

(Translation from the Italian original which remains the definitive version)



ORGANISATION, MANAGEMENT AND CONTROL MODEL

pursuant to paragraph 3, article 6 of Legislative decree no. 231 of 8 June 2001

Approved by the Board of Directors on 29th July 2010

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DEFINITIONS

Group Code of Conduct: the code included under annex *sub A* of this Model.

Decree: Legislative decree no. 231 of 8 June 2001, subsequent modifications and integrations (Decree law no. 350 of 25 September 2001, Legislative decree no. 61 of 11 April 2002, Law no. 7 of January 14, 2003, Law no. 228 of 11 August 2003, Law no. 62 of 18 April 2005, Law no. 7 of January 9, 2006, Law no. 146 of March 16, 2006, Legislative Decree no. 231 of December 19, 2007, Law no. 48 of March 18, 2008, Legislative Decree no. 81 of April 9, 2008, Law no. 94 of July 15, 2009, Law no. 99 of July 23, 2009 and Law no.116 of August 3, 2009);

Persons covered by the Model: all persons required to comply with the provisions of the Model and related implementation procedures, pursuant to paragraph 2.4 of the General Section of this Model.

Group: Parmalat S.p.A. and all Italian and foreign subsidiaries, directly and indirectly controlled by Parmalat S.p.A., pursuant to article 2359 of the Italian Civil Code.

Model: the organisation, management and control model of Parmalat S.p.A..

Supervisory Body: the body set out in paragraph 3 of the General Section of this Model.

Offences: offences detailed in articles 24, 24-bis, 24-ter, 25, 25-ter, 25-quarter, 25-quarter.1, 25-sexies, 25-septies, 25-octies and 25-novies of Legislative decree no. 231 of 8 June 2001 (and the administrative torts detailed in article 187-quinquies of the TUF, Unified Finance Act, Legislative decree no. 58 of 24 February 1998, on financial intermediation).

Company: Parmalat S.p.A..

Subsidiaries: all Italian and foreign subsidiaries, directly or indirectly controlled by Parmalat S.p.A., pursuant to article 2359 of the Italian Civil Code.

GENERAL SECTION

1. LEGISLATIVE DECREE NO. 231 OF 8 JUNE 2001

1.1 Introduction.

Legislative decree no. 231 of 8 June 2001 (the Decree) introduces, for the first time in the Italian legal system, the concept of the administrative liability of legal persons, companies and associations, also without legal status (the bodies).

It consists of a new and more extensive form of liability that affects bodies for offences committed, in their interest or to their advantage, by persons who have a working relationship with them (persons in apical positions and persons managed and supervised by them).

The Decree was issued to implement article 11 of Enabling Act no. 300 of 29 September 2000, whereby the Government was to define a penalties system for the administrative liability of bodies in compliance with the obligations set by a number of important international acts: the Convention on the protection of the European Communities' financial interests of 26 July 1995, the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union approved in Brussels on 26 May 1997 and the OECD Convention of 17 September 1997 on the fight against corruption involving foreign public officials in international economic transactions.

In order to bring the Italian regulatory system into line with those of many other European countries (France, United Kingdom, the Netherlands, Denmark, Portugal, Ireland, Sweden, Finland and Switzerland), the Italian lawmaker introduced the liability of the *societas*, considered as “an independent centre of interest and juridical relationships, a reference point of various kinds of precepts and matrix of decisions and activities of the persons who act in the name of the body, on its behalf or, in any event, in its interest” (as set out in the report on the Preliminary project for the reform of the Italian Criminal Code).

This led to a change in the Italian regulatory system: indeed, before Legislative decree no. 231/2001, the body's responsibility for offences committed in its interest or to its advantage by directors and/or employees was limited to the sole civil obligation, i.e. payment of the fines and penalties inflicted (and only in the event of insolvency of the offender, pursuant to article 197 of the Italian Criminal Code), and to the obligation of restitution and damages pursuant to the civil laws (article 185 of the Italian Criminal Code).

1.2 Requirements for the administrative liability of the body.

The requirements for the new liability are set out in article 5 of the Decree:

“The body is liable for offences committed in its own interest or to its own advantage:

- a) by persons who represent, administer or manage the body or one of its units with financial and operating independence, and persons who, de facto, manage and control the body;*
- b) by persons managed or supervised by one of the persons indicated under letter a).*

The body is not liable if the persons indicated under paragraph 1 acted in their own exclusive interest or for third parties”.

The offences that involve the body's liability are precisely defined by the lawmaker.

The body was originally liable only for offences committed against the Public Administration (article 25 of the Decree) or against the Public Administration's assets (article 24); the body's liability has now been extended - as a result of the regulations introduced after the Decree - also to other cases.

