



• Code Of Conduct

Endorsed by



Ministry of Domestic Trade
and Consumer Affairs

Member of



WFDSA
WORLD FEDERATION
OF DIRECT SELLING ASSOCIATIONS

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ENGLISH

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1. PREAMBLE

Since its introduction into Malaysia, direct selling has created a new spectrum of business opportunity for Malaysians from all walks of life. As the industry forges on to new heights, direct sellers must play a more active role to ensure the industry remains competitive and continues to be held in high regard through ethical direct selling.

The Direct Selling Association of Malaysia (DSAM), being the standard bearer of ethical direct selling, has adopted a stringent Code of Conduct by which member Companies in the Association are to adhere to in every aspect of their business. This Code of Conduct (version 2018) is now enhanced to better provide a framework for;

- **Conduct towards Consumers**
- **Conduct towards Direct Sellers**
- **Conduct between Direct Selling Companies**
- **Code Enforcement**

Through the Code of Conduct, DSAM aims to further inculcate the spirit and practice of ethical direct selling within its member Companies, setting examples for others to follow. The DSAM Code of Conduct complies and exceeds the global standards set by the World Federation of Direct Selling Associations (WFDSA).

2. GLOSSARY OF TERMS

For the purposes of understanding the Code of Conduct, capitalized terms have the following meaning;

Code Administrator

The independent person or body appointed by DSAM to monitor a Company's compliance with the Code and to resolve complaints under the Code.

Company

A business entity that;

- utilizes a Direct Selling distribution system to market its Products.
- is a member of DSAM.

Consumer

Any person who purchases and consumes Products from a Direct Seller or a Company.

Direct Seller

A person or entity that is entitled to buy and / or sell the Products of a Company and that may be entitled to recruit other Direct Sellers.

Direct Sellers predominantly market consumer products directly to Consumers away from a permanent, fixed retail location, usually through the explanation or demonstration of products and services.

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 Company.



DSAM

The Direct Selling Association of Malaysia.

Order Form

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 a printable or downloadable format.

Product

Tangible and intangible consumer goods and services.

Recruiting

Any activity conducted for the purpose of assisting a person to become a Direct Seller.

3. SCOPE

3.1 Companies

Companies pledge to adopt and enforce a code of conduct that incorporates the minimum of the provisions of this Code as a condition of admission and continuing membership in DSAM. Companies also pledge to publicize this Code, its general terms as they apply to Consumers and Direct Sellers, and information about where Consumers and Direct Sellers may obtain a copy of this Code.

3.2 Direct Sellers

Direct Sellers are not bound directly by this Code, but, as a condition of membership in the Company's distribution system, shall be required by the Company with whom they are affiliated to adhere to the standards of this Code.

3.3 Self-Regulation

This Code is not law, but its obligations require a level of ethical behavior from Companies and Direct Sellers, which conforms with or exceeds applicable legal requirements. With termination of its membership in DSAM, a Company is no longer bound by this Code. However, the provisions of this Code remain applicable to events or transactions that occurred during the time a Company was a member of DSAM.

3.4 Local Regulations

Companies and Direct Sellers must comply with all requirements of Malaysian Law. Therefore, this Code does not restate all legal obligations; compliance by Companies and Direct Sellers with laws pertaining to Direct Selling is a condition of acceptance for continuing membership in DSAM.



3.5 Extraterritorial Effect

DSAM shall make reference to this Code of Conduct for Direct Selling with regards to Direct Selling activities for Malaysian-based DSAM Member Companies operating outside Malaysia, unless those activities are under the jurisdiction of the Code of Conduct of another country's WFDSA-affiliated Direct Selling Association (DSA) to which the member also belongs.

Should a Company be a subject of a Code Complaint in a country in which it is not a Member of the local WFDSA-affiliated Direct Selling Association, 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 cost incurred (if any) by the home country Code Administrator associated with the resolution of the Complaint. 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;
- ii) the standards of the Code of Conduct in the subject company's home country;
- iii) at a minimum, the standards set forth in WFDSA Code of Ethics

4. CONDUCT FOR THE PROTECTION OF CONSUMERS

4.1 Prohibited Practices

Direct sellers shall not use misleading, deceptive or unfair sales practices.

