



Code of conduct




BEING FAIR TO BE SUCCESSFUL



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Foreword

The *Bundesverband Direktvertrieb Deutschland e.V. (the Bundesverband)* is an association of renowned and well established companies offering goods and services to potential customers by providing personal explanation and demonstration in the home. Member companies of the *Bundesverband* drew up a Direct Selling Code of Conduct ('Code of Conduct') as early as 1980, committing themselves to strict adherence in the interests of their customers and Sales Partners.

The following Code of Conduct was adopted by the members of the *Bundesverband* in October 2018, replacing its previous rules of fair trading.

It also obliges the members of the *Bundesverband* and their Sales Partners to observe strict fairness in business dealings with consumers, Sales Partners and competitors alike.

This obligation includes in particular:

- behaving fairly when initiating, concluding and handling contracts;
- granting the customer an extended contractual withdrawal option, exceeding the general provisions in the law. Additionally, an extended reversal of the burden of proof is mandated, favouring customers' rights;
- behaving honestly towards Sales Partners.

Details are given on the following pages.



Preamble

The members of the *Bundesverband* naturally undertake to comply with the laws, in particular the provisions in terms of consumer protection, data protection and fairness in the conduct of business. In addition to the legislation already existing, the Code of Conduct contains guidelines for member companies' conduct on the market.

The Code of Conduct constitutes an integral part of the *Bundesverband* statutes, specifying the principles of fair trading towards consumers, Sales Partners and competitors.

The Code of Conduct exceeds statutory protective regulations, being a collection of provisions ensuring both fairness towards consumers and their protection, and laying down ethical standards in Direct Selling. As a measure of self-regulation it may thus be referred to by courts of law when it comes to interpreting statutory regulations.



In dealing with consumers as potential customers, members of the Bundesverband and their Sales Partners shall ensure correct conduct.

Members of the *Bundesverband* have specific responsibilities towards their Sales Partners – the very pillars of their Direct Selling operations – stemming specifically from their independent status. These relate in particular to recruiting new Sales Partners, formulating and terminating the contractual relationship and carrying out internal education and training.

In their dealings with each other, member companies shall act in full compliance with the strict principles of honesty and fair competition. Abidance by the Code of Conduct is monitored by a Control Commission.



1 General

1.1 Scope

The Code of Conduct concerns the relations

- between Direct Selling companies and Sales Partners on the one hand and consumers on the other hand
- between Direct Selling companies and Sales Partners
- between Direct Selling companies
- between Sales Partners.

The Code of Conduct applies to the Direct Selling of goods and services to consumers by Sales Partners.

1.2 Aims

The objectives of the Code of Conduct are as follows:

- satisfaction and protection of the consumer
- satisfaction and protection of the Sales Partner
- promotion of fair competition amongst Direct Selling companies
- enhancement of the public image of the Direct Selling industry.

1.3 Glossary of terms

For the purposes of the Code of Conduct, the terms used have the following meaning:

Direct Selling

The marketing of goods and services directly to consumers generally in the home, at the workplace and other places away from permanent retail locations, through personal consultation and demonstration of the products by a Sales Partner.

Bundesverband

The German Direct Selling Association, representing the interests of renowned Direct Selling companies in Germany in the field of private consumer goods and services.

Company

The marketing of goods and services directly to consumers generally in the home, at the workplace and other places away from permanent retail locations, through personal consultation and demonstration of the products by a Sales Partner.

Sales Partner

A person belonging to a company's sales organization, including in particular commercial agents, employed representatives, franchisees, commission agents, independent dealers, and other independent contractors.



Product

Goods and services.

Selling

Contacting consumers, explaining and presenting products by way of personal consultations or on a party plan basis, and taking and delivering orders. Collecting payments may also be involved.

Party selling

The demonstration and explanation of products by a Sales Partner to a group of consumers for the purpose of selling, generally in the private home of a host who has invited other consumers.

Control Commission

An independent body responsible for monitoring adherence to the Code of Conduct by companies and Sales Partners, and for resolving any complaints lodged by consumers and Sales Partners.

1.4 Business operations

Each company undertakes vis-à-vis the *Bundesverband* to abide by the Code of Conduct as a condition of admission and continuing membership.

Each company has organized its business operations into a sales system aimed at marketing quality products and services under fair conditions to consumers.



1.5 Scope of Code of Conduct

The Code of Conduct is a measure of self-regulation by the Direct Selling industry.

With termination of its membership in the *Bundesverband*, a company is no longer bound by the Code of Conduct. The provisions of the Code of Conduct remain applicable to the period during which the company was a member.



1.6 Extraterritorial effect

Each company agrees as a condition to admission and continuing membership in the Bundesverband to comply with WFDSA Direct Selling Code of Ethics with regard to direct selling activities outside the area within which the German Codes of Conduct are operative unless, and only unless, those activities are under the jurisdiction of codes of conduct of another country's DAS to which the company also belongs.

