

EUROPEAN CODES OF CONDUCT FOR DIRECT SELLING

Adopted in 1995

Amended in 1999, 2000, 2004, 2011 and 2015

PREFACE

National Direct Selling Associations (DSAs) may use and publish the European Direct Selling Code of Conduct towards Consumers and the European Direct Selling Code of Conduct towards Direct Sellers, between Direct Sellers and between Companies separately and in a different manner of distribution if required.

DSAs may also combine the two codes and use and publish them as a single entity.

EUROPEAN DIRECT SELLING CODE OF CONDUCT TOWARDS CONSUMERS

1. GENERAL

1.1 Scope

The European Direct Selling Code of Conduct towards Consumers (hereinafter referred to as the “Code”) is published by Seldia for its member DSAs. The Code concerns the relations between direct selling companies and direct sellers on the one hand and consumers on the other hand. The Code is aimed at achieving the satisfaction and protection of consumers, the promotion of fair competition in the framework of free enterprise, and the enhancement of the public image of direct selling, which is to sell quality products on fair terms and conditions to consumers.

1.2 Glossary of terms

For the purposes of this Code:

- (1) ‘direct selling’ means any selling method which is based on the explanation or demonstration of products to a consumer by a salesperson, hereinafter called ‘direct seller’, away from business premises, typically in the consumer’s home, in that of another consumer or at the consumer’s place of work.
- (2) ‘Consumer’ means any natural person who buys products for purposes which can be regarded as outside his trade, business or profession.
- (3) ‘Direct Selling Association (DSA)’ means any national association of direct selling companies which represents the direct selling industry in a European country and which is a member of Seldia.

- (4) 'direct selling company' or 'company' means any business entity which markets products associated with its trademark or service mark or identifying symbol through a distribution system based on direct selling and which is a member of a DSA.
- (5) 'Distribution system' means any organization and method designed for the marketing of products.
- (6) 'direct seller' means any natural or legal person who is member of the distribution system of a direct selling company and who sells, facilitates or assists in the sale of products of that company away from business premises, typically in the consumer's home, in that of another consumer or at the consumer's place of work.
- (7) 'Product' means any goods, tangible or intangible, or service.
- (8) 'Party selling' means direct selling to a group of consumers invited by a host to that end.
- (9) 'Order form' means any document used to order products.
- (10) 'Recruiting' means any activity conducted for the purpose of offering a person the opportunity to become a direct seller.
- (11) 'Code administrator' means an independent person or body appointed by a DSA to monitor member companies' observance of the DSA's code and to resolve complaints under the code.

1.3 Associations

Every DSA pledges to adopt a code of conduct that incorporates the substance of the provisions of the Code, as a condition of its admission and continuing membership in Seldia.

1.4 Companies

Every DSA member company pledges to abide by the Code as a condition of admission and continuing membership in the DSA. Every DSA member company shall be required to promote to the public its DSA affiliation and the national codes.

1.5 Direct Sellers

Direct sellers are not bound directly by the Code, but shall be required by their companies to adhere to it or to rules of conduct meeting its standard as a condition of membership in the companies' distribution systems.

1.6 Self-regulation

The Code is a measure of self-regulation by the direct selling industry. It is not a law, and its obligations may require a level of ethical behaviour which exceeds existing legal requirements. Non-observance does not create any civil law responsibility. With termination of its membership in a DSA, a company is no longer bound by the Code, the provisions of which remain applicable to events or transactions occurring during the time a company was a member of the DSA.

1.7 Law

Companies and direct sellers are presumed to comply with the requirements of law and therefore the Code does not restate all legal obligations.

1.8 Standards

The Code contains standards of ethical behaviour for direct selling companies and direct sellers. DSAs may vary these standards provided that the substance of the Code is preserved or as is required by national law.

It is recommended that the Code be used as evidence of industry standards.

1.9 Territorial Application

Every DSA pledges that it will require each member as a condition of admission and continuing membership in the DSA to comply either with; the National Codes wherever the DSO is member of a national DSA; the European Codes wherever within the EEA the DSO is not a member of a national DSA; the World Code wherever outside the EEA the DSO is not a member of a national DSA.