4.2 Identification

At the initiation of a sales presentation, Direct Sellers shall, without request, truthfully and clearly identify themselves, the identify of their company, the nature of their products, and the purpose of their solicitation to the prospective customer. In party selling, Direct Sellers shall make clear the purpose of the occasion to the hostess and the participants.

4.3 Explanation and Demonstration

Explanation and demonstration of the product offered shall be accurate and complete, in particular with regard to price and, if applicable, credit price terms, terms of payment, cooling-off period, return policies, terms of guarantee, after-sales service, and delivery dates. For claims with respect to product efficacy, Direct Sellers shall make only those verbal or written product claims that are authorized by the Company.

4.4 Answer to Question

Direct Sellers shall give accurate and understandable answers to all questions from consumers concerning the product and the offer.



4.5 Order Form

A written Order Form shall be delivered or made available to the Consumer at or prior to the time of the initial sale. In the case of a sale made via mail, telephone, the Internet, or similar non face-to-face means, a copy of the Order Form shall have been previously provided, or shall be included in the initial order, or shall be provided in printable or downloadable form via the Internet. The Order Form shall identify the Company and the Direct Seller and contain the full name, permanent address and telephone number of the Company or the Direct Seller, and all material terms of the sale. All terms shall be clearly legible.

4.6 Verbal Promises

Direct Sellers shall only make verbal promises concerning the product which are authorised by the company.

4.7 Cooling-off and Return of Goods

Companies and Direct Sellers shall offer a Cooling Off period permitting the customer to cancel an order within a specified, reasonable period of time or the period stated by law, and to return for a refund any goods, if already delivered, which are re-sellable as new. The Cooling Off period shall be clearly stated and shall apply equally to Direct Sales and Distant Sales (eg telephone, mail or online orders).



4.8 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 purchaser shall be clearly set out in the order form or other accompanying literature or provided with the product. All terms shall be clear and legible.

4.9 Literature

Promotional literature, advertisements or mailings shall not contain any product description, claims or illustrations which are deceptive or misleading, and shall contain the name and address or telephone number of the company or the Direct Seller.

4.10 Testimonials

Companies and Direct Sellers shall not refer to any testimonial or endorsement which is not authorised, not true, obsolete or otherwise no longer applicable, not related to their offer or used in any way likely to mislead the Consumer.

4.11 Comparison and Denigration

Companies and Direct Sellers shall refrain from using comparisons which are likely to mislead and which are incompatible with principles of fair competition. Points of comparison shall not be unfairly selected and shall be based in facts which can be substantiated. Companies and Direct Sellers shall not unfairly denigrate any Company 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 of another Company or Product.



4.12 Respect of Privacy

Personal or telephone contact shall be made in a reasonable manner and during reasonable hours to avoid intrusiveness. A Direct Seller shall discontinue a demonstration or sales presentation upon the request of the Consumer. Direct Sellers and Companies shall take appropriate steps to ensure the protection of all private information provided by a Consumer, a potential Consumer, or a Direct Seller, in accordance with local laws that apply to privacy and data protection.

4.13 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, lack of understanding or unfamiliarity with a language.

4.14 Referral Selling

Companies and Direct Sellers shall not induce a customer to purchase goods or services based upon the representation that a customer can reduce or recover the purchase price by referring prospective customers to the sellers for similar purchases, if such reductions or recovery are contingent upon some unsure future event.

4.15 Delivery

Companies and Direct Sellers shall fulfill the customer's order in a timely manner or at an agreed upon time.

5. CONDUCT TOWARD DIRECT SELLERS

5.1 Direct Sellers' Compliance

Companies shall require their Direct Sellers, as a condition of membership in the Companies' distribution systems, to comply with this Code of Conduct.

5.2 Recruiting

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

5.3 Business Information

Information provided by the company to prospective or existing Direct Sellers concerning the opportunity and related rights and obligations shall be accurate and complete. Companies shall not make any factual representation to a prospective Direct Seller that cannot be verified or make any promise that cannot be fulfilled. Companies shall not present the advantages of the selling opportunity to any prospective Direct Seller in a false or deceptive manner.

