



Parmalat SpA

*2011 Annual Report on
Corporate Governance*

Approved by the Board of Directors on March 9, 2012

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 2011.

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 2011 Report on Operations.

This report was prepared consistent with the guidelines of the Corporate Governance Code in effect in 2011.

1.2 Mission of the Parmalat Group

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 17, 2012, 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 1,755,527,725 euros was subscribed and allocated; with regard to this amount please note that:

- 6,284,800 shares representing 0.4% of the share capital are still in a deposit account c/o Parmalat S.p.A., of which:
 - 4,235,704 shares, or 0.2% 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;
 - 2,049,096 shares, or 0.1% of the share capital pertain to currently undisclosed creditors.

As of the same date, a total of 89,913,508 warrants had been issued, 44,953,045 of which had been exercised. Because the process of distributing shares and warrants is ongoing, the Company's share capital could vary on a monthly basis, up to a maximum amount of 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 17, 2012, 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 were computed based on a share capital of 1,755,527,725 euros, which is the amount deposited as of February 17, 2012.

Shareholder	Significant equity investments	
	No. of shares	Percentage
SOFIL sas	1,448,214,141	82.5%
TOTAL SHAREHOLDERS WITH SIGNIFICANT EQUITY INTERESTS	1,448,214,141	82.5%

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 17, 2012, the Company's share capital amounted to 1,755,527,725 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) Authorization to Increase Share Capital.

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.

j) Change of Control Clause (pursuant to Article 123-*bis*, Section 1, Letter h), Uniform Financial Code) and provisions of the Bylaws concerning Tender Offers (pursuant to Article 104, Section 1-*ter*, and Article 104-*bis*, Section 1).

With regard to the change of control clause, please note that Parmalat Canada Inc. (Parmalat Canada) is a party to arbitration proceedings currently taking place in Canada to determine whether Parmalat Canada is required to make a liquidity payment to the Ontario Teachers' Pension Plan Board (OTPPB).

In 2004, OTPPB provided the Canadian subsidiary of Parmalat S.p.A. with a loan that was later repaid in full. In addition to the loan agreement, OTPPB and Parmalat Canada executed a Liquidity Payment Agreement, requiring the payment of an additional amount if certain liquidity events were to occur. Parmalat Canada denies the existence of the obligation to make any such payment to OTPPB. An arbitration decision is expected during the first half of 2012.

Parmalat's Bylaws do not provide any waiver with regard to the passivity rule provisions of Article 104, Sections 1 and 2, of the Uniform Financial Code nor do they contemplate the implementation of the neutralization rules of Article 104-*bis*, Sections 2 and 3, of the Uniform Financial Code.

Please keep in mind that the voluntary, all inclusive tender offer (the "Offer") launched on April 26, 2011 for the common shares of Parmalat S.p.A. (the "Issuer") by Sofil S.a.s. (the "Offeror") directly and on behalf of B.S.A. S.A. ("BSA") and Groupe Lactalis S.A. ("Groupe Lactalis"), for the purpose of acquiring 1,234,460,667 common shares of Parmalat S.p.A., par value 1.00 euro each, ended in July 2011.

On the Offer price payment date (July 15, 2011), the Offeror, together with BSA and Groupe Lactalis, owned a total of 1,448,214,141 common shares of Parmalat S.p.A., equal to 83.330% of the subscribed and paid-in share capital as of that date.

For additional information about the Tender Offer and its outcome, please consult the Semiannual Financial Report at June 30, 2011, available on the Company website: www.parmalat.com, Investor Relations page -> Financial Reports (page 52).

k) 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.

l) 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.

m) Compliance.

Neither the issuer nor its strategically significant subsidiaries are subject to provisions of non-Italian laws that affect the Issuer's governance structure.

3. Board of Directors

3.1 Composition, Election and Replacement

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.

As required by Article 11 of the 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 *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. The current Board of Directors was elected by the Shareholders' Meeting convened on June 28, 2011 and will remain in office until the date of the Shareholders' Meeting convened to approve the annual financial statements at December 31, 2011.

