

# FM GROUP Club Member Code of Ethics

## I. GENERAL PROVISIONS

### 1. Scope of regulations

1.1. The purpose of FM GROUP Club Member Code of Ethics (henceforth: "the Code") is to introduce the standards of ethical conduct for Members of FM GROUP Club, to improve the level of customer satisfaction and to ensure the protection of consumer interests as well as to promote the fair trade within liberal market economy and to reinforce a positive image of FM Cosmetics Malaysia, FM GROUP World, its Network and FM GROUP Trademark among Customers and Distributors.

1.2. The Code governs relations between:

- 1) FM Cosmetics Malaysia and Members of the FM GROUP Clubs
- 2) Distributors and Customers
- 3) Distributors

### 2. Definitions

2.1. Unless specified otherwise, the terms used in the following Code have the same meaning as those defined by FM GROUP Club Member Regulations.

2.2. Whenever used in the following Code, the following terms shall have the respective meaning specified below:

- 1) "FM GROUP" means FM Cosmetics Malaysia, FM GROUP World, FM GROUP Affiliate, FM GROUP Trademark;
- 2) "Customer" means any person purchasing FM GROUP products from a Distributor
- 3) "Point turnover" means a total amount of points granted to a Distributor in a given Month, calculated on the basis of the volume of products purchased by them or any other Distributor from their Group;
- 4) "Level of effectiveness" means an efficacy unit of a given Distributor in a given Month, calculated against the Marketing Plan, expressed in percentage terms. It can take the following values: 0%, 3%, 6%, 9%, 12%, 15%, 18%, 21% or be expressed in words and take the following values: Pearl Orchid, Amaranth Orchid, Golden Orchid, Diamond Orchid and Black Diamond Orchid;
- 5) "Board of Leaders" means a consultative and advisory body consisting of Distributors with a predetermined Level of Effectiveness in a given period and

the manager of FM COSMETICS MALAYSIA and a person/-s designated by him/her.

6) "FM GROUP Trademark" means copyrights to the word and graphic Trademarks: "FM GROUP", "FM GROUP FOR HOME", "FM GROUP MAKE UP", "FM FEDERICO MAHORA", "MAHORA", as well as protection rights to the word Trademarks: "FM GROUP World", "FM GROUP FOR HOME" and word&graphic: "FM GROUP", which all are the property of FM GROUP World and all are registered by FM GROUP World in Patent Office of the Republic of Poland, as well as the rights to the word Trademarks: "FM FEDERICO MAHORA" and "MAHORA", both registered by FM GROUP World in Patent Office of the Republic of Poland and registered by FM GROUP World as community trademarks and as international trademarks, as well as all copyrights to the works used in advertising materials using the FM GROUP Trademark, distributed in all fields of exploitation.

## II. ETHICAL PRINCIPLES IN FM COSMETICS MALAYSIA – DISTRIBUTOR RELATIONS

### 1. Mutual relations

1.1. Mutual relations between a Distributor and FM COSMETICS MALAYSIA govern contracts concluded between the parties which include Distributor's Agreements, FM GROUP Club Member Regulations, the Marketing Plan and the terms of the following Code.

1.2. Relations between Distributor and FM COSMETICS MALAYSIA shall be based on the notions of cooperation, trust, fairness, respect, loyalty and attention to FM GROUP reputation.

1.3. Distributor shall abide by all terms of cooperation with FM COSMETICS MALAYSIA resulting both from binding agreements with FM GROUP, which includes Distributors Agreement, FM GROUP Club Member Regulations, the Marketing Plan, the following Code as well as every other binding regulation of FM COSMETICS MALAYSIA, and shall act in compliance with the following terms as well as their underlying purposes.

### 2. Attention to reputation

2.1. Distributor shall not undertake any actions that would harm the reputation of FM COSMETICS MALAYSIA, FM GROUP World or its Affiliates, which includes dissemination of false or unreliable information

concerning the above-mentioned entities, their Network policies, FM GROUP Products and FM GROUP Trademark.

**2.2.** While demonstrating or selling FM GROUP Products, as well as advertising FM GROUP Products, FM GROUP Network and Trademark or explaining terms of cooperation with FM COSMETICS MALAYSIA or Affiliate, Distributor shall act in a reliable and honest manner, use materials, which include advertising, promotional and information materials, issued by FM GROUP World, FM COSMETICS MALAYSIA or FM GROUP Affiliate or an materials explicitly approved by these entities.