If, outside the territorial scope of the German Codes of Conduct, a violation of the WFDSA Direct Selling Code of Ethics is alleged, this breach will be dealt with by the Code Administrator of the DSA in the company's home country (or if the company is not a member in its home country, by any DSA in which the company is a member).

The company shall bear reasonable costs incurred by the home country Code Administrator associated with the Code Administrator procedure.





2. Conduct towards consumers

2.1 Fair conduct

When contacting consumers, the companies and their Sales Partners shall refrain from doing anything which might lead to misunderstandings about the purpose of the contact.

If requested to do so by the consumer, the Sales Partner shall

- dispense with holding a demonstration or sales presentation
- postpone a demonstration or sales presentation, or
- immediately discontinue a demonstration or sales presentation which has already been commenced.

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

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



2.2 Identification

When contacting consumers personally and by telephone, and at the start of any sales presentation, Sales Partners shall, without being requested to do so, truthfully introduce themselves by name and give the name of the company that they represent. Sales Partners making personal contact shall provide adequate identification if required. In addition, they shall, at the start of any sales presentation, state the commercial reason for their visit or telephone call, and explain what goods or services are being offered.

2.3 Information during the sales presentation

The companies and their Sales Partners shall place the legally prescribed information at the consumer's disposal before the latter makes a direct selling purchase. The information is to be framed clearly and comprehensibly and presented in a legible form.

2.4 Recording or confirmation of the contract

The contract document, a record or confirmation of the contract which meets the legal requirements, shall be placed at the consumer's disposal.



2.5 Cooling-off

The companies and their Sales Partners shall grant consumers the additional right, over and beyond the legal provisions under the law on cancellation, to cancel any declaration of intent made in respect of concluding a contract, within 14 days, if performance is immediately rendered and paid for upon conclusion of the negotiations, whereby payment shall not exceed 40 euro.

Where appropriate, they shall draw the consumer's particular attention, in the contract, the record or confirmation of the contract, to his extended right of cancellation as per the Code of Conduct.

2.6 Burden of proof in the case of defective goods

Should any defect emerge in the good within one year of the conclusion of the purchase contract, the consumer does not need to prove that the defect was present at the time of delivery.

2.7 Promotional material/comparative advertising

When promotional material is distributed, and in the case of comparative advertising, the following must be complied with in addition to the legal provisions: promotional literature, such as leaflets, advertisements, catalogues and suchlike, shall give the name and address of the company, as well as those of the Sales Partner if the latter is concluding the contract in his own name.

In all advertising literature, companies and Sales Partners shall refrain from misleading the consumer in any way as regards the distribution channel and the prices and features of the products.

No comparisons with competing companies or rival products shall be made on principle, unless such comparisons are kept truthful and objective, and serve informative ends in the event of a consumer showing a particular interest in being informed.

2.8 Testimonials

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

- they have been authorized to do so by both the person giving the testimonial and the company
- it is applicable to do so
- such testimonial and endorsement are up-to-date and not obsolete, and
- testimonials and endorsements, tests and/or personal references are connected in some way with the intended purpose.



2.9 Respect of privacy

Sales Partners shall not behave intrusively. In particular, personal or telephone contacts shall be made during reasonable hours, unless the consumer has expressly requested otherwise.



Companies and their Sales Partners shall telephone a consumer for promotional purposes only with the consumer's express prior consent. The number from which the call is being made must be supplied. Calls are to be terminated courteously and promptly if it becomes apparent that the person being called does not wish to receive the call.

Companies and their Sales Partners shall respect commercially inexperienced persons, and on no account exploit consumers' age, illness or lack of understanding in order to persuade them to sign a contract. When contacting sections of the community which have a lack of language knowledge or which are at a so-called social disadvantage, they shall take into consideration their financial means as well as their degree of understanding and linguistic abilities, and in particular they shall refrain from doing anything which may encourage anyone belonging to any such group to place orders incommensurate with their circumstances.

2.10 Prohibition of progressive canvassing

Companies and Sales Partners shall not introduce, operate or promote any snowball system to encourage sales, whereby the consumer does anything in return for being given the opportunity to acquire a reward which is mainly to be gained by the introduction of new consumers into such a system and less through the sale or use of products.

2.11 Delivery

The good is to be delivered no later than 30 days after the conclusion of the contract, unless the consumer requests a later delivery.

2.12 Data protection

Consumers' privacy shall be respected and protected through compliance with the relevant data protection provisions when their personal data are collected, processed, stored and passed on.





3. Conduct towards Sales Partners

3.1 Adherence to the Code of Conduct by Sales Partners

Sales Partners shall be provided with sufficient knowledge about the Code of Conduct and the obligations arising therefrom. Companies shall require their Sales Partners to comply with the Code of Conduct.

3.2 Duty to inform Sales Partners

Sales Partners shall be recruited solely in accordance with the generally recognised principles of fair competition.

Sales Partners and prospective Sales Partners shall be informed fully and truthfully about their rights and obligations. The companies' duty to inform shall in particular cover the contractual and statutory obligations accompanying the status of independent Sales Partners, the obligation to register a trade or apply for an itinerant trader's license, and the obligation to pay taxes and duties.