Nine of the 11 Directors currently in office were elected from a slate of candidates filed by B.S.A. S.A. and Groupe Lactalis S.A. (hereinafter "Groupe Lactalis") on March 18, 2011, which was published in the following newspapers: *Il Sole 24 Ore* and *Corriere della Sera* on March 22, 2011 and *Financial Times* also on March 22, 2011. The remaining two Directors were elected from a slate of candidates filed by Assogestioni on March 18, 2011, which was published in the following newspapers: *La Repubblica* and *Corriere della Sera* on March 21, 2011 and *Financial Times* also on March 21, 2011. Please note that the Director Olivier Savary, elected by the Shareholders' Meeting on June 28, 2011, resigned on July 8, 2011. Pursuant to Article 2386 of the Italian Civil Code, Mr. Savary was replaced with Yvon Guérin on July 12, 2011.

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 that are not part of the Parmalat Group
Francesco Tatò	Chairman (Independent)	<ul style="list-style-type: none"> ➤ Chairman of the Board of Directors of Fullsix SpA ➤ Director of Istituto per gli Studi di Politica Internazionale Milano ➤ Chief Executive Officer of Istituto della Enciclopedia Italiana Treccani ➤ Director of Coesia Group di Bologna
Yvon Guérin	Chief Executive Officer	<ul style="list-style-type: none"> ➤ Chairman of the Board of Directors of Canelia SaS ➤ Chairman of the Board of Directors of Molkerei Laiterie Walhorn ➤ Director of Lactalis Mc Lelland Ltd
Antonio Sala		<ul style="list-style-type: none"> ➤ Chairman of the Board of Directors of Groupe Lactalis Italia SpA ➤ Director of Biosearch SA
Marco Reboa	Independent Director	<ul style="list-style-type: none"> ➤ Director of Luxottica Group SpA ➤ Director of Interpump Group SpA ➤ Director of Made in Italy1 SpA ➤ Chairman of the Board of Statutory Auditors of Indesit Company SpA
Francesco Gatti		<ul style="list-style-type: none"> ➤ Director of Raffaele Caruso SpA ➤ Statutory Auditor of Erg Renew SpA
Daniel Jaouen		<ul style="list-style-type: none"> ➤ Chairman of the Board of Directors of Groupe Lactalis ➤ Chairman and Chief Executive Officer of Lactalis Europe du Nord ➤ Chairman of the Board of Directors of Lactalis UK Limited ➤ Chairman of the Board of Directors of Groupe Lactalis Iberia ➤ Chairman Board of Statutory Auditors of Dukat Dairy Industry Inc ➤ Director of Lactalis Nestlé Produits Frais
Marco Jesi	Independent Director	<ul style="list-style-type: none"> ➤ Chairman of Argenta SpA ➤ Director of Safilo Group ➤ Director of LSB Barcellona ➤ Director of Autogrill SpA ➤ Chairman of Arcaplanet
Riccardo Zingales	Independent Director	<ul style="list-style-type: none"> ➤ Director of Banca Albertini SpA ➤ Statutory Auditor of CIR SpA ➤ Statutory Auditor of COFIDE SpA ➤ Statutory Auditor of SOGEFI SpA ➤ Chairman Board of Statutory Auditors of Sorgenia Power SpA ➤ Chairman Board of Statutory Auditors of Sorgenia Puglia SpA ➤ Statutory Auditor of Sorgenia SpA ➤ Statutory Auditor of Tirreno Power SpA
Ferdinando Grimaldi Quartieri	Independent Director	<ul style="list-style-type: none"> ➤ Director of Cerved Holding SpA
Gaetano Mele	Independent Director	<ul style="list-style-type: none"> ➤ Chairman of Publismethod SpA ➤ Advisory Board Member SC JOHNSON

Name of Director	Post held at Parmalat S.p.A.	Posts held at other companies that are not part of the Parmalat Group
Nigel William Cooper	Independent Director	<ul style="list-style-type: none"> ➤ Vice Chairman of the Board of Directors of Unibet Plc ➤ Director of Metro International SA ➤ Chairman Internal Control Committee of Unibet Plc ➤ Chairman Internal Control Committee of Metro International SA

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.

