

# **Annual Report on Corporate Governance for Listed Companies**

## **Issuer Information**

Year ended: 31/12/2009

Tax Identification Number: A-96184882

Corporate name: NATRACEUTICAL, S.A.

# Annual Report on Corporate Governance for Listed Companies Model

For better understanding and further elaboration of the model, it is necessary to read the instructions at the end of this report.

## A – OWNERSHIP STRUCTURE

### A.1 Complete the following table regarding the company's share capital:

| Last modified | Share capital (euros) | Number of shares | Number of voting rights |
|---------------|-----------------------|------------------|-------------------------|
| 27/10/2006    | 32,871,395.00         | 328,713.946      | 328,713,946             |

If there are different types of shares, please list them below:

NO

### A.2 List the direct and indirect holders significant shares in the company at the end of the year, excluding members of its Board of Directors:

| Name or corporate name of shareholder | Number of voting rights held directly | Number of voting rights held indirectly (*) | % of total voting rights |
|---------------------------------------|---------------------------------------|---|--------------------------|
| INVERSIONES IBERSUIZAS, S.A.          | 16,435,897                            | 0   | 5.000                    |
| BILBAO BIZKAIA KUTXA                  | 15,080,318                            | 0   | 4.588                    |
| CARAFAL INVESTMENTS SLU               | 12,279,834                            | 0   | 3.736                    |

Indicate the most significant movements in the ownership structure during the year:

| Name or corporate name of shareholder | Date of Operation | Operation description                     |
|---------------------------------------|-------------------|---|
| CARAFAL INVESTMENTS SLU               | 26/11/2009        | 3% of the share capital has been exceeded |

### A.3 Complete the following tables on voting rights held by members of the Board of Directors:

| Name or corporate name of director | Number of voting rights held directly | Number of voting rights held indirectly (*) | % of total voting rights |
|------------------------------------|---------------------------------------|---|--------------------------|
| MR JAVIER ADSERA GEBELLI           | 427                                   | 244   | 0,000                    |
| MS ALICIA VIVANCO GONZALEZ         | 1,000                                 | 0   | 0.000                    |
| BMS PROMOCIÓN y DESARROLLO, S.L.   | 2,760,000                             | 559.374                                     | 1.010                    |
| MR FELIX REVUELTA FERNANDEZ        | 30,000                                | 24.711.011                                  | 7.527                    |
| MR JUAN IGNACIO EGAÑA AZURMENDI    | 1,104,479                             | 0   | 0.336                    |
| NATRA, S.A.                        | 166,328,647                           | 0   | 50.600                   |

| Name or corporate name of the indirect shareholder | Through: Name or corporate name of direct shareholder | Number of voting rights held directly | % of total voting rights |
|--|---|---------------------------------------|--------------------------|
| MR JAVIER ADSERA GEBELLI                           | MR JOSEP ADSERA MARTINEZ                              | 244                                   | 0.000                    |
| MR FELIX REVUELTA FERNANDEZ                        | FINVERKI S.L.   | 7,662,588                             | 2.331                    |
| MR FELIX REVUELTA FERNANDEZ                        | KILUVA S.A.   | 7,600,000                             | 2.312                    |

|                             |                   |           |       |
|-----------------------------|-------------------|-----------|-------|
| MR FELIX REVUELTA FERNANDEZ | HOUSEDIET S.L.U.  | 5,719,423 | 1.740 |
| MR FELIX REVUELTA FERNANDEZ | KILUVA PORTUGUESA | 1,979,000 | 0.602 |
| MR FELIX REVUELTA FERNANDEZ | KILUVA DIET S.L.  | 1,750,000 | 0.532 |

| Name or corporate name of the indirect share holder | Through: Name or corporate name of direct shareholder | Number of voting rights held directly | % of total voting rights |
|---|---|---------------------------------------|--------------------------|
| BMS PROMOCION Y DESARROLLO, S.L.                    | GRUPO LAFUENTE  | 559,374                               | 0.170                    |

|  |               |
|--|---------------|
| <b>% of total voting rights held by the Board of Directors</b> | <b>59.473</b> |
|--|---------------|

**Complete the following tables on members of the Company Board of Directors, who hold rights over the company shares:**

**A.4 Where applicable indicate any family, commercial, contractual or corporate relationship between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

**A.5 Where applicable indicate any commercial, contractual or corporate relationships between owners of significant shareholdings as they become known to the company, unless they are insignificant or derive from ordinary trading or exchange activities:**

**A.6 Indicate whether the company knows the existence of concerted actions that may affect its activities, in accordance with the provisions of article 112 of the Securities Market Law. When applicable, briefly describe these actions and indicate the shareholders bound by the pact:**

NO

**Indicate whether the company knows the existence of concerted actions among company shareholders. Where appropriate, describe briefly:**

YES

**% of share capital affected:** 2.552

**Brief description of agreement:**

The owner of the concerted action is BMS Promoción y Desarrollo, S.L. and Grupo Lafuente.

**Intervening parties of the shareholders' agreement:**

GRUPO LAFUENTE  
BMS PROMOCIÓN y DESARROLLO, S.L.

**Expressly indicate any amendment to, termination of such agreements or concerted actions during the year.**

There were no modifications in the company's concerted actions during the year 2009.

**A.7 Indicate whether any person or company exercises control or may exercise control over the company under the terms set forth in article 4 of the Securities' Market Law: If so, identify:**

YES

**Name or corporate name**

NATRA, S.A.

**Observations**

On December 31, 2008, Natra S.A. holds 50.438% of the shares of Natraceutical, S.A. As of that date, Natra S.A. had available in their favour of a call option against Carafal Investments Ltd., for 2.07% of the shares into which divides the capital of Natraceutical SA and was subject to the option to repurchase of 1.66% of the shares into which divides the capital of Natraceutical, S.A. As communicated via Natra S.A. Relevant Event 123074, both the purchase option and the repurchase commitment were rendered without effect under the terms and conditions detailed in the mentioned Relevant Event.

**A.8 Complete the following tables about the company's treasury stock:****At year end:**

| Number of shares held directly | Number of shares held indirectly (*) | % of total share capital |
|--------------------------------|--------------------------------------|--------------------------|
| 4,291,226                      | 0                                    | 1.310                    |

**(\*) Through:**

Total 0

**List any significant changes as per Royal Decree 1362/2007, during the year:****Gain/(loss) on sale of treasury stock in the period (thousand euros)** -1,590**A.9 Detail the conditions and the time frame of the Shareholders' Meeting current mandate to the Board of Directors for the acquisition or transfer of company shares.**

In the General Shareholders' Meeting held on 18 June 2009, the Board of Directors was authorised to purchase the company's treasury stock, either directly or through invested companies, with the limits and requirements established in the Public Limited Companies Law. This mandate leaves with no effect that of 19 June 2008.

**A.10 Indicate any restrictions under law or the company's articles of association on exercising voting rights and any legal restrictions on the acquisition and/or transfer in the share capital. Indicate any legal restrictions on voting rights:**

NO

**Maximum percentage of legal restrictions on voting rights a shareholder can exercise:** 0**Indicate any restrictions included in company's articles of association on exercising voting rights:**

YES

**Maximum percentage of legal restrictions on voting rights a shareholder can exercise under the company's articles of association** 0.000**Description of the restrictions under law or the company's articles of association on exercising voting rights**

In article 17 of the company's Articles of Association, it is established that the holders of at least one thousand shares represented by the book entry of shares in the corresponding register five days prior to the Board Meeting, which will be accredited by the provision of the corresponding certificates, have to right to attend the General Board Meetings.

**Indicate if there are any legal restrictions on the acquisition or transfer of share capital:**

NO

**A.11 Indicate if neutralisation measures in the event of a takeover bid were agreed upon at the General Shareholder's Meeting pursuant to Law 6/2007.**

NO

**If so, explain the measures approved and the terms under which the inefficiency of restrictions would occur:**

**B – STRUCTURE OF THE CORPORATE ADMINISTRATION**

**B.1 Board of Directors**

**B.1.1 List the maximum and minimum number of directorships stipulated in the articles of association:**

**Maximum number of directors** 15

**Minimum number of directors** 5

**B.1.2 Complete the following table with the Board members' details:**

| Name or corporate name of director | Representative          | Position on the board | Date of First Appointment | Date of Last Appointment | Election procedure            |
|------------------------------------|-------------------------|-----------------------|---------------------------|--------------------------|-------------------------------|
| MR JAVIER ADSERA GEBELLI           | --                      | CHAIRMAN              | 29/06/2005                | 29/06/2005               | VOTE IN SHAREHOLDERS' MEETING |
| MR FRANÇOIS GAYDIER                |                         | CHIEF EXECUTIVE       | 19/06/2008                | 19/06/2008               | VOTE IN SHAREHOLDERS' MEETING |
| MS ALICIA VIVANCO GONZALEZ         | --                      | DIRECTOR              | 24/10/2006                | 24/10/2006               | CO-OPTION                     |
| BMS PROMOCION Y DESARROLLO, S.L.   | JOSÉ LUIS NAVARRO FABRA | DIRECTOR              | 10/09/2002                | 25/06/2007               | VOTE IN SHAREHOLDERS' MEETING |
| MR FELIX REVUELTA FERNANDEZ        | --                      | DIRECTOR              | 21/02/2008                | 21/02/2008               | CO-OPTION                     |

| Name or corporate name of director | Representative            | Position on the board | Date of First Appointment | Date of Last Appointment | Election procedure            |
|------------------------------------|---------------------------|-----------------------|---------------------------|--------------------------|-------------------------------|
| MR JOSE MANUEL SERRA PERIS         |                           | DIRECTOR              | 20/06/2003                | 19/06/2008               | VOTE IN SHAREHOLDERS' MEETING |
| MR JUAN IGNACIO EGAÑA AZURMENDI    |                           | DIRECTOR              | 10/01/2006                | 10/01/2006               | CO-OPTION                     |
| NATRA, S.A.                        | MR MANUEL MORENO TARAZONA | DIRECTOR              | 28/06/2004                | 28/06/2004               | VOTE IN SHAREHOLDERS' MEETING |