At present, offences that involve the body's administrative liability are:

- offences committed against the Public Administration (articles 24 and 25 of the Decree);
- computer crimes and illicit use of data (art.24- *bis* of the Decree introduced by Law no. 48 of March 18, 2008);
- organized crime offences (art. 24-*ter* of the Decree, introduced by Law no. 94 of July 15, 2009);
- crimes involving counterfeiting money, credit cards and tax stamps (art.25- *bis* of the Decree introduced by Decree Law no. 350 of September 25, 2001 and amended by Law no. 99 of July 23, 2009);
- crimes against industry and trade (art.25- *bis.1* of the Decree, introduced by Law no. 99 of July 23, 2009);
- corporate offences (article 25-*ter* of the Decree, introduced by Legislative decree no. 61 of 11 April 2002);
- crimes committed for terrorism or subversion of democratic order objectives provided for by the Criminal Code and special laws and crimes which violate that set out in article 2 of the International Convention for the repression of the financing of terrorism, drawn up in New York on 9 December 1999 (article no. 25-*quater* of the Decree, introduced by Law no. 7 of 14 January 2003);
- female genital mutilation practices (article 25-*quater.1* of the Decree, introduced by Law no. 7 of 9 January 2006);
- crimes against the individual pursuant to article 25-*quinquies* of the Decree, introduced by Law no. 228 of 11 August 2003;
- market abuse (article 25-*sexies* of the Decree, introduced by Law no. 62 of 18 April 2005);
- cross-border offences (article 10 of Law no. 146 of 16 March 2006).
- crimes of manslaughter and grave or very grave injury, committed with violation of the accident prevention laws and laws on the safeguard of health and hygiene in the workplace (art. 25-*septies* of the Decree introduced by art. 9, Law no. 123 of August 3, 2007, as amended by art. 300 of Legislative Decree no. 81 of April 9, 2008)
- receiving stolen goods, money laundering and the use of money, goods or utilities obtained illicitly (art.25- *octies* of the Decree, introduced by legislative decree n. 231 of December 19, 2007);
- copyright violations (art.25-*novies* of the Decree, introduced by Law no. 99 of July 23, 2009);
- inducing other not to make statements or to make false statements to the judicial authorities (art.25 – *novies* of the Decree, introduced by Law no. 116 of August 3, 2009).

A form of administrative liability for bodies is also provided for by article 187-*quinquies* of the TUF, for administrative torts related to the misuse of privileged information pursuant to article 187-*bis* of the TUF and market manipulation pursuant to article 187-*ter* of the TUF.

The list of the above-mentioned offences may be changed and integrated by the lawmaker. This entails the need to steadily check the adequacy of those rules that – as we shall illustrate hereafter - make up the organisation, management and control model provided for by the Decree to prevent such offences.

Italian-based bodies may also be liable for offences committed abroad, in the cases and terms established by article 4 of the Decree.

As to the persons that may compromise the administrative liability of the body, the lawmaker focuses on those that formally represent, administer or manage the body, those who carry out these activities *de facto* (the *de facto* director, pursuant to article 2639 of the Italian Civil Code) and those who carry out these activities in independent decentralised units (factory managers). These are defined as persons in apical positions.

Subordinate persons are usually those with a permanent subordinate working relationship with the body; however, the provisions of the law also include situations where external consultants are assigned to specific engagements to be performed under the direction and control of top management.

The offence must be committed in the interest or to the advantage of the body. The two requirements are accumulable, however only one is enough for the body to be liable: the advantage criterion refers to the concrete acquisition of a profit for the body; the interest criterion refers to the fact that the person acted for a specific purpose, without necessarily achieving it.

As regards the crimes of manslaughter and grave injury pursuant to art. 25-*septies*, from the subjective point of view, these must be committed *through culpable error*: this subjective profile of the charge may be *generic* (violation of the rules of conduct crystallised in the social fabric based on rules of experience impinging on parameters of diligence, prudence and expertise) or *specific* (violation of rules of conduct originating from standards of experience, later transformed into laws, regulations or disciplines). In this there is a profound difference with respect to the criteria of subjective guilt foreseen for the other criminal figures cited in decree 231/01, all aggravated by malice: within these figures the subject acts representing himself and willing the occurrence of the event – a consequence of his criminal conduct, not merely imprudent or careless conduct in relation to the event.

1.3 Nature of the liability of the body and related penalties.

The nature of the liability introduced by the Decree is matter of discussion. Although it is formally defined as “administrative” liability, in practice it is very similar to criminal liability.

