

2017

Direct Selling Code of Ethics



WFDSA

A member of WFDSA
World Federation of Direct Selling Associations
www.WFDSA.org

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Preface

THIS CODE CONTAINS GUIDANCE ON THE INTERACTION BETWEEN:

1. DSA member Companies and their existing, prospective, sales representatives;
2. DSA member Companies and their sales representatives and Consumers of the Company's Products;
3. Member Companies as they compete in the marketplace;
4. Individual Complainants, the DSA Code Administrator, and DSA member Companies.

WFDSA Code of Ethics

As adopted by the WFDSA
Board of Delegates on
September 30, 2017

1. General

1.1 SCOPE

The Code contains sections entitled "Conduct For the Protection of Consumers," "Conduct Between Companies and Direct Sellers," and "Conduct Between Companies." These three sections address the varying interactions across the spectrum of direct sales. The Code is designed to assist in the satisfaction and protection of Consumers, promote fair competition within the framework of free enterprise and enhance the public image of Direct Selling.

1.2 GLOSSARY OF TERMS

FOR THE PURPOSES OF THE CODE, CAPITALIZED TERMS HAVE THE FOLLOWING MEANING:

- **Code Administrator:** The independent person or body appointed by DSA to monitor a Company's compliance with the Code and to resolve complaints under the Code.
- **Company:** A business entity that
 - (i) utilizes a Direct Selling distribution system to market its Products, and
 - (ii) is a member of DSA.
- **Consumer:** Any person who purchases and consumes Products from a Direct Seller or a Company.
- **Direct Seller:** A person or entity that is entitled to buy and/or sell the Products of a Company and that may be entitled to recruit other Direct Sellers. Direct Sellers predominantly market consumer products directly to Consumers away from a permanent, fixed retail location, usually through the explanation or demonstration of products and services. 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.
- **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 a printable or downloadable format.
- **Product:** Tangible and intangible consumer goods and services.
- **Recruiting:** Any activity conducted for the purpose of assisting a person to become a Direct Seller.

1.3 COMPANIES

Companies pledge to adopt and enforce a code of conduct that incorporates at minimum provisions of this Code as a condition of admission and continuing membership in the DSA. Companies also pledge to publicize this Code, its general terms as they apply to Consumers and Direct Sellers, and information about where Consumers and Direct Sellers may obtain a copy of this Code.

1.4 DIRECT SELLERS

Direct Sellers are not bound directly by this Code, but, as a condition of membership in the Company's distribution system, shall be required by the Company with whom they are affiliated to adhere to rules of conduct of this Code.

1.5 SELF-REGULATION

This Code is not law, but its obligations require a level of ethical behavior from Companies and Direct Sellers which conforms with or exceeds applicable legal requirements. Non-observance of this Code does not create any civil law responsibility or liability. With termination of its membership in DSA, a Company is no longer bound by this Code. However, the provisions of this Code remain applicable to events or transactions that occurred during the time a Company was a member of DSA.

1.6 LOCAL REGULATIONS

Companies and Direct Sellers must comply with all requirements of law in any country in which they do business. Therefore, this Code does not restate all legal obligations; compliance by Companies and Direct Sellers with laws that pertain to Direct Selling is a condition of acceptance by or continuing membership in DSA.

1.7 EXTRATERRITORIAL EFFECT

Every national DSA pledges that it will require each member as a condition to admission and continuing membership in the DSA to comply with the WFDSA World Codes of Conduct for Direct Selling with regard to direct selling activities outside of its home country, unless those activities are under the jurisdiction of Codes of Conduct of another country's WFDSA - affiliated DSA to which the member also belongs.

Should a company be subject of a Code Complaint in a country in which it is not a member, the company must accept jurisdiction of the 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 Code Administrator associated with resolution of the Complaint. Moreover, the Code Administrator of the home country may coordinate with the 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 subject company's home country, or, (iii) at a minimum, the standards set forth in the WFDSA Code of Ethics.

Q&A

Who are the direct sellers?

