

## **Amway Philippines: Rules of Conduct (rev May 2020)**

### **Section 1 – Introduction**

The Rules of Conduct (“Rules” or “ROC”) define and establish:

- (1) Certain principles to be followed in the development and maintenance of an Amway Business.
- (2) The rights, duties, and responsibilities of each Amway Business Owner (“ABO”).

The terms and conditions of this relationship are set forth in:

- (1) The Amway ABO Contract.
- (2) The Business Manual, which include these Rules of Conduct.
- (3) Other official Amway literature or communications.

While the Rules primarily define relationships between Amway and ABOs, they also concern relationships among ABOs. Its objectives are,

- To ensure an equal opportunity for ABOs through ethical and responsible business conduct.
- To protect and build a conducive environment for a long-term and profitable Amway business.
- To promote unity and harmony among ABOs.
- To preserve the benefits of the Amway Sales & Marketing Plan equitably for all ABOs.

From time to time, the contents of these documents are changed. Amway will notify the ABO leadership of such changes. Upon final notification by Amway with respect to those changes presented to the ABO leadership, such changes will be communicated to all ABOs in a timely manner in the Amway Lifestyle and Experience Magazine and other official Amway literature, and shall become effective upon publication. In order to preserve the goals and purposes of the Amway Sales and Marketing Plan, Amway reserves to itself the sole right to adopt, amend, modify, supplement, or rescind any or all of these Rules, as necessary.

### **Section 2 – Definitions**

**Amway:** “Amway” shall mean Amway Philippines LLC.

**Amway Business:** A business, as identified by the Amway Distributor Authorization (ADA) number and the ABO Application Form/ ABO Contract

**Amway Business Kit:** The collection of literature, sales aid and other materials that ABOs are required to possess in connection with acceptance by Amway of their application and the ABO Contract.

**Amway Business Opportunity:** The products, marketing, support and compensation system offered by Amway.

**Amway Business Owner (“ABO”):** An independent contractor whose Amway Application Form/ABO Contract has been accepted by Amway.

**Amway Business Policies:** Rules and policies set forth in official Amway literature, including the Rules of Conduct and various other policies and bulletins that may be maintained by Amway from time to time which are incorporated by reference into; (1) the Amway ABO Contract, (2) the Business Manual, and (3) other official Amway literature or communications.

**ABO Contract:** Refers to the ABO Application along with the incorporated documents that form the terms of the contractual agreement between ABO and Amway.

**ABO in Good Standing:** For the purposes of interpreting and enforcing the Rules of Conduct only, the term “good standing” shall refer to an ABO who is currently authorized by Amway to hold himself out as a ABO and whose conduct complies with the letter and spirit of the Rules of Conduct and Amway Business Policies for each market in which an ABO has a presence; is not engaged in conduct that negatively affects the reputation of Amway, Amway’s affiliates, and its ABO; is not engaged in conduct that supports or defends the activity of other ABOs which jeopardizes the ongoing nature of an Amway affiliate or otherwise is inconsistent with the other criteria set forth herein; is not engaged in conduct that does not comply with all applicable laws and regulations in each country and whose conduct does not demonstrate cultural sensitivity given market conditions.

**Amway Produced Business Support Materials (“Amway BSM”):** BSM produced by, or on behalf of Amway.

**Amway Products:** All goods and services, including literature and other support or auxiliary materials, made available by Amway to ABOs.

**Amway Sales and Marketing Plan (“Plan”):** The system used to calculate the Amway Performance Incentive and commission payments and recognition for ABO based on product sales as described in the Amway Business Guidebook and other official Amway literature.

**Business Support Materials (“BSM”):** The definition for BSM is intended to be interpreted broadly and means all products and services (including, but not limited to, books, magazines, flip charts, and other printed material; online literature; Internet websites; audio, video, or digital media; rallies, meetings, and educational seminars), which are: (i) designed to solicit and/or educate Prospects, customers, or prospective customers about AMWAY<sup>®</sup> products and services, or to support, train, motivate, and/or educate ABOs, or (ii) which incorporate or use one or more of Amway’s name, or trademarks, service marks, copyrighted works, or other intellectual property belonging or licensed to Amway, or (iii) otherwise offered with an explicit or implied sense of affiliation, connection, or association with Amway. When the term BSM is used without the preface “Amway Produced”, it refers to non-Amway produced BSM only.

**Commission:** The monetary rewards that Amway pays to ABOs in accordance with the Amway Sales and Marketing Plan.

**Digital Communications:** Digital Communications are electronic transmissions (generally by computer or mobile device) of text, data, images, video, voice, and other information including, without limitation, any posts or publications made available within the digital space, including emails, videos, live streaming, podcasts, blog posts, mobile applications (apps), advertising, forums, webpages, and through any social media or messaging platform, e.g., Facebook<sup>®</sup>, YouTube<sup>®</sup>, Facebook Messenger<sup>®</sup>, Twitter<sup>®</sup>, Google+, Instagram<sup>®</sup>, Skype<sup>®</sup>, LinkedIn<sup>®</sup>, Viber<sup>®</sup>, Pinterest<sup>®</sup>, Kakao Talk<sup>®</sup>, Line<sup>®</sup>, WhatsApp<sup>®</sup>, Snapchat<sup>®</sup>+ or WeChat<sup>®</sup>.

