



ZPP Code of Conduct

- **General Provisions**

Scope

The Code concerns the relations between: (a) direct selling companies and direct sellers, (b) between direct selling companies and consumers (customers), (c) between direct selling companies, and (d) between direct sellers. The Code is aimed at achieving the satisfaction and protection of customers and of direct sellers, the promotion of fair competition in the framework of free enterprise, and the enhancement of the public image of direct selling.

Glossary of Terms

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

- **Direct Selling** means any selling methods which are based on the personal contact between a salesperson, hereinafter called 'Direct Seller' and a customer and which are carried out through personal or individual explanation or demonstration, physically or digitally, of products, away from business premises.
- **Consumer** or **Customer** means any natural person who buys products for purposes which can be regarded as outside his/her trade, business or profession.
- **Slovak Direct Selling Association (ZPP)**
The Slovak Direct Selling Association (ZPP) means a national direct selling association, an association of legal entities, with its registered office in Bratislava, Business ID (IČO): 31747205 which is a member of Seldia.
- **Companies**
It means 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**
It means any natural or legal persons that are members of the Distribution System of a Direct Selling Company and that sell, facilitate or assist in the sale of products of that Company. Direct Sellers may be entitled to recruit other Direct Sellers. They can be independent sales representatives, independent contractors, independent dealers and distributors, representatives with employee status or self-employed persons, license holders, etc.
- **Products**
It means any goods, tangible or intangible, or services.
- **Party Selling** means direct selling to a group of Consumers invited by a host to that end.
- **Order Forms**
It means printed or written documents 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 become a Direct Seller.
- **Code Administrator**
An independent person or body appointed by ZPP to monitor member companies' observance of the ZPP Code of Conduct and to resolve complaints filed by Consumers.
- **Code Responsibility Officer** means a person or body appointed by an ZPP member company or pending member company to facilitate compliance of the company with the Code and the European Codes of Conduct.
- **Earnings** mean 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.
- **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 (ZPP). Every ZPP member Company shall be required to promote to the public its ZPP affiliation, the Code and the European Codes of Conduct.

Direct Sellers

Direct Sellers may not become members of the Slovak Direct Selling Association and are therefore not bound directly by the Code or the European Codes of Conduct; 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 industry. It is not binding law, and its obligations may require a level of ethical behaviour which exceeds existing legal requirements. Non-observance does not create any civil liability.

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 they shall abide by legal requirements. The Code is recommended to be used as the Direct Selling industry's standard.



- **CONDUCT TOWARDS CONSUMERS**

Prohibited Practices

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

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. 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 personalized price, instalment 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

A written Order Form, or a copy thereof, 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 or first 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 customer with the full contact details of the Company and/or Direct Seller, and if applicable, also all material terms of the sale. All terms and conditions shall be clear and legible.

Testimonials and Product Reviews

Companies and Direct Sellers shall not refer to any testimonial or endorsement which is not authorized, not true, obsolete or otherwise no longer applicable, not related to their offer, 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 to the Consumer.

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

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.

Guarantee and After-sales Service

Terms of a guarantee or a warranty, details and limitations of after-sales service, the name and registered address of the guarantor, the duration of the guarantee and the remedial action open to the Consumer shall be clearly set out in the Order Form or other accompanying documents.

Marketing Communications

Companies and Directs Sellers must take 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 European Codes of Conduct.

The Marketing Communications must not contain product descriptions, claims or illustrations which are untruthful, inaccurate, misleading or unfair in any other way. They shall be easily recognizable 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 the Company and may include the contact details of the Direct Seller.

Endorsement

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 supported with evidence. Companies and Direct Sellers shall not denigrate any firm or Product directly or by implication and Direct Sellers 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 contact shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness. 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 personal data provided by existing or prospective Customers in accordance with the relevant laws.

Fairness

Direct Sellers shall not abuse the trust of Consumers, shall respect the lack of commercial experience of Consumers and shall not exploit a Consumer's age, illness, mental or physical infirmity, credulity, lack of understanding, lack of language knowledge or poor education. 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 Consumer to purchase Products or services based upon the representation that a Consumer can reduce or recover the purchase price by referring other Consumers to the Direct Sellers for similar purchases, if such reductions or recovery are contingent upon some unsure future event.

Delivery

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 Consumer 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 Code 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 aggressive, misleading or unfair recruiting practices in their interaction with prospective or existing Direct Sellers.

