

Corporate governance and best practices: the Parmalat case.

Prof. Fabrizio Bava

Associate Professor

University of Turin, Faculty of Economics and Business

C.so Unione Sovietica 218 bis – 10134 Turin

(ITALY)

Mail: bava@econ.unito.it

Prof. Alain Devalle, Ph.D.

Assistant Professor

University of Turin, Faculty of Economics and Business

C.so Unione Sovietica 218 bis – 10134 Turin

(ITALY)

Mail: devalle@econ.unito.it

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 diary 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 Aglosaxon 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)¹. Finally the Italian corporate governance system is based on pyramidal firm structure. According to La Porta et al. (2000) the strongest corporate governance system is the Anglosaxon 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).

transactions. Also Tabasso (2004) underlined that the Parmalat “fiasco” demonstrated the ineffectiveness of prevention and controls in many critical areas of the corporate world, prompting a serious reappraisal of self-regulation codes and legal standards. An analysis of the financial and economic aspects of the Consolidated Financial Statement of Parmalat during the four-year period 1998-2002 showed that there were some critical accounting areas that were not observed by the Parmalat controlling bodies (Bava and Devalle, 2004). The biggest financial scandal in Italy (an example of worst practice of corporate governance) gives rise to an analysis of the governance rules of the “new” Parmalat, which were defined following the group’s restructuring process with the main aim of regaining the trust of the markets and becoming a model of best practice. This paper does not intend to analyze whether the Italian rules of Corporate Governance are a best practice in Europe, but it aims at verifying whether, in the Italian Corporate Governance system, the “new” Parmalat governance can be considered a best practice of governance. Thus, 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 company bodies. The Parmalat Group underwent a in-depth restructuring process with the main aim of regaining the trust of the markets and became the first public company (Bonicelli E. (2007), Parmalat public company, Il Sole 24 ore, Milano) in Italy without a strong blockholder and without a trade union agreement. The remainder of this paper is organized as follows. Section 2 presents an overview of Italy’s Corporate Governance System and the question research. The Parmalat Case Study is presented in Section 4. The paper concludes with a discussion of the findings and some indications regarding future development.

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 Directors² 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 shareholders³.

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

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 Director⁴. This is a significant aspect, as such a separation is established by the Bylaws and complies with best governance acknowledged on an international scale⁵. 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 Directors⁶

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.

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/ditorio/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.

The Litigation Committee, which comprises three independent Directors without executive authority⁷ 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 members⁸ 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 Auditors⁹.

[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.

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.

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 addition 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 shareholders¹⁰. 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 candidates¹¹.

[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

10 Furthermore the Bylaws establish that the Statutory Auditors elected by the minority list should take on the role of Chairman of the Board of Statutory Auditors. It is currently a legal obligation that was introduced by the reform of the Savings Law.

11 Ferrarini and Giudici, (2005) underlined in their paper that "The Bylaws of the old Parmalat allowed minority shareholders representing at least 3% of the voting rights to appoint a statutory auditor". Such a high percentage made the nomination of Statutory Auditors by minority shareholders difficult. Nevertheless, in 1999 "institutional investors were successful in appointing a statutory auditor to Parmalat's board. However, at the end of her three-year term in 2002 the minority appointed auditor informed the institutional investors that she was not available for reappointment. It is rumoured that her decision was construed by the industry as an alarm signal. As a consequence, many funds sold Parmalat shares and thus at the general meeting of 2002 institutional investors were not able to reach the required threshold and therefore could not appoint a statutory auditor for the minority shareholders. If confirmed, this account would add credibility to the idea that well before the end of 2002 information concerning Parmalat's problems was buried in the market"

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 than 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 performance¹².
- 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 managers¹³.
- 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 mode¹⁴. 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, except in unusual circumstances, themselves exercise the power to decide¹⁵”. 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 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 (Riccaboni A.,

12 See Pearce and Zahra (1992), McKinsey&Company (2002), Niamh Brennan and Michael McDermott (2004).

13 See Berkman, Cole, & Fu (2009); Cheung, Rau, & Stouraitis, (2006), (2010); Dharwadkar, George, & Brandes, (2000); Young et al., (2008).

14 Bowen. W. G., The board book, Norton, pag. 150.

15 Bowen. W. G., The board book, Norton, pag. 150.

Guindani P., 2008). 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).

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AUTHORS' PROFILE



Fabrizio Bava is Associate Professor in Business Administration at the University of Turin, Italy. He now lectures in Auditing and Financial Statement at the same University. His main research interests and publications are in auditing and corporate governance.



Alain Devalle is Assistant Professor in Business Administration at the University of Turin, Italy and Qualified Chartered Accountant. He now lectures in Accounting and Auditing at the same University. His main research interests and international publications are in financial statement analysis, corporate governance and IFRS.

TABLE 1 – ITALIAN CORPORATE GOVERNANCE FRAMEWORK.

