

Direct Selling Europe

the voice for sustainable direct selling in Europe

Code of Ethics

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dse
direct selling europe

Code of Ethics



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Chapter I
Introduction

Direct Selling Europe (DSE) has adopted this Code of Ethics in order to establish and maintain relationships based on trust and integrity between companies, direct sellers and consumers. Whereas the European and national legislation is continuously changing, DSE and this Code of Ethics remain open to development to be in line with or go beyond the legislation in force.

This Code is not law, but its obligations require a level of ethical behaviour from DSE member associations, DSE member companies and direct sellers which conforms with, or exceeds applicable legal requirements. With termination of its membership in DSE, a company or a DSE member association 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 or a DSE member association was a member of DSE.

DSE member companies pledge to adopt and enforce this Code of Ethics as a condition of admission and continuing membership of DSE. Companies also pledge to provide information about 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.

DSE member associations pledge to adopt a national Code of Ethics that incorporates the substance of the provisions of this Code, as a condition of admission and continuing membership of DSE.

Direct sellers are not bound directly by this Code, but, as a condition of membership in a DSE member company's distribution system, adherence shall be required to rules of conduct meeting the standards of this Code by the company with whom they are affiliated.

1. Scope

This Code of Ethics deals with relations between:

- direct selling companies and direct sellers on the one part and consumers on the other part;
- direct selling companies and direct sellers; and
- direct selling companies themselves.

2. Aims

The aims of this Code of Ethics are:

- protection of consumers;
- protection of direct sellers;
- promoting fair competition in the context of free competition; and
- promoting the image of direct selling to the public.

3. Relationship to Existing Law

Companies and direct sellers are presumed to be bound by all legal requirements. Therefore, this Code does not restate all legal obligations. Compliance by companies and direct sellers with laws is a condition of acceptance by DSE or continuing membership of DSE.

4. Prohibition to operate pyramid schemes

Direct sellers and companies shall refrain from establishing, operating, or promoting a pyramid promotional scheme where a consumer gives consideration for the opportunity to receive compensation that is derived

primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products. Detailed criteria to identify a pyramid scheme are to be found in www.directsellingeurope.eu

5. Glossary of Terms

For the purposes of this Code, terms are defined as follows:

- association: every national direct selling association that is a member of DSE;
- company: a business entity that (i) utilises a direct selling distribution system to market its products, and (ii) is a member of DSE;
- direct selling: sale of goods or services away from business premises in the simultaneous presence of a direct seller and a consumer;
- direct seller: the person who sells or facilitates the sale of goods or services provided by a direct selling company;
- income: direct or indirect remuneration, that the direct seller receives on the business that, once accepted, has been regularly performed;
- recruiting: any activity conducted for the purpose of offering a person the opportunity to become a direct seller;
- consumer: a natural or legal person or entity who is a purchaser or user of goods or services offered for sale by a direct seller acting for purposes which are outside his trade, business, craft or profession;
- product: any good or service intended for consumers.

Chapter II

Conduct for the Protection of Consumers

1. Fair Conduct

DSE Members or their direct sellers shall in any and all situations respect and adapt to the consumers they are dealing with in terms of, for example, their age and language abilities. DSE Members and their direct sellers shall also respect the wishes of the consumers they deal with in particular when it comes to visits or telephone contacts during reasonable hours. Direct sellers shall, to the extent possible, take into consideration the financial means of consumers and make sure that contracts signed are commensurate with their circumstances.

If requested to do so by the consumer, the direct seller shall:

- cancel a demonstration or sales presentation
- postpone a demonstration or sales presentation
- discontinue a demonstration or sales presentation which has already been commenced.

The companies and their direct sellers shall refrain from doing anything which might persuade the consumer to accept an offer simply in order to:

- do the direct seller a personal favour;
- bring an unwelcome presentation to an end;
- gain some advantage which is not the object of the offer, or to express appreciation of any such advantage.

2. Identification

When contacting consumers personally, and prior to any sales presentation, direct sellers shall, without being requested to do so, truthfully:

- introduce themselves by name;
- state the name of the company he / she represents;
- provide adequate identification if required, giving the name and address of the company;

- explain the commercial purpose of the contact;
- in party selling, explain the reason and purpose of the commercial event to the hostess and the participants.

