



ZPP Code of Conduct

A. General Provisions

Scope

The Code concerns the relations between: (a) direct selling companies and direct sellers on the one hand and customers on the other hand and (b) between direct selling companies and direct sellers, between direct sellers and between direct selling companies. The Code is aimed at achieving the satisfaction of customers, the protection of direct sellers, the promotion of fair competition in the framework of free enterprise, and the enhancement of the public image of direct selling through selling quality products on fair terms and conditions to customers.

Glossary of Terms

For the purposes of this Direct Selling Code of Conduct the terms used herein have the following meaning:

- **Direct Selling**
It means any selling method which is based on the explanation or demonstration of products to a customer by a salesperson, hereinafter called 'direct seller', away from business premises, typically in the customer's home, in that of another customer or at the customer's place of work.
- **Slovak Direct Selling Association (ZPP)**
The Slovak Direct Selling Association is a national direct selling association which is a member of Seldia.
- **Companies**
Direct selling companies are any legal entities which use direct selling method to market products or services associated with their trademark or service mark or identifying symbol of a product or service which they own or use based on a license or representation in the Slovak Republic and which are members of the Slovak Direct Selling Association.
- **Distribution System** means any organization and method designed for the marketing of products.
- **Direct Sellers**
Direct Sellers are any natural or legal persons that are members of the Distribution System of a Direct Selling Company and who sell, facilitate or assist in the sale of products of that Company. They can be independent sales representatives, independent business owners, independent dealers and distributors, or self-employed representatives, license holders, etc. Direct Sellers perform their activities by ordering and purchasing products from a Direct Selling Company and by selling them on their behalf to customers.
- **Products**
They mean any goods, tangible or intangible, or services.



- **Party Selling**
Direct Sellers explain and demonstrate products in the household of a host who has invited other persons to that end.
- **Order Forms**
They mean a printed or written document confirming details of a customer order and providing a sales receipt to the customer. In the case of Internet purchases, a form containing all terms of the offer and purchase provided in durable medium.
- **Recruiting**
Any activity conducted for the purpose of recruiting a person to perform direct selling.
- **Administrator of the Direct Selling Code of Conduct**
An independent person or body appointed by the Slovak Direct Selling Association to monitor member Companies' observance of the ZPP Code and to resolve customers' complaints under the Code.
- **Fee means:**
 - Any payment of cash; or
 - Any payment for the purchase of business aids; where this payment is required from a Direct Seller when s/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.

Companies

Member Companies pledge to abide by the Code as a condition of admission and continuing membership in the Slovak Direct Selling Association. Every member Company shall be required to promote to the public its ZPP and Code affiliation.

Direct Sellers

Direct Sellers may not become members of the Slovak Direct Selling Association and are therefore not bound directly by the Code, however, they shall be required by their Companies to adhere to it or to rules of conduct meeting the Code's standard. This shall be a condition of membership in the Companies' Distribution Systems.

Self-regulation

The Code shall be viewed as a self-regulating measure adopted by the direct selling sector. It is not generally binding law, and its obligations may require a level of ethical behavior which exceeds existing legal requirements. Non-observance shall not create any civil law responsibility. With termination of its membership in ZPP, a Company is no longer bound by the Code.

Legal Aspects

It is assumed that Companies and Direct Sellers will comply with legal regulations and therefore the Code does not reiterate all obligations arising from applicable legal regulations.

The Code of Conduct

The Code of Conduct contains ethical conduct standards applicable to Direct Selling Companies and Direct Sellers. National associations may introduce changes to the Code of Conduct, but they shall maintain its substance and/or abide by legal requirements. The Code of Conduct is recommended to be used as the direct selling sector's standard.



B. CONDUCT TOWARDS CONSUMERS

Prohibited Practices

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

Identification

Prior Product presentations, Direct Sellers shall automatically identify themselves, their Company and Products to the prospective customer 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.

Product Presentation and Demonstration

Presentations and/or demonstrations of offered Products shall be accurate and full in terms of their features, price and/or installment plan, as well as payment conditions, cooling-off period or the right to return the product, warranty conditions, after-sale service and terms of delivery. Direct Sellers shall give accurate and understandable answers to all questions from consumers related to Products and their offer. If Direct Sellers provide claims regarding Product performance, whether verbally or in writing, only claims approved by the Company may be used.

