



Parmalat SpA

*2010 Annual Report on
Corporate Governance*

Approved by the Board of Directors on March 2, 2011

Available on the Company website: www.parmalat.com

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1. Issuer's Governance Structure and Profile

1.1 Governance Structure

The Company's system of corporate governance consists of a series of rules and activities that it has adopted to ensure that its governance bodies and control systems function efficiently and transparently. This Report was prepared in accordance with the provisions of the Corporate Governance Code published by Borsa Italiana and is consistent with best international practices. It describes the practice of corporate governance at Parmalat S.p.A. in 2010.

Parmalat's corporate organization is based on the so-called "conventional" model, which consists of the following corporate governance bodies: the Shareholders' Meeting, the Board of Directors (supported by Consulting Committees), the Board of Statutory Auditors and, separately, the Independent Auditors (external governance body).

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 No. 231/01, with which all members of the Company — Directors, Statutory Auditors and employees — are required to comply.

This Report is also available on the Company website (www.parmalat.com → Corporate Governance page) and is included in the 2010 Report on Operations.

1.2 Group's Mission

The Group's mission is set forth in the Code of Ethics, which is available on the Company website: www.parmalat.com → Corporate Governance page.

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

The strategy pursued by the Group is based on the identification of a clear mission in the global market. Parmalat intends to consolidated its position as a primary player both domestically and internationally. The mission of the Parmalat Group is as follows:

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

We intend to establish Parmalat as one of the top players in the global market, which deliver improved nutrition and wellness to consumers, and attain clear leadership in selected product categories and countries with high growth potential for the Group.

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

1.3 Compliance

Parmalat adopted the Corporate Governance Code published by Borsa Italiana S.p.A. (hereinafter referred to as the "Code"); it is available on the Borsa Italiana S.p.A. web site at the following address: www.borsaitaliana.it.

Parmalat also approved a separate code of conduct, which in this Report is cited as the "Parmalat Code of Conduct" and is discussed in greater detail in Section 3.2.2 below.

Information related to the compliance with the Code are explained in the following sections of this Report.

Parmalat and its most strategic subsidiaries are not subjected to non Italian Laws requirements which might affect its Corporate Governance structure.

2. Share Capital and Shareholders

2.1 Share Capital

On October 1, 2005, upon the Court approving the Proposal of Composition with Creditors of the Parmalat Group Under Extraordinary Administration, all of the assets (with a few specific exceptions) of the companies that were parties to the Proposal of Composition with Creditors (Parmalat SpA, Parmalat Finanziaria SpA, Eurolat SpA, Lactis SpA, Parmalat Netherlands BV, Parmalat Finance Corporation BV, Parmalat Capital Netherlands BV, Dairies Holding International BV, Parmalat Soparfi SA, Olex SA, Geslat Srl, Parmengineering Srl, Contal Srl, Panna Elena CPC Srl, Centro Latte Centallo Srl and Newco Srl) and all of their rights to personal and real property, tangible and intangible assets, business operations, outstanding contracts and all other rights and actions formerly belonging to the abovementioned companies were transferred to Parmalat S.p.A.

In exchange for acquiring the assets listed above, Parmalat S.p.A. assumed, among other undertakings, the obligation toward the creditors of the Parmalat Group Under Extraordinary Administration to proceed (through Fondazione Creditori Parmalat) with the process of issuing the shares allocated to eligible unsecured creditors and distribute shares and warrants to the abovementioned creditors in accordance with the provisions of the Proposal of Composition with Creditors.

As of February 18, 2011, following the distribution of shares in the manner described above, the Company's approved share capital amounted to 2,025,087,908 euros, of which 1,735,386,326 euros had been subscribed and allocated; in relation with this amount please be informed that:

- 7,891,519 shares representing approximately 0.5% of the share capital are still in a deposit account c/o Parmalat S.p.A., of which:
 - 5,722,423 shares, or 0.3% of the share capital, registered in the name of individually identified commercial creditors, are still deposited in the intermediary account of Parmalat S.p.A. centrally managed by Monte Titoli;
 - 2,169,096 shares, or 0.1% of the share capital registered in the name of the Foundation, called Fondazione Creditori Parmalat, of which:
 - 120,000 shares representing the initial share capital of Parmalat S.p.A.;
 - 2,049,096 shares, or 0,1% of the share capital that pertain to currently undisclosed creditors.

As of the same date, a total of 89,897,433 warrants had been issued, 24,887,318 of which had been exercised.

Because the process of distributing shares and warrants is still ongoing, the Company's share capital could vary on a monthly basis until it reaches an amount that could reach 2,025,087,908.00 euros, which was approved by the Shareholders' Meeting on April 28, 2007, or until the expiration of the warrant conversion deadline, i.e., December 31, 2015.

2.2 Shareholder Base

Based on the data contained in the Stock Register, the communications received pursuant to law and other information available as of February 24, 2011, the shareholders listed on the table that follows are believed to own, either directly or through representatives, nominees or subsidiaries, an interest in the Company that is greater than 2% of the voting shares. The ownership percentages shown have been computed based on a share capital of 1,735,386,326 euros, which is the amount deposited as of February 18, 2011.

Shareholder	Significant equity investments			Percentage
	No. of shares	Pledged shares		
		No. of shares	Percentage	
Mackenzie Cundill Investments Management Ltd	131,138,280			7.557%
BlackRock, Inc.	85,816,937			4.945%
of which: BlackRock Institutional Trust Company	38,836,067			2.238%
BlackRock Advisors Ltd	11,304,100			0.651%
BlackRock Fund Advisors	8,496,423			0.490%
BlackRock Asset Management Japan Ltd	5,881,012			0.339%
BlackRock Advisors LLC	4,922,663			0.284%
BlackRock Investment Management LLC	4,230,489			0.244%
BlackRock Asset Management Ireland Ltd	3,042,374			0.175%
BlackRock Investment Management UK Ltd	2,392,140			0.138%
BlackRock Asset Management Australia Ltd	1,315,082			0.076%
BlackRock Asset Management Deutschland AG	1,247,664			0.072%
BlackRock Asset Management Canada Ltd	924,656			0.053%
BlackRock International Ltd	538,638			0.031%
BlackRock Capital Management Inc	624,567			0.036%
BlackRock Financial Management Inc	792,093			0.046%
BlackRock Luxembourg SA	354,169			0.020%
BlackRock Fund Managers Ltd	435,771			0.025%
BlackRock Netherlands BV	303,109			0.017%
BlackRock Investment Management Australia Ltd	175,920			0.010%
Skagen AS	86,922,227			5.009%
Total Intesa S. Paolo Group	40,274,358			2.321%
breakdown: Intesa San Paolo SpA	36,930,518	411,658	0.00025	2.128%
other banks of the San Paolo Imi	3,343,840			0.193%
Norges Bank Investment Management	35,108,360			2.023%
TOTAL SHAREHOLDERS WITH SIGNIFICANT EQUITY	379,260,162			21.855%

2.3 Information About Ownership Issues (as per Article 123-bis of the Uniform Financial Code)

As of the date of approval of this Report:

a) Share Capital Structure

At February 18, 2011, the Company's share capital amounted to 1,735,386,326 euros. The share capital consists of common shares, all of which convey all of the rights and obligations required pursuant to law. Pursuant to the relevant provisions of the law and the Bylaws, the common shares, which are registered shares, entitle their holders to attend ordinary and extraordinary meetings of the Company's shareholders and convey all of the administrative and property rights that the law provides to owners of voting shares.

b) Restrictions on the Transfer of Shares

There are no restrictions on the transfer of shares, such as limitations on stock ownership or the requirement that the transfer be approved by the Issuer or other owners of the securities.

c) Shareholder Base and Shareholders with Significant Equity Interests
Information about this issue is provided in Section 2.2 above.

d) Securities that Convey Special Rights
No securities that convey special control rights have been issued.

e) Employee Stock Ownership: Method of Exercising Voting Rights
There is no employee stock ownership plan.

f) Restrictions of the Right to Vote
There are no restrictions of the right to vote.

g) Shareholders' Agreements
As of the date of approval of this Report, Parmalat is not aware of any shareholders' agreements, as defined in Article 122 of the Uniform Financial Code..

h) Election and Replacement of Directors
Information about this issue is provided in Section 3.1 below.

i) Authorizations to Increase Share Capital and Authorizations to Buy Treasury Shares
The Board of Directors has not been authorized to increase the Issuer's share capital, as required by Article 2443 of the Italian Civil Code.
The Company has not considered the option of submitting motions asking that the Shareholders' Meeting authorize the purchase of treasury shares, as required by Articles 2357 and following of the Italian Civil Code

l) Significant Agreements
For some of the Group's companies, the signing of agreements that contain change of control clauses is part of the normal process of negotiating major contracts. A review pertaining to this issue was carried out with regard to Parmalat S.p.A. and its subsidiaries; Parmalat Canada indicated that it was a party to an agreement with a "change of control clause", pursuant to which a former lender would be paid an amount equal to 10% of Parmalat Canada's equity value in the event of a change of control, as defined therein. The foregoing agreement terminates on 9 July 2011, unless an arrangement is undertaken before 9 July 2011 to cause a change of control and such arrangement is formally consummated before 9 July 2012, in which case the term of the agreement would be extended so as to allow the former lender to receive its payment accordingly.

m) Indemnities Payable to Directors in the Event of Resignation or Dismissal Without Just Cause or if the Relationship Is Terminated Due to a Tender Offer
Parmalat is not a party to any agreements with Directors calling for the payment of indemnities in the event of resignation or dismissal without just cause or if the relationship is terminated due to a tender offer.

n) Guidance and coordination activities
Parmalat is not subjected to any guidance and coordination activities according to article 2497 and subsequent of the Italian Civil Code.

