



***Report of the Board of Directors on the second item
on the agenda of the Ordinary Shareholders' Meeting
of April 19, 2018***

Report of the Board of Directors on the *second item* on the agenda of the Ordinary Shareholders' Meeting:

- Compensation Report: Compensation Policy.

Report of the Board of Directors on the *second item* on the agenda of the Shareholders' Meeting:

Compensation Report: Compensation Policy.

Dear Shareholders,

the report submitted for your review explains the policy for the compensation of members of management entities, the general manager and executives with strategic responsibilities.

The Compensation Report was approved by the Board of Directors on March 15, 2018, further to a prior favorable opinion by the Nominating and Compensation Committee and is now being submitted to the Shareholders' Meeting, pursuant to Article 123-*ter*, Section 6, of the Legislative Decree No. 58/1998 ("TUF")

The Shareholders' Meeting will be asked to cast a consultative vote in favor or against Section I of the Compensation Report (non-binding resolution). The results of the vote will be made available to the public pursuant to Article 125-*quarter*, Section 2, of the TUF.

Please find below a motion concerning the Second Item on the Agenda of the Ordinary Shareholders' Meeting.

"Dear Shareholders:

We recommend that you:

- *cast a favorable consultative vote on the non-binding resolution concerning the Compensation Policy of Directors, as set forth in Section I of the Compensation Report."*

Annex: Section I – Report on the Compensation of Directors, the General Manager and Executives with Strategic Responsibilities

Milan, March 15, 2018

The Board of Directors
by: Gabriella Chersicla – Chairperson

SECTION I

1. Introduction

1.1. The Governance Model

Parmalat S.p.A. (“Parmalat” or the “Company”) is managed by a Board of Directors whose members are elected through slate voting.

The Board of Directors currently in office was elected by the Shareholders’ Meeting on April 29, 2016; its members are listed below:

Director	Post held at Parmalat	Committee Assignments	
		Nominating and Compensation Committee	Control and Risk Committee
Gabriella Chersicla	Chairperson		
Yvon Guérin*	Chief Executive Officer and General Manager		
Jean-Marc Bernier **	Chief Executive Officer and General Manager		
Patrice Gassenbach	Director		
Michel Peslier	Director		
Elena Vasco	Independent Director	x	
Angela Gamba	Independent Director	x	x
Pier Giuseppe Biandrino	Independent Director		x
Nicolò Dubini	Independent Director	x	x
Umberto Mosetti	Independent Director		

*Yvon Guérin resigned from the posts of Director, Chief Executive Officer and General Manager of Parmalat effective September 12, 2017.

**Further to Yvon Guérin’s resignation, Jean-Marc Bernier was elected on September 12, 2017.

On September 12, 2017, further to Yvon Guérin’s resignation from the posts of Director, Chief Executive Officer and General Manager of Parmalat, the Board of Directors, acting pursuant to and for the purposes of Article 11 of the Company Bylaws and Article 2386 of the Italian Civil Code and with the consent of the Board of Statutory Auditors, appointed Jean-Marc Bernier to the Company’s Board of Directors for a term of office ending with the next Shareholders’ Meeting.

Based on an affidavit provided by Jean-Marc Bernier, the Board of Directors determined that he did not meet the independence requirements of Article 147-ter, Section 4, of the TUF, which cites Article 148, Section 3, of the TUF, and those of Article 3 of the Corporate Governance Code of

Borsa Italiana S.p.A. Jean-Marc Bernier indicated that he did not own any Company shares. The Board of Directors named Jean-Marc Bernier Chief Executive Officer and General Manager, providing him with the corresponding powers.

