are no shares-based incentive plans available to non-executive Directors.

The Company is not a party to any agreements about indemnities payable to Directors in the event of resignation or if their relationship with the Company is terminated due to a tender offer.

The compensation of Directors and executives with strategic responsibility is set at an amount sufficient to attract, retain and motivate persons with the professional qualities needed to successfully manage the issuer.

The compensation of executives with strategic responsibility is defined in a manner that aligns their interests with the pursuit of the priority objective of creating value for the shareholders over the medium to long-term.

On April 29, 2016, the Shareholders' Meeting voted to award to the Board of Directors a total annual compensation of 1 million euros, before statutory withholdings, for the entire Board of Directors; in addition, it awarded to Directors who serve on committees an additional variable compensation, based on the number of committee meetings actually attended, in the amount of 3,900 euros per meeting per committee member and 6,500 euros per meeting for the Chairperson.

At the meeting of May 24, 2016, the Board of Directors agreed to allocate the compensation provided by the Shareholders' Meeting, for the partial amount of 700,000.00 euros, as follows:

- to each Director, an annual gross compensation of 50,000.00 euros, plus reimbursement of expenses incurred for the duties of his/her office, pursuant to Article 19 of the Company Bylaws;
 - to the Chairperson, in view of the post held, an additional gross annual compensation of 250,000 euros;
- and consider the compensation of Yvon Guérin for service as Chief Executive Officer as being included in the compensation awarded to him for the post of General Manager.

9. Control and Risk Committee

In its previous iteration, the Control and Risk Committee was called the Internal Control, Risk Management and Corporate Governance Committee.

Until January 8, 2016, this committee was comprised of three members (Riccardo Perotta – Chairman, independent, Paolo Francesco Lazzati, independent, and Umberto Mosetti, independent, elected from the minority slate). On January 8, 2016, Paolo Francesco Lazzati resigned from his posts as Director and Committee Chairman.

On February 18, 2016, further to Mr. Lazzati’s resignation, the Board of Directors, acting pursuant to Article 2386 of the Italian Civil Code and Article 11 of the Bylaws, resolved to fill the vacancies on the Committee as follows:

- Riccardo Perotta, Chairman
- Nicolò Dubini(*) (as replacement for P. Lazzati)
- Umberto Mosetti

Subsequently, on May 9, 2016, following the election of a new Board of Directors on April 29, 2016, the Board of Directors appointed: Pier Giuseppe Biandrino (independent), serving as Chairman, Nicolò Dubini (independent) and Angela Gamba (independent).

Committee meetings are coordinated by its Chairman and minutes are kept of each Committee meeting. The Chairman informs the Board of Directors about the Committee’s activities at the first available meeting held by the Board of Directors.

In 2016, the Control and Risk Committee (in the performance of its functions also as the Committee for Related-party Transactions) met 22 (twenty two) times, including 11 (eleven) times before May 9, 2016, which is the date when the Control and Risk Committee and the Committee for Related-party Transactions were established, and 11 (eleven) times after May 9, 2016, with all members in attendance.

The average length of Committee Meetings was about one hour and 50 minutes for each meeting.

A breakdown of the attendance at Committee meetings is provided in the table below:

From January 1, 2016 to February 18, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Riccardo Perotta	2	100
Paolo Francesco Lazzati	=	=
Umberto Mosetti	2	100

From February 18, 2016 to May 9, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Riccardo Perotta	9	100
Nicolò Dubini	9	100
Umberto Mosetti	9	100

From May 9, 2016 to December 31, 2016

Committee members	Number of meetings attended in 2016	Attendance percentage
Pier Giuseppe Biandrino	11	100
Nicolò Dubini	11	100
Angela Gamba	11	100

Upon appointing its members, the Board of Directors assessed whether all Committee members met the necessary knowledge and expertise requirements in the accounting, finance and risk management areas.

As a rule, Parmalat's Chief Financial Officer (who also serves as the Corporate Accounting Documents Officer), the Internal Auditing Manager, the General Counsel and the Chairperson of the Board of Directors attend Committee Meetings. Various Company executives and department managers may be asked to attend Committee meetings and provide reports on issues on the meeting's Agenda and external professionals may be invited to attend Committee meetings.

The Board of Statutory Auditors is always invited to attend Committee meetings; in 2016, at least one member of the Board of Statutory Auditors was present at all Committee meetings (except for the meeting held on April 28, 2016).

Functions Attributed to the Control and Risk Committee

As required by the provisions of the Corporate Governance Code, the Committee performs a proposal making and consultative function, supporting with an adequate preparatory activity the decisions of the Board of Directors regarding the internal control and risk management system and those concerning the approval of periodic financial reports.

As part of the process of providing support for the Board of Directors, the Committee performs the following activities:

- it assists the Board of Directors in defining the guidelines for the internal control system;
- it supports the Board of Directors in periodically (at least once a year) assessing the adequacy, effectiveness and actual implementation of the internal control and risk management system for the purpose of describing in the annual report on corporate governance the key features of the internal control and risk management system, including the coordination methods applied by the parties involved, and providing an overall assessment of the system;
- taking into account the provisions of Article 19 of Legislative Decree No. 39 of January 27, 2010, it provides an opinion, with the input of the Board of statutory Auditors, about the findings of the Independent Auditors, as stated in their report and management letter;
- together with the Accounting Documents Officer and with the input of the Independent Auditors and the Board of Statutory Auditors, it assesses the correct utilization of the accounting principles and their consistent use in the preparation of the consolidated financial statements;
- it renders opinions concerning specific issues related to mapping the main enterprise risks;
- it reviews the periodic reports that assess the internal control and risk management system and those of particular significance prepared by the Internal Auditing Function;
- it monitors the independence, adequacy, effectiveness and efficiency of the Internal Auditing Function and renders an opinion regarding the annual audit plan prepared by the Internal Auditing Manager;

- it can ask the Internal Auditing Function to audit specific operational areas, concurrently communicating it to the Chairman of the Board of Statutory Auditors;
- it render an opinion on proposals to appoint and dismiss the Internal Auditing manager submitted to the Board of Directors by the Director in Charge of the Internal Control and Risk Management System and renders an opinion about his or her compensation, which is defined by the Board of Directors consistent with Company policies;
- it reports to the Board of Directors at least semiannually (in conjunction with the approval of the annual and semiannual reports) on the work done and the adequacy of the internal control and risk management system;
- it supports, with an adequate preparatory activity, the assessments and decisions of the Board of Directors regarding the management of risks arising from harmful events of which the Board of Directors has become aware.