Sales Partners and prospective Sales Partners shall be fully and truthfully informed by the companies about opportunities regarding average turnover and earnings, as well as about the costs and expenses generally incurred.

Any information given about turnover and earnings shall be based upon documented facts and may not be misleading.

The company's remuneration plan shall be transparent, understandable and not misleading.

This applies to oral and written statements as well as image material used by the company.

3.3 Contractual relationship

Companies and Sales Partners shall sign a written agreement on their cooperation. This agreement shall contain the essential rights and obligations of both parties to the contract.

The Bundesverband dissociates itself from business practices aiming at commercially exploiting a Sales Partner's private sphere and/or employing means used by sectarian groups to create personal dependence, which lead to an all-embracing monopolisation of the person involved



3.4 Verbal promises to consumers

Sales Partners shall only make verbal promises to consumers which are authorized by the company.

3.5 Assuming financial obligations

Companies shall not make their Sales Partners pay unreasonably high entrance fees, fees related solely to the right to remain in the sales system, training fees, fees for promotion materials or franchise fees. Payments made by a Sales Partner must be within reasonable limits, and in return the company's counter-performance must be adequate.

Optional services that support the activity of the Sales Partners should be provided at no more than cost price.

Sales Partners shall not be required to pay for the mere right to become or remain a participant in the sales system.

Services that Sales Partners must use to perform their business (such as an online shop or internet solutions) should be provided free of charge.

3.6 Termination of the contract

Upon termination of a contract, companies shall take back at cost price any stocks of goods which are in perfect condition. If the contract duration was longer than six months, a handling fee to a maximum of 10% of the cost price may be charged.

Sales partners shall be informed about this at the inception of the contract.

3.7 Stocks held by Sales Partners

Companies shall neither directly nor by means of financial incentives induce their Sales Partners to purchase product inventory in unreasonably large amounts.

The following should be taken into account when considering whether sizes of stock are reasonable:

- opportunities for earnings
- type of product, sales opportunities
- company product return and refund policies.



3.8 Remuneration and accounts

Companies shall provide their Sales Partners with periodic accounts, detailing remuneration (commission, bonuses, discounts, and suchlike), deliveries, cancellations, and other relevant data. All monies due shall be paid without delay and without any unjustified deductions.

Product sales by the Sales Partner form the basis for the remuneration of the company. No remuneration shall be paid for merely recruiting other Sales Partners, for mandatory product purchases on the occasion of the new entry of a Sales Partner or for the purchase of advertising materials, training or training materials.

3.9 Education and training

Companies shall offer their Sales Partners education and training which is reasonable in terms of content and time expended, and which in the context of an education and training programme imparts the following skills and knowledge:

- the legal regulations governing Direct Selling
- the statutory obligations of a Sales Partner
- knowledge about this Code of Conduct
- knowledge about the company
- basic legal principles applicable in commerce
- knowledge about the market/competition

- product knowledge
- holding consultations and sales presentations, taking into account the self-restrictions imposed by the Code of Conduct.



Training relates to market situation and product and shall always be provided at no more than cost price; training and promotional materials shall also be made available to Sales Partners at no more than cost price.

Companies shall prohibit their Sales Partners from using training and promotional materials that are not approved by the Company.



4. Conduct between companies

4.1 Principle

The members of the Bundesverband shall behave fairly towards each other.

4.2 Enticement

Companies and their Sales Partners shall not systematically entice away or solicit other companies' Sales Partners.

4.3 Denigration

Companies shall neither make nor circulate allegations, nor tolerate remarks made by their Sales Partners, which unfairly defame another company's products or distribution system.





5. Code enforcement

5.1 Companies' responsibility

The companies shall be responsible for observance of the Code of Conduct.

In the event of any breach of the Code of Conduct, companies shall exhaust all the possibilities open to them for satisfying the consumer or complainant concerned..

5.2 Control Commission

Observance of the Code of Conduct by the companies and their Sales Partners shall be monitored by the Control Commission. It shall settle unresolved complaints based on an infringement of the Code of Conduct and lodged by consumers and Sales Partners.

The right on the part of the consumer or Sales Partner to resort to courts of law or mediation bodies set up shall remain unaffected.

5.3 Infringements of the Code of Conduct

In the event of infringements of the Code of Conduct, the Control Commission may amongst other things demand that the company concerned take the following measures:

- cancel orders
- take back goods
- refund payments
- warn Sales Partners
- terminate Sales Partners' contracts.

In addition to this, the *Bundesverband* may take the following steps:

- warn companies
- exclude companies from the *Bundesverband*
- publish such measures.

5.4 Complaint handling

Any complaints received shall be confirmed without delay and dealt with free of charge. They shall be decided within a reasonable period.

5.5 Publication

The *Bundesverband* shall publish the Code of Conduct and circulate it, as well as using its publicity efforts to provide information about its contents. Copies of the Code of Conduct shall be made available to the public free of charge, and are available at the same time for download at www.direktvertrieb.de.



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