



## **ANNUAL REPORT ON COMPLIANCE WITH RECOMMENDATIONS CONTAINED IN THE CODE OF SELF-DISCIPLINE FOR LISTED COMPANIES.**

**(Section. IA.2.12 of Instructions in Regulations for Organised Markets operated by Borsa Italiana  
S.p.A.)**

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## ***Introduction***

Following a resolution passed by the Board of Directors of Centrale del Latte di Torino & C. S.p.A. on December 18 2000, the Company has adopted a Code of Self-discipline for Corporate Governance, the latter being intended as that system of rules by which companies are managed and controlled.

This annual report has been prepared to illustrate the Board's activities during 2001 as regards the Code of Self-discipline and the manner in which the latter has been implemented and applied.

The complete text of this report and the Code of Self-discipline can be found on the Company's Internet site at [www.centralelatte.torino.it](http://www.centralelatte.torino.it)

### ***1. Role and activities of the Board of Directors***

During 2001 the Board of Directors, nominated for a term of office that will expire after approval of Financial Statements for the year 2001 (ordinary shareholders' meeting of April 30 2002), comprised the following members:

Executive members:

- |                    |   |
|--------------------|---|
| - Luigi LUZZATI    | Chairman                                      |
| - Riccardo POZZOLI | Executive Vice Chairman and Managing Director |
| - Aroldo LUZZATI   | Managing Director                             |

Non-executive members:

- |                           |               |
|---------------------------|---------------|
| - Antonio Felice FORCHINO | Vice Chairman |
| - Adele ARTOM             | Director      |
| - Ermanno RESTANO         | Director      |
| - Pietro Angelo CERRI     | Director      |
| - Alessandro MARINA       | Director      |
| - Germano TURINETTO       | Director      |

The Board met 6 (six) times during 2001 to discuss and pass resolutions concerning:

- the draft Consolidated and Company Financial Statements for the year ended December 31 2000;
- quarterly reports;
- the half-yearly report at June 30 2001;
- a proposal to authorise the purchase of treasury stock to be held in portfolio in accordance with Articles 2357 and 2357ter of the Civil Code;
- the request for admission for listing of ordinary shares in the Company in the High Requirement Share Segment (STAR);
- investment projects in industrial plant and equipment;
- the proposal for variable remuneration of Managing Directors and top management based on results indicated as objects for the current year;
- the budget for 2002;
- the Company's participation in privatisation bids for public companies operating in the dairy product sector.

During the Board meetings both the Chairman and Executive General Manager were individually assigned wide powers to agree on all aspects to form an alliance and stipulate shareholders' agreements and consequent preparation of all necessary documents to participate in confidential negotiations for the privatisation of public companies operating in the dairy product sector.

At least 7 (seven) Board members, of whom at least 2 (two) of the 3 (three) independent members, were always present at Board meetings.

The Board of Statutory Auditors always participated in Board meetings with at least 2 (two) of its 3 (three) effective members.

Board members and Statutory Auditors always received reasonably well in advance all information and documentation necessary to express themselves in an informed manner as regards items on the agenda of the single meetings.

## ***2. Independent Board members***

During 2001, there were 3 (three) independent non-executive Board members, intended as being those who(se):

- judgement is not conditioned by significant financial relations with the Company, its subsidiaries, executive directors or groups of shareholders' with a controlling interest in the Company;
- are neither directly or indirectly owners of sufficient shares to enable them to exercise control over the Company, nor are they parties to shareholders' agreements to gain control of the Company.

These persons were:

- Pietro Angelo CERRI
- Alessandro MARINA
- Germano TURINETTO

The term of office of the above mentioned persons, as for other Board members, will expire after approval of Financial Statements for the year 2001 (ordinary shareholders' meeting of April 30 2002).

## ***3. Nomination of Board members***

The new Board of Directors that will guide the Company for the three-year period 2002-2004 will be nominated by the ordinary shareholders' meeting to be held on April 30 2002.

Proposals for nomination to the position of Board member, accompanied by a detailed description of the personal and professional qualities of candidates concerned, must be deposited at the Company's offices at least ten days before the shareholders' meeting.

