

Code of Conduct of the Czech Direct Selling Association (hereinafter the “Code”)

A. General Provisions

1. Scope and Purpose of the Code

The Code concerns the relations:

- (a) between Direct Selling Companies and Direct Sellers;
- (b) between Direct Selling Companies and Consumers;
- (c) between Direct Selling Companies;
- (d) between Direct Sellers.

The Code is aimed at achieving the satisfaction and protection of consumers, the promotion of fair competition in the framework of free enterprise, and the enhancement of the public image of direct selling.

2. Glossary of Terms

For the purposes of this Code:

- “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.
- “Czech Direct Selling Association (AOP)” means the Czech Direct Selling Association, an association of legal entities, with its registered office in Prague, Business ID (IČ) 49371916, registered in the Register of Associations administered by the Municipal Court in Prague, Section L, Insert 58507, which is a member of Seldia.
- “Direct Selling Company” or “Company” means any business entity which markets products associated with its trademark or service mark or identifying symbol through a distribution system based on Direct Selling and which is a member of AOP.
- “Distribution System” means any organization and method designed for the marketing of products.
- “Direct Seller” means any natural or legal person who is member of the Distribution System of a Direct Selling Company and that sells, facilitates or assists in the sales of products of that Company. Direct Sellers may be entitled to recruit other Direct Sellers. Direct Sellers may be independent business agents, independent contractors, independent dealers or distributors, representatives with employee or self-employed status, or other similar sales representatives of the Company.
- “Product” means any tangible or intangible goods and services.

- “Party Selling” means Direct Selling to a group of Consumers invited by a host to that end.
- “Order Form” means a printed or written document confirming details of a Consumer order and providing a sales receipt to the Consumer. In the case of Internet purchases, a form containing all terms of the offer and purchase provided in durable medium.
- “Recruiting” means any activity conducted for the purpose of offering a person the opportunity to become a Direct Seller.
- “Code Administrator” means an independent person or body appointed by AOP to monitor member companies’ observance of the Code and to resolve complaints under the Code.
- “Code Responsibility Officer” means a person or body appointed by an AOP 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.
- “Business Aid” means any good or service which is designed to help Direct Sellers to conduct and develop their business and which is (a) intended for sale to Direct Sellers or provided free of charge to them; and (b) not intended for resale to Consumers.
- “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.

3. Companies

Every AOP member company pledges to abide by the Code as a condition of admission and continuing membership in AOP. Every AOP member company shall be required to promote to the public its affiliation to AOP, the Code and the European Codes of Conduct.

4. Direct Sellers

Direct Sellers are not bound directly by the European Codes of Conduct or the Code, but shall be required by their Companies to adhere to both these codes or to rules of conduct meeting their standard. This shall be a condition of membership in the Companies’ Distribution Systems.

5. Self-regulation

The Code is a measure of self-regulation by the direct selling industry. Its obligations may require a level of ethical behaviour which exceeds existing legal requirements.

Non-observance does not create any civil liability.

With termination of its membership in AOP, a Company is no longer bound by the Code. The provisions of the Code remain applicable to events or transactions occurring during the time a Company was a member of AOP.

6. Legal Regulations

Companies and Direct Sellers shall comply with the requirements of law of a country in which they conduct business.

7. Extraterritorial Application

AOP pledges that it will require each member as a condition of admission and continuing membership in AOP to comply with this Code, the European Codes of Conduct for direct selling activities within the European Economic Area (EEA) or with the World Federation of Direct Selling Associations (WFDSA) Codes of Ethics for direct selling activities outside the EEA, unless those activities are under the jurisdiction of Codes of Conduct of another country's SELDIA- or WFDSA-affiliated DSA to which the member also belongs.

Should a Company be subject of a Code complaint in a country in which it is not a member, the Company must accept jurisdiction of the Code Administrator in its home country (or if the Company is not a member in its home country, any country in which it is a DSA member), and shall bear reasonable costs incurred by the home country Code Administrator associated with resolution of the complaint. Moreover, the Code Administrator of the home country may coordinate with the Code Administrator (if one exists) of the complainant's country and, in evaluating the alleged Code complaint, apply, in order of priority, (i) the standards of the Code of Conduct in the country in which the complaint is filed, or, (ii) the standards of the Code of Conduct in the subject Company's home country, or (iii) at a minimum, the standards set forth in the European Codes of Conduct or the WFDSA Code of Ethics, when those apply.