Persons or entities that are entitled to buy and/or sell the products of a Company and market those products directly to consumers away from a fixed location.

Are direct selling Companies required to comply with the DSA Code of Ethics?

Yes, Companies that are members of the Direct Selling Association pledge to adopt, enforce and publicize the DSA Code of Ethics.

Q&A

Is the DSA Code of Ethics the same as a law?

No, the DSA Code of Ethics is not the same as the local law. It provides for ethical behavior that in most cases exceeds local legal requirements. Companies and direct sellers are also required to comply with local regulations in all countries where they operate.

2. Conduct for the Protection of Consumers

2.1 PROHIBITED PRACTICES

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

2.2 IDENTIFICATION

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

Direct Sellers shall offer Consumers accurate and complete Product explanations and demonstrations regarding price and, if applicable, credit terms; terms of payment; a cooling-off period, including 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 authorized by the Company.

2.4 ORDER FORM

A written Order Form shall be delivered or made available to the Consumer at or prior to the time of the initial sale. In the case of a sale made via mail, telephone, the Internet, or similar non face-to-face means, a copy of the Order Form shall have been previously provided, or shall be included in the initial order, or shall be provided in printable or downloadable form via the Internet. The Order Form shall identify the Company and the Direct Seller and contain the full name, permanent address and telephone number of the Company or the Direct Seller, and all material terms of the sale. 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 available to the Consumer shall be set out clearly in the Order Form or other accompanying literature provided with the product. All terms shall be clear and legible.

2.5 LITERATURE

Promotional literature, advertisements and mailings shall not contain product descriptions, claims, photos or illustrations that are deceptive or misleading. Promotional literature shall contain the name and address or telephone number of the Company and may include the telephone number of the Direct Seller.

2.6 TESTIMONIALS

Companies and Direct Sellers shall not use any testimonial or endorsement that is unauthorized untrue, obsolete or otherwise inapplicable, unrelated to the offer or used in any way likely to mislead the Consumer.

2.7 COMPARISON AND DENIGRATION

Companies and Direct Sellers shall not use comparisons which are misleading. Points of comparison shall be based on facts which can be substantiated. Companies and Direct Sellers shall not unfairly denigrate any Company, business 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 Company, business or product.

2.8 COOLING-OFF AND RETURN OF GOODS

Whether or not it is a legal requirement, Companies and Direct Sellers shall offer a cooling-off period permitting the customer to cancel an order within a specified, reasonable period of time and to return for a refund any goods already delivered which are re-sellable as new. The cooling-off period shall be clearly stated and shall apply equally to direct sales and distance sales (i.e. telephone, mail or online orders).

Limitations or exemption from the obligation to provide a cooling-off period may be allowed only in limited cases explicitly allowed by national law.

2.9 RESPECT OF PRIVACY

Direct Sellers shall make personal or telephone contact with Consumers only in a reasonable manner and during reasonable hours to avoid intrusiveness. A Direct Seller shall discontinue a demonstration or sales presentation immediately upon the request of the Consumer. 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.

2.10 FAIRNESS

Direct Sellers shall respect the lack of commercial experience of Consumers. Direct Sellers shall not abuse the trust of individual consumers, or exploit a Consumer's age, illness, lack of understanding or unfamiliarity with a language.

2.11 REFERRAL SELLING

Companies and Direct Sellers shall not induce a person to purchase goods or services based upon the representation that a Consumer can reduce or recover the purchase price by referring prospective customers to the Direct Sellers for similar purchases, if such reductions or recovery are contingent upon some uncertain, future event.

2.12 DELIVERY

Companies and Direct Sellers shall fulfill Consumer orders in a timely manner.

Q&A

What information must be included on the order form?

The order form must identify the Company and the Direct Seller. It must contain the full name, permanent address and telephone number of the Company or the Direct Seller and all material terms of the sale.

Q&A

What is a “cooling-off” period?

A cooling-off period is a specified amount of time in which the customers may cancel an order without any specific reason. All Direct Selling Association member Companies and affiliated direct sellers must offer a cooling-off period whether or not it is a legal requirement.

