

## **CORPORATE GOVERNANCE**

### **Corporate Governance**

In compliance with the Company's Board Regulations approved on April 16<sup>th</sup> 2003, Natraceutical Group's corporate governance tasks are carried out by its Board of Directors. The current regulations establishes the Board of Directors' principles of action and code of conduct, regulates its system of organization and performance, and sets the standards of behaviour of its members for the purpose of achieving the highest possible level of efficiency and performance.

Every year, Natraceutical's Board prepares an annual corporate governance report in compliance with the provisions included in Act 26/2003 of July 17<sup>th</sup>, which amends Act 24/1988 of July 28<sup>th</sup> on Stock Markets, as well as the Consolidated Text of the Law on Corporations and the Ministerial Order dated December 26<sup>th</sup> 2003.

The full report is available on [www.natraceutical.es](http://www.natraceutical.es), and includes the following information:

#### **I. Shareholders**

To the end of 2007, Natraceutical Group's capital was made up of 328,713,946 common shares, fully subscribed and paid-up, worth a nominal value of € 0.10 each. Therefore, the capital stock of the company amounts to € 32,871,395.

**CAPITAL STOCK: € 32,871,395**

**NUMBER OF SHARES: 328,713,946**

**NOMINAL VALUE: € 0.10**

#### **\* Major Shareholders**

Natra SA remains Natraceutical Group's major shareholder, even though their ownership stake dropped from 55.79% to 54.78 % in 2007. Natra SA controls a total of 180,066,212 shares.

Significant ownership stake in Grupo Natraceutical's capital was held by two further shareholders to December 31<sup>st</sup>: Bilbao Bizkaia Kutxa (BBK), which controls 4.59% and Mr Felix Revuelta Fernandez, with 5.05 %.

Major shareholders to December 31<sup>st</sup> 2007:

Natra S.A.: 54.78%

BBK: 4.59%

Dr Felix Revuelta Fernandez: 5.05%

## **\* Treasury Stock**

To December 31<sup>st</sup> 2007, Natraceutical Group owns 8,830,503 treasury shares acquired in financial years 2005, 2006 and 2007, for which an average price of €1.03 was paid.

The Board of Directors was authorized by General Meeting of Shareholders held on June 25<sup>th</sup> 2007 to proceed with the buyback of company shares, either directly or through partner companies, within the limitations and requirements set by the Companies Law —with limits ranging between €0.5 and €5— operation that the Board of Directors duly executed.

## **2. Board of Directors**

### **\* Roles**

The Board of Directors' main roles are the supervision and control of the Company. Both the Management Team and executive bodies are assigned the tasks of management of the company's ordinary business activities.

The criteria governing the Board of Directors' performance is the long-term maximization of the company's equity, in strict accordance with the ethical principles and values required to ensure sound business development and responsibility.

The Board of Directors held 12 meetings in 2007.

### **\* Structure**

Following Good Governance Standards' recommendations, Natraceutical, S.A.'s Board of Directors includes seven members to enable sound, efficient and participative operation and performance.

To the end of the financial year 2007, the Board's structure was as follows:

POSITION	NAME	REPRESENTED BY	TITLE
CHAIRMAN	Xavier Adsera Gebelli		Executive Director
CHIEF EXECUTIVE	Jose Vicente Pons Andreu		Executive Director
MEMBER OF THE BOARD	Natra SA	Manuel Moreno	Director representing major shareholder
MEMBER OF THE BOARD	Jose Manuel Serra		Independent Director
MEMBER OF THE BOARD	BMS Prom. Y Des.	José Luis Navarro	Director representing major shareholder
MEMBER OF THE BOARD	Juan Ignacio Egaña		Director representing major shareholder
MEMBER OF THE BOARD	Alicia Vivanco		Director representing major shareholder

On December 17<sup>th</sup> 2007, Member of the Board Nozar S.A. informed the Board of their resignation, without specifying a reason, via letter sent to the Secretary of the Board. The Board of Directors accepted their resignation as Member of the Board during the meeting held on December 18<sup>th</sup> 2007.

Members of the Board do not own any stake and / or held positions in any other companies whose activities are identical, analogous or complementary to the social purpose of the Company —with the sole exception of the Group’s Subsidiaries of the Group which Natraceutical S.A. belongs to.

#### \* Stock ownership held by the Members of the Board

To the end of the year 2007, the Members of the Board owned, either directly or indirectly, 189,572,205 shares, or 57.67% of the corporate capital, broken down as follows:

MEMBER	DIRECT SHARES	INDIRECT SHARES	%
Natra SA	180,066,212	0	54.779
BMS Prom. y Des.	6,893,131	1,498,936	2.553
Juan Ignacio Egaña	1,104,479	0	0.336
Jose Vicente Pons Andreu	7,776	0	0.002
Alicia Vivanco	1,000	0	0
Xavier Adsera Gebelli	427	244	0

#### \* Remuneration to Directors

All combined payments made to Directors of the parent company during the year 2007 including allowances, salaries and wages, amounted to €102,000. In addition, in the same year, Directors held executive positions for which they were paid €173,000, which were fully paid by December 31<sup>st</sup> 2007.

To December 31<sup>st</sup> 2007, there are no advances, pension fund commitments, life insurance policies or any other obligations corresponding to former and current members of the Board of Directors.