3. Board of Directors

3.1 Composition and Election

The Company is governed by a Board of Directors comprising 11 (eleven) 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.

At a meeting held on July 29, 2010, the Board of Directors, adopted the mandatory amendments to the Bylaws required by Legislative Decree No. 27 of February 27, 2010 concerning the election of Directors.

As required by Article 11 of the Bylaws, as amended by the Board of Directors, slates filed by shareholders must be deposited at the Company's registered office twenty-five days before the date of the Shareholders' Meeting convened to vote on the election of the Board of Directors. The slates of candidates shall be made available to the public at Company's registered office, on its website and in any other manner required pursuant to Consob regulations at least twenty-one days before the date of the Shareholders' Meeting, it being understood that this shall not affect the obligation to publish the slates, according to Article 11 of the Bylaws, in at least two of the newspapers referred to in Article 8 of the Bylaws and the *Financial Times* at least twenty-one days before the date of the Shareholders' Meeting.

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

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

- a) A number of Directors in proportion to the number of votes received plus two, but not more than 9 (nine), will be taken from the slate that received the majority of votes. Fractions greater than 0.5 (zero point five) will be rounded to the next higher whole number, and fractions smaller than 0.5 (zero point five) will be eliminated;
- b) The remaining Directors will be elected from the remaining slates. To that end, the votes cast for these lists will be divided in sequence by one, two, three or four, depending on the number of Directors that need to be elected. The quotients thus obtained will be attributed progressively to the candidates in each of the slates, in the order in which the candidates are listed on the slates. The quotients thus attributed to the candidates on the various slates will be arranged in decreasing order. The candidates with the highest quotients will be elected. If more than one candidate receives the same quotient, the candidate belonging to the slate that contains no elected Directors or the smallest number of elected Directors will be elected.

If none of these slates contains an elected Director or all contain the same number of elected Directors, the candidate who received the highest number of votes will be elected. If candidates receive the same number of slate votes and the quotient is the same, the Shareholders' Meeting will be asked to vote again, and the candidate who receives a plurality of the votes will be elected.

If the group of candidates elected from the slate that received the majority of the votes cast does not include a sufficient number of independent Directors, the non-independent candidate elected with the smallest quotient from the slate that received the highest number of votes after the first slate will be replaced by the unelected independent candidate from the same slate with the highest quotient, and so forth, slate by slate, until the required number of independent Directors is reached.

If only one slate is filed or no slates are filed or the election concerns only a portion of the Board of Directors, the Shareholders' Meeting will vote with the applicable statutory majorities and in accordance with the provisions Article 11, Paragraph 2, of the Bylaws.

If one or more Directors should leave office in the course of the fiscal year, irrespective of the reason, the Board of Directors will proceed in accordance with provisions of Article 2386 of the Italian Civil Code. If one or more the departing Directors had been elected from a slate containing names of candidates who had not been elected, the Board of Directors will replace the departing Directors by appointing candidates taken in sequence from the slate of the departing Director, provided these candidates are still electable and are willing to serve. If an independent Director should leave office, he must be replaced, to the extent that it is feasible, with the first of the unelected independent Directors in the slate from which the departing Director was drawn.

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

The Shareholders' Meeting that elects the Directors determines the length of their term of office, which, however, may not be longer than three fiscal years. The term of office of the Directors thus appointed expires on the date of the Shareholders' Meeting convened to approve the financial statements for the last year of their term of office. Directors may be reelected.

In the course of an election, at least 6 (six) of the Directors elected by the Shareholders' Meeting must be independent Directors possessing the requirements set forth in Article 12 of the Bylaws.

Directors must meet the requirements of the applicable statutes or regulations (and of the Corporate Governance Code published by the company that operates the regulated market in Italy on which the Company's shares are traded). The following individuals may not be elected to the Board of Directors and, should such an individual currently be serving in such capacity, he shall be removed from office automatically: (i) individuals against whom the Company or its predecessors in title have filed legal actions at least 180 (one hundred eighty) days prior to the date of the Shareholders' Meeting convened to elect the Board of Directors; (ii) individuals who, prior to June 30, 2003, served as Directors, Statutory Auditors, General Managers or Chief Financial Officers of companies that at that time were part of the Parmalat Group; (iii) individuals who are defendants in criminal proceedings related to the insolvency of the Parmalat Group or who have been found guilty in such proceedings and ordered to pay damages, even if the decision is not final.

With regard to corporate governance posts, the Bylaws state that the same person may not serve both as Chairman of the Board of Directors and Chief Executive Officer.

The table that follows lists the Directors who were in office as of the writing of this Report and the posts they held at publicly traded companies; financial, banking and insurance institutions; and large businesses. The current Board of Directors was elected by the Shareholders' Meeting convened on April 9, 2008, on the second calling, and will remain in office up to the date of the Shareholders' Meeting convened to approve the annual financial statements at December 31, 2010.

The Directors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Angelo, Gordon & Co. LP, Stark Master Fund Ltd, Stark Global Opportunities Master Fund Ltd, Stark Criterion Master Fund Lt, MKM LongBoat Multi-strategy Master Fund Ltd* and *Zenit Fund*. The abovementioned slate was published in the following newspapers on March 27, 2008: *Il Sole 24 Ore, Corriere della Sera* and *Financial Times*.

There was no change in the composition of the Board of Directors between the end of the year and the date when this Report is being submitted for approval.

Name of Director	Post held at Parmalat S.p.A.	Posts held at other companies (as defined by Guideline 1.C.2 of the Code) that are not part of the Parmalat Group
Raffaele Picella	Chairman	➤ Chairman of Banca Campania S.p.A.
Massimo Confortini	Independent Director	➤ Director of Cementir Holding SpA ➤ Independent Director of Caltagirone Editore SpA ➤ Extraordinary Commissioner Antonio Merlonispin A.S.
Enrico Bondi	Chief Executive Officer (*) <i>(*) Also serves as Chairman of Fondazione Creditori Parmalat.</i>	
Vittorio Mincato	Independent Director	➤ Chairman Neri Pozzi SpA ➤ Vice Chairman of Nordest Merchant SpA ➤ Director of Tecnoholding SpA ➤ Independent Director of Fiat SpA

Name of Director	Post held at Parmalat S.p.A.	Posts held at other companies (as defined by Guideline 1.C.2 of the Code) that are not part of the Parmalat Group
Marzio Saà	Independent Director	<ul style="list-style-type: none"> ➤ Director of Eridano Finanziaria Spa ➤ Independent Director of Juventus Football Club SpA ➤ Director of Società Italiana Tecnodinamica La Precisa SpA ➤ Director Cofiber SpA ➤ Director ITS SpA
Carlo Secchi	Independent Director	<ul style="list-style-type: none"> ➤ Independent Director of Pirelli & C. SpA ➤ Independent Director of Allianz SpA ➤ Independent Director of Mediaset SpA ➤ Independent Director of Italcementi SpA ➤ Independent Director of Expo 2015
Ferdinando Superti Furga	Independent Director	<ul style="list-style-type: none"> ➤ Chairman Board of Stat. Auditors of Arnoldo Mondadori Editore SpA ➤ Statutory Auditor of Telecom Italia SpA ➤ Chairman Board of Stat. Auditors of Fininvest SpA ➤ Independent Director of Giuseppe Citterio SpA ➤ Vice Chairman of the Board of Directors of Société Européenne de Banque SA ➤ Chairman Board of Stat. Auditors of Publitalia'80 SpA ➤ Independent Director of Luisa Spagnoli SpA ➤ Chairman Board of Stat. Auditors of Saras SpA
Piergiorgio Alberti	Independent Director	<ul style="list-style-type: none"> ➤ Director of Finmeccanica SpA ➤ Director Banca Carige SpA
Marco De Benedetti	Independent Director	<ul style="list-style-type: none"> ➤ Director of Cofide SpA ➤ Director of NBTY, Inc.
Andrea Guerra	Independent Director	<ul style="list-style-type: none"> ➤ Chief Executive Officer of Luxottica SpA ➤ Director of DEA Capital
Erder Mingoli	Independent Director	<ul style="list-style-type: none"> ➤ Vice Chairman BoD of Lucchini RS SpA ➤ Managing Director BoD of Lucchini RS SpA ➤ Chairman BoD of Lucchini UK Ltd ➤ Chairman BoD of Lucchini Sweden AB ➤ Chairman BoD of Lucchini Poland Sp. Z.O.O.

Information about the personal and professional backgrounds of the Directors referred to in Article 144-*octies*, Letter b.1), of the Issuers' Regulations, as cited in Article 144-*decies*, of the Issuers' Regulations, is available on the Company website: www.parmalat.com → Corporate Governance → Board of Directors page.

Independence

The requirement of independence is governed by Article 12 of the Bylaws.

Each independent Director certified that he qualified as independent pursuant to the Bylaws at the time of election. These qualifications were checked by the Board of Directors at the first Board meeting after the election, which was held on April 9, 2008, after the Shareholders' Meeting had been adjourned. At that meeting, which was attended by the entire Board of Statutory Auditors, the Directors performed the independence verification process in a manner consistent with the recommendation set forth in Section 3.C.1 of the Corporate Governance Code published by Borsa Italiana, which requires that substance rather than form be the guiding principle when assessing the independence of non-executive Directors, taking also into account the criteria set forth in Section 3.C.1 of the Code and the provisions established in paragraph 3, of Article

148 of TUF, as well as in article 12 of Parmalat's Bylaws. The outcome of this review was communicated to the market on April 9, 2008.

The current Board of Directors includes nine independent Directors, which is more than the minimum number of independent directors required pursuant to Article 11 of the Bylaws.

