

STATUTES OF NATRUE - THE INTERNATIONAL NATURAL AND ORGANIC COSMETICS ASSOCIATION

SECTION I - NAME - HEADQUARTERS

Article 1

The Association named "NATRUE - The International Natural and Organic Cosmetics Association", abbreviated "NATRUE" is an International non profit Association (AISBL), within the framework of the Belgian law of 27 June 1921.

Article 2

The registered office of the Association is situated at Rue Washington 40, 1050 Brussels , in Belgium.

Article 3

The implementation of the present Articles of Association is further detailed by the Association's Internal Rules, listed in a separate document.

The Internal Rules are set out and modified by the Board of Directors.

Article 4

The working language of the Association is English.

The Internal Rules shall list the cases when other languages can be used.

SECTION II – PURPOSE - ACTIVITIES - DURATION

Article 5

The purpose of the Association is promoting companies active in the production and distribution of natural and organic cosmetic products and furthering their scientific, technical, economic and legal objectives, at an international level (inside and outside the European Union).

To this end the Association will promote and develop the NATRUE label. This label will guarantee the highest quality of natural and organic cosmetics to consumers worldwide as set out in the NATRUE Label requirements as defined by the Board of Directors.

Furthermore the Association will try to influence EU legislation to ensure the availability of premium raw materials for natural and organic cosmetics and to establish a level regulatory playing field for the international natural and organic cosmetic sector and this to the benefit of consumers worldwide.

The objectives are mainly achieved by the following activities:

- (1) Establishment of a widely-accepted and qualified network for the above mentioned industry and representation of this industry, especially towards the European institutions and related authorities in the member states of the European Union.
- (2) Strengthening of the awareness of the value of natural and organic ingredients for both consumer health and the environment.
- (3) Harmonisation of different quality standards for natural and organic cosmetics in Europe, definition of a quality standard, creation of a quality label and integration of the quality standard into official European legislation.

- (4) Further promotion and facilitation of the professional and scientific relationship between its Members.
- (5) Monitoring of political and legal developments in the European Union relevant for the above mentioned industry, collection and study of relevant laws and regulations applicable to the Members and the dissemination of such information to its Members.
- (6) Co-ordination of common interests and activities, especially towards the European institutions and related authorities in the member states of the European Union.
- (7) Expression of common positions in order to provide European and member state institutions with unified and representative positions.
- (8) Joint study of scientific data on substances of natural origin used in cosmetics, in particular data to meet the requirements of the Cosmetic Regulation and other European legislation.
- (9) Joint submission to projects in the European Commission's framework for research and development.
- (10) Joint edition and distribution of publications which promote the objectives of NATRUE and the use of the NATRUE label.
- (11) NATRUE may enter into partnership cooperation with other legal entities and associations active in the field of natural and organic cosmetic products or which have an established link with this industry, only in so far as it is necessary for the achievement of NATRUE's objectives.

The Association is formed for an unlimited lifetime; it may be wound up at any time in accordance with the present Articles of Association.

The social year runs from January 1 to December 31 of each year.

SECTION III – MEMBERS - BODIES

Article 6

The Members of the Association are divided in four categories: Members Category A, Members Category B, Members Category C and Associate Members.

The quality of Members Category A is open for all companies who operate around the world in the production of natural and organic cosmetic products of which at least 75% of their natural and organic products are certified or in the process of certification under the NATRUE label.

The quality of Members Category B is open for those companies of which at least 75% of all individual products (in terms of formulations) in a delimitable series of products of the same brand must be or are in the process of being certified as natural or organic cosmetics in accordance with the NATRUE label.

The quality of Members Category C is open for those companies which operate around the world in the production and/or distribution of natural and organic cosmetic products.

Members Category A, B and C all have voting rights at the Members' Assembly in accordance with the provisions of these Articles of Association.

Companies, physical persons, associations, economic interest groupings etc., active around the world in the field of natural and organic products, can be admitted as *Associate Members*. The *Associate Members* only have a consultative vote in the *Members' Assembly*.