### **Performance Regulations**

The Board is governed by regulations set by the Companies Law for this institution, its Articles of Incorporation and own operating development regulations specified in the Board Regulations, which can be viewed on the website [www.natraceutical.es](http://www.natraceutical.es), in the Corporate Governance sub-section “Information for Shareholders and Investors”. Said website also includes the full Articles of Incorporation. The Board’s Regulations describes and regulates situations such as conflicts of interest, use of company assets, use of non-public information, involvement in business opportunities by Directors who, as holders of said positions, had exclusive access to information on said opportunities, and transactions with Members and / or major shareholders. No events or incidents corresponding to said situations occur during 2007.

Members are provided with updated information on the financial and economic standing of both the Company and the Group during the meetings of the Board. Furthermore, these meetings also serve to discuss relevant investment and disinvestment issues, plus any other relevant matters in relation to the Company’s course of business. Besides the information received during meetings, Members are entitled to request any information they may deem convenient or necessary for their respective positions in the Board.

### **3. Audit Committee**

During the year 2007, the Board of Directors was supported by the Audit Committee, which, even though it does not hold the category of corporate governing body, it operates as an instrument at the service of the Board.

The Audit Committee is in charge of the following tasks:

- Proposing the appointment of the Financial Auditor, the corresponding terms of contract and, where appropriate, dismissal or renewal of commission.
- Ensuring that all internal audit and control system procedures are appropriate and sound.
- Reviewing all audit processes and conclusions in conjunction with an external auditor.
- Supervising the correct application of generally accepted accounting principles (GAAP).

Currently, the Audit Committee does not yet have its own regulatory framework. Audit activities are governed by the Board of Directors’ Regulations.

## **\*Fees paid to the Group's auditors**

No members of the Audit Committee are paid any fees whatsoever for their membership. All fees corresponding to annual account audit services provided to Natraceutical Group's companies in 2007 amounted to € 360,000 euros: € 76,000 corresponding to the senior auditor, € 187,000 to other firms associated with the senior auditor's firm, and € 97,000 paid to other auditors. The senior auditor was paid € 2,000 in fees for non-audit services, plus € 37,000 for services provided by other firms associated with the senior auditor's firm.

## **4. Appointment and Remuneration Committee**

The main task of the Appointment and Remuneration Committee, which holds meetings at least twice a year, is to offer proposals to the Board of Directors in connection with:

- The Group's top-level compensation policies.
- The general guidelines governing the Group's / subsidiaries' compensation policies.
- Making recommendations to the Board, for later proposal to the General Meeting of Shareholders, regarding systems of compensation to directors as well as systems of participation of directors and staff in Natraceutical's corporate capital.
- Assessment of all operations involving parties connected in any way to the Company. In the event that any member of the Committee is in any way connected to any such operation, this member shall not participate in the corresponding assessment.
- The conditions and characteristics of all plans involving company equity options, and the directors and staff they are intended for.

The members of the Appointment and Remuneration Committee do not receive any payment whatsoever in connection with their Committee positions.

## **5. General Shareholders Meeting**

The General Shareholders Meeting held on June 25<sup>th</sup> 2007, the only meeting held in said year, was attended in person by 69.22% of the company's ownership, while 3.56% was represented by appointed agents. Therefore, 72.78% of the capital was represented at the meeting.

## **\*List of resolutions passed by the Shareholders Meeting in 2007**

The following resolutions were passed by the General Shareholders Meeting held on June 25<sup>th</sup> 2007:

- Approval of the 2006 Individual and Consolidated Annual Accounts.
- Approval of the allocations of the year's results including € 223,289 to legal reserve, € 357,084 to offset accumulated losses; and € 1,652,521 to voluntary reserve.
- Increasing the number of members of the Board of Directors to eight.

- Confirmation of Mrs Alicia Vivanco Gonzalez appointment (by co-optation) for five years from the time she was appointed by the Board of Directors (October 24<sup>th</sup> 2006).
- Reappointment of BMS Promoción y Desarrollo, SL as Member of the Board for a five-year term from June 25<sup>th</sup> 2007.
- Appointment of Nozar S.A. as Member of the Board for a five-year term from June 25<sup>th</sup> 2007.
- Appointment of firm Deloitte SL as auditors of both the parent company Natraceutical SA and the consolidated group's 2007 accounts.
- Granting of authorization to the Board of Directors for the derivative acquisition of treasury shares (buyback), either directly or via affiliated companies, within the limitations and requirements set by the Companies Law —with limits ranging between €0.5 and €5— which sets aside the authorization granted by the Meeting on June 19<sup>th</sup> 2006.
- Submission of the request for consolidated tax return procedures.
- Granting authorization for preparing, documenting and executing all resolutions passed by the Shareholders Meeting.

### **\*Shareholders' Rights**

All holders of at least one thousand shares recorded to their name on the corresponding Shareholders Register at least five days prior to the meeting are granted the right to attend the General Meeting of Shareholders.

Prior to the General Meeting of Shareholders held on June 25<sup>th</sup> 2007, the Board of Directors provided shareholders with all proposals to be submitted for approval, where appropriate, by the Board. In addition, shareholders that requested it were provided with information prior to the Meeting. All proposals were approved by quorum.

### **6. Corporate Governance Report**

Following prior review of regular financial data provided by the Audit Committee, upload of corporate governance information to the company's website, and release of issues prior to meetings for discussion by the Board of Directors, the company is already working on meeting the new requirements specified in the Unified Code on Good Corporate Governance.

The contents of the Corporate Governance document are included in sub-section "Information for Shareholders and Investors" of webpage [www.natraceutical.es](http://www.natraceutical.es).