Order Form

An Order Form shall be delivered or made available to the customer at the time of sale or before the initial or first sale. If the sale is made by post, telephone, on the Internet or by similar indirect means, the Order Form must be provided in advance or it must be attached to the initial order or placed on the Internet in a printable or downloadable version. The Order Form shall identify the Company and the Direct Seller and provide the customer with the full contact details of the Company and/or Direct Seller, and if applicable, also all material terms of the sale (in line with the previous paragraph). All conditions must be clear and legible.

Verbal Pledges

Direct Sellers may only give verbal pledges to which they have been authorized by the Company.

Right of Withdrawal and Return of Goods

Companies and Direct Sellers shall make sure that any Order Form either contains – irrespective of the fact whether it is required by legal regulations or not – a right of withdrawal during a certain period that is at least the one provided by law and the right to obtain reimbursement of any payment for goods traded in; or informs the customer of an absence of rights of withdrawal. Companies and Direct Sellers offering an unconditional right of return shall provide it in writing.

Warranty and After-sales Service

Terms of a warranty, details and limitations of after-sales service, the name and address of the guarantor, the duration of the warranty and the remedial action provided to the buyer shall be clearly set out in the Order Form or other accompanying literature provided with the Product.

Literature

Promotional literature, advertisements or mailings to customers shall contain the full name and registered address and/or telephone number of the Company (they can also contain the Direct Seller's telephone number) and shall not contain any Product description, claims or illustrations which are deceptive or misleading. Promotional literature shall also be compliant with the present Code and the



rules regarding marketing towards children and youngsters, in particular those of the Consumer Protection Act, in particular provisions on unfair commercial practices, and the Audiovisual Act.

Testimonials

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

Comparisons 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 can only be made in accordance with the provisions of legal regulations concerning comparative advertising. When selecting characteristics of a Product, Direct Sellers shall not behave unfairly and the presentation shall be based on facts which can be duly supported with evidence. Companies and Direct Sellers shall not denigrate any firm or Product directly or by implication and shall not take unfair advantage of the goodwill attached to the trade name and symbol (brand) of another firm or Product.

Respect of Privacy

Personal telephone or electronic contacts shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness. If asked by a customer, the Direct Seller shall immediately discontinue Product presentation and/or demonstration. Companies and Direct Sellers shall take appropriate steps to ensure the protection of all personal data provided by existing or prospective customers.

Fairness

Direct Sellers shall not abuse the trust of customers, shall respect the lack of commercial experience of customers and shall not exploit their age, illness, their mental and physical weakness, trusting nature, insufficient understanding or language barriers. Direct Sellers shall not induce the customer to make a purchase just to oblige the Direct Seller and/or to discontinue Product demonstration.

Referral Selling

Companies and Direct Sellers shall not induce a customer to purchase Products or services based upon the representation that the customer can reduce or recover the purchase price by referring other customers to the seller for similar purchases, if such reductions or recovery are contingent upon some unsure future event. Companies and Direct Sellers shall not promise and/or provide inadequately large financial benefits for referral of other customers.

Performance

Companies and Direct Sellers shall ensure that any order shall be executed properly and in full and at a set time; in any case within 30 days from the day following that on which the customer signs the Order Form, 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.



C. CONDUCT TOWARDS DIRECT SELLERS

Direct Sellers' Compliance with the Code

Companies shall communicate the contents of the Code to all their Direct Sellers and require them to comply with the Direct Selling Code of Conduct or with rules of conduct which meet its standards. Compliance with these rules is a condition of the Direct Seller's membership in the Company's Distribution System.

Recruiting

During recruitment of Direct Sellers, Companies and Direct Sellers shall adhere to the most stringent principles of ethical conduct. Companies and Direct Sellers shall not use misleading, deceptive or unfair recruiting practices in their interaction with prospective or existing Direct Sellers.

Business Information

Information provided by the Company to its Direct Sellers and prospective recruits concerning the opportunity and related rights and obligations shall be accurate and complete. Any prospective recruits shall be informed about selling and about benefits related to the membership in a fair and open manner. Information provided by the Company to their Direct Sellers or prospective Direct Sellers concerning the opportunity and related rights and obligations 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.

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 according to applicable legislation.

Earnings paid to Direct Sellers shall derive from sales of Products or services to customers; or from the sales as such, or from sales of their downlines whom the Direct Seller supports and motivates. Earnings of Direct Sellers may be based on the sales for personal use and 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 the law.