Indeed, offences are directed to the competence of the criminal judge, who acts under the guarantees of criminal proceedings. The assessment of liability may entail the application of severe penalties that may compromise the life of the body including, *inter alia*, the suspension or revocation of authorisations, licences or concessions, the body's exclusion from public financing, grants or subsidies and finally the permanent disqualification from performing its activities. The price or profit of the offence, or sums of money, goods or other benefits with the same value are always confiscated. These penalties arise after a ruling against the body; however, they may also be applied as a precautionary measure, pursuant to article 45 and following articles of the Decree, if serious evidence about the body's liability exists.

The body's liability is considered in addition to, and does not replace, the liability of the individuals who actually commit the offence (apical and subordinate persons), that is governed by the rules of the criminal law. Detention is provided for the offences considered by the Decree and precautionary measures, including preventive detention, may also be applied during the criminal proceeding.

1.4 Exemption from liability: the organisation, management and control model.

Under the Decree, the body may be exempted from liability if it can prove it has adopted and effectively implemented an organisation, management and control model suitable to prevent offences in the form of that performed (articles 6 and 7 of Legislative decree no. 231/2001).

Under paragraph 2 of article 6 and paragraph 4 of article 7 of the Decree, the lawmaker establishes that the model must meet the following requirements:

- a) identify the activities within which offences can be performed;
- b) establish specific procedures to plan and implement the body's decisions with respect to offences to be prevented;
- c) identify how to manage the body's financial resources used to prevent offences;
- d) establish information requirements for the body appointed to check that the models work and are complied with;
- e) carry out regular inspections and change the model if significant violations of the provisions are discovered or if the company's organisation or activities undergo change (updating of the model);
- f) introduce a disciplinary system with the related penalties for non-compliance with the model's measures.

With particular reference to the introduction of Legislative Decree no. 81 of April 9, 2008, the exempting effect of a model of organization and management, with reference to the prevention of the crimes of manslaughter and negligent grave or very grave bodily harm pursuant to art. 25-*septies*, is deemed applicable when it is adopted and effectively implemented, ensuring a corporate system for the performance of all the relative juridical obligations:

- a) respect of the legal technical and structural standards relative to equipment, installations, workplaces, chemical, physical and biological agents;
- b) activities of risk assessment and preparation of the consequent measures of prevention and protection;
- c) activities of an organizational nature such as emergency procedures, first aid, contract management, periodical safety meetings, consultations with the workers' safety representatives;
- d) health monitoring activities;
- e) information and training for the workers;
- f) monitoring with reference to compliance with procedures and safety instructions by the workers;
- g) acquisition of documentation and certifications required by law;
- h) periodical reviews of application and the effectiveness of the procedure adopted.

Art. 30 of Legislative Decree 81/08 decrees that the organization and management model must provide appropriate systems for recording the performance of the activities listed above and must also provide the following, on the basis of the nature and size of the organization and type of business:

- (i) detailing of the functions that ensure the technical skills and powers necessary to monitor, assess, manage and control the risk;
- (ii) a disciplinary capable of punishing any failure to comply with the measures indicated in the model;
- (iii) a system for monitoring implementation of the model and maintenance in time of the conditions of suitability of the measures adopted;
- (iv) specific procedures serving for review and amendment, where necessary, of the operating model: 1) on the occasion of the above controls; 2) where significant violations of the standards are discovered relative to accidents prevention and hygiene in the workplace; 3) on the

occasion of changes in the organization and activities in relation to scientific and technological progress.

The adoption and effective implementation of the model is enough to absolve the body from liabilities for offences committed by persons in a “subordinate” position. Indeed, article 7, provides a specific form of exemption if the body can demonstrate that the offences have been committed by persons in a subordinate position who deceitfully avoided compliance with management or supervisory obligations. These obligations are considered to be complied with the Decree if, before the offence was committed, the body had “adopted and effectively implemented an organisation, management and control model suitable to prevent such forms of offence” (paragraphs 1 and 2, article 7 of the Decree).

On the contrary, for offences committed by persons in an “apical” position, it is not enough for the body to have adopted and effectively implemented an organisation model. The body must have given a specific body (the Supervisory Body) with independent powers the duty of supervising the working of and compliance with the model and its updating. Furthermore, this body must have carried out its supervisory and control duties with care and the offence must have been committed by persons who deceitfully avoided compliance with the model (paragraph 1, article 6 of the Decree). The Supervisory Body is therefore called to carry out an extremely sensitive task, as it will have to check that the model actually works, verify its adequacy also with respect to ruling regulations, steadily monitor the company's business and identify any new requirements that may involve the updating of the model.

This preventive model has been introduced by the law, although its adoption is left to the body's discretion. However, it is the only tool that the body has to prevent offences, prove its innocence and avoid penalties provided for by the Decree.