2. CONDUCT TOWARDS CONSUMERS

2.1 Prohibited Practices

Direct sellers shall not use misleading, deceptive or unfair sales practices.

2.2 Identification and Demonstration

From the beginning of the contact with a consumer, direct sellers shall identify themselves and their company and explain the purpose of their solicitation. In party selling, direct sellers shall make clear the purpose of the occasion to the host and the participants. Prior to the conclusion of the sale, direct sellers shall provide an explanation and/or a demonstration of the product, as well as the information required by law.

2.3 Answers to Questions

Direct sellers shall give accurate and understandable answers to all questions from consumers concerning the product and the offer.

2.4 Order Form

An order form shall be delivered to the consumer at the time of sale, which shall identify the company and the direct seller and provide the consumer with the full contact details of the company and where applicable the direct seller, and all material terms of the sale (corresponding to 2.2).

2.5 Verbal Promises

Direct sellers shall only make verbal promises concerning the product which are authorized by the company.

2.6 Right of withdrawal and Return of Goods

Companies and direct sellers shall make sure that any order form either contains a right of withdrawal during a period that is at least the one provided by law, including the right to obtain reimbursement of any payment or goods traded in; or informs the consumer of an absence of rights of withdrawal. Companies and direct sellers offering an unconditional right of return shall provide it in writing.

2.7 Guarantee and After-Sales Service

Terms of a guarantee or a warranty, details and limitation of after-sales service, the name and address of the guarantor, the duration of the guarantee and the remedial action open to the purchaser shall be clearly set out in the order form or other accompanying literature or provided with the product.

2.8 Literature

Promotional literature or mailings shall not contain any product description, claims or illustrations which are deceptive or misleading. It shall contain the name and address or telephone number of the company and may include the telephone number of the Direct Seller. It shall also be compliant with the present Code and the rules regarding marketing towards children and youngsters, in particular those of the Unfair Commercial Practices Directive and the Audiovisual Media Services Directive.

2.9 Testimonials

Companies and direct sellers shall not refer to any testimonial or endorsement which is not authorized, not true, obsolete or otherwise no longer applicable, not related to their offer or used in any way likely to mislead the consumer.

2.10 Comparison and Denigration

Companies and direct sellers shall refrain from using comparisons which are likely to mislead or which are incompatible with principles of fair competition. Comparisons shall only be made in accordance with the provisions on comparative advertising set out in Directive 2006/114/EC concerning misleading and comparative advertising. Companies and direct sellers shall not denigrate any firm or product directly or by implication. Companies and direct sellers shall not take unfair advantage of the goodwill attached to the trade name and symbol of another firm or product.

2.11 Respect of Privacy

Personal, telephone or electronic contact shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness, and following the relevant national legislation where applicable. A direct seller shall discontinue a demonstration or sales presentation upon the request of the consumer. Companies and Direct Sellers shall take appropriate steps to ensure the protection of all private information provided by actual or prospective customers.

Business opportunities of companies are open to prospective distributors without discrimination of gender, race, ethnic group, group of religious or spiritual

significance, or political opinion. Companies shall prohibit in writing any kind of mix between the business and one or more aforementioned elements of private life.

2.12 Fairness

Direct sellers shall not abuse the trust of individual consumers, shall respect the lack of commercial experience of consumers and shall not exploit a consumer's age, illness, mental or physical infirmity, credulity, lack of understanding or lack of language knowledge.

2.13 Referral Selling

Companies and direct sellers shall not induce a consumer to purchase products based upon the representation that a consumer can reduce or recover the purchase price by referring other consumers to the sellers for similar purchases, if such reductions or recovery are contingent upon some unsure future event.

2.14 Performance

Any order shall be executed as quickly as possible and in any case within 30 days from the day following that on which the consumer signs the order, unless the parties have agreed otherwise.

Consumers shall be informed if companies or direct sellers are unable to perform their side of the contract on the grounds that the products ordered are unavailable.

