ICC INTERNATIONAL CODE OF DIRECT SELLING

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International Chamber of Commerce
The world business organization

Prepared by the ICC Commission on Marketing and Advertising

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ICC International Code of Direct Selling

Introduction

Responsible direct selling

Direct selling is a vital means of marketing and distribution. It encourages competition, helps to create efficient markets, both nationally and internationally, and brings significant benefits to consumers and companies, as well as to society in general.

Responsible direct selling, based on widely supported self-regulatory codes of conduct, is an expression of the industry's recognition of its social obligations. The fundamental value of self-regulation lies in its ability to create, enhance and preserve consumer trust and confidence in the business communities behind it, and thereby in the marketplace itself. Effective self-regulation is also an instrument for the protection of individual companies' goodwill and reputation. Self-regulatory codes continue to be developed and refined in response to societal, technological and economic changes.

Independent systems of self-regulation have been successfully applying ICC Codes for the past 75 years. The use of properly implemented codes of conduct is acknowledged and accepted in all major markets as industry best practice and a recognized means of providing additional consumer protection. Self-regulation is a tried and tested system that has served responsible business well, for the benefit of consumers all over the world.

The Code of Direct Selling

Since 1937, when the first Code of Advertising Practice was issued, ICC has produced, and successively revised, global sets of ethical rules, covering all main marketing disciplines. The ICC Code of Direct Selling forms part of that comprehensive ICC normative system. In 2006 many of the marketing codes were consolidated into one document, the Consolidated ICC Code of Advertising and Marketing Communication Practice. As direct selling is primarily a method of distribution, the Direct Selling Code remains a stand-alone document; however, by reference (see Scope) it is clearly linked to the Consolidated Code, which is the recognized global reference point for responsible marketing communications.

The ICC Code of Direct Selling was first published in 1978 and followed the already then well-established ICC policy of promoting high standards of ethics in marketing via self-regulatory codes, intended to complement the existing frameworks of national and international law.

Like its predecessor (2007), this edition has been developed in close co-operation with the World Federation of Direct Selling Associations (WFDSA). That has ensured the Code is based on the best available expertise, and kept apace with changes in practice and direct selling techniques. The WFDSA has also adopted a world code of conduct applicable exclusively to members of direct selling associations. There is conformity in substance

between the ICC Code and the industry code. The ICC Code is to be followed by all involved in direct selling.

Purpose of the Code

The ICC Code of Direct Selling is intended primarily as an instrument for self-regulation and self-discipline, but may also be used by the Courts as a reference document within the framework of applicable legislation. ICC expects business operators to respect and endorse the Code both in the spirit and to the letter. It is recommended as a daily reference source for everyone involved in direct selling.

The Code is intended to achieve the following objectives:

- demonstrate responsibility and good practice in direct selling across the world;
- enhance overall public confidence in direct selling;
- respect privacy and consumer preferences and to provide effective consumer protection;
- promote fair competition and free enterprise;
- provide effective practical and flexible solutions;
- minimise the need for detailed governmental and/or inter-governmental legislation or regulations.

Structure of the Code

The Code is constructed as a system of ethical rules for the various phases and aspects of the direct selling process. It has been divided into four chapters:

- Chapter A: Basic principles
- Chapter B: Conduct towards consumers
- Chapter C: Conduct towards direct sellers
- Chapter D: Responsibility, substantiation and implementation

Scope of the Code

The Code applies to all direct selling activities in their entirety, whatever their framing, form or content. As for any marketing communications used in connection with direct selling activities, **the Consolidated ICC Code of Advertising and Marketing Communication Practice** applies, unless specifically dealt with in this Code. The Direct Selling Code should also, where relevant, be read in conjunction with other ICC codes, principles and framework interpretations. All relevant documents are available at the dedicated ICC Codes Centre website, found at www.codescentre.com.

The distinction between direct selling and other techniques for making direct approaches to consumers should be noted. Direct marketing, including the telephone, and the use of digital interactive media, are covered by Chapters C and D of the Consolidated ICC Code.

This Code sets standards of ethical conduct to be followed by all direct selling companies and their direct sellers. It should also be adhered to by practitioners or other contractors providing services for direct selling purposes.

This Code is to be applied against the background of whatever legislation may be applicable.