2. ADOPTION OF THE MODEL

In compliance with the provisions of the Decree, the Company by resolution of the Board of Directors on September 13, 2006, adopted its own model of organization, management and control (the Model). It was updated on August 28, 2008 and again on 29th July 2010.

The Model is a set of rules, tools and procedures aimed at providing the Company with an efficient organisation, management and control system, reasonably suitable to identify and prevent acts that may be punished by law, pursuant to the Decree.

The adoption of this Model is a way for the Company to strengthen and improve its internal control system and its corporate governance in general.

2.1 Scope of the Model.

The Model's objective is to create a system of rules and procedures aimed at preventing, to the extent reasonably possible, the committing of offences; it is also aimed at informing all those who act in the name and on behalf of the Company (whether employees or non-employees) of the consequences that may arise from any conduct that does not comply with those rules and the possibility of committing offences that entail severe penalties for the perpetrator of the offence and the Company, pursuant to the Decree.

Therefore, the Model intends to raise the awareness of the Company's employees, its external consultants and partners, by urging a correct and transparent conduct from them, compliance with the standards established by the Company and set out in the Model and compliance with all rules and procedures.

From this view point, the Model together with the Code of Conduct included under annex *sub* A form a set of internal rules and guidelines aimed at building a culture of ethics, correctness and lawfulness.

The Model contains specific provisions aimed at preventing particular types of crime, in compliance with the provisions of the Decree. On the contrary, the Code of Conduct approved by the Company with a resolution of the Board of Directors on 13 September 2006, is the charter of values and principles that must inspire the Company's conduct when it pursues its business object. This document was adopted independently and must be applied, as a rule, by all Group companies in Italy and abroad, considering the different cultural, political and social, as well as economic and commercial contexts.

2.2 Structure of the Model.

This Model is made up of a General Section, that contains the principles and general rules of the Model, and a Special Section, that represents the core of the Model and is divided into seven sections:

- crimes against the Public Administration,
- corporate crimes,
- criminal and illegal market abuses,
- manslaughter and grave or very grave personal injury committed with violation of the accident prevention laws and safeguards of health and hygiene in the workplace,
- receiving stolen goods, money laundering and the use of money, goods or utilities obtained illicitly,
- crimes against industry and trade,
- counterfeiting money, credit cards, tax stamps and instruments or documents of identity, and copyright violations.

The General Section describes the regulatory context of the Model, identifies the persons covered by the Model and defines its scope and structure. Moreover, it establishes the duties and powers of the Supervisory Body, the rules governing the updating of the Model, the disciplinary system, the requirements for communicating and distribution the Model and personnel training.

The Special Section identifies the types of offence that must be prevented and "sensitive" activities (i.e. those areas in which, in theory, an offence may be committed). To this regard, the Company has identified eight classes of offences (the Offences):

- offences against the Public Administration;
- corporate offences;
- market abuse;
- manslaughter and grave or very grave personal injury committed with violation of the accident prevention laws and safeguards of health and hygiene in the workplace;
- receiving stolen goods, money laundering and the use of money, goods or utilities obtained illicitly;
- crimes against industry and trade;
- counterfeiting money, credit cards, tax stamps and instruments or documents of identity;
- copyright violations.

For each class, the Special Section gives a short description of the criminal offences, identifies sensitive activities and defines the general guidelines that the Company must follow when identifying the rules for the organisation and management of activities and when defining prevention procedures.

With reference to the other crimes foreseen by the Decree, none were found so "sensitive" as to require the creation of specific sections in the Special Part. The purposes of prevention of these types of crimes are satisfied by the set of principles of behavior indicated in the Group's Code of Conduct, and the principles and rules of Corporate Governance found in the company by-laws, the code of self-discipline and the many existing company protocols.

2.3 Implementation of the Model.

The Company took account of the provisions of the Decree for the preparation of this Model, as well as the related ministerial report, the general principles for an adequate internal control system, in line with international best practice, and the “Guidelines for the construction of organisation, management and control models as per Legislative decree no. 231 of 2001”, prepared by Confindustria (the Italian Association of Enterprises) on 7 March 2002 and updated on 31 March 2008.

The Company also took account of tools that were already in place, that regulate its corporate governance, namely the by-laws, the Code of Conduct, the Internal Dealing Code of Conduct, the proxy system as well as the operating procedures drawn up by each department.

As regards the section relative to crimes against persons, account was taken of the provisions of art. 30 of Legislative Decree 81/08 on safety, also drawing inspiration from the BS OHSAS 18001 standard.