**Digital Communication Standards (“DCS”):** The document published by Amway and amended from time to time, containing those terms that ABOs must comply with when engaging in any Digital Communications regarding the Amway opportunity, Amway products, or Amway services (directly or indirectly). The DCS are fully incorporated into, and made enforceable as a part of, these Rules of Conduct.

**Distributorship:** A distributorship is another way to describe an Amway business, which is identified by an ABO number.

**Leg:** An ABO and all downline ABOs from that individual.

**Line of Sponsorship (“LOS”):** The structural organization of ABOs established by the contractual relationship that each ABO has with Amway.

**LOS Information:** includes all information that discloses or relates to all or part of the structural arrangement of ABOs within the Line of Sponsorship, including but not limited to ABO numbers and other ABO business identification data, ABO personal contact information, ABO business performance information, and all information generated or derived there from, in its present or future forms.

**Platinum:** An ABO who has achieved a certain level of business activity as specified by the Amway Sales and Marketing Plan.

**Prospect:** A potential ABO or customer.

**Quality Assurance Standards (“QAS”):** The document published by Amway and amended from time to time, comprising the Program Standards and the Content Standards, as those terms are defined in the QAS, which collectively contain the mandatory processes, requirements, subject matters, messaging, content, and material for BSM, ABO communications, and statements relating to the Amway business. The QAS are fully incorporated into, and made enforceable as a part of, these Rules of Conduct.

**Suggested Retail Price (“SRP”):** The recommended price charged to the customer, higher than the ABO price.

**Rules of Conduct (“Rules” or “ROC”):** Define and establish: (1) certain principles to be followed in the development and maintenance of an Amway Business; and (2) the rights, duties, and responsibilities of each ABO.

**Sponsor:** There can be one of three relationships:

- **Personal Sponsor:** An ABO who introduces and sponsors a Prospect into the Amway Business Opportunity;
- **International Sponsor:** An ABO who introduces a prospect from another country to the Amway Business Opportunity and he/she becomes the (“International Sponsor”) when this prospect signs up and is being foster sponsored by another ABO in that market.
- **Foster Sponsor:** An ABO of Amway in the affiliate who is designated to provide training and support to an Internationally Sponsored ABO.

### **Section 3**

#### **Becoming an ABO**

**3.1 ABO Contract and Business Kit:** To become a duly authorized ABO capable of merchandising Amway’s products and services and sponsoring other ABOs, an applicant must apply for authorization from Amway by completing and signing the ABO Application and possess the Amway Business Kit. The completed ABO Application must be sent to Amway immediately, and accepted by Amway as authorized in accordance with the provisions of Rule 3.3. No ABO shall present the Amway Business Opportunity as anything other than a business opportunity available to Filipino citizens.

**3.2 Husband and Wife ABO:** Individuals who are husband and wife shall upon acceptance by Amway be authorized as one Distributorship. A Person whose spouse is an authorized Amway ABO shall not be eligible to apply as an authorized ABO of another Distributorship. ABO with spouse must complete the spouse’s personal information on the ABO Contract.

**3.2.1** Amway may at its sole discretion terminate the Distributorship if Amway is of the opinion (which opinion shall be final) that any act of the ABO and/or his/her spouse (whether or not the spouse is a registered partner) is found to be in contravention of any of the Rules of Conduct of Amway.

**3.2.2** If two ABOs, each of whom owns and operates a Distributorship in different or same Line of Sponsorship (neither of which is at the Platinum or above level), become married to each other, one Distributorship must be terminated. If either member of the newly married couple has attained the status of Platinum or above, then the newly married couple may operate both Distributorships, each of which will, however, be operated in its original Line of Sponsorship. The ABO must notify Amway within 30 days of the marriage date.

**3.2.3** In a husband and wife Distributorship, if a spouse resigns from Amway for any reason pursuant to the Rules of Conduct, Amway shall be entitled to terminate the Distributorship of the remaining spouse without assigning any reason. Amway may however allow the remaining spouse to continue operating the Distributorship in which event the remaining spouse and the resigning spouse shall be subject to these Rules of Conduct and to such other terms and conditions which Amway may deem fit to impose.

**3.3 Requirements:** Without limiting Amway's rights, the following are requirements for becoming an ABO or renewing a Distributorship in the Philippines:

**3.3.1** An ABO must be at least 18 years of age.

**3.3.2** Must not be the spouse of a currently authorized Amway ABO unless he or she qualifies under 3.2.2.

**3.3.3** Must not have been terminated for breach of contract under a previous Distributorship or Distributorship with another Amway affiliate; and

**3.3.4** Must comply with Section 6.4 of these Rules of Conduct if the applicant previously operated under a Distributorship that was terminated or expired (and has not been renewed).

**3.3.5** Must not be an employee of a direct-selling company at the time of the initial application or during the term of his or her authorization as an ABO.

**3.3.6** Must be a Filipino citizen or if a foreign national, must comply with the Foreign Investment Act (FIA), as amended and the Retail Trade Liberalization Act of 2000.

