

# European **Codes of Conduct** for Direct Selling



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Amended in 1999, 2000, 2004, 2011, 2015, 2018 and 2021

The European Codes of Conduct for Direct Selling are regularly updated to reflect changes in the market place, such as the digital evolution or changes in consumer habits. The first European Codes of Ethics were adopted in 1995. This text represents the eighth edition of the European Codes of Conduct.

## PREAMBLE

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Seldia has adopted these Codes of Conduct in order to ensure that the relationships between Companies, Direct Sellers and Consumers are based on trust and fairness.

The provisions of the Codes may go beyond the legislation in force. Seldia Member Companies are obliged to adopt and enforce these Codes of Conduct as a condition of admission and continuing membership of Seldia.

All Direct Selling Association (DSA) members of Seldia commit to incorporate the substance of the provisions of these Codes into their own national code.

All Companies member of national Direct Selling Associations commit to require that Direct Sellers to follow the standards of the relevant national code and thus also the standards of the European Codes of Conduct.

With termination of its membership in a national Direct Selling Association, the Company is no longer bound by the national code and the European Codes of Conduct. However the provisions of the codes remain applicable to events or transactions which occurred at the time the Company was a member of the DSA.

## PREFACE

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The European Codes of Conduct consist of the following: (a) the General Section (b) the European Direct Selling Code of Conduct towards Consumers and the (c) European Direct Selling Code of Conduct towards Direct Sellers, between Direct Sellers and between Companies.

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.

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# 1. General

## 1.1. Scope

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The European Codes of Conduct for Direct Selling (hereinafter the 'Codes') concern the relations:

- 1) between Direct Selling Companies and Direct Sellers
- 2) between Direct Selling Companies and Consumers
- 3) between Direct Selling Companies and
- 4) between Direct Sellers

## 1.2. Objectives

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The Codes aim to achieve the following objectives:

- (i) the satisfaction and protection of Consumers
- (ii) the satisfaction and protection of Direct Sellers
- (iii) the promotion of fair competition in the framework of free enterprise
- (iv) the enhancement of the public image of direct selling

The Codes contain standards of ethical behaviour for Direct Selling Companies and Direct Sellers. DSAs may adapt these standards to national legal requirements or, without any changes in substance, to local situations. Companies and Direct Sellers are required to comply with the law and therefore the Codes do not restate all legal obligations. It is recommended that the Codes be used as evidence of industry standards.

## 1.3. Glossary of terms

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For the purposes of these Codes:

- (1) '**Direct Selling**' means any marketing or selling method which is based on the personal contact between a salesperson, hereinafter called 'direct seller' and a consumer and which is carried out through personal or individual explanation or demonstration, physically or digitally, of products, away from business premises
- (2) '**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. Direct sellers may be entitled to recruit other Direct Sellers. A Direct Seller may be an independent commercial agent, independent contractor, independent dealer or distributor, employed or self-employed representative, or any other similar sales representative of a company.
- (3) '**Consumer**' means any natural person who buys products for purposes which can be regarded as outside his trade, business or profession.
- (4) '**Distribution System**' means any organisation and method designed for the marketing of products.
- (5) '**Product**' means tangible and intangible consumer goods and services.
- (6) '**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.

- (7) **‘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.
- (8) **‘Party Selling’** means direct selling to a group of Consumers invited by a host to that end.
- (9) **‘Order Form’**: A printed or written document confirming details of a Consumer order and providing a sales receipt to the Consumer. In the case of Internet purchases, a form containing all terms of the offer and purchase provided in durable medium.
- (10) **‘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.
- (11) **‘Business Aid’** means any good or service which is designed to help Direct Sellers to conduct and develop their business and which is (a) intended for sale to Direct Sellers or provided free of charge to them; and (b) not intended for resale to Consumers.
- (12) **‘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/she enters the distribution system of a direct selling company or, on a periodic basis, as a condition for continued participation in that distribution system.
- (13) **‘Recruiting’** means any activity conducted for the purpose of offering a person the opportunity to become a Direct Seller.
- (14) **‘DSA 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.
- (15) **‘DSA Code Responsibility Officer’** means a person or body appointed by a Seldia member company or pending member company to facilitate compliance of the company with the national DSA Code and therefore the European Codes of Conduct.
- (16) **‘European Code Administrator’** means a body appointed by Seldia to decide on complaints from Consumers, Direct Sellers, Direct Selling Companies or consumer bodies with regard to issues that fall under the scope of these Codes.

## 1.4. Associations

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Every DSA pledges to adopt a national code of conduct that complies with the provisions of the Codes, as a condition of its admission and continuing membership in Seldia.