Applying the method developed in the first draft of the Model, the company has established a *modus operandi*, tending toward updating of its systems of organization, management and control, which has been and will be repeated whenever new crimes are introduced into the Decree. These activities, divided into subsequent stages, are described in detail in the Special Section. They may be summarised as follows:

- A. *Identification of sensitive activities*: the areas in which, in theory, Offences may be committed have been identified through the survey of activities performed by the company, interviews with the persons in charge of the business departments, the analysis of the organisation chart and system for the assignment of responsibilities. The theoretical possibility of committing Offences is assessed exclusively in relation to the activity's specific features, without considering who performs the activity and regardless of the control systems that are already in place.
- B. *Identification of control procedures that are already in place*: the control procedures that are already in place in the sensitive areas identified above have been identified through the interviews mentioned in point A, integrated with self-assessment questionnaires.
- C. *Calculation of the residual risk*: the residual risk of committing offences after considering the internal control system in place has been estimated for each activity.
- D. *Identification of prevention procedures*: the prevention practices and procedures that should be implemented to prevent the committing of Offences have been identified as a result of the analyses described above and their findings.

2.4 Persons covered by the Model.

The Model applies to the following persons:

- all directors and those persons who represent, administer or manage the Company or one of its units with financial and operating independence, and persons who, de facto, manage and control the Company;
- all those persons who have a subordinate working relationship with the Company (employees), including those on secondment, in Italy and abroad, in the performance of their duties;

- all those persons who have a parasubordinate working relationships with the company (resources hired to work on a specific project, temporary workers, etc.).

The Model also applies to persons who, while not having a subordinate or parasubordinate working relationship with the Company, are managed and supervised by the Company's top management. This Model also applies to the Company's statutory auditors, although the Decree does not consider them among those persons who may compromise the body's liability. All persons covered by the Model are obliged to comply, with the utmost care, with the provisions included in the Model and its implementation procedures.

The Model is communicated to all Persons covered thereby as set out in paragraph 6 below.

2.5 The Model within the Group.

The Company communicates ¹this Model and any subsequent updates to all Italian Subsidiaries in the manner it deems most appropriate.

Italian Subsidiaries independently adopt their own organisation, management and control Model with a resolution of their Board of Directors and under their own responsibility; they also provide for its implementation and appoint their own supervisory body. Each company identifies its sensitive activities, considering the nature and type of business performed, and the size and structure of its organisation, taking this Model as a reference.

The final model adopted by the above-mentioned companies will be communicated to the Company's Supervisory Body. The companies' supervisory bodies inform the Supervisory Body of any subsequent material changes made to their models through an annual report as described under paragraph 3.4.3 below.

The company promotes the adoption of the Model, or of principles and rules of organization and control compliant with those contained in this Model, also by its foreign subsidiaries that do not operate in Italy. In this connection the company has issued its "Guidelines pursuant to Legislative Decree no. 231/2001 for foreign subsidiaries of Parmalat S.p.A.", indicating the principles of organization and conduct with which these companies are expected to comply, in respect of the regulations applicable in the countries where they have their registered offices, and their own organization structure and internal policies.

Even before adopting a specific model pursuant to the Decree, all the Italian subsidiaries and all the foreign subsidiaries must adopt suitable measures of organization and internal control to prevent the commission of the crimes foreseen by the Decree.

2.6 Intragroup transactions.

Should the Company provide services that may involve the sensitive activities set out in the Special Section below to Group companies, each service should be governed by a written agreement, that must be notified to the Company's Supervisory Body. This provision applies also in the case of the Company receiving the above-mentioned services from Group companies.

3. SUPERVISORY BODY

In compliance with the provisions of article 6 of the Decree, the Company gives a specific body (Supervisory Body) the duty of constantly supervising the working of and compliance with the model and its updating.

The Supervisory Body adopts its own rules, defined in its Regulations (Supervisory Body Regulations), prepared and approved by the Company's Board of Directors.

3.1 Structure and composition.

The Supervisory Body is an internal board that operates independently from other corporate and internal control bodies.

When performing its duties, the Supervisory Body reports exclusively to the Board of Directors. It is entrusted with powers on the utilisation of an adequate annual budget. The Supervisory Body is vested with independent powers of expenditure which foresee the use of an adequate annual budget, approved with a resolution of the Board of Directors, and proposed by the Supervisory Body itself. In exceptional and urgent cases, the Supervisory Body may utilise resources beyond its spending powers, informing the Board of Directors in a written report at a later date.

The Supervisory Body is appointed by the Board of Directors, after consulting the Board of Statutory Auditors. The members of the Supervisory Body are chosen among qualified persons, with a legal or accounting background, or other specialized training relevant to application of the Decree, on the grounds of their independence, professionalism, ethical standards and expertise. Upon appointment of the members, the Board of Directors confirms the existence of the above-mentioned requirements, justifying its decision.