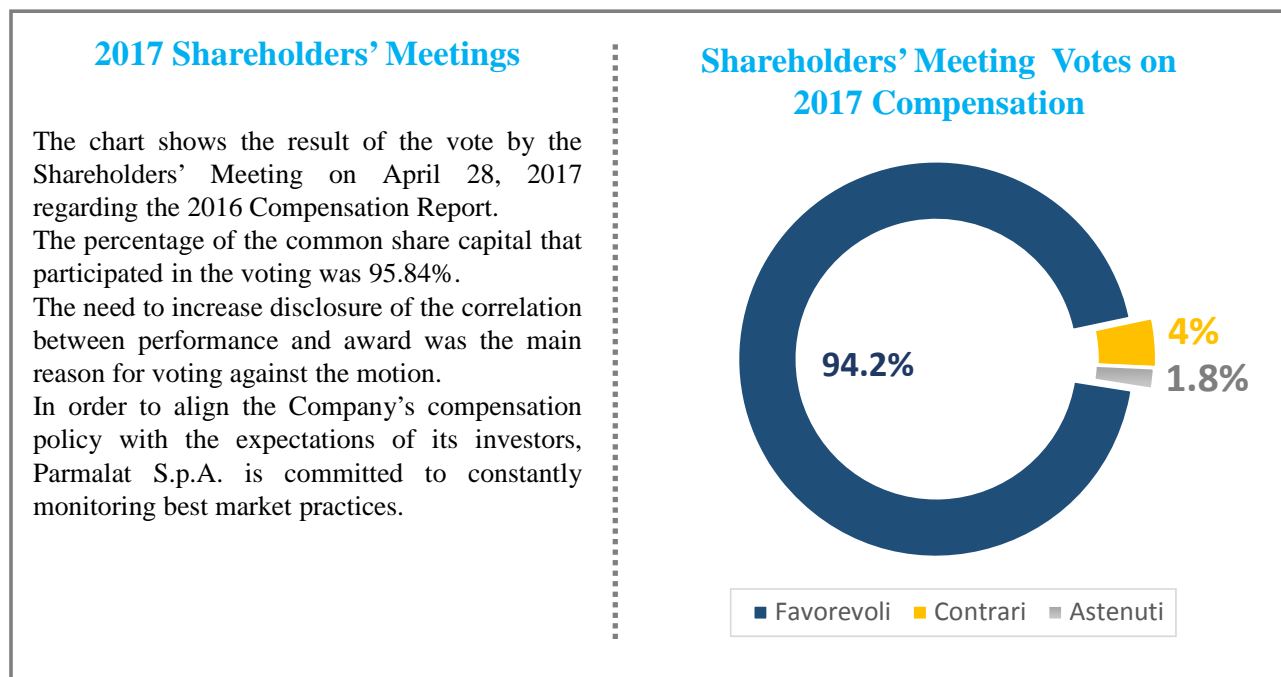
On May 9, 2016, the Board of Directors established a Nominating and Compensation Committee and a Control and Risk Committee, which also performs the functions of Committee for Related-party Transactions.

As of the end of the reporting period, Parmalat's Executives with Strategic Responsibilities included:

- The Group Chief Financial Officer, Pierluigi Bonavita
- The Group HR Director, Paolo Tanghetti
- The General Counsel, Giuseppina Corsi

1.2. Process to Define and Approve the Compensation Policy

The Nominating and Compensation Committee submits the compensation policy to the Board of Directors for approval. The Board of Directors, after reviewing and approving the compensation policy, submits it to the Shareholders' Meeting for a consultative vote.



The compensation policy, as approved by the Board of Directors, defines the principles and guidelines that:

- the Board of Directors is required to follow in defining the compensations of:
 - o the members of the Board of Directors and, specifically, Directors who perform special functions;
 - o the Executives with Strategic Responsibilities;

- the Group uses as a reference in defining the compensation of top management.

As part of the process of defining the compensation policy, the Company analyzes and monitors on an ongoing basis market practices and compensation levels, based on data supplied by outside experts on an aggregate basis, without making specific references to other companies. Independent experts contribute to the policy's development.

The compensation policy was prepared consistent with the recommendations of Article 6 of the Corporate Governance Code for Listed Companies approved by the Corporate Governance Committee and endorsed by Borsa Italiana S.p.A. This Compensation Report was prepared in accordance with the provisions set forth in the document published by the Consob to implement Article 123-ter of Legislative Decree No. 58/1998, which deals with transparency issues concerning the compensation of Directors of listed companies.

1.3. Role of the Nominating and Compensation Committee

The Nominating and Compensation Committee currently in office, appointed by the Board of Directors on May 9, 2016, is comprised of three non-executive, independent Directors: Elena Vasco, Chairperson, Angela Gamba and Nicolò Dubini.

This Committee performs a consultative and proposal-making function.

More specifically, in its capacity as Nominating Committee:

- 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 noncompete agreement) of the Corporate Governance Code;
- it submits proposals to the Board of Directors regarding candidate for the post of Directors who should be coopted as replacements for independent Directors;

in its capacity as Compensation Committee:

- it submits recommendations or opinions to the Board of Directors regarding the compensation of executive Directors and other Directors, as well as on the determination of 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 possible adoption of stock option plans or grants of shares of stock or other financial instruments that may be used to incentivize the loyalty of senior management. It supports the Board of Directors in defining a compensation policy for Directors and executive with strategic responsibilities, periodically assessing the adequacy, overall consistency and concrete implementation of the abovementioned compensation policy, using for this purpose the information provided by the managing directors.

In 2017, the Nominating and Compensation Committee held five meetings attended by all Committee members (see the table below for details). Minutes were kept of each Committee meeting.

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

Composition and Attendance Compensation Committee

		Meetings attended	%
Elena Vasco	Chairperson	5	100%
Nicolò Dubini	Member	5	100%
Angela Gamba	Member	5	100%
Total number of meetings:		5	
Average duration:		45 minutes	

2. Guiding Principles of the Compensation Policy

2.1. Objectives of the Compensation Policy

The definition of a compensation policy has always been a priority for the Group, which, as early as April 2004, was already defining the basic tools needed to implement a policy in line with best practices.

The Group's approach to compensation is focused on performance, awareness of market trends and alignment with the business strategy, in the interest of its stakeholders over the medium/long-term.

The cornerstones of the Group's Compensation Policy are:

- clear and transparent governance;
- compliance with the principles of the corporate governance code;
- monitoring of market trends and practices;
- alignment of compensation sustainability with result sustainability over the long term;
- motivation and loyalty development of all employees, with special emphasis on strategic resources.

