

DIRECT SELLING CODE OF CONDUCT 2021

FOREWORD

The “Direct Selling Code of Conduct” (hereinafter referred to as the “Code”) has been drawn up and adopted by AVEDISCO – Associazione Vendite Dirette Servizio Consumatori – so as to promote high standards of business ethics in the Direct Selling Industry and in addition to ensure that services, transactions, and relations between Companies, Direct Sellers, and Consumers are based on trust and fairness.

The rules established in the Code provide all industry professionals and operators with a series of specific rules of conduct: the Code is not only a tool for international and national self-regulation, but also a reference document providing useful guidelines for law-makers.

The contents of the Code may also exceed the legislation in force, adding to it indeed.

The ultimate aim of the rules is to create awareness of the responsibilities empowered in Direct Selling among all parties involved in such business, to lay down precise rules for fair competition between AVEDISCO Member Companies, as well as to regulate the relations of AVEDISCO Member Companies with AVEDISCO Association.

All AVEDISCO Member Companies undertake to require their Direct Sellers to observe the principles of the Code and consequently the principles of the European Code of Conduct issued by Seldia.

With the termination of its Membership of AVEDISCO, the Company in question is no longer bound to comply with the European Code and Codes of Conduct. In any case, the provisions of the aforementioned Codes remain applicable in relation to facts and events occurred at the time that the Company was associated with, that is a member of, AVEDISCO.

The provisions of these sections generally apply to all areas covered by the Code.

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SECTION 1 - COMMON PROVISIONS

1.1 Scope

The AVEDISCO Code regulates the relationships and relations between:

- 1) Direct Selling Companies and their Direct Sellers;
- 2) Direct Selling Companies and Consumers;
- 3) Direct Selling Companies;
- 4) Direct Sellers.

1.2 Objectives

The Code aims to pursue:

- (i) Consumer satisfaction and protection;
- (ii) the satisfaction and the protection of Direct Sellers;
- (iii) the promotion of fair competition within economic freedom of Enterprises;
- (iv) the enhancement of the public image of Direct Selling, which is to market quality products and services on fair terms and conditions to Consumers.

The Code contains standards of ethical conduct for both Direct Selling Companies and Direct Sellers.

Direct Selling Companies and Direct Sellers are required to comply with the law and the regulations, consequently the Code does not re-propose regulations which are already obligations by force of law.

The purpose of the Code is to make Direct Selling Industry standards clear.

1.3 Glossary of terms

For the purposes of this Code:

1. “**Direct Selling**” means any selling method based on the explanation, presentation or demonstration and offer of products or services to Consumers — both face-to-face and IT — by Companies with the intermediation of a ‘Direct Seller’. Such sales are to take place outside the Company premises, that is at the Consumer’s home or at any of the premises where the Consumer may be, albeit temporarily, for personal reasons or for work, study, entertainment or leisure purposes.
2. “**Direct Seller**” means any person who has a position in the distribution system of a Direct Selling Company and who directly or indirectly, intermediates the sales, facilitates or collaborates in the sale of products or services of such Company. Direct Sellers may be entitled to recruit other Direct Sellers. A Direct Seller may carry out the activity in an autonomous, independent way, both occasionally and habitually, or by virtue of an agency mandate or as a subordinate employee.
3. “**Consumer**” means any individual who purchases products or services for their own personal use, and anyhow for purposes unrelated to their occupation, business or profession.
4. “**Distribution System**” means any organization and method aimed at marketing products or services in the context of the Direct Selling system.
5. “**Product**” means any tangible or intangible goods or services.