The Company's Board of Directors appointed the Supervisory Body with a resolution adopted on 10th February 2006. It was composed as follows:

- i. an independent director, member of the Internal Control and Corporate Governance Committee;
- ii. a standing member of the Board of Statutory Auditors;
- iii. the Head of the Internal Audit Group.

The members of the Supervisory Board remain in office until the term of office of the Board of Directors that appointed them expires, subject to the cases of termination, forfeiture and removal from office, in accordance with the provisions of the Supervisory Body Regulations. The members of the Supervisory Body may be re-elected.

At the end of its term of office, the Board of Directors may confirm or change the composition of the Supervisory Body; if necessary, it may appoint persons with qualifications and duties other than those indicated above, provided that they have the necessary requirements, as established by the Regulations.

The Supervisory Body appoints a Chairman chosen among its members, who may be entrusted with specific duties, as established by the Regulations. The Regulations also identify the independence requirements of the members of the Supervisory Body and defines the reasons for ineligibility, forfeiture and removal from office.

3.2 Duties.

The Supervisory Body is given the task of supervising:

- i. compliance with the Model by all Persons covered by the Model, as identified under paragraph 2.4;
- ii. adequacy and effective implementation of the Model, in relation to the business structure and its actual ability to prevent the committing of Offences.

Based on its experience, the Supervisory Body assesses the need to update and adjust the Model, also in relation to changes in the business and/or regulatory context and presents its proposals to the Board of Directors.

3.3 Powers.

The Supervisory Body is entrusted with the following powers during the performance of its duties:

- a) to carry out regular inspections or entrust others to do so, under its direct supervision and responsibility, according to the time and methods set out in the Supervisory Body Regulations;
- b) to access all information relating to sensitive activities, as listed in the Special Section of the Model;
- c) to ask all Persons covered by the Model (company bodies, employees, managers, consultants, etc.) and, where necessary, the audit firm, for information and documents relating to sensitive activities;
- d) to ask the persons in charge of the departments involved in sensitive activities for information;
- e) to ask the supervisory bodies of Subsidiaries for information, should this be necessary to carry out the control activities, as set out in paragraph 3.5;
- f) to avail of the assistance of Company employees, preferably of the Internal Audit department, as well as external consultants for particularly complex issues or issues that require specific expertise;
- g) to carry out assessments to verify the truthfulness and foundation of communications received or entrust others to do so; to prepare a report on the activities performed and, where necessary, propose the adoption of penalties set out in paragraph 5 below to the Head of Human Resources;
- h) to inform the Board of Directors, for it to take the appropriate measures, of any assessed violations of the Model and its implementation procedures, and any notice of Offence acquired on its own initiative or following communications received as set out in paragraph 3.4.2 below;
- i) to formulate proposals to the Board of Directors so as to update and adjust the Model, where necessary; to formulate proposals to the business departments concerned so as to change the Model's implementation procedures, where necessary, as set out in paragraph 4;
- j) to support the Human Resources Department with the definition of personnel training programmes.

The Supervisory Body Regulations establish how the office should be performed, the procedures for calling a meeting of the Supervisory Body, for collecting and keeping documentation, as well as the confidentiality requirements of the members of the Supervisory Body.

3.4 Information flow to and from the Supervisory Body.

3.4.1 Information flow from the Supervisory Body.

The Supervisory Body reports directly to the Board of Directors and, in urgent cases, to the Chairman of the Board of Directors.

The Supervisory Body promptly informs the Board of Directors of the following events, so that it can take the appropriate measures:

- any assessed violations of the Model and notice of Offence acquired on its own initiative or following communications received as set out in paragraph 3.4.2 below;
- any significant information for the correct performance of its duties and effective implementation of the Model and its updating.

The Supervisory Body draws up a written annual report addressed to the Board of Directors and Board of Statutory Auditors that must include, at least:

- a) a summary of the activities performed during the year by the Supervisory Body;
- b) any issues that arose relating to the operating procedures for the implementation of the Model's provisions;
- c) a description of any new sensitive activities;
- d) a report of the communications received relating to alleged violations of the Model and the outcome of checks carried out on the above;
- e) any disciplinary procedures and penalties applied by the Company for violations of the Model;
- f) an overall evaluation of the working and effectiveness of the Model and any proposed integrations, corrections or changes;
- g) any changes in the regulatory context requiring the updating of the Model.

The Board of Directors and Board of Statutory Auditors may, from time to time, require that the report contain further information in addition to the above.

The Supervisory Body prepares an annual statement of expenses incurred.