These cornerstone principles are also applied to define the compensation of Executives with strategic Responsibilities.

The main objectives of the compensation policy for top management are:

- attract, motivate and retain the needed professional skills;

- promote the growth of shareholder value;
- promote sustainability over the medium/long term, with special emphasis on the interest of all stakeholders;
- ensure that there is a correlation between compensation and actual performance. over the short and long term, both by the Company and its managers.

Insofar as balancing fixed and variable compensation components is concerned, the compensation policy of top management reflects the risk profile of the Company, whose main objective consist essentially of pursuing growth both organically and through acquisitions, with the restrictions of avoiding the dilution of profitability and maintaining a strong financial position. Considering these elements, in conjunction with the low cyclical nature of its industry and the consumption of food products and other consumer goods, Parmalat chose not to excessively emphasize the variable component of the compensation mix.

In addition, this component is subject, for each manager, to a ceiling stated as a percentage of the fixed annual compensation. Specifically, the incentive payable annually may never be greater than 60% of the fixed compensation for the Chief Executive Officer and 45% for other employees.

Specifically with regard to Article 6 of the Corporate Governance Code for Listed Companies (Sections 6.P.2 and 6.C.1), considering the risk profile of the Company and its industry, which by its very nature is less affected by negative conditions in the economy, Parmalat believes that it should not excessively emphasize the variable component of the compensation package. Moreover, given the limits placed on the variable compensation amount and the presence of specific clawback clauses (see Section 5.2.3), it does not believe that it should adopt deferral mechanisms for the variable component vested annually.

2.2. Criteria Used to Define Compensation

The criteria used to define the compensation of top management, consistent with the Group's compensation policy, are:

- market practices and compensation levels and internal compensation levels, with the aim of ensuring external and internal compensation fairness; the Company collaborates each year with specialized independent consultants to perform comparative analyses with specific local and international benchmarks consisting of companies comparable to Parmalat in terms of size and business complexity;
- the Company's performance, to ensure that compensation sustainability is aligned with result sustainability;
- personal impact, personal performance in terms of function delivery and target achievement, and assessment of the required leadership and technical competencies;
- compliance with the Company's Code of Conduct and constant support of the Group's values.

There have been no significant changes made to the compensation policy compared with the previous reporting year.

In 2018, consistent with the compensation policies defined in 2016, in preparing this Compensation Report, Parmalat relied on the support of a specialized independent company.

3. Structure of the Compensation Packages

3.1. Members of the Board of Directors

The compensation of non-executive Directors, including the Chairman of the Board of Directors, is commensurate with the commitment required of each one of them, taking also into account their service on one or more committees. This compensation is not tied to the achievement of operating and financial results by the Company and, consequently, any participation by non-executive Directors in annual or long-term incentive plans is excluded.

The compensation of Directors is determined by the Shareholders' Meeting and, pursuant to Article 19 of the Bylaws, it does not change until a new resolution is adopted by the Shareholders' Meeting.

The Shareholders' Meeting determined the total compensation of the Board of Directors, which includes the individual compensation of Directors who perform special functions, pursuant to the Bylaws.

The Board of Directors, taking into account the input of the Board of Statutory Auditors, decides the allocation of the total compensation among its members. Directors are entitled to be reimbursed for expenses incurred to perform the tasks assigned to them.

On April 29, 2016, the Shareholders' Meeting approved the annual compensation for the Board of Directors in the amount of 1,000,000 euros.

At a meeting held on May 24, 2016, the Board of Directors allocated the compensation for a partial amount of 700,000 euros.

The total amount was allocated as follows:

- to each Director a fixed annual compensation of 50,000 euros;
- to the Chairperson, an additional annual compensation of 250,000, commensurate with the commitment required by the post she holds.

The Shareholders' Meeting held on April 29, 2016 approved a resolution awarding to Directors serving on Board Committees additional compensation in the amount of 3,900 euros per meeting for each member and 6,500 euros per meeting for Committee Chairpersons.

Compensation of Directors

		Compensation
Board of Directors	Chairman	300,000 euros
	Member	50,000 euros
Control and Risk Committee <small>(Attendance fee per meeting)</small>	Chairman	6,500 euros
	Member	3,900 euros
Nominating and Compensation Committee <small>(Attendance fee per meeting)</small>	Chairperson	6,500 euros
	Member	3,900 euros

On November 9, 2017, upon a motion by the Nominating and Compensation Committee, the Board of Directors agreed, for the future, to award to each independent Director, provided he or she attends all meetings of the independent Directors that may be held, a compensation of 3,900 euros; all of the above within the total compensation ceiling of 1 million euros approved by the Shareholders' Meeting on April 29, 2016.