B. Conduct towards Consumers

1. Prohibited Practices

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

2. Identification

At the initiation of a sales presentation, Direct Sellers shall, without request, truthfully and clearly identify themselves; the identity of their Company; the nature of their Products and the purpose of their solicitation to the prospective Consumer. In Party Selling, Direct Sellers shall make clear the purpose of the occasion to the host and the participants.

3. Explanation and Demonstration

Direct Sellers shall offer Consumers accurate and complete Product explanations and demonstrations regarding Product characteristics, price and, if applicable, personalized price, credit terms, terms of payment, the right of withdrawal, return policies, terms of guarantee, after-sales service, and delivery dates. Direct Sellers shall give accurate and understandable answers to all questions from Consumers. To the extent claims are made with respect to Product efficacy, Direct Sellers shall make only those verbal or written Product claims that are authorized by the Company.

4. Order Form

In the case of a face-to-face sale, 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 Consumer with the full name, registered address and telephone number of the Company and the Direct Seller, and all material terms of the sale. All conditions must be clear and legible.

5. Marketing Communications

Companies and Direct 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 applicable national advertising self-regulatory codes.

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.

6. 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.

7. Comparison 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 shall only be made in accordance with the provisions of the Civil Code concerning comparative advertising. Companies and Direct Sellers shall not denigrate any firm or product directly or by implication. Companies and Direct Sellers shall not take unfair advantage of the goodwill attached to the trade name and symbol or another firm or product.

8. Right of Withdrawal and Return of Goods

Companies and Direct Sellers shall make sure that any Order Form contains a right of withdrawal during a period that is at least the one provided by law, including the right to obtain reimbursement of any payment or goods traded in; or clearly informs Consumers that with regard to their right of withdrawal, a period which is longer than what is provided by law is offered to them, should this be the case; or informs Consumers of an absence of rights of withdrawal, when allowed by the law. Companies and Direct Sellers offering an unconditional right of return shall provide it in writing.

9. Respect of Privacy

Personal, telephone or electronic contact shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness, and in compliance with the law. 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 actual or prospective Customers in accordance with the relevant laws.

10. Fairness

Direct Sellers shall not abuse the trust of individual 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.

11. Referral Selling

Companies and Direct Sellers shall not induce a Consumer to purchase Products 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.

12. Delivery

Any order shall be executed as quickly as possible and in any case within 30 days from the day following that on which the Consumer signs the order, 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.

13. Guarantee and After-sales Service

Terms of a guarantee or a warranty, details and limitation of after-sales service, the name and address of the guarantor, the duration of the guarantee and the remedial action open to the Customer shall be clearly set out in the Order Form.

C. Conduct towards Direct Sellers, between Direct Sellers and between Direct Selling Companies

1. Direct Sellers' Compliance with the Code

Companies shall communicate the contents of the Code to all Direct Sellers and require their Direct Sellers, as a condition of membership in the Companies' Distribution Systems, to comply with the Code or with rules of conduct which meet its standards.

2. Recruiting

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

3. 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. Companies shall not make any factual representation to a prospective recruit which cannot be verified or make any promise which cannot be fulfilled. Companies shall not present the advantages of the selling opportunity to any prospective recruit in an aggressive, unfair or misleading manner. The Company's marketing plan shall be transparent, understandable and not misleading.

4. 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 Consumers. Earnings of Direct Sellers may be based on the sales and personal 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.

5. Remuneration and Earnings Claims

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

2. Earnings representations and sales figures must be:

(a) truthful, accurate, and presented in a manner that is not false, deceptive or misleading, and

(b) based upon documented and substantiated facts in the relevant market.

3. Potential 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.

Companies shall always inform prospective Direct Sellers that actual Earnings and sales will vary from person to person and will depend upon the skills of the salesperson, the time and effort put in and other factors.

6. Contractual Relationships

Companies shall give to Direct Sellers a written agreement, signed by both the Company and the Direct Seller, containing all essential details of the relationship between the Direct Seller and the Company. The written agreement shall contain all essential details of the relationship between the Direct Seller and the Company. Companies shall inform their Direct Sellers of their legal obligations, including any applicable licenses, registrations and taxes.