6. “**Direct Selling Association (DSA)**” AVEDISCO in Italy means the Association of Direct Selling Companies representing the Direct Selling sector within the European Countries to which it belongs and which is associated with the European Direct Selling Association (Seldia).
7. “**Direct Selling Company**” or “Company” or “Firm” or "Enterprise" means any business that market products and / or services under its own brand or that of others or bearing another trademark / symbol / logo through a distribution system based on Direct Selling and that it is associated with the National Association of its country of origin.
8. “**Party Selling**” means Direct Selling addressed to a group of Consumers invited by a host for this purpose.
9. “**Order Form**” is a printed or completed document confirming details of a Consumer’s order issued as sale-receipt to the Consumer. In the case of Internet sales, the document containing the terms of the offer and the purchase must be provided on a durable medium.
10. “**Earnings and Accounts**” mean any income earned by a Direct Seller. Earnings may be in the form of commissions, fixed or variable, direct or indirect, sales bonuses, bonuses or other compensations and/or of economic nature.
11. “**Business Tools/Aids**” means any goods/tools or service designed to help Direct Sellers to conduct and develop their business. These tools are sold or provided free of charge to Direct Sellers who cannot resell them to Consumers.
12. “**Fee**” means any cash payment or any payment paid for the purchase of business tools/aids; and this both in the case in which it is a lump-sum paid by a Direct Seller when joining the distribution system of a Direct Selling Company, and in the case in which it is paid on a periodic basis.
13. “**Recruiting**” means the sets of activities carried out in order to offer a person the opportunity to become a Direct Seller.
14. “**Administrator of the Code**” means an independent person or body appointed by the National Association to verify compliance with the Code of the Member Companies and to resolve any complaints or disputes.
15. “**Code Manager**” means an independent person or body appointed by a Company that is a Member of Seldia or a candidate Member to encourage compliance with the Code of the National Association to which they belong and consequently with the European Code of Conduct.
16. “**Administrator of the European Code**” means the body appointed by Seldia competent to judge complaints submitted by Consumers or Direct Sellers or Direct Selling Companies or Consumer Associations on matters regarding the compliance with these Codes.

1.4 Associations

The National Association, as a condition for admission and maintaining the status of member of the European Direct Selling Association - Seldia, adopts a Code of Conduct which provides for and reflects the contents of the European Seldia Code.

1.5 Companies

Companies adhering to AVEDISCO undertake to abide by the National Code as a condition for their admission and for continuing their membership in the Association. Each Member shall be required to disclose to the public both their affiliation with the Association as well as to disclose the contents of the Code.

The Members of Seldia undertake to comply with the Codes as a requirement for admitting and maintaining the quality of Seldia and in carrying out Direct Selling activities in a country belonging to the European Economic Area (EEA): (a) in which there is no National Direct Selling Association; (b) or the National Direct Selling Association is not associated with Seldia.

In the event that the provisions of the Code of a National Association of the Country in question, which is not a member of Seldia, are in conflict with the provisions of the Codes, the provisions of the National Code will prevail over those of the Codes.

1.6 Direct Sellers

The adhering Companies will require their Direct Sellers to respect the Code or the rules of conduct that comply with the principles of the Code itself, as a condition for being a Direct Seller of the distribution systems of the Companies themselves. To this end, Companies undertake to disclose the contents of the Code in the most appropriate forms they deem.

1.7 Self-regulation

The Code is a self-regulation measure concerning the Direct Selling Industry. Since it is not a law, the obligations contained therein may require a level of ethical conduct higher than that prescribed by the applicable legislation in force. Failure to comply with the Code does not entail a civil liability for the offender. Upon termination of Membership at AVEDISCO, a Company will no longer be bound by the Code, the provisions/rules of which will continue to be applied to facts or events or transactions occurring at the time the Company was a member of the Association.

1.8 National /Home Law

Companies and Direct Sellers are required to fully comply with any provisions of the legislation of any country in which they run their business.

The Code contains standards of ethical behavior for Direct Selling Companies and Direct Sellers and may be amended to comply with the new provisions to be introduced in the future.

1.9 Extraterritoriality

Each National Association is committed, with regard to Direct Selling activities carried outside its home Country, to require each member as a condition of admission and membership in the Association to comply with the European Codes of Conduct, in the case of Direct Selling activities within the European Economic Area (SEA or EEA), or the World Codes of Conduct WFDSA (World Federation of Direct Selling Associations) in the case of Direct Selling business carried outside the SEE/EEA, unless such activities are under the jurisdiction of Code of Conduct of a SELDIA affiliated Association or WFDSA of another country and of which that associate is a member.

In the event that a complaint is made against a Company on the basis of the Code of an Association of a country of which it is not associated, the Company must accept the jurisdiction of the Administrator of the Code in its home Country (or if the Company is not a member in its home Country, any Country in which it is a member of the Association), and will have to bear the reasonable costs incurred by the Administrator of the Code of the Country of origin related to the handling and resolution of the complaint.