The Board of Directors periodically assesses the independence of the Directors. On March 2, 2011, the Board of Directors verified that the Directors who qualified as independent at the time of their appointment continued to meet the independence requirement. The outcome of this assessment was disclosed to the market.

In 2010, the independent Directors met separately from the other Directors on one occasion (on April 1st, 2010).

Self Assessment

In addition to checking whether non-executive Directors qualified as independent, the Board of Directors performed a process of self assessment with regard to the size, composition and operating procedures of the Board itself and its Committees. The assessment process was carried out by requesting that all members of the Board of Directors fill out a questionnaire by which they assessed the Board's performance in terms of the parameters referred to above and provided suggestions about the inclusion of members with professional qualifications that could prove useful to the Board. The self-assessment questionnaire was submitted for review to the Internal Control and Corporate Governance Committee, which handled the preparatory phase of the self assessment process. The Committee also reviewed the findings provided by the questionnaires prior to the adoption of the relevant resolution and discussed them in a brief report that was submitted to the Board of Directors.

The self assessment process for the 2010 financial year was performed by the Board of Directors at a meeting held on March 2, 2011.

As examples of the work performed, the assessment process dealt with the exercise of management authority over the company by the Board of Directors, the Board's involvement in defining strategic plans, the updating of the Board with regard to changes to the relevant rules and regulations and the effectiveness and timeliness of reports. The assessment process also included reviewing other issues, such as the frequency and length of Board meetings, the Board's deliberations and reports on the exercise of delegated powers. Similar assessments were performed with regard to the Committees and, lastly, a special section of the questionnaire is reserved for the performance of self assessment through the input of individual Directors. The questionnaire includes a specific question about any improvements made in response to issues uncovered through the previous year's self assessment. The Company, based also on published reports of the relevant findings, took notice of the fact that, currently, the practice of choice among publicly traded companies is that of self assessment through an internal process. The Board of Directors ascertained periodically the implementation of the self assessment process.

Guidelines About the Maximum Number of Governance Positions

At its meeting of December 11, 2007, the Board of Directors already expressed its views with regard to the maximum number of posts that may be held on Boards of Directors of publicly traded companies; financial, banking and insurance institutions; and large businesses compatibly with the obligation to serve effectively as a Director of Parmalat.

More specifically, the Board of Directors — taking into account: i) the composition and rules of operation of the current Board of Directors; ii) the high level of attendance by the Directors at the meetings held by the Board of Directors and its Committees; iii) the obligations of Directors, as set forth in Article 13 of the Bylaws and Article 4 of the Parmalat Code of Conduct (which must be used subjectively as a source of guidance by Directors when accepting to serve on the Board) — provided an indication as to the maximum number of governance positions that may be held compatibly with the obligation to serve effectively as a Director of Parmalat SpA, in accordance with the Section 1.C.3 of the Code, stating that Directors may not serve on more than five (5) Boards of Directors or Boards of Statutory Auditors (including the Board of Directors of Parmalat SpA) of companies whose securities are traded on a regulated market in Italy or abroad. The Board of Directors also stated that, in exceptional cases, this limit may have been changed (both downward

or upward) by means of a resolution approved by the Board of Directors. This resolution, which shall be disclosed in the Annual Report on Corporate Governance, must explain the reason for the change, based on considerations that take into account the size, organization and ownership relationships that exist among the companies in question. The guidelines chosen by the Board of Directors will remain in effect until the Board decides otherwise. Such a decision will be, if the case, disclosed in next year's Annual Report on Corporate Governance.

Lead Independent Director

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

Non-compete Obligation

As a rule, the prior approval of the Shareholders' Meeting is not required to waive the non-compete obligation set forth in Article 2390 of the Italian Civil Code.

Chairman and Chief Executive Officer

At a meeting held on April 9, 2008, after the Shareholders' Meeting has been adjourned, the Board of Directors appointed Raffaele Picella Chairman of the Board of Directors and Enrico Bondi Chief Executive Officer. Pursuant to the Bylaws, both are empowered to represent the Company vis-à-vis third parties and in court proceedings.

As of the writing of this Report, no management powers have been delegated to the Chairman of the Board of Directors and he does not perform a specific function in the development of Company strategies. The role of the Chairman of the Board of Directors is governed by Article 14 of the Bylaws and Article 5 of the Parmalat Code of Conduct, which is available on the Company website: www.parmalat.com → Corporate Governance page.

Parmalat Code of Conduct confirms the already recognized essential role of the Chairman of the Board of Directors; to the Chairman, in fact, many tasks related to the management of the Board of Directors' activities have been assigned.

The specific duties of the Chairman of the Board of Directors include:

- convening meetings of the Board of Directors, determining the meeting's Agenda and, in preparation for the meetings, transmitting to the Directors, as expeditiously as appropriate based on the circumstances, the materials required to participate in the meeting with adequate knowledge of the issues at hand;
- supervising the meeting and the voting process;
- handling the preparation of Minutes of the meeting;
- ensuring that there is an adequate flow of information between the Company's management and the Board of Directors and, more specifically, ensuring the completeness of the information that the Board uses as a basis for making its decisions and exercising its power to manage, guide and control the activities of the Company and the entire Group;
- ensuring that the Board of Directors and the Board of Statutory Auditors are provided with adequate information ahead of meetings of the Board of Directors;
- in general, ensuring that the Company is in compliance with the provisions of all laws and regulations, and with the Bylaws and the corporate governance rules of the Company and its subsidiaries; is responsive to the regulations and conduct guidelines issued by the entity governing the regulated market where the Company's shares are traded, and adheres to best industry practices.

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

Pursuant to a resolution adopted by the Board of Directors on April 9, 2009, the Chief Executive Officer has been given the most ample powers to manage the Company's business. He may take all actions that are consistent with the Company's purpose, within the limits imposed by the applicable laws and excluding those transactions that fall under the sole jurisdiction of the Board of Directors, which are specifically listed in

Section 3.2.1 below. In this area, the Board of Directors reserved sole jurisdiction over the review and approval of transactions that have a material impact on the Company's operations, particularly when they involve a related party. The criteria adopted to identify such transactions are those set forth in Consob Regulation No. 17221 of March 12, 2010, Consob Communication No. DEM10078683 of September 24, 2010 and Parmalat's Procedure Governing Transactions with Related Parties of November 11, 2010.

At each meeting of the Board of Directors, as required by Article 2381 of the Italian Civil Code and Article 150 of Legislative Decree No. 58/98, the Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors on the work he has performed, the use of the powers of attorney he has been granted and the material transactions not requiring the prior approval of the Board of Directors that were executed by the Company and its subsidiaries.

In the performance of their duties, the Directors reviewed the information provided by the Chief Executive Officer, specifically asking the CEO to provide clarifications, in-depth analyses and additional information as may have been necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

In order to help the Directors gain greater insight into the Company's organization and its businesses, the respective Chairmen invited Company executives, mainly from Operations, Planning, Control and Group Reporting, the Corporate Accounting Documents Officer (*Dirigente Preposto alla redazione dei documenti contabili societari*) and Human Resources, to attend meetings of the Board Committees (Nominating and Compensation Committee and Internal Control and Corporate Governance Committee) for the purpose of discussing and analyzing in greater detail specific Company issues. The subjects that were reviewed and discussed, on occasion with the assistance of an outside expert, included the Company's market positions and its potential and strategies. The Board Committees report to the Board of Directors to which take part, on a regular basis, the Chief Financial Officer and the General Manager in charge for Operations.

3.2 Functions of the Board of Directors

3.2.1 Functions of the Board of Directors

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

The Board of Directors has sole jurisdiction over the most important issues. Specifically, it is responsible for:

- reviewing and approving transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, particularly when these transactions are carried out with related parties;
- drafting and adopting the rules that govern the Company and its Code of Ethics, and defining the applicable Group guidelines, while acting in a manner that is consistent with the principles of the Bylaws;
- granting and revoking powers to Directors and the Executive Committee, if one has been established, defining the manner in which they may be exercised, and determining at which intervals these parties are required to report to the Board of Directors on the exercise of the powers granted them;
- determining whether Directors meet and continue to satisfy requirements of independence;
- adopting resolutions concerning the settlement of disputes that arise from the insolvency of companies that are parties to the Composition with Creditors. These resolutions may be validly adopted with the favorable vote of 8/11 of the Directors who are in office.

The Board of Directors, during the meeting held on April 9, 2008, agreed to confirm in its entirety the resolution approved on July 25, 2007, which specified the issues that are exclusively under the jurisdiction of the Board of Directors and, consequently, clarified more effectively how the new guidelines of Borsa Italiana S.p.A. are being implemented.

Essentially, the Board of Directors, in discharging its obligations:

- reviews and approves the strategic, industrial and financial plans of the Company and the Group, as well as the Company's corporate governance system and the Group's structure;

- assesses the effectiveness not only of the organizational and administrative structure, but also the general accounting system of the Company and its strategically significant subsidiaries, as developed by the Chief Executive Officer, particularly with reference to the internal control system and the handling of conflicts of interest;
- monitors and assesses the overall performance of the Group's operations, based primarily on the information provided by the Chief Executive Officer, and compares on a regular basis reported results against planned results;
- reviews and approves in advance transactions executed by the Company and its subsidiaries when these transactions have a material impact on the Company's strategy, income statement, balance sheet or financial position, paying special attention to situations in which one or more Directors may have an interest directly or on behalf of third parties and, more specifically, to transactions with related parties.

Non-executive Directors provided a major contribution to the Board's deliberations, drawing on general strategic knowledge and specific technical skills they acquired outside the Company. This body of knowledge made it possible to analyze issues from different perspectives and contributed to the development of a lively discussion, which is the hallmark of a collegial, reasonable and informed decision making process.