3. CODE ENFORCEMENT

3.1 Companies' Responsibility

The primary responsibility for the observance of the Code shall rest with each company. In case of any breach of the Code, companies shall make every reasonable effort to satisfy the complainant.

Each member company and pending member company is required to designate a DSA Code Responsibility Officer. The Code Responsibility Officer is responsible for facilitating compliance with the Code by their company and responding to inquiries by the DSA Code Administrator. He or she will also serve as the primary contact at the company for communicating the principles of the DSA Code of Ethics to their independent salespeople, company employees, customers and the general public.

3.2 DSA's Responsibility

DSAs shall provide a person responsible for complaint handling. DSAs shall make every reasonable effort to ensure that complaints are settled.

3.3 National Code Administrator

Each DSA shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor companies' observance of the Code by appropriate actions. The Code Administrator shall settle any unresolved complaint of consumers based on breaches of the Code and shall furnish an annual report on the operation of the Code.

3.4 Actions

Actions to be decided on by companies, DSAs or Code Administrators may include cancellation of orders, return of goods purchased, refund of payment or other appropriate actions, including warnings to direct sellers, cancellation or termination of direct sellers' contracts or other relationships with the company, warnings to companies, exclusion of companies from DSA membership, and the publication of such actions and sanctions.

3.5 Complaint Handling

Companies, DSAs and Code Administrators shall establish complaint-handling procedures and ensure that receipt of any complaint is confirmed within a short time and decisions are made within a reasonable time. Handling of consumer complaints shall be free of charge to the consumer.

3.6 Publication

DSAs shall publish the Code and make it known as widely as possible. Printed copies shall be made available free of charge to the public.

3.7 European Code Administrator

A European Code Administrator is established. The European Code administrator consists of a committee of four members. Three of them are from the direct selling sector and are appointed by the Board of Seldia. The fourth member, also designated by the Board of Seldia and acting as chairman, is independent from the sector. The Executive Director of Seldia is ex officio secretary of the Code Administrator.

The European Code Administrator can take one of the actions mentioned in the next paragraph where the consumer has his residence in a member state of the EEA or a company or a direct seller is active in one of the EEA countries.

The European Code Administrator may

- (i) receive and decide on complaints from parties (consumers, direct sellers, direct selling companies, consumer bodies etc) from one of the EEA countries without a DSA in membership of Seldia involving a direct selling company in membership of Seldia or of a DSA in membership of Seldia

- (ii) receive and decide on complaints from parties related to cross-border transactions and involving a direct selling company in membership of Seldia or of a DSA in membership of Seldia from one of the EEA countries
- (iii) receive and decide on complaints from DSAs in membership of Seldia in one of the EEA countries involving a direct selling company in membership of Seldia and
- (iv) receive complaints from DSAs in membership of Seldia from one of the EEA countries involving direct selling companies in membership of WFDSA, WFDSA CEO Council or of DSAs outside membership of Seldia with the aim of mediation together with such direct selling companies, WFDSA and the DSA in question.

3.8. Procedures (or in annex)

1. Information Gathering

Where, in response to a complaint, it is necessary to gather further information to determine the points of facts and of rules concerning the case, the Code Administrator shall inform the company concerned about the complaint and the identity of the complainant.

The Code Administrator may ask the DSO and the complainant to supply further information.

After examining the facts and in the light of the rules set in this Code, the Code Administrator will decide within three months after the complaint has been received, whether further action should be taken.

2. Procedures

If the Code Administrator considers that there may be an infringement of the Code, it addresses a request to the Company concerned, requesting it to submit its observations within one month.

The Company has to adopt within one month a position on the points of fact and of Code on which the Code Administrator bases its decision to open a procedure.

In the light of the reply or absence of a reply from the Company the Code Administrator may decide to issue an opinion, clearly and definitively setting out the reasons why it considers there to have been incompliance with the Seldia Code and calling on the Company to comply with the Code within 3 months.

The Board of Seldia can decide to make the opinion public, on a proposal by the chairman of the Code Administrator after a recommendation to that effect by the Code Administrator.

