



## **Code of Ethics**

**Indian Direct Selling Association**



## INDIAN DIRECT SELLING ASSOCIATION – CODE OF PRACTICE

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## Glossary, Terminology & Interpretations

<b>Direct Selling</b>	The marketing of consumer products directly to consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration of the products by a Direct Seller
<b>DSA</b>	Direct Selling Association being a national association of Direct Selling of a particular country
<b>IDSA</b>	Indian Direct Selling Association
<b>WFDSA</b>	World Federation of Direct Selling Associations
<b>Company</b>	A Direct Selling company is a business entity that (i) utilises a Direct Selling distribution system to market its Products; (ii) is a member of the IDSA
<b>Direct Seller/ Independent Sales Consultant(ISC)</b>	A person or entity that is entitled to buy and/or sell the Products/Services of a Company and that may be entitled to recruit other Direct Sellers. Direct Sellers generally market consumer products directly to Consumers away from a permanent, fixed retail location, usually through explanation or demonstrate the 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
<b>Product</b>	Tangible and intangible consumer goods and services
<b>Selling</b>	Selling includes contacting potential customers, presenting and demonstrating products, taking of orders, delivery of goods and the collection of payment.
<b>Network Marketing/MLM</b>	Selling of products and services by more than one level of Direct Sellers with elements of the sale reward being given upward to the originator(s) of the Direct Seller and not being a Money Circulation Scheme as defined by the Prize Chits & Money Circulation (Banning) Act 1978
<b>Party Selling</b>	Selling, through explanation and demonstration products to a group of prospective customers by a direct seller usually in the home of a hostess who invites other persons for this purpose.
<b>Order Form</b>	A printed or written document confirming details of a Consumer order and providing a sales receipt to the Consumer. In case of Internet purchases, a form containing all terms of the offer and

	purchase provided in a printable or downloadable format.
<b>Recruiting</b>	Any activity conducted for the purpose of assisting a person to become a direct seller.
<b>Code</b>	This document in its entirety
<b>Code Administrator</b>	An independent person appointed by the IDSA to monitor company's observance of the DSA's Code and to resolve complaints under the Code
<b>Member</b>	As per Company but may also include an associate or supplier member.
<b>Salesperson</b>	As per Direct Seller description
<b>Inventory</b>	Any products, sales materials, aids and kits required by Direct Sellers for the purposes of their business.
<b>Consumer</b>	Any person who purchases and consumes products or services from a Direct Seller or a Company.



## INDIAN DIRECT SELLING ASSOCIATION – CODE OF ETHICS

### Part I. Introduction

#### 1.1 Background, objectives and obligations

Definition of Direct Selling:

The sale of consumer products or services in a face to face manner away from a fixed retail location.

#### 1.2 The Association

IDSA hereby sets forth the Code of Practice with which its member companies shall comply in the conduct of their businesses.

#### 1.3 Condition of Membership

It is a condition of membership of the IDSA that this Code is strictly observed.

#### 1.4 Pledge

Companies of the IDSA pledge to adopt and enforce a code of conduct that incorporates the substance of the provisions of this Code as a condition of admission and continuing membership in the IDSA. 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.

#### 1.5 WFDSA Model Code of ethics

WFDSA Code of ethics incorporates all of the World Direct Selling Code of Conduct principles covering the activities of companies and individuals engaged in Direct Selling.

#### 1.6 Objectives

The Objectives of this Code are to achieve the following outcomes:

- Advertising and Promotion which is not misleading or deceptive
- Sales conduct that respects the rights and privileges of the individual customer in the privacy of his or her own home or a place where sales take place other than a fixed retail location
- Product demonstrations that give full explanation and cease on request
- Disclosure of the Direct Salespersons full identity and address details/phone/mobile number
- Apply a minimum 7 days cooling off period
- Advise fully the terms of payment at the time the product is ordered
- Provision of comprehensive complaints and disputes procedures
- Mechanisms to ensure that the Code is administered

## **1.7 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 to by the Company with whom they are affiliated to adhere to rules of conduct meeting the standards of this Code.

## **1.8 Self – Regulation**

This Code is not law, but its obligations require a level of ethical behaviour from Companies and Direct Sellers which conforms with or exceeds applicable legal requirements. Non-observance of this Code does not create any civil law responsibility or liability. With termination of its membership in IDSA, 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 IDSA.

## **1.9 Local Regulations**

Companies and Direct Sellers must comply with all requirements of laws in India. Therefore, this Code does not restate all legal obligations; compliance by Companies and Direct Sellers with laws of India that pertains to Direct Selling is a condition of acceptance by or continuing membership in IDSA.