Article 7

The *Members* of the Association having voting rights comprise:

- the Members Category A ;
- the Members Category B
- the Members Category C

The Members of the Association having a consultative vote in the *Members' Assembly*:

- the Associate Members.

Article 8

The *Association* will be governed by the following bodies:

- a) the **Members' Assembly**, composed by all *Members (i.e. Members Category A, B and C and Associate Members)*;
- b) the **Board of Directors**, composed by the *Directors*.

Article 9

Members Category A, B and C and *Associate Members* are accepted by the Board of Directors, which decision must be confirmed / ratified at the next *Members' Assembly*.

Members Category A, B and C and Associate Members may terminate their membership without approval of the Members' Assembly by giving notice by registered mail addressed to the Board of Directors of NATRUE. Such termination of membership shall become effective at the end of the fiscal year during which notice of termination has been given, provided that such notice has been given not later than June 30th; otherwise the termination shall become effective at the end of the following fiscal year.

Members Category A, B and C and Associate Members shall be excluded or suspended only on decision of the Members' Assembly and after that the concerned subjects had the opportunity to defend themselves.

Resigning, resigned, excluded or suspended Members Category A, B and C and Associate Members and the assigns or rightful claimants of a deceased/liquidated Members Category A, B and C and Associate Members shall have no rights over the Association's funds. They shall not be in a position to claim or request records, account rendering, affixing of seals nor inventories. Internal Rules shall define admission criteria, exclusion and suspension processes and shall particularly set up the rights of defence.

Article 10

Annually the Members Category A, B and C will have to contribute to the working costs of the Association.

For the Members Category A and C this membership contribution will be based on their ex factory sales of natural and organic products as determined by the Internal Rules and article 30 of these Articles of Association.

For the Members Category B this membership contribution will be based on the number of their certified products under the NATRUE label as determined by the Internal Rules and article 30 of these Articles of Association.

The Associate Members annually will pay a fix membership fee as determined by the Internal Rules.

SECTION IV – MEMBERS’ ASSEMBLY

Article 11

The Members’ Assembly shall consist of all Members Category A, B and C (*hereinafter referred to as the Members’ Assembly*). The Associate Members only have a consultative vote.

The *Members’ Assembly* is the sovereign power of the Association.

The following decisions are reserved for its competence

1. General policy, including financial aspects, of the Association;
2. Amendments to the Articles of Association of the Association;
3. The winding-up of the Association;
4. the confirmation of the admittance of new members;
5. Permanent exclusion or suspension of members s;
6. Approval of the *Board of Director’s* report (including balance sheet, accounts and budget);
7. Appointment of the auditors;
8. .Election and removal of directors;
9. Any decisions exceeding the powers legally or statutory granted to the *Board of Directors*.

Article 12

The *Members’ Assembly* shall be chaired by the Chairperson of the Board of Directors or, in the latter's absence, by the Vice-Chairperson or, in the latter’s absence, by a Member Category A of the meeting appointed by the *Members’ Assembly*. The Chairperson of the *Members’ Assembly* appoints the Secretary. Should the number of persons attending allow this; the *Members’ Assembly* will appoint two vote counters upon proposal of the Chairperson.

Article 13

The *Members’ Assembly* shall be held at least once a year, at the time and place determined by the *Chairperson*. The *Members’ Assembly* must be convened when at least one third of the aggregate Members Category A, B and C requests so. Any *Members’ Assembly* shall be held on the day and the time and place stated in the convening notice.

Article 14

The *Members’ Assembly* shall be convened by the *Chairperson*, sending acknowledge e-mail addressed to all Members Category A, B, C and all Associate Members , at least one month before the *Members’ Assembly*. Convening notices shall contain the agenda and all the material relevant to the meeting including a list with the number of votes attributed towards each Member Category A, B and C.

Article 15

The *Members’ Assembly* shall first deliberate on the agenda approved at the beginning of the meeting, and analyse the questions raised during the meeting. However, upon proposals or amendments to the Articles of Association of the Association, which were not mentioned in the convening notice, will not be deliberated.