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 his election. These qualifications were checked by the Board of Directors at the first Board meeting held after the election (July 1, 2011) by the Shareholders' Meeting. 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 Sections 3.C.1 and 3.C.2 of the Corporate Governance Code, 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 Sections 3.C.1 and 3.C.2 of the Code and the provisions established in Article 148, Section 3, of the Uniform Financial Code, as well as in Article 12 of Parmalat's Bylaws. The outcome of this review was communicated to the market on July 1, 2011.

The current Board of Directors includes seven 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 9, 2012, 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 2012, the independent Directors held one meeting, in the month of January.

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 special questionnaire by which they expressed their opinion with regard to the Board of Directors. The self-assessment questionnaire was submitted in advance 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 2011 financial year was performed by the Board of Directors at a meeting held on March 9, 2012.

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. Thus far, the Board of Directors ascertained periodically the effectiveness of the self-assessment process.

Guidelines About the Maximum Number of Governance Positions

At its meeting of March 9, 2012, the Board of Directors 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) - provides 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 three (3) posts held for executive directors, and in seven (7) for those directors who are not executive of publicly traded companies; financial, banking and insurance institutions; and large businesses (that is to say those companies with revenues and working capital more than 1 billion euros). 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

On June 28, 2011, the Shareholders' Meeting elected Francesco Tatò Chairman of the Board of Directors and, on July 12, 2011, the Board of Directors, acting pursuant to Article 2386 of the Italian Civil Code, coopted Yvon Guérin to replace Olivier Savary, who resigned on July 8, 2011. Also on July 12, 2012, the Board of Directors named Mr. Guérin 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 July 12, 2011, 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.

As required pursuant to law, the Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors on the work he has performed and the use of the powers of attorney he has been granted.

In the performance of their duties, the Directors reviewed the information they received, specifically asking for all clarifications, in-depth analyses and additional information that they may deem necessary and appropriate for a complete and accurate assessment of the facts brought to the attention of the Board of Directors.

3.2 Function of the Board of Directors

3.2.1 Function 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.

At a meeting held on July 12, 2011 to specify the issues that are exclusively under its jurisdiction, the Board of Directors approved a resolution stating that, 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;
- having reviewed the recommendations of the relevant Committee and heard the input of the Board of Statutory Auditors, determines the compensation of Managing Directors and the allocation of the total Board compensation among the individual Directors and Committee members, unless already decided by the Shareholders' Meeting.

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.

At a meeting held on January 27, 2012, the Board of Directors concluded that Parmalat's organizational, administrative and general accounting structure was adequate, based on a special documents made available in advance to the Directors and Statutory Auditors. This document, which analyzes the Group's organizational structure, governance system, corporate IT system and administrative and accounting system, was reviewed in advance by the Corporate Governance and Internal Control Committee.

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 (and confirmed by the Board of Directors on July 1, 2011) 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.

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 2011, the Board of Directors met 12 (twelve) times, including 5 (five) meeting held by the Board of Directors whose term of office ended on June 28, 2011 and 7 (seven) meetings held by the Board of Directors elected on the same date. The attendance percentage of each Director at the abovementioned Board meetings is listed below:

	Attendance percentage at 5 Board Meetings
R. Picella	100.0%
E. Bondi	100.0%
P. Alberti	20.0%
M. Confortini	100.0%
M. De Benedetti	100.0%

A. Guerra	100.0%
V. Mincato	80.0%
E. Mingoli	80.0%
M. Saà	100.0%
C. Secchi	100.0%
F. Superti Furga	100.0%

	Attendance percentage at 7 Board Meetings
F. Tatò	100.0%
Y. Guérin	80.0%
N.W. Cooper	85.71%
F. Gatti	100.0%
F. Grimaldi Quartieri	100.0%
D. Jaouen	85.71%
M. Jesi	100.0%
G. Mele	71.42%
M. Reboa	100.0%
A. Sala	100.0%
F. Zingales	100.0%

Four meetings of the Board of Directors have been planned for 2012.