The Board of Directors does not believe it necessary to create a nominations' committee within the Board as no problems have arisen in the past to prepare proposals for nomination.

#### ***4. Remuneration of Board members***

The Code of Self-discipline, point 8, establishes that the Board of Directors can set up its own internal remuneration committee.

The current Board has not nominated a remuneration committee as it intends to extend the activity concerned to all Board members.

In the meeting of March 9 2001 a proposal was adopted to establish variable remuneration for Managing Directors and top management based on the planned results for 2001.

No stock options plan is foreseen.

#### ***5. Internal Audit Committee***

The Board of Directors recognises the importance of an internal audit system that verifies if internal operating and administrative procedures are followed, in order to ensure operations are conducted in a sound and efficient manner. In the meeting held on March 9 2001 the Board established an Internal Audit Committee, the role of which is to act in an advisory capacity and make proposals, comprised of four members, of whom three are non-executive Board members (two of whom are also independents) and also the Audit Committee representative.

These persons are:

- Alessandro MARINA
- Ermanno RESTANO
- Germano TURINETTO
- Giancarlo MORETTO - Audit Committee representative.

The nominated Audit Committee representative does not report to a manager within the operations area but instead gives an account of activities performed to the Managing Directors, Internal Audit Committee and Statutory Auditors.

In 2001 the Audit Committee met 3 (three) times and the meetings were always attended by the representative, at least (2) two other members of the Audit Committee, at least 2 (two) Statutory Auditors, and a representative of the independent auditors.

During the meetings the representative illustrated his audit activities which involved checking from time to time that procedures and control techniques had been applied correctly as specified in manuals for individual cycles, selected on a sample basis.

The cycles covered by these auditing activities were:

- the sales' cycle;
- the raw materials' purchase cycle;
- the salary and wage payment cycle;
- the treasury cycle.

These audits performed on a sample basis did not reveal any anomalies or exceptions.

One meeting of the Committee included an agenda item concerning sample audits performed on procedures adopted by the subsidiary company, Centro Latte Rapallo S.p.A..

The areas covered by these audits were:

- the sales' cycle;
- the purchase of fresh milk cycle;
- the cycle covering purchase of services and packaging materials;
- the treasury cycle;
- the salary and wage payment cycle.

## ***6. Treatment of confidential information***

Point 6 of the Code of Self-discipline adopted establishes that all Board members are required to keep all information and documents acquired while performing their duties confidential and to adhere to procedures as regards divulging such information and documentation.

Based on a proposal made by the Managing Directors, in the Board meeting held on December 18 2000 a resolution was passed to allow only the Chairman and Managing Directors to divulge information and documentation concerning the Company, particularly with reference to price sensitive information. The individuals mentioned may make use of the consultancy company assigned to provide financial information.

## ***7. Relations with shareholders and investors***

Board members encourage and facilitate participation of shareholders in shareholders' meetings. Unless they have other pressing engagements, all Board members participate in shareholders' meetings.

These meetings are an opportunity to provide information on the Company to shareholders in compliance with guidelines governing price sensitive information.

To date the Board has not introduced regulations to provide for the orderly, efficient running of shareholders' meetings as it has been deemed unnecessary to implement such measures.

The Board has nominated Vittorio VAUDAGNOTTI, the Company's Administrative Manager, as the person responsible for investor relations, a role that entails handling relations with shareholders and institutional investors and providing them with documentation and information on the Company.

## ***8. Board of Statutory Auditors***

During 2001 the Board of Statutory Auditors comprised the following persons:

Alessandro RAYNERI	Chairman
Giovanni D'AMELIO	Auditor
Vittoria ROSSOTTO	Auditor

At least 2 (two) members of the Board of Statutory Auditors were always present at Board meetings and Audit Committee meetings.

The term of office for members of Board of Statutory Auditors will expire after approval of Financial Statements for the year 2002.

Proposals for nomination of members of the Board of Statutory Auditors, accompanied by a detailed description of the personal and professional qualities of candidates concerned, must be deposited at the Company's offices at least ten days before the shareholders' meeting.

Turin, April 15 2002

**CENTRALE DEL LATTE DI TORINO & C. S.p.A.**  
**Chairman**  
**Luigi LUZZATI**