**Total number of directors:** 8

**Indicate any directors leaving the Board during the period:**

| Name or corporate name of director | Status of director at the time of termination | Termination date |
|------------------------------------|---|------------------|
| MR JOSE VICENTE PONS ANDREU        | ANOTHER EXTERNAL DIRECTOR                     | 17/06/2009       |
| MR RICARDO IGLESIAS BACIANA        | INDEPENDENT                                   | 24/06/2009       |

**B.1.3 Complete the following tables on Board members and their directorships:**

**EXECUTIVE DIRECTORS**

| Director's name or corporate name | Committee proposing the appointment    | Post held in the company |
|-----------------------------------|--|--------------------------|
| MR JAVIER ADSERA GEBELLI          | APPOINTMENT AND REMUNERATION COMMITTEE | CHAIRMAN                 |
| MR FRANÇOIS GAYDIER               | APPOINTMENT AND REMUNERATION COMMITTEE | CHIEF EXECUTIVE          |

**Total number of Executive Directors:** 2

**% of the Board:** 25,000

**EXTERNAL PROPRIETARY DIRECTORS**

| Name or corporate name of director | Committee proposing the appointment     | Name or corporate name of significant shareholder represented or proposing the appointment |
|------------------------------------|---|--|
| MS ALICIA VIVANCO GONZALEZ         | APPOINTMENTS AND REMUNERATION COMMITTEE | BILBAO BIZKAIA KUTXA   |
| BMS PROMOCIÓN y DESARROLLO, S.L.   | BOARD OF DIRECTORS OF THE COMPANY       | BMS PROMOCIÓN y DESARROLLO, S.L.   |
| MR FELIX REVUELTA FERNANDEZ        | APPOINTMENT AND REMUNERATION COMMITTEE  | MR FELIX REVUELTA FERNANDEZ  |
| MR JUAN IGNACIO EGAÑA AZURMENDI    | BOARD OF DIRECTORS OF THE COMPANY       | MR JUAN IGNACIO EGAÑA AZURMENDI  |
| AZURMENDI                          |   |  |
| NATRA, S.A.                        | BOARD OF DIRECTORS OF THE COMPANY       | NATRA, S.A.  |

**Total number of Proprietary Directors** 5

**% of the Board** 62.500

**INDEPENDENT DIRECTORS**

**Name or corporate name of director:** MR JOSE MANUEL SERRA PERIS

**Background:** State Lawyer. Not a related-party of the management team and significant shareholders.

**Total number of Independent Directors** 1

**% of total board** 12.500

**OTHER EXTERNAL DIRECTORS**

|                                    |       |
|------------------------------------|-------|
| Total number of External Directors | 0     |
| % of total board                   | 0.000 |

**Indicate why this director cannot be considered proprietary or independent and their links, either with the company, its directors or shareholders.**

**List any changes in the classification of each director which have occurred during the period:**

**B.1.4 Explain, if appropriate, the reasons why they have been appointed proprietary directors by shareholders whose stakes are less than 5% of the share capital.**

**Indicate any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship. If so, explain why these requests have been rejected.**

NO

**B.1.5 Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Indicate if any directors have given up their place before their tenure expires, through resignation or otherwise and state their reasons and by what channel. If this was made in writing to the Board, explain the reasons given:**

YES

**Name of director:** MR JOSE VICENTE PONS ANDREU

**Reasons:** Jose Vicente Pons Andreu resigned as a director on June 17, 2009, without giving the reasons for his resignation. At the time of his resignation his condition was of external director.

**Name of director:** MR RICARDO IGLESIAS BACIANA

**Reasons:** Ricardo Iglesias Baciana resigned from his post as director on 24 June 2009 for professional motives as he was unable to reconcile his post with his other occupations. At the time of his resignation his condition was of independent director.

**B.1.6 Indicate, where applicable, any powers delegated to chief executives:**

**Director's name or corporate name:** MR FRANÇOIS GAYDIER

**Brief description:**

The appointment and distribution of all staff, as well as the hiring, payment and obligatory social security and work accident insurance cancellation and leave.

Administrate, rule and govern all issues and negotiations included in the corporate business and corporate assets in this regard, collect rents, debts, products, earnings, pensions, request, liquidate and charge accounts, giving receipts, salaries and termination settlements, give or receive rural or urban properties of or for the company as a lease or sharecropping, with the agreements deemed appropriate, terminate or cancel such contracts, evict sharecropping farmers, settlers, tenants, leasers, hold-over tenants and any other type of occupants; sign invoices, data, guides and legal statements, accept and settle accounts, and to provide corporate funds for investment and placement.

**B.1.7 List any Board members holding senior management or directorships in other companies belonging to the listed company's group:**

| Name or corporate name of Director | Corporate name of the group entity | Post   |
|------------------------------------|------------------------------------|--|
| MR JAVIER ADSERA GEBELLI           | NATRA. S.A.                        | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY        |
| MR FRANÇOIS GAYDIER                | BRAES GROUP LTD                    | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY        |
| MR FRANÇOIS GAYDIER                | BRAES HOLDINGS LTD.                | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY        |
| MR FRANÇOIS GAYDIER                | FORTE PHARMA IBERICA. S.L.         | INDIVIDUAL REPRESENTATIVE OF THE SOLE ADMINISTRATOR OF |

|                                  |                                 |   |
|----------------------------------|---------------------------------|---|
|                                  |                                 | NATRACEUTICAL INDUSTRIAL S.L.U.                 |
| MR FRANÇOIS GAYDIER              | LABORATOIRES FORTE PHARMA SAM   | INDIVIDUAL REPRESENTATIVE OF THE ADMINISTRATOR  |
| MR FRANÇOIS GAYDIER              | NATRACEUTICAL INDUSTRIAL S.L.U. | INDIVIDUAL REPRESENTATIVE OF THE ADMINISTRATOR  |
| MR FRANÇOIS GAYDIER              | FORTE SERVICES SAM              | INDIVIDUAL REPRESENTATIVE OF THE ADMINISTRATOR  |
| MR FRANÇOIS GAYDIER              | NATRACEUTICAL CANADA INC        | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY |
| BMS PROMOCIÓN y DESARROLLO, S.L. | NATRA. S.A.                     | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY |
| MR JUAN IGNACIO EGAÑA AZURMENDI  | NATRA. S.A.                     | MEMBER OF THE                                   |

| Name or corporate name of Director | Corporate name of the group entity | Post  |
|------------------------------------|------------------------------------|---|
| NATRA, S.A.                        | ALL CRUMP NV                       | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY   |
| NATRA, S.A.                        | COCOATECH S.L.                     | CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY |
| NATRA, S.A.                        | HABITAT NATRA SA                   | SOLE ADMINISTRATOR                                |
| NATRA, S.A.                        | NATRAZAHOR. S.A.                   | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY   |
| NATRA, S.A.                        | TORRE ORIA S.L.                    | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY   |
| NATRA, S.A.                        | TXOCAL OÑATI. S.L.                 | CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY |

**B.1.8 List all board members who are also members of the board of directors of other companies listed on official securities markets in Spain, other than your own group, that have been reported to the company:**

| Name or corporate name of Director | Corporate name of the listed entity    | Post     |
|------------------------------------|--|----------|
| MS ALICIA VIVANCO GONZALEZ         | GENERAL DE ALQUILER DE MAQUINARIA S.A. | DIRECTOR |
| MR FELIX REVUELTA FERNANDEZ        | SNIACE SA                              | DIRECTOR |
| MR JOSE MANUEL SERRA PERIS         | GRUPO EMPRESARIAL ENCE. S.A.           | DIRECTOR |
| MR JOSE MANUEL SERRA PERIS         | CORPORACION FINANCIERA ALBA SA         | DIRECTOR |

**B.1.9. Indicate and explain if the company has established rules about the number of directorships their board members can hold:**

NO

**B.1.10 Regarding recommendation 8 of the Unified Code, indicate the company's general policies and strategies which the Board in full should reserve the right to approve:**

|   |     |
|---|-----|
| Investment and financing policy   | YES |
| Design of the structure of the corporate group  | YES |
| Corporate governance policy   | YES |
| Corporate social responsibility policy  | YES |
| The strategic or business plan, management targets and annual budgets                                       | YES |
| Remuneration and evaluation of senior officers  | YES |
| The risk management and control policy, periodic monitoring of the internal information and control systems | YES |
| Dividend policy, as well as the policies and limits applying to treasury stock                              | YES |

**B.1.11 Complete the following tables indicating the aggregate remuneration paid to directors during the year:**



**remuneration accruing to them during the year:**

| Name or corporate name  | Post  |
|-------------------------|---|
| MR ANDREW WAINWRIGHT    | DIRECTOR OF FUNCTIONAL INGREDIENTS DIVISION |
| MR HONORATO MONZO OLTRA | DIRECTOR OF RESEARCH AND DEVELOPMENT        |
| MR JULIEN LAPORTE       | DIRECTOR OF FOOD SUPPLEMENTS DIVISION       |

**Total remuneration received by senior directors (in thousands of Euros)**379

**B.1.13 Identify in aggregate terms any guarantee or protective clauses benefiting senior management (including executive directors) of the company or its group. Indicate whether these clauses have to be reported to and/or authorised by the governing bodies of the company or its group:**

**Number of beneficiaries:** 1

|                                 | <b>Board of Directors</b> | <b>General Shareholders Meeting</b> |
|---------------------------------|---------------------------|-------------------------------------|
| <b>Body authorising clauses</b> | YES                       | NO                                  |

**Is the General Shareholders' Meeting informed of these clauses?:** YES

**B.1.14 Indicate the procedures for establishing board members' remuneration and any relevant clauses in the Articles of Association regarding this payment.**

**Procedures for establishing board members' remuneration and relevant clauses in the Articles of Association**

**REMUNERATION OF DIRECTOR**

The Director will have the right to obtain the remuneration established by the Board of Directors pursuant to the provisions of the Articles of Association. The Board or Administration will procure that the Director's remuneration is in accordance with the earnings of companies of a similar size and activity in the market.