A calendar of Board meetings planned for 2012 to review annual and interim results was communicated to the market and Borsa Italiana on January 23, 2012 in a press release that was also published on the Company website: www.parmalat.com → Investor Relations → Press Releases. 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 "A," 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.

New internal Committees of the Board of Directors were appointed at a Board meeting held on July 1, 2011. For the first half of 2011 (until the Shareholders' Meeting of June 28, 2011) the Committee members were still those who had been reappointed by the Board of Directors at a meeting held subsequent to the adjournment of the Shareholder's Meeting of April 9, 2008.

The establishments of the Committees 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 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

Since July 1, 2011, this Committee has been comprised of the following three members: Antonio Sala, Chairman; Riccardo Zingales, independent Director; and Gaetano Mele, independent Director. This Committee 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.

For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Massimo Confortini, Chairman; Ferdinando Superti Furga; and Vittorio Mincato).

The opinions rendered by the Committee with regard to individual issues in litigation are forwarded to the Board of Directors ahead of the meeting that has the issues in question on its Agenda.

In 2011, the Litigation Committee met 4 (four) times, including 3 (three) meetings attended by all members of the Litigation Committee whose term of office ended during the year and 1 (one) meeting attended by all members of the Committee appointed by the Board of Directors on July 1, 2011, during which the Committee members reviewed all settlement proposals prior to their approval by the Board of Directors. Minutes were kept of each Committee meeting.

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

Until June 28, 2011

Committee members	Number of meetings attended in 2011	Attendance percentage
Massimo Confortini	3	100
Ferdinando Superti Furga	3	100
Vittorio Mincato	3	100

After July 1, 2011

Committee members	Number of meetings attended in 2011	Attendance percentage
Antonio Sala	1	100
Riccardo Zingales	1	100
Gaetano Mele	1	100

7. Nominating and Compensation Committee

Since July 1, 2011, this Committee has been comprised of the following three Directors without executive authority: Daniel Jaouen, Chairman, Antonio Sala and Gaetano Mele, independent. This Committee performs a proposal-making function.

For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Carlo Secchi, Chairman, Andrea Guerra and Marco De Benedetti, and performed 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, including 2 (two) meetings attended by all members of the Litigation Committee whose term of office ended during the year and 1 (one) meeting attended by all members of the Committee appointed by the Board of Directors on July 1, 2011. At the first meeting held in February 2011, the Committee whose term of office ended on June 28, 2011 approved the Compensation Policy.

At a meeting held on March 2, 2012, in keeping with a continuity-based approach, the Committee in office, acting consistent with the relevant Consob Regulation, reviewed and confirmed the Compensation Policy adopted by the Company and approved by the previous Board of Directors on March 9, 2011. Minutes were kept of each Committee meeting.

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

Until June 28, 2011

Committee members	Number of meetings attended in 2011	Attendance percentage
Carlo Secchi	2	100
Andrea Guerra	2	100
Marco De Benedetti	2	100

After July 1, 2011

Committee members	Number of meetings attended in 2011	Attendance percentage
Daniel Jaouen	1	100
Antonio Sala	1	100
Gaetano Mele	1	100

On the date this Report was approved, the members of this Committee included: Gaetano Mele, Chairman; Marco Jesi, independent Director; and Ferdinando Grimaldi Quartieri, independent Director. The Directors Mele and Grimaldi Quartieri were appointed to this Committee by the Board of Directors on January 27, 2012, following the resignation of the Directors Antonio Sala and Daniel Jaouen.

8. Compensation of Directors

On June 28, 2011, the Shareholders' Meeting approved a resolution awarding Directors who serve as committee members an additional variable compensation amount based on the number of committee meetings and Board of Directors meetings actually attended.

The total compensation allotted to the Directors currently in office was set at the Shareholders' Meeting held on June 28, 2011, concurrently with the election of the Board of Directors. Information about the compensation of Directors is provided in a special report on compensation that will be submitted to the Shareholders' Meeting on April 20, 2012 and will be published on the Company website: www.parmalat.com → Corporate Governance page.