## 1.5. Companies

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Every DSA Member Company pledges to abide by the national 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 as well as the Codes and the national codes.

Every Seldia Member Company pledges to abide by the Codes as a condition of admission and continuing membership in Seldia for its direct selling activities within a country of the EEA: (a) without a DSA; (b) without a DSA in membership of Seldia.

To the extent that the applicable rules of the national code of a DSA -that is not a member of Seldia- conflict, they will prevail over the Codes.

## 1.6. Direct Sellers

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Direct Sellers are not bound directly by the Codes and the national codes, but shall be required by their Companies to adhere to them, or to rules of conduct meeting their standard, as a condition of membership in the Companies' Distribution Systems.

## 1.7. Self-regulation

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The Codes are a measure of self-regulation by the direct selling industry. Its obligations may require a level of ethical behaviour which exceeds existing legal requirements. Non-observance does not create any civil law responsibility.

## 1.8. National Law

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Companies and Direct Sellers must comply with all requirements of law in any country in which they do business.

## 1.9. Extraterritorial Effect

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Every national DSA pledges that, with regard to direct selling activities outside its home country, it will require each member, as a condition of admission and continuing membership in the DSA, to comply with the Codes, for direct selling activities within the EEA, or with the World Federation of Direct Selling Associations (WFDSA) Codes of Conduct for direct selling activities outside the EEA, unless those activities are under the jurisdiction of Codes of Conduct of another SELDIA or WFDSA affiliated DSA.

Should a Company be subject to a code complaint in a country in which it is not a member, the Company must accept jurisdiction of the DSA Code Administrator in its home country (or if the company is not a member in its home country, any country in which it is a DSA member), and shall bear reasonable costs incurred by the home country DSA Code Administrator associated with resolution of the complaint. Moreover, the DSA Code Administrator of the home country may coordinate with the DSA Code Administrator (if one exists) of the complainant's country and, in evaluating the alleged code complaint, apply, in order of priority, (i) the standards of the code of ethics in the country in which the complaint is filed, or, (ii) the standards of the code of ethics in the company's home country, or (iii) at a minimum, the standards set forth in these Codes or the WFDSA Code of Ethics, when those apply.

## **2. Conduct Towards Consumers**



## 2.1. Prohibited Practices

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Direct Sellers and Companies shall not use misleading, aggressive or unfair sales practices.

## 2.2. Identification

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At the initiation of a sales presentation, Direct Sellers shall, without request, truthfully and clearly identify themselves; the identity of their Company; the nature of their Products; and the purpose of their solicitation to the prospective Consumer.

## 2.3. Explanation and Demonstration

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Direct Sellers shall offer Consumers accurate and complete Product explanations and demonstrations regarding Product characteristics, price and, if applicable, personalised price; credit terms; terms of payment; the right of withdrawal; return policies; terms of guarantee; after-sales service; and delivery dates. Direct Sellers shall give accurate and understandable answers to all questions from Consumers. To the extent claims are made with respect to Product efficacy, Direct Sellers shall make only those verbal or written Product claims that are authorised by the Company.

## 2.4. Order Form

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In the case of a face-to-face sale, a written Order Form, or a copy of it, shall be delivered or made available to the Consumer on paper or, if the Consumer agrees, on another durable medium (for example in printable or downloadable form via the Internet), at or prior to the time of the initial sale. In the case of

a sale made by non-face-to-face means, the Order Form need not be on paper but must be in durable form. The Order Form 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.

## 2.5. Right of withdrawal and return of goods

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Companies and Direct Sellers shall make sure that any order form:

- a) 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
- b) clearly states to Consumers that with regard to their right of withdrawal, a period which is longer than what is provided by law is offered to them, should this be the case or
- c) informs Consumers of an absence of rights of withdrawal, when allowed by the law.

Companies and Direct Sellers offering an unconditional right of return shall provide it in writing.

## 2.6. Guarantee and After-Sales Service

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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.

## 2.7. Marketing Communications

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Companies and Directs Sellers must take the necessary measures with the aim of ensuring that all forms of advertising and marketing communications, including on digital and social media, are compliant with the applicable laws, the present Code as well as the International Chamber of Commerce Marketing Code and applicable national advertising self-regulatory codes.

The marketing communications must not contain product descriptions, claims or illustrations which are untruthful, inaccurate or misleading or unfair in any other way. They shall be easily recognisable as marketing communications and must disclose their commercial intent.

Companies shall take clear and reasonable steps to ensure that marketing communications and related material that they produce, or is produced on their behalf, - including by Direct Sellers - are compliant.

