Corporate governance and best practices: the Parmalat case.

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Abstract — This paper presents an analysis of corporate governance of the “new” Parmalat, born in the aftermath of the infamous financial scandal, and aims at verifying whether this new model of governance can be considered a best practice for Italian listed companies. Many papers have already highlighted that the Parmalat scandal was facilitated by bad governance which did not have an efficient system for the safeguarding of creditors and minority shareholders in presence of a family corporation. This paper presents the results of the comparison between the “old” and “new” rules of Parmalat corporate governance, highlighting the considerable differences in the composition and functions of the various company bodies. Moreover, an in-depth analysis of the efficacy of the external and internal control systems is also provided. The main points of strength which make it possible to consider the new Parmalat as a model of best practice in Italy are identified, although critical aspects are also pointed out. The paper concludes by making suggestions aimed at strengthening the model of corporate governance of Italian listed companies.

Keywords: corporate governance, public company, Parmalat.

I. INTRODUCTION

Parmalat is an Italian worldwide leading dairy company whose financial scandal that broke out in December 2003 was widely covered by both the national and international press due to the fact that it was the biggest ever financial scandal in European corporate history (Buchanan, Yang, 2005). The Parmalat crisis was an opportunity for international researchers, media, etc. to study the Italian governance system. As a matter of fact, Italian governance had not previously been studied, therefore the case made it necessary to face the various critical aspects of governance in Europe compared with American and Anglo-Saxon model of governance. Parmalat is now a public company, and five years after the financial scandal it is striving to regain the trust of the markets, also by means of a governance model that is in keeping with the highest national and international standards. With reference to the Italian corporate governance system it was “historically considered poor, characterized by an inactive takeover market, weak accounting standards, limited presence of institutional investor and where the legal protection for investors was low” (Buchanan and al.). Besides, the Italian corporate governance system is characterised by a high degree of direct ownership concentration, both for listed and unlisted companies (Bianco, Casavola, 1999 and Enriques, Volpin, 2007). The Italian corporate governance system may be classified in the Latin sub-group (De Jong, 1999). However, it has its own unique features, and does not entirely fit into the international standards models (Melis, 1999). Finally the Italian corporate governance system is based on pyramidal firm structure. According to La Porta ed al. (2000) the strongest corporate governance system is the Anglo-saxon one that offers the highest level of legal protection to stockholders. The Parmalat scandal has been a case study for different authors who explained, under different point of views, the reasons for the crisis focusing on the first cause of the Parmalat financial fraud: the corporate governance system. Melis (2005) showed that there was a huge concentration of power in a sole person in Parmalat. In fact, the controlling shareholder was able to hold the positions of Chairman and CEO of Parmalat Finanziaria. As Melis stated (2000) the high level of concentration of power in non financial listed companies is an Italian critical issue. Moreover, the author showed that Parmalat Corporate Governance wasn’t able to comply with some of the key existing Italian Corporate Governance standards of best practice, such as the presence of independent directors, the composition of the board of directors and, especially, of the internal control committee. Buchanan and al. showed how Parmalat’s failure was linked to “governance failures with particular reference to the conflict of interest between the controlling shareholder and the minority shareholders”. The authors sentenced that “the Parmalat bankruptcy was the result of the failed proper corporate governance, not inevitable business decline”. McCahery and Vermeulen (2005) focused their paper on Parmalat as it was an extremely unique case with reference to Special purpose entities (SPEs). In fact “management used a virtual hydra head of offshore subsidiaries and special purpose entities to cover up their losses and prop up the financial situation of the group”. Besides the Parmalat scandal was used by the author to exemplify the importance of the variety of legal techniques to curb related party

1 For the convergence of corporate governance in Europe see Wojcik (2006).
II. BACKGROUND AND QUESTION RESEARCH

Italian corporate governance framework and rules have been substantially modified since 1998 with the introduction of the Draghi Law. More in general, Corporate Governance Reforms in Europe have been driven by three factors (Enriques, Volpin, 2007). First, Kamar (2006) stated that reforms aimed to make national markets more attractive. Secondly, Ferran (2004) the efforts of the European Union was to institute a common framework of rules. Thirdly many of the corporate governance reforms are a response to national and international financial frauds and scandals (Enrique, 2003). These events have clearly shown the weakness of the worldwide and Italian corporate governance framework for both listed and non listed companies. Therefore, in order to rectify the situation appropriately, the legislator, has tried to protect minority shareholders of listed companies.