The allocation of the total compensation amount among the individual Directors and Committee members was approved by the Board of Directors on July 12, 2011.

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

Since July 1, 2011, this Committee has been comprised of the following three independent Directors without executive authority: Marco Reboa, Chairman, Riccardo Zingales and Nigel William Cooper. This Committee performs a proposal-making function.

For the first six months of 2011 (until the Shareholders' Meeting of June 28, 2011), this Committee was comprised of the following three independent Directors without executive authority: Marzio Saà, Chairman; Carlo Secchi; and Ferdinando Superti Furga. This Committee performed a proposal-making function.

The Chairman of the Board of Statutory Auditors is always invited to attend the meetings; some meetings are held jointly with 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 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 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.

The Board of Directors designated the Internal Control and Corporate Governance Committee as the Committee responsible for reviewing transactions with related parties, in view of the fact that all of its members met the independence requirements of Article 148, Section Three, of the Uniform Financial Code, as well as the criteria of the Corporate Governance Code of Borsa Italiana.

Without prejudice to the attributions set forth in the Regulations and the jurisdiction reserved for the Board of Directors with regard to the adoption of resolutions, the Committee shall be involved in the negotiations and preparatory phase of highly material transactions with related parties. The Board of Directors shall approve related-party transactions after receiving a reasoned favorable opinion by the Committee, indicating that the execution of the transaction is in the Company's interest and that its terms are advantageous and substantively fair.

In 2011, the Internal Control and Corporate Governance Committee met 19 (nineteen) times, including 8 (eight) meetings attended by all members of the Litigation Committee whose term of office ended during the year and 11 (eleven) meeting attended by all members of the Committee appointed by the Board of Directors on July 1, 2011.

As a rule, Parmalat's Chief Financial Officer (who also serves as the Corporate Accounting Documents Officer) and the manager of the Internal Auditing Function attend the Committee's meetings.

Minutes were kept of each Committee meeting.

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

Until June 28, 2011:

Committee members	Number of meetings attended in 2011	Attendance percentage
Marzio Saà	8	100
Carlo Secchi	8	100
Ferdinando Superti Furga	8	100

After July 1, 2011

Committee members	Number of meetings attended in 2011	Attendance percentage
Marco Reboa (*)	11	100
Riccardo Zingales (*)	11	100
Nigel William Cooper (*)	11	100

(*) For three meetings the Committee members waived the attendance fee.

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 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.

The Internal Control and Corporate Governance Committee meets periodically to discuss the topics listed above, together with the Board of Statutory Auditors. On those occasions, it reviews issues concerning internal control, including both those related to the normal conduct of business activities and those more specifically related to compliance with statutory and regulatory requirements.

Also worth mentioning is the activity carried out during the year by the Internal Control and Corporate Governance Committee with regard to related-party transactions, which it performed in its capacity as the Committee of Independent Directors, qualified to perform the function required by Consob Regulation No. 17221/10, specifically in connection with the decision by Parmalat S.p.A. to join the cash pooling system of the Lactalis Group (detailed information about this transaction is provided in a separate section of this Report).

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. On July 1, 2011, the Board of Directors appointed a new Oversight Board, comprised of two members of the Board of Statutory Auditors (the Alternate Auditor Andrea Lionzo, Chairman, and the Statutory Auditor Roberto Cravero) 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 2011, the Oversight Board met 9 times in total. 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 March 2, 2011, the Board of Directors approved a budget earmarked for use by the Oversight Board in 2011.

In 2011, 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.

A project aimed at updating Parmalat's Organizational Model to address an expansion of the range of prosecutable offenses, particularly with regard to the provisions of Article 25-*undecies*, which introduced environmental crimes, was launched in 2011.

Customary activities to provide employees with training about the additions made to the Model will start once the update is approved by the Board of Directors in 2012.

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 appraised 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 Group has been implementing for several years a semiannual risk self-assessment process for operational risks. This projects entails the collection of self-assessment questionnaires from local managers concerning the main external and internal operational risks and how managers of the Group's subsidiaries managed these risks, with the support of the relevant departments of Parmalat S.p.A.