3.2. Chief Executive Officer and General Manager

The compensation package of the Chief Executive Officer and General Manager Yvon Guérin, in office until September 12, 2017, included the following:

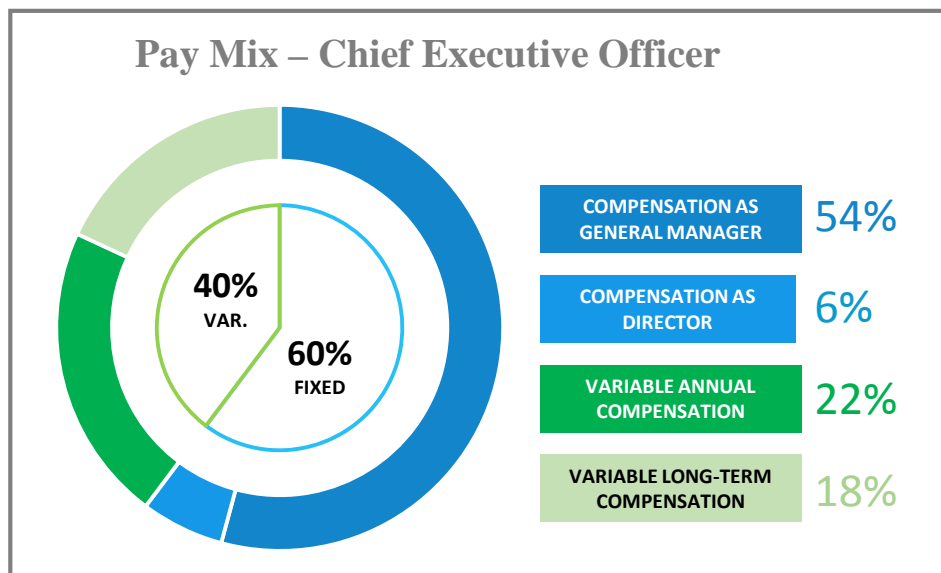
- fixed compensation for serving as a Director;
- fixed compensation for serving as General Manager;
- annual variable compensation ("Management Incentive Program" or "MIP"), tied to the achievement of predetermined and measurable targets;
- long-term variable compensation, LTI, for the 2016-2018 three-year period.
- additional cash and fringe benefits (such as housing, school tuition for his children and retirement contributions).

On May 24, 2016, the Board of Directors approved a resolution stating that the compensation of Yvon Guérin for his services as Chief Executive Officer was already covered by the compensation that he received for his services as General Manager.

The compensation package of the current Chief Executive Officer and General Manager, Jean-Marc Bernier, included the following:

- fixed compensation for serving as a Director;
- fixed compensation for serving as General Manager;
- annual variable compensation ("Management Incentive Program" or "MIP"), tied to the achievement of predetermined and measurable targets;

- long-term variable compensation, LTI, (cash amount in lieu of the three-year incentive plan for 2018);
- additional cash and fringe benefits (such as housing, school tuition for his children and retirement contributions).



On September 12, 2017, the Board of Directors approved a resolution stating that the compensation of Jean-Marc Bernier for his services as Chief Executive Officer was already covered by the compensation that he receive for his services as General Manager.

Specifically, the annual compensation package of Jean-Marc Bernier includes the following:

- fixed gross annual compensation of 450,000 euros;
- addition to gross compensation of 70,000 euros to offset social security charges in France;
- compensation of 50,000 euros for serving on the Board of Directors;
- target bonus equal to 40% of the fixed compensation, amounting to 180,000 euros.

In addition, Jean-Marc Bernier will receive:

- reimbursement of expenses for housing, schools tuition for his children and social security contribution in France for 192,000 euros;
- cash amount (target) in lieu of the three-year incentive plan for 2018, with the same KPIs and targets, for an amount of up to 150,000 euros.

3.3. Executives with Strategic Responsibilities

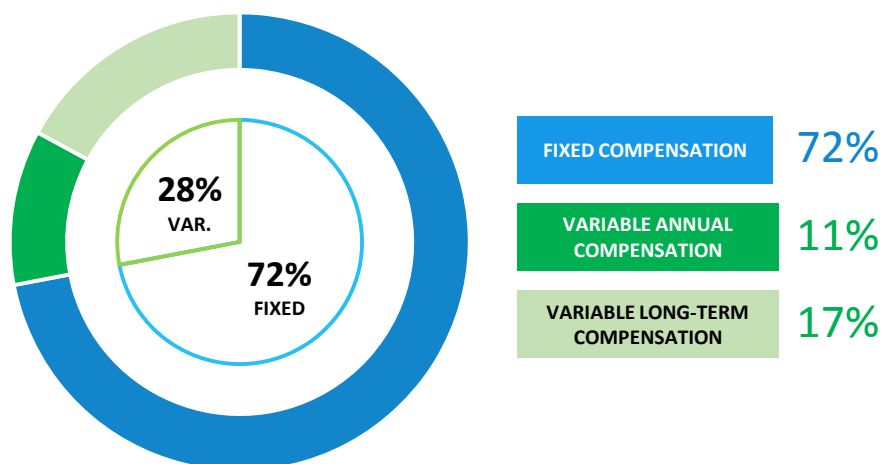
The compensation package of Executives with Strategic Responsibilities includes the following:

- fixed compensation;
- annual variable compensation (Management Incentive Program or “MIP”), tied to the achievement of predetermined and measurable targets;
- long-term variable compensation, LTI, for the 2016-2018 three-year period;

- fringe benefits, as described in Section 5.4 below.