Promotional literature and mailings shall contain the name and contact details of company and may include the contact details of the Direct Seller.

## 2.8. Testimonials and product reviews

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Companies and Direct Sellers shall not refer to any testimonial or endorsement which is not authorised, not true, obsolete or otherwise no longer applicable, not related to their offer, used in any way likely to mislead the Consumer

or which was paid for by the Company or the Direct Seller without making that clear.

Companies and Direct Sellers that refer to consumer reviews, shall ensure that the published reviews originate from Consumers who have actually used or purchased the product and provide information on how this is ensured.

## 2.9. Comparison and Denigration

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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.

## 2.10. Respect of Privacy

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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 and in accordance with the relevant EU laws.

## 2.11. Fairness

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Direct Sellers shall not abuse the trust of individual Consumers, shall respect the lack of commercial experience of Consumers and shall not exploit, among others, a Consumer's age, illness, mental or physical infirmity, credulity, lack of understanding lack of language knowledge or poor education.

## 2.12. Referral Selling

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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 uncertain future event.

## 2.13. Delivery

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Any order shall be executed as quickly as possible and in any case within 30 days from the conclusion of the contract, 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. Conduct Towards Direct Sellers, Between Direct sellers and Between Companies**

## 3.1 Conduct Towards Direct Sellers

### 3.1.1. Direct Sellers' Compliance

Companies shall communicate the contents of this Code - and if they have membership in a Seldia DSA member of the national codes to all Direct Sellers - and require their Direct Sellers to comply with the Code or with rules of conduct which meet its standards as a condition of membership in the Companies' distribution systems.

### 3.1.2. Recruiting

Companies and Direct Sellers shall not use aggressive, misleading or unfair recruiting practices in their interaction with prospective or existing Direct Sellers.

### 3.1.3. 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 an aggressive, misleading or unfair manner.

### 3.1.4. Earnings and 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 according to applicable national legislation.

Earnings paid to Direct Sellers shall derive from sales of products or services to Consumers. Earnings of Direct Sellers may be based on the sales and personal consumption by the Direct Sellers and their downlines.

Direct Sellers shall not receive earnings for recruiting other Direct Sellers into a sales system, except that Companies may provide Direct Sellers with minimal incentives which are in accordance with local law.

### 3.1.5. Earnings Claims

Companies and Direct Sellers shall not misrepresent the actual or potential sales or earnings of their Direct Sellers.

Earnings representations and sales figures must be:

- (a) truthful, accurate, and presented in a manner that is not false or misleading, and
- (b) based upon documented and substantiated facts in the relevant market.

Potential Direct Sellers must be provided with sufficient information to enable a reasonable evaluation of the opportunity to earn income. This may include examples of income earnings based on objective and clearly defined criteria (such as the weekly time spent on direct selling activities) or disclosure of average earning ranges.

Companies shall always clearly indicate to prospect Direct Sellers that actual earnings and sales will vary from person to person and will depend upon the skills of the seller, the time and effort put in and other factors

### 3.1.6. 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. The written agreement 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.

### **3.1.7. Fees**

Companies and Direct sellers shall not require Direct Sellers or prospective Direct Sellers to pay more than reasonable fees (according to local market and no more than allowed by applicable legislation) for any of the following: products inventory<sup>1</sup>, entrance fees, training fees, franchise fees, fees for promotional materials and for sales aids or other fees related solely to the right to become or remain a participant in the Company's distribution system.

No Company shall require product purchases as part of the application process unless included in the starter kit. However, where not prohibited by law, mandatory purchase of a starter kit at reasonable market value is permitted.

Any required fees charged to become or remain a direct seller including any required additional service offered by the company -e.g. on-line training, ecommerce or other internet solutions, specific sales apps or specific online shops, whenever these are absolutely necessary to perform the business, or where the Company demands the Direct Seller to acquire such services, shipment costs- shall be provided at cost and shall be fully refundable (less any commission earned by the Direct Seller) in the event the Direct Seller terminates his/her distributorship within 30 days of payment. The refundable fees are limited to those paid by the Direct Seller in the 30 days prior to the distributor termination.

Commissions on fees charged to become or stay a Direct Seller, which are, in effect, remuneration for recruiting Direct Sellers into a sales system, shall be prohibited.

### **3.1.8. Non-discrimination and Privacy**

Business opportunities of companies are open to prospective distributors without discrimination of, among others, 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. Companies and Direct Sellers shall not misuse a Direct Seller's private sphere, social, intellectual or emotional sensitivities resulting in exploitation.