Moreover, the Administrator of the Code of the Country of origin may coordinate with the Administrator of the Code (if any) of the Country of appeal, and, in evaluating the complaint submitted, 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 Country of origin, or
- (iii) at a minimum, the standards set forth in the European Codes of Conduct of Seldia or in the World Code of the WFDSA, where applicable.

SECTION 2 - CONDUCT TOWARDS CONSUMERS

2.1 Prohibited Practices

Companies and their Direct Sellers are committed to carrying out their business and promotional activities in compliance with the principles of fairness and transparency: they must not, therefore, use misleading deceptive aggressive or unfair practices towards Consumers.

2.2 Identification

From the beginning of a contact with a Consumer, Direct Sellers must identify themselves, without being requested, in a clear and transparent way. They must identify their Company; explain the nature of their Products and/or Services they are selling and explain the purpose of their meeting to the prospective Consumer.

The ID card (badge) issued by the Company, as required by law must be notified to the Police Authority and must always be clearly displayed by Direct Sellers.

2.3 Presentation and Demonstration

Direct Sellers must provide Consumers with accurate and complete Product explanations and demonstrations regarding:

- a. the characteristics of the product;
- b. the price including, if applicable, personalized price lists;
- c. the terms of the credit;
- d. the terms of payment;
- e. the right of withdrawal;
- f. the return policies;
- g. the applicable warranty terms;
- h. the after-sales service, and
- i. the delivery times.

Direct Sellers shall provide accurate and understandable answers to all questions of Consumers.

Taking into account that the statements on the characteristics and performance of the marketed products must reflect its effective effectiveness, the Direct Sellers may only use the statements (including "claims"), whether verbal or written, authorized by the Company.

2.4 Order Form

In the case of a sale made "in presence" (face-to-face) of the Consumer, a paper copy of the relative Order Form must be given or delivered or made available, before or at the moment of the conclusion of the sale, or if the Consumer agrees, the Order Form may be made available on another durable medium (for example in printable format or downloadable via the Internet). In the case of a sale made "not in presence" (not face-to-face) of the Consumer, the paper format of the Order Form is not required, but it must be made available on a durable medium.

The Order Form must clearly show the details of the Company and the Direct Seller and provide the Consumer with the complete data (including phone contact details) of the Company and, where required by the home law, of the Direct Seller in addition to the applicable terms and conditions of sale.

2.5 Right of withdrawal and Return of Goods

Companies and Direct Sellers must ensure that each Order Form alternatively:

- (a) contains a withdrawal clause that allows the Consumer to cancel the contract within a period of time not less than that one stated by the law, obtaining a refund of any amount paid or paid for any reason; or
- (b) explicitly indicates to the Consumer that, with reference to the after-thinking, a period of time longer than the one required by law is guaranteed, should this be the case; or
- (c) contains information on the non-applicability of the right of withdrawal, when such non-applicability is legally provided for.

Companies and Direct Sellers offering an unconditional right to return the product shall provide this guarantee explicit in writing.

2.6 Guarantee and After-Sales Service

Terms and duration of the legal guarantee or warranty of conformity, details, as well as the terms of the after-sales service provided and the name and address of the guarantor, the duration of the guarantee and the initiatives that the buyer can put in place, shall be clearly set out in the Order Form.

2.7 Marketing and Literature

Companies and Direct Sellers must take all necessary steps to ensure that any form of advertising, marketing and commercial communications, including digital channels communications or those published on social media, comply with the applicable legal and regulatory provisions as well as the Code, with the International Chamber of Commerce Marketing Code and with the advertising self-regulation codes in force in the countries where such marketing activities are carried out.

Marketing and commercial communications must not contain descriptions, statements or pictures of the product and / or services promoted that are untrue, inaccurate or misleading deceptive or, in any case, otherwise incorrect. These communications must be easily recognizable as marketing and commercial communications and clearly and explicitly indicate their purposes.

The Associated Companies must implement any of the most appropriate initiatives aimed at ensuring that the marketing and commercial communications, as well as the materials created by them, or created by third parties - including Direct Sellers - comply with these requirements.

The name and the contact details to get in touch with the Associated Company must be indicated in the promotional material, as well as the contacts of the Direct Sellers in question.