Because he was appointed Corporate Accounting Documents Officer, the Group Chief Financial Officer is not eligible for inclusion in the Management Incentive Program (MIP).

Pay Mix – Average Exec. Strategic Responsibilities



4. Balancing Compensation Components

The main compensation tools used by the Parmalat Group are: fixed compensation, short-term incentives, long-term incentives and benefits.

The approach to total employee compensation is based on a balanced package of fixed and variable, cash and non-cash components that takes into account the Company’s strategic objectives and risk profile. Specifically, given the business sector in which Parmalat operates and the characteristics of its activities:

- the amount of the variable compensation is tied to the achievement of specific Company and personal performance targets;
- these targets, which are specified and determined in advance, are directly linked with the process of defining Company objectives;
- the variable component has a relatively small weight within the overall package. The fixed component is sufficiently large, in case no annual variable component is paid, due to the failure to achieve the performance targets. This approach facilitates focusing the beneficiaries not only on short-term objectives, but also on value creation over the intermediate and long term;
- the variable compensation structure calls for payments to be made once a minimum performance threshold, equal to at least 90% of the target, is achieved. If the targets of the budget approved by the Board of Directors are achieved, the target amount (100%) is paid.

Additional payments of up to 150% of the target amount are paid for performances that are equal to or greater than 120% of the assigned target;

- Parmalat adopted a total performance assessment system that takes into account: the achievement of personal objectives, the performance in performing one's functions, and technical and managerial competencies, which includes embracing Parmalat's values.

5. Components of the Compensation Package for Top Management

5.1. Fixed Compensation

The fixed component represents the preponderant portion of the compensation package. It is closely correlated with the position held by a person within the organization and remunerates the responsibilities entailed by that position. It is related to the excellence and quality of the individual contribution.

The amount of the fixed compensation awarded to each Director and Executive with Strategic Responsibilities is reviewed annually, in accordance with the criteria and methods illustrated in Sections 2 and 7.

5.2. Annual Variable Compensation

General Remarks

The variable component of the compensation is aimed at promoting the achievement of outstanding results, establishing a beneficial linkage between compensation and performance.

The fundamental objectives of the Management Incentive Program are:

- to create a single reward system for all Group subsidiaries;
- to maximize the value of the Company's top performers;
- to create a compensation system that enhances the Group's competitiveness.

Within Parmalat's Management Incentive Program, a target is conceived as a system of results that must be achieved.

In order to effectively function as a performance incentive, each target must be "S.M.A.R.T.":

- Specific – defined in a clear and unambiguous manner;
- Measurable – measured with objective indicators;
- Achievable – ambitious and challenging, but nevertheless perceived as achievable;
- Relevant – directly related to the Company's medium/long-term strategy;
- Time-framed – defined within a predetermined time horizon.

Structure and Operating Mechanism

According to the program, the following targets are assigned to the Chief Executive Officer:

- Group economic and financial targets:
 - o Group Net Sales
 - o Group EBITDA
 - o Group Free Cash Flow
- Assessment by the Board of Directors

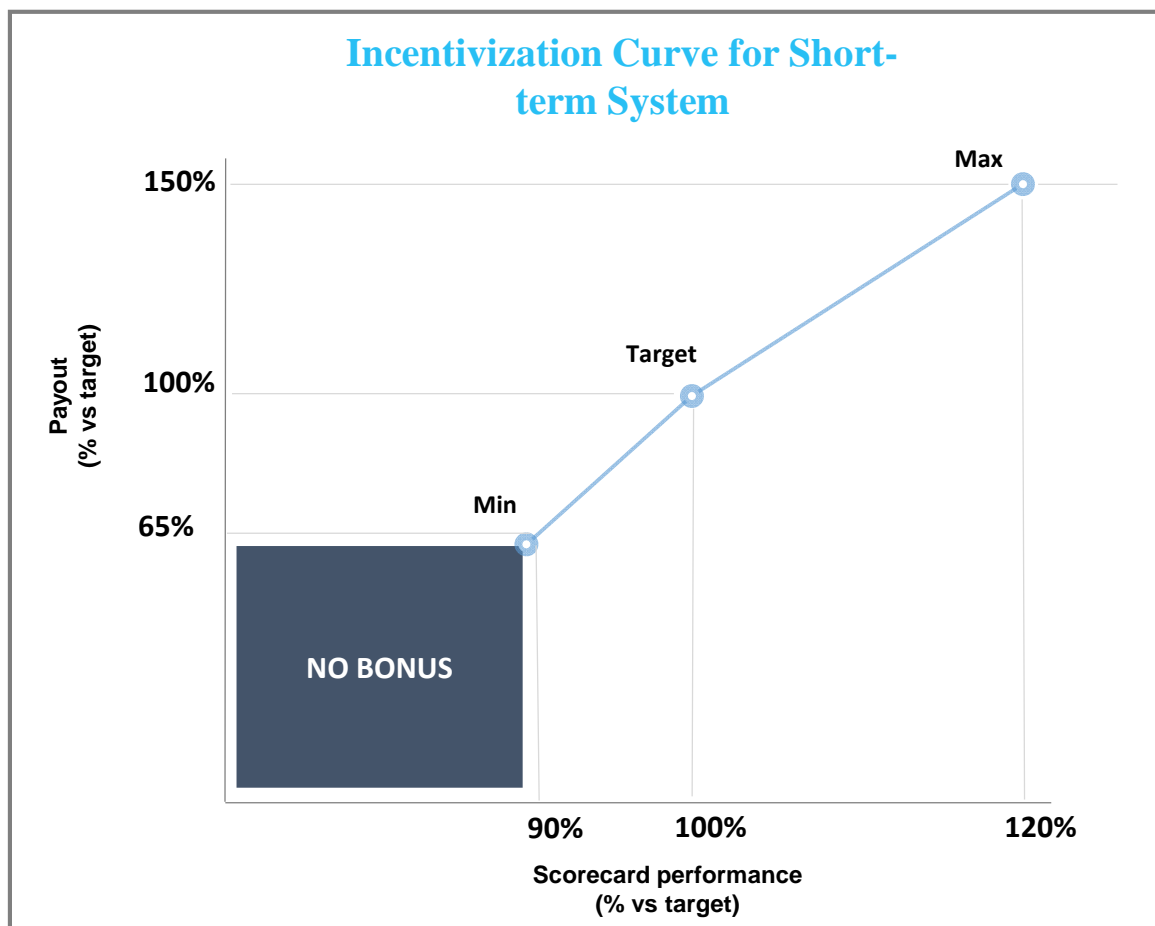
The following targets are assigned to Executives with Strategic Responsibilities:

- Group economic and financial targets:
 - o Group Net Sales
 - o Group EBITDA
 - o Group Free Cash Flow
 - o Group Cash Flow
- Function/Individual targets.

The bonuses provided for achieving each target are stated as a percentage of the fixed compensation and are paid in cash. The target variable compensation can range between 30% and 40% of the fixed compensation, depending on the post held.

The variable compensation structure calls for payments to be made once a minimum performance threshold, equal to at least 90% of the target, is achieved. If the targets of the budget approved by the Board of Directors are achieved, the target amount (100%) is paid. Additional payments of up to 150% of the target amount are paid for performances that are equal to or greater than 120% of the assigned target

The relationship between performance and bonus is represented by the incentivization curve shown in the chart that follows:



There are also minimum performance thresholds (Group Gate and Country Gate), tied to the EBITDA of the Group and the operating company, the failure to achieve which will prevent the disbursement of any incentive.

Clawback Mechanism

In accordance with the recommendations of Article 6 of the Corporate Governance Code, the annual variable compensation is subject to and bound by a clawback mechanism.

In accordance with this mechanism the Company will exercise the right to ask each beneficiary to repay the abovementioned bonus if it was paid as a result of and/or in the presence of specific circumstances, such as the presence of incorrect or false data, malicious or severely negligent conduct, and verification of conduct in conflict with or in violation of Company codes of conduct.

The repayment obligation will remain in effect for a period of time after the employment relationship between the beneficiary and the Company ended.

This mechanism shall also apply to Area Managers and CEOs of the main subsidiaries.

5.3. Long-term Incentive Plan

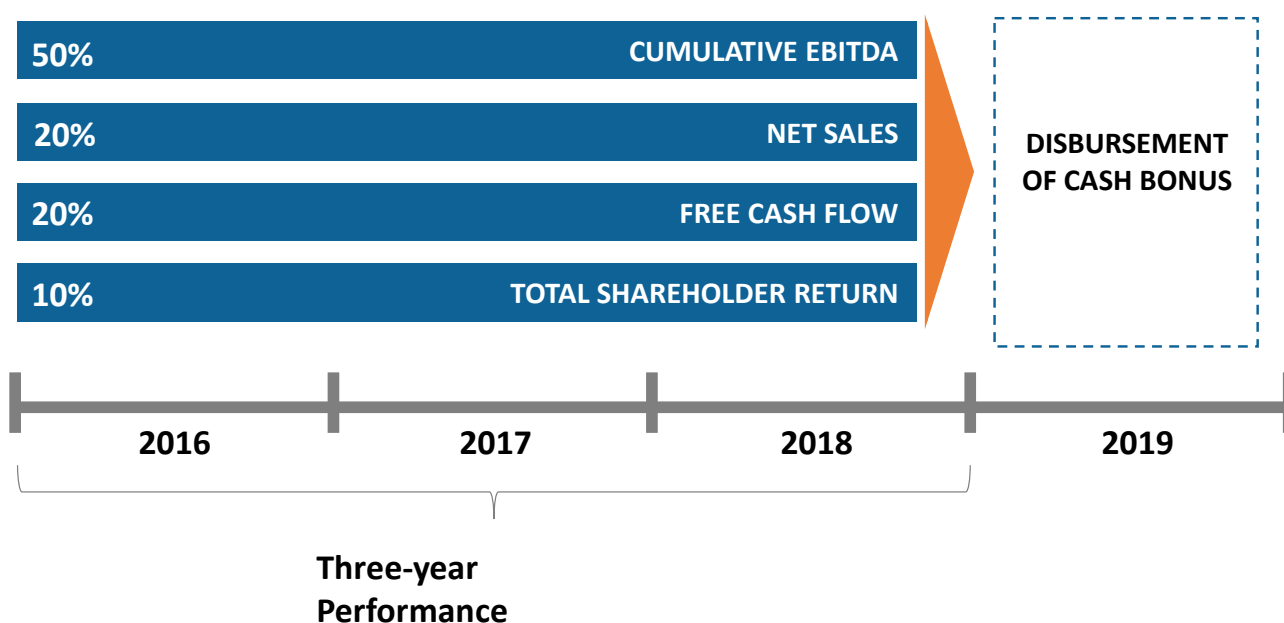
The Long-term Incentive Plan currently in effect was approved by the Shareholders' Meeting on April 29, 2016, valid for the 2016-2018 three-year period.