Earnings Representations

Companies and Direct Sellers shall not misrepresent the actual or potential sales and/or earnings to their Direct Sellers. Earnings representations and sales figures must be truthful, accurate, based upon documented facts and shall be presented in a manner that is not false, deceptive or misleading. Prospective Direct Sellers must 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. Prospective Direct Sellers must be provided with sufficient information to enable a reasonable evaluation of the opportunity to earn income.



Contractual Relationships

Upon the launch of the Direct Seller's activities, the Companies shall:

- Conclude a written agreement with Direct Sellers, signed by both the Company and the Direct Seller, containing all essential details of the relationship between the Direct Seller and the Company;
- 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.

Fees

Companies and Direct Sellers shall not require Direct Sellers or prospective Direct Sellers to pay more than reasonable Fees for any of the following: 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 further 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 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 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 new Direct Sellers into or staying in the Company's Distribution System, shall be prohibited.

Withdrawal from the Agreement

The Direct Seller shall have a period of up to 14 calendar days in which to withdraw from the membership agreement without penalty and without giving any reason.

Termination of the Agreement

Should a Direct Seller decide to terminate his/her agreement with the Company, the Company shall buy back unsold but re-saleable inventory of Products, including selling aids and demonstration materials, purchased by the Direct Seller within the previous twelve months, and pay to the Direct Seller the full purchase price, less reasonable service charge not exceeding 10% of the price for which the Direct Seller purchased the inventory. The Company may deduct from this compensation all sums or benefits paid to the Direct Seller by purchasing goods to be returned. The Company shall, however, not be obliged to buy back Products if:

- a) They are not in their original, new and unused condition; or
- b) They are no longer commercially re-saleable because they are past or close to their sell-by date.

Inventory

Companies shall not require or motivate Direct Sellers to purchase Product inventory in unreasonably large amounts. 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. 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. It shall be considered an unfair and deceptive recruiting practice for a Company or Direct Seller to require or encourage a Direct Seller to purchase unreasonable amounts of inventory or sales aids.

Education and Training

Companies shall provide adequate education and training in term of time and contents to enable Direct Sellers to operate ethically, including information on the market and Products, in line with self-regulating principles contained in the Code of Conduct. 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.

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.

Direct Sellers who sell Company approved, legally allowed promotional or training materials, whether in hard copy or electronically, shall (i) offer only materials that comply with the same standards to which the Company adheres, (ii) be prohibited from requiring other Direct Sellers to make purchase of such materials, (iii) provide sales aids at a reasonable and fair cost, 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 Distribution System, shall be prohibited.

D. CONDUCT BETWEEN COMPANIES

Principle

Member Companies of the Slovak Direct Selling Association shall act fairly towards other members.

Enticement of Persons from Other Companies

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

Denigration of Competitors

Companies shall neither denigrate nor allow their Direct Sellers to denigrate other Companies, Products, sales and marketing plans or any other characteristic features of other Companies.



E. CODE ENFORCEMENT

Company's Responsibility

The primary responsibility for the observance of the Direct Selling Code of Conduct 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 an officer responsible for compliance with the ZPP Code. An officer responsible for the compliance with the Code is responsible for facilitating compliance with the Code by their member (pending member) Company and responding to inquiries by the Code Administrator. S/he will also serve as the primary contact person at the Company for communicating the principles of the Code of Conduct to their independent salespeople, company employees, customers and the general public.

Code Administrator

ZPP shall appoint an independent person or body as Administrator of the Direct Selling Code of Conduct. The Administrator shall monitor Companies' observance of the Direct Selling Code of Conduct.

The Code Administrator shall settle any unresolved complaints of Direct Sellers based on breaches of the Code and shall furnish an annual report on the operation of the Code.

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, expelling the Company from ZPP or other appropriate actions and the publication of such actions or sanctions.

Complaint Handling

Member Companies of ZPP and the Administrator of the Direct Selling Code of Conduct 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.

Complaints of Companies

Complaints of Companies regarding other Companies or ZPP shall be resolved by the Administrator of the Direct Selling Code of Conduct or by another independent arbitrator. A detail procedure shall be defined by ZPP.

Publication of the Code

ZPP, Companies and Direct Sellers shall publish the Direct Selling Code of Conduct and make it known as widely as possible. Printed copies shall be made available free of charge.