3. Information Requirements

Before the consumer is bound by any direct selling contract or any corresponding offer, the companies and / or their direct sellers shall inform the consumer in a suitable manner, truthfully and comprehensively answering any questions involving the products and the offer.

This duty to inform shall include giving details about:

- the purpose of the products on offer, how they are used, and their composition;
- prices for payment in cash or in instalments, and any ancillary costs;
- terms of payment and ancillary costs;
- the legal right to withdraw and return under the laws on direct selling;
- the legal right to withdraw and return under the law on consumer credit;
- any withdrawal rights granted under this Code of Ethics and going beyond the above legal rights;
- scope of any guarantee and extent of liability;
- delivery.

4. Verbal Promises

Direct sellers shall only make verbal promises to consumers which are authorised by the company.

5. Order Form

When consumers receive a copy of the order form, it shall be legible, transparent and easy to understand. A completed written order form should, at a minimum, give the following information:

- name and full address of both parties to the contract; if the direct seller is party to the contract, the name and address of the company must also be given;
- nature and size of order;
- delivery dates (if applicable);
- prices applicable to payment in cash or in instalments, and any ancillary costs;
- terms of payment;
- rights of withdrawal and/or return, and how to exercise such rights;
- scope of guarantee or warranty, and extent of liability and other similar claims on the part of the consumer.

6. Testimonials

Vis-à-vis the consumer, companies and direct sellers shall only refer to any testimonial or endorsement, test results or other persons for business reasons if:

- they have been authorised to do so;
- it is applicable and appropriate to do so;
- such testimonial or endorsement is true, verifiable, up-to-date, isn't obsolete or referring to isolated successes and is based on average figures;
- testimonials or endorsements, tests and/or personal references are directly connected with the company and / or its products and the intended purpose of the contract.

7. Right of Withdrawal

Consumers shall have a right to withdraw even if the payment to be made by the consumer does not exceed a legal threshold for withdrawal rights provided under national law.

In accordance with the law, attention shall be drawn to this right, its scope and where applicable its consequences, and how it may be exercised.

8. Use of Personal Data

In using a consumer's personal data, companies commit themselves to taking every precaution to ensure that the processing of information related to the consumer will be made in full respect of legal requirements in terms of privacy and personal identity.

The unauthorised use of personal data collected during a business contact, for purposes other than those for which the data were collected or supplied by the consumer, is considered a serious breach of ethical principles of this Code.

9. Order Time Processing and Delivery

Orders must be processed in a timely manner, taking into account the type of products required and any specific agreements between the parties. In case of problems or obstacles that lead to delays in processing the order, the consumer must be informed in due course so that he can properly evaluate how to exercise his / her rights.

10. After-sales Service and Guarantees

The conditions and scope of after-sales service and, if applicable, guarantees, shall be clearly set out either in the order form, or in separate printed matter, or in other accompanying literature with the delivery of the product.

11. Sales Promotion

Direct sellers and companies will ask consumers pro-actively whether they wish to receive future information, offers, invitations or other material from the company. If the consumer decides "no", the companies and direct sellers commit themselves to refrain from engaging in these activities towards this consumer.

12. Literature

Promotional literature, such as leaflets, advertisements, catalogues and such, shall give the name and address of the company, as well as those of the direct seller if the latter is to be party to the contract.
In all advertising literature, companies and direct sellers shall refrain from misleading the consumer in any way as regards the distribution channel and the prices and features of the products.
No comparisons with competing companies or rival products shall be made on principle, unless such comparisons are kept truthful and objective.

13. Recruitment of Consumers

Direct sellers and companies shall not persuade consumers to buy products or services by promising particular benefits which are linked to persuading further consumers to conclude similar deals with the prospect of receiving benefits through recruiting additional consumers.

Chapter III

Conduct towards Direct Sellers

1. Direct Sellers' Compliance

Companies shall communicate the contents of this Code to all direct sellers and require their direct sellers, as a condition of membership in the companies' distribution systems, to comply with this Code.

In any case, the sale structure should be organised, managed and controlled by the company to ensure the control of the conduct of each direct seller.

2. Recruitment of Direct Sellers

Direct sellers shall be recruited solely in accordance with the generally recognised principles of fair competition.

3. Duty to Inform Direct Sellers

Direct sellers and prospective direct sellers shall be informed fully and truthfully about their rights and obligations. The companies' duty to inform should in particular cover the contractual and statutory obligations accompanying the status of independent direct sellers and the obligation to pay taxes and social contributions.