This plan pursues the following objectives:

- focus top management on medium/long-term objectives, with an approach based on performance sustainability;
- align the interest of top Management with that of shareholders;
- strengthen retention policies for key resources;
- make the Group's compensation policies more consistent with the recommendations of the Corporate Governance Code for Listed Companies (Article 6) regarding incentive systems for executive Directors and executives with strategic responsibilities.

The Plan consists of the award to each beneficiary of the right to receive a sum of money, conditional both on achieving plan access threshold and attaining the performance targets for the 2016-2018 three-year period.

Time Horizon for Long-term Incentivization system



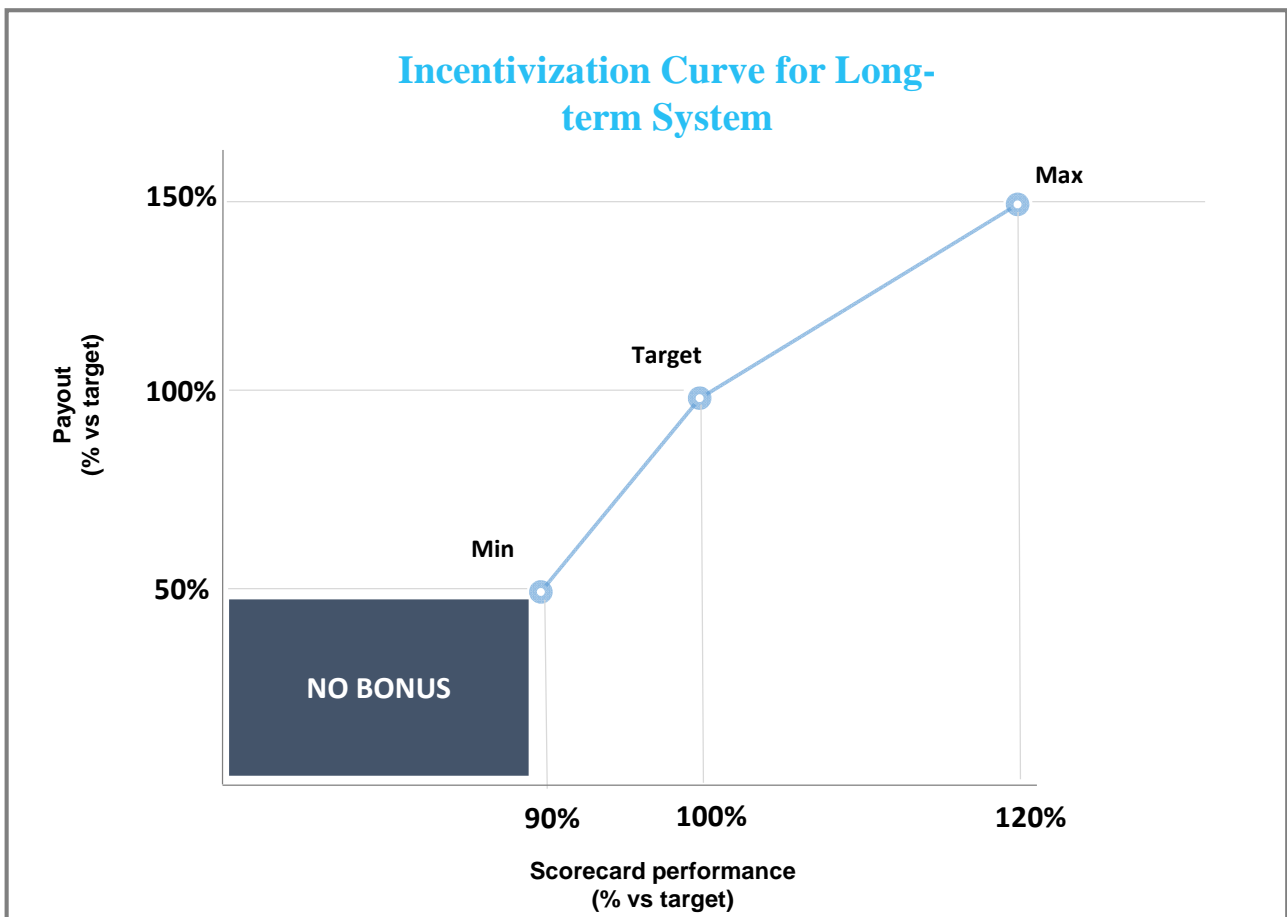
The following beneficiaries have been designated by the Board of Directors, upon a recommendation by the Chief Executive Officer and General Manager and the Nominating and Compensation Committee:

- The Chief Executive Officer and General Manager of the Parmalat Group;
- The following Parmalat Executives with strategic responsibilities
 - o The Group Chief Financial Officer;
 - o The Group HR Director
 - o The General Counsel

- Some select Chief Executive Officers of the Companies of the Parmalat Group.