The Control and Risk Committee, considering that it also functions as the Committee for Related-party Transactions, as mentioned in the corresponding Procedure adopted by the Board of Directors, as amended most recently on April 16, 2015 (the Procedure Governing Related-party Transactions), also performs the functions and renders the opinions required by the laws and regulations regarding related-party transactions and the Procedure Governing Related-party Transactions.

The Committee, in the performance of its functions, was able to access all information and Company functions necessary to execute its tasks and rely on the support of external consultants, in accordance with the terms specified by the Board of Directors.

Thus far, an expense budget has not been approved for the Control and Risk Committee; however, the Board of Directors provided the Committee with the financial support needed to perform its assigned functions.

10. Internal Control and Risk Management System

The Internal Control and Risk Management System is the complex of rules, procedures and organizational structures aimed at mapping, measuring, managing and monitoring the main enterprise risks. This system, which is integrated into the most general organizational and governance structures, is designed, on the one hand, to map, measure, manage and monitor the main risks and, on the other hand, to guarantee the credibility, accuracy, reliability and timeliness of the finance disclosures provided to the Company's governance bodies and the market.

The Board of Directors defines the guidelines of the Internal Control System and verifies its effectiveness in managing enterprise risks. At the meeting held on March 3, 2017, the Board of Directors assessed favorably the adequacy of the internal control and risk management system, having heard the input of the Internal Control and Risk Committee.

The Internal Control System defined by the Board of Directors must have the following general characteristics:

- at the operating level, authority must be delegated in light of the nature, typical size and risks involved for each class of transactions, and the scope of authority must be consistent with the assigned task;
- the organization must be structured to avoid function overlaps and concentration under one person, without a proper authorization process, of multiple activities that have a high degree of danger or risk;
- each process must conform with an appropriate set of parameters and generate a regular flow of information that measures its efficiency and effectiveness;
- the professional skills and competencies available within the organization and their congruity with the assigned tasks must be checked periodically;

- operating processes must be geared to produce adequate supporting documents, so that their congruity, consistency and transparency may be verified at all times;
- safety mechanisms must provide adequate protection of the Company’s assets and ensure access to data when necessary to perform required assignments;
- risks entailed by the pursuit of stated objectives must be identified and adequately monitored and updated on a regular basis, and negative elements that can threaten the organization’s operational continuity must be assessed carefully and safeguards adjusted accordingly;
- the Internal Control System must be supervised on an ongoing basis, reviewed periodically and updated on an ongoing basis.

Specifically, the Group’s Internal Control System performs two distinct functions at the operational level:

- line control, which includes all of the control activities that the Group’s individual operating units and companies apply to their processes. These control activities are a primary responsibility of operational managers and are deemed to be an integral part of all Company processes
- “second-level” control, which is based on the guidelines for managing financial risks and risks inherent in the Company’s business model and on the effectiveness and updating of the reference legislative framework;
- internal auditing, which is performed by a separate Company organization. The purpose of the Internal Auditing Function is to help the Risk Management office identify and minimize the different types of risks to which the Company is exposed. It accomplishes this goal by monitoring line controls in terms of their effectiveness and the results they produced.

The Control and Risk Committee supports the Board of Directors in supervising the activity carried out by the Internal Auditing Function with regard to the issues mentioned above.

The Committee meets periodically, frequently in joint session with the Board of Statutory Auditors, to review issues concerning internal control, including both those related to the normal conduct of business activities and those related to compliance with statutory and regulatory requirements.

Consistent with the requirements of Article 2428, Section 1, of the Italian Civil Code and the Corporate Governance Code published by Borsa Italiana (Article 7.C.1, Letter a) concerning risks and uncertainties, the Group has been carrying out for several years a semiannual risk self-assessment process for operational risks. This project entails the collection of self-assessment questionnaires filled out by local managers concerning the main external and internal risks and how managers of the Group’s subsidiaries managed these risks, with the support of the relevant departments of Parmalat S.p.A. Local managers are also asked to quantify, for each Strategic Business Unit, any potential economic risk (measured in EBIT percentage terms) determined by multiplying the economic impact by the occurrence probability of the risk in question. At the request of the Control and Risk Committee, the Company is also carrying out a project aimed at revising its methodology, the primary objectives of which are to improve the approach used in the mapping process and express more effectively the correlation between the Company’s objectives, including strategic objectives, and the underlying risks. More detailed analyses will be performed in 2017 to determine whether the mapping process could be significant in terms of the activity’s sustainability over the medium/long term.

The Chief Executive Officer is the executive Director responsible for ensuring that the internal control and risk management system is functioning effectively, as required by Article 7.C.4 of the Corporate Governance Code. In this capacity, he handles the design, implementation and management of the internal control and risk management system, verifying on an ongoing basis its adequacy and effectiveness within the Company’s operating context and ensuring that it is in compliance with changes in the regulatory framework, in implementation of the guidelines

defined by the Board of Directors. The Director in Charge of the Internal Control and Risk Management System has the power to ask the Internal Auditing Function to perform audits of specific operational areas and regarding compliance with internal rules and procedures in the performance of Company transactions, while at the same time informing the Chairperson of the Board of Directors, the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors. In 2016, there were no issues of problems that the Director in Charge would have been required to report to the Control and Risk Committee.