Distributors are specifically prohibited from using unlawful (that is against the rules of professional conduct) comparative advertising which compares FM GROUP Products to those of any competitor, which includes but is not limited to:

1) Unlawful exploitation of reputation of registered trademarks, other companies' designations or any other labels that are characteristic of the competitor as well as the use of any protected geographical indications and protected designation of origin;

2) Describing FM GROUP Product as an imitation or a copy of any product with registered trademarks, protected geographical indication, protected designation of origin as well as any other distinctive designation;

**2.3.** Distributor who is directly selling FM GROUP Products shall offer his/her customers only originally packed FM GROUP Products, which guarantee their quality, as well as provide truthful information concerning FM GROUP Products or their purpose.

### **3. Unethical Conduct**

**3.1.** Distributor shall not follow unethical practices in order to artificially increase Point turnover, and thereby obtaining undue Commission. The above-mentioned unethical practices include but are not limited to intentional failure to collect ordered FM GROUP Product, which increases Distributor's Turnover.

**3.2.** Distributor shall not follow unethical practices in order to recruit new Distributors to their group, which includes but is not limited to:

1) Dissemination of false, unreliable or misleading information concerning FM COSMETICS MALAYSIA, FM GROUP World or its Affiliates and FM GROUP Products as well as that pertaining to FM GROUP policies and cooperation with FM COSMETICS MALAYSIA or Affiliate,

2) Offering cooperation with their Group to Members of other Groups,

**3.3.** Distributor shall not use the data from FM GROUP Distributors' Network for purposes other than those indicated by Distributor's Agreement. These practices include but are not limited to promotion, advertisement, presentation or sale of products or services to other companies, especially to those engaged in MLM (Multi Level Marketing) business.

**3.4.** Due to the fact that direct sales is a form of retail sales outside store chains and that it requires a person-to-person presentation of products as well as providing appropriate explanations, Distributor shall sell FM GROUP products in a manner consistent with the notion of direct sales, defined as offering FM GROUP Products directly to final customers that is based on person-to-person interaction, usually at customer's homes, jobs or places other than fixed retail locations.

### **4. Confidentiality**

**4.1.** Distributor shall preserve the confidentiality of information concerning internal relations between a Distributor (Distributors) and FM COSMETICS MALAYSIA

**4.2.** Distributor shall preserve the confidentiality of information that is intended exclusively for Distributors. This includes but is not limited to information available for users logged in on FM COSMETICS MALAYSIA website, which concerns, inter alia, Distributor's (Distributors') Point turnover as well as FM COSMETICS MALAYSIA or FM World Point turnover.

## **III. ETHICAL PRINCIPLES IN DISTRIBUTOR-DISTRIBUTOR RELATIONS**

### **1. Mutual Relations**

**1.1.** Mutual relations between Distributors shall be based on the notions of fairness and mutual respect.

**1.2.** Distributor shall not make any negative assessments on other Distributors, their sales system, methods of presentation or advertisement nor any other characteristic elements contributing to their image.

### **2. Terms of cooperation between different Groups of FM GROUP Club Members**

**2.1.** Distributor shall not undertake any actions that would persuade other Distributor who is a member of other Group to start their, direct or indirect, business activity in another Group.

**2.2.** Relatives, ie. spouses, children, parents, siblings, grandparents, a person being in the relation of adoption or

cohabitant, cooperating with FM COSMETICS MALAYSIA or Affiliate, shall register directly “under” each other.

### **3. Personal Information**

**3.1.** Distributor shall not unlawfully disclose any personal information of other Distributors to any other persons, including other Distributors, which was obtained by virtue of their Group membership, whether or not these Distributors belong to the same Member Group of FM GROUP Club.

**3.2.** Distributor shall not disclose his login or password to any other persons or Distributors that would enable them to log in on FM COSMETICS MALAYSIA or Affiliate website.

**3.3.** In case of violation of provisions of art. 3.1. and 3.2., Distributor bears sole responsibility in this regard.

### **4. Terms of Recruitment of new Distributors**

**4.1.** Distributor shall not follow misleading, fraudulent or dishonest practices in regard to the process of sponsoring and recruitment of new Distributors.