[INS TABLE 1]

Then the aim of this paper is to analyse if Parmalat could be considered a best practice of corporate governance in Italy by an analysis of the new and old model of governance.

To reach the objectives described the research question is the following:

• (Q1) is the “new” Parmalat model of corporate governance a best practice in Italy after the its financial scandal?

III. DATA AND METHODOLOGY

The analysis is based on the Parmalat case. In particular, we have analysed the corporate governance system before and after the financial scandal. Then we compared the Parmalat model of corporate governance with the international Codes of Corporate governance. Information were collected from the Parmalat corporate governance report with reference to 2010 and 2005.

IV. RESULTS

In order to deal with the Parmalat crisis, at the end of December 2003 the Italian government issued a decree law 347/2003 (the “Parmalat decree”) to save the Italian Group from bankruptcy. The law introduced a series of derogations from the 1999 “Prodi-bis decree” and, above all, accelerated extraordinary administration proceedings. The special commissioner, Mr. Bondi, presented a Parmalat group industrial and restructuring plan to the Minister of Industry and to the main trade unions in the agro-food sector (on 20 July 2004). The principal aim of the plan was to free Parmalat from its debts, given that the company, although vulnerable, had a positive operating margin and could therefore be self-sustaining. The plan emphasized the good prospects of the divisions identified as constituting the core business of the future Parmalat - UHT milk, fresh milk, milk derivatives and fruit juices - and envisaged the creation of a joint-stock company that would take over the assets of the 16 companies of the Parmalat group and pay their creditors. Regarding Parmalat’s debts, the new company would pay its secured creditors (the inland revenue, workers, artisans etc.) in cash, while paying all others with shares proportional to their claims against one or more of the 16 companies. The Italian government also provided assistance with the solution by giving creditor farm and haulage businesses, which had been affected by the crisis, access to credit on especially good terms.

On the 17th May 2004, Parmalat Finanziaria S.p.A. announced the corporate governance system of the New Parmalat in the document outlining the restructuring plan. The new system took into account the norms regarding company law, Consob’s recommendations and the Code of Corporate Governance of the Italian Stock Exchange. It was also in keeping with the best national and international practices. The aim of the corporate governance system is to protect and create value over time for the shareholders and other parties concerned. This aim is increased to the rank of “statutory principle” due to the fact that it is placed among the duties of the institutions.

The Corporate Governance of “New Parmalat”

Parmalat’s corporate organization is based on the so-called Italian “conventional” model (shown in paragraph 2). The corporate governance model also includes a series of powers, delegations of power, and internal control procedures, as well as the Parmalat Code of Conduct, a Code of Ethics, the
Internal Dealing Handling Code and the Organization, Management and Control Model required by Legislative Decree 231/2001. The Bylaws have a particularly significant role in the Parmalat corporate governance model because it acknowledges some of the best practices of corporate governance, such as the obligation to set up committees within the Board of Directors, the separation of the CEO and the Chairman and the fact that the majority of the Directors must be independent.

SHAREHOLDER BASE

Parmalat, as mentioned above, was a family company with ownership concentration in only one person. On the contrary, “New Parmalat” is a company with a dispersed ownership that is a typical situation in the Anglo-Saxon and American companies. When defining the new governance rules it is necessary to consider that, if governance must be outlined taking into account the characteristics of the shareholders, it must also take into account that the structure of the public company was temporary as Parmalat was acquired by Lactalis in 2011. The shareholders listed in Table 2 below are believed to own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 2% of the voting shares.

[INS TABLE 2]

BOARD OF DIRECTORS

The Company is managed by a Board of Directors comprising 11 Directors, who are elected from slates of candidates. 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 Regular Shareholders’ Meetings are entitled to file slates of candidates. The Bylaws that require a rather low threshold, necessary to be able to present a slate is equal to 1% and aims at making it easier for minority shareholders to present a slate. The Bylaws require that the appointment of two directors is assigned by the slate presented by the minority shareholders.