A. GENERAL

A.a. Scope

The European direct selling Code of Conduct towards direct sellers, between direct sellers and between Companies (hereinafter referred to as the “Code”) is published by the Seldia for its member DSAs. The Code concerns the relations between direct selling companies and direct sellers, between direct sellers, and between direct selling companies. The Code is aimed at the protection of direct sellers, the promotion of fair competition in the framework of free enterprise, the ethical representation of the direct selling industry’s earning opportunity and the enhancement of the public image of direct selling, which is to sell quality products on fair terms and conditions to consumers.

A.b. Glossary of Terms

For the purposes of this Code:

- (1) ‘direct selling’ means any selling method which is based on the explanation or demonstration of products to a consumer by a salesperson, hereinafter called ‘direct seller’, away from business premises, typically in the consumer’s home, in that of another consumer or at the consumer’s place of work.
- (2) ‘consumer’ means any natural person who buys products for purposes which can be regarded as outside his trade, business or profession.
- (3) ‘Direct Selling Association (DSA)’ means any national association of direct selling companies which represents the direct selling industry in a European country and which is a member of Seldia.
- (4) ‘direct selling company’ or ‘company’ means any business entity which markets products associated with its trademark or service mark or identifying symbol through a distribution system based on direct selling and which is a member of a DSA.
- (5) ‘distribution system’ means any organisation and methods designed for the marketing of products.
- (6) ‘direct seller’ means any natural or legal person who is member of the distribution system of a direct selling company and who sells, facilitates or assists in the sale of products of that company away from business premises, typically in the consumer’s home, in that of another consumer or at the consumer’s place of work.
- (5) ‘earnings’ means any income achieved by a direct seller. Earnings may be in the form of commissions, trade margins, fixed payments, overrides, rewards, bonuses or in other forms.
- (6) ‘product’ means any good, tangible or intangible, or service intended for sale to consumers.

- (7) 'business aid' means any good or service which is designed to help direct sellers to conduct and develop their business and which is
- (i) intended for sale to direct sellers or provided free of charge to them; and
 - (ii) not intended for resale to consumers.
- (8) 'fee' means
- (i) any payment of cash; or
 - (ii) any payment for the purchase of business aids;
- where this payment is required from a direct seller when he enters the distribution system of a direct selling company or, on a periodic basis, as a condition for continued participation in that distribution system.
- (9) 'recruiting' means any activity conducted for the purpose of offering a person the opportunity to become a direct seller.
- (10) 'code administrator' means an independent person or body appointed by a DSA to monitor member companies' observance of the DSA's code and to resolve complaints under the code.

A.c Associations

Every national DSA pledges to adopt a code of conduct that incorporates the substance of the provisions of the Code, as a condition of admission and continuing membership in Seldia.

A.d Companies

Every DSA member company pledges to abide by the Code as a condition of admission and continuing membership in the DSA. Every DSA member company shall be required to promote to the public its DSA affiliation and the national codes.

A.e Direct Sellers

Direct sellers are not bound directly by the Code, but shall be required by their companies to adhere to it or to rules of conduct meeting its standards as a condition of membership in the companies' distribution systems.

A.f Self-Regulation

The Code is a measure of self-regulation by the direct selling industry. It is not a law, and its obligations may require a level of ethical behaviour which exceeds existing legal requirements. Non-observance does not create any civil law responsibility. With termination of its membership in a DSA, a company is no longer bound by the Code, the provisions of which remain applicable to events or transactions occurring during the time a company was a member of the DSA.

A.g Law

Companies and direct sellers are presumed to comply with the requirements of law and therefore the Code does not restate all legal obligations.

A.h Standards

The Code contains standards of ethical behaviour for direct selling companies and direct sellers. National DSAs may vary these standards provided that the substance of the Code is preserved or as is required by national law.

It is recommended that the Code be used as evidence of industry standards.

A.i Territorial Application

Every DSA pledges that it will require each member as a condition to admission and continuing membership in the DSA to comply either with; the National Codes wherever the DSO is member of a national DSA; the European Codes wherever within the EEA the DSO is not a member of a national DSA; the World Code wherever outside the EEA the DSO is not a member of a national DSA.

