

ANNUAL REPORT ON NATRACEUTICAL S.A.'S DIRECTORS' REMUNERATION

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INTRODUCTION

This Annual Report on the remuneration of NATRACEUTICAL S.A.'s Directors (hereinafter "NATRACEUTICAL" or the "Company") has been prepared by the Company's Board, on the proposal of the Appointments and Remuneration Committee, in compliance with the provisions of Article 61 3rd of the Securities Market Act, and subject to the provisions of (i) the Order ECC/461/2013, March 20, which implements the content and structure of the Annual Corporate Governance Report, the annual remuneration report and other instruments of information, and (ii) the Circular 4/2003, June 12, of the CNMV, which establishes the models for annual reports on the remuneration of directors of quoted corporations and savings banks that issue securities admitted for trading on official securities markets.

Under the provisions of Article 61 3rd of the Securities Market Act, introduced by Law 2/2011, March 4, on Sustainable Economy, quoted corporations must prepare annual reports on the remunerations of their directors. The CNMV is responsible for determining the content and structure of such reports.

The text of the above-mentioned article, insofar as it affects quoted companies, is reproduced below:

Article 61 3rd. On the annual report on directors' remuneration

1. Together with the Annual Report on Corporate Governance, the Boards of quoted corporations must prepare an annual report on the remuneration of its directors, including

complete, clear and understandable information about the company's remuneration policy approved by the Board for current year and, where appropriate, that planned for future years. It is also to include an overall summary of how the remuneration policy was applied during the year, and a breakdown of the individual remuneration earned by each of the directors.

2. The annual report on directors remuneration, the company's remuneration policy approved by the Board for the current year, the policy planned for future years, the global summary of the implementation of the remuneration policy during the year, as well as the breakdown of the individual remuneration earned by each director, are to be distributed and put to the vote, in an advisory capacity and as a separate item on the agenda, at the General Shareholders Meeting.

[...]

4. The annual report on the remuneration of the members of the Board, the company's remuneration policy approved by the Board for the current year, the policy planned for future years, the global summary of the implementation of the remuneration policy during the year, as well as the breakdown of the individual remuneration earned by each director, are to be distributed and put to the vote, in an advisory capacity and as a separate item on the agenda, at the General Assembly.

5. The Minister of Economy and Competitiveness or, under his/her express authorization, the National Securities Market Commission, shall determine the content and structure of the remuneration report, which may contain information, inter alia, on: the amount of the fixed components, variable remuneration concepts and the performance criteria chosen for their design, as well as the role, if any, interpreted by the Remuneration Committee.

The above-mentioned regulation was implemented by means of Order ECC/461/2013, March 20, which implements the content and structure of the annual corporate governance report, the annual remuneration report and other instruments of information, and the Circular 4/2003, June 12, of the CNMV, which establishes the models for annual reports on the remuneration of directors of quoted corporations and savings banks that issue securities admitted for trading on official securities markets.

In accordance with the above-mentioned regulations and the proposal of the Remuneration and Appointments Committee, this report was unanimously approved by the Company's Board of Directors at its Meeting held on February 26, 2014.

This report is to detail the Company's remuneration policy for the current financial year, the policy scheduled for future years, the summary of the implementation of the remuneration policy in 2013, as well as the details of individual remuneration accrued by each director.

In accordance with the provisions of Article 61 3rd of the Securities Exchange Act, this report will be disseminated and put to the vote, in an advisory capacity and as a separate item on the agenda, at the General Shareholders Meeting.

A COMPANY REMUNERATION POLICY FOR CURRENT YEAR.

A.1 Explain the company's remuneration policy.

- *General principles and bases of the remuneration policy.*

Natraceutical SA's remuneration policy has been developed in accordance with the provisions of Article 33 of the Bylaws and Article 24 of the Board Regulations, which provide the regime for the remuneration of the Board of Directors.

Specifically, it establishes that the Directors are to receive per diems to compensate any costs that they may generate through their attendance at the Board's meetings. Notwithstanding the aforementioned compensation, the Directors are to receive fixed, periodic remuneration for the performance of their duties, to be determined by the General Shareholders Meeting and which will vary annually according to the Consumer Price Index, until such time as the amount is modified by a new General Shareholders Meeting agreement.