10.1 Statutory Independent Audits of the Financial Statements

The statutory independent audits of the financial statements are performed by a firm of independent auditors listed in the special register required by Legislative Decree No. 39/10.

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.

In addition, in order to ensure that all accounting control issues are specifically monitored, the Group decided to extend the accounting auditing process to all of the statutory financial statements of Italian and foreign operating subsidiaries, in addition to the consolidation package.

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.

The Company appointed 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 appointment of the Documents Officer was carried out by a resolution that the Board of Directors, acting based on a prior favorable opinion provided by the Board of Statutory Auditors and the Internal Control and Corporate Governance Committee, adopted on July 28, 2011, naming the Group Chief Financial Officer to the post of Corporate Accounting Documents Officer. Earlier at the same meeting, the Board of Directors named Pierluigi Bonavita, who at the time served as Manager of Planning, Control and Consolidated Financial Statements, to the post of Chief Financial Officer, as a replacement for Pier Luigi De Angelis, who resigned. Consequently, Mr. Bonavita also took over as Corporate Accounting Documents Officer.

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.

At a meeting held on March 9, 2012, the Board of Directors approved the 2012 expense budget for 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 in July 2011, 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.

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 adopted Procedure was applied as of 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.

On October 6, 2011, Parmalat S.p.A. agreed to join the cash pooling system of the Lactalis Group. The purpose of this transaction was to optimize the use of financial resources—particularly in the case of short-term cash flows—at the Group level and enable Parmalat S.p.A. to retain maximum financial flexibility and a short-term investment profile, while earning a variable interest rate equal to the one-month Euribor plus a spread consistent with the credit rating of the Lactalis Group.

Under this cash pooling system, the Group's liquid assets are centrally held by B.S.A. Finances snc, a company under French law that is wholly owned by B.S.A. S.A., the Group's Parent Company, either directly or through its subsidiaries.

Parmalat and BSA Finances are related parties, as they are both controlled by BSA.

The Board of Directors of Parmalat Spa evaluated and approved this transaction in accordance with the most stringent criteria and procedures applicable to related-party transactions and, consequently, consistent with the requirements for highly material transactions of Consob Regulation No. 17221 of March 12, 2010 (Related-party Transaction Regulation) and the Procedure Governing Related-party Transactions approved by Parmalat's Board of Directors on November 11, 2010.

Moreover, this transaction was previously the subject of a favorable binding opinion issued by the Internal Control and Corporate Governance Committee, which is comprised exclusively of independent Directors. In this process, the Committee was supported by a financial advisor, who issued a fairness opinion regarding this transaction, stating that the terms of the transaction were fair.

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 by the Shareholders' Meeting on June 28, 2011. It will remain in office until the Shareholders' Meeting convened to approve the financial statements at December 31, 2013. The current Board of Statutory Auditors includes members elected by minority shareholders, because multiple slates were filed when elections were held in 2011.

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

Alfredo Malguzzi *Statutory Auditor*

Roberto Cravero *Statutory Auditor*

as Statutory Auditors drawn from the slate filed by Groupe Lactalis on March 18, 2011

and

Mario Stella Richter (Chairman)

as candidate drawn from the Assogestioni slate, which received the second highest number of vote, and, consequently, pursuant to Article 21 of the Company Bylaws, was named Chairman of the Board of Statutory Auditors.

The following Alternate Statutory Auditors were also elected:

Andrea Lionzo *Alternate*

Michele Rutigliano *Alternate*

drawn from slates filed by Groupe Lactalis and Assogestioni on March 18, 2011.