**4.2.** Information, which particularly concerns earning opportunities, other benefits, rights associated with them and responsibilities, provided by a Distributor to potential Distributors, whom they intend to recruit, shall be precise and exhaustive. Moreover, the information shall be provided in a reliable and honest manner. Distributors shall not refer to any unverifiable circumstances nor make promises that cannot be fulfilled.

**4.3.** Distributor who intends to recruit a new Distributor to their Group shall inform them reliably and exhaustively about:

- 1) activity of FM COSMETICS MALAYSIA or Affiliate,
- 2) terms of cooperation with FM COSMETICS MALAYSIA or Affiliate
- 3) the content of contracts concluded by Distributors and FM COSMETICS MALAYSIA or Affiliate,
- 4) terms of FM GROUP Club Member Regulations,
- 5) terms of the Marketing Plan,
- 6) terms of the Code hereof,
- 7) terms of direct sales.

### **5. Relations between the Sponsor and Distributors from their Group**

**5.1.** Sponsor shall be defined as the manager and the advisor to the Group of FM GROUP Club Members which was formed as a result of the string of recommendations initiated by them.

**5.2.** Sponsor shall take steps that would improve the knowledge, qualifications and skills of Distributors, which particularly concerns promotion or sales of FM GROUP Products, advertisement of FM GROUP Products, Network and Trademark, creation of efficient Group that operates with respect for the law and FM COSMETICS MALAYSIA regulations. Sponsors shall also motivate Distributors of the Group they “manage” to work in FM COSMETICS MALAYSIA

**5.3.** Sponsor shall offer their guidance to Distributors of the Group they manage, by providing of information concerning FM GROUP Products, terms of cooperation with FM COSMETICS MALAYSIA or Affiliate, motivation programs and by support of their actions that would reinforce a positive image of FM GROUP in the customers’ minds.

**5.4.** Sponsor shall promote ethical principles specified in the Code hereof among Distributors of the Group they manages.

## **IV. ETHICAL PRINCIPLES IN DISTRIBUTOR – CLIENT RELATIONS**

### **1. Attention to reputation of FM GROUP**

Distributor who directly sells FM GROUP Products or provides services of advertising of the Network and FM GROUP Trademark and FM GROUP Products shall contribute to building the reputation of FM COSMETICS MALAYSIA, FM GROUP World and its Affiliates as well as reinforce a positive image of FM GROUP in the customers’ minds.

### **2. Honesty to Customers**

**2.1.** Distributor shall not follow misleading, fraudulent or dishonest practices of sales FM GROUP Products. The practices include but are not limited to misleading labeling of FM GROUP Products, false or fraudulent designation of origin of FM GROUP Products and providing of misleading information concerning FM GROUP Products and their manufacturer.

Dishonest practices include particularly the use of unlawful comparative advertising by a Distributor, described in chapter II, article 2.2. above and in article 5.2. below.

### **3. Responsibilities to provide information**

**3.1.** Distributor who directly sells FM GROUP Products is obliged to provide precise and exhaustive information on FM GROUP Products, including especially:

- 1) the name and the address of the Distributor and the manufacturer of FM GROUP Product,

- 2) key features of the offered FM GROUP Product,
- 3) the price of FM GROUP Product with taxes,
- 4) terms of payment,
- 5) information on the right to withdraw from the agreement within 10 days from its conclusion and to return purchased Products

**3.2.** All information shall be provided in a clear and comprehensible manner, in compliance with principles of business transactions as well as the principles that concern the protection of particular groups of customers, e.g. minors or seniors. The Distributor shall precisely and comprehensibly respond to all Customer inquiries concerning FM GROUP and FM COSMETICS MALAYSIA

#### **4. Principles of direct sales and the price**

**4.1.** Distributors may sale FM GROUP Products only by the means of direct sales, defined as selling of FM GROUP Products to final customers outside any retail chain, by a person offering such products, usually at the customer's houses, jobs or other locations outside any fixed retail location. The act of selling shall be accompanied by Distributor's explanations and demonstrations of FM GROUP Products. Sales techniques, other than direct sales, especially:

- 1) via Internet, including auction websites and social networking sites (such as, for example: facebook.com, etc.),
- 2) at established points of sales such as: shops, retail stores, distribution points, market stalls and kiosks, are prohibited.