In exceptional cases, when the urgent necessity and the interest of the association require so, and apart from the decisions which need to be taken by notarial deed, the decisions of the *Members’ Assembly* can be taken by unanimous written agreement by the Members Category A, B and C .

Further to Article 7 of the present Articles of Association, only Members Category A, B and C have the right to vote in the *Members’ Assembly*. Members Category A, B and C who could not

attend the *Members' Assembly* may be represented by a proxy. *Associate Members* only have a consultative vote in the *Members' Assembly*.

Members Category A, B and C have, at least, one (1) vote at the *Members' Assembly* of the Association.

In addition to this one (1) vote, a Member Category A, B and C will receive additional votes.

To determine the additional votes to be allocated to each Member Category A and to each Member Category C the total amount of membership contribution actually paid in the previous closed financial year will be divided by a factor determined in the Internal Rules. The result of this division, after a mathematical rounding off, will be the number of additional votes allocated to this Member for the year following the financial year during which these membership contributions were paid.

Members Category A and C who are majority owned and financially consolidated subsidiaries of other Members Category A and C will be seen, for the purpose of this article, as one Cost Sharing Group. The membership contribution paid by these Members Category A and C will be added to the membership contribution of the Member Category A or C who controls them. As a result the additional votes will be allocated towards the mother company, Member of NATRUE, who controls the Cost Sharing Group.

To determine the additional votes to be allocated to each Member Category B, the total amount of certified products under the Natrue Label at the end of each financial year, will be divided by a factor determined in the Internal Rules. The result of this division, after a mathematical rounding off, will be the number of additional votes allocated to this Member for the following financial year.

In order to determine the voting power of each Member Category A, B and C the Board of Directors will, at their first meeting of the financial year, fix, for the Members Category A and C, the amount of membership contribution effectively paid before closing of the previous financial year and, for the Members Category B, the number of products certified under the NATRUE Label before closing of the previous financial year. This listing will be used as reference for the determination of the votes of the Members Category A, B and C at all the *Members' Assemblies* held during the course of the new financial year.

This list with the number of votes for each Member Category A, B and C will be sent, together with the convocation letter of the *Members' Assembly*, to each Member of NATRUE. If a Member objects to his or her number of votes, this Member must launch an appeal, at least one week before the *Members' Assembly*, with the Board of Directors. If this appeal can not be resolved by this Member and the Board of Directors amicably, the *Members' Assembly* will vote on this appeal. For this vote each Member Category A, B or C, present or represented, will receive one vote. The appeal is accepted and the Chairman will make the necessary corrections to this list with the number of votes for each Member Category A, B and C if the appeal is supported by a simple majority of the Members Category A, B and C present or represented.

The number of votes assigned to an individual Member shall be limited to the extent that no member, individually as well as together with its majority owned subsidiaries also being Members of NATRUE, shall have more than 25% of all votes casted during a Members' Assembly.

If this 25% cap is exceeded, the votes of the Member exceeding the 25% cap will be suspended and therefore not be taken into consideration. However, the total number of votes attributed to all the Members collectively shall never be changed, and any Member shall in any case have at least one vote that cannot be suspended.

If a Member, together with its majority owned and financially consolidated subsidiaries also being Members of NATRUE exceeds the cap of 25%, the votes of this Member, together with its majority owned and financially consolidated subsidiaries also being Members of Natrue will be suspended as set out in the previous article and the suspended votes will be taken off the votes casted by the Member who controls this group of Members.

Article 16

Except in cases otherwise provided for in the Articles of Association of Belgian law, the *Members' Assembly* is validly constituted when at least half of the Members Category A are present or represented. If, at a first Members' Assembly, this quorum can not be reached, the Board of Directors will have to convene a second Members' Assembly which can, at any time validly deliberate within the limits as provided for by Belgian law.

Unless these Articles of Association or Belgian law provide in a more stricter majority, the decisions of the Members' Assembly are taken by a simple majority of 50% of the overall votes casted by the Members Category A, B and C and, in addition thereto, the decision is also approved by a simple majority of the Members Category A present or represented. The approval by a simple majority of the Members Category B and/or Category C is not required.