The remuneration of Directors will be fully transparent, and the remuneration policy of the Directors is to figure in the annual report for this purpose.

Remuneration for being a member of the Board of Administration will be compatible with the other professional or labour earnings that correspond to the Director for any other management or advisory duties that, if applicable, s/he may perform in the Company.

**REMUNERATION OF INDEPENDENT DIRECTOR**

The Board of Directors will adopt all measures available to ensure that the remuneration of independent Directors offers incentives for their dedication without compromising their independence.

In addition, article 32 of the Articles of Association contains all provisions with regard to the remuneration of the Board of Administration and it states that: The members of the Board of Administration will receive compensation per diem when they attend Board sessions which will cover any expenses required and which will be established by the Board itself. Notwithstanding the aforementioned compensation, the Directors will receive fixed, regular remuneration for performing their duties and as remuneration, which will be established by the General Board Meeting and which will vary on an annual basis according to the Consumer Price Index, until the amount is modified by the General Board Meeting upon a new agreement. Through an agreement made for this purpose, the Board of Directors will distribute the aforementioned remuneration among its members in accordance with the criteria, method and amount that it establishes. Both the aforementioned remuneration and the compensation per diem will be compatible and independent of remuneration that the Directors may receive for performing any other management duty within the company.

**Indicate if the Board acting in full has approved the following decisions:**

**On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses:** YES

**Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions:** YES

**B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the points included:**

YES

|   |     |
|---|-----|
| The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to. | YES |
| Variable components   | YES |
| The main characteristics of pension systems with an estimate of their amount of annual equivalent cost.   | NO  |
| The conditions to apply to the contracts of executive directors exercising senior management functions  | YES |

**B.1.16 Indicate whether the Board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. Explain the most points regarding the remuneration policy as approved by the Board for forthcoming years, the most significant changes in remuneration policy made this year and a global summary of how the policy was applied over the period in question. Provide details on the role of the Remuneration Committee along with the identity of any external advisors engaged:**

NO

**Has an external advisor been engaged?**

**Identity of External Advisors:**

**B.1.17 Indicate the identity of any board members who sit on board(s) of directors or hold senior management posts in companies having significant shareholdings in the listed company and/or its group companies:**

| Name or corporate name of director | Corporate name of significant shareholder | Post  |
|------------------------------------|---|---|
| MR JAVIER ADSERA GEBELLI           | NATRA, S.A.                               | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY |
| BMS PROMOCIÓN y DESARROLLO, S.L.   | NATRA, S.A.                               | MEMBER OF THE BOARD OF DIRECTORS                |

| Name or corporate name of the director | Corporate name of significant shareholder | Post  |
|--|---|---|
| MR JUAN IGNACIO EGAÑA AZURMENDI        | NATRA, S.A.                               | MEMBER OF THE BOARD OF DIRECTORS OF THE COMPANY |

**List, if appropriate, any relevant relations other than those indicated in the section above that link members of the board of directors with significant shareholders and/or their group companies:**

**Name or corporate name of related-party director:** MR JAVIER ADSERA GEBELLI

**Name or corporate name of related-party significant shareholder:** NATRA, S.A.

**Relationship description:** THIS BOARD MEMBER HAS A PARTICIPATION OF OVER 5% IN NATRA S.A. THROUGH THE COMPANY TAMAXAGE XXI S.L.

**Name or corporate name of related-party director:** BMS PROMOCIÓN y DESARROLLO, S.L.

**Name or corporate name of related-party significant shareholder:** NATRA, S.A.

**Relationship description:** BOARD MEMBER HAS A PARTICIPATION OF OVER 5% IN NATRA S.A.

**B.1.18 Indicate any changes made to board regulations during the year:**

NO

**B.1.19 Indicate the procedures for the appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be applied in each procedure.**

The directors will be appointed by the General Shareholders' Meeting or by the Board of Directors, in accordance with the provisions contained in the Public Limited Companies Law.

The Directors will exercise their post for a maximum period of five years after which they may be re-elected for the same duration or less.

Proposals to appoint directors which the Board of Directors submits to the General Shareholders' Meeting for consideration and the appointment decisions made by this body by the method of co-option that it has attributed should comply with the provisions of the Regulations of the Board of Directors, which is published on web page <http://www.natraceuticalgroup.com>, in the section Legal Information for the shareholder.

Director re-elections shall be agreed at the General Shareholders' Meeting at the proposal of the Board of Directors. When directors are re-elected, it must be borne in mind whether they still possess the characteristics for which they were first appointed and the efficiency with which they have carried out their duties.

The method to evaluate Directors has not been formally established in the Regulations of the Board of Directors, even when this evaluation is carried out informally.

Directors should step down when their appointment term has terminated and when the General Shareholders' Meeting or Board of Directors decide the same, in use of their powers attributed legally or according to the articles of association.

**B.1.20 Indicate the circumstances under which directors would be obliged to resign.**

Directors should make their position available to the Board of Directors and formalise their resignation in the following cases if the Board deems it appropriate:

- a) When the executive position associated to their appointment as director terminates.
- b) When they are associated to any of the incompatibility or prohibition circumstances legally provided.
- c) When they are seriously reprimanded by the Audit and Compliance Committee for violating their obligations as directors.
- d) When the interests of the company may be at risk if they stay on the Board or when the purposes for which they were appointed have terminated.
- e) When they have been prosecuted or charged in connection with criminal proceedings or have had disciplinary actions for a serious or very serious offence instructed by the supervisory authorities.

**B.1.21 Explain whether the duties of chief executive officer fall upon the Chairman of the Board. If so,**

**indicate the measures taken to limit the risk of powers accumulating in a single person:**

YES

**Measures to limit risks**

On 1 March 2007, the Chairman of the Board was appointed chief executive officer of the company.

The Chairman of the Board, as a member of the same and as indicated in article 19 of the Regulations of the Board of Directors, has a series of obligations in order to avoid conflict of interest. These obligations are the following:

- a) The Director will abstain from intervening in deliberations that affect issues in which s/he is directly or indirectly an interested party.
- b) The Director is considered to have personal interest when the issue affects a member of his/her family or a company in which s/he has a management post or a significant participation in its share capital.
- c) The Director may not make commercial transactions with the Company or any of the companies which are part of the group without the previous agreement of the Board of Directors.

**Indicate and, where applicable, explain if rules have been established which permit one of the independent directors to request a meeting of the Board of Directors or the inclusion of new items in the agenda in order to coordinate and reflect the concerns of external directors and to direct the evaluation of the same through the Board of Directors.**

NO

**B.1.22 Are qualified majorities, other than those established by law, required for certain decisions?**

NO

**Describe how resolutions are adopted by the Board of Directors and specify, at least, the minimum attendance quorum and the type of majority for adopting resolutions:**

**Description of resolutions:** RESOLUTIONS IN GENERAL

**Quorum:**

PERSONAL ASSISTANCE OR REPRESENTATION OF HALF OF THE DIRECTORS PLUS ONE: 50.01%

**Type of majority:**

RESOLUTIONS WILL BE ADOPTED BY THE AFFIRMATIVE VOTE OF THE MAJORITY OF THOSE PRESENT AND IN THE EVENT OF A TIED VOTE, THE CHAIRMAN SHALL HAVE THE CASTING VOTE: 50.01%

**B.1.23 Explain if there are any requirements, other than those for Directors, for being appointed Chairman.**

NO

**B.1.24 Indicate whether the chairman has the casting vote:**

YES

**Subjects for which a casting vote is required:** In the event of a tie.

**B.1.25 Indicate whether the Articles of Association or the Board of Directors Regulations establish an age limit for Directors:**

NO

**Age limit for Chairman:** 0

**Age limit for CEO:** 0

**Age limit for Directors:** 0

**B.1.26 Indicate whether the Articles of Association or the Board of Directors Regulations establish a limit on the term of office held by independent Directors:**

NO

**Maximum number of years in office:** 0

**B.1.27 When women directors are few or non existent, state the reasons for this situation and the measures taken to correct it.**

**State the reasons and measures taken**

There is currently one woman on the Board of Directors of Natraceutical, representing 12.5% of the same. Both the Board of Directors and the Appointment and Remuneration Committee are increasing their efforts to ensure gender parity.

**In particular, indicate whether the Appointment and Remunerations Committee has established a procedure of filling board vacancies which has no implicit bias against women candidates:**

YES

**Indicate the main procedures**

From article 26 of the Articles of Association, which defines the requirements to be met for a Director of the Company, no requirement is deduced that may be considered as implicit bias. Nevertheless, the Company will do its best to try to look for candidates that suit the profile sought when filling future board vacancies.

**B.1.28 Indicate whether there are any formal processes for proxy voting on the Board of Directors. If so, list briefly:**

Representation by another Director, in writing and only valid for one notification to a Board meeting.