Definitions

For the purpose of this Code,

- the term **direct selling** refers to the selling of products directly to consumers, generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, where the direct seller may explain or demonstrate products;

- the term **direct selling company** refers to a business entity which utilises a direct selling distribution system to market products;

- the term **direct seller** refers to a person who is a member of a distribution system of a direct selling company. A direct seller may be an independent commercial agent, independent contractor, independent dealer or distributor, employed or self-employed representative, or any other similar sales representative of a direct selling company;

- the term **consumer** refers to any persons to whom direct selling activities are directed, whether as an individual or as a trade customer or user;

- the term **party selling** refers to selling through explanation and demonstration of products to a group of prospective customers by a direct seller usually in the home of a host or hostess who invites other persons for this purpose;

- the term **product** refers to anything, goods or services, tangible or intangible, that constitutes the subject of an intended direct selling transaction;

- the term **recruiting** refers to any activity conducted for the purpose of offering a person the opportunity to become a direct seller.

Interpretation

The Code is to be applied in the spirit as well as to the letter, bearing in mind the different degrees of knowledge, experience and discriminatory ability of those to whom direct selling activities are directed.

Rules

Chapter A : Basic principles

Article A1
All direct selling should be legal, decent, honest and truthful.

Every direct selling activity should be carried out with a due sense of social and professional responsibility.

No direct selling should be carried out such as to impair public confidence in direct selling.

All direct selling activities should conform to the principles of fair competition as generally accepted in business.

Chapter B : Conduct towards consumers

Article B1 - Fairness
All direct selling activities should deal fairly with consumers. Activities should be designed and carried out to avoid giving ground for reasonable complaint.

Misleading, deceptive or unfair sales practices should not be used.

High-pressure tactics which might be construed as harassment should be avoided.

No direct selling should be represented to the consumer as being a form of market research.

Direct selling companies and direct sellers should not abuse the trust of individual consumers, and should not exploit a consumer's age, illness, lack of understanding or unfamiliarity with a language.

Article B2 - Respect of privacy
Any contact should be made in a reasonable manner and during reasonable hours to avoid intrusiveness. Where a consumer has in a clearly visible and unequivocal way (e.g. by "no selling" on a door sign) indicated a wish not to receive approaches from direct sellers this should be respected. A direct seller should discontinue a demonstration or sales presentation immediately upon the request of the consumer.

Any collection and processing of data should be carried out in strict accordance with Article 19 of the Consolidated ICC Code of Advertising and Marketing Communication Practice.

Article B3 - Identification
At the initiation of a sales presentation, direct sellers should without request truthfully and clearly identify themselves to the consumer, and should also identify their company, the nature of their

products and the purpose of their solicitation. In party selling, direct sellers should make clear the purpose of the occasion to the host/hostess and to the participants.

Promotional literature, advertisements or mailings should contain the name and address or telephone number of the direct selling company, and may include the telephone number of the direct seller.

Article B4 - Accuracy
The terms of the offer should be clear, so that the consumer may know the exact nature of what is being offered and the commitment involved in the placing of an order.

Article B5 - Truthfulness
Presentations and other representations used in direct selling should not contain any product description, claim, illustration or other element which directly or by implication is likely to mislead the consumer.

Descriptions, claims, illustrations or other elements relating to verifiable facts should be capable of substantiation. Direct sellers should only make promises concerning the product which are authorized by the direct selling company they represent.

Article B6 - Explanation and demonstration
Explanation and demonstration of the product offered should be accurate and complete, in particular with regard to price and, if applicable, credit conditions, terms of payment, cooling-off periods and/or return rights, terms of guarantee, after-sales service and delivery.

The direct seller should endeavour to make sure that the individual consumer clearly understands the information given. Direct sellers should give accurate and understandable answers to all questions from consumers concerning the product and the offer.

The consumer should be given an opportunity to read the entire contract form thoughtfully and without harassment.

Article B7 - Order form
A written order form should be delivered to the consumer at the time of sale, which should identify the direct selling company and the direct seller and which should contain the full name, permanent address and telephone number of the direct selling company and where applicable of the direct seller and all material terms of the sale. All terms should be clear and legible.

Article B8 - Comparisons, denigration and exploitation of goodwill
Direct selling companies and direct sellers should refrain from using comparisons which are likely to mislead and which are incompatible with principles of fair competition. Points of comparison should not be unfairly selected and should be based on facts which can be substantiated. Direct selling companies and direct sellers should not denigrate any person, firm or product directly or by

implication. Direct selling companies and direct sellers should not take unfair advantage of the goodwill attached to the trade name and symbol of another firm or product.

Article B9 - Testimonials

The presentation of the offer should not contain or refer to any testimonial, endorsement or supportive documentation unless it is genuine, verifiable and relevant.