By means of an agreement adopted to this effect, 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 per diems are compatible with and independent of any remuneration that the Directors may perceive for performing any other executive duties within the Company.

Similarly, the Directors' remuneration may consist of shares, share options or other options referenced to the share value, provided that such remuneration agreements are determined by the General Shareholders Meeting in accordance with the provisions of Article 217 of the Corporations Act.

The Board of Directors must approve the remuneration policy, which must be submitted to the consultation of the General Shareholders Meeting. This policy, in accordance with Article 24 of the Board Regulations, must determine at least the amount of the fixed components, variable concepts (the classes of directors to which they apply, performance assessment criteria, fundamental parameters and an estimation of the absolute amount of the variable remuneration), the main characteristics of the prevision systems and the conditions that apply to the contracts of those who hold senior management posts, such as executive directors (duration, notice periods, other clauses such as compensation, "golden-parachutes", etc.).

- *Significant changes made in the remuneration policy in relation to the policy applied during the previous year, as well as any amendments that have been made during the year to the conditions relative to the exercising of options that have already been granted.*

The directors remuneration policy applied during 2013 has responded to the same criteria as those employed for 2012.

- *Criteria employed to establish the company's remuneration policy.*

The remuneration policy for Natraceutical SA's outside directors is mainly aimed at appropriately remunerating directors for the dedication and responsibility assumed by each within the Board and its Committees.

Likewise, every effort shall be made to ensure that Directors receive remuneration which is commensurate with the accepted market rates in companies of similar size and activity as expressly established in the Board Regulations, which also establishes that the Directors' remuneration is to be fully transparent.

With regard to the Executive Directors, the fundamental criterion employed is based on offering a remuneration that makes it possible to attract, retain and motivate the best professionals in order to enable the Company and the Group to meet its strategic objectives within the increasingly competitive and internationalized context in which it operates. Consequently, the remuneration policy for executive directors is aimed at:

- (i) Ensuring that the remuneration, in terms of its structure and total amount, meets the best practices and is competitive in relation to other comparable national and international companies, taking into account the situation in the geographical areas in which the Group operates.
- (ii) Establishing remuneration with objective criteria
- (iii) Including an annual variable component linked to performance and the achievement of specific, predetermined and measurable objectives.

In all cases, the directors' remuneration policy is to be appropriately adapted to the economic climate and the international context.

- *Relative importance of variable remuneration in relation to fixed remuneration and the criteria used to determine the various components of the directors' remuneration package (remuneration mix).*

The remuneration received by Directors for the performance of their activities is composed, within the legal and statutory framework, of the following remuneration concepts:

a) Fixed amount:

Each director is to receive an annual fixed amount adapted to the market standards, in accordance with the posts held within the Board of Directors and the committees to which they belong:

a.1 Board of Directors:

In accordance with the provisions of the Company Bylaws, the Directors are to receive fixed remuneration for the performance of their duties as members of the Board, to be determined by the General Shareholders Meeting, updated each year in accordance with the CPI, and until such time as the amount is modified by a new General Shareholders Meeting agreement.

b) Delivery of shares or share options.

Article 32 of the Bylaws establishes that Directors' remuneration may consist of shares, share options or other options referenced to the share value, provided that such remuneration agreements are determined by the General Shareholders Meeting in accordance with the provisions of Article 217 of the Corporations Act.

c) Remuneration of executive directors for the performance of executive functions other than those arising from membership of the Board of Administration.

Article 24 of the Board Regulation establishes that the remuneration received by Directors for their membership of the Board of Directors shall be compatible with the other professional or contractual remuneration corresponding to the Director for any other executive or advisory functions performed in the Company.

d) Variable remuneration.

A part of the executive directors remuneration is variable, with the aim of emphasizing their commitment to company and encouraging them to carry out their functions to the best of their abilities.

A.2 Information on the preparatory work and decision-making process that has been followed to determine the remuneration policy and the role, if any, of the remuneration committee and other supervisory bodies in shaping policy remuneration.

The Appointments and Remuneration Committee, which is composed of Ibersuizas Alfa, S.L.U., Brenda MacCabe and Natra, S.A., is responsible for the configuration and design of the Board members remuneration policy. Once the policy has been established, it is subject to the approval of the Board.