**B.1.29 Indicate the number of sessions held by the Board of Directors during the year. Likewise, indicate the number of times, if any, the Board has met in the absence of its Chairman:**

**Number of Board meetings:** 12

**Number of Board meetings held in the absence of the Chairman:** 0

**Indicate the number of Board Committee meetings held during the year:**

|   |   |
|---|---|
| Number of Executive or Delegate committee meetings        | 0 |
| Number of Audit committee meetings                        | 6 |
| Number of Appointment and Remuneration committee meetings | 0 |
| Number of Appointment committee meetings                  | 0 |
| Number of Remunerations committee meetings                | 0 |

**B.1.30 Indicate the number of sessions held by the Board of Directors during the year without all its members present. Non-attendance shall also include proxies without specific instructions given:**

**Number of non-attendances in the year** 5

**% of non-attendances of the total votes deposited during the year** 8,920

**B.1.31 Indicate whether the individual and consolidated accounts are certified prior to their presentation to the Board of Directors:**

NO

**Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their formulation by the Board:**

**B.1.32 Explain the mechanisms, if any, established by the Board of Directors to ensure the individual and consolidated accounts are not presented at the General Shareholders' Meeting with qualifications in the auditor's report.**

The Board of Directors will establish an objective, professional and ongoing relationship with the Company's External Auditor appointed by the General Shareholders' Meeting, guaranteeing the independence of and providing the External Auditor with all of the information necessary for implementing audit functions.

The Board of Directors will ensure that the preparation method of the Financial Statements will avoid any issue arising which could result in the audit report including qualifications.

During 2008, the Board of Directors received the supported of the Audit Committee, which is not classified as a registered body. It is formed as a tool to the service of the Board of Directors.

The Audit Committee should:

- Propose the appointment, terms and conditions of the engagement, and when applicable, reappointment, or extension of the Accounts Auditor.
- Supervise the internal audit procedures periodically, and that the supervision systems are appropriate.
- Review the external auditing processes and conclusions with the external auditor.
- Supervise that the generally accepted accounting principles are applied.

The Audit Committee does not have its own regulations at this time and its operations are ruled by the provisions of the Regulations of the Board of Directors and the Articles of Association.

**B.1.33 Is the Secretary of the Board also a Director?**

NO

**B.1.34 Explain the procedures for appointing and removing the Secretary of the Board and indicate whether the Appointments and Remuneration Committee notified his appointment and removal and if these were approved by a board meeting in full.**

**Appointment/removal procedure**

In accordance with article 27 of the Company's Articles of Association, the Board will elect one of its members to be Chairman.

It will also elect a Secretary, who need not be a Director, in which case the Secretary will not have a Board vote.

The Chairman and Secretary who are re-elected as members of the Board by the Shareholders' Meeting will continue to fulfil the posts that they held previously in the Board of Directors without the need for a new election, notwithstanding the revoking powers regarding these posts that correspond to the Board.

|  |     |
|--|-----|
| Is the appointment announced by the Appointment Committee? | YES |
| Is the removal announced by the Appointment Committee?     | YES |
| Does the Board in full approve the appointment?            | YES |
| Does the Board in full approve the removal?                | YES |

**Is the Secretary of the Board especially responsible for overseeing good governance recommendations?**

YES

**B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.**

In the year 2009, the Board of Directors was supported by the Audit Committee that is not classified as a registered body. It is formed as a tool to the service of the Board of Directors.

The Audit Committee should:

- Propose the appointment, terms and conditions of the engagement, and when applicable, reappointment, or extension of the Accounts Auditor.
- Supervise the internal audit procedures periodically, and that the supervision systems are appropriate.
- Review the external auditing processes and conclusions with the external auditor.
- Supervise that the generally accepted accounting principles are applied.

The Audit Committee does not have its own regulations at this time and its operations are ruled by the provisions of the Regulations of the Board of Directors.

**B.1.36 Indicate whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:**

NO

**Outgoing auditor:**

**Incoming auditor:**

**Explain any disagreements with the outgoing auditor and the reasons for the same:**

NO

**B.1.37 Indicate whether the auditing firm does non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage such fees represent of the total fees invoiced to the company and/or its group:**

YES

|  | Company | Group  | Total  |
|--|---------|--------|--------|
| Fees for non-audit work (thousands of euros)                       | 125     | 7      | 132    |
| Fees for non-audit work / total amount invoiced by the auditor (%) | 56.800  | 26.920 | 53.640 |

**B.1.38 Indicate whether the audit report of the previous year's annual accounts is qualified or has reservations. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and**

the auditors should give a clear account to shareholders of their scope and content.

NO

**B.1.39** Indicate how many consecutive years the current auditing firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate how many years the current auditing firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:

|   | Company | Group |
|---|---------|-------|
| Number of consecutive years   | 8       | 8     |
| Number of years audited by current audit firm /Number of years the company accounts have been audited (%) | 100.0   | 100.0 |

**B.1.40** List the stock holdings of the members of the company's Board of Directors in other companies with the same, similar or complementary types of activity to that which constitutes the corporate purpose of the company and/or its group, and which have been reported to the company. Likewise, list the posts or duties they hold in such companies:

| Name or corporate name of the director | Corporate name of company in question | Participation | Post     |
|--|---------------------------------------|---------------|----------|
| BMS PROMOCIÓN y DESARROLLO, S.L.       | BMS PROMOCIÓN y DESARROLLO, S.L.      | 0.918         | DIRECTOR |
| MR FELIX REVUELTA FERNANDEZ            | NATURHOUSE SP ZOO                     | 77.030        | DIRECTOR |
| MR FELIX REVUELTA FERNANDEZ            | KILUVA PORTUGUESA                     | 83.460        | MANAGER  |
| MR FELIX REVUELTA FERNANDEZ            | ZAMODIET S.A.                         | 35.890        | DIRECTOR |

| Name or corporate name of director | Corporate name of company | Participation | Post                |
|------------------------------------|---------------------------|---------------|---------------------|
| MR FELIX REVUELTA FERNANDEZ        | KILUVA S.A.               | 77.030        | CHAIRMAN & CEO      |
| MR FELIX REVUELTA FERNANDEZ        | ZAMOGLAS SA               | 18.150        | ----                |
| MR FELIX REVUELTA FERNANDEZ        | HOUSEDIET S.L.U.          | 77.030        | JOINT ADMINISTRATOR |
| MR FELIX REVUELTA FERNANDEZ        | KILUVA DIET S.L.          | 77.030        | SOLE ADMINISTRATOR  |
| MR FELIX REVUELTA FERNANDEZ        | NATURHOUSE GMBH           | 73.950        | DIRECTOR            |
| MR FELIX REVUELTA FERNANDEZ        | NUTRACEUTICAL CORP.       | 4.640         | ----                |
| MR FELIX REVUELTA FERNANDEZ        | ICHEM SP ZOO              | 27.590        | DIRECTOR            |
| MR FELIX REVUELTA FERNANDEZ        | CORPORACION CASA NATURA   | 12.580        | ----                |
| MR FELIX REVUELTA FERNANDEZ        | GARTABO SA                | 17.590        | DIRECTOR            |
| MR FELIX REVUELTA FERNANDEZ        | LABORATORIOS ABAD SL      | 77.030        | JOINT ADMINISTRATOR |
| MR FELIX REVUELTA FERNANDEZ        | LABORATOIRES OXYJEUNE     | 77.030        | JOINT ADMINISTRATOR |
| MR FELIX REVUELTA FERNANDEZ        | HOUSEDIET LLC             | 66.740        | CHAIRMAN            |
| MR FELIX REVUELTA FERNANDEZ        | ZAMODIET DE MEXICO SA     | 55.890        | CHAIRMAN            |
| MR FELIX REVUELTA FERNANDEZ        | NATURHOUSE SARL           | 77.030        | CHAIRMAN            |
| MR FELIX REVUELTA FERNANDEZ        | GIROFIBRA SL              | 37.740        | ----                |
| MR FELIX REVUELTA FERNANDEZ        | NATURHOUSE SRL            | 77.030        | CHAIRMAN            |
| MR FELIX REVUELTA FERNANDEZ        | LABORATORIOS KELP SL      | 77.030        | JOINT ADMINISTRATOR |

**B.1.41** Indicate and give details of any procedures through which Directors may receive external advice:

YES

#### **Details of the procedure**

In Board sessions, the Directors are given information on the financial/economic situation of the company and the group sufficiently in advance. The most significant decisions on investment, disinvestment and all relevant issues regarding company performance are examined. In addition to the information that they receive during the Board sessions, the Directors can also collect any information considered necessary or appropriate at any time in order to improve the performance of their duties.

#### **B.1.42 Indicate whether there are procedures for Directors to receive the information they need in sufficient time to prepare for the meetings of the governing bodies.**

YES

#### **Details of the procedure**

In Board sessions, the Directors are given information on the financial/economic situation of the company and the group sufficiently in advance. The most significant decisions on investment, disinvestment and all relevant issues regarding company performance are examined. In addition to the information that they receive during the Board sessions, the Directors can also collect any information considered necessary or appropriate at any time in order to improve the performance of their duties.

#### **B.1.43 Indicate and give details of whether the company has established rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be:**

YES

#### **Explain**

Directors should make their position available to the Board of Directors and formalise their resignation in the following cases if the Board deems it appropriate:

- a) When the executive position associated to their appointment as director terminates.
- b) When they are associated to any of the incompatibility or prohibition circumstances legally provided.
- c) When they are seriously reprimanded by the Audit and Compliance Committee for violating their obligations as directors.
- d) When the interests of the company may be at risk if they stay on the Board or when the purposes for which they were appointed have terminated.
- e) When they have been prosecuted or charged in connection with criminal proceedings or have had disciplinary actions for a serious or very serious offence instructed by the supervisory authorities.