### **3.1.9. Inventory Loading and Buy-Back**

Companies shall not sell to Direct Sellers product inventory in unreasonably large amounts. Any recruiting practice used by a Company or a salesperson to require or encourage an independent salesperson to purchase unreasonable amounts of inventory or sales aids shall be considered unfair and is therefore strictly prohibited.

Companies shall take clear and reasonable steps to ensure that Direct Sellers who are receiving compensation for downline sales volume are either consuming or reselling the Products they purchase in order to qualify to receive compensation.

If requested upon cessation of a direct seller's relationship with a company, companies shall buy back any unsold, re-saleable Product inventory, promotional material, sales aids and kits, purchased within the previous twelve months and refund the Direct Seller's original cost, less a handling charge to the Direct Seller of up to 10% of the net purchase price. The Company may also deduct the cost of any benefit received by the Direct Seller based on the original purchase of the returned goods. This inventory repurchase policy must be clearly communicated to Direct Sellers.

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<sup>1</sup> This refers to the mandatory purchase of products related to the right to become or remain a participant in the Company's distribution system.

### **3.1.10. Education and Training**

Companies shall provide adequate education and training to enable Direct Sellers to operate legally and ethically, including information on the applicable legislation, 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 centre.

### **3.1.11. Other Materials**

Companies shall prohibit Direct Sellers from marketing to other Direct Sellers any materials that are not approved by the Company and that are inconsistent with company policies and procedures.

Further, Direct Sellers who sell company approved, legally allowed promotional or training materials, whether in hard copy, electronic, or any other form, shall:

- i. offer only materials that comply with the same standards to which the Company adheres,
- ii. be prohibited from making the purchase of such materials a requirement of other Direct Sellers,
- iii. provide sales aids at a reasonable and fair cost, without any significant profit to the Direct Seller, 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 and similar materials produced by Direct Sellers comply with the provisions of this Code and are not misleading.

Direct Sellers shall never receive compensation for sales of training and promotional materials to become or stay a Direct Seller which is, in effect, remuneration for recruiting Direct Sellers into a sales system.

## **3.2 Conduct Between Companies And Between Direct Sellers**

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### **3.2.1. Principle**

Companies and Direct Sellers are required to act fairly towards other companies and their Direct Sellers.

### **3.2.2. Enticement**

Companies and Direct Sellers shall not entice away or solicit any Direct Sellers by systematic enticement towards other companies' Direct Sellers.

### **3.2.3. 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.

## **4. Code Enforcement**



## 4.1. Companies' Responsibility

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The primary responsibility for the observance of the Codes shall rest with each individual company. In case of any breach of the Codes, 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 Codes 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.

## 4.2. DSA's Responsibility

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

## 4.3. DSA Code Administrator

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Each DSA shall appoint an independent person or body as the DSA Code Administrator.

The DSA Code Administrator shall:

- i. Monitor Companies' observance of the Codes by appropriate actions;

- ii. Settle any complaint of a Consumer or a Direct Seller which has not been previously resolved with the company – but operating in accordance with the specific national complaint handling system (if there is one) applied by the DSA;
- iii. Furnish an annual report on the operation of the Codes.

## 4.4. Actions

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With regard to consumer complaints, actions to be decided on by companies, DSAs or National 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.

With regard to complaints from Direct Sellers against a company concerning breaches of the Codes, actions to be determined by the National Code Administrator 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.

## 4.5. Complaint Handling

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Companies, DSAs and National Code Administrators shall establish complaint handling procedures. National Code Administrators should ensure that receipt of any complaint is normally confirmed within two weeks, and decisions are made within three months from that date. Handling of consumer complaints shall always be free of charge to the Consumer.

## 4.6. Companies' Complaints

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

## 4.7. Publication

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

## 4.8. European Code Administrator

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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 complainant 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 and decide on 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.
- (v) upon request, give an opinion with regard to company practices that fall under the scope of these Codes.

## 4.9. Procedures for European Code Administrator

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### 4.9.1. 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 European Code Administrator shall inform the company concerned about the complaint and the identity of the complainant unless the complainant wants to stay anonymous.

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

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

### 4.9.2. Enforcing the Code

If the European 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 European Code Administrator bases its decision to open a procedure.

In the light of the reply or absence of a reply from the company the European Code Administrator may decide to issue an opinion, clearly and definitively setting out the reasons why it considers there was non-compliance with the Seldia Code and calling on the company to comply with the Code within three months.

Upon recommendation by the chairman of the European Code Administrator, the Board of Seldia can decide to make the opinion public.

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