2.8 Testimonials and Endorsement

Companies and Direct Sellers shall not use or refer to any testimonial or endorsement which has not been authorized, not true, obsolete or otherwise no longer applicable, or not related to their offer or used in any way likely to mislead the Consumer, or that have been obtained for a fee from the Company or the Direct Seller, without explicitly declaring it. Companies and Direct Sellers who use or disclose Consumers' opinions (including testimonials and endorsements — like symbols) must guarantee their actual origin from individuals who have actually purchased and / or used the product in question, giving proof of such purchase and / or use.

2.9 Comparison and Denigration

Companies and Direct Sellers must refrain from making comparisons which may be misleading or which are incompatible with the principles of fairness and upstanding competition. Any possible aspect which may form the subject of comparison must be identified and selected by the Companies and by the Direct Sellers according to criteria of correctness sensibleness and good faith; moreover, such comparisons must be based on circumstances / elements that can be proven in accordance with the provisions of current legislation in force on comparative advertising. Companies and Direct Sellers must not disparage or belittle other Companies, Enterprises, or other products and services either directly or by implied suggestions. Companies and Direct Sellers must not dishonestly or deceitfully take advantage of the good name enjoyed by brands and symbols of another Company or product.

2.10 Respect of Privacy

Personal, telephone, electronic, IT contacts shall be made, besides being in observance of the law in force, in a reasonable manner and during reasonable hours to avoid intrusiveness.

A Direct Seller shall discontinue a demonstration or selling presentation upon the request of the Consumer.

Companies and Direct Sellers as data processors are required to take appropriate steps to ensure the protection of any personal data or information collected by actual or prospective Customers in compliance with the relevant European legislation.

2.11 Fairness

Direct Sellers shall not abuse any trust of individual Consumers, nor misuse the lack of commercial experience of Consumers and shall not exploit a Consumer's age, illness, mental or physical infirmity, credulity, lack of understanding or lack of the professional language of the Direct Sellers.

2.12 Recommendations

Companies and Direct Sellers shall not induce a Consumer to purchase products on the basis of the prospect that the Consumer will be able to reduce or recover even partially the amount paid out as a purchase price by reporting other Consumers for similar purchases, if such reductions and/ or recovery even if only in part, depend on an uncertain future event.

2.13 Delivery

Any purchase order must be processed as quickly as possible and in any case within 30 days from the conclusion of the contract, unless otherwise agreed between the parties.

Consumers shall be informed if Companies or Direct Sellers are unable to meet the delivery deadline stated in the aforementioned contract on the grounds that the products or the services ordered are not available.

SECTION 3 – CONDUCT TOWARDS DIRECT SELLERS, AS WELL AS CONDUCT AMONG COMPANIES AND AMONG DIRECT SELLERS

3.1 CONDUCT TOWARDS DIRECT SELLERS

3.1.1 Compliance to the Code

Companies must disclose the contents of the Code to all their Direct Sellers and require them, as a condition of being part of the Company's distribution systems, to comply with the Code or with the rules of conduct that meet the principles of the Code itself.

3.1.2 Recruiting

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

3.1.3 Business Information

Information provided by the Company to their Direct Sellers and to prospective Direct Sellers concerning the opportunity and related rights, obligations, as well as typical costs and expenses due to being appointed as Direct Sellers must be accurate and complete. The Company's compensation plan and marketing plan must be transparent, understandable and not misleading.

Companies must not make any factual representation to a prospectively recruitable Direct Seller which cannot be verified or make any promise which cannot be fulfilled. Companies shall not present the advantages of the direct selling opportunities to any prospective recruitable Direct Seller in false or deceptive manners.

3.1.4 Earnings and Accounts

Companies shall provide Direct Sellers with periodic account reports concerning, as the case may be, sales volumes, details of earnings, commissions, bonuses, discounts, product deliveries, order cancellations and other relevant data, in accordance with the activities carried out by Direct Sellers within their contractual terms. All due earnings shall be paid net of withholdings taxes.

Purchases in reasonable amounts for personal use and/or consumption made, in an objectively reasonable quantity, by a Direct Seller or by any of the subordinated Direct Sellers recruited by a Direct Seller so bearing responsibility for their activities, may also constitute the basis for calculating his earnings and rankings.

The discounts granted by the Company, that a Direct Seller can benefit from the context of these personal purchases, must not constitute an incentive for the Direct Seller to resell the products and/or services in question as they were purchased for personal use.