2 See Di Pietra et al. (2008), for an empirical analysis of “the corporate governance quality measured by the board size and the fraction of directors that serve on more corporate boards, influences the market value of a firm”;

3 The current Board of Directors is composed of Directors present on only one slate that has been presented by a group of shareholders, in that they have not been presented on other lists.

Existing Italian laws establish the slate-based voting (art. 147-ter Decree Law 58/1998); the slate can be presented by partners who represent at least a fortieth of the capital and at least one Director must be on the slate of the minority shareholders that have reached the highest number of votes. The slate-based voting was introduced after the so-called Reform on the Law of Savings (law 262, dated 28/12/2005 and subsequent changes).

Experts claim that the best threshold for the presentation of the lists should be around 1%, and should not exceed 2% (Richter jr. M.S., Gli amministratori non esecutivi nell’esperienza italiana, Banca Impresa società, 2005, n. 2)

4 It must be remembered that in the Old Parmalat the Chairman and the CEO were the same person, who was also the majority shareholder.

5 The Code of Corporate Governance simply establishes that “the concentration of too many roles on one person should be avoided. When the Board of Directors confers executive powers to the Chairman, it provides suitable information in the Annual Report on Corporate Governance regarding the reasons for such a choice”. The code acknowledges the existence of situations where both roles have been taken on by the same person, which can be effective especially in smaller companies for the organisational needs, but it recommends that there should be a lead independent director.

That is to say the Preda Code prefers not to make the separation of the two roles compulsory, even if this is the current trend in the Western world (Di Toro, P., Principi di comportamento del governo aziendale, 2008 http://www.unitus.it/dit/oro/GEAbk2007-08.html.)

6 An analysis of the Board committee is carried out in Spira L.F., Bender R. (2004), compare and contrast: perspectives on board committees.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Bylaws establish that the Chairman of the Board of Directors is never allowed to combine his or her office with that of Managing Director. This is a significant aspect, as such a separation is established by the Bylaws and complies with best governance acknowledged on an international scale. Currently, at the time of writing this report, no management powers have been delegated to the Chairman of the Board of Directors and he does not perform a specific function in the development of Company strategies.

[INS TABLE 3]

COMMITTEES OF THE BOARD OF DIRECTORS

The establishments of Parmalat Internal Committees, is governed by the Bylaws. This is important considering the fact that in Italy the creation of committees within the Board of Directors is not required by law but simply by the code of corporate governance. The rules governing the operation of the Committees are approved by the Board of Directors which can also integrated or modified them. The Board of Directors has established several internal committees that provide consulting support and submit proposals to the Board of Directors. The Board of Directors is informed about the activities of these Committees whenever a Board meeting is held.

[INS TABLE 4]

These Committees are:
- Litigation Committee;
- Nominations and Compensation Committee;
- Internal Control and Corporate Governance Committee.
The **Litigation Committee**, which comprises three independent Directors without executive authority provides consulting support to the Chief Executive Officer on litigation related to the insolvency of the companies included in the Composition with Creditors. The Corporate Counsel of Parmalat SpA attends the meetings of this Committee. The opinions rendered by the Committee with regard to individual issues in litigation are also forwarded to the Board of Directors ahead of the meeting that has the issues in question on its Agenda. The features of New Parmalat’s Internal Committee compared with the previous ones are shown in Table 6 below:

[INS TABLE 5]

The **Nominations and Compensation Committee**, which has three independent members performs a proposal-making function. The features of New Parmalat’s Nominations and Compensation Committee compared with the previous ones are shown in Table 6 below:

[INS TABLE 6]

The **Internal Control and Corporate Governance Committee**, which comprises three independent Directors without executive authority (this composition is established by the Bylaws), performs a consulting and proposal-making function. Sessions of the Committee are attended by the Chairman of the Board of Statutory Auditors.

[INS TABLE 7]

**Internal Control System**

The Company’s internal control system is designed to ensure the efficient management of its corporate and business affairs, to make management decisions that are transparent and verifiable, to provide reliable accounting and operating information, to ensure compliance with the applicable statutes, to protect the Company’s integrity, and to prevent fraud against the Company and the financial markets in general.