Abstentions and invalid votes will not be taken into account when calculating these majorities. If the vote is tied, the proposal is rejected.

Article 17

The Annual *Members' Assembly* shall appoint one or more auditors for a renewable three-year term, entrusted with verifying the accounts of the Association. Should the auditors be prevented from fulfilling their term, a *Members' Assembly* shall provide for their replacement on either a temporary or a permanent basis.

Article 18

The decisions of the *Members' Assembly* shall be countersigned in minutes in a special register signed by the *Chairperson* and the *Secretary* or, failing that, by one of the present Members Category A, appointed as *Secretary* for that meeting. The register is kept at the registered office of the Association, where all the Members may read it without taking it away. Electronic versions of the abovementioned documents can be used, for archive and distribution purposes.

SECTION V - BOARD OF DIRECTORS

Article 19

The Association shall be administered by a *Board of Directors* composed by a minimum number of three *Directors*. The *Directors* are elected by the *Members' Assembly*, and this for a three-year term, and are revocable by it.

Only an employee, director or contractually engaged person of a Member can be appointed as a Member of the Board of Directors of NATRUE.

If, during his mandate as a member of the Board of Directors, a member steps down as director, employee or contractually engaged person of this Member, his mandate as Director of Natrue will come, by right, to an end.

The *Board of Directors* appoints a *Chairperson*, a *Vice- Chairperson* and a *Secretary* from among its Members. Should the *Chairperson* be unable to attend, the *Chairperson's* functions shall be carried out by the *Vice-Chairperson*.

Article 20

The number of directors will be determined by the Internal Rules. Members Category A have the right, under the terms and conditions, of this article, to nominate a candidate for a position within the Board of Directors. Other possible vacant mandates can be filled in with candidates proposed by Members Category B or C.

Every Member Category A, together and only together with its majority owned and financially consolidated subsidiaries also being Members of NATRUE, has the right to propose candidates for one position within the Board of Directors. To this end this Member Category A will propose candidates for a position within the Board of Directors to the *Members' Assembly* guaranteeing at all times multiple choices for the *Members' Assembly*. The *Members' Assembly* must elect one board member among the candidates proposed by a Member Category A acting together with its majority owned and financially consolidated subsidiaries.

Each time the mandate of a director, who was placed in nomination by a Member Category A together with its majority owned and financially consolidated subsidiaries, comes or takes an end, a new director must be appointed, under the same terms and conditions as mentioned above, amongst those candidates proposed by the Member Category A who's director resigned.

The Internal Rules will fix the number of *Directors*. This number may not be lower than the minimum number required for each Member Category A to nominate, together with its majority owned and financially consolidated subsidiaries also being Members of NATRUE, a person for a position in the Board of Directors.

Article 21

The *Board of Directors* shall meet at least once a year when convened by the *Chairperson*, or at any time if necessary to the good operation of the Association. The *Board of Directors* shall also be convened if one third of its members requests so. The *Board of Directors* is allowed to rule if at least half of its members are present. Decisions of the *Board of Directors* are adopted by a simple majority (50% plus one) of the votes cast from the present or represented *Directors*, excepted in cases otherwise provided for in the Articles of Association. In the event of equal voting, the *Chairperson* or the substitute has the casting votes. Deliberations of the *Board of Directors* shall be

entered in minutes in a special register, which shall be signed by the *Chairperson* and the *Secretary*. Copies and extracts, as well as all acts, shall be signed by the *Chairperson* and the *Secretary*.

Article 22

The *Board of Directors* is invested with the powers to perform the acts of administration, the management of the Association and with the power to set out and modify the Internal Rules of NATRUE. The *Board of Directors* shall administrate the Association according to the general policy determined by the *Members' Assembly*.