#### **B.1.44 Indicate whether any director has notified the company that he has been indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law:**

NO

**Indicate whether the board has examined this matter and whether it has decided whether the director in question shall be called on to resign. If affirmative, provide a reasoned explanation of the decision taken in relation to the Director's continuity in his/her corresponding post.**

NO

Decision:

Explanation:

**B.2 Board of Directors' Committee**

**B.2.1 List the Board committees and their members:**

AUDIT COMMITTEE

| Name                             | Post     | Type        |
|----------------------------------|----------|-------------|
| MR JOSE MANUEL SERRA PERIS       | CHAIRMAN | INDEPENDENT |
| BMS PROMOCIÓN y DESARROLLO, S.L. | MEMBER   | PROPRIETRY  |
| MR FELIX REVUELTA FERNANDEZ      | MEMBER   | PROPRIETRY  |
| NATRA, S.A.                      | MEMBER   | PROPRIETRY  |

APPOINTMENT AND REMUNERATION COMMITTEE

| Name                        | Post     | Type        |
|-----------------------------|----------|-------------|
| MR JOSE MANUEL SERRA PERIS  | CHAIRMAN | INDEPENDENT |
| MR RICARDO IGLESIAS BACIANA | CHAIRMAN | INDEPENDENT |
| MR FRANÇOIS GAYDIER         | MEMBER   | EXECUTIVE   |
| MR JAVIER ADSERA GEBELLI    | MEMBER   | EXECUTIVE   |

**B.2.2 Indicate if the Audit Committee is responsible for the following:**

|  |     |
|--|-----|
| Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.  | YES |
| Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.  | YES |
| Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports. | YES |
| Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.   | YES |
| Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.   | YES |
| Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.   | YES |
| Monitor the independence of the external auditor.  | YES |
| In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.   | YES |

**B.2.3 Describe the organisational and operational rules and the responsibilities attributed to each of the Board committees.**

**Name of committee**

APPOINTMENT AND REMUNERATION COMMITTEE

**Brief description**

The main purpose of the Appointment and Remuneration Committee, which meets at least twice a year, is to make proposals to the Board of Directors in relation to:

- the Group's remuneration policy at the top level;
- the general guidelines of the remuneration policy of the Group and its subsidiaries;
- give recommendations to the Board of Directors, for its proposal to the General Shareholders' Meeting, on the system of the annual remuneration of directors and on management and employee share systems in the share capital of Natraceutical;
- analyse the operations with parties related to the Company. In the event that the operation affects a member of the Board, s/he should abstain from participating in the analysis;
- the characteristics and conditions of option plans on Company shares and the management and employees to whom they are directed.

The members of the Appointment and Remuneration Committee do not receive any remuneration for being on this Committee.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The main regulations of the operation of the Audit Committee are to:

- Propose the appointment, terms and conditions of the engagement, and when applicable, reappointment, or extension of the Accounts Auditor.
- Supervise the internal audit procedures periodically, and that the supervision systems are appropriate.
- Review the external auditing processes and conclusions with the external auditor.
- Supervise that the generally accepted accounting principles are applied.

The Audit Committee does not have its own regulations at this time and its operations are ruled by the provisions of the Regulations of the Board of Directors.

The dedication of the Audit Committee does not have any consideration appointed.

**B.2.4 Indicate any advisory or consulting powers and, where applicable, the powers delegated to each of the committees.**

**Name of committee**

APPOINTMENT AND REMUNERATION COMMITTEE

### **Brief description**

The main purpose of the Appointment and Remuneration Committee, which meets at least twice a year, is to make proposals to the Board of Directors in relation to: - the Group's remuneration policy at the top level; - the general guidelines of the remuneration policy of the Group and its subsidiaries; - give recommendations to the Board of Directors, for its proposal to the General Shareholders' Meeting, on the system of the annual remuneration of directors and on management and employee share systems in the share capital of Natraceutical;- analyse the operations with parties related to the Company. In the event that the operation affects a member of the Board, s/he should abstain from participating in the analysis;- the characteristics and conditions of option plans on Company shares and the management and employees to whom they are directed; The members of the Appointment and Remuneration Committee do not receive any remuneration for being on this Committee.

### **Name of committee**

AUDIT COMMITTEE

### **Brief description**

The main regulations of the operation of the Audit Committee are to: - Propose the appointment, terms and conditions of the engagement, and when applicable, reappointment, or extension of the Accounts Auditor. - Supervise the internal audit procedures periodically, and that the supervision systems are appropriate. - Review the external auditing processes and conclusions with the external auditor. - Supervise that the generally accepted accounting principles are applied. The Audit Committee does not have its own regulations at this time and its operations are ruled by the provisions of the Regulations of the Board of Directors. The dedication of the Audit Committee does not have any consideration appointed.

**B.2.5 Indicate, if applicable, any regulations governing the Board committees, where they are made available for consultation and any amendments to the same made during the financial year. Indicate whether any annual report has been voluntarily drawn up on the activities of each committee.**

### **Name of committee**

AUDIT COMMITTEE

### **Brief description**

Article 36 of the Article of Association establishes that:

The Audit Committee shall be comprised of a minimum of three and a maximum of five directors, all of whom are necessarily non-executive directors and they are appointed by the Board of Directors from among its members. The Audit Committee will appoint its Chairman from among its members.

The Chairman of the Audit Committee will be appointed by the Board of Directors from among the Committee's members. S/he must be replaced every four years, and may be re-elected after one year has elapsed since the date of termination. The Audit Committee will also appoint a Secretary who need not be a member of the Committee itself.

The Audit Committee will have the following powers:

1. Inform the Shareholders' Meeting about issues raised that are within the committee's scope of competence through its Chairman and/or Secretary.
2. Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of the Accounts Auditor referred to in article 204 of the Public Limited Companies Law.
3. Supervise the internal audit services.
4. Know the financial information process and the internal risk control systems of the Company.

5. Act as the channel of communication between the Company and the Accounts Auditor, to receive information on those matters that could jeopardise the independence of the latter and any other information related to the development process of the audit of accounts, as well as any other notifications stipulated in account auditing legislation and in technical audit regulations.

6. Any others attributed to it by these Articles of Association.

The Audit Committee will meet at least twice a year and as often as necessary to comply with its duties, called by the Chairman upon his own decision or upon the request of three of its members or of the Executive Committee.

The Audit Committee shall be validly assembled with the direct or represented attendance of at least half of its members. Resolutions will be adopted with a majority of votes in favour issued by the members in attendance.

Article 31 of the Regulations of the Board of Directors stipulates that:

1. The Articles of Association should establish the number of members, powers and operation regulations of the Audit Committee.

2. Notwithstanding the provisions established in the Articles of Association, the Audit, Supervision and Conflicts of interest Committee should be fundamentally constituted by external directors, with a minimum of three. Its chairman should be an independent director.

3. The three members of the Committee should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

4. The Audit, Supervision and Conflicts of Interest Committee will have the following basic responsibilities, notwithstanding other duties assigned by the Board of Directors and what is contained in the Articles of Association:

a. Inform the Shareholders' Meeting about issues raised that are within the committee's scope of competence.

b. Propose to the Board of Directors, for submission to the General Shareholders' Meeting, the appointment of the external Accounts Auditors referred to in article 204 of the Public Limited Companies Law.

c. Supervise the internal audit services periodically, receiving an annual work plan and report on activities at the end of each financial year.

d. Know the financial information process and the internal risk control systems of the Company.

e. Relations with the external audit company, to receive information on those matters that could jeopardise the independence of the latter and any other information related to the development process of the audit of accounts, as well as any other notifications stipulated in account auditing legislation and in technical audit regulations.

f. Review the annual accounts and the periodic financial statements which have to be sent to regulatory or supervisory bodies of the markets.

g. Review the annual accounts, oversee compliance with regulatory requirements and the correct application of accounting standards, and inform on the principle and criteria modification proposals suggested by the management team.

h. Inform the board of directors of any accounts criteria change or of balance risks.

i. Propose the appointment, terms and conditions of the engagement, scope of professional agreement and when applicable, reappointment or revocation.

j. Regularly receive information on the audit plan from the external auditor.

k. Monitor the independence of the external auditor.

l. Act as the channel of communication between the Board of Directors and the auditors, to evaluate all audit results and the responses of the management team to their recommendations and act as mediator in the event of discrepancies between the two in terms of principles and criteria applicable in the preparation of financial statements.

m. Ensure the proper and appropriate operation of internal control systems and review the appointment and replacement of those responsible for them.

n. Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

o. Supervise compliance with internal codes of conduct and corporate governance rules.

p. Inform the Board of Administration on the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens.