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7 The Bylaws establish that the majority of the member of this committee shall be independent Directors, and at least one of these independent Directors must be taken from a minority slate filed in accordance with the requirements of the Bylaws.
8 The Bylaws establish that the majority of the member of this committee shall be independent Directors, and at least one of these independent Directors must be taken from a minority slate filed in accordance with the requirements of the Bylaws. If, on the one hand, the committee is currently composed solely of independent directors, on the other the Director elected from the slate that represents the minority shareholders is not present, in that, as has already been stated, the current board has been appointed on the basis of the sole slate presented.
9 The Bylaws establish that at least one of its members must be taken from minority slate filed.

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**Independent Auditors**

Parmalat auditor firm is one of a Big Four Company.

**Manager in charge of preparing company’s financial report**

The Manager in charge of preparing company’s financial report must have served as a corporate executive for at least 5 years and he had to work in the accounting or control area or served in another management function at a corporation with a share capital of at least 2 million Euros.

In addiction he must meet the law’s standards of integrity and professionalism (these requirements are set out by the Bylaws).

**Statutory Auditors**

The Board of Statutory Auditors comprises three Statutory Auditors and two Alternates, all of whom are elected on the basis of slates of candidates to ensure that a Statutory Auditor and an Alternate are elected by minority shareholders. 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 Regular Shareholders’ Meetings are entitled to file slates of candidates.

[INS TABLE 9]

V. CONCLUSION

Our research reflects the currently hotly debated issue of corporate governance, which was recently sparked off once more by the crisis of the financial markets. Following the Parmalat crisis, there have been many changes to the laws and regulations and code of corporate governance in Italy, with the aim of strengthening the governance system of listed companies. In order to provide the restructuring process of the Parmalat group has been necessary to totally rethink the
Corporate Governance since New Parmalat was born with the main objective of regaining the trust from the market that they had lost. This issue has generated an interest in the “Parmalat Case”, and is the subject of this paper, which highlights the main characteristics of the new governance model, identifying the numerous positive aspects which, in some cases, have been accepted by the legislator and integrated in the reform on the Savings Law. So this paper does not intend to analyze whether the Italian rules of Corporate Governance are a best practice in Europe, but aims at verifying whether the “New” Parmalat governance could be considered a best practice of governance in the Italian Corporate Governance system. The main rules that can be considered examples of best governance for Italian listed companies are discussed in detail in paragraph 3, and include:

a. the provision in the Bylaws that the majority of Directors be independent (at least 6 out of 11);

b. Considering that the key distinctions are inside directors versus outside directors, and then affiliated outside directors versus independent outside directors, there is far more awareness today of the importance of having truly independent board members. European trends show the number of independent directors is on the rise, especially among large company. In Italy the listing requirements of Draghi law and Preda Code include detailed definition of independence, but as many corporate governance experts say “Independence is much more that checking the right boxes. It is a state of mind – the willingness of be honest, to disagree, and to speak up.” Anyway the majority of independent directors is highly useful to “check and balance” the boards. Many studies of outsider ratios and corporate performance have produced correlations between independence of corporate boards and improvements in corporate performance.12

c. Considering listed firms have to render themselves attractive to investors at large, listed companies voluntarily design their boards to give minority shareholders better protection. A minority representation guarantee separation of power and cater to shareholders at large, more over guarantee against expropriation by controlling shareholders and managers.3

d. the provision in the Bylaws of the creation of committees within the Board of Directors and the election in each committee of an independent Director chosen from the list presented by the minority shareholders; Essential to the effective functioning of a board is a well-conceived committee structure. This is due because small groups can function more frequently in a committee-of-the-whole mode. In particular, committees can yield big advantages focusing attention on important and specific issues. Keeping in mind that: “Whatever the committee structure is, committees should report to the full board and should not, expect in unusual circumstances, themselves exercise the power to decide.” Committees are highly useful to establish and increase the independence and power of non-executive directors. At the moment of the introduction in the Parmalat governance committees were already well established in the Anglo-America world.

e. the separation, as established by the Bylaws, of the role of CEO and the role of Chairman of the Board of Directors;

For sure, the relationship between the board and the CEO is one of the most hotly debated issues in corporate governance. The separation between Chairman and CEO is the norm today in UK and Canada. But, in Italy, the situation at beginning of the last decade was completely different. The reasons were, first of all, the different ownership structure, but also the belief of improving the leadership inside the board. How Dick Debs (Morgan Stanley) said: “corporate disasters can be traced to concentrating power at the top”. Splitting the two main roles inside the board helps to generate antagonism e and balancing the power.