The role, tasks and responsibilities of the Internal Auditing Function are defined and formally established by the Board of Directors through the *"Internal Auditing Guidelines."* The Internal Auditing Manager is appointed by the Board of Directors, based on the prior favorable opinion of the Control and Risk Committee and with the input of the Board of Statutory Auditors, upon a recommendation by the Director in Charge in concert with the Chairperson of the Board of Directors. The Internal Auditing Manager is appointed to this post for an indefinite period of time and his appointment may be revoked by the Board of Directors, which defines the compensation of the Internal Auditing Manager consistent with Company policies.

On July 31, 2014, the Board of Directors appointed Diego Sonda to the post of Internal Auditing Manager.

The Group Internal Auditing Manager is hierarchically independent of executives that oversee operational departments and reports directly to Board of Directors. The Manager of the Internal Auditing Function:

- a) verifies, both on an ongoing basis and in response to specific requirements and in compliance with international standards, the implementation and suitability of the internal control and risk management system by means of an audit plan approved by the Board of Directors and based on a structured process of analysis and prioritization of the main risks;
- b) has direct access to all useful information for the performance of his tasks;
- c) prepares periodic reports containing adequate information about its activities and the manner in which risk management is carried out in compliance with predefined risky containment plans. These periodic reports shall contain an assessment of the effectiveness of the internal control and risk management system;
- d) promptly prepares reports on particularly material events;
- e) forwards the reports referred to in items c) and d) above to the Chairmen of the Board of Statutory Auditors and the Internal Control and Risk Committee, as well as to the Chairperson of the Board of Directors;
- f) within the framework of the audit plan, verifies the reliability of the information systems, including the accounting systems.

The Internal Auditing Function develops its Audit Plan and budget, which are then shared with the Director in Charge of the Internal Control and Risk Management System and approved by the Board of Directors, with the input of the Control and Risk Committee and the Board of Statutory Auditors, in accordance with the modalities defined in the Internal Auditing Guidelines.

By a resolution adopted on March 3, 2017, the Board of Directors approved the new Internal Auditing Guidelines, which were revised compared with the previous 2013 version to reflect changes in operating conditions.

Consistent with the abovementioned Guidelines, the Internal Auditing Function has unfettered access to any information that may be useful for the performance of its assignments. The Group Internal Auditing Function performs audits of the Internal Control System to assess performance with regard to the following:

- Compliance with laws and regulations and with Company rules and procedures, specifically regarding the Organization, Management and Control Model (so-called compliance audits);
- The reliability of accounting and operating data and information (financial audits);

- The effectiveness and efficiency of the Group's operations (operational audits);
- Protection of the Group's assets (as the combined effect of the abovementioned audits).

The abovementioned engagements may also be performed with the methodological and operational support of external consultants.

For the purposes of this section of the Report, please note that, as required by Italian regulations applicable to listed companies, the Board of Statutory Auditors is required, inter alia, to monitor:

- compliance with the provisions of laws and the Bylaws concerning the respect of the principles of sound management in the performance of Company activities and the adequacy of the instructions provided by the Issuer to its subsidiaries;
- the adequacy of the Company's organizational and accounting system;
- the financial reporting process;
- the effectiveness of the internal control, internal auditing and risk management systems;
- the statutory independent audit of the annual and consolidated financial statements and the independence of the Independent Auditors (see Legislative Decree No. 39/10).

The Organization, Management Control Model required by Legislative Decree No. 231/2001 is an integral part of the Internal Control System and the Oversight Board required by the abovementioned Decree is responsible for overseeing the implementation of the Model and ensuring that it is complied with and updated. The Board of Directors appoints the members of the Oversight Board based on requirements that include professional background, competence, integrity, autonomy and independence. The reasons that would make a candidate unelectable to the Oversight Board include: (i) having been barred or disqualified from holding public office, filed for bankruptcy or received a sentence, which need not be final, that includes being barred (even if temporarily) from holding public office or disqualifies the defendant from holding a management position; (ii) having been barred or disqualified from holding public office, filed for bankruptcy or convicted, even if the decision is not final or is the product of plea bargaining, of one of the crimes referred to in the abovementioned Decree.

A member of the Oversight Board may be removed from office only for cause with a resolution adopted by the Board of Directors with the input of the Board of Statutory Auditors.

In 2016, the Oversight Board held 12 meetings during which it analyzed issues related to the effectiveness and efficiency of the Model, reviewed the findings of audits that it performed on processes that are relevant to the implementation of the Model, the structure of outgoing and incoming information flows and the coordination of the various Oversight Boards established within the Parmalat Group. On March 10, 2016, the Board of Directors approved a budget earmarked for use by the Oversight Board in 2016, which was confirmed for 2017.

The Oversight Board performed its monitoring activities with regard to the complaint pursuant to Article 2408 of the Italian Civil Code for any effects relevant for the purposes of Legislative Decree 231/01.

Guidelines for foreign subsidiaries, as approved by the Board of Directors of Parmalat and subsequently communicated to the Boards of the abovementioned subsidiaries, were developed taking into account the issues entailed by the different corporate organizations and the requirements of local laws. These guidelines set forth principles of business conduct and organizational rules that are consistent with the Group's Code of Ethics and should be applied to corporate processes that are relevant for the purposes of Legislative Decree No. 231/2001. Each company is required to adopt these principles and rules, compatibly with the relevant provisions of local laws.

The statutory independent audits of the financial statements are performed by a firm of independent auditors listed in the special register required by Legislative Decree No. 39/10.

The firm of independent auditors hired for the year ended December 31, 2016 is KPMG S.p.A., which was awarded the auditing assignment pursuant to a resolution approved by the Shareholders' Meetings on April 22, 2013. The abovementioned assignment will end on the date when the Shareholders' Meeting approves the 2022 financial statements.