Earnings paid to Direct Sellers shall derive from sales of products and/or services directly promoted to Consumers and regularly delivered. Such products and/or services may be promoted to Consumers and regularly delivered by the subordinated Direct Sellers of a Direct Seller under the same rules.

A Direct Seller does not receive any compensation for mere recruitment of other subordinated Direct Sellers in the Direct Selling system.

3.1.5 Earnings Prospects

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

The representation of earnings, sales figures and volumes must:

- (a) be truthful, accurate, and presented in a manner that it is not false, deceptive or misleading, and
- (b) take place on the base of documented and substantiated facts referring to the relevant home market.

Prospective Direct Sellers must:

- (a) be informed that actual earnings and sales volumes will vary from person to person and will depend upon the individual skills of a Direct Seller, as well as the time and efforts put into the business and other factors, and
- b) be provided with sufficient information to enable Direct Sellers to make a reasonable assessment of the potentially achievable gains.

The foregoing may include examples of earnings based on objective and clearly defined criteria (such as the weekly time dedicated to sales activities) that is the indication of average income ranges for a Direct Seller.

3.1.6 Relations

The Company shall give any Direct Seller, at the start of the collaboration between the Company and the Direct Seller, a written document containing the essential terms of the collaboration, acknowledged by the Company, in accordance with the applicable legislation.

The written agreement or statement shall contain all essential details of the relation between the Direct Seller and the Company.

Companies must inform their Direct Sellers of their legal obligations incumbent on Direct Sellers, including the need to obtain any authorizations, to enter in the registers and in the rolls, to enroll on tax and contributions registers according to the law in force.

3.1.7 Fees

Companies and Direct Sellers will not require Direct Sellers or prospective Direct Sellers to pay, in an objectively reasonable measure (according to local use and not exceeding what may be permitted by the applicable legislation in force on the subject) for any of the following: admission fees and/or renewal fees, training fees, fees for promotional materials and/or for sales tools/aids as well as any charge and/or amount related solely to the right to become part of or stay in the business of Direct Selling distribution system.

Companies shall not require Direct Sellers to purchase products as part of the application process unless included in the start-up kit. However, where and when not prohibited by law, the purchase of the business start-up kit may be required, it must be based on a reasonable market value.

Any payments made by Direct Sellers to become or remain a Direct Seller, including payments required for the purchase of additional services offered by the Company – for example on-line training, e-commerce or other Internet solutions, sales Apps or online-shop (e-shop), and in the event that these coaching-services are absolutely indispensable for carrying out the activity, or in the event that the Company requires the Direct Seller to purchase these services, and the relative shipping costs - it must be parameterized to the cost value for the Company and will be fully refundable (net of any commission received) in the event that a Direct Seller decides to terminate their collaboration within 30 days of the payment in question and subject to appropriate verification.

The reimbursable amounts are exclusively those paid by the Direct Sellers in the 30 days prior to termination.

The payment of commissions on disbursements by a provisional Direct Seller to be appointed as Direct Seller, or to maintain the position of Direct Seller, which are, to all intents and purposes, a fee for recruiting Direct Sellers into a Direct Selling system, is prohibited.

3.1.8 Non-discrimination and Privacy

Business opportunities offered by Companies are open to prospective and potential Direct Sellers without any discrimination of gender, race, ethnic group, religious faith or spiritual significance, or political opinions. Companies do prohibit in writing any type of mixing between the business and one or more aforementioned elements of the private life of the Person in charge of the Direct Selling activity carried out.

Companies and Direct Sellers must not exploit other Direct Sellers taking advantage of elements of their private, social, intellectual or emotional sphere.

3.1.9 Product Inventory and Repurchase

Companies must not require or encourage Direct Sellers to purchase products in quantities that create inventory, nor force Direct Sellers to purchase products. It will be considered misleading and unfair recruiting practice, consequently prohibited, for a Company or a Direct Sellers to request or encourage a Direct Seller to order unreasonable quantities of products or sales tools/aids.

Companies must adopt clear and appropriate measures to ensure that the commissions deriving from their down-lines are calculated on the sales volumes actually developed from these down-lines.

Without prejudice to the right of withdrawal (item 3.1.12 underneath), Companies, should it be requested on the date of termination of a Direct Seller collaboration, will repurchase the goods that are still marketable, the promotional materials, the sales tools/aids and the start-up kit, if in possession of the Direct Seller on that date.