A.3 Indicate the amount and nature of the fixed components, itemized where necessary, of the executive directors' remuneration for the performance of senior management functions, the additional remuneration received by the Chair or by members of the Board's committees, the expenses for attendance at Board and Committee meetings and any other fixed remunerations received by directors, as well as an estimate of the fixed annual remuneration to which they give rise.

Identify other benefits that are not paid in cash and the basic parameters to which they are subject.

The members of the Board of Directors and the Board Committees receive fees for attending the meetings of these bodies, the amount of which is studied and proposed by the Appointments Committee and approved by the Board. In 2013, the fees paid to each of Director amounted to 1,087 Euros for attending each Board Meeting, and 543 Euros for attending each Audit Committee or Appointments and Remuneration Committee Meeting. This amount however, is not payable to the Chief Executive Officer.

In 2013, the CEO received a gross fixed remuneration of 260,002 Euros and remuneration in kind amounting to 7.155 Euros in the concept of a vehicle (BMW Series 5, 530d).

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

Specifically:

- *Identify each of the remuneration plans of which directors are beneficiaries, their scope, date of approval, implementation date, validity period and main features. In the case of share option plans and other financial instruments, the general features of the plan are to include information on the conditions for exercising the corresponding options or financial instruments.*
- *Indicate any remuneration in the concept of profit sharing or bonuses, and why they were granted.*
- *Explain the main parameters and rationale for any annual bonus schemes*
- *The classes of directors (executive directors, outside directors, independent directors or other external directors) who are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.*
- *The rationale for any variable remuneration systems or plans, the performance assessment criteria chosen, as well as the assessment components and methods for determining compliance with the assessment criteria and an estimate of the absolute variable remuneration to which the current remuneration plan would give rise, in accordance with the degree of compliance with the reference hypotheses or objectives.*
- *Where appropriate, information is to be provided about the deferral periods established and/or periods of retention of shares or other financial instruments, if any.*

The CEO, François Gaydier, receives a variable remuneration of up to 30% of his gross fixed remuneration, in accordance with the degree of compliance with the established objectives, the accrual of which is subject to compliance with the objectives agreed between Mr Gaydier and the company, and which are to be aligned with the Group's current bonus plan.

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- A.5** Explain the main features of the long-term savings systems, including for retirement and any other long-term provision, partially- or fully-financed by the company, with internal or external allocations, with an estimation of their amount or equivalent annual cost, indicating the type of plan, if it is contributory or whether it provides a defined benefit, the conditions governing the consolidation of the economic rights in favour of the directors and the compatibility with any type compensation for the early termination of the contractual relationship between the company and the director.

Natraceutical, SA has no obligations relative to pensions, life insurance or any other system of long-term savings.

- A.6** **Indicate any indemnities agreed or paid in the event of the termination of a director's functions.**

No indemnities have been agreed or paid in the event of the termination of a director's functions.

- A.7** **Indicate the conditions that apply to the contracts of those performing Senior Management functions, such as executive Directors Among others, information is to be provided on the duration, the limits to the amount of compensation, the permanence clauses, the advance notice terms, as well as payment in substitution of the mentioned advance notice term, and any other clauses relative to contracting bonuses, as well as compensation or "golden parachutes" in the event of the early termination of the contractual relationship between the company and the Executive Director. Include, among others, any agreements or covenants relative to non-competition, exclusivity, permanence or loyalty and post-contractual non-competition.**

François Gaydier's contract has the following basic characteristics:

- A) Duration: Indefinite
- B) Compensation: No
- C) Permanence clauses: No
- D) Non-competition: No

In April 2008, when he joined the company as General Manager, compensation, an indemnity was agreed in the event of the termination of the employment relationship by the company which improves the legal compensation for which he was eligible. IN accordance with the contract signed in April 2008, the improvement is as follows: "By decision of the company supposing the termination of the employment relationship with the Company, with advance notice of six months, in which case, and in the absence of a cause justifying the dismissal, he shall have the right to receive an indemnity

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corresponding to 45 days per year of service, up to a maximum of 42 months, in accordance with art. 56.1 a) of the Workers' Statute, although a minimum of one year of total compensation (fixed remuneration plus the last variable remuneration received) is established.”