Some of these examples of best governance have been either partially or wholly integrated by the legislator (point b), some others are requested by the code of corporate governance (points c and d), whereas others are not required at legislative or regulatory level (a and e). The study of the governance model has also provided the opportunity to identify some less positive aspects which may be considered worth analyzing:

a) the presence of an independent Director who is also the CEO of another important Italian listed group;

b) the composition of the Supervisory Board (Legislative Decree 231/2001)

c) the reporting activities of the Internal Auditing Officer to the CEO.

Within the Italian listed companies framework it can thus be stated that New Parmalat’s corporate governance model has many of the characteristics that make it a best practice model. Moreover, each model can always be modified and improved upon, in order to optimise the costs in economic terms with the benefits. The simply complying with corporate governance rules does not automatically mean that the company is being run correctly. Good governance can be obtained by striking the right balance between compliance to the rules and attention to performance (Riccabonni A.,

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In this framework, the financial community plays an important role, as Financial investors and market operators have to consider the monitoring of the short-term results to be not the only important aspect, as it is necessary in the meantime to evaluate the ability of the Company to create value in a long term period, following an ethical behavior, and satisfying the stakeholders’ interests (Riccaboni A., Guindani P., 2008).

REFERENCES

[37] Savings Law (2005), Legge sulla tutela del risparmio, Legislative Decree N. 262/2005
AUTHORS’ PROFILE

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**TABLE 1 – ITALIAN CORPORATE GOVERNANCE FRAMEWORK.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
</table>
| 1998 | Code of Corporate Governance (C)
| 1999 | Code of Corporate Governance (C)
| 2001 | D.L. 231/2001
| 2004 | D.L. 37/2004
| 2005 | Savings Law 262/2003
| 2006 | On voluntary basis
| 2010 | Auditing review

**TABLE 2 – SHAREHOLDER WITH MORE THAN 2% OF THE VOTING SHARES**

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIR TREE INC.</td>
<td>2.287%</td>
</tr>
<tr>
<td>UBS AG</td>
<td>2.382%</td>
</tr>
<tr>
<td>MACKENZIE CUNDILL INVESTMENT MANAGEMENT LTD</td>
<td>2.348%</td>
</tr>
<tr>
<td>Goldman Sachs Asset Management L.P.</td>
<td>2.013%</td>
</tr>
<tr>
<td>Intesa Sanpaolo SPA</td>
<td>2.438%</td>
</tr>
<tr>
<td>JP Morgan Chase &amp; Co. Corporation</td>
<td>3.026%</td>
</tr>
<tr>
<td><strong>Total shareholders with significant equity interest</strong></td>
<td><strong>14.494%</strong></td>
</tr>
</tbody>
</table>

*Source: Consob – 27.10.2008*

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MACKENZIE CUNDILL INVESTMENTS MANAGEMENT LTD</td>
<td>7.557%</td>
</tr>
<tr>
<td>BLACKROCK, INC.</td>
<td>4.945%</td>
</tr>
<tr>
<td>SKAGEN AS</td>
<td>5.009%</td>
</tr>
<tr>
<td>TOTALE GRUPPO INTESA S. PAOLO</td>
<td>2.321%</td>
</tr>
<tr>
<td>NORGES BANK INVESTMENT MANAGEMENT</td>
<td>2.023%</td>
</tr>
<tr>
<td><strong>Total shareholders with significant equity interest</strong></td>
<td><strong>21.86%</strong></td>
</tr>
</tbody>
</table>

*Source: Consob – 18.08.2011*
### Table 3 - Old and New Corporate Governance About the Board of Directors

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td>11 (the number of Directors established by the Bylaws)</td>
<td>The Bylaws established a number of between five and fifteen Directors</td>
</tr>
<tr>
<td><strong>Election procedure</strong></td>
<td>Slates of candidates. Threshold equal to at least 1% of the Company’s shares</td>
<td>The presentation of the slate was not required prior to the meeting</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Presentation at least 10 days beforehand:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• official acceptance of the candidates;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• certification that there is no legal reason to prevent the election of the candidate;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• certification of necessary requisites;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• curriculum vitae.</td>
<td></td>
</tr>
<tr>
<td><strong>Independent Directors</strong></td>
<td>9 (at least 6 in compliance with the Bylaws)</td>
<td>3 (according to the statements found in the annual report on corporate governance)</td>
</tr>
<tr>
<td><strong>Corporate Governance Posts</strong></td>
<td>The same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer</td>
<td>Allowed</td>
</tr>
<tr>
<td><strong>Board Evaluation</strong></td>
<td>The board evaluation process was carried out by requesting that all members fill out a questionnaire.</td>
<td>Not established</td>
</tr>
</tbody>
</table>