B. CONDUCT TOWARDS DIRECT SELLERS

B.a Direct Sellers' Compliance

Companies shall communicate the contents of the Code to all direct sellers and require their direct sellers, as a condition of membership in the Companies' distribution systems, to comply with the Code or with rules of conduct which meet its standards.

B.b Recruiting

Companies and direct sellers shall not use misleading deceptive or unfair recruiting practices in their interaction with prospective or existing Direct Sellers.

B.c Business Information

Information provided by the company to its direct sellers and to prospective direct sellers concerning the opportunity and related rights, obligations, typical costs and expenses shall be accurate and complete. The company's marketing plan shall be transparent, understandable and not misleading. Companies shall not make any factual representation to a prospective recruit which cannot be verified or make any promise which cannot be fulfilled. Companies shall not present the advantages of the selling opportunity to any prospective recruit in a false or deceptive manner.

B.d Earnings

Earnings of a direct seller other than fixed payments shall relate to his own sales to consumers and to similar sales made by direct sellers for whom he has support and motivation responsibilities. Purchases in reasonable amounts for personal use or consumption made by a direct seller and the direct sellers for whom he has such responsibilities may also serve as a basis for his earnings.

The percentage reduction of these purchases granted by the company to the seller should not allow him to perform unreported sales.

Companies and direct sellers shall not misrepresent the actual or potential sales or earnings of their direct sellers. Indications given to potential direct sellers as to earning expectations shall be realistic and accurate. Any earnings or sales

representations made shall be based upon documented facts and shall not only refer to isolated successes.

B.e Relationship

The company shall give to the direct seller, at the start of his activities, a written agreement, signed by both the company and the direct seller, or a written statement. The written agreement or statement shall contain all essential details of the relationship between the direct seller and the company. Companies shall inform their direct sellers of their legal obligations, including any applicable licenses, registrations and taxes.

Companies and direct sellers shall not misuse a direct seller's private sphere, social, intellectual or emotional sensitivities resulting in exploitation.

B.f Fees

Companies and direct sellers shall not require Direct Sellers or prospective Direct Sellers to assume unreasonable registration fees, training fees, fees for promotional materials or other fees related solely to the right to participate in the company's business. Any fee shall represent reasonable value. Other than the starter kit, companies and direct sellers shall make no requirement to purchase any products to start up in the company's business. The supply of peripheral or accessory products or services shall not be a profit center for the company or a direct seller.

Companies and their direct sellers shall not permit practices whereby a direct seller pays a fee to participate in the distribution system of a direct selling company, and receives earnings based on fees paid by additional direct sellers introduced by him into that distribution system.

Any fees charged to become or maintain or train as a Direct Seller shall relate directly to the value of the materials, products or services provide in return.

B.g Respect of Privacy

Companies and direct sellers shall contact direct sellers only in a reasonable manner and during reasonable hours to avoid intrusiveness, and following the relevant national legislation where applicable. Direct sellers and companies shall take appropriate steps to ensure the protection of all private information provided by a consumer, a potential consumer, or a direct seller.

B.h Right of Withdrawal

The direct seller shall have a period of at least 14 calendar days in which to withdraw from his membership agreement without penalty and without giving any reason.

The period for exercise of this right shall begin the day following conclusion of the membership agreement. The direct seller may be required to inform the company in writing of his decision to withdraw from the agreement.

Where the right of withdrawal has been exercised by the direct seller, the company shall buy back, upon request of the direct seller, all products and business aids that the direct seller purchased at the start of his activities. The company shall reimburse free of charge all sums paid by the direct seller. The company shall however not be obliged to buy back products and business aids if they are not in their original, new and unused condition.

B.i Buy back

Notwithstanding the direct seller's right of withdrawal (B.g), should a direct seller decide to put an end to his relationship with the company for any reason, the company shall buy back all products purchased by the direct seller within the previous twelve months. The terms of this buy-back will be that the direct seller will receive a minimum of 90% of the purchase price, less any earnings or benefits received by the direct seller based upon the purchase of the products being returned. The company shall, however, not be obliged to buy back products if:

- they are not in their original, new and unused condition; or
- they are no longer commercially resaleable because they are past or close to their sell-by date.