5.4 Earnings Claims

Companies and Direct Sellers shall not misrepresent the actual or potential sales or earnings of their Direct Sellers. Earnings representations and sales figures must be truthful, accurate, presented in a manner that is not false, deceptive or misleading, and based upon documented and substantiated facts in the relevant market.

Potential Direct Sellers must be informed that actual earnings and sales will vary from person to person and will depend upon the skills of the seller, the time and effort put in and other factors. Potential Direct Sellers must be provided with sufficient information to enable a reasonable evaluation of the opportunity to earn income.



5.5 Relationship

Companies shall give their Direct Sellers either a written agreement to be signed by both the Company and the Direct Seller or a downloadable electronic statement, containing 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 registrations and taxes.

5.6 Fees

Companies and Direct Sellers shall not require Direct Sellers or prospective Direct Sellers to pay unreasonably high entrance fees, training fees, franchise fees, fees for promotional materials or other fees related solely to the right to participate in the business. Any fees charged to become a Direct Seller shall relate directly to the value of materials, products or services provided in return.

Companies shall not 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.

5.7 Termination

On the termination of the Direct Seller's relationship with a company, Companies shall 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 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 goods.



5.8 Inventory

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


5.9 Other Materials

Companies shall prohibit Direct Sellers from marketing or requiring the purchase of any materials that are not approved by the Company and that are inconsistent with Company policies and procedures. Direct Sellers who sell company approved promotional or training materials, whether in hard copy, electronic, or any other form, shall;

5.9.1 offer only materials that comply with the same standards to which the Company adheres.

5.9.2 refrain from making the purchase of such sales aids a requirement of downline Direct Sellers.

5.9.3 provide sales aids at a reasonable and fair price, without any significant profit to the Direct Seller, equivalent to similar material available generally in the marketplace.



5.9.4 offer a written return policy that is the same as the return policy of the Company the Direct Seller represents and compliant with local laws.

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

5.10 Remuneration 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 and any withholdings shall be made in a commercially reasonable manner.

Earnings paid to Direct Sellers shall be derived 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.

5.11 Education And Training

Companies shall provide adequate education and training to enable Direct Sellers to operate ethically. This may be accomplished by training sessions or through written manuals or guides, or audio-visual materials.

6. CONDUCT BETWEEN COMPANIES

6.1 Principle

Member Companies of DSAM shall conduct their activities in the spirit of fair competition towards other members.

6.2 Enticement

Companies and Direct Sellers should not systematically entice or solicit Direct Sellers of another Company.

6.3 Denigration

Companies shall not unfairly denigrate nor allow their Direct Sellers to unfairly denigrate another Company's products, its sales and marketing plan or any other feature of another company.

7. CODE ENFORCEMENT

7.1 Companies' Responsibilities

The primary responsibility for compliance of the Code by the Company and its Direct Sellers shall rest with each individual company. In case of any breach of the Code, Companies shall make every reasonable effort to satisfy the complainant.

7.2 Code Administrator

DSAM shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor Companies' compliance of the Code by appropriate actions and shall be responsible for Complaint Handling and a set of Rules outlining the process of complaint resolution. The Code Administrator shall settle any unresolved complaint of Direct Sellers based on breaches of the Code.

7.3 Actions

The Code Administrator may require the cancellation of orders, return of products purchased, refund of payments or other appropriate actions, including warnings to Direct Sellers or Companies, cancellation or termination of Direct Sellers' contracts or other relationships with the Company. It may also include warnings to Companies.

7.4 Complaint Handling

DSAM and the Code Administrators shall establish, publicise and implement a complaint handling procedure to ensure prompt resolution to all complaints. Companies shall also establish, publicise and implement a Complaint Handling Procedures under their individual complaint handling processes to ensure prompt resolution to all complaints.



7.5 Publication

All companies are required to publicise DSAM's Code of Conduct to their Direct Sellers and Consumers. Printed copies shall be made available free of charge to the public.



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