In addition, in order to ensure that all accounting control issues are specifically monitored, the Group decided to apply to all Italian and foreign operating subsidiaries the process of performing independent audits of the statutory financial statements and perform independent audits of the consolidation package as well.

The Company appointed a Corporate Accounting Documents Officer (the "Accounting Documents Officer"), as required by Article 154-*bis* of the TUF. The appointment of the Accounting Documents Officer was carried out by a resolution that the Board of Directors, acting based on a prior favorable opinion provided by the Board of Statutory Auditors and the Control and Risk Committee, adopted on July 28, 2011, naming Pierluigi Bonavita, the Group Chief Financial Officer, to the post of Accounting Documents Officer. At the same meeting, the Board of Directors approved guidelines to govern the tasks assigned to the Accounting Documents Officer; the manner in which the Accounting Documents Officer is appointed, terminated or dismissed; the powers and resources awarded to the Accounting Documents Officer; and the relationships between the Accounting Documents Officer and other corporate governance bodies and departments.

The Board of Directors approves annually the expense budget of the Accounting Documents Officer, who is required to report to the Board of Directors, at least semiannually, about the use of his budget. At a meeting held on March 3, 2017, the Board of Directors approved the 2017 expense budget. Consistent with the scope of the powers and functions allocated to him, through the approval, by the Board of Directors, of Guidelines in July 2011, the Accounting Documents Officer may exceed the limits of the approved budget to address specific and demonstrable needs, provided he is expressly authorized by the Board of Directors.

The Accounting Documents Officer is part of the senior management team and is a member of the General Manager's staff. The Accounting Documents Officer is empowered to organize his activity with maximum autonomy.

The Accounting Documents Officer is appointed for an undetermined term of office. In other words, he will serve until his appointment is revoked or he resigns.

Consequently, the Accounting Documents Officer can be automatically removed from his office only in the following cases: i) he is terminated as an employee of the Company or of a company in the Parmalat Group by which he was employed; or ii) he no longer meets the integrity requirements he possessed when he was appointed. Please note that, pursuant to Article 20 *bis* of the Company Bylaws, the Corporate Accounting Documents Officer must meet the following requirements: (i) he must have served as a corporate executive for at least 5 year; (ii) he must have worked in the accounting or control areas or served in another management function at a corporation with a share capital of at least 2 million euros; and (iii) he must meet integrity and professionalism requirements.

The Accounting Documents Officer can also be dismissed by the Board of Directors. In such cases, the dismissal must be justified and the requirements of Article 2383 of the Italian Civil Code that apply to the dismissal of Directors must be met.

If the Accounting Documents Officer is removed or dismissed, the Board of Directors shall take action promptly and urgently to appoint a replacement.

Parmalat's integrated control model identifies the parties who, in various capacities, are involved in the internal control and risk management system, as well as their assigned roles and responsibilities and the coordination modalities applicable to the performance of their respective activities. In order to ensure that there is adequate coordination among the parties involved in the internal control and risk management system, the Company defined the appropriate and continuous information flows, *ad hoc* meetings to manage specific events or situations and periodic meetings to review the implementation progress of the activities being performed and plan verification activities. The main implementation modalities require the following:

- the Chairman of the Board of Statutory Auditors or a Statutory Auditor designated by him, the Accounting Documents Officer and the Internal Auditing Manager must attend meetings of the Control and Risk Committee;
- the Board of Statutory Auditors and the Control and Risk Committee must meet in joint session whenever they deem it necessary to address issues of common interest and, specifically, when they are required to review, for issues under their respective jurisdiction, the preparation modalities and content of periodic financial reports;

- special information flows and organizational procedures between Company functions responsible for second-level and third-level controls must be established. Specifically, managers of second-level control functions shall inform the Internal Auditing Manager of any problems identified in the performance of their activities that could be relevant for verification purposes. In turn, the Internal Auditing Manager shall inform the managers of the other control functions of any inefficiencies, weaknesses or irregularities identified in the course of audit engagements that concern specific areas or issues under the jurisdiction of those functions.
- The Internal Auditing Manager must be an internal member of the Oversight Board.

Main Characteristics of the Risk Management and Internal Control System Applied to the Financial Disclosure Process

In recent years, as required by Article 123-*bis* of the TUF, the Parmalat Group broadened the scope of its Internal Control System to include management of the risks inherent in the financial disclosure process. The purpose of this activity is to ensure that financial disclosures are truthful, accurate, reliable and timely. By making the process of monitoring the accounting Internal Control System compliant with the regulatory requirements of Law No. 262/05 (as amended) and applying the recommendations of the Independent Auditors, the Company developed a control Model consistent with the best international practices in this area and with the COSO 1 Framework (Committee of Sponsoring Organizations of the Treadway Commission). The rules, procedures and organizational structures are described in the “Model to manage administrative and accounting risks and integrated representation of the main risks and uncertainties,” which is aimed at safeguarding sensitive processes used for economic, financial and accounting reporting and was distributed to all interested parties; the model describes the methods adopted and the respective responsibilities, within the framework of the definition, maintenance and monitoring of the administrative and accounting procedural system, for the assessment of its effectiveness and adequacy.

This model is based on the following components:

- an essential body of Company policies and procedures at the Group and local level;
- a process to map the main risks inherent in the financial and accounting reporting process;
- a periodic assessment and monitoring activity;
- a process to communicate internal control objectives and verify the accounting information disclosed to the market.

The construction of the model is based on the fact that the administrative and accounting procedures are part of a broader internal control system for which the Board of Directors is responsible. The Board is also expected to ensure that the Accounting Documents Officer is provided with adequate resources and powers and monitor actual compliance with established administrative and accounting procedures.