Any information provided on income earning potential shall be transparent and based on documented facts and demonstrable average sales results for direct sellers in that company. The company's marketing plan shall be transparent, understandable and not misleading. This applies to oral and written statements as well as image material used by the company.

4. Relationship

Companies and direct sellers shall sign a written agreement on their cooperation. This agreement shall contain the essential rights and obligations of both parties to the contract. DSE dissociates itself from business practices aimed at commercially exploiting a direct seller's private sphere and/or employing means used by sectarian groups to create personal dependence.

5. Fees

Companies or direct sellers shall not oblige direct sellers or prospective direct sellers to pay an entry fee or any other fee to start as a direct seller, to participate or to remain in the system. Where not prohibited by law, mandatory purchase of a demonstration kit is possible so long as the purchaser receives reasonable market value for the items and services purchased. Services that are indispensable for the direct seller to perform their business and that are usable by the direct seller only in relation to the specific company (such as 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) shall be provided free of charge. Optional services that support the activity of direct sellers shall be provided at no more than market price.

6. Product Inventory

Companies or direct sellers shall not oblige direct sellers to purchase overstock nor force direct sellers, through economic incentives, to invest in disproportionately large inventories.

The following should be taken into account when determining the appropriate amount of product inventory:

- the potential earnings of the inventory;
- the types of products and their outlets;
- the company's policy on redemption and reimbursements.

7. Buy Back

Buy back of products: Upon termination of a partnership, the company is required to re-purchase or buy back all unused and undamaged goods and materials at a price not less than 90% of the original cost and all amounts eventually paid, even as deposit, for these materials.

Buy back of demonstration kit: Upon termination of a partnership, the company is also required to buy back (the undamaged portion of) the demonstration kit at a minimum of 90% of the purchase price, less any earnings or benefits received by the direct seller upon receiving the demonstration kit.

All refunds are subject to the condition, integrity and validity of returned goods and materials. However, the refund is not subject to any alleged purchase date or expiration date for the goods unless the expiration date is related to health or safety reasons.

Direct sellers shall be informed about this at the inception of the contract.

8. Income

The vast majority of income of direct sellers within DSE shall be derived from product and service sales to consumers; direct sellers shall not receive earnings based only on their recruiting of other direct sellers for the sales system. No remuneration is allowed to be earned by a direct seller for mandatory product purchases upon the entry of another direct seller or for the purchase by another direct seller of advertising, training or training materials.

9. Accounts

Companies shall provide their direct sellers with periodic accounts, detailing remuneration (commission, bonuses, discounts, and suchlike), deliveries, cancellations, and other relevant data. Direct sellers shall receive commission based on sales to consumers which they are entitled to as soon as possible and at the latest within six weeks following delivery of the product to the consumer.

10. Direct Seller Training

Each DSE member company shall offer appropriate training to its direct sellers. The purpose of training is to promote professional growth of direct sellers. This shall be done at no cost to the direct seller as far as product training is concerned. Trainees may need to bear their own expenses for travel and accommodation. Other than product training companies may provide training against appropriate remuneration as long as this does not lead to benefits for the company or any other part of the direct selling system.

11. Other Materials

Direct sellers who sell promotional or training literature or sell training / promotional events in accordance with point 10 of this Chapter, shall utilise only materials - whether in hard copy or electronic form - that have been formally approved by the company that the direct seller represents.

Companies shall prohibit direct sellers from marketing or requiring the purchase by others of any materials that are inconsistent with company policies and procedures.
Furthermore, the direct seller shall refrain from making the purchase of sales aids a requirement for the continued participation of downline direct sellers in the system. The direct seller shall, in accordance with point 10 of this Chapter, provide sales aids against appropriate remuneration as long as this does not lead to benefits for the company or any other part of the direct selling system, and shall offer a written returns policy that is the same as the returns policy of the company the direct seller represents. Companies shall oblige direct sellers who produce sales aids to make sure they are not deceptive and comply with the provisions of this Code.

Chapter IV

Conduct between Companies

Companies are required to ensure fair play either between them or towards third parties and commit to avoiding actions, activities or behaviours even if only potentially liable to cause economic or image damage to another company or a third party, either directly or through their direct sellers.

Companies and direct sellers shall not systematically entice away a part of the sales force of another company, a third party or direct seller.