The Direct Seller will receive, within 30 days, a minimum amount equivalent to 90% of the original price of the goods returned.

The Company may withhold, also in compensation, the amount of commissions and bonuses, as well as any further economic benefits received by a Direct Seller that have been calculated on the purchase order and that has been returned.

The terms and the conditions applicable to the return of products must be clearly communicated to the Direct Sellers by the Company.

3.1.10 Training and Coaching

Companies shall provide adequate training and coaching to enable Direct Sellers to operate ethically, according to provisions in force, including any information on the applicable Codes of Ethics and Conduct, and on the sector in question, the products and/or the marketing services.

The aforementioned training and coaching may be carried out through sessions, meetings, as well as the distribution of written manuals, guides or audio-visual materials that must be supplied free of charge or at a reasonable price.

Companies should not use training and coaching programs as a source of income.

3.1.11 Other Materials

Companies prohibit Direct Sellers from making any material available to other Direct Sellers unless it is approved by the Company and it does comply with the Company policies and / or procedures.

In addition, Direct Sellers who offer promotional or training materials, in any form, including on electronic medium, that is material approved and authorized by the Company, must:

- (i) offer only materials that comply with the standards recognized and accepted by the Company;
- (ii) comply with the prohibition on making the recruitment of other Direct Sellers conditional on the purchase of such material;
- (iii) provide sales aids and tools at a reasonable and fair price, without being any significant profit for the Direct Seller, equal to the purchase price of similar material available on the marketplace;
- (iv) guarantee, for such material, return policies and conditions similar to those practiced by the Company to Direct Sellers.

Companies must take diligent, reasonable steps to ensure that sales tools/aids and similar materials provided by the Direct Sellers comply with the provisions of this Code and are not misleading or deceptive.

Compensations, received by Direct Sellers for sales deriving from training and promotional materials to become or to continue to be a Direct Seller that are effectively configured, to all intents and purposes, as compensation for the recruitment of other Direct Sellers into a Direct Selling system, must be prohibited.

3.1.12 Right of Withdrawal and Termination of Collaboration

Prospective Direct Seller have a period of — at least — 10 business days from the date of signing the written agreement/ deed of collaboration to be able to withdraw from their soon-to-be collaboration without penalty and obligation to give reasons. Direct Sellers must inform the Company in writing of their decision to withdraw.

Where the right of withdrawal has been exercised by Direct Sellers, the Company must buy back all products and business tools/ aids that Direct Sellers may have purchased at the start of their activities from the Company. The Company will reimburse, without any charge, any amount paid by the Direct Seller. The refund is subject to the integrity of the returned goods and materials.

Anyway, in the event of termination of collaboration, withdrawal and cancellation of the position of the Direct Seller, the provisions of the law, mandatorily applicable, remain legally valid and relevant.

3.1.13 Principles of Conduct

Companies and Direct Sellers will ensure that contacts with Consumers and/or Companies, even if only potential, take place with discretion, in a tactful manner and during appropriate times in order to avoid undue intrusions into the private life of others and in full and absolute respect and compliance with the relevant law on this matter. Direct Sellers and Companies shall take all necessary actions precautions and appropriate steps to ensure the protection of all private information provided by a Consumer, by potential Consumers, or by other Direct Sellers even if they are provisional.

3.2 CONDUCT AMONG COMPANIES AND AMONG DIRECT SELLERS

3.2.1 Principles

Companies that are Members of AVEDISCO and Direct Sellers must behave fairly towards other Members and other Direct Sellers.

3.2.2 Write-offs

Companies and Direct Sellers must not press Direct Sellers positioned in other Companies for systematic reversal write-offs actions.

3.2.3 Denigration

Companies must not disparage, or allow their Direct Sellers to belittle products, sales, compensation schemes or business and marketing development plans or other aspects of any other Company and/or Direct Seller.

3.2.4 Active Solidarity and Support of the Members

Companies undertake to provide the Association with any information useful to the development of Direct Selling and will strive, as much as possible but within the bounds of their self-determination, to take common positions in the face of problems and external interventions.

Relations between Companies that are Members of the Association must be based on the principles of solidarity and support such as:

- prior consultation for initiatives that may affect or interfere with the activities of other Members,
- preventive confrontation, either direct or through the Association, on any potential cause of disagreement,
- the submission of contention to conciliation and arbitration, in accordance with the provisions of the Articles of the Constitutive Act of the Association and of the Statute of AVEDISCO, of any cause of disagreement that may arise.