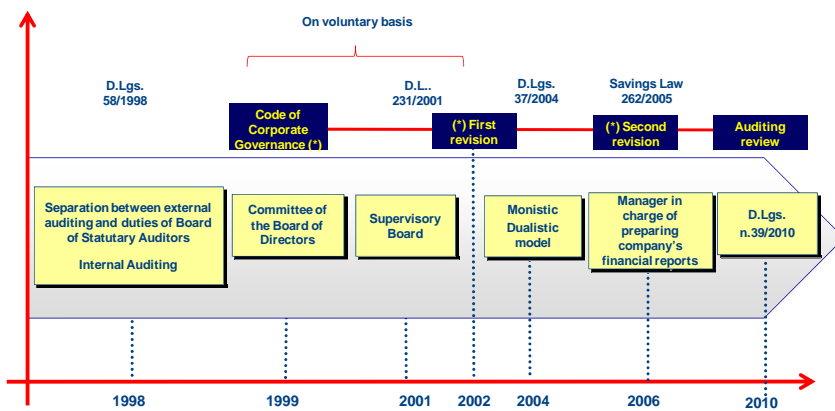


TABLE 2 – SHAREHOLDER WITH MORE THAN 2% OF THE VOTING SHARES

Shareholder	Percentage
FIR TREE INC.	2,287%
UBS AG	2,382%
MACKENZIE CUNDILL INVESTMENT MANAGEMENT LTD	2,348%
GOLDMAN SACHS ASSET MANAGEMENT L.P.	2,013%
INTESA SANPAOLO SPA	2,438%
JP MORGAN CHASE & CO. CORPORATION	3,026%
Total shareholders with significant equity interest	14,494%

Source: Consob – 27.10.2008

Shareholder	Percentage
MACKENZIE CUNDILL INVESTMENTS MANAGEMENT LTD	7,557%
BLACKROCK, INC.	4,945%
SKAGEN AS	5,009%
TOTALE GRUPPO INTESA S. PAOLO	2,321%
NORGES BANK INVESTMENT MANAGEMENT	2,023%
Total shareholders with significant equity interest	21,86%

Source: Consob – 18.08.2011

TABLE 3 - OLD AND NEW CORPORATE GOVERNANCE ABOUT THE BOARD OF DIRECTORS

Board of Directors	New Parmalat	Old Parmalat
Number of components of the Board of Directors	11 (the number of Directors established by the Bylaws)	The Bylaws established a number of between five and fifteen Directors
Election procedure	Slates of candidates. Threshold equal to at least 1% of the Company's shares	The presentation of the slate was not required prior to the meeting
Process	Presentation at least 10 days beforehand: <ul style="list-style-type: none"> official acceptance of the candidates; certification that there is no legal reason to prevent the election of the candidate; certification of necessary requisites; curriculum vitae. 	Not established
Independent Directors	9 (at least 6 in compliance with the Bylaws)	3 (according to the statements found in the annual report on corporate governance)
Corporate Governance Posts	The same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer	Allowed
Board Evaluation	The board evaluation process was carried out by requesting that all members fill out a questionnaire.	Not established

TABLE 4: FEATURES OF NEW PARMALAT'S INTERNAL COMMITTEE

	New Parmalat	Old Parmalat
Internal Committees	The establishments of Internal Committees is governed by Bylaws. These committees are: <ul style="list-style-type: none"> Litigation Committee; Nominations and Compensation Committee; Internal Control and Corporate Governance Committee. 	The following had been set up: <ul style="list-style-type: none"> the Internal Control Committee the Compensation Committee
Compensation of the Board of Directors	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.	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.

TABLE 5 – THE LITIGATION COMMITTEE

	New Parmalat	Old Parmalat
Composition	Three independent Directors without executive authority	Not established
Nomination	The Bylaws establish that at least one of its members must be drawn from a minority slate	
Function	Provides consulting support to the CEO on litigation related to the insolvency of the companies included in the Composition with Creditors.	

TABLE 6 – THE NOMINATIONS AND COMPENSATION COMMITTEE

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

TABLE 7 – THE INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE

	Old Parmalat	New Parmalat
Composition	Three independent Directors without executive authority Sessions of the Committee are attended by the Chairman of the Board of Statutory Auditors.	Two were independent and one had executive authority.
Nomination	The Bylaws establish that at least one of its members must be drawn from a minority slate	By the Board of Directors

TABLE 9 - STATUTORY AUDITORS

	New Parmalat	Old Parmalat
Number of components	3	3
Election procedure	Slates of candidates – Threshold equal to at least 1% of the Company's shares Chairmanship of the Statutory Board goes to the first candidate on the list that is second for the number of votes	Slates of candidates – Threshold equal to at least 3% of the Company's shares Chairmanship of the Statutory Board goes to the first candidate on the list that is first for the number of votes
Process	Presentation at least 10 days beforehand: <ul style="list-style-type: none"> official acceptance of the candidates; certification that there is no legal reason to prevent the election of the candidate; certification of necessary requisites curriculum vitae 	Presentation at least 10 days beforehand: <ul style="list-style-type: none"> official acceptance of the candidates; certification that there is no legal reason to prevent the election of the candidate; certification of necessary requisites

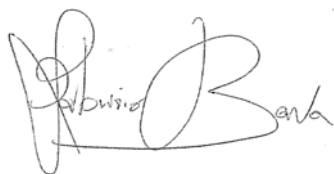
NONOSTANTE L'ARTICOLO SIA FRUTTO DI LAVORO CONGIUNTO È POSSIBILE ATTRIBUIRE I PARAGRAFI I – II – III –V AD ALAIN DEVALLE E IV A FABRIZIO BAVA

GLI AUTORI:

ALAIN DEVALLE

A handwritten signature in black ink, written in a cursive style. The name 'Alain Devalle' is clearly legible.

FABRIZIO BAVA

A handwritten signature in black ink, written in a cursive style. The name 'Fabrizio Bava' is clearly legible.