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

Name of Statutory Auditors	Post held at Parmalat Spa	Posts held at other companies and entities
Mario Stella Richter	Chairman	<ul style="list-style-type: none"> ➤ Director and member of the Internal Control Committee of Snam SpA ➤ Deputy Extraordinary Commissioner of SIAE
Alfredo Malguzzi	Statutory Auditor	<ul style="list-style-type: none"> ➤ Director of Autogrill SpA ➤ Director of Benetton Group SpA ➤ Director of Candy SpA ➤ Director of FinecoBank SpA ➤ Chairman of the Board of Directors LaGare SpA ➤ Director of Borgo Scopeto and Tenuta Caparzo Srl Azienda Agricola ➤ Statutory Auditor of Big Srl ➤ Statutory Auditor of BNP Paribas Lease Group SpA ➤ Chairman of the Board of Statutory Auditors of Fare Holding SpA ➤ Statutory Auditor of Gruppo Lactalis Italia SpA ➤ Statutory Auditor of SpA Egidio Galbani
Roberto Cravero	Statutory Auditor	<ul style="list-style-type: none"> ➤ Chairman of the Board of Statutory Auditors of Anthilia SGR SpA ➤ Director of Banca Ifis SpA ➤ Director of Cassa Lombarda SpA ➤ Statutory Auditor of Ermenegildo Zegna Holditalia SpA ➤ Director of Fiduciaria Orefici SIM spa

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.

The Board of Statutory Auditors in office until the Shareholders' Meeting of June 28, 2011 included the following three Statutory auditors:

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

and two Alternates:

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

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 December 16, 2010, the Board of Statutory Auditors in office at that time verified whether its members continued to meet the independence requirements set forth in Guideline 10.C.2 of the Corporate Governance Code of Borsa Italiana for Statutory auditors, consistent with the Code's independence requirements. The current Board of Statutory Auditors verified whether its members continued to meet the independence requirements at the meetings held on July 18, 2011 and March 8, 2012.

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 "B" to this Report.

In 2011, 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 another member of the Board, attended all Committee meetings.

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, the Board of Statutory Auditors monitored the independence of the firm of independent auditors.

In 2011, the Board of Statutory Auditors met 23 (twenty three) times, including 15 (fifteen) meetings attended by virtually all members of the Board of Statutory Auditors whose term of office ended on June 28, 2011 and 8 (eight) meeting attended by virtually all members of the Board of Statutory auditors elected on June 28, 2011. A breakdown of the meetings of the Board of Statutory Auditors is provided below:

Statutory Auditors	Number of meetings attended in 2011	Attendance percentage
Alessandro Dolcetti	14	93.33
Enzio Bermani	14	93.33
Renato Colavolpe	13	86.67

Statutory Auditors	Number of meetings attended in 2011	Attendance percentage
Mario Stella Richter	8	100.00
Alfredo Malguzzi	8	100.00
Roberto Cravero	7	87.50

14. Relationship with Shareholders

Parmalat's communication policy has always been based on providing a steady flow of information to 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 on a regular basis.

The disclosure of information to investors, the market and the media is achieved by means of press releases; meetings with institutional investors and the financial community; 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 on the Company website and in at least two Italian newspapers with national circulation and the *Financial Times*, and makes material with relevant information available on its website, pursuant to law.

In addition to the opportunities provided by the Shareholders' Meetings, the Company's ongoing dialog with its shareholders is maintained by the Investor Relations Office.

15. Shareholders' Meeting

The Shareholders' Meeting of June 28, 2011, convened in Extraordinary Session, resolved to adopt the optional amendments to the Bylaws required by Legislative Decree No. 27 of January 27, 2010.

More specifically, it resolved to:

- Amend Article 8 of the Bylaws providing the Board of Directors with the option to convene the Ordinary and Extraordinary Shareholders' Meeting in a single session, should it deem it necessary;
- Amend article 9 of the Bylaws so that Parmalat may avail itself of the option to expressly designate one or more shareholder representatives, pursuant to Article 135-*undicies* of Legislative Decree No. 58 of February 24, 1998 (Uniform Financial Code) introduced by Legislative Decree No. 27 of January 27, 2010;
- Amend the title of the section concerning independent auditing, replacing "independent auditing" with "statutory independent audits of the financial statements" and, consequently, amend Article 23 of the Bylaws pursuant to Legislative Decree No. 39 of January 27, 2010;
- Lastly, approve the amended version of the Bylaws.

