

DIRECT SELLING CODE OF CONDUCT

PREFACE

This Code contains guidance on the interaction between:

1. DSA member Companies and their existing and 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; and
4. Individual Complainants, the DSA Code Administrator, and DSA member Companies.



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 generally 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 the substance of the 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 meeting the standards 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 DSA to which the member also belongs.

CONDUCT FOR THE PROTECTION OF CONSUMERS

2.1 Prohibited Practices

Direct Sellers shall not use misleading, deceptive or unfair sales practices. Direct Sellers shall not promote, operate or participate in a "Pyramid Scheme" as defined and prohibited under the Pyramid Schemes Prohibition Ordinance (Cap. 617 of the laws of Hong Kong) and any amendments and / or re-enactments thereof for the time being.

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 withdraw from the order within a minimum of seven (7) days. Companies and Direct Sellers offering a right of return, whether conditioned upon certain events or whether unconditioned, shall provide it in writing.

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.

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. Companies and Direct Sellers shall not promote, operate or participate in a "Pyramid Scheme" as defined and prohibited under the Pyramid Schemes Prohibition Ordinance (Cap. 617 of the laws of Hong Kong) and any amendments and / or re-enactments thereof for the time being. Companies and Direct Sellers shall not require a person to provide a financial or non-financial benefit ("Participation Payment") for joining as a Direct Seller if the making of such Participation Payment is entirely or substantially induced by the prospect held out to him / her that he / she will receive a financial or non-financial benefit ("Recruitment Payment") which is entirely or substantially derived from the introduction of a further new person to join as a Direct Seller. Companies and Direct Sellers shall refer to the Pyramid Schemes Prohibition Ordinance (Cap. 617 of the laws of Hong Kong) and any amendments and / or re-enactments thereof for the time being for the meaning of the terms "Participation Payment" and "Recruitment Payment" referred to above.

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 **Remuneration 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.

3.5 **Earnings Claims**

Companies and Direct Sellers shall not misrepresent the actual or potential sales or earnings of their Direct Sellers. Any earnings or sales representations made shall be based upon documented facts.

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 written 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 assume unreasonably high entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely or substantially to the right to participate in the company's distribution system. Any fees charged to become a Direct Seller shall relate directly to the value of materials, products or services provided in return. Companies and Direct Sellers shall not require Direct Sellers or prospective Direct Sellers to provide a financial or non-financial benefit that is entirely or substantially induced by the prospect held out to them that they will be entitled to a financial or non-financial benefit which is derived entirely or substantially from the introduction of a further Direct Seller or prospective Direct Seller.

3.8 **Termination**

If requested upon termination of a Direct Seller's relationship with a Company, Companies shall buy back any unsold, resaleable 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.

3.9 **Inventory**

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.

3.10 **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.

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 Conduct to their Direct Sellers and consumers.

This Code of Conduct was established by the World Federation of Direct Selling Associations and was adopted by the Direct Selling Association of Hong Kong Ltd.



Direct Selling Association Of Hong Kong Ltd.

Incorporated in 1979, the Direct Selling Association of Hong Kong Limited (HKDSA) is a trade association of person-to-person marketing companies in Hong Kong. Direct Selling is the marketing of consumer goods and services directly to consumers generally in their homes or the homes of others, at their workplace and other places away from shops, usually through explanation or demonstration of the goods or services by a salesperson. At present, the member companies of the HKDSA boast a total of over 170,000 salespeople.

The World Federation

Found in 1978, the World Federation of Direct Selling Associations represents the direct selling industry globally as a federation of national Direct Selling Associations. Its mission is to represent, as the umbrella organization, the global interests of direct selling companies using the benefit of collective experience and combined resources, to detect, gather and communicate information regarding international regulatory, legislative and other significant issues of mutual concern and to encourage personal contact among industry executives. The Federation will also co-ordinate and assist national

Direct Selling Associations to develop a constructive consumer affairs relationship for the direct selling industry and will help to establish and maintain Codes of Conduct for member associations worldwide.