This buy back policy must be clearly communicated to direct sellers.

B.j Product Inventory

Companies shall not require or encourage direct sellers to purchase a product inventory in unreasonably large amounts nor to purchase products on a regular basis where the quantity of products is unlikely to be sold or consumed within a reasonable amount of time. The following should be taken into account when determining the appropriate amount of product inventory: the relationship of inventory to realistic sales possibilities, the nature of competitiveness of the products and the market environment, and the company's product return and refund policies.

B.k Accounts

Companies shall provide direct sellers with periodic accounts concerning, as applicable, sales, purchases, details of earnings, commissions, bonuses, discounts, deliveries, cancellations and other relevant data, in accordance with the company's arrangement with the direct sellers. All monies due shall be paid and any withholdings made in a commercially reasonable manner.

B.l Education and Training

Companies shall provide adequate education and training to enable direct sellers to operate ethically, including information on the applicable codes of ethics and on the market concerned and the product. Training may be accomplished by training sessions, written manuals, guides, or audio-visual material supplied free of charge or at a reasonable price. Companies shall not use training programs as a profit center.

B.m Other Materials

Companies shall prohibit Direct Sellers from marketing or requiring the purchase by others of any materials that are inconsistent with Company policies and procedures.

Direct Sellers who sell company approved promotional or training literature, whether in hard copy or electronic form, shall (i) utilize only materials that comply with the same standards to which the Company adheres, (ii) refrain from making the purchase of such sales aids a requirement of downline Direct Sellers, (iii) provide sales aids at a reasonable and fair price, equivalent to similar material available generally in the marketplace, and (iv) offer a written return policy that is the same as the return policy of the Company the Direct Seller represents.

Companies shall take diligent, reasonable steps to ensure that sales aids produced by Direct Sellers comply with the provisions of this Code and are not misleading or deceptive.

C. CONDUCT BETWEEN COMPANIES

C.a Principle

Member companies of each DSA are requested to act fairly towards other members.

C.b Enticement

Companies and direct sellers should not entice away or solicit any direct sellers by systematic enticement towards other companies' direct sellers

C.c Denigration

Companies shall neither denigrate nor allow their direct sellers to unfairly denigrate another company, its products, its sales and marketing plan or any other feature of that company.

D. CODE ENFORCEMENT

D.a Companies' Responsibility

The primary responsibility for the observance of the Code shall rest with each individual company. In case of any breach of the Code, companies shall make every reasonable effort to satisfy the complainant.

Each member company and pending member company is required to designate a DSA Code Responsibility Officer. The Code Responsibility Officer is responsible for facilitating compliance with the Code by their company and responding to inquiries by the DSA Code Administrator. He or she will also serve as the primary contact at the company for communicating the principles of the DSA Code of Ethics to their independent salespeople, company employees, customers and the general public.

D.b DSA's Responsibility

DSAs shall provide a person responsibility for complaint handling. DSAs shall make every reasonable effort to ensure that complaints are settled.

D.c Code Administrator

Each DSA shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor companies' observance of the Code by appropriate actions. The Code Administrator shall settle any unresolved complaint of direct sellers based on breaches of the Code and shall furnish an annual report on the operation of the Code.

D.d Actions

Actions to be determined by the Code Administrator against a company regarding complaints of a direct seller concerning breaches of the Code may include termination of the direct seller's contract or relationship with the company, refund of payments, issuance of a warning to the company or its direct sellers, or other appropriate actions and the publication of such actions or sanctions.

D.e Complaint Handling

Companies, DSAs and Code Administrators shall establish complaint-handling procedures and ensure that receipt of any complaint is confirmed within a short time and decisions are made within a reasonable time.

D.f Companies' Complaints

Complaints of a company about another company or a DSA shall be resolved either by the Code Administrator or an independent arbitrator. Individual DSAs shall define details of their own procedures.

D.g Publication

DSAs shall publish the Code and make it known as widely as possible. Printed copies shall be made available free of charge to the public.

°°°end°°°