Pursuant to the Bylaws (Article 8), 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 (however, one has not been appointed at this point) or by a person elected by the Shareholders' Meeting.

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 2011, a Shareholders' Meeting was held on June 28, 2011 for the purpose of approving the 2010 Annual Report. The Shareholders' Meeting also elected a Board of Directors, the Chairman of the Board of Directors and a Board of Statutory Auditors, and approved amendments to the Bylaws.

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”

EQUITY INVESTMENTS HELD BY MEMBERS OF THE CORPORATE GOVERNANCE BODIES

FIRST AND LAST NAME	INVESTE COMPANY	NUMBER OF SHARES HELD	NUMBER OF SHARES BOUGHT	NUMBER OF SHARES SOLD	NUMBER OF SHARES HELD
		at January 1, 2011	in 2011	in 2011	at December 31, 2011
Directors					
Francesco Tatò	---	---	---	---	---
Yvon Guérin	---	---	---	---	---
Antonio Sala	---	---	---	---	---
Marco Reboa	---	---	---	---	---
Francesco Gatti	---	---	---	---	---
Daniel Jouen	---	---	---	---	---
Marco Jesi	---	---	---	---	---
Riccardo Zingales	---	---	---	---	---
Ferdinando Grimaldi Quartieri	---	---	---	---	---
Gaetano Mele	---	---	---	---	---
Nigel William Cooper	---	---	---	---	---
Statutory Auditors					
Mario Stella Richter	---	---	---	---	---
Alfredo Malguzzi	---	---	---	---	---
Roberto Cravero	---	---	---	---	---

Annex “B”

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

MARIO STELLA RICHTER – Chairman of the Board of Statutory Auditors

Born in Rome in 1965, he graduated from Università di Roma La Sapienza with a Law Decree; he later earned a Master of Laws from Columbia University, in New York, and a Doctorate in Economics Law from Università di Roma La Sapienza.

Since 2000, he is Tenured Professor of Commercial Law and since 2006 teaches at the Law School of Tor Vergata University in Rome. He has published about 140 papers and other works.

He has been a practicing attorney since 1992 and a Court of Cassation lawyer since 2001. He is currently a Director SNAM s.p.a. and a member of its Internal Control Committee and serves as Deputy Extraordinary Commissioner of S.I.A.E.

ALFREDO MALGUZZI – Statutory Auditor

Born in Lerici (SP) in 1962, he graduated from Università Commerciale Luigi Bocconi with a Degree in Business Economics, Independent Professional Practice major. He is a member of the Italian Board of Certified Public Accountants and Accounting Experts and is listed in the Register of Independent Auditors.

Areas of activity: taxation and corporate consulting services, with specialization in tax and corporate issues related to mergers and acquisitions, private equity and venture capital transactions, stock listings, international taxation, tax treatment of stock-based incentive plans, and tax disputes; he published several works on taxation. He is a Director of Autogrill SpA, Benetton Group SpA, Candy SpA, Finecobank SpA (Unicredito Italiano Group), LaGare SpA and Borgo Scopeto e Tenuta Caparzo Srl Società Agricola. He is a Statutory Auditor of Gruppo Lactalis Italia SpA, SpA Egidio Galbani, biG Srl, BNP PARIBAS Lease Group SpA and FARE Holding SpA (DeACapital Group).

ROBERTO CRAVERO – Statutory Auditor

Born in Occhieppo Inferiore (BI) in 1959, he graduated from Università degli Studi of Turin with a Degree in Business Economics on March 1983. He succeeded in the examinations of Certified Public Accountants in 1984, in Turin, and since that date he is listed in the Register of Certified Public Accountants of Biella.

He is Independent Auditor and he has also been a member of the Commission for the training of the Public Accountants at the National Certified Public Accountants for two mandates and Director of the Certified Public Accountants Register in Biella. He is partner of Cravero & Associates Firm (five certified associated public accountants) with offices in Biella and Milan. He is also a Member of Internal Control Committees and of the Statutory Auditors in banks, listed companies and industrial companies.