**B.2.6 Indicate whether the composition of the Executive Committee reflects the participation within the Board of the different types of directors:**

NO

**If not, describe the composition of the executive committee.**

Not applicable, there is no Executive Committee

**C – RELATED-PARTY TRANSACTIONS**

**C.1. Indicate whether the Board in full has the right to approve, based on a report from the Audit Committee or any other committee responsible for this task, transactions which the company carries out with directors, significant shareholders or representatives on the Board, or related parties:**

YES

**C.2 List any relevant transactions entailing a transfer of resources or obligations between the company or its group companies and the significant shareholders in the company:**

| Name or corporate name of significant shareholder | Name or corporate name of company or group company | Nature of relationship                                | Type of transaction  | Amount (thousands of euros) |
|---|--|---|--|-----------------------------|
| BILBAO BIZKAIA KUTXA                              | NATRACEUTICAL, S.A.                                | Bilbao Bizkaia Kutxa owns 4.588% of Natraceutical S.A | Loan amortization or cancellation and leasing contracts (lessee) | 846                         |
| BILBAO BIZKAIA KUTXA                              | NATRACEUTICAL, S.A.                                | Bilbao Bizkaia Kutxa owns 4.588% of Natraceutical S.A | Financial expenses   | 187                         |

**C.3 List any relevant transactions entailing the transfer of resources or obligations between the company or its group companies and the company's managers or directors:**

**C.4 List any relevant transaction undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose object and conditions set them apart from the company's habitual trading activities:**

**Corporate name of the entity in its group:** BRAES GROUP LTD

**Amount (thousands of euros):** 122

**Brief description of transaction:** Financial income

**Corporate name of the entity in its group:** CAKEFRIENDS LTD

**Amount (thousands of euros):** 4

**Brief description of transaction:** Financial income

**Corporate name of the entity in its group:** COCOATECH S.L.

**Amount (thousands of euros):** 824

**Brief description of transaction:** Purchase goods (Finished and in progress)

**Corporate name of the entity in its group:** COCOATECH S.L.

**Amount (thousands of euros):** 458

**Brief description of transaction:** Service reception

**Corporate name of the entity in its group:** COCOATECH S.L.

**Amount (thousands of euros):** 313

**Brief description of transaction:** Service provision

**Corporate name of the entity in its group:** COCOATECH S.L.

**Amount (thousands of euros):** 1037

**Brief description of transaction:** PURCHASE OF FIXED ASSETS

**Corporate name of the entity in its group:** NATRA CACAO, S.L.

**Amount (thousands of euros):** 39

**Brief description of transaction:** Service provision

**Corporate name of the entity in its group:** NATRA CACAO, S.L.

**Amount (thousands of euros):** 131

**Brief description of transaction:** Sale goods (Finished and in progress)

**Corporate name of the entity in its group:** NATRA CACAO, S.L.

**Amount (thousands of euros):** 24

**Brief description of transaction:** Purchase goods (Finished and in progress)

**Corporate name of the entity in its group:** NATRA CACAO, S.L.

**Amount (thousands of euros):** 3

**Brief description of transaction:** Service reception

**Corporate name of the entity in its group:** NATRA, S.A.

**Amount (thousands of euros):** 143

**Brief description of transaction:** Financial expenses

**Corporate name of the entity in its group:** NATRA, S.A.

**Amount (thousands of euros):** 25,500

**Brief description of transaction:** Financing, loan and capital contribution agreements (borrower)

**Corporate name of the entity in its group:** NATRA, S.A.

**Amount (thousands of euros):** 221

**Brief description of transaction:** Service reception

**C.5 Identify, where appropriate, any conflicts of interest affecting company Directors pursuant to Article 127 of the Companies Law.**

NO

**C.6 List the established mechanisms to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its Directors, management or significant shareholders.**

The Appointment and Remuneration Committee establishes whether transactions involving parties related to the Company are to be analysed. In the event that the transaction involves a particular Board member, s/he will abstain from participating in the analysis.

In point 3 of article 16 of the Regulations of the Board of Directors where the Director is defined, conflicts of interest between the directors and their most direct family, and the company, should be avoided. The Board of Directors should always be notified of these situations, if they are not avoidable.

In addition, in article 19 of the Regulations of the Board of Directors, it is established that:

1. The Director will abstain from intervening in deliberations that affect issues in which s/he is directly or indirectly an interested party.
2. The Director is considered to have personal interest when the issue affects a member of his/her family or a company in which s/he has a management post or a significant participation in its share capital.
3. The Director may not make commercial transactions with the Company or any of the companies which are part of the group without the previous agreement of the Board of Directors.

**C.7 Is there more than one Group company listed in Spain?**

NO

**Identify the listed subsidiary companies:**

## **D - RISK IDENTIFICATION SYSTEMS**

**D.1 Give a general description of risk policy in the company and/or its group, detailing and evaluating the**

**risks covered by the system, together with evidence that the system is appropriate for the profile of each type of risk.**

In order to establish suitable control systems, the Company prepares a group of regulations which are periodically reviewed and which intend to regulate the system's basic aspects and it also implements these control systems. Those in executive posts in the Company actively participate in preparing proposals for these regulations.

Types of risks

Natraceutical, S.A. has identified the risks that affect its business and it has established an internal control system for each one. The main types of risk identified and managed by the Company are summarised as follows:

Material risk; this refers to the risk of damage being caused to property belonging to or under the control of the company.

Civil liability; this is the liability that may arise from personal or material damages as well as direct harm coming to third parties in accordance with current legislation for events that occur due to the activity carried out by the Company.

- Profit loss; this is the loss due to activity interruption or disturbance as a result of material damages, or extraordinary or catastrophic risks or risks attributable to the suppliers.

- Finance risk; the risk arising from changes in exchange- or interest-rates or from credit risk affecting the Company's liquidity.

**D.2 Indicate if during the year any operative, technological, financial, legal fiscal or any other kind of risk has been generated.**

NO

**Indicate the circumstances and whether the established control systems worked adequately.**

**D.3 Indicate whether there is a committee or other governing body in charge of establishing and supervising these control systems.**

YES

**If yes, explain its duties.**

**Name of committee or body:** AUDIT COMMITTEE

**Description of duties:** Among the duties of the Audit Commission, it establishes and supervises the various control systems in order to evaluate, mitigate and reduce the different types of risks to which the company and its group are exposed.

**D.4 Identify and describe the processes for compliance with the regulations applicable to the company and/or its group.**

The Audit and Control Committee supports the Board of Directors in its supervision tasks, overseeing the compliance with all legal provisions and internal regulations applicable to the Company. It supervises the compliance with both national and international regulations, in matters related to securities market behaviours, and data protection. It ensures that the Internal Codes of Conduct and with regard to the Securities Markets, applicable to the Group's staff, comply with the required regulations and that they are appropriate for the Company.

Furthermore, it is the responsibility of the Audit and Control Committee to supervise the preparation process and the reliability of the financial information with regard to the Company and the Group, supervising compliance with regulatory requirements and the correct application of accounting criteria.

**E – THE GENERAL SHAREHOLDERS MEETING**

**E.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the Company's Articles of Association. Describe any differences from the minimum regime set out in the Companies Law (LSA).**

YES

|                                | Difference in % of quorum as set out in art. 102 of the LSA for certain circumstances | Difference in % of quorum as set out in art. 103 of the LSA for certain circumstances in art. 103 |
|--------------------------------|---|---|
| Quorum required at first call  | 50.000  | 0   |
| Quorum required at second call | 0   | 0   |

**Description of the differences**

Both Ordinary and Extraordinary General Shareholders' Meetings will be validly assembled:

- Generally, at first notification, when at least half of the paid-up capital is present and, at second notification, any represented capital.

So that the Board can validly agree on the issue of obligations, promissory notes, bonds and other similar financial tools, the increase or reduction of capital, the transformation, merger, demerger of the company, and in general, any modification of the Articles of Association, the favourable vote corresponding to two-thirds of the shares presented or represented in the General Shareholders' Meeting will be necessary, when shareholders representing less than 50% of the subscribed capital with the right to vote are present.

At first notification, sufficient quorum is required in terms of the provisions established in the LSA, which establishes a quorum of 25%.

**E.2 Indicate and describe the differences required for adopting shareholder agreements from the minimum regime set out in the Companies Law (LSA).**

NO

**Describe any differences from the provisions established in the Companies Law.**

**E.3 List all shareholders' rights regarding the General Shareholders' Meetings other than those established under the Companies Law.**

**E.4 Indicate the measures adopted to encourage the participation of shareholders in the General Shareholders' Meetings.**

**E.5 Indicate whether the General Shareholders' Meeting is presided by the Chairman of the Board of Directors. List the measures, if any, adopted to guarantee the independence and correct operation of the General Shareholders' Meeting:**

YES

**Describe the measures**

1. The Table of the General Shareholders' Meeting will be formed by its Chairman and Secretary, notwithstanding that the members of the Board of Directors attending the session may also form part of the same.

2. The Chairman or Vice-Chairman of the Board of Administration shall direct the General Shareholders' Meeting and in their absence, substitution of the post shall be carried out in accordance with the provisions of article 21 of the Articles of Association. In the absence of all corresponding parties, the shareholder elected in each case by the members attending the

meeting will be acting Chairman. In the event of legal notification, the Judge will decide who is acting Chairman.

3. The Chairman or acting Chairman has the following responsibilities:

- a) Direct the meeting so that all points in the Agenda are covered.
- b) Resolve doubts raised on the list of shareholders and on the content of the Agenda.
- c) Give the floor to shareholders who request it when deemed appropriate and retake it when a determined issue is deemed sufficiently debated or if it is affecting the course of the meeting.
- d) Indicate when it is necessary to vote on agreements and announce the results of votes.
- e) In general, exercise all of the powers necessary so that the meeting runs smoothly, including the interpretation of the provisions in these Regulations.

4. The Secretary or Vice-Secretary of the Board of Directors will act as Secretary of the General Shareholders' Meeting or, in their absence, the substitute of the post, in accordance with the provisions of article 21 of the Articles of Association.

In the absence of all corresponding parties, the shareholder elected in each case by the members attending the meeting will act as Secretary.

5. If the Chairman or Secretary have to excuse themselves from the meeting while the General Shareholders' Meeting is being held, the substitution to exercise their functions will be carried out in accordance with the provisions of sections 2 and 4 above.

**E.6 Indicate the amendments, if any, made to the General Shareholders' Meeting Regulations during the year.**

There have been no amendments during 2009. In order to meet the recommendations of the Corporate Governance Code and after approval in the General Shareholders' Meeting, in 2008, several modifications were made in the following articles of the General Shareholders' Meeting Regulations

Article 3: Functions of General Shareholders' Meeting

Article 6: Available information on the date of the call

Article 18: Voting on proposals

The General Shareholders' Meeting Regulations are available in the company web ([www.natra.es](http://www.natra.es))

**E.7 Indicate the attendance figures for General Shareholders' Meetings held during the financial year referred to in this report:**

| Details of attendance                 |                       |            |                  |       |        |
|---------------------------------------|-----------------------|------------|------------------|-------|--------|
| Date of General Shareholders' Meeting | % attending in person | % by proxy | % remote voting  |       | Total  |
|                                       |                       |            | Electronic means | Other |        |
| 18/06/2009                            | 60.610                | 3.090      | 0.000            | 0.000 | 63.700 |

**E.8 Briefly describe the resolutions adopted at the General Shareholders' Meetings held during the year and the percentage of votes by which each resolution was adopted.**

The General Shareholders' Meeting of June 18, 2009 adopted the following resolutions:

I. The Individual and Consolidated Financial Statements, as well as the management of the Board of Directors corresponding to the year 2008, were approved by majority.