SECTION 4 - CODE ENFORCEMENT

4.1 Responsibility of the Company

The primary responsibility for the observance of the Code shall rest with each Company. In case of any breach of the Code, Companies will make any reasonable effort to resolve any complaints and disputes.

Each Company Member and/or pending Company Member is required to identify and appoint an internal figure to whom to entrust the supervision of and to facilitate the compliance with the Code, moreover that figure will have the task of interacting with the Administrator of the Code.

This figure will also represent the main contact of reference within the Company for the disclosure of the principles of the AVEDISCO Code of Ethics to Direct Sellers, Company employees and collaborators, Customers and the general public.

4.2 Responsibility of AVEDISCO

AVEDISCO shall provide a figure responsible for handling any complaint. AVEDISCO will make any reasonable effort to ensure that complaints are settled.

4.3 Administrator of the Code

AVEDISCO appoint an independent person or body as Administrator of the Code with the task of activating, following the reports received, in the ways and terms provided by the Code by appropriate actions, in order to make Companies respect and comply with the Code.

The Administrator of the Code, being understood what above mentioned, will:

- i. monitors compliance with the Codes by the Member Companies associated with appropriate actions;
- ii. intervenes to resolve any complaints and claims by Consumers and / or Direct Sellers - that have not previously been resolved directly with the Company - and regarding violations or breach of the Code, according to the settlement procedures established by AVEDISCO and reported in Section 5.
- iii. draws up an annual report on the management of the Code.

4.4 Corrective Actions

With reference to complaints presented by Consumers, the corrective actions that must be implemented by the Companies, by AVEDISCO or by the Administrator of the Code, may concern: the cancellation of orders, the return of products and / or services purchased, the refund of payments carried out by Consumers, as well as any further action deemed appropriate, including any recalls to Direct Sellers, the revocation of the position of Direct Sellers, recalls to the Companies, financial penalties, suspension and / or cancellation from the Association and the publicity of the measures and penalties adopted according to methods and terms appropriately deemed.

With reference to complaints by Direct Sellers against a Company regarding the violation of the Codes, the corrective actions taken by the Administrator of the Code may include: the revocation of the Direct Selling position, the reimbursement of payments made to the Direct Sellers, the report of a formal authoritative warning to the Company and / or their Representatives, or other actions appropriately deemed, in addition to the publication of such measures and sanctions adopted in the ways and terms properly esteemed.

4.5 Handling of Complaints

The Companies, AVEDISCO and the Administrator of the Codes establish the operating procedures for the purpose of handling the complaints received.

The Administrator of the Code guarantees that the taking charge of each complaint is normally confirmed within two weeks and that the consequent decision is made within three months from that date, except for a possible extension of a further lapse of time of three months due to the complexity of the case.

The handling of the complaint presented by a Consumer will be free of charge for the applicant Consumer.

4.6 Complaints from Companies

The complaint presented by a Company against another Company or a National Association (DSA) will be referred alternatively to the Administrator of the Code, or to an independent arbitrator, according to the provisions of the AVEDISCO procedures.

4.7 Publication

This Code is published by AVEDISCO, that undertakes to disseminate it free of charge in the widest possible way.

4.8 Administrator of the European Code

An Administrator of the European Code is to be appointed. The Administrator of the European Code consists of a Committee of four members appointed by the Board of Directors of Seldia. Three out of four are from the Direct Selling sector. The fourth member, also designated by the Board of Seldia and acting as Chairman, is an independent figure from the sector.

The Executive Director of Seldia, as ex-officio member, acts as Secretary of the Committee.

The Administrator of the European Code can take one of the actions mentioned underneath, where the Consumers in question have their residence in one of the States member of the European Economic Area (that is EEA or SEE) should a Company or a Direct Seller be operating in one of the EEA Countries.