Business Information

Information provided by Companies to their existing or prospective Direct Sellers concerning the business opportunity and related rights and obligations shall be accurate and complete. The Companies shall inform prospects on sale and benefits of membership in an honest and open way. Information concerning the selling opportunity shall not be provided by the Companies to existing or prospective Direct Sellers in an aggressive, unfair or deceptive manner. 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.

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 in a commercially reasonable manner and any withholdings made only in justified cases according to applicable law.



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 of their Direct Sellers. Earnings representations and sales figures must be: (i) truthful, accurate, and presented in a manner that is not false, deceptive or misleading, and (ii) based upon documented and substantiated facts in the relevant market. Prospective Direct Sellers must be informed by the Companies 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. This information may include examples of income based on objective and clearly defined criteria (e.g. time spent on Direct Selling over the course of a week) or disclosure of average earning ranges.

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.

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, product inventories, training fees, franchise fees, license 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 services offered by the Company (e.g. online training, eCommerce or other Internet solutions, shipment costs, specific sales applications or specific online shops whenever these are absolutely necessary to perform the business, or where the Company demands the Direct Seller to use these services) 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.



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.

Non-discrimination and Privacy

Business opportunities of Companies are open to prospective salespeople without discrimination of gender, race, ethnic group, group of religious or spiritual significance, or political opinion. Companies shall prohibit in writing any kind of mix between the business and one or more aforementioned elements of private life. Companies and Direct Sellers shall not misuse a Direct Seller's private sphere, social, intellectual or emotional sensitivities resulting in exploitation.

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 with the Company 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 purchase price. The Company may deduct from this payment all earnings or benefits paid to the Direct Seller as a result of purchasing returned goods. The Company shall, however, not be obliged to buy back products from the Direct Seller if:

- a) They are not in their original, new and unused condition; or
- b) They are no longer commercially resaleable because they are past or close to their best before date.

This inventory buy-back policy must be clearly communicated to Direct Sellers.

Inventory

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

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 conduct and on the market concerned and the Products in accordance with the self-regulatory principles contained in the Code. 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.

Other Materials

Companies shall prohibit Direct Sellers from marketing to other Direct Sellers any materials 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 or electronic 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 for other Direct Sellers, (iii) provide sales aids at a reasonable and fair cost, equivalent to similar materials 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.

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.

D. CONDUCT BETWEEN COMPANIES AND BETWEEN DIRECT SELLERS

Principle

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

Enticement of Persons from Other Companies

Companies and Direct Sellers, including their employees and other representatives of the system, shall not entice away or solicit any Direct Sellers by systematic enticement towards other Companies' Direct Sellers in order to offer and/or launch a new cooperation.

Denigration of Competitors

Companies shall neither unfairly denigrate nor allow their Direct Sellers to unfairly denigrate another Company, its Products, its sales and marketing plans or any other features of that Company.

E. CODE ENFORCEMENT

Company's Responsibility

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

Each member Company and ZPP pending member Company is required to designate a Code Responsibility Officer. A Code Responsibility Officer is responsible for facilitating compliance with the Code by their (pending) member Company and responding to inquiries by the Code Administrator. S/he will also serve as the primary contact at the Company for communicating the principles of the Code to their independent salespeople, Company employees, Customers and the general public.

Code Administrator

ZPP shall exert every reasonable effort to settle complaints. To that end, ZPP shall appoint an independent person or body as the Code Administrator. The Code Administrator shall monitor Companies' observance of the Code.

The Code Administrator shall settle any complaints by Customers or Direct Sellers based on breaches of the Code that have not been resolved by the Company and furnish an annual report on the operation of the Code.



Actions

With regard to Customer complaints, actions to be decided on by Companies, ZPP or the Code Administrator 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 a Company, exclusion of a Company from ZPP membership, and the publication of such actions and sanctions.

With regard to complaints from Direct Sellers against a Company concerning breaches of the Code, actions to be determined by the Code Administrator may include termination of the Direct Seller's contract or relationship with the Company, refund of payments, warnings to a Company or its Direct Sellers, or other appropriate actions and the publication of such actions and sanctions.

Complaint Handling

Companies, ZPP and the Code Administrator shall establish complaint-handling procedures. The Code Administrator shall ensure that receipt of any complaint is under normal circumstances confirmed within two weeks and a decision made within three months of that date.

Consumer complaints shall always be resolved free of charge for the Consumers.

Companies' Complaints

Complaints of a Company about another Company or ZPP shall be resolved either by the Code Administrator or an independent arbitrator. A detail procedure shall be defined by ZPP.

Publication of the Code

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