## **1.10 Extra Territorial Effect**

IDSA pledges that it will require each member as a condition to admission and continuing membership in the IDSA to comply with the WFDSA World Codes of Conduct for Direct Selling with regard to direct selling activities outside of its home country, unless those activities are under the jurisdiction of Codes of Conduct of another country's Direct Selling Association to which the member also belongs.

## **2. Scope**

- a) The Code contains sections entitled "Conduct for the Protection of Consumers," "Conduct Between Companies and Direct Sellers" and "Conduct Between Companies." These three sections address the varying interactions across the spectrum of direct sales. The Code is designed to assist in the satisfaction and protection of Consumers, promote fair competition within the framework of free enterprise and enhance the public image of Direct Selling
- b) This Code covers all of Indian Direct Selling Association (IDSA) members, their staff, contractors, distributors, agents and Independent sales consultant/ Direct Sellers, including full and associate members while engaged in Direct Selling, for the sale of either products or services.
- c) A member of IDSA may terminate their membership and their obligation to adhere to the Code by resigning formally from the IDSA giving fourteen days notice. This however does not negate the obligation by the member to fulfil obligations incurred during the period of their membership.
- d) Obligations to comply with the Code shall not cease until the last obligation to do anything required by the Code has been performed

### **3. Citation**

This Code may be cited as the Code of Ethics.



## Part I. Conduct for the Protection of Consumers

### **2.1 Prohibited Practices**

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

### **2.2 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.

### **2.3 Explanation and Demonstration**

Direct Sellers shall offer Consumers accurate and complete product explanations and demonstrations regarding price and, if applicable, credit terms; terms of payment; a cooling-off period, including 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 should make only those verbal or written product claims that are authorized by the Company.

### **2.4 Order Form / Receipt**

Each Member company is encouraged to ensure that its direct sellers make available a written Order Form/Receipt if asked for by the consumer prior to the time of the initial sale. The order forms should have full details of the Company and the Direct Seller which should include the name, permanent address, telephone number, terms of sale and full details of the cooling off period and buy back guarantee.

### **2.5 Literature**

Promotional literature, advertisements and mailings shall not contain product descriptions, claims, photos or illustrations that are deceptive or misleading. Promotional literature shall contain the name and address or telephone number of the Company and may include the telephone number of the Direct Seller.

### **2.6 Testimonials**

Companies and Direct Sellers shall not use any testimonial or endorsement that is unauthorized untrue, obsolete or otherwise inapplicable, unrelated to the offer or used in any way likely to mislead the Consumer.

## **2.7 Comparison and Denigration**

Companies and Direct Sellers shall not use comparisons which are misleading. Points of comparison shall be based on facts which can be substantiated. Companies and Direct Sellers shall not unfairly denigrate any Company, business 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, business or Product.

## **2.8 Return of Goods**

Whether or not it is a legal requirement, Companies and Direct Sellers shall offer a minimum period of 7 days to the customer in writing to return the goods. Return of goods is applicable from the date of delivery to the consumer.

## **2.9 Respect of Privacy**

Direct Sellers shall make personal or telephone contact with consumers only in a reasonable manner and during reasonable hours to avoid intrusiveness. A Direct Seller shall discontinue a demonstration or sales presentation immediately 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.

## **2.10 Fairness**

Direct Sellers shall respect the lack of commercial experience of Consumers. Direct Sellers shall not abuse the trust of individual consumers, or exploit a Consumer's age, illness, lack of understanding or unfamiliarity with a language.

## **2.11 Referral Selling**

Companies and Direct Sellers shall not induce a person to purchase goods or services based upon the representation that a Consumer can reduce or recover the purchase price by referring prospective customers to the Direct Sellers for similar purchases.

## **2.12 Delivery**

Companies and Direct Sellers shall accomplish Consumer orders in a timely manner.



## Part III. Conduct toward Direct Sellers

### 3.1 Direct Sellers' Compliance

Companies shall require their Direct Sellers, as a condition of membership in the Company's distribution system, to comply with the standards of this Code.

### 3.2 Recruiting

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

### 3.3 Business Information

Information provided by Companies 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 recruit in a false or deceptive manner.

### 3.4 Remuneration and Accounts

Companies shall provide direct sellers with periodic accounts concerning, as applicable, sales, purchases, details of earnings, commissions, bonuses, and other relevant data, in accordance with the company's arrangement with the Direct Sellers. All financial due shall be paid and any withholdings made in a commercially reasonable manner.

### 3.5 Earnings Claims

Companies and Direct Sellers shall not misrepresent the actual or potential sales or earnings of their Direct Sellers. Any earnings or sales representations made shall be based upon documented facts. With great care taken to show the differences between newly recruited Direct Sellers (whose earnings may be limited) and experienced Direct Sellers. Companies that make or allow direct levels.