The phases that guarantee the model’s implementation include the following:

- Definition of the implementation perimeter for Administrative and Accounting Monitoring, i.e., definition of the entities and processes that must be monitored on an ongoing basis. The selection criteria, for perimeter definition purposes, were identified based on quantitative and qualitative factors.
- Implementation of the Administrative and Accounting Internal Control activities. The tool used to share with the managers involved the control methods for the areas/processes identified in the perimeter definition phase is provided by the Risk and Control Matrices. Key Controls have been identified within the Risk and Control Matrices, designed to provide, if performed correctly, the achievement with reasonable certainty of the objective of a truthful and correct representation of the accounting data resulting from the process within which they are applied. In other words, they are the controls the presence of which helps mitigate the risks identified as significant for the Company and, on the other hand, the absence of which entails the risk

that there may be a significant error or fraud in the financial statements or the financial reporting in general that could not have been intercepted by other controls.

- Periodic monitoring and assessment process. As part of this process, the Group integrated the auditing and testing activities required by Law No. 262/05 into a single audit plan implemented at the Group level that will make it possible to monitor the main administrative/accounting processes periodically. The Company's senior management is appraised of the outcome of such audits on an ongoing basis.

The Company issued instructions to the effect that, when a subsidiary forwards to the Corporate Accounting Documents Officer accounting or financial data that have an impact on the semiannual financial report or the annual statutory and consolidated financial statements, or are certified by the Corporate Accounting Documents Officer pursuant to Article 154-*bis*, such data submissions must be accompanied by an Affidavit signed by the subsidiary's General Manager or Chief Executive Officer attesting, inter alia, that: i) adequate accounting and administrative procedures consistent with the guidelines provided by the Corporate Accounting Documents Officer have been adopted; ii) the abovementioned procedures were effectively applied during the period to which the accounting data apply; iii) the accounting data are consistent with the books of accounts and other accounting records; iv) the accounting data provide a truthful and fair presentation of the balance sheet, income statement and financial position of the company they are responsible for managing; v) for the annual statutory and consolidated financial statements, the report on operations include the disclosures required by Article 154-*bis*, Section 5, Letter *e*), of the TUF; and vi) for the condensed semiannual financial statements, the interim report on operations include the disclosures required by Article 154-*bis*, Section 5, Letter *f*), of the TUF.

The Accounting Documents Officer delivers every six months to the Board of Directors a report detailing the activities performed, any problems identified and the actions taken to resolved them. This report is first submitted to the Internal Control Committee for the purpose of performing its oversight functions regarding the accounting information system, as required pursuant to law and the Company Bylaws.

Parmalat's Chief Executive Officer and its Accounting Documents Officer are primarily responsible for the implementation of this Model.

11. Procedure Governing Related-Party Transactions

On November 11, 2010, the Board of Directors approved the Procedure Governing Related-party Transactions (the "Procedure"), in compliance with the requirements of Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010, and taking into account the recommendations of Consob Communication No. DEM/10078683 of September 24, 2010. Subsequently, the Board of Directors amended and updated the Procedure, most recently on April 16 2015, as required by the regulations in effect and to make it more consistent with existing conditions.

The Procedure was published on the Company website at the following address: www.parmalat.com Corporate Governance page.

The Board of Directors is responsible for verifying that transactions in which a Director has a personal interest, either directly or for the benefit of a third party, are executed transparently and in a manner that is fair both substantively and procedurally.

12. Election of Statutory Auditors

The Board of Statutory Auditors is the governance body charged with ensuring that the Company is operating in compliance with the law and the Bylaws and performs a management oversight function. By law, it is not responsible

for auditing the financial statements, as this function is performed by independent auditors appointed by the Shareholders' Meeting.

The Board of Statutory Auditors also monitors the modalities by which the governance rule set forth in the corporate governance codes adopted by the Company are effectively implemented and the resolutions concerning compensation and other benefits.

Pursuant the legislation currently in effect and Article 21 of the Company Bylaws, the Board of Statutory Auditors is comprised of three Statutory Auditors and two Alternates, all of whom may be reelected. Starting with the first Board of Statutory Auditors elected after the date of enactment of the statute governing gender parity, and as long as these provisions are in effect, the composition of the Board of Statutory Auditors shall comply with the criteria set forth in the legislation in effect at any given time.

Statutory Auditors are elected through slate voting to ensure that minority shareholders can elect one Statutory Auditor and one Alternate. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Ordinary Shareholders' Meetings are entitled to file slates of candidates.

In accordance with Article 21 of the Bylaws, slates of candidates presented by the shareholders must be filed at the Company's registered office, directly or using a remote communication system that allows identification of the filers, and published in accordance with the regulations published by the Consob. Other issues concerning the methods and eligibility to file slates of candidates are governed by the provisions of Article 11 of the Bylaws, insofar as they are not in conflict with the provisions of Article 144-*sexies*, Section 5, of the Issuers' Regulations.

Together with each slate of candidates, shareholders must file and publish affidavits by which each candidate accepts to stand for election and attests, on his responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he has met the requirements for election to the respective office. Each candidate must file a curriculum vitae together with his affidavit, listing his personal and professional data.

Pursuant to Article 21 of Parmalat's Bylaws, the first 2 (two) candidates from the slate that received the highest number of votes and the first candidate from the slate with the second highest number of votes will be elected to the post of Statutory Auditor. The candidate from the slate with the second highest number of votes will serve as Chairman of the Board of Statutory Auditors. The first candidate from the slate with the highest number of votes and the first candidate from the slate with the second highest number of votes will be elected to the post of Alternate.

In case of a tie involving two or more slates, the oldest candidates will be elected to the post of statutory Auditor until all posts are filled.

If the composition of the Board of Statutory Auditors, not counting the Alternates, obtained by applying the modalities described above does not meet the requirements of the legislation on gender parity in effect at any given time, the necessary replacements shall be made from among the candidates to the post of Statutory Auditor in the slate that received the highest number of votes, in the sequence in which the candidates are listed, without prejudice to the requirements of the applicable laws and these Bylaws regarding the post of Chairman of the Board of Statutory Auditors.