3.2.2 The Parmalat Code of Conduct

The Code of Conduct approved by the Board of Directors of Parmalat S.p.A. on March 1, 2005, reserves for the exclusive jurisdiction of the Board of Directors all transactions (including investments and divestitures) that, because of their nature, strategic significance, amount or implied commitment, could have a material effect on the Company's operations, including transactions carried out with related parties, and identifies for this purpose the following transactions that may be executed by Parmalat S.p.A. or its subsidiaries:

- Placements of issues of financial instruments with a total value of more than 100 million euros;
- Granting of loans and guarantees, investments in and disposals of assets (including real estate) and acquisitions and divestitures of equity investments, companies, businesses, assets and other property valued at more than 100 million euros;
- Mergers and demergers, when at least one of the parameters listed below, when applicable, is equal to or greater than 15%:
 - a) Total assets of the absorbed (merged) company or assets that are being demerged/total assets of the Company (taken from the consolidated financial statements, if available);
 - b) Profit before taxes and extraordinary items of the absorbed (merged) company or assets earmarked for demerger/income before taxes and extraordinary items of the Company (taken from the consolidated financial statements, if available);
 - c) Total shareholders' equity of the absorbed (merged) company or business earmarked for demerger/total shareholders' equity of the Company (taken from the consolidated financial statements, if available).

Mergers of publicly traded companies and mergers between a publicly traded company and a privately held company are always deemed to be material operating, financial and asset transactions.

Information must also be provided about transactions that, while on their own involve amounts lower than the threshold listed above or that trigger the exclusive jurisdiction of the Board of Directors, are linked together in a strategic or executive project and taken together exceed the materiality threshold.

Consequently, transactions such as those listed above are not covered by the powers that the Board of Directors granted to the Chief Executive Officer on April 9, 2008.

The Parmalat Code of Conduct is available on the Company website: www.parmalat.com → Corporate Governance page.

On July 29, 2010, Parmalat's Board of Directors, subsequent to a review performed by the Internal Control and Corporate Governance Committee on July 26, 2010, agreed to amend Article 13 of the Parmalat Code of Conduct and the Regulations of the Internal Control and Corporate Governance Committee, due to the enactment of a Uniform Code for Legally Recognized Auditing by Legislative Decree No. 39 of January 27, 2010. Article 19 of the abovementioned Uniform Code assigns specific oversight responsibilities to the Board of Statutory Auditors with regard to:

- a) the financial reporting process;

- b) the effectiveness of the system of internal controls, the internal auditing system and, if applicable, the risk management system;
- c) the legally recognized auditing of the annual and consolidated financial statements;
- d) the independence of legally recognized independent auditors or legally recognized auditing firms, specifically with regard to the provision of non-auditing services to the company subject of a legally recognized audit of its financial statements.

This development made it necessary to develop a coordination mechanism between the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors with regard to issues of common interest.

In order to provide a clear disclosure of the progress made in implementing the guidelines of Borsa Italiana's Corporate Governance Code, the table that follows provides an overview of the guidelines adopted by Parmalat.

<i>Additional Requirements of the Code</i>	Yes	No	Brief explanation of the reason for not following the Code's recommendations
System for the Delegation of Powers and Transactions with Related Parties			
Did the BoD delegate powers defining:			
a) the scope of the powers	X		
b) the manner in which they may be exercised	X		
c) the reporting intervals	X		
Has the BoD reserved jurisdiction over reviewing and approving transactions that could have a material effect on the Company's operating performance, balance sheet or financial position (including transactions with related parties)?	X		
Has the BoD defined guidelines and criteria to identify "material transactions"?	X		
Are these guidelines and criteria described in this Report?	X		
Has the BoD established specific procedures for the review and approval of transactions with related parties?	X		
Are the procedures for the approval of transactions with related parties described in this Report?	X		
Latest procedures for the election of Directors and Statutory Auditors			
Were the slates of candidates to the post of Director filed at least 15 days before the Shareholders' Meeting?	X		Superseded. On July 29, 2010, the Bylaws were amended to include the mandatory changes required by Legislative Decree No. 27 of January 27, 2010. According to the new Bylaws, slates filed by Shareholders must be deposited at the Company's registered office twenty-five days before the date of the Shareholders' Meeting convened to vote on the election of the Board of Directors. The slates of candidates shall be made available to the public at Company's registered office, on its website and in any other manner required pursuant to Consob regulations at least twenty-one days before the date of the Shareholders' Meeting, it being understood that this shall not affect the obligation to publish the slates in at least two of the newspapers referred to in Article 8 of the Bylaws and the <i>Financial Times</i> at least twenty-one days before the date of the Shareholders' Meeting.
Were the slates of candidates to the post of Director filed together with adequate information?	X		
Were the slates of candidates to the post of Director filed together with affidavits by the candidates attesting that they qualified as independent Directors?	X		
Were the slates of candidates to the post of Statutory Auditor filed at least 15 days before the Shareholders' Meeting?	X		Superseded. On July 29, 2010, the Bylaws were amended to include the mandatory changes required by Legislative Decree No. 27 of January 27, 2010. According to the new Bylaws, slates of candidates presented by the shareholders must be filed and published in accordance with the regulations published by the Consob, it being understood that this shall not affect the obligation to publish the slates in at least two of the newspapers referred to

Were the slates of candidates to the post of Statutory Auditor filed together with adequate information?	X	in Article 8 of the Bylaws and the <i>Financial Times</i> . Other issues concerning the methods and eligibility to file slates of candidates are governed by the provisions of Article 11 of the Bylaws.
Shareholders' Meetings Did the Company approve Shareholders' Meeting regulations?	X	For the time being, the Company has not proposed the adoption of specific Shareholders' Meeting regulations because it believes that the power attributed by the Bylaws to the Chairman of the Meeting are sufficient to maintain an orderly performance of Shareholders' Meetings, thereby avoiding the risks and inconveniences that could result, should a Shareholders' Meeting fail to comply with Meeting regulations. Pursuant to article 10 of the Bylaws, the Chairman of the Meeting is responsible for ascertaining whether the Meeting has been properly convened, managing the progress of the Meeting and discussion of the items on the Agenda and verifying voting results.
Are these Regulations annexed to this Report?	X	
Internal Control Did the Company appoint Internal Control Officers?	X	
Are these Officers hierarchically independent of operational managers?	X	
Is there an organizational unit responsible for the internal control system (as per Article 9.3 of the Code)?	X	
Investor Relations Did the Company appoint and Investor Relations Officer? Contact information	X	Cristina Girelli - Tel: +39 0521 808550 E-mail: c.girelli@parmalat.com

3.3 Meetings of the Board of Directors

To the extent that it is feasible, Directors and Statutory Auditors must receive, together with the notice of a meeting, documents explaining the items on the Agenda, except in urgent cases or when special confidentiality must be maintained. In these cases, a comprehensive discussion of the issues must take place. When necessary, the Chief Executive Officer may ask Company executives to attend Board meetings to provide useful information about the items on the Agenda.

In 2010, the Board of Directors met 5 (five) times. The attendance percentage of each Director at the abovementioned Board meetings is listed below:

	Attendance percentage at five Board Meetings
R. Picella	100
E. Bondi	100
P. Alberti	80
M. Confortini	80
M. De Benedetti	100
A. Guerra	80
V. Mincato	100
E. Mingoli	100
M. Saà	100
C. Secchi	100
F. Superti Furga	100

Four meetings of the Board of Directors have been planned for 2011. At the first of these meetings, scheduled for March 2, 2011, the Board will review this Annual Report on Corporate Governance.

A calendar of Board meetings planned for 2011 to review annual and interim results was communicated to the market and Borsa Italiana on January 26, 2011 in a press release that was also published on the Company website: www.parmalat.com → Investor Relations → Press Releases page. On that occasion, the Company indicated that it would disclose promptly any changes to the dates announced in the abovementioned press release.

4. Handling of Corporate Information

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

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

This procedure, which was adopted in 2005, is used both to manage insider documents and information internally and to communicate them outside.

Among other issues, the abovementioned procedure defines the functions, operating procedures and responsibilities that relate to the communication and dissemination of information concerning the Company and the Group. In all cases, the dissemination of such information requires the prior approval of the Company's Chief Executive Officer. The purpose of this procedure is to ensure that corporate information is not disclosed selectively, at an inappropriate time or in incomplete or inadequate form.

In 2005, as part of this procedure, the Company established the Register of Parties that Have Access to Insider Information required pursuant to Article 115-*bis* of the Uniform Financial Code. In accordance with this procedure, which complies with the requirements of Issuers' regulations published by the Consob, the Company is required to maintain such a Register, which is operated with a special software. The Register was prepared in accordance with Consob guidelines in order to provide an accurate flow of corporate information. Accordingly, it contains the following data: identity of each individual who has access to insider information on a regular or occasional basis; the reason why each person is entered in the Register; and the date when information about each person was last updated.

Lastly, the Company adopted an Internal Dealings Handling Code, which governs the disclosure requirements and conduct obligations associated with transactions involving financial instruments issued by the Company in an amount greater than 5,000.00 euros, as required by Consob Regulation No. 11971/99, by so-called Significant Persons who may have access to insider information about the Company and the Group. Significant Persons are required to sign a special affidavit stating that they are thoroughly familiar with and accept the Internal Dealing Handling Code.

As shown in Annex "B," no Director or Statutory Auditors of Parmalat S.p.A. holds or has held an equity interest in the Company.

5. Establishment and Rules of Operation of the Internal Committees of the Board of Directors

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.

At a meeting held subsequent to the adjournment of the Shareholder's Meeting of April 9, 2008, the Board of Directors agreed to keep in place its existing internal Committees. At the same meeting, the Board of Directors also approved the various Committee regulations.