Testimonials or endorsements which have become obsolete or misleading through the passage of time should not be used.

Article B10 - Guarantees

Direct selling should not state or imply that a “guarantee”, “warranty” or other expression having substantially the same meaning, offers the consumer rights additional to those provided by law when it does not.

The terms of any guarantee or warranty, including the name and address of the guarantor, should be easily available to the consumer and limitations on consumer rights or remedies, where permitted by law, should be clear and conspicuous. The remedial action open to the consumer should be clearly set out in the order form or other accompanying literature or provided with the product.

Article B11 - After-sales service

When after-sales service is offered, details of the service should be included in the guarantee or stated elsewhere in the offer. If the consumer accepts the offer, information should be given on how the consumer can activate the service and communicate with the service agent.

Article B12 - Safety and packaging

Products, including, where applicable, samples, should be suitably packaged for delivery to the customer – and for possible return – in compliance with the appropriate health and safety standards and with Article 17 of the Consolidated ICC Code of Advertising and Marketing Communication Practice.

Article B13 - Fulfilment of orders

Unless otherwise stipulated in the offer, orders should be fulfilled within 30 days from the date the order is signed by the consumer. The consumer should be informed of any undue delay as soon as it becomes apparent. In such cases, any request for cancellation of the order by the consumer should be granted, and the deposit, if any, should be refunded immediately. If it is not possible to prevent delivery, the consumer should have and be informed of the right to return the product at the direct selling company’s or the direct seller’s cost within a reasonable amount of time.

Article B14 - Substitution of products

If a product becomes unavailable for reasons beyond the control of the direct selling company or direct seller, another product may be supplied in its place only if the consumer is informed that it is a substitution, and if such replacement product has materially the same or better characteristics

and qualities, and is supplied at the same or a lower price. In such a case, the substitution and the right to return the substitute product at the direct selling company's or direct seller's cost should be explained to the consumer.

Article B15 - Cooling off and return of goods

Direct selling companies and direct sellers should make sure that any order form contains, whether it is a legal requirement or not, a cooling-off clause permitting the consumer to withdraw from the order within a specified period of time, and to obtain reimbursement of any payment or goods traded in. Direct selling companies and direct sellers offering a right of return should provide it in writing.

Article B16 - Complaints

Direct selling companies should establish complaint handling procedures that are efficient and fair to the consumer. The receipt of any complaint should be confirmed promptly, and decisions made and communicated to the complainant within a reasonable time.

Article B17 - Price and credit terms

Whether payment for the offer is on an immediate sale or instalment basis, the price and terms of payment should be clearly stated in the offer together with the nature of any additional charges (such as postage, handling, taxes, etc.) and, whenever possible, the amounts of such charges.

In the case of sales by instalment, the credit terms, including the amount of any deposit or payment on account, the number, amount and periodicity of such instalments and the total price compared with the immediate selling price, if any, should be clearly shown in the offer.

Any information needed by the consumer to understand the cost, interest and terms of any other form of credit should be provided either in the offer or when the credit is offered.

Unless the duration of the offer and the price are clearly stated in the offer, prices should be maintained for a reasonable period of time.

Article B18 - Payment and debt collection

The procedure for payment and debt collection should be determined in writing before any contract is signed and should be such as to avoid undue inconvenience to the consumer, making due allowance for delays outside the consumer's control.

Debtors should not be approached in an unreasonable manner and debt collection documents which might be confused with official documents should not be used.

Article B19 - Referral selling

Consumers should not be induced to make a purchase based upon the representation that they can reduce or recover the price by referring prospective customers to the direct sellers for similar purchases, if such reductions or recovery are contingent upon some uncertain, future event.

Chapter C : Conduct towards direct sellers

Article C1 - Integrity

Direct selling companies should deal fairly and honourably with direct sellers and prospective recruits, and should not abuse their trust or exploit their possible lack of business experience. Payments and withholdings should be made in a commercially reasonable manner.

Direct sellers should be given adequate education and training to enable them to operate ethically. Direct selling companies should communicate the contents of the Code to all direct sellers. They should be required, as a condition of membership in the company's distribution system, to comply with the standards of the Code; see also Article D6.

Direct sellers should be fully informed by direct selling companies as to the characteristics of the goods or services offered, to enable the direct sellers to give the consumer all necessary information.

Article C2 - Recruiting

Misleading, deceptive or otherwise unfair recruiting practices should not be used. Unverifiable factual representations or false promises should not be made to prospective recruits. The advantages of the selling opportunity should be presented truthfully, and should not be exaggerated.