- Votes for: 63.62%

- Votes against: 0.0713%

II. The application of the financial year result was unanimously approved, reserving it to compensate negative results from previous years with profits of future years.

- Votes for: 22,477,181 (100%)

- Result of the voting: approved by unanimity.

III It was agreed to reappoint entity Deloitte. S.L., as accounts auditors for the year 2008 for Natraceutical, S.A. as the parent company and the consolidated group.

IV. Remuneration for the Board of Directors in 2009 was established in the amount of 200,000 euros, 10% lower than the previous year.

- Votes for: 63.625%

- Votes against: 0.0745%

V. It was agreed to authorise the Board of Directors for the derivative acquisition of the company's treasury stock, either directly or through investee companies, with the limits and requirements established in the Public Limited Companies Law.

- Votes against: 0.0221 %

- Abstention: 0.0218%

VI. It was agreed to set the number of members of the Board of Directors at 9 members and the re-election of Natra SA as director for a period of 5 years was approved.

- Votes for: 63.212%

- Votes against: 0.4016%

- Abstention: 0.0856%

VII. The Secretary of the Board of Directors was granted the power to carry out the development, documentation and implementation of the agreements adopted by the General Meeting.

**E.9 Indicate any statutory restrictions which establish the minimum number of shares required to attend General Shareholders' Meetings.**

YES

**Number of shares required to attend the General Shareholders' Meeting: 1000**

**E.10 Indicate and justify the policies followed by the company in relation to the delegation of votes during the general shareholders' meetings.**

Shareholders with right to vote may delegate their representation to another person who, as a Company shareholder, forms part of the Meeting.

Representation must be accepted by the representative. It will only be valid for one Meeting and may be granted in the following ways:

a) In printed format signed and addressed to the Chairman conferring the representation or the card referred to in the previous article duly signed for this purpose by the shareholder in the terms established by the Articles of Association.

b) In electronic or long-distance telematic format that duly guarantees the attributed representation and the identity of the representative. Representation by this method will be permitted when the electronic document which confers representation has the recognised electronic signature of the represented party, or another signature type that the Board of Directors has previously agreed and which meets appropriate guarantees of authenticity and identification of the shareholder conferring his/her representation. Representation conferred by these methods will be issued to the Company by the procedure and in the time-frame determined by the Board of Directors in the Meeting notification agreement.

In the event of public request for representation, this will be regulated by the provisions of article 107 of the current Public Limited Companies Law and, when applicable, article 114 of Law 24/1988, dated 28 July, of the Securities Market. In particular, the document in printed or electronic format which contains the power should contain the Agenda or have it as an annex, as well as the instructions request to exercise the right to vote and the indication of how the representative will vote in the event that there are no precise instructions.

Individual shareholders who are not in full enjoyment of their civil rights and legal entity shareholders may be represented by their legal representatives, duly accredited. In both these cases and in the event that the shareholder delegates his/her right of attendance, there may not be more than one representative in the Meeting.

Representation is always revocable. The attendance of the Shareholder to the Meeting, individually or through distance communication methods, as well as that derived from the vote issued by these methods means that any delegation is revoked, irrespective of the date.

**E.11 Indicate whether the company is aware of the institutional investors' policy regarding participation in the company's decisions:**

NO

**E.12 Indicate the address and access to the corporate governance content in the company's website.**

Natraceutical' Corporate Governance information is available at <http://www.natraceuticalgroup.com> in the section Information for Shareholders and Investors, submenu Corporate Governance.

**F – DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS**

**Indicate the degree of the company's compliance with Corporate Governance recommendations. Should the company not comply with any of the afore-mentioned recommendations, explain the recommendations, rules, practices or criteria the company applies.**

**1. The Articles of Association of the listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

**See headings: A.9, B.1.22, B.1.23 and E.1, E.2**

Met

**2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:**

**a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.**

**b) The mechanisms for the resolution any possible conflicts of interest that may arise.**

See headings: C.4 and C.7

Partially met

The areas of activity between the group's companies are disclosed in the companies' financial statements.

No mechanisms for the resolution of conflicts of interest have been formally disclosed. In practice, conflicts of interest are resolved by the Board of Directors, with assessment, when necessary, from the committees.

Points 1 and 2 of Article 19 of the Natraceutical Board of Directors' Regulation, of which Natra S.A, is a Director, establish:

1. The Director will abstain from intervening in deliberations that affect issues in which s/he is directly or indirectly an interested party.

2. The Director is considered to have personal interest when the issue affects a company in which s/he has a management post or a significant participation in its share capital.

**3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:**

**a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;**

**b) The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**

**c) Operations that effectively add up to the company's liquidation.**

Met

**4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.**

Met

**5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:**

**a) The appointment or ratification of directors, with separate voting on each candidate;**

**b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.**

See heading: E.8

Met

**6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.**

See heading: E.4

Met

**7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.**

**It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of**

**the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.**

Met

**8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:**

**a) The company's general policies and strategies, and specifically:**

- i) The strategic or business plan, management targets and annual budgets;**
- ii) Investment and financing policy;**
- iii) Design of the structure of the corporate Group;**
- iv) Corporate governance policy;**
- v) Corporate social responsibility policy;**
- vi) Remuneration and evaluation of senior officers;**
- vii) Risk control and management, and the periodic monitoring of internal information and control systems;**
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.**

See headings: B.1.10, 5.1.13, 5.1.14 and D.3

**b) The following decisions:**

- i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**

See heading: B.1.14

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.**

See heading: B.1.14

- iii) The financial information that all listed companies must periodically disclose.**
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;**
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.**

**c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").**

**However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:**

**1<sup>a</sup>. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;**

**2<sup>a</sup>. They go through at market rates, generally set by the person supplying the goods or services;**

**3a. Their amount is no more than 1% of the company's annual revenues.**

**It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.**

**Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.**

See headings: C.1 and C.6

Met

**9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.**

See heading: 5.1.1

Met

**10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

See headings: A.2, A.3, B.1.3 and B.1.14

Met

**11. In the event of an external director not holding the consideration of either a representative or an independent director, the company should provide an explanation of this circumstance and the director's relationships with the company, its directors or its share holders.**

See heading: B.1.3

Not applicable

**12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.**

**This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:**

**1<sup>st</sup> In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**

**2<sup>nd</sup> In companies with a plurality of shareholders represented on the board but not otherwise related.**

See headings: B.1.3, A.2 and A.3

### **Explain**

There is currently one independent director on the Board of Directors of Natraceutical, after the resignation of Mr. Iglesias, for professional reasons. There are also five proprietary and two executive directors. The company is in the process of incorporating a new independent director.

However, due to the heterogeneous situation of shareholders in Natraceutical, the increase in independent directors to reach the relation established in the recommendation would provoke an increase in directors which would not be suitable for a company with the capitalization volume of Natraceutical, S.A.

### **13. The number of independent directors should represent at least one third of all board members.**

See heading: B.1.3

### **Explain**

There is currently one independent director on the Board of Directors of Natraceutical, after the resignation of Mr. Iglesias, for professional reasons. There are also five proprietary and two executive directors. The company is in the process of fulfilling this recommendation and as stated in article 7 of the Regulations of the Board of Directors, it will ensure that the number of proprietary and independent directors remain with the same or similar proportion to each other as at present between the capital represented by the proprietary directors and the capital. Due to the heterogeneous situation of shareholders in Natraceutical, the increase in independent directors to reach the relation established in the recommendation would provoke an increase in Directors which would not be suitable for a company with the capitalization volume of Natraceutical.

**14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Appointment Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

See headings: B.1.3 and 2.1 4

Met

**15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:**

- a) The process of filling board vacancies has no implicit bias against women candidates;**
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.**

See headings: 8.1.2, B.1.27 and B.2.3

### **Explain**

There is currently one woman on the Board of Directors of Natraceutical. Nevertheless, the Board has always shown sensitivity in all of the Company's recruitment processes – including the members of the Board of Directors – to ensure that there is no gender bias that may complicate the selection.

From the Articles of Association, which define the requirements to be met for a Director of the Company, no requirement is deduced that may be considered as implicit bias.

Nevertheless, the Board intends to deliberately try to look for female candidates that suit the profile required when filling

future vacancies in the Board of Directors.

**16. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.**

See heading: 8.1.42

Met

**17. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.**

See heading: 2.1.21

#### **Explain**

Even if the Chairman of the Board is the chief executive of the company, the company has decided that this recommendation will not be included in the Regulations of the Board of Directors due to the size and characteristics of the Board and the company, thereby leaving the Chairman with the task of calling board meetings and including the various points on its agenda.