**4.2.** Distributor shall not sell FM GROUP Products, by means of direct sales, below costs of their purchase in order to eliminate other entrepreneurs because such actions are not only unethical but also constitute an unlawful act of unfair competition.

#### **5. Advertisement and methods of presentation of FM GROUP Products**

**5.1.** Distributor may use FM GROUP Trademark as well as advertising , promotional and information materials issued or explicitly approved by FM GROUP World, FM COSMETICS MALAYSIA or FM GROUP Affiliate for the purpose of direct sales of FM GROUP Products as well as for the purposes of advertising of the Network and FM GROUP Trademark and for promotion of FM GROUP Products. The use, for the purposes referred to above, of other materials containing FM GROUP Trademark or files or parts of files downloaded from the website of FM

COSMETICS MALAYSIA or Affiliate, that are explicitly disapproved by FM GROUP World, FM COSMETICS MALAYSIA or Affiliate, is unacceptable.

**5.2.** For the purpose of advertising or presenting FM GROUP Products, Distributor shall not employ any technique of advertisement that:

- 1) is unlawful, against the rules of professional conduct or denigrates human dignity,
- 2) is misleading to Customers and may influence their judgment as to the purchase of FM GROUP Product,
- 3) appeals to the Customer by resorting to fear, superstition or children's credulity
- 4) implicitly encourages to purchase FM GROUP Products in a way that appears to be objective and neutral,
- 5) heavily infringes on one's privacy, especially by wearisome soliciting in public areas, sending unsolicited FM GROUP Products at the client's expense or abuse of the mass media,
- 6) directly or indirectly facilitates identification of a competitor or the products offered by them, especially by comparing FM GROUP Products to the competitor's products, in a manner contrary to morality.

**5.3.** Distributor may use a website for the purpose advertising services and for promotion of FM GROUP Products.

**5.4.** Members of the FM GROUP Club who run their websites, are obliged to post there a statement in a noticeable manner, informing that the website belongs to an independent Distributor and is not an official website of FM COSMETICS MALAYSIA, FM GROUP World and its Affiliate.

**5.5.** The website may include:

- 1) Pictures which were made available for download by FM COSMETICS MALAYSIA at [www.fmcosmetics.my](http://www.fmcosmetics.my) (on the terms specified by FM COSMETICS MALAYSIA)
- 2) Marketing materials, as long as their appearance and content is permissible by the law and they do not infringe on personal property or the rights of third parties,
- 3) FM GROUP Product description,
- 4) Catalogs of FM GROUP Products, provided that the consent to their publication can be revoked at any time without compensation,
- 5) Information available at [www.fmcosmetics.my](http://www.fmcosmetics.my) for unlogged visitors, excluding pictures (other than those referred to in 1) above),

- 6) Presentation of FM GROUP Products,
- 7) Links to the official FM COSMETICS MALAYSIA and FM GROUP World websites.

**5.6.** The website shall not include:

- 1) Current events and other information available to logged in users
- 2) Distributor's prices and the amount of points granted to a Distributor,
- 3) Pictures and video materials that contain other Distributors or persons, unless the person publishing this content has their explicit approval to do so,
- 4) Data included in "Trees", available to logged in Distributors at "Distributor's Zone" nor any other third parties personal information (including other Distributors) published at the websites of FM COSMETICS MALAYSIA, FM GROUP World or its Affiliate on account of Corporate events
- 5) Rules and regulations of motivation programs and promotions offered by FM COSMETICS MALAYSIA.,
- 6) False and unreliable information on FM COSMETICS MALAYSIA., FM GROUP World or its Affiliates as well as FM GROUP Products,
- 7) Misleading or comparative advertisement, unless it is not an unlawful act of unfair competition,
- 8) Internet auctions,
- 9) Other illicit information according to Regulations, the Marketing Plan or other current codes of conduct within the Distributor's Network, established by FM COSMETICS MALAYSIA.