Without prejudice to authorizations provided for by the law and the present Articles of Association, the *Board of Directors* may, on behalf of the Association, execute and receive any payment, request or give receipt of the payment, give or receive any deposit, acquire or alienate personal or real estates, rent or let with a short or long leaseterm, accept and receive private or state subsidies, accept and receive legacies, donations and transfers, grant and accept loans and advances, with or without cover, grant and accept subrogation and securities, mortgage social real estates, waive contractual or actual rights, decide to release mortgages, plead whether as plaintiff or defendant before any jurisdiction, carry out court decisions, deal or compromise, the above enumeration being enunciative and not limitative.

The *Members' Assembly* may, on compelling grounds, revoke the authority for a board member whom it has designated in accordance with Article 21 hereof respectively. Such compelling grounds include but are not limited to gross neglect of responsibilities or inability to perform the duties of management in an orderly manner. In such case, the *Members' Assembly* shall elect a new board member at its earliest convenience for the remaining term.

If a member of the *Board of Directors* has a direct or indirect conflicting interest of a financial or other nature towards a decision within the scope of the authority of the *Board of Directors*, he must so notify the *Board of Directors* prior to the decision by the *Board of Directors*. This statement and the grounds justifying the aforementioned conflict of interest shall be recorded in the minutes of the *Board of Directors* deliberating on the decision. The member of the *Board of Directors* having a conflicting interest shall be liable in accordance with Belgian civil and company law for any breach of the provisions of the above paragraph and, in general, of these Articles of Association.

Article 23

Actions exceeding day-to-day management and committing the Association shall be signed by two Directors, among them the *Chairperson (President)*, acting together. Within the framework of the daily management, the Association shall be validly represented *vis-à-vis* third parties and regarding all deeds, by the *Chairperson* of the Board of Directors, acting alone.

Moreover, within the framework of their mandate, the Association is validly represented by special proxyholders, designated by the Board of Directors.

Signatories shall not have to justify their powers to third parties. Financial contracts exceeding the field of current expenses shall have to be signed by the *Chairperson* and the *Secretary* of the Board of Directors.

Article 24

By their functions, *Directors* do not contract any personal obligation. Their responsibilities are limited to the performance of their terms of office. *Directors* are not paid to perform their functions. However, their expenses may be reimbursed.

SECTION VI – WORKING GROUPS

Article 25

In order to ensure the prompt handling of pending tasks, the *Board of Directors* may request the Members to elect from their staff a working group of not less than three persons. If required, external experts may be consulted after approval by the *Board of Directors*. These working groups shall report to the *Board of Directors*. The activities of such working groups shall end with the completion of those tasks which they have accepted, or by resolution of either the *Board of Directors* or the *Members' Assembly*.

The organization of the working groups is detailed in the Internal Rules.

SECTION VII - ANNUAL ACCOUNTS – (EXTRAORDINARY) BUDGET – MEMBERSHIP CONTRIBUTIONS

Article 26

The Association disposes of a financial account.

The *NATRUE Account* will be used to manage the general expenses of the Association and will receive the various fees and contributions from the Members.

Article 27

On February 28 of each year, the *Board of Directors* shall make up the Association accounts of the previous year and fix the budget for the year to come. The *Board of Directors* shall submit the budget and accounts for approval by the next annual *Members' Assembly*.

If the audited accounts as approved by the *Members' Assembly* show a profit, such profit shall be allocated to a reserve fund of NATRUE and shall not be distributed amongst its members. . In case of a loss exceeding the reserve fund, the *Board of Directors* may call on the Members Category A, B and C to assume such losses by a special contribution which shall be determined according to the cost sharing scheme as set forth in the Internal Rules.

From case to case, the *Board of Directors* may determine special projects, *e.g.* research projects. If the *Members' Assembly* determines the adoption of such projects by a minimum of one-half of the present or represented voters, a special cost sharing budget may be established whereby a minimum solidarity contribution of 10% of the project costs shall be borne by all Members Category A and C of NATRUE according to the cost sharing scheme mentioned in the Internal Rules, and the remaining budget shall then be distributed amongst such Members who are willing to financially support the project, according to the cost sharing plan to be determined amongst them on the same *Members' Assembly*.

Article 28

Auditors appointed according to Article 17 of the present Articles of Association shall carry out the annual audit of the Association and send the report to the annual *Members' Assembly*.