3. Conduct Toward Direct Sellers

3.1 DIRECT SELLERS’ COMPLIANCE

Companies shall require their Direct Sellers, as a condition of membership in the Company’s distribution system, to comply with the standards of this Code.

3.2 RECRUITING

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

3.3 BUSINESS INFORMATION

Information provided by Companies to prospective or existing Direct Sellers concerning the opportunity and related rights and obligations shall be accurate and complete. Companies shall not make any factual representation to a prospective Direct Seller that cannot be verified or make any promise that cannot be fulfilled. Companies shall not present the advantages of the selling opportunity to any prospective recruit in a false or deceptive manner.

3.4 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.

Earnings paid to Direct Sellers shall be derived 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.

3.5 EARNINGS CLAIMS

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

2. Earnings representations and sales figures must be: (a) truthful, accurate, and presented in a manner that is not false, deceptive or misleading, and (b) based upon documented and substantiated facts in the relevant market.

3. Potential direct sellers must (a) be informed 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 and; (b) be provided with sufficient information to enable a reasonable evaluation of the opportunity to earn income.

3.6 RELATIONSHIP

Companies shall provide to their Direct Sellers either a written agreement to be signed by both the Company and the Direct Seller or a downloadable electronic statement, containing 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.

3.7 FEES

Companies and Direct Sellers shall not require Direct Sellers or prospective Direct Sellers to pay more than reasonable fees (according to local market) for any of the following: entrance fees, training fees, franchise fees, fees for promotional materials 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 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, shipment costs) 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.

Any commissions paid 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.

3.8 RESPECT OF PRIVACY

Companies and Direct Sellers shall contact Direct Sellers only in a reasonable manner and during reasonable hours to avoid intrusiveness. 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, in accordance with local laws that apply to privacy and data protection.

3. INVENTORY LOADING AND REPURCHASE

Companies shall not require or encourage Direct Sellers to purchase product inventory in unreasonably large amounts. Companies shall take 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.

Q&A

Are Direct Sellers required to comply with the DSA Code of Ethics?

Direct sellers are indirectly bound by the DSA Code of Ethics. They are required by the DSA member Company to adhere to the DSA Code of Ethics.

Companies and Direct Sellers must not misrepresent actual or potential sales or earnings when describing the earnings opportunity to prospective or existing Direct Sellers. Any earnings or sales representations must be based upon documented facts.

3.9 INVENTORY LOADING AND REPURCHASE (CONTINUED)

It shall be considered an unfair and deceptive recruiting practice for a company or salesperson to require or encourage an independent salesperson to purchase unreasonable amounts of inventory or sales aids. The Code Administrator may employ any appropriate remedy to ensure any individual salesperson shall not incur significant financial loss as a result of such prohibited behavior.

The Code Administrator, upon finding a member company has engaged in false, misleading or deceptive recruiting practices, may employ any appropriate remedy to ensure any complainant shall not incur significant financial loss as a result of such prohibited behavior, including but not limited to requiring such member company to repurchase any and all inventory, promotional materials, sales aids and/or kits which a complainant has purchased.

3.10 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 or deceptive.

Compensation received by Direct Sellers 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, shall be prohibited.

3.11 DIRECT SELLER TRAINING

Companies shall provide adequate training to enable Direct Sellers to operate ethically.

4. Conduct Between Companies

4.1 INTERACTION

Member Companies of DSA shall conduct their activities in the spirit of fair competition towards other members.

4.2 ENTICEMENT

Companies and Direct Sellers shall not systematically entice or solicit Direct Sellers of another Company.

4.3 DENIGRATION

Companies shall not unfairly denigrate nor allow their Direct Sellers to unfairly denigrate another Company's Products, its sales and marketing plan or any other feature of another Company.

5. Code Enforcement

5.1 COMPANIES' RESPONSIBILITIES

The primary responsibility for compliance of the Company and its Direct Sellers with the Code shall rest with each Company. In case of any breach of this Code, Companies shall make every reasonable effort to satisfy the complainant.