The relations between companies remain subject to free competition and they commit to the highest levels of fair trading and to the pursuit of conciliation practices in the event of conflict. Companies will bring any behaviour deemed not in compliance with this Code to the attention of the Managing Director of DSE.

Chapter V

Code Enforcement

1. Responsibility for the Companies

The obligation to respect the Code falls under the responsibility of the signatory companies, which shall make every effort to ensure the proper implementation of the Code.
Complaints between consumers and direct selling companies and/or its direct sellers are to be dealt with by the Alternative Dispute Resolution (ADR) entity to be chosen by the two parties. If within a reasonable time no solution can be found to the satisfaction of both parties, the consumer may report a breach of this Code to the Managing Director of DSE.

2. Responsibility for the Association

With regard to complaints among direct selling companies, complaints shall be addressed by the Board of Directors of DSE.

3. Rules of Procedure

In case of a complaint, companies are, in the first instance, subject to the Code of Ethics of the associations they are a Member of. Should a company not be a Member of an association in a certain country, then the DSE Code of Ethics will apply.

Anyone who legitimately considers that any of the provisions of this Code have been breached can report it to the Board of Directors by sending a written communication (by mail, fax or e-mail) to the Managing Director of DSE.

To facilitate the handling of the complaint, it should mention the following aspects:

- a description of the complaints and if possible, the considered breach of the Code;

- contact details of the complainant (name, address, phone number, fax or e-mail);
- the authorization to process the complaint using the personal data of the complainer.

Should the above conditions not be adequately fulfilled, the Board of Directors may decide to consider the report as ineligible.

Upon receipt of the report, the Managing Director of DSE shall proceed to its registration, handling and filing. The data will be handled according to the rules on personal data protection.

After having examined the report, the Managing Director of DSE shall first contact the company referenced in the report to determine whether there is any possibility of proceeding without a formal procedure. If the Managing Director does not receive evidence of a satisfactory voluntary resolution within 15 working days, he / she will send the report to the Board of Directors, which shall evaluate it (either immediately and by correspondence or during its next meeting) and decide how to proceed:

- close due to a lack of evidence, or;
- open a process of self-discipline in respect of the member company in question.

A member company receiving the notice of opening the process of self-discipline against itself, must transmit to the Board of Directors, within 15 working days after notification, the requested and necessary documentation to clarify its position: if the explanations are considered unsatisfactory the Board of Directors will start the formal procedures.

Within 15 working days after notification, the member company may request a hearing with the Board of Directors. The hearing will take place at the first meeting of the Board of Directors, which will inform the member company with a notice of not less than working 15 days.

The Board of Directors will complete the formal procedures within 60 days from the start of the self-discipline process. Decisions are taken by simple majority of votes.

The outcome of the self-discipline process remains in the acts of the Board of Directors and shall be retained by the Managing Director of DSE who shall only circulate it to parties concerned.

The recipient of the self-discipline measure is required to comply with the Board of Director's decision promptly but no later than 30 working days following notification of the taken measure.

4. Penalty System

Note of reprimand

If the Board of Directors of DSE establishes, at the end of the process, that there has in fact been a breach of one or more Code provisions, it will send a note of reprimand to the member company requesting it to comply, within a maximum of 30 working days, to the prescribed measure.

Measure of censorship

In the event that the member company fails to comply on time with the instructions contained in the note of reprimand, or if the breach is particularly serious in quantity or relevance of Code infringements, the Board of Directors of DSE sends to it a measure of censorship, requesting it to comply within a maximum of 30 days.

Exclusion from membership

In the event that the member company fails to comply on time with the instructions contained in the measure of censorship, the General Assembly of DSE, in the event of a particularly serious breach, will start the process of exclusion, in accordance with the provisions of the Statutes of the Association.

5. Publication of Sanctions

Exclusion of a Member from DSE will be published in all cases.

Chapter VI
Publication

DSE and its members shall publish the Code and make it known as widely as possible.
A copy of the Code as well as a copy of the DSE 10 Point Commitment for Ethical Direct Selling can be found on **www.directsellingeurope.eu**

Printed copies are available free of charge to the public upon request to the DSE Secretariat in Brussels:

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Join Direct Selling Europe and become part of the association with the industry's highest ethical standards and a group of businesses with stellar reputation. For more information on how to become a member, please contact the DSE Secretariat at:

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