Article 29

Budget of NATRUE

For each upcoming fiscal year, the *Board of Directors* shall prepare an expenditure budget on the basis of envisaged activities. This budget must be approved by the *Members' Assembly*. In the event of a budget overrun of more than 10%, the *Board of Directors* shall prepare a revised expenditure budget, which must, in turn, be approved by the *Members' Assembly*.

Article 30

Determination of Annual Membership Contributions of Members Category A, B and C.

The Members Category A, B and C will be obligated to pay an annual membership contribution in the working costs of NATRUE. The terms and conditions under which the Members Category A, B and C pay such a membership contribution in the working costs of NATRUE will be set out in the Internal Rules of NATRUE and will be based, for the Members Category A and C, on the value of ex-factory sales of natural and organic goods of these members and for the Members Category B, on the number of products certified under the Natrue Label.

Members Category A and C who are majority owned and financially consolidated subsidiaries of other Members Category A and C will be seen as one Cost Sharing Group to determine their annual membership contribution in the working costs of NATRUE. In order to determine their membership contribution, the value of the ex-factory sales of natural and organic products, after excluding any and all intercompany sales, of Members Category A and C of NATRUE which are majority owned and financially consolidated subsidiaries will be added to the value of the ex-factory sales of natural and organic goods of the Member Category A or C who controls them.

However, no Member Category A or C and no Cost Sharing Group can be obligated to pay more than 25% of the costs of the association as set forth in the budget drawn up in accordance with article 27 and 29 of these Articles of Association. If the membership contribution of a Member or a Cost Sharing group exceeds, based on the Internal Rules and these Articles of Association, this 25% cap, the membership contribution of this Member or cost sharing group will be capped at 25%. The surplus will be divided, proportionately to their membership contribution, among the other Members Category A and C and added to their membership contribution. If, as a result of this mechanism another member Category A or C or another Cost Sharing Group exceeds the cap of 25%, this rules set out above will be repeated until no Member Category A or C or no cost sharing group exceeds the 25% cap.

Furthermore, Members Category A and C who are majority owned and financially consolidated subsidiaries of other Members Category A and C, may chose, in addition and separately to the annual membership contribution paid by the Cost Sharing Group to which they belong, to participate individually, by way of a separate membership contribution, in the costs of NATRUE. For this additional membership contribution these Members Category A and C will receive additional votes at the membership assembly of NATRUE as determined by article 15 of these Articles of Association. These additional financial contributions will not be taken into consideration when calculating the 25% cap as set out in the previous paragraph.

Members Category B will pay a fixed sum for each product certified under the NATRUE label at the end of each financial year which will be determined in the internal rules of NATRUE.

SECTION VIII - AMENDMENTS - WINDING-UP - LIQUIDATION

Article 31

Unless otherwise provided in Belgian law, the *Members' Assembly* is allowed to deliberate concerning the amendments to the Articles of Association if stated in the convening notice. At least two thirds of the *Members and two thirds of the Members Category A* must be present or represented to deliberate validly. In case two thirds of the *Members* are not present or represented after the first convocation, a second *Members' Assembly* must be convened and can

decide if at least fifty percent of the Members and fifty percent of the Members Category A *are* present or represented.

Article 32

Unless otherwise provided in Belgian law, the *Members' Assembly* shall be allowed to decide the winding-up of the Association. Should two thirds of the *Members* and two thirds of the Members not be present nor represented at the first meeting, a second meeting shall be convened and allowed to deliberate validly if at least fifty percent of the *Members* and fifty percent of the Members Category A are present or represented.

Article 33

In the event of voluntary winding-up, the *Members' Assembly* shall appoint one or two liquidators and determine their powers.

Article 34

In the event of any winding-up, whether voluntary of judicial, at any time and for any reason, the *Members' Assembly* shall decide to allot the Association's assets, after liabilities have been discharged, to an institution whose object and purpose are similar to those of the present Association.

Article 35

Any clause, which is not dealt with by the present Articles of Association and in particular about the publications in the annexes of the Belgian State Gazette, will be ruled according to the law.