If only one slate is filed, the candidates in that slate will be elected to the posts of Statutory Auditor and Alternate.

If a Statutory Auditor needs to be replaced, the vacancy will be filled by the Alternate elected from the same slate as the Auditor who is being replaced, while complying with the gender parity regulations in effect at any given time.

Resolutions concerning the election of Statutory Auditors, Alternates and the Chairman necessary to fill vacancies on the Board of Statutory Auditors are adopted by the Shareholders' Meeting with a relative majority and without the use of slate voting, while complying with the gender parity regulations in effect at any given time. If the vacancies that

are being filled refer to minority Directors, the Shareholders' Meeting shall vote, if possible, on motions filed by minority shareholders who, alone or together with other shareholders, own in the aggregate a number of shares equal as a minimum to the percentage required to file slates of candidates for election to the Board of Statutory Auditors.

Lastly, if no slate of candidates is filed twenty-five days before the Shareholders' Meeting, or if only one slate is filed, or if no slate is filed by shareholders who are linked with each other pursuant to Article 144-*quinquies* of the Issuer's Regulations, slates of candidates may be filed up to five days after the expiration of the 15-day deadline, as allowed by Article 144-*sexies* of the Issuer's Regulations. A specific disclosure shall be provided by means of a notice published the Company.

Statutory Auditors can also be selected among candidates who qualify as independent based on the criteria provided in the Code for Directors. The Board of Statutory Auditors will verify compliance with these criteria after the election and, subsequently, once a year. The results of this review process shall be disclosed in the Annual Report on Corporate Governance.

Individuals who, pursuant to laws or regulations, are not electable, are no longer allowed to remain in office or lack the required qualifications may not be elected Statutory Auditors and, if elected, must forfeit their office. The requirements of Article 1, Section 2, Letters b) and c), and Section 3 of Ministerial Decree No. 162 of March 30, 2000 apply when a candidate's professional qualifications refer, respectively, to the Company's area of business and to the fields of law, economics, finance and technology/science.

In addition to the other cases listed in the applicable law, individuals who serve as Statutory Auditors at more than 5 (five) Italian companies listed on regulated markets in Italy or who are in one of the situations described in the last paragraph of Article 11 of the Bylaws may not be elected Statutory Auditors and, if elected, must forfeit their office.

13. Composition and Activities of the Board of Statutory Auditors

Following the resignation of Michele Rutigliano from the post of Chairman of the Board of Statutory Auditors on March 8, 2016, effective as of the Shareholder's Meeting of April 29, 2016, the vacancy on the Board of Statutory Auditors had to be filled with the election of a new Chairman.

Consequently, the Shareholders' Meeting of April 29, 2016, elected Marco Pedretti Chairman of the Board of Statutory Auditors and named Matteo Tiezzi Alternate. The election was carried out based on a nomination filed by the following shareholders: "Setanta Asset Management Limited" "FIL Investments International", "Gabelli Funds LLC", "Amber Capital UK LLP" and "Amber Capital Italia SGR S.p.A."

As of the writing of this Report, the composition of the Board of Statutory Auditors was as follows:

1. Marco Pedretti (Chairman)
2. Giorgio Loli (Statutory Auditor)
3. Alessandra Stabilini (Statutory Auditor)

The Statutory Auditors Giorgio Loli and Alessandra Stabilini were elected by the Shareholders' Meeting on April 17, 2014 and were drawn from a slate filed by Sofil S.a.s., the majority shareholder, on March 24, 2014.

The terms of office of the Chairman of the Board of Statutory Auditors will end concurrently with that of the current Board of Statutory Auditors, i.e. on the date of the Shareholders' Meeting convened to approve the financial statements at December 31, 2016.

The composition of the current Board of Statutory Auditors is as follows:

MARCO PEDRETTI – Chairman of the Board of Statutory Auditors

Marco Pedretti was born in Parma on May 9, 1978 and earned a degree in Corporate Economics from the University of Parma. As a Certified Public Accountant and Independent Auditor he pursues his activities in an associate capacity handling tax and labor law disputes and corporate restructurings and reorganizations. He also serves as Receiver in Bankruptcy and Judicial Commissioner appointed by the Court of Parma and Liquidating Commissioner for the Italian Ministry of Economic Development.

GIORGIO LOLI – Statutory Auditor

Giorgio Loli was born in Livorno on August 23 1939 and earned a Degree in Economics and Business Administration from the University of Bologna. A Certified Public Accountant and Independent Auditor, he engaged in the profession of independent auditor as a partner of KPMG up to 1998. After that date, he pursued his professional occupation independently. He served as Chairman of the External Audit Committee of the International Monetary Fund and Chairman of the Board of Statutory Auditors of Unicredit SpA. He was contract Professor of Accounting and Financial Statements at the Bocconi University and contributed to the first edition of the Accounting Principles and Auditing Principles adopted in Italy. He currently serves on corporate posts at various publicly traded and privately held companies.

ALESSANDRA STABILINI – Statutory Auditor

Alessandra Stabilini was born in Milan on November 5, 1970 and earned a Law Degree from the University of Milan (1995), followed by a Postgraduate Degree in Commercial Law from Università Commerciale Luigi Bocconi in Milano (2003) and a Master of Laws (LL.M) from the University of Chicago Law School (2000). She is a Tenured Researcher in Commercial Law (since 2004, tenured in 2007) and an Adjunct Professor of International Corporate Governance (from 2011 to 2016) and Adjunct Professor of Corporate Interest, Corporate Social Responsibility and Financial Reporting (since 2016) at the University of Milan. She is a practicing attorney in Milan (member of the Milan Bar since 2011). She is an equity partner of NCTM Studio Legale since 2015 (previously collaborator and Of Counsel from 2011 to 2015). She is Vice President of NED Community. She is the author of several publications concerning corporate law and competition law. She was appointed by the Bank of Italy to the oversight board in connection with proceedings concerning crisis situations at some financial intermediaries. She is currently liquidating commissioner of TANK SGR S.p.A. in l.c.a. (appointed by Banca d'Italia on July 10, 2014).