**18. The Secretary should take care to ensure that the board's actions:**

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to;**
- c) Observe any corporate governance recommendations contained in this Unified Code and which have been accepted by the company.**

**In order to safeguard the Secretary's independence, impartiality and professionalism, the appointment and dismissal of the same should be proposed by the Nomination Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.**

See heading: B.1.34

Met

**19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.**

See heading: B.1.29

Met

**20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.**

See headings: B.1.28 and B.1.30

Met

**21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.**

Met

**22. The board in full should evaluate the following points on a yearly basis:**

- a) The quality and the efficiency of the Board's operation;**
- b) Starting from a report submitted by the Appointment Committee, how well the Chairman and chief executive have carried out their duties;**
- c) The performance of its committees on the basis of the reports furnished by the same.**

See heading: B.1.19

Met

**23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Articles of Association or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary.**

See heading: B.1.42

Met

**24. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.**

See heading: B.1.41

Met

**25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.**

Partially met

There is currently no guidance programme defined and structured to provide directors with fast and sufficient knowledge of the company, however:

- a) Firstly, the Director has the most extensive powers to collect information of the Company.
- b) In the event that a new Director needs more detailed information on a particular issue, the Chairman or Secretary of the Board must provide the information and/or appropriate explanations or direct him/her to the most suitable source in each case. In the event that the advice is insufficient, s/he may request the contracting of external experts if agreed by the majority of the Board.

**26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:**

**a) Directors should apprise the Appointment Committee of any other professional obligations, in case they might detract from the necessary dedication;**

**b) Companies should lay down rules about the number of directorships their board members can hold.**

See headings: B.1.8, B.1.9 and B.1.17

#### **Explain**

In the general obligations of the Director (Art 16 of the Regulations of the Board of Directors), it does not specifically mention that the companies establish rules on the number of boards that the directors may form part of, although it does place restrictions on the necessary time and effort dedicated so that the issues raised by the Company's Board of Directors are followed regularly and the Director's participation in the Board is active, and therefore, the purpose is the same as what the aforementioned restrictions pursue.

**27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:**

**a) On the proposal of the Appointment Committee, in the case of independent director.**

**b) Subject to a report from the Appointment Committee in all other cases.**

See heading: 2.1.2

Met

**28. Companies should post the following director particulars on their websites, and keep them permanently updated:**

**a) Professional experience and background;**

**b) Directorships held in other companies, listed or otherwise;**

**c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.**

**d) The date of their first and subsequent appointments as a company director, and;**

**e) Shares held in the company and any options on the same.**

Met

**29. Independent directors should not stay on as such for a continuous period of more than 12 years.**

See heading: 2.1.2

Met

**30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

See headings: A.2, A.3 and B.1.2

Met

**31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Appointment Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.**

**The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.**

See headings: B.1.2, B.1.5 and B.1.26

Met

**32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.**

**The moment a director is indicted or tried for any of the crimes stated in article 124 of the Public Limited Companies Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.**

See headings: B.1.43 and B.1.44

Met

**33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

**When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.**

**The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.**

Met

**34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.**

See heading: B.1.5

Met

**35. The remunerations policy approved by the Board must define the following concepts, as a minimum:**

**a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;**

**b) Variable components, in particular:**

- i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.**
  - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;**
  - iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and**
  - iv) An estimate about the absolute variable remuneration on which the present plan is based, due to the beaten aims.**
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.**
- d) The conditions to apply to the contracts of executive directors exercising senior management functions. Among them:**
- i). Duration;**
  - ii) Notice periods; and**
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.**

See heading: B.1.15

**Explain**

To date, Director remuneration is approved for the following year without an itemised report. Nevertheless, the information corresponding to Director remuneration is published detailing type of director and remuneration in this Corporate Governance Annual Report and in the Financial Statements of the Company and the Group.

**36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.**

**The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.**

See headings: A.3 and B.1.3

**Explain**

Due to the volume of Company returns, remuneration through delivery of shares to Directors affects both executive and non-executive Directors, and it is used as a remuneration mechanism so as not to penalise the company's result and it is always conditioned toward the Directors creating future company value.

The policy of the Board is to appoint the Company's ordinary business management to the management team and to concentrate its activity on the general supervision duty, which involves directing the Company's policy, supervising Management as they manage affairs, making the most important decisions for the company and liaising with the shareholders.

**37. The external directors' remuneration must compensate the dedication, qualifications and responsibility inherent to each post, whilst avoiding reaching sums capable of compromising the corresponding director's independence.**

Met

**38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.**

Not applicable

**39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.**

Not applicable

**40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.**

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. Importance is to placed on the most significant changes to the mentioned policies in relation to the policies applied during the previous fiscal year. It is also to include a global summary of the application of the remunerations policy during the mentioned previous fiscal year.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See heading: B.1.16

#### **Explain**

The remuneration of the Board has been approved to date without including a report on the remuneration policy.

**41. The notes to the annual accounts should list individual directors' remuneration in the year, including:**

**a) A breakdown of the compensation obtained by each company director, to include where appropriate:**

**i) Participation and attendance fees and other fixed director payments;**

**ii) Additional compensation for acting as chairman or member of a board committee;**

**iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;**

**iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;**

**v) Any severance packages agreed or paid;**

**vi) Any compensation they receive as directors of other companies in the group;**

**vii) Any compensation they receive as directors of other companies in the group;**

**viii) Any kind of compensation other than those listed above, of whatever nature and**

provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.

**b) An individual breakdown of deliveries to directors of shares, share options or other share-based instruments, itemised by:**

- i) Number of shares or options awarded in the year, and the terms set for their execution;**
- ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;**
- iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**
- iv) Any change in the year in the exercise terms of previously awarded options.**

**c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.**

#### **Explain**

The provisions of the Law are applicable. The aggregate remuneration amounts are presented in the Financial Statements of the individual company and of the Consolidated Group. The Corporate Governance Annual Report has this information in detail according to type of director and type of remuneration.

**42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.**

See headings: 5.2.1 and B.2.6

Not applicable

**43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.**

Not applicable

**44. The Board of Directors must, in addition to the Audit Committee required by the Stock Market Law, create an Appointment and Remuneration Committee, or two separate committees, from among its members.**

**The rules governing the make-up and operation of the Audit Committee and the committee or committees of Appointment and Remuneration should be set forth in the board regulations, and include the following:**

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- b) These committees should be formed exclusively of external directors and have a minimum of three members. The above is to be interpreted notwithstanding the attendance of executive directors or senior managers, in the event of the presence of such figures being expressly agreed upon by the Committee members.**

**c) Committees should be chaired by an independent director.**

**d) They may engage external advisors when they feel this is necessary for the discharge of their duties.**

**e) Meeting proceedings should be minuted and a copy sent to all board members. See headings: B.2.1 and B.2.3**

Partially met

Point b) is not met, since although the Appointment and Remuneration Committee is chaired by an Independent Director, the rest of the Committee is made up of Executive Directors.

**45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.**

**Explain**

In accordance with article 29 of the Regulations of the Board of Directors and in compliance with the Internal Code of Conduct Regulation of Natraceutical S.A., these duties are currently the obligation of the Secretary of the Board in accordance with regulations.

**46. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.**

Met

**47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.**

**Explain**

In 2009, the post of internal auditor was not covered. The company is currently immersed in the corresponding selection process aimed at covering this post.

**48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.**

**Explain**

In 2009, the post of internal auditor was not covered. The company is currently immersed in the corresponding selection process aimed at covering this post.

**49. Control and risk management policy should specify at least:**

**a) The different types of risk (operative, technological, financial, legal, reputation, etc.) faced by the company, including contingent liabilities and other off-balance sheet risks;**

**b) The determination of the risk level the company sees as acceptable;**

**c) Measures in place to mitigate the impact of risk events should they occur;**

**d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See headings: D

Met

**50. The Audit Committee's role should be:**

**1<sup>st</sup> With respect to internal control and reporting systems:**

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation scope, and the application of accounting principles.**
- b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.**
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.**
- d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.**

**2<sup>nd</sup> With respect to the external auditor:**

- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his/her engagement;**
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.**
- c) Monitor the independence of the external auditor, to which end:
  - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
  - ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;**
  - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.****
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.**

See headings: B.1.35, B.2.2, B.2.3 and D.3

Met

**51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Met

**52. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:**

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See headings: B.2.2 and B.2.3

Met

**53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.**

See heading: B.1.38

**54 The majority of Appointment Committee members – or Appointment and Remuneration Committee members as the case may be – should be independent directors.**

See heading: 5.2.1

#### **Explain**

The majority are proprietary directors but they are not independent, as at year end there are only two independent Directors on the Board of the Company. Nevertheless, it can be said that this recommendation is met as the Chairman of the Appointment Committee is independent and has a casting vote.

**55. The Appointment Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.**
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.**
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.**
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See heading: 5.2.3

Met

**56. The Appointment Committee should consult with the company's Chairman and chief executive, especially**

on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointment Committee for its consideration.

Met

**57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:**

- a) Make proposals to the Board of Directors regarding:**
  - i) The remuneration policy for directors and senior officers;**
  - ii) The individual remuneration and other contractual conditions of executive directors.**
  - iii) The standard conditions for senior officer employment contracts.**
- b) Oversee compliance with the remuneration policy set by the company.**

See headings: B.1.14 and B.2.3

Met

**58. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Met

## **G - OTHER RELEVANT INFORMATION**

**List and explain below the contents of any relevant principles or aspects of corporate governance applied by the company that have not been covered by this report.**

TABLE 8.1.11

Section d) Remuneration as a percentage of parent company attributable profit

It is worth noting that remuneration included in this section for the sum of € 660,000 includes the remuneration received by the executive directors for performing their corresponding executive duties for the sum of € 487,000.

As a result, if only remuneration received by the members of the Board for their duties as directors was included, the corresponding sum would be € 173,000 and the ratio between the total Remuneration of directors and the parent company attributable profit would be

**This section may include any other relevant but not re-iterative information, clarification or detail related to previous sections of the report.**

**Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.**

**Binding definition of independent director:**

**List any independent directors who have or have had a relationship with the company, its significant shareholders or managers, which are of a sufficiently significant nature or important to determine that the directors may not be deemed independent as per the definition included in point 5 of the Unified Good Governance Code:**

NO

**Date and signature:**

**This Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting on: 27/04/2010**