### Table 4: Features of New Parmalat’s Internal Committee

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Committees</strong></td>
<td>The establishments of Internal Committees is governed by Bylaws.</td>
<td>The following had been set up:</td>
</tr>
<tr>
<td></td>
<td>These committees are:</td>
<td>• the Internal Control Committee</td>
</tr>
<tr>
<td></td>
<td>• Litigation Committee;</td>
<td>• the Compensation Committee</td>
</tr>
<tr>
<td></td>
<td>• Nominations and Compensation Committee;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Internal Control and Corporate Governance Committee.</td>
<td></td>
</tr>
<tr>
<td><strong>Compensation of the Board of Directors</strong></td>
<td>The compensation of the Board of Directors is determined by the Shareholder’s Meeting and does not change until the Shareholder’s Meeting approves a new resolution.</td>
<td>The compensation of the Board of Directors is determined by the Shareholder’s Meeting and does not change until the Shareholder’s Meeting approves a new resolution.</td>
</tr>
</tbody>
</table>

### Table 5 - The Litigation Committee

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Composition</strong></td>
<td>Three independent Directors without executive authority</td>
<td></td>
</tr>
<tr>
<td><strong>Nomination</strong></td>
<td>The Bylaws establish that at least one of its members must be drawn from a minority slate.</td>
<td></td>
</tr>
<tr>
<td><strong>Function</strong></td>
<td>Provides consulting support to the CEO on litigation related to the insolvency of the companies included in the Composition with Creditors.</td>
<td></td>
</tr>
</tbody>
</table>

### Table 6 - The Nominations and Compensation Committee

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Composition</strong></td>
<td>Three independent Directors without executive authority.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Bylaws establish that the majority of the members of this committee shall be independent Directors.</td>
<td>It was solely a Compensation Committee.</td>
</tr>
<tr>
<td><strong>Nomination</strong></td>
<td>The Bylaws establish that at least one of its members must be drawn from a minority slate.</td>
<td>It was composed of three members: two were independent and one had executive authority.</td>
</tr>
</tbody>
</table>

### Table 7 - The Internal Control and Corporate Governance Committee

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Composition</strong></td>
<td>Three independent Directors without executive authority.</td>
<td>Two were independent and one had executive authority.</td>
</tr>
<tr>
<td><strong>Nomination</strong></td>
<td>The Bylaws establish that at least one of its members must be drawn from a minority slate.</td>
<td>By the Board of Directors</td>
</tr>
</tbody>
</table>

### Table 9 - Statutory Auditors

<table>
<thead>
<tr>
<th></th>
<th>New Parmalat</th>
<th>Old Parmalat</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of components</strong></td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Election procedure</strong></td>
<td>Slates of candidates – Threshold equal to at least 1% of the Company’s shares</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chairmanship of the Statutory Board goes to the first candidate on the list that is second for the number of votes</td>
<td></td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Presentation at least 10 days beforehand:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• official acceptance of the candidates;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• certification that there is no legal reason to prevent the election of the candidate;</td>
<td></td>
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<td>• certification of necessary requisites;</td>
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<td>• curriculum vitae.</td>
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<tr>
<td><strong>Chairmanship of the Statutory Board</strong></td>
<td>Chairmanship of the Statutory Board goes to the first candidate on the list that is first for the number of votes</td>
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</tr>
<tr>
<td><strong>Process</strong></td>
<td>Presentation at least 10 days beforehand:</td>
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<td>• official acceptance of the candidates;</td>
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</tbody>
</table>
Nonostante l’articolo sia frutto di lavoro congiunto è possibile attribuire i paragrafi I – II – III – V ad Alain Devalle e IV a Fabrizio Bava.

Gli autori:

Alain Devalle

[Signature]

Fabrizio Bava

[Signature]