The establishments of the Internal Committees of the Board of Directors is governed by Article 18 of the Bylaws. The tasks of the individual Committees and the rules governing their activities were approved by the Board of Directors and may be changed or broadened by resolutions of the Board of Directors.

These Committees are:

- Litigation Committee;
- Nominating and Compensation Committee;
- Internal Control and Corporate Governance Committee.

Individuals who are not Committee members may be invited to attend Committee meetings to provide their input with regard to specific items on the Agenda.

Each Committee reports on a regular basis to the Board of Directors about the work it has performed.

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

The composition, activities and rules of operation of these Committees are explained in detail below.

6. Litigation Committee

This Committee, which comprises three independent Directors without executive authority (Massimo Confortini, Chairman; Ferdinando Superti Furga; and Vittorio Mincato), 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.

In 2010, the Litigation Committee met 4 (four) times. Each meeting was attended by all Committee members, who reviewed all settlement proposals prior to their approval by the Board of Directors

Minutes were kept of each Committee meeting.

A breakdown of Committee meetings is provided below:

Committee members	Number of meetings attended in 2010	Attendance percentage
Massimo Confortini	4	100
Ferdinando Superti Furga	4	100
Vittorio Mincato	4	100

7. Nominating and Compensation Committee

This Committee, which has three members (Carlo Secchi, Chairman, Andrea Guerra and Marco De Benedetti), performs a proposal-making function.

The specific functions of this Committee include the following:

- It submits proposals to the Board of Directors regarding the appointment of a Chief Executive Officer and the names of Directors who will be coopted by the Board when necessary, as well as proposals regarding the compensation of Directors who perform special functions. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of the Company and the Group and may be based on the achievement of specific predetermined targets.

- At the request of the Chief Executive Officer, it evaluates proposals for the appointment and compensation of Chief Executive Officers and Board Chairmen of the main subsidiaries. A portion of the overall compensation paid to the abovementioned individuals may be tied to the operating performance of the Company and the Group and may be based on the achievement of specific predetermined targets. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.
- At the request of the Chief Executive Officer, it defines the parameters used to determine the compensation criteria applicable to the Company's senior management and the adoption of stock option and share award plans or other financial instruments that may be used to provide an incentive to and increase the loyalty of senior management. In performing this task, the Committee may request the input of the Manager of the Group Human Resources Department.

In 2010, the Nominating and Compensation Committee met 3 (three) times, with 100% attendance by virtually all members. At those meetings, the Committee reviewed the program for the management and development of the corporate staff. Also the Chairman of the Board of Directors, the Chief Executive Officer and the Group Human Resources Director were invited to attend Committee meetings.

Meetings of the Committee have been duly recorded.

A breakdown of Committee meetings is provided below:

Committee members	Number of meetings attended in 2010	Attendance percentage
Carlo Secchi	3	100
Andrea Guerra	2	66.67
Marco de Benedetti	3	100

8. Compensation of Directors

On April 9, 2008, the Shareholders' Meeting approved a resolution awarding Directors who serve as committee members an additional variable compensation amount based on the actual number of committee meetings. This additional compensation is listed in the section of this Report entitled "Compensation of Directors and Statutory Auditors."

The total compensation allotted to the Directors currently in office was set at the Shareholders' Meeting held on April 9, 2008, concurrently with the election of the Board of Directors. Information about the compensation of Directors is provided in a schedule entitled "Compensation of Directors and Statutory Auditors," which is appended to this Report as Annex "A."

In relation to "Indemnities Payable to Directors in the Event of Resignation or Dismissal Without Just Cause or if the Relationship Is Terminated Due to a Tender Offer", we remind you to the letter m), paragraph 2.3 of the present Report.

9. Internal Control and Corporate Governance Committee

This Committee, which comprises three independent Directors without executive authority (Marzio Saà, Chairman; Carlo Secchi; and Ferdinando Superti Furga), performs a consulting and proposal-making function. Sessions of the Committee are attended by the Chairman of the Board of Statutory Auditors.

The specific functions of this Committee include the following:

- It verifies that the internal control system is working effectively and supports the Board of Directors in defining guidelines for the internal control system. It also supports the Chief Executive Officer in defining the tools and methods needed to implement the internal control system.

- It assists the Board of Directors in performing the tasks described in Article 17, Letters d) and k),^(*) of the Bylaws.
- It evaluates the work plans prepared by the Internal Control Officers and reviews the reports these Officers are required to submit on a regular basis.
- It evaluates, together with the Company's accounting officials and the independent auditors, the effectiveness of the accounting principles and their consistent use in the preparation of the financial statements.
- It evaluates proposals put forth by independent auditors who are seeking the award of the audit assignment, their audit work plans and the findings contained in the audit report and the suggestion letter.
- It approves the annual internal auditing plan.
- It reports to the Board of Directors at least semiannually (in conjunction with the approval of the annual and semiannual reports) on the work done and the adequacy of the internal control system.
- It performs any additional assignments it receives from the Board of Directors, particularly with regard to the relationship with the independent auditors.
- It supports the Board of Directors in the task of establishing the Oversight Board required by Legislative Decree No. 231/2001 and reviews the work performed by the Oversight Board.
- It ensures that the rules of corporate governance are complied with and updates these rules. It performs any other activity that it may deem useful or consistent with the performance of its functions.

In 2010, the Internal Control and Corporate Governance Committee met 9 (nine) times. Each meeting was attended by all Committee members and by the Chairman of the Board of Statutory Auditors and/or other Statutory Auditors. Also the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the General Manager on Operations have been invited to the Committee's meetings. Each meeting was also attended by the Head of Internal Audit Corporate, the Head of Planning, Control and Group Reporting, the Head of Corporate Affairs, and, for specific projects, the Head of Information Technology and the Head of Group Organization Structure. The guests reported to the Committee about the principal activities in progress and updated it about the work it has performed.

The Committee reviewed the valuation criteria and accounting principles applied to prepare the income statement and balance sheet prior to their submission to the Board of Directors, the Group's independent audit plan, the annual internal audit plan, the projects carried out to implement the Company's governance rules (including the appointment of the Internal Control Officer, as required by Law No. 262/05), the programs launched in connection with Legislative Decree No. 231/2001 and those concerning market abuse. Other issues discussed at Committee meetings included a project to streamline the corporate chain of control and a project to analyze/manage operational risks. The programs related to Legislative Decree No. 231/2001 are discussed in greater detail in Section 10 below on the Internal Control System.

The Committee also provided the Board of Directors with a report reviewing the effectiveness of the internal control system.

Minutes were kept of each Committee meeting.

A breakdown of Committee meetings is provided below:

Committee members	Number of meetings attended in 2010	Attendance percentage
Marzio Saà	9	100
Carlo Secchi	9	100
Ferdinando Superti Furga	9	100

10. 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

^(*) These are rules concerning corporate governance and the obligation to oversee and assess the overall performance of the Company's operations.

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.

The Board of Directors defines the guidelines of the Internal Control System and verifies its effectiveness in managing business risks.

The Chief Executive Officer defines the tools and procedures needed to implement the Internal Control System in a manner that is consistent with the guidelines established by the Board of Directors and ensures that the overall system is adequate, functions correctly and is updated in response to changes in the operating environment and in the statutory and regulatory framework.

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

- at the operating level, authority must be delegated in light of the nature, typical size and risks involved for each class of transactions, and the scope of authority must be consistent with the assigned task;
- the organization must be structured to avoid function overlaps and concentration under one person, without a proper authorization process, of multiple activities that have a high degree of danger or risk;
- each process must conform with an appropriate set of parameters and generate a regular flow of information that measures its efficiency and effectiveness;
- the professional skills and competencies available within the organization and their congruity with the assigned tasks must be checked periodically;
- operating processes must be geared to produce adequate supporting documents, so that their congruity, consistency and transparency may be verified at all times;
- safety mechanisms must provide adequate protection of the Company's assets and ensure access to data when necessary to perform required assignments;
- risks entailed by the pursuit of stated objectives must be identified and adequately monitored and updated on a regular basis, and negative elements that can threaten the organization's operational continuity must be assessed carefully and protections adjusted accordingly;
- the Internal Control System must be supervised on an ongoing basis and reviewed and updated periodically.

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

- Line control, which includes all of the control activities that the Group's individual operating units and companies apply to their processes. These control activities are a primary responsibility of operational managers and are deemed to be an integral part of all Company processes.
- Internal auditing, which is performed by a separate Company organization. The purpose of the Internal Auditing Function is to help the Risk Management office identify and minimize the different types of risks to which the Company is exposed. It accomplishes this goal by monitoring line controls in terms of their effectiveness and the results they produced.

The Board of Directors uses the support of the Internal Control and Corporate Governance Committee to ensure that the guidelines provided above are complied with.

Essentially, the Chief Executive Officer is the executive Director who is responsible for ensuring that the Internal Control System referred to in Guideline 8.3.5 of the Code is functioning effectively.

The Board of Directors, acting on a recommendation by the Chief Executive Officer, asked Francesco Albieri, Manager of the Group Internal Auditing Function, to serve as Internal Control Officer. The Internal Control Officer is hierarchically independent of executives that oversee operational departments and reports directly to the Chief Executive Officer. The Internal Control Officer provides information on a regular basis to the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors.

Consistent with the Internal Auditing Guidelines approved by the Board of Directors and the Internal Control and Corporate Governance Committee, the Internal Auditing Function has unrestricted access to any information that may be useful for the performance of its assignments.