**5.7.** Distributor shall immediately notify FM COSMETICS MALAYSIA or FM GROUP Affiliate of any claims lodged by any entity with regards to materials published by Distributor on his/her website and made available by FM COSMETICS MALAYSIA or FM GROUP Affiliate.

**5.8.** Distributor shall bear the sole responsibility for the content and pictures published by them on their website.

**5.9.** Distributor may create "Information Points of Independent FM GROUP Distributor" in order to provide the services of advertising of FM GROUP Network and Trademark, as well as FM GROUP Products, subject to the conclusion of an agreement with FM COSMETICS MALAYSIA, governing in particular the rules of using FM GROUP Trademark in providing consultation in such a point.

## **V. ETHICS COMMISSION**

### **1. Ethics Commission (the Commission)**

**1.1.** FM COSMETICS MALAYSIA shall appoint the Ethics Commission.

**1.2.** Each time, the Commission shall consist of the managers of FM COSMETICS MALAYSIA.

**1.3.** If the Commission considers that a case requires a consultation with some Distributors, including those being part of the Board of Leaders, it shall invite them to participate in the meeting of the Commission.

**1.4.** The responsibilities of the Commission include but are not limited to:

- 1) Settling complaints, formulated on the base of the provisions of the Code as well as application of disciplinary sanctions, specified in section 2 below, that are to be imposed on a Distributor who violated the provisions specified in the Code,
- 2) Initiation of activities associated with popularization of the Code and promotion of ethical conduct,
- 3) Initiation of amendments to the following Code.

**1.5.** The Commission is authorized to act on its own initiative or upon receipt of information about the violation of the provisions of the Code.

**1.6.** Whenever the purpose of the Commission gathering is to settle a case of a Distributor who violated the provisions specified in the Code, the settlement can only be made after careful consideration of evidence and hearing the opinion of the Distributor who is the subject to that disciplinary procedure as well as after hearing other persons who are directly interested in settling the case.

### **2. Liability**

**2.1.** Every violation of the provisions of the following Code contravenes the Regulations of FM GROUP Distributors' Network as specified by article 4.1. of the Regulation and entitles FM COSMETICS MALAYSIA to:

**1)** Terminate its legal relationship with a Distributor in terms of the Distributor's right to recommend (sponsor) new Members for the FM GROUP Club. The abovementioned termination deprives the Distributor of the right to recommend (sponsor) new Distributors definitively or for a determined amount of time, which is indicated in the content of the termination notice,

**2)** Temporarily terminate (suspend) its legal relationship with a Distributor for a period that does not exceed 6 months. The abovementioned termination particularly deprives the Distributor of the right to make

purchases at FM COSMETICS MALAYSIA or its Affiliate with reference to FM GROUP Products offered to the Members of the FM GROUP Club as well as results in the termination of provision of services of advertising of FM GROUP Network and Trademark for FM COSMETICS MALAYSIA (provided under a direct sales and advertising services contract or under a contract of mandate whose subject is provision of services of advertising of FM GROUP Network and Trademark) As a result, the suspended Distributor is not entitled for Provision at the time of their suspension.

**3)** Terminate the Distributor's Contract and their other contracts with FM COSMETICS MALAYSIA without prior notice and to remove the Members of the FM GROUP Club from the Distributors' Database.

### **3. Confidentiality**

**3.1.** Commission member shall preserve the confidentiality of all information obtained by them when serving as a Commission member both when still fulfilling that function and after that.

**3.2.** Distributor who takes part in the meeting of the Commission is obliged to preserve the confidentiality of

any information obtained in connection with or while participation in the meeting of the Commission.

**3.3.** In case of violation by Distributor of the provision, referred to in section 3.2. above, FM COSMETICS MALAYSIA is entitled to impose on him/her disciplinary sanctions referred to in article 2 above.

## **VI. FINAL PROVISIONS**

### **1. Application**

Every FM GROUP Club Member shall abide by the terms of the following Code.

### **2. Introduction of the Code**

The following code was prepared and introduced by FM COSMETICS MALAYSIA

### **3. Publication**

FM COSMETICS MALAYSIA shall publish the following Code and distribute it among the Members of the FM GROUP Club. Copies of the Code shall be distributed free of charge to all interested Members of FM GROUP Club as well as shall be available on the FM COSMETICS MALAYSIA website.