SAVERIO BOZZOLAN – Alternate

MATTEO TIEZZI - Alternate

The table that follows lists the main posts held by the Statutory Auditors, as of the writing of this Report.

<i>Office held at Parmalat S.p.A.</i>	<i>Name of Statutory Auditor</i>	<i>Year of birth</i>	<i>Date when first elected</i>	<i>In office since</i>	<i>In office until</i>	<i>Slate</i>	<i>Exec./Non-exec.</i>	<i>Independent</i>	<i>Posts held at other companies that are not part of the Parmalat Group</i>
Chairman of the Board of Statutory Auditors	Marco Pedretti	1978	April 29, 2016 (elected to replace Michele Rutigliano who resigned)	April 29, 2016	Shareholders' Meeting to approve the financial statements at 12/31/16	Setanta Asset Management Limited, FIL Investments International, Gabelli Funds LLC, Amber Capital UK LLP and Amber Capital Italia SGR S.p.A.		Pursuant to Article 147-ter, Section 4. of the TUF (citing Article 148, Section 3, of the TUF)	
Statutory Auditor	Giorgio Loli	1939	April 22, 2013 (replaced Alfredo Malguzzi who resigned)	April 17, 2014	Shareholders' Meeting to approve the financial statements at 12/31/16	Sofil Sas		Pursuant to Article 147-ter, Section 4. of the TUF (citing Article 148, Section 3, of the TUF)	<ul style="list-style-type: none"> ➤ Chairman of the Board of Statutory Auditors of Coesia S.p.A. ➤ Chairman of the Board of Statutory Auditors of G.D. S.p.A. ➤ Chairman of the Board of Statutory Auditors of Prelios S.p.A. ➤ Statutory Auditor of Maire Tecnimont S.p.A. ➤ Chairman of the Board of Statutory Auditors of Sasib S.p.A. ➤ Chairman of the Board of Statutory Auditors of Decal S.p.A. ➤ Chairman of the Board of Directors of Genova High Tech S.p.A. ➤ Chairman of the Board of Directors of Marina Genova Aeroporto S.p.A.
Statutory Auditor	Alessandra Stabilini	1970	June 14,2013 (replaced Roberto Cravero who resigned)	April 17, 2014	Shareholders' Meeting to approve the financial statements at 12/31/16	Sofil Sas		Pursuant to Article 147-ter, Section 4. of the TUF (citing Article 148, Section 3, of the TUF)	<ul style="list-style-type: none"> ➤ Statutory Auditor Brunello Cucinelli S.p.A. ➤ Non-executive Director of Librerie Feltrinelli s.r.l. ➤ Statutory Auditor of Fintecna S.p.A. ➤ Non-executive independent Director of Banca Widiba S.p.A. ➤ Statutory Auditor of Nuova Banca delle Marche SpA ➤ Independent Director of COIMA RES SIIQ SpA

In 2016, the Board of Statutory Auditors held 22 (twenty two) meetings; the average length of the meetings was about 1 hour and 50 minutes for each meeting.

A breakdown of attendance at the meetings of the Board of Statutory Auditors is provided below:

From January 1 to April 29, 2016

Statutory Auditors	Number of meetings attended in 2016	Attendance percentage
Michele Rutigliano	7	100
Giorgio Loli	6	85.71
Alessandra Stabilini	6	85.71

From April 29, 2016

Statutory Auditors	Number of meetings attended in 2016	Attendance percentage
Marco Pedretti	15	100
Giorgio Loli	12	80.00
Alessandra Stabilini	14	93.33

The Board of Statutory Auditors verified the independence of its members on May 5, 2016, by applying the criteria of Article 148, Section 3, of the TUF and the independence criteria for Directors of the Corporate Governance Code.

The results of the verification process were communicated to the Board of Directors and communicated to the market by means of a disclosure included in a press release.

As part of the tasks that it is required to perform pursuant to law, the Board of Statutory Auditors also verified that the criteria and procedures adopted by the Board of Directors to assess the independence of its members were being correctly applied.

Lastly, the Board of Statutory Auditors monitored the independence of the independent auditors, pursuant to the Code.

With regard to induction programs, the Statutory Auditors were provided with detailed information about Company dynamics, risk management issues and changes in the reference legislative and self-regulation framework at meetings of the Board of Directors.

The Company, in compliance with the Corporate Governance Code as it applies to the Board of Statutory Auditors, requires that a Statutory Auditor who, directly or through a third party, has an interest in a transaction that the Company is executing promptly disclose this interest to the other Statutory Auditors and the Chairman of the Board of Directors, providing exhaustive information about the nature, terms, origin and scope of his/her interest.

In 2016, the Board of Statutory Auditors worked in coordination with the Control and Risk Committee, the Committee for Related-party Transactions and the Nominating and Compensation Committee. The Chairman of the Board of Statutory Auditors, or another Statutory Auditor, attended most Committee meetings.

In the performance of its duties, the Board of Statutory Auditors makes it a practice to coordinate its activities with the Internal Auditing Function.

The compensation of the Statutory Auditors is commensurate with the significance of the role performed, the size of the company and the industry within which it operates.

14. Shareholder Relations

Parmalat adopted a communication policy based on providing a steady flow of information to institutional investors, shareholders and the market in general. The objective pursued by this approach to communications is to ensure the dissemination of complete, accurate and timely information on a regular basis.

The disclosure of information to investors, the market and the media is achieved by means of press releases, meetings with institutional investors and the financial community and documents that are posted on the Company website (www.parmalat.com), which includes a special page, easily identifiable and accessible.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's ongoing dialog with its shareholders is maintained by the Investor Relations Office headed by Lorenzo Bertolo.