7. 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: Product inventory, entrance fees, training fees, franchise fees, fees for promotional materials and for sales aids or other Fees related solely to the right to become or remain a participant in the Company's Distribution System.

No Company shall require Product purchases as part of the application process unless included in the starter kit. However, where not prohibited by law, mandatory purchase of a starter kit is permitted.

Any required Fees charged to become or remain a Direct Seller including any required additional service offered by the Company (e.g. online training, eCommerce of other Internet solutions, 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, shipment costs) 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 Direct Sellers into a sales system, shall be prohibited.

8. 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.

9. Withdrawal from the Agreement

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

The period for exercise of this right shall begin the day following conclusion of the membership agreement. The Direct Seller may be required to inform the Company in writing of his/her decision to withdraw from the agreement.

Where the right of withdrawal has been exercised by the Direct Seller, the Company shall buy back, upon request of the Direct Seller, all Products and Business Aids that the Direct Seller purchased at the start of his/her activities. The company shall reimburse free of charge all sums paid by the Direct Seller.

The Company shall however not be obliged to buy back Products and Business Aids if they are not in their original, new and unused condition.

10. Inventory and Buy-Back

Companies shall sell to Direct Sellers Product inventory in unreasonably large amounts. Any recruiting practice used by a Company or a salesperson to require or encourage an independent salesperson to purchase unreasonable amounts of inventory or sales aids shall be considered unfair and is therefore strictly prohibited.

Companies shall take clear and reasonable steps to ensure that Direct Sellers who are receiving compensation for downline sale volume are either consuming or reselling the Products they purchase in order to qualify to receive compensation.

If requested upon cessation of a Direct Seller's relationship with a Company, Companies shall buy back any unsold, resaleable Product inventory, promotional material, sales aids and kits, purchased within the previous twelve months and refund the Direct Seller's original cost, less a handling charge to the Direct Seller of up to 10% of the net purchase price. The Company

may also deduct the cost of any benefit received by the Direct Seller based on the original purchase of the returned goods. The Company shall, however, not be obliged to buy back products if:

- They are not in their original, new and unused condition; or
- 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.

11. 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. 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.

12. Other Materials

Companies shall prohibit Direct Sellers from marketing to other Direct Sellers any materials that are not approved by the Company and that are inconsistent with Company policies and procedures.

Further, Direct Sellers who sell Company approved, legally allowed promotional or training materials, whether in hard copy, electronic, or any other 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 of other Direct Sellers, (iii) provide sales aids at a reasonable and fair cost, without any significant profit to the Direct Seller, equivalent to similar material available generally in the marketplace, and (iv) offer a written return policy that is the same as the return policy of the Company the Direct Seller represents.

Companies shall take diligent, reasonable steps to ensure that sales aids and similar materials produced by Direct Sellers comply with the provisions of this Code and are not misleading.

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

1. Principle

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

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3. Denigration

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 feature of that Company. They shall not allow their Direct Sellers to indulge in similar unfairly denigration.

E. Code Enforcement

1. Companies' 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 AOP pending member Company is required to designate a Code Responsibility Officer with the Code. A Code Responsibility Officer is responsible for facilitating compliance with the Code by their 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.

2. Code Administrator

AOP shall exert every reasonable effort to settle complaints. To that end, AOP shall appoint an independent person or body as the Code Administrator.

The Code Administrator shall:

- (a) monitor Companies' observance of the Code;
- (b) settle any complaints by Consumers or Direct Sellers based on breaches of the Code that have not been resolved by the Company;
- (c) furnish an annual report on the operation of the AOP Code.

3. Actions

With regard to consumer complaints, actions to be decided on by Companies, DSAs or National Code Administrators 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 Companies, exclusion of Companies from DSA 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, issuance of a warning to the Company or its Direct Sellers, or other appropriate actions and the publication of such actions and sanctions.

4. Complaint Handling

AOP, Companies 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.

5. Publication of the Code

AOP 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.

6. Companies' Complaints

Complaints of a Company about another Company or AOP shall be resolved either by the Code Administrator or an independent arbitrator.