The Corporate Internal Auditing Function audits the Internal Control System to assess performance with regard to the following:

- Compliance with laws and regulations and with Company rules and procedures, specifically regarding the Organization, Management and Control Model (so-called compliance audits);
- The reliability of accounting and operating data and information (so-called financial audits);
- The effectiveness and efficiency of the Group's operations (so-called operational audits);
- Protection of the Group's assets (as the combined effect of the abovementioned audits).

The abovementioned auditing engagements may also be performed with the methodology and operational support of specialized consultants.

The Organization and Management Model required by Legislative Decree No. 231/2001 is an integral part of the Internal Control System and the Oversight Board required by the abovementioned Decree is responsible for overseeing the implementation of the Model. The members of the Oversight Board are an independent Director (Marzio Saà), a Statutory Auditor (Enzio Bermani) and the Group Internal Auditing Manager (Francesco Albieri). The Oversight Board adopted internal regulations that were approved by the Board of Directors. The Board of Directors, after hearing the input of the Board of Statutory Auditors, appoints the members of the Oversight Board based on requirements that include professional background, competence, integrity, autonomy and independence. The reasons that would make a candidate unelectable to the Oversight Board include: (i) having been barred or disqualified from holding public office, filed for bankruptcy or received a sentence that includes being barred (even if temporarily) from holding public office or disqualifies the defendant from holding a management position; (ii) having been convicted of one of the crimes referred to in the abovementioned Decree.

A member of the Oversight Board may be removed from office only if there is sufficient cause to justify such cause and the removal decision must be set forth in a resolution approved by the Board of Directors, based on the input provided by the Board of Statutory Auditors.

In 2010, the Oversight Board met 5 times. It analyzed issues related to the effectiveness and efficiency of the Model, reviewed the findings of audits that it performed on processes that are relevant to the implementation of the Model, the structure of outgoing and incoming information flows and the coordination of the various Oversight Boards established within the Parmalat Group. On February 25, 2010, the Board of Directors approved a budget earmarked for use by the Oversight Board in 2010.

In 2010, regularly scheduled training courses were provided to all members of the Oversight Boards of the Group's Parent Company and the Italian operating companies.

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

In 2010, the organizational model used by Parmalat was updated to address an expansion of the range of prosecutable offenses, particularly with regard to the provisions of Article 25-*bis* and Article 25-*novies* of Legislative Decree No. 231/01 concerning food-product fraud.

Additional work included the completion of a training program, coordinated by the Group's Parent Company, concerning the implementation of the Occupational Health and Safety Management System, in accordance both with the provisions of Legislative Decree No. 81/08 and the Organizational Model adopted pursuant to Legislative Decree No. 231/01.

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

In recent years, as required by Article 123-*bis* of the Uniform Financial Code, the Parmalat Group broadened the scope of its Internal Control System to include management of the risks inherent in the financial disclosure process. The purpose of this activity is to ensure that financial disclosures are truthful, accurate, reliable and timely. By making the process of monitoring the accounting Internal Control System compliant with the regulatory requirements of Law No. 262/05 (as amended) and applying the recommendations of the Independent Auditors, the Company developed a control model consistent with the best international practices in this area and with the COSO 1 (Committee of Sponsoring Organizations of the Tradeway Commission). The components of this model are:

- A set of key corporate policies/procedures at the Group and local level;
- A process to map the main risks inherent in financial/accounting disclosures;
- Assessment and monitoring activities performed on a regular basis;
- A process for the communication of the internal control and testing objectives with regard to accounting disclosures provided to the market.

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

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

The Chief Executive Officer and the Corporate Accounting Documents Officer are primarily responsible for the implementation of this model.

Consistent with the requirements of Article 2428, Section 1, of the Italian Civil Code and the Corporate Governance Code published by Borsa Italiana (Implementation Guideline 8.C.1, Letter a) concerning risks and uncertainties, the Company and some of its subsidiaries completed a risk assessment program of their main operating processes that will lead to a better and more specific risk identification and management, both individually by each department and, at the Group level, by the Board of Directors. The Board of Directors plans to broaden the scope of the abovementioned assessments to include the more important subsidiaries, in order to monitor their performance and how mapped risks are being managed.

To supplement and round off the actions described above with regard to risks and uncertainties, the Company adopted procedures that enable it to collect data and information about its main subsidiaries for the purpose of monitoring risks and uncertainties that are typical of its industry.

Responsibility for managing these risks rests with local management.

10.1 Independent Auditors

The law requires that each year a firm of independent auditors ascertain that the Company's accounting records are properly maintained and faithfully present the results of operations, and that the statutory and consolidated financial statements fairly reflect the data in the accounting records, are consistent with the findings of the audits performed and comply with the applicable statutes.

The firm of independent auditors is *PricewaterhouseCoopers* SpA which has been appointed by the resolution of the Shareholders' Meetings of March 15, 2005 and it has been extended by the resolution approved by the Shareholders' Meeting of April 28, 2007. The abovementioned firm will be in charge until the date in which the shareholders' meeting will approve the 2013 financial statements.

10.2 Corporate Accounting Documents Officer

The Corporate Accounting Documents Officer must meet the following requirements: (i) he must have served as a corporate executive for at least 5 year; (ii) he must have worked in the accounting or control areas or served in another management function at a corporation with a share capital of at least 2 million euros; and (iii) he must meet the law's standards of integrity and professionalism. These requirements are set forth in Article 20-*bis* of the Bylaws.

As part of the process of appointing a Corporate Accounting Documents Officer (hereinafter the "Documents Officer"), as required by Article 154-*bis* of the Uniform Financial Code (Legislative Decree No. 58/98), the Company found that its Chief Financial Officer, PL De Angelis, was the person best qualified to meet the requirements of the Uniform Financial Code, as amended. The appointment of the Documents Officer, which

falls under the jurisdiction of the Board of Directors, was carried out by a resolution that the Board of Directors, acting with the support of the Board of Statutory Auditors and of the Internal Control and Corporate Governance Committee, approved on July 25, 2007. At the same meeting, the Board of Directors approved guidelines to govern the tasks assigned to the Documents Officer; the manner in which the Documents Officer is appointed, is terminated or dismissed; the powers and resources awarded to the Documents Officer; and the relationships between the Documents Officer and other corporate governance bodies and departments.

On November 11, 2010, the Board of Directors approved the 2011 expense budget of the Documents Officer, who is required to report to the Board of Directors at least semiannually about the use of his budget. At the same meeting, the Documents Officer reported to the Board of Directors about the use of the allocated budget.

Consistent with the scope of the powers and functions allocated to him, through the approval, by the Board of Directors, of Guidelines on July 2007, the Documents Officer may exceed the limits of the approved budget to address specific and demonstrable needs, provided he is expressly authorized by the Board of Directors.

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

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

Consequently, the Documents Officer can be automatically removed from his office only in the following cases: i) he is terminated as an employee of the Company or of a company in the Parmalat Group by which he was employed; or ii) he no longer meets the integrity requirements he possessed when he was appointed.

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

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

The Accounting and Administrative Risk Management Model was completed in 2010 and was then approved by the Chief Executive Officer, consistent with a favorable opinion provided the Internal Control and Corporate Governance Committee. This document is a compendium of all measures adopted to manage administrative and accounting risks, as described above.

11. Guidelines for Transactions with Related Parties

On November 11, 2010, the Board of Directors approved the Procedure Governing Transactions with Related Parties, in compliance with the requirements of Consob Regulation No. 17221 of March 12, 2010, as amended by Resolution No. 17389 of June 23, 2010, and taking into account the recommendations of Consob Communication No. DEM/10078683 of September 24, 2010. The Procedure was reviewed in advance by the Internal Control and Corporate Governance Committee, which issued a favorable opinion on November 9, 2010. On July 29, 2010, the Board of Directors had entrusted to this Committee the task of rendering an opinion about this Procedure prior to its approval. In addition, Parmalat's Board of Directors designated the internal Control and Corporate Governance Committee as the "*Committee Comprised Exclusively of Independent Directors*" responsible for performing the role required by the abovementioned Regulation. Pursuant to Article 148, Section 3, of the Uniform Financial Code and as required by the Corporate Governance Code of Borsa Italiana (Section 3.C.1), the Committee is comprised of three Independent Directors.

The Procedure sets forth the principles that Parmalat SpA must abide by in order to ensure the fairness and transparency of transactions with related parties with respect to three main issues: identification of the counterparties, handling of the transaction and reporting transparency. With this in mind, the Procedure identifies the parties who qualify as "related parties" and the transactions that qualify as related-party

transactions. In analyzing any relationship with a related party, attention must be focused on the substance of the relationship and not merely on legal form.

The expression transaction with a related party shall be understood to mean any transfer of resources, services or obligations between related parties, whether consideration is stipulated or not.

More specifically, the Procedure classifies related-party transaction into the following categories: (a) Highly Material Transactions, (b) Less Material Transactions, and (c) Transactions of Inconsequential Amount.

The Procedure also provides for situations in which the applicability of this procedure may be waived. This Procedure shall not apply to the following transaction categories: (a) Resolutions concerning the compensation of Directors and executives serving in special capacities and managers with strategic responsibilities. However, if a transaction does not qualify for the exemptions referred to in Section 8, Letter a), "*Resolutions concerning the compensation of Directors and executives serving in special capacities and managers with strategic responsibilities,*" only in this specific case, the Board of Directors shall designate the Nominating and Compensation Committee as the Committee with jurisdiction over reviewing the compensation referred to in the abovementioned Section, pursuant to this Procedure; (b) Compensation plans based on financial instruments approved by the Shareholders' Meeting (stock option plans), pursuant to Article 114-*bis* of the Uniform Financial Code, and transaction executed to implement them; (c) Intra-Group transactions; (d) Transactions executed in the ordinary course of business on terms consistent with market or standard terms, it being understood that these are routine transactions executed on terms comparable to those usually applied in transactions of similar nature, amount or risk with non-related parties, or transactions based on regulated rates or controlled prices or transactions with counterparties with whom the Company is required by law to stipulate a specific consideration; (e) Transactions executed in accordance with instructions issued by the regulatory authorities or based on instructions issued by the Group's Parent Company to implement instructions issued by the regulatory authorities to bolster the Group's stability.