### 3.6 Relationship (*Cooling Off Period*)

Companies shall provide to their Direct Sellers a 30 days cooling off period which will entitle her/him to:

1. Refund of any entry fee paid upon his resigning and returning all materials/goods received by him at the time of joining.

2. He shall also be entitled to return any other product purchased by him during these 30 days period notwithstanding the 7 days limitation provided for a buyback/return of goods which are in good condition, useable, re-saleable & re-stock able.

### **3.7 Fees**

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

### **3.8 Termination**

If requested upon termination of a Direct Seller's relationship with a Company

- a) Companies shall buy back any unsold, re-saleable product inventory, purchased within the previous twelve months.
- b) Refund the Direct Seller's original cost, less a handling charge to the Direct Seller of up to 10% of the net purchase price.
- c) The Company may also deduct the cost of any benefit received by the Direct Seller based on the original purchase of the returned goods.
- d) Whether the direct seller has the right to rejoin or cannot rejoin is at the discretion of the company.

### **3.9 Inventory**

Companies shall not require or encourage Direct Sellers to purchase product inventory in unreasonably large amounts. 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.

### **3.10 Other Materials**

Companies shall prohibit Direct Sellers from marketing or requiring the purchase by others of any materials that are inconsistent with company policies and procedures.

Direct Sellers who sell company approved promotional or training literature, whether in hard copy or electronic form, shall (i) utilize only materials that comply with the same standards to which the Company adheres, (ii) refrain from making the purchase of such sales aids a requirement of downline Direct Sellers, (iii) provide sales aids at a reasonable and fair price, 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 produced by Direct Sellers comply with the provisions of this Code and are not misleading or deceptive.

### **3.11 Direct Seller Training**

Companies shall provide adequate training to enable Direct Sellers to operate ethically.



## Part IV. Conduct between Companies

### 4.1 Interaction

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

### 4.2 Enticement

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

### 4.3 Denigration

Companies shall neither 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.



## Part V. Code Enforcement

### 5.1 Companies' Responsibilities

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

### 5.2 Code Administrator

IDSA shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor Companies' observance of this 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 complaints of Consumers based on breaches of this Code.

### 5.3 Remedies

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, and warnings to Companies.

### 5.4 Complaint Handling

IDSA and the Code Administrator shall establish, publicize and implement complaint handling procedures to ensure prompt resolution of all complaints. Companies shall also establish, publicize and implement complaint handling procedures under their individual complaints, handling processes to ensure prompt resolution of all complaints.

### 5.5 Complaint Redressal Procedure

If you have a complaint against a direct selling company that is a member of the Indian Direct Selling Association (IDSA) for any business practice you believe is unethical or illegal and a violation of the Code of Conduct, we recommend the following available options.

1. Address the complaint to the Code Administrator and to the Secretary General, Indian Direct Selling Association.
2. The complaint against the company should be in writing and should include the following basic information:
  - Date and details of the incident
  - The parties involved

- Identify the violation of the code
  - List the amount and cost of product, if relevant, also give details of invoices and other supporting documents
  - Efforts you have made to resolve the matter (copies of e-mails or letters)
  - Outcome of the efforts made to resolve the matter
  - Responses from the parties to resolve the matter, if any
  - Present status of the complaint
- On receipt of the complaint it will first be forwarded to the company and the Code Administrator. The company must respond within 21 days.
  - Code Administrator and Secretary General to review the reply from the company and if prima facie it is found to be a genuine complaint then the company will have to compensate the complainant – either financially, or replace the product, or give another product in lieu, or as advised by the Code Administrator. If no prima facie case to inform the complainant accordingly. All action to be completed within 21 days.
  - Every member company must have a Code Compliance Officer/Customer Service Officer. Contact details to be made available on the company’s website/with IDSA.
  - Every company that is a member of IDSA must adhere to the Code of Ethics.

3. If the company disputes the allegations contained in the complaint, or omits or fails to take any action to represent his case within time frame given by the Code Administrator then the Code Administrator should proceed to settle the dispute;

- i) On the basis of evidence brought to the notice by the complainant and the opposite party, where the opposite party denies and disputes the allegations contained in the complaint, or
- ii) On the basis of evidence brought to the notice by the complainant where the opposite party omits or fails to take any action to represent his case within the time given by Code Administrator.
- iii) The Code Administrator may accordingly on the basis of the material available before it either dismisses the complaint or direct the company to compensate the complainant either financially, or replace the product, or give another product in lieu thereof, or issue such other directions as may fairly resolve the dispute between the parties.

If still the complainant is not satisfied with the decision of the Code Administrator then it would be advisable for the complainant to seek legal recourse for redressal of his grievances.

## 5.6 Publication

All Companies are required to publicize IDSA’s Code of Ethics to their Direct Sellers and consumers.