The Administrator of the European Code may:

- (i) receive, study and decide on complaints from parties (Consumers, Direct Sellers, Direct Selling Companies, Consumer Associations and/ or Guilds, and so on) from one of the EEA Countries when a National Association — DSA — is not a member of Seldia and when a Direct Selling Company is involved and the Company in question is a member of Seldia or of a National Association that is a member of Seldia;

- (ii) receive, study and decide on complaints from parties related to cross-border transactions/ activities/ sales involving a Direct Selling Company that is member of Seldia or of a National Association that is member of Seldia of one of the EEA Countries;
- (iii) receive, study and decide on complaints from a National Association member of Seldia of one of the EEA countries parties when a Direct Selling Company that is member of Seldia is involved;
- (iv) receive, study and decide on complaints from National Associations that are member of Seldia of one of the EEA Countries involving Direct Selling Companies that are member of WFDSA, the WFDSA CEO Council or of a National Association that is not a member of Seldia, with the aim of putting in place a conciliation with the aforementioned Direct Selling Companies, the WFDSA and the National Association in question;
- (v) provide, upon request, an opinion with reference to the practices implemented by a Company that fall within the scope of application of these Codes.

4.9 Procedures for the Administrator of the European Code

4.9.1 Information Gathering

In the event that in order to examine a complaint the need arises to acquire further pieces of information to ascertain the points of fact or as of right, the Administrator of the European Code will inform the Company involved about the complaint and its contents and origin, unless the complainant did request anonymity.

The Administrator of the European Code has the right to request the Company and the applicant to provide further information.

Once the facts have been analyzed on the basis of the rules established by the Code, the Administrator of the European Code will make the decision as whether or not to proceed, this no later than three months from the submission of the complaint.

4.9.2 Enforcing the Code

In the event that the Code Administrator believes that there is a violation of the Code, an invitation to the Company involved will be sent in order to make the Company provide his observations within one month.

The Company must, within one month, take a position with regard to the factual situations relating to compliance with the Code, on the basis of which the Administrator of the Code will make his own decision regarding the opening of the procedure.

In the light of the replies received from the Company, or in the absence of these, the Administrator of the European Code may issue an opinion, in which the Administrator of the Code will be able to establish the reasons for which it is believed that, in the case, a violation of the Seldia Code has occurred, and the Company will be asked to comply with the Code within a maximum period of three months.

The Board of Seldia may decide to make this determination public upon the response of the President of the Code Administrator, following a recommendation to that effect from its members.

SECTION 5 – SANCTIONS AND FINAL DISPOSITIONS

5.1. Breach of the Code

In the case of conducts that violate Section 3.2 of this Code, carried out by a Company or carried out by their Direct Sellers, the “Conciliation and Arbitration Commission” as specified in the Regulations of the Statute of AVEDISCO must be implemented.

In the case of acts, activities or behaviors that violate Sections 2 and 3.1 of this Code, carried out by a Company, or their Direct Sellers, the competence to decide on the matter is devolved to the Administrator of the Code.

The Commission and the Administrator of the Code, within their competences, will adopt the respective measures listed here underneath.

5.2 Procedure

The Commission / the Administrator of the Code notifies by certified email or registered letter with acknowledgment of receipt, the violation to the Company involved, which will have a lapse of time, set by the competent Body, but not less than 30 days, to elaborate defenses, as well as to have the right to be interviewed if a specific request is made.

The Commission / Administrator of the Code will have to ensure cross-examination according to a procedure that will be established from time to time in order to guarantee the right of defense to the parties.

If the violation that is the subject of the complaint is found to be well founded, the Company involved in the breach will be notified of the remedial action decided and the possible application of the appropriate sanctions in accordance with the items 5.3, 5.4, 5.5.

5.3. Reprimand

Should a Company breach the Code for the first time, it will be officially reprimanded in writing, save for major instances when the sanctions specified here underneath may be directly applied.

5.4. Suspension

If the aforementioned Company persists in carrying out prohibited behavior, or violate the Code for the second time, it may be proposed by the Board of Directors of AVEDISCO to impose the suspension and a fine ranging from €5,000 to €25,000 (euros), to be used for training, study, coaching sessions or other promotional activities of AVEDISCO.

5.5 Exclusion

If the Company already suspended persists in the prohibited behavior, or violates the Code for the third time, it may be proposed to the Board of Directors of AVEDISCO, besides a further pecuniary sanction for an amount ranging from €10,000 to €25,000 (euros), that the Company on the submission to the Assembly of the Members is excluded from the Association.

In the event of exclusion due to violation of the Code, the Board of Directors of AVEDISCO may arrange to give notice of the exclusion in three national newspapers, and such expenses will be charged to the Company excluded.