5.2 CODE ADMINISTRATOR

DSA shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor Companies' observance of this Code by appropriate actions and shall be responsible for complaint handling and a set of rules outlining the process of complaint resolution. The Code Administrator shall settle any unresolved complaints of Consumers based on breaches of this Code.

5.3 REMEDIES

The Code Administrator may require the cancellation of orders, return of products purchased, refund of payments or other appropriate actions, including warnings to Direct Sellers or Companies, cancellation or termination of Direct Sellers' contracts or other relationships with the Company, and warnings to Companies.

5.4 COMPLAINT HANDLING

DSA and the Code Administrator shall establish, publicize and implement complaint handling procedures to ensure prompt resolution of all complaints. Companies shall also establish, publicize and implement complaint handling procedures under their individual complaint handling processes to ensure prompt resolution of all complaints.

5.5 PUBLICATION

All Companies are required to publicize DSA's Code of Ethics to their Direct Sellers and consumers.

Q&A

Are companies obliged to buy-back unsold product held by Direct Sellers?

Yes, if requested by a Direct Seller upon termination. Companies must buy back any unsold, resalable product inventory, purchased within the prior 12 months, and refund the net purchase price less handling charges.

Explanatory Provisions

Q&A

The DSA Code of Ethics requirements for any training materials are:

1. Materials must be approved by the Company.
2. Direct sellers may not require downlines to purchase materials.
3. Materials must be fairly priced.
4. Materials must come with a written return policy.

DIRECT SELLERS

While “distance communications” (e.g. internet sales) are generally not considered “direct selling,” subsequent or repetitive transactions engaged in by a direct seller are meant to be covered by the Code, regardless of whether they are distance selling.

EXTRATERRITORIAL EFFECT

This provision is intended to promote uniformity of ethical business practices, standards and behavior on a global basis. Should a Company choose not to be a member of another country’s DSA, membership in this DSA will guarantee that some standard will apply in the other jurisdiction.

When engaging in Direct Selling activities outside of this country, each Company agrees to comply with the provisions of the Code of the other country’s DSA (if a member).

It is envisioned that if a Company is not a member of the other Country’s DSA, the Company agrees to comply with the provisions of the DSA Code in which the Company is headquartered (if a member of that country DSA). If the Company is not a member of the DSA in which it is headquartered, the Company agrees to comply with the provisions of this Code or any DSA country Code to which it belongs.

COOLING-OFF AND RETURN OF GOODS

The DSA Code Administrator has the authority to make a determination of what is a deceptive, unlawful or unethical consumer or recruiting practice under the Code using prevailing legal standards as a guide. Compliance with any particular law, regulation or DSA Code of Ethics provision is not a defense to such a determination by the DSA Code Administrator that a practice is deceptive, unlawful or unethical. For example, in a sale to a consumer, compliance with the law does not bar the DSA Code Administrator from making a determination that a particular sales practice is deceptive, unlawful or unethical and that a refund or compensation is required.

RELATIONSHIP

The term “written agreement” includes documents provided electronically, so long as those documents are printable or in downloadable form via the internet.

INVENTORY

This section is not meant to create additional administrative burden on those Companies that do not require and do not encourage inventory purchase in any amount, but have a business model where the Direct Sellers purchase Products only after they have received Consumer orders for Products. 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.

DIRECT SELLER TRAINING

Ethics training may be accomplished through in-person training sessions, online training sessions, written manuals or guides, or audio-visual materials.

It is anticipated that Companies shall endeavor to provide ethics training at no or little cost. In any case, Companies should not use ethics training programs as profit centers. It is recognized that ethics training may be provided as part of a broader training regimen, which may have some cost.

Q&A

Who enforces the DSA Code of Ethics?

Each Company is responsible for complying with the DSA Code of Ethics. In addition, an independent DSA Code Administrator monitors each Company's observance of the DSA Code of Ethics and is responsible for resolving complaints.



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