3.4.2 *Information flow to the Supervisory Body.*

All Persons covered by the Model (members of company bodies, employees, consultants, etc.) are required to co-operate in the full and effective implementation of the Model, by immediately informing the Supervisory Body of any notice of Offence and violation of the Model or the procedures agreed for its implementation.

Any communications to the Supervisory Body must be sent to the following e-mail address: Organismo.Vigilanza@parmalat.net. If it is impossible to gain access to the information system or if this is unavailable, the communication may be sent by internal mail to the Head of the Internal Audit Group, as internal member of the Supervisory Body, who will forward it, without delay, to the other members of the Body.

The head of Human Resources must immediately inform the Supervisory Body of the following events, by internal mail or at the above-mentioned e-mail address:

- disciplinary measures taken for violations of the Model;
- the filing of these measures with the respective reasons;
- the application of any penalties for violations of the Model or the procedures agreed for its implementation;
- any legal disputes relating to disciplinary measures for violations of the Model.

All communications are kept by the Supervisory Body in a specific file, in accordance with the procedures defined by the Body itself; these procedures must ensure the confidentiality of the identity of the person who sent the communication.

In compliance with the provisions of the Decree (letter d), paragraph 2, article 6), the company bodies and *Corporate Governance* bodies (Board of Directors, Board of Statutory Auditors, Internal Control Committee, Ethics Committee and Disputes Committee) are required to provide the Supervisory Body with any useful information for performing its control activities and checking compliance with the Model, its working and correct implementation.

The same information requirements cover the persons in charge of departments dealing with sensitive activities, as identified in the prevention procedures.

The above persons are also required to send a written annual report to the Supervisory Body with:

- a description of the procedures in place to prevent offences relating to sensitive activities carried out by their department;
- a description of any activities for the implementation of prevention measures and improvement of their effectiveness, and progress thereof;
- any reasons for changing prevention procedures;
- the operating procedures in place for the implementation of the Model.

The employer is required to communicate the above information and, in addition, shall also submit, on an annual basis:

- the reports of inspections performed by the person in charge of the service of Prevention and Protection and audits of the procedures performed in this connection;
- the minutes of the annual meeting pursuant to art. 35 of Legislative Decree no. 81/08

The Supervisory Body may, from time to time, require that the report contain further information in addition to the above.

This report is sent to the following e-mail address Organismo.Vigilanza@parmalat.net, or by confidential internal mail to the Head of the Internal Audit Group, as internal member of the Supervisory Body, who will forward it, without delay, to the other members of the Body.

Any other communication addressed to the Supervisory Body by Persons in charge of departments dealing with sensitive activities will be sent in accordance with the procedures that they deem most appropriate or those indicated by the Supervisory Body from time to time.

3.5 Relationships among supervisory bodies within the Group.

The Company's Supervisory Body may ask the supervisory bodies of Group companies for any information, should this be necessary for the correct performance of its control activities within the Company.

The supervisory bodies of Group companies are required to send a written report to the Company's Supervisory Body, in accordance with the time and manner established by the procedures; this report will describe any assessed violations of their models and the related disciplinary procedures applied, significant changes made to their models and any important events identified during the year as a result of their supervisory activities that may impact the Company's business or organisation.

4. UPDATING OF THE MODEL

The responsibility of making any changes and integrations to the Model lies with the Board of Directors.

The Supervisory Body promptly informs the Board of Directors in writing of the need to update the Model, disclosing the facts and circumstances that require the updating thereof. The Supervisory Body may also make proposals to the Board of Directors for it to adopt the appropriate measures.

The Supervisory Body must always be informed of any changes, updates and integrations to the Model adopted by the Board of Directors.

Changes to the Model's implementation procedures are directly adopted by the relevant business departments concerned, after consulting the Supervisory Body, which may give its opinion and suggestions thereon.

5. THE DISCIPLINARY SYSTEM

5.1 Introduction.

Pursuant to the provisions of the Decree (letter e), paragraph 2, article 6 and letter b), paragraph 4, article 7), the Company will introduce a disciplinary system with the related penalties for non-compliance with the Model's measures.

The Company identifies the disciplinary measures and related penalties of the disciplinary system based on the principles of proportionality and effectiveness (based on their suitability to serve as deterrents and then as penalties), and taking account of the different titles held by the persons to which they are applied (employees or managers, directors, statutory auditors or consultants).

Disciplinary procedures are applied regardless of the outcome of any criminal proceeding brought against the person who committed the violation; indeed, the violation of rules of conduct, adopted by the Company with the Model, is an independent matter, whether or not this violation represents a criminal offence.