The Procedure, which was adopted on December 1, 2010 in compliance with the regulation, is applied as of January 1, 2011 and is available to the public on the Company website: www.parmalat.com → Corporate Governance page.

Consistent with the provisions of the Code, the Board of Directors has established a special process to review and approve transactions with related parties. More specifically, the Board of Directors is responsible for verifying that transactions in which a Director has a personal interest, either directly or for the benefit of a third party, are executed transparently and in a manner that is fair both substantively and procedurally.

12. Election of Statutory Auditors

The Board of Statutory Auditors is the governance body charged with ensuring that the Company is operating in compliance with the law and the Bylaws and performs a management oversight function. By law, it is not responsible for auditing the financial statements, as this function is performed by independent auditors selected by the Shareholders' Meeting.

Pursuant to Article 21 of the Bylaws, the Board of Statutory Auditors comprises three Statutory Auditors and two Alternates, all of whom are elected on the basis of slates of candidates to ensure that a Statutory Auditor and an Alternate are elected by minority shareholders. Only shareholders who, alone or together with other shareholders, hold a number of shares equal in the aggregate to at least 1% of the Company's shares that convey the right to vote at Regular Shareholders' Meetings are entitled to file slates of candidates.

At a meeting held on July 29, 2010, the Board of Directors adopted the mandatory amendments to the Bylaws required by Legislative Decree No. 27 of February 27, 2010 concerning the election of Directors and Statutory Auditors.

In accordance with Article 21 of the Bylaws, as amended by the Board of Directors on July 29, 2010, slates of candidates presented by the shareholders must be filed and published in accordance with the regulations published by the Consob, it being understood that this shall not affect the obligation to publish the slates in at least two of the newspapers referred to in Article 8 of the Bylaws and the *Financial Times*. Other issues concerning the methods and eligibility to file slates of candidates are governed by the provisions of Article 11

of the Bylaws, insofar as they are not in conflict with the provisions of Article 144-*sexies*, Section 5, of the Issuers' Regulations.

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

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

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

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

If a Statutory Auditor needs to be replaced, the vacancy will be filled by the Alternate elected from the same slate as the Auditor who is being replaced.

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

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

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

In addition to the other cases listed in the applicable law, individuals who serve as Statutory Auditors in more than 5 (five) companies whose shares are traded in regulated markets in Italy or who are in one of the situations described in the last paragraph of Article 11 of the Bylaws may not be elected Statutory Auditors and, if elected, must forfeit their office and, in particular it is not admitted to elect those individuals: (i) individuals against whom the Company or its predecessors in title have filed legal actions at least 180 (one hundred eighty) days prior to the date of the Shareholders' Meeting convened to elect the Board of Directors; (ii) individuals who, prior to June 30, 2003, served as Directors, Statutory Auditors, General Managers or Chief Financial Officers of companies that at time were part of the Parmalat Group; (iii) individuals who are defendants in criminal proceedings related to the insolvency of the Parmalat Group or who have been found guilty in such proceedings and ordered to pay damages, even if the decision is not final.

13. Statutory Auditors

The current Board of Statutory Auditors was elected at the Shareholders' Meeting of April 9, 2008. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2010. No members of the current Board of Statutory Auditors has been elected by minority shareholders because only one slate was filed when elections were held in 2008.

The current Board of Statutory Auditors includes the following three Statutory Auditors:

Alessandro Dolcetti	<i>Chairman</i>
Enzio Bermani	<i>Statutory Auditor</i>
Renato Colavolpe	<i>Statutory Auditor</i>

and the following two Alternates:

Marco Benvenuto Lovati	<i>Alternate</i>
Giuseppe Pirola	<i>Alternate (elected by the Shareholders' Meeting on April 1, 2010)</i>

The table that follows lists the main posts held by Statutory Auditors.

Name of Statutory Auditors	Post held at Parmalat Spa	Posts held at other companies
Alessandro Dolcetti	Chairman	➤ Chairman Board of Stat. Auditors Mediagraf SpA
Enzio Bermani	Statutory auditor	➤ Statutory Auditor of Sistemi di Energia SpA ➤ Statutory Auditor Cimberio SpA ➤ Chief Executive Officer RCS Investimenti SpA
Renato Colavolpe	Statutory auditor	➤ A2A Energia SpA ➤ Edipower SpA ➤ Edison Trading SpA ➤ Edison Energia SpA ➤ Edison International SpA

The Statutory Auditors currently in office were elected based on a slate of candidates filed by the following investors: *Lehman Brothers International (Europe), Angelo, Gordon & Co. LP, Stark Master Fund Ltd, Stark Global Opportunities Master Fund Ltd, Stark Criterion Master Fund Lt, MKM LongBoat Multi-strategy Master Fund Ltd e Zenit Fund*. The abovementioned slate was published in the following newspapers on March 27, 2008: *Il Sole 24 Ore, Corriere della Sera* and *Financial Times*.

The Statutory Auditors currently in office, in addition to meeting the requirements of independence set forth in the Code, also meet the statutory requirements of integrity and professionalism.

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

At a meeting held on April 9, 2008, the Board of Statutory Auditors verified that its members were in compliance with the independence requirements set forth in Guideline 10.C.2 of the Code.

At a meeting held on December 16, 2010, the Board of Statutory Auditors verified whether its members continued to meet the Code's independence requirements.

Information about the personal and professional backgrounds of the Statutory Auditors referred to in Article 144-*octies*, Letter "a", of the Issuers' Regulations, as cited in Article 144-*decies* of the Issuers' Regulations, is provided in Annex "C" to this Report.

In 2010, the Board of Statutory Auditors worked in close cooperation with the Internal Control and Corporate Governance Committee. The Chairman of the Board of Statutory Auditors, or other member of the Board, attended all the Committee meetings. In addition, a Statutory Auditor (E. Bermani) is also a member of the Oversight Board established pursuant to Legislative Decree No. 231/01 and attended all Oversight Board meetings from the date of his appointment on July 3, 2009.

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

Lastly, as part of the tasks that it is required to perform pursuant to law, the Board of Statutory Auditors checked that the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members were being properly applied.

Lastly, the Board of Statutory Auditors supervises on the independence of the firm of independent auditors.

The Board of Statutory Auditors met 16 (sixteen) times in 2010. Almost all of the Members attended the meetings. A breakdown of the meetings of the Board of Statutory Auditors is provided below:

Committee members	Number of meetings attended in 2010	Attendance percentage
Alessandro Dolcetti	15	93.75
Enzio Bermani	16	100,00
Renato Colavolpe	15	93.75

The compensation payable to the Board of Statutory Auditors, which was approved by the Shareholders' Meeting on April 9, 2008, is outlined in a schedule entitled "Compensation of Directors and Statutory Auditors," which is appended to this Report as Annex "A."

14. Relationship with Shareholders

Parmalat's communication policy is based on maintaining an ongoing dialog with institutional investors, shareholders and the market in general. The objective pursued by this approach to communications is to ensure the dissemination of complete, accurate and timely information in a manner that prevents the occurrence of "timing differences" in the disclosure of information and ensures that the same information is made available at the same time to all shareholders.

The ongoing disclosure of information to investors, the market and the media is achieved by means of press releases; regular meetings with institutional investors, the financial community and the media; and documents that are posted on the Company website: www.parmalat.com.

The Company supports any initiative that encourages the largest possible number of shareholders to attend Shareholders' Meetings and helps them exercise their rights. Accordingly, it publishes all Notices of Shareholders' Meetings in the *Official Gazette of the Italian Republic*, two Italian newspapers with national circulation and the *Financial Times*, and makes material with relevant information available on its website at least 15 days before the date of each Shareholder's Meeting.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's dialog with its shareholders and institutional investors continues on the occasion of regular meetings with the financial community organized by the Investor Relations Office, headed by C. Girelli, and with the support of the Corporate Affairs Office.

15. Shareholders' Meeting

Shareholders' Meetings are convened in Ordinary or Extraordinary Session pursuant to law, unless one is called to vote on resolutions concerning amendments to Article 10 (Convening, Chairing and Handling Shareholders' Meeting), Article 11 (Board of Directors), Article 12 (Requirements of Independent Directors), Article 15 (Meetings of the Board of Directors), Article 16 (Resolutions of the Board of Directors), Article 17 (Powers of the Board of Directors — Delegation of Powers) or Article 18 (Committees) of the Bylaws, which, until the approval of the financial statements for the 2009 fiscal year, will require the favorable vote of shareholders representing at least 95% of the share capital.

Please be advised that as mentioned in the Proposal of Composition with Creditors annex to the Prospectus filed with the Consob on May 27, 2005, these governance rules cannot be modified for a period of at least five years from the date of the deposit (October 1, 2005) of the decision approving the Proposal of Composition with Creditors (as stated in Article 4.8 of the Proposal of Composition with Creditors).

At a meeting held on July 29, 2010, the Board of Directors, adopted the mandatory amendments to the Bylaws required by Legislative Decree No. 27 of February 27, 2010 concerning Shareholders' Meetings.