15. Shareholders' Meeting

Pursuant to Article 8 of the Bylaws, the Board of Directors may convene the Company's Shareholders' Meeting at a location that need not be the Company's registered office but must be in Italy, by means of a notice published, within the statutory deadline, on the Company website and with the additional modalities required pursuant to the relevant laws and regulations.

The Company shall provide the public with information about the items on the Meeting's Agenda by making relevant material available at its registered office, through the 1Info storage mechanism (www.1Info.it) and on the Company website: www.parmalat.com/it/corporate_governance/assemblea_azionisti/.

Shareholders may consult these documents and request copied of them.

An Ordinary Shareholders' Meeting shall be convened at least once a year within one hundred and twenty days from the close of the reporting year. A Meeting may be convened within one hundred and eighty days from the close of the reporting year when the statutory requirements for exercising this option can be met.

The Board of Directors shall promptly convene a Shareholders' Meeting when shareholders representing the percentage of the Company's share capital required by the applicable provisions of laws and regulation request it, listing in the application the items on the Agenda.

As described in Article 9 of the Bylaws, the eligibility to attend the Shareholders' Meeting and exercise the right to vote shall be certified by means of a communication sent to the Issuer by the intermediary, in accordance with the data in its accounting records, for the benefit of the party qualified to exercise the right to vote.

The abovementioned communication shall be sent by the intermediary, based on the corresponding evidence available at the close of business on the seventh stock market trading day before the date set for the Shareholders' Meeting. Debit or credit entries posted to the accounting records after this deadline are irrelevant for purpose of determining the eligibility to exercise the right to vote at the Shareholders' Meeting.

The communication must reach the Company by the close of business three stock market trading day before the date set for the Shareholders' Meeting or other deadline required by the Consob pursuant to regulations issued in concert with the Bank of Italy. However, shareholders will be eligible to attend the Shareholders' Meeting and vote even if the communications are delivered to the Company after the deadline set forth in this paragraph, provided they are delivered before the Shareholders' Meeting is called to order.

Any shareholder who is entitled to attend the Shareholders' Meeting may be represented at the Meeting, pursuant to law, by means of a written or electronically conveyed proxy, when allowed by the applicable regulations and in the manner set forth therein. If electronic means are used, the notice of the proxy may be given using the page of the

Company website provided for this purpose or in accordance with any other method listed in the notice of the Shareholders' Meeting.

The Company may designate for each Shareholders' Meeting one or more parties whom shareholders may appoint as their representative, in the manner required pursuant to law and the applicable regulations, before the close of business two stock market trading days before the date of the Shareholders' Meeting, providing the representative with a proxy with voting instructions regarding all or some of the items on the agenda. The proxy shall not be effective for motions for which no voting instructions were provided. The names of the designated representatives and the methods and deadline for granting proxies shall be set forth in the notice of the Shareholders' Meeting.

Shareholders' Meetings are chaired by the Chairperson of the Board of Directors. If the Chairperson is absent, Meetings are chaired by the Deputy Chairman or by a person elected by the Shareholders' Meeting.

Pursuant to Article 10 of the Bylaws, the Chairman is responsible for determining whether a Shareholders' Meeting has been properly convened, overseeing the Meeting's activities and discussions and verifying the outcomes of votes.

Insofar as the handling of Shareholders' Meetings is concerned, on December 12, 2016, the Board of Directors resolved not to ask the Shareholders' Meeting to adopt a specific Meeting Regulation, since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws are sufficient to enable the Chairman to conduct orderly Shareholders' Meetings.

On the occasion of the Shareholders' Meeting, the Board of Directors reported on its past and planned activities and answered specific questions asked by shareholders. The Board has strived to provide shareholders with ample disclosures about issues that are relevant to the process of making informed decisions about matters over which the Shareholders' Meeting has jurisdiction.

A single Shareholders' Meeting was held in 2016; convened on April 29, 2016, it approved:

- (1) the amendments to Articles 2 ("Registered Office"), 11 ("Board of Directors"), 13 ("Duties of Directors"), 14 ("Chairman of the Board of Directors") and 18 ("Committees") of the Bylaws;
- (2) the 2015 financial statements and the distribution of a dividend;
- (3) the adoption of the 2016-2018 Three-year Cash Incentive Plan for the top management of the Parmalat Group;
- (4) the election of Chairperson Gabriella Chersicla and a new Board of Directors (comprise of nine Directors, six of whom are independent);
- (5) the election of the Chairman of the Board of Statutory Auditors.

This Shareholders' Meeting was attended by virtually the entire Board of Directors and the entire Board of Statutory Auditors.

No significant changes occurred in 2016 in the Company's market capitalization or in the composition of its stock ownership structure, except for the increase in share price since December 27, 2016, which is date when the Tender Offer was announced.

16. Changes Occurring Since the End of the Reporting Year

The Company's system of corporate governance did not undergo changes during the period between the end of the reporting year and the date when this Report was submitted for approval, other than those mentioned in this Report. It is worth mentioning that on December 27, 2016, Sofil S.a.s. announced, pursuant to Article 102, Section 1, of the TUF and as required by Article 37 of the Issuers' Regulation, its intention to launch a voluntary tender offer, pursuant to Article 102 and following articles of the TUF, for all Parmalat shares, net of the 1,627,713,708 Parmalat shares (equal to 87.74% of the subscribed capital on the same date) already owned by the Offeror, plus up to 52,851,928 shares reserved for creditors and up to 7,034,865 shares reserves for the exercise of warrants.

17. Information About Compliance with the Corporate Governance Code

This Report also serves the purpose of providing a detailed disclosure of the Company's compliance with the recommendations of the Corporate Governance Code and lists any deviations from said recommendation, providing the rationale for these deviations.