Without prejudice to further provisions included in the Special Section of this Model and prevention procedures, the following are examples of actions considered as disciplinary violations:

- violation, also by concealment and possible collusion with others, of policies and procedures established by this Model or agreed for its implementation;
- preparation, also possibly with others, of untrue documentation;
- assisting, also by concealment, others with the preparation of untrue documentation;
- the omitted preparation of documentation required by this Model or the procedures agreed for its implementation;
- the hiding, destruction or modification of documentation relating to the Model's implementation;
- the hindering of supervisory activities carried out by the Supervisory Body;
- the hindering of access to information and documentation by parties in charge of implementing the Model;

- the performing of any other actions to avoid the control system established by the Model.

5.2 Violations by blue collars, white collars and managers.

Upon receiving a communication of alleged violation of the Model, the Supervisory Body immediately carries out the necessary assessments. After evaluating the violation, the Supervisory Body immediately informs the Board of Directors or the Head of Human Resources. In any event, the Supervisory Body is required to inform the Board of Directors of violations committed by managers and particularly grave acts.

Disciplinary measures and penalties are adopted by the Board of Directors or the Head of Human Resources in compliance with the law and national labour contract applied.

A) Measures applied to blue/white collars

The following penalties are applied for violations committed by blue and white collars:

- verbal warning;
- written warning;
- fine;
- suspension of duties and remuneration;
- dismissal without notice.

The penalty depends on the seriousness of the violation and is applied in compliance with the procedures established by article 7 of the Italian Law no. 300 of 1970, any applicable special regulations and the national labour contract.

The size of the penalties mentioned above corresponds to that set by the applicable national labour contract ruling when the offence is committed.

B) Measures applied to managers

In the event of violations committed by managers, the most suitable penalties are applied in compliance with the provisions of the law and applicable national labour contract. If the trust placed in the manager is breached, he/she may also be fired.

5.3 Violations by directors.

The Supervisory Body informs the Board of Statutory Auditors and the entire Board of Directors of any reported violations of the provisions of this Model committed by members of the Board of Directors, for them to adopt the appropriate measures, including:

- formal written warning;
- total or partial withdrawal of any powers.

Should the violation committed by the director be such as to damage the Company's trust in that director, the Board of Directors will call a shareholders' meeting to propose his or her removal from office and adopt any liability actions established by law.

5.4 Violations by statutory auditors.

The Supervisory Body promptly informs the Board of Statutory Auditors and Board of Directors of any reported violations of the provisions of this Model committed by members of the Board of Statutory Auditors. After consulting the Board of Directors, the Board of Statutory Auditors adopts the appropriate measures against those statutory auditors who committed the violations.

If the violations are such as to justify the revocation of the statutory auditor's powers, the Board of Directors recommends the Shareholders adopt the necessary measures and other actions required by law.

5.5 Violations by consultants.

The Supervisory Body will inform the Head of Human Resources, the General Counsel and person in charge of the department to which the contract relates of any reported violations of this Model by external consultants. For more serious cases, the Body will also inform the Board of Directors.

The violation is punished in accordance with the specific provisions set out in the related contracts, without prejudice for the Company to claim damages.

6. COMMUNICATION AND DISTRIBUTION OF THE MODEL

The Company promotes the communication of the Model, as deemed appropriate to ensure its distribution and that all Persons covered by the Model, as identified under paragraph 2.4, are actually aware of it.

The Model is communicated by the Human Resources Department by using the means it deems most appropriate (for example, the company's notice board, by e-mail, etc.), including the company's intranet system. After consulting the Supervisory Body, the Human Resources Department defines the appropriate procedures used to confirm that the Model has been received by the Company's personnel.

After consulting the Head of Human Resources and the person in charge of the area to which the contract or relationship relates, the Supervisory Body establishes how to communicate the Model to external consultants covered by the Model and the procedures necessary to comply with the provisions set out therein. In any event, the contracts that govern the relationships with these persons must include specific provisions that clearly disclose the liabilities arising from non-compliance with the Company's business policies, the Group's Code of Conduct and this Model.

The General Section of the Model is made available and disclosed to all persons concerned and to the market through the company's internet site.

7. PERSONNEL TRAINING

The Company introduces training programmes to ensure that all Company personnel (employees and members of the corporate bodies) are aware of the Decree, the Group's Code of Conduct and the Model. Each training level is characterised by a different approach and degree of thoroughness depending on the qualification of the persons concerned and their involvement in the sensitive activities set out in the Model and the performance of duties that can affect health and safety in the workplace.

The Supervisory Body verifies, in agreement with the Human Resources Department, that the training programme is adequate and effectively implemented. Training courses may also be remote or held with the use of IT systems.

For the purposes of the Model's implementation, personnel training is managed by the Human Resources Department with the close co-operation of the Supervisory Body.