The legal, economic and other relevant business factors that are likely to affect appreciably the decision to become a direct seller should be communicated in such a way and at such a time that the prospective recruit can take them into account before accepting the offer of employment, distributorship or commission.

Article C3 - Business information

Information provided by a direct selling company to its direct sellers and to prospective direct sellers concerning the selling opportunity and related rights and obligations should be accurate and complete.

At the outset, the direct selling company should give its direct sellers either a written agreement to be signed by both parties, or a written statement containing all essential details of the relationship between them. Direct sellers should also be informed of their legal obligations, including any applicable licenses, registrations and taxes.

Article C4 - Remuneration and accounts

The direct selling company should provide its 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 should be paid and any withholdings made in a transparent and commercially reasonable manner.

Article C5 - Fees
Entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely to the right to participate in the business should not be unreasonably high. Any fees charged to become a direct seller should relate directly to the value of materials or products provided in return.

Article C6 - Earnings claims
Actual or potential sales or earnings of direct sellers should not be misrepresented. Any sales or earnings representations made should be based upon documented facts.

Article C7 - Inventory
Direct selling companies should not require or encourage direct sellers to purchase product inventory in unreasonably large amounts. The following should be taken into account when determining the appropriate amount of product inventory:

- the relationship of inventory to realistic sales possibilities,
- the nature of competitiveness of the products and the market environment, and
- the company's product return and refund policies.

Article C8 - Termination
On the termination of a relationship, the direct selling company should buy back any unsold, but saleable product inventory, including promotional material, sales aids and kits, and credit the direct seller's original net cost thereof less a reasonable handling charge to the direct seller up to 10% of the net purchase price and less any benefit received by the direct seller based on the original purchase of the returned products.

Chapter D : Responsibility, substantiation and implementation

Article D1 - Responsibility

Direct selling companies have overall responsibility for their direct selling activities.

Those taking part in the planning, creation or execution of any direct selling activity have a degree of responsibility commensurate with their position for ensuring that the rules of the Code are observed and should act accordingly. They should exercise due care and diligence and should operate in such a way as to enable the direct selling company to fulfil its responsibilities.

Thus in addition to the direct selling company the Code should be duly observed by:

- direct sellers, whether employed or independent;
- any other member of the direct selling company's distribution system, consultant, agency or their subcontractors, who contribute to the direct selling activity.

Article D2

The rules of this Code embrace the direct selling activity in its entire content and form, including testimonials and statements, and audio or visual material originating from other sources. The fact that the content or form of the direct selling activity may originate wholly or in part from other sources does not justify non-observance of the Code rules.

Article D3 - Effect of subsequent redress for contravention of the Code

Subsequent correction and/or appropriate redress for a contravention of the Code, by the party responsible, is desirable but does not excuse the contravention.

Article D4 - Implementation

The Code, and the principles enshrined in it, should be adopted and implemented, nationally and internationally, by the relevant independent self-regulatory bodies. The Code should also be applied, where appropriate, by all organizations, companies and individuals involved at all stages of direct selling.

All concerned with direct selling should be familiar with the Code and with decisions taken by the appropriate self-regulatory body.

The prime responsibility for the enforcement of the Code against any direct seller rests with the direct selling company.

Requests for interpretation of the principles contained in this Code may be submitted to the ICC Code Interpretation Panel.

Article D5 - Substantiation

Substantiation of verifiable facts needed to establish compliance of the direct selling activity with the Code should be available and be produced when called for by any appropriate self-regulatory body.

Article D6 - Respect for self-regulatory decisions

No direct selling company or direct seller should be party to the implementation of any direct selling activity or party to the publication or distribution of any communication which has been found unacceptable by the relevant self-regulatory body or available dispute-resolution mechanisms.

Direct selling companies should include in their contracts, or other agreements of employment, a clause requiring direct sellers to adhere to the applicable self-regulatory rules and to respect decisions and rulings made by the appropriate self-regulatory body.

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The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote open international trade and investment and help business meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the 20th century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice. ICC also offers specialized training and seminars and is an industry-leading publisher of practical and educational reference tools for international business, banking and arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on relevant technical subjects. These include anti-corruption, banking, the digital economy, marketing ethics, environment and energy, competition policy and intellectual property, among others.

ICC works closely with the United Nations, the World Trade Organization and intergovernmental forums including the G20.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with ICC members in their countries to address their concerns and convey to their governments the business views formulated by ICC.

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