Pursuant to the Bylaws (Articles 8, 9 and 10), Shareholders' Meetings are convened by means of a notice published on the Company website, as well as by other means required by Consob regulations, and in two of the following newspapers: *Corriere della Sera*, *La Repubblica* or *Il Sole 24 Ore*, as well as in the *Financial Times*. The procedure for convening a Shareholders' Meeting, which may take place anywhere in Italy, including outside the municipality where the Company's registered office is located, and the manner by which shareholders may be represented at the meeting are governed by the applicable law. The Notice of Shareholders' Meeting must state the date of the Meeting's second or third calling. If such information is not provided, the Shareholders' Meeting must be convened on the second or third calling within 30 (thirty) days from the first or second calling, respectively, and the deadline required under Article 2366 of the Italian Civil Code may be shortened to 8 (eight) days.

In addition, the Company provides the public with information about the items on the Meeting's Agenda by making relevant material available at its headquarter, communicating it to Borsa Italiana through the NIS system and posting it on its website (www.parmalat.com).

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

The abovementioned communication shall be sent by the intermediary, based on the corresponding evidence available at the expiration of the record date, seven stock market trading day before the date set for the first calling of the Shareholders' Meeting. Debit or credit entries posted to the accounting records after this deadline are irrelevant for purpose of determining the eligibility to exercise the right to vote at the Shareholders' Meeting. The communication must reach the Company by the close of business three stock market trading day before the date set for the first calling of the Shareholders' Meeting or other deadline required by the Consob pursuant to regulations issued in concert with the Bank of Italy. However, shareholders will be eligible to attend the Shareholders' Meeting and vote even if the communications are delivered to the Company after the deadline set forth in this paragraph, provided they are delivered before a Shareholders' Meeting convened with a single notice is called to order.

Any shareholder who is entitled to attend the Shareholders' Meeting may be represented at the Meeting, pursuant to law, by means of a written or electronically conveyed proxy, when allowed by the applicable regulations and in the manner set forth therein. If electronic means are used, the notice of the proxy may be given using the page of the Company website provided for this purpose or in accordance with any other method listed in the notice of the Shareholders' Meeting.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors. If the Chairman is absent, Meetings are chaired by the Deputy Chairman who has not as yet been appointed.

Insofar as the handling of Shareholders' Meetings is concerned, thus far, the Company has chosen not to propose the adoption of specific Meeting Regulations, since the powers attributed to the Chairman of the Meeting pursuant to the Bylaws should be sufficient to enable the Chairman to conduct orderly Shareholders' Meetings. This approach avoids the risks and inconveniences that could result if the Shareholders' Meeting should fail to comply with all of the provisions of such Regulations.

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

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

In 2010, a Shareholders' Meeting was held on April 1, 2010 for the purpose of approving the 2009 Annual Report and elect a Statutory Auditor and an Alternate.

16. Changes Occurring Since the End of the Reporting Year

The Company's system of corporate governance has not changed during the period between the end of the reporting year and the date when this Report was submitted for approval.

17. Information About Compliance with the Code

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

Annex “A”

Compensation of Directors and Statutory Auditors

On April 9, 2008, the Shareholders' Meeting approved a resolution granting to the Board of Directors a total annual compensation of 1,300,000.00 euros. On April 9, 2008, the Board of Directors allocated this amount as follows:

- To each Director a fixed fee of €30,000.00 and a variable fee of up to €20,000.00, based on the percentage of attendance at Board meetings, as follows:
 - for less than 50% attendance €0;
 - for an attendance between 50% and 70% €10,000.00;
 - for an attendance greater than 70% €20,000.00;
- For the Chairman an additional fee of €250,000.00;
- For the Chief Executive Officer an additional fee of €500,000.00.

Compensation of Committee Members

Directors who serve on Board Committee receive an additional variable compensation, based on actual attendance at Committee meetings amounting to 3,900 euros per meeting for Committee members and 6,500 euros per meeting for the Committee Chairman.

Compensation for 2010 – Amounts in thousands of euros

Directors	Fixed annual fee	Variable fee	Committee attendance fee	Oversight Board fee	Total compensation for posts held at the company preparing annual financial statements from January 1, 2010 to December 31, 2010	Non-cash benefits	Bonus and other incentives	Other compensation
Raffaele Picella	280	20			300			
Enrico Bondi	530	20			550			
Vittorio Mincato	30	20	27.3		77.3			
Marco De Benedetti	30	20	11.7		61.7			
Piergiorgio Alberti	30	10			40			
Andrea Guerra	30	20	11.7		61.7			
Carlo Secchi	30	20	46.8		96.8			
Massimo Confortini	30	20	45.5		95.5			
Marzio Saà	30	20	45.5	13	108.5			
Erder Mingoli	30	20			50			
Ferdinando Superti Furga	30	20	50.7		100.7			
	1,080.0	210	239.2	13	1,542.2	===	===	===
Statutory Auditors								
Alessandro Dolcetti	65				65			
Enzio Bermani	45			** 7.5	52.5			
Renato Colavolpe *	26.2				26.2			
	154.9	===	===	12.9	167.8	===	===	===

The Shareholders' Meeting of April 9, 2008 resolved to award to the Statutory Auditors an annual remuneration of 45,000.00 for each Statutory Auditor and annual remuneration of 65,000.00 euros for the Chairman of the Board of Statutory Auditors.

(*) Renato Colavolpe was elected by the Shareholders' Meeting of April 1, 2010.

	Fixed annual fee	Variable fee	Committee attendance fee	Oversight Board fee	Total compensation for posts held at the company preparing annual financial statements from January 1, 2010 to December 31, 2010	Non-cash benefits	Bonus and other incentives	Other compensation
Antonio Vanoli – Chief Operating Officer *	===	===	===	===	===	2,5	253	1.000
Managers with Strategic Responsibilities	===	===	===	===	===	42	454	1.845

* The preceding table was prepared as follows:

- Fixed compensation amounts are listed in the “Other compensation” column;
- Bonus amounts are listed in the “Bonus and other incentives” column;
- The value of housing accommodations, the conventional value of a Company car, the value of casualty and life insurance premiums and the indemnities provided pursuant to Article 10 of National Collective Labor Agreement for Executives are listed in the “Non-cash benefits” column.

Annex “B”**EQUITY INVESTMENTS HELD BY MEMBERS OF THE CORPORATE GOVERNANCE BODIES**

FIRST AND LAST NAME	INVESTEES COMPANY	NUMBER OF SHARES HELD at January 1, 2010	NUMBER OF SHARES BOUGHT in 2010	NUMBER OF SHARES SOLD in 2010	NUMBER OF SHARES HELD at December 31, 2010
Directors					
Raffaele Picella	---	---	---	---	---
Enrico Bondi	---	---	---	---	---
Massimo Confortini	---	---	---	---	---
Marco De Benedetti	---	---	---	---	---
Ferdinando Superti Furga	---	---	---	---	---
Andrea Guerra	---	---	---	---	---
Vittorio Mincato	---	---	---	---	---
Piergiorgio Alberti	---	---	---	---	---
Erder Mingoli	---	---	---	---	---
Marzio Saà	---	---	---	---	---
Carlo Secchi	---	---	---	---	---
Statutory Auditors					
Alessandro Dolcetti	---	---	---	---	---
Enzio Bermani	---	---	---	---	---
Renato Colavolpe	---	---	---	---	---

Annex “C”

PERSONAL AND PROFESSIONAL DATA OF THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS

ALESSANDRO DOLCETTI – Chairman of the Board of Statutory Auditors

Alessandro Dolcetti was born in Cortina d'Ampezzo (BL) on August 18, 1962. He graduated from the University of Venue with a Degree in Business Economics. He is listed in the Register of Certified Public Accountants and in the Register of Independent Auditors. He provides professional services to industrial and financial companies, with special emphasis on industrial reorganization transactions, acquisitions and corporate governance issues. Currently, he is Of Counsel of Simmons & Simmons in Rome. In 1986, he joined the Pirelli Group, Tires Division, working in the areas of financial controlling and key account management at the Milan and Frankfurt offices. From 1994 to 2004 he worked as a consultant on corporate and tax issues at Fantozzi & Associati, a law firm specialized in taxation.

ENZIO BERMANI – Statutory Auditor

Enzio Bermani was born in Casalbeltrame (NO) on July 17, 1931. He holds a Degree in Economics and Business Administration from the Bocconi University in Milan and is listed in the Register of Independent Auditors. After 2000, he served as Chief Executive Officer of RCS Investimenti S.p.A. and Statutory Auditor at several companies. From 1983 to 1999, he worked at the Fila Group as manager of the Accounting, Finance, Control and Systems Department. In 1993, when the Fila Group was listed on the New York Stock Exchange (NYSE), he was appointed Chief Financial Officer. He was Chief Executive Officer of Fila Sport S.p.A. from 1995 to 1999 and served on the Boards of Directors of several companies in the Fila Group. Until 1983, he developed his career at the B.P.D. Group, where he rose to become Deputy General Manager, in charge of accounting, finance, control, systems and human resources of S. Andrea Novara S.p.A.

RENATO COLAVOLPE – Statutory Auditor

Renato Colavolpe was born in Naples on February 7, 1953. He holds a Law Degree from the Cattolica University of Milan. He is listed in the Register of Lawyers in Milan and in the Register of Independent Auditors. From 1979 to 1988 he developed his experience in fiscal and corporate affairs fields for several principal companies (such as Banco Ambrosiano, Bastogi I.R.B.S.S. and Snia BPD). Form 1989 to 1995 he also cooperated with “Studio di Consulenza Tributaria e Legale Pirola, Pennuto, Zei & Associati” assisting them for several transaction of acquisition related to shareholding, companies, mergers, contribution of capital and joint venture. Following this experience, he opened his Law firm in Milan (Square.Guastalla 10) and he is currently mainly focused on Corporate Governance System and in Company’s Control System also with reference to the regulation of administrative responsibility for agency.