A.8 Explain any additional remuneration earned by directors for special services rendered outside the scope of the usual functions of a director.

No additional remuneration has been earned by or is contemplated for directors for special services rendered outside the scope of the usual functions of a director.

A.9 Indicate any remuneration paid in the form of advances, credits and guarantees, indicating the interest rate, its key features and any amounts repaid, as well as the obligations assumed in the concept of guarantees.

No directors are beneficiaries of beneficiary of advances, loans or guarantees.

A.10 Explain the main features of the remuneration in kind.

The Company CEO's remuneration in kind amounts to an annual amount of 7,155 Euros, distributed in the following manner:

- Vehicle leasing: 5161.92 Euros. The vehicle is a BMW 5 Series 5330d.
- Health insurance: 1,993.08 Euros. The policy includes full costs with extensive coverage and dental coverage for himself and his family.

A.11 Indicate the remuneration accrued by the director by virtue of the payments made by the quoted company to a third entity in which the director provides services, when such payments are destined to remunerating the services provided by the director to the company.

There is no remuneration for this concept.

A.12 Any other remuneration concept different to those mentioned above, independently of their nature and provenance within the group, especially when considered a related party transaction or when the issue of the same distorts the true and fair view of the total remuneration earned by the director.

With the exception of the information provided in the preceding paragraphs, the members of the Board have not been granted or do not receive any other remuneration from the company.

- A.13 A.13 Explain the actions taken by the company in relation with the remuneration system to reduce exposure to excessive risk and adjust it to the company's objectives, values and long-term interests, which shall include, where applicable, a reference to: the measures contemplated to ensure that the remuneration policy takes the company's long-term results into account, measures which establish an appropriate balance between fixed and variable remuneration components, measures taken in relation to those categories of staff whose professional activities have a material impact on the company's risk profile, recovery formulas or clauses for claiming the return of the remuneration's results-based variable components when such components are paid on the basis of data which is subsequently revealed as manifestly inaccurate, and measures designed to prevent conflicts of interest, if any.**

The actions taken by the company in relation with the remuneration system to reduce excessive risk exposure and adjust the system to the company's long-term objectives, values and interests are primarily the following:

- a) Remunerate the CEOs in accordance with the accepted market rates in companies of similar size and activity.
- b) With regard to external directors, establish remuneration in such a manner as to avoid comprising their independence.

B REMUNERATION POLICY PLANNED FOR FUTURE YEARS.

- B.1 Detail a general prevision of the remuneration policy for the coming years, describing the policy in relation to: fixed components, per diems and variable remuneration, the relationship between remuneration and performance, prevision systems, executive director contract conditions, and a prevision of the most significant changes in the remuneration policy with respect to previous years.**

The directors remuneration policy applicable during 2014 shall respond to the same criteria as that employed for 2013.

Consequently, the remuneration structure for 2014 is as follows:

- A fixed amount of 1,087 Euros for each Director for attending each Board Meeting. This amount however, shall not be accrued in favour of the Chief Executive Officer or the Non-Executive Chair.
- A fixed amount of 543 Euros for each Director for attending each Committee Meeting.
- The CEO will maintain the fixed remuneration of 260,002.44 Euros and the remuneration in kind of 7,155 Euros in the concept of a vehicle, which will be increased in accordance with the corresponding CPI.

B.2 Explain the decision-making process for determining the remuneration policy planned for coming years, and the role, if any, of the remuneration committee.

The Appointments and Remuneration Committee is responsible for proposing the Directors remuneration policy to the Board of Directors. Furthermore, in accordance with Article 32 of the Board of Directors Regulation, the Appointments and Remuneration Committee must propose the individual remuneration of executive directors and other terms of their contracts and the basic contract conditions of senior managers.

B.3 Explain the incentives created by the company in the remuneration system to reduce excessive risk exposure and adjust the system to the company's long-term objectives, values and interests.

No significant changes are expected in the Board's remuneration policy in 2014, and as such the actions taken to reduce risks described in section A-13 of this report remain applicable.