In addition to the requirement of achieving the plan access threshold for three-year EBITDA of the Parmalat Group or its subsidiaries, the actual award of the bonus at the end of the three-year performance period is also conditional on attaining the following specific performance targets:

- Cumulative EBITDA for the 2016-2018 three-year period compared with the cumulative EBITDA Target of the 2016-2018 three-year plan;
- Net sales amount at the end of the three-year plan (Net sales amount in 2018) compared with the Net sales target for 2018;
- Cumulative Free Cash Flow compared with the cumulative Target Free Cash Flow of the 2016-2018 three-year plan;
- Parmalat's Total Shareholder Return compared with the performance of this indicator for the companies included in the Italia FTSE Italia Mid Cap Index during the period from January 1, 2016 to December 31, 2018.



The bonus amounts for the first three indicators a), b) and c) will be awarded upon the achievement of a minimum performance level (90% of the target objective), corresponding to a bonus equal to 50% of the bonus provided for achieving the target (100%). The achievement of the maximum target (120% of the target objective) will correspond to the award of a bonus equal to 150% of the bonus provided for achieving the target (100%). The bonuses for intermediate performances

between the minimum and the target and between the target and the maximum will be determined by linear interpolation.

As for the bonus component tied Total Shareholder Return (d indicator), the amount of the bonus paid will vary depending on where Parmalat's Total Shareholder Return is positioned relative to the Total Shareholder Return of the FTSE Italia Mid Cap Index.

More specifically, 100% of the bonus will be paid when the Company's Total Shareholder Return is greater than the Total Shareholder Return of the FTSE Italia Mid Cap Index for the Performance Period. If the Company's Total Shareholder Return is equal to or greater than the Total Shareholder Return of the FTSE Italia Mid Cap Index, increased by 10%, a bonus (maximum bonus) equal to 150% of the target bonus (=100%) will be paid.

If the Company's Total Shareholder Return is lower than the Total Shareholder Return of the FTSE Italia Mid Cap Index, the amount of the bonus for this indicator will be zero.

The table depicts the targets and maximum percentages relative to the plan's cluster of personal beneficiaries.

Base Salary % Payout		
	Target	Max
Chief Executive Officer	100%	150%
Executives with Strategic Responsibilities	75%	112,5%
Zone and Country Managers (average)	100%	150%

5.4. Benefits

A set of fringe benefits completes the total compensation package, aligning internal fairness with external competitiveness. The main benefits offered include:

- A Company car;
- Health insurance coverage in excess of the requirements of the applicable National Collective Bargaining Agreement (manufacturing sector managers);
- Housing upon relocation.

6. Individual Contracts and Treatment Provided Upon Termination of the Employment Relationship/Administration

No agreements have been executed by Parmalat and its Directors calling for the payment of an indemnity in the event of resignation or firing/dismissal without cause or if the relationship ends due to a tender offer.

Currently, no indemnity is provided for the dismissal from an office or the termination of the employment relationship for Executives with Strategic Responsibilities. As a rule, the Company does not enter into agreements that regulate *ex ante* the early termination of an employment relationship by the Company or the person involved, without prejudice, in all cases, to the applicable obligations pursuant to law and/or the relevant National Collective Bargaining Agreement.

In addition, the Company has the option of executing a non-compete agreement with its Directors, Executives with Strategic Responsibilities and senior managers, at the end of their term of office or employment relationship. Pursuant to law and in accordance with practice, these agreements may call for the payment of a consideration based on the gross annual compensation and related to the length and scope of the restrictions imposed by the agreement. These restrictions apply to the business sector within which the Group operates at the time the agreement is executed and to the Group's geographic footprint. The scope varies depending on the office held at the time the employment relationship is terminated, usually not more than one year's compensation.

7. Policy Implementation Process

7.1. Description of the Main Company Reward Processes

The Annual Salary Revision Plan is prepared and communicated annually to the Group Human Resources Department, concurrently with the budget, of which it is an integral part. With regard to Executives with Strategic Responsibilities, the Chief Executive Officer and General Manager, based on the criteria defined in Item 2, determines fixed compensation increases.

The annual Management Incentive Program ("MIP"), which constitutes the variable portion of the compensation system, calls for the payment of a variable compensation tied to the achievement of economic and financial targets and personal targets assigned annually to the beneficiaries of the Management Incentive Program, including Executives with Strategic Responsibilities.

Each year, the Chief Executive Officer and General Manager defines the individual targets of Executives with Strategic Responsibilities, consistent with the budget and the strategic plan approved by the Board of Directors.