C GLOBAL SUMMARY ON METHOD FOR APPLICATION OF REMUNERATION POLICY DURING PREVIOUS TAX YEAR.

C.1 Provide a summarised explanation of the main features of the remuneration policy's structure and remuneration concepts applied during the year ended, including a breakdown of the individual remuneration earned by each of the directors reflected in Section D of this report, as well as a summary of the decisions taken by the Board to implement these concepts.

The General Shareholders Meeting held on May 30, 2013 approved the proposal for Directors remuneration for this year, issued by the Board of Directors and formulated on the proposal of the Appointments and Remuneration Commission, in the following manner:

- A fixed amount of 1,087 Euros for each Director for attending each Board Meeting. This amount however, shall not be accrued in favour of the Chief Executive Officer or the Non-Executive Chair.
- A fixed amount of 543 Euros for each Director for attending each Committee Meeting.
- The CEO will maintain the fixed remuneration of 260,002.44 Euros and the remuneration in kind of 7,155 Euros in the concept of a vehicle, which will be increased in accordance with the corresponding CPI.

D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH OF DIRECTORS.

Name / Type / period of accrual year t	Options exercised year t				Matured, non-exercised options	Options at end of year t				
	Number of options	No. of shares involved	Strike price (€)	Exercise period		Number of options	Number of options	No. of shares involved	Strike price (€)	Exercise period
Director 1										

iii) Long-term savings systems

Name / Type / full accrual period in years	Contribution during year by Company (€ thousands)		Amount of accumulated funds (€ thousands)	
	Year t	Year t-1	Year t	Year t-1
Director 1				

iv) Other benefits (in thousands of €)

Remuneration in the form of advances, loans			
Name / Type	Applicable interest rate	Essential features of the operation	Any amounts repaid
Director 1			
Director 2			

Name / Type	Life insurance premiums		Guarantees issued by the company in favour of Directors	
	Year t	Year t-1	Year t	Year t-1
Director 1				
Director 2				

c) Summary of remuneration (in thousands of €):

The summary must include the amounts for all remuneration concepts included in this report and which have been accrued by the director, in thousands of Euros

In the case of long-term savings systems, the corresponding contributions are to be included:

Name / Type	Remuneration earned in the Company				Remuneration earned in group companies				Totals		Contribution to saving systems during year
	Total cash remuneration	Amount corresponding to shares granted	Gross profit of options exercised	Total year t company	Total cash remuneration	Amount corresponding to shares delivered	Gross profit of options exercised	Total year t group	Total year t	Total year t-1	
Natra, S.A.	9,237								9,237	91,667	
BMS Promoción y Desarrollo, S.L.	4,348								4,348	7,609	
Félix Revuelta Fernández	6,522								6,522	6,522	
Mª Teresa	6,522								6,522	5,435	

Lozano Jiménez											
Ibersuizas Alfa, S.L.U.	8,150								8,150	7,609	
Juan Ignacio Egaña Azurmendi	6,522								6,522	-	
Brenda McCabe	4,890								4,890	-	
François Gaydier	267,157.44								267,157.44	267,155	
Total :	313,348.44								313,348.44	385,997	

D.2 Report on the relationship between the remuneration perceived by the directors and the profits or other means of measuring the company's performance, explaining, when applicable, how the variations in the company's performance may influence the variations in the director's remuneration.

N/A

D.3 Report on the outcome of the advisory vote of the General Meeting on the annual report on the previous year's remuneration, indicating the number of any negative votes cast:

	Number	% of total
Votes cast	22,210,105	70.64%

	Number	% of issued
Votes against	8,547	0.0026%
Votes in favour	232,185,451	70.63%
Abstentions	16,107	0.0049%

E OTHER RELEVANT INFORMATION

Provide a brief summary of any relevant information relative to directors remuneration that has not been detailed in the other sections in this report but which is necessary in order to reflect the most complete and reasoned information on the company's remuneration structure and practices in relation to its directors.

This annual remuneration report was approved by the company's Board of Directors at its meeting held on February 26, 2014.

Indicate whether any Directors voted against or abstained from voting on the approval of this report.

Yes

No

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Name or company name of the board members who did not vote in favour of the adoption of this report	Reasons (against, abstention, absence)	Explain the reasons