**3.3.7** Must not be a person serving an imprisonment sentence or otherwise confined to any correctional institution or have a previous conviction record for an offence relating to production (and/or) trading of counterfeit goods, false advertisement, illegal conduct of business, tax evasion (or) deception of customers, or an offence relating to deceptive appropriation of assets, abuse of trust to appropriate assets (or) unlawful possession of assets.

**3.3.8** Reside within the Philippines if this is a person's first Amway business in any market where Amway operates. Amway retains the discretion to make exceptions to this Rule.

**3.4 Acceptance or Rejection of ABO Application/ABO Contract or Renewal:** Amway reserves the right to accept or reject an ABO Application/ABO Contract. Likewise, Amway reserves the right to refuse any Renewal request and can revoke the Distributorship if an ABO's activities have not been in accordance with the Rules of Conduct or if the ABO is not in Good Standing or has not complied with the requirements of Rule 3.3.

**3.5 IBs Operated through a Legal Entity:** A party to an ABO Contract may apply to Amway to operate the IB through a legal entity, provided it complies with certain requirements and conditions, including that where legally feasible the entity's sole purpose is the operation of the Amway Business Opportunity. **Contact Amway for current information.** The person signing the ABO Contract on behalf of a legal entity must be an authorized representative of that legal entity and must personally meet the qualifications set forth in Rule 3.3 above. A legal entity may be required to submit, in addition to other documents, proof of existence and qualification to conduct the activities anticipated in the ABO Contract, proof of compliance with applicable registration requirements, a document (such as an Authorization for Legal Entity Form) containing various information about and agreements of both the legal entity and the founders and management of the legal entity, or such other similar information and documentation as Amway may request.

**3.5.1 Informal Partnership:** In the case of an informal partnership, the business shall be only under the names of the individuals who are partners and not under a business name that the partnership might use for other transactions. Unrelated individuals may not jointly own or operate an Amway business as informal partnership.

**3.6 Date of Authorization:** The date of authorization as an Amway ABO is when the ABO Application/ABO Contract has been processed by Amway.

**3.7 Prohibited Sponsoring Practices:** A sponsor shall not impose on a Prospect, nor any ABO, as a condition to receiving from the Sponsor assistance in the development of such person's Distributorship, such as:

**3.7.1** Purchase any specified amount of products or services.

**3.7.2** Maintain a specified minimum inventory.

**3.7.3** Purchase any non-Amway produced "starter," "decision," or other "pack" or "kit".

**3.7.4** Purchase literature, audio-visual aids, or other materials.

**3.7.5** Purchase tickets for and/or attend or participate in rallies, seminars, or other meetings.

**3.8 Term and Expiration:** Unless the term is renewed in accordance with Rule 3.9 of the Rules of Conduct and the Amway Business Policies, a Distributorship expires or may be terminated in accordance with its terms. As specified in the ABO Contract, unless earlier terminated by an ABO or Amway, the Distributorship shall expire at the end of the calendar year.

**3.8.1 Buy-Back Rule:** Upon expiration or the ABO voluntary termination of the ABO Contract, an ABO may apply to Amway to return unsold inventory of Amway products that he/she may possess, provided such products are in new, unused and original condition. Amway will repurchase such products at the cost for which such ABO purchased such Amway products from Amway, less a 10% administrative handling and restocking charge and any non recoverable taxes, less any commission amounts that have been paid on the respective purchases and less any amounts that are due and owing by the ABO. In the event that the Distributorship is terminated for an ABO's breach, Amway shall have discretion as to the repurchase of products under the Buy Back Rule.

- 3.9 Renewal:** An IB may be renewed at the discretion of Amway provided the ABO is not in violation or breach of Amway's Rules and Policies and terms of ABO Contract in any market. An ABO can extend the membership by completing the renewal form and paying the renewal fee prior to expiration date. If accepted by Amway, any extension of the term of ABO Contract and Amway's Rules and Policies shall be effective from the original expiration date. The terms of such extension shall be the terms and conditions of the ABO Contract in effect at the time of extension. Without limiting Amway's discretion to deny extension of an IB, the following automatically disqualify an ABO from extension of his/her IB:
- 3.9.1** The ABO was operating in a manner that was contrary to the reputation and interests of Amway; or
  - 3.9.2** The ABO did not comply with or is in breach of the Rules of Conduct or the Amway Business Policies within the 12 months preceding the period for which extension is sought; or
  - 3.9.3** Failure to meet the requirements outlined in Rule 3.3 of these Rules of Conduct.
- 3.10 Termination:** An ABO may terminate the IB at any time by providing Amway with written notice of termination at Amway's address. Amway may terminate the IB at any time by providing the ABO with written notice of termination at his/her specific address if he/she fails to comply with the Amway Business Policies, including the Amway Rules of Conduct, the Amway Sales & Marketing Plan and other policies maintained by Amway and which have been incorporated into the ABO Contract.
- 3.11 Invitations Limited to Two Persons only:** Invitations for business seminars, incentive trips and other events organized by Amway will only be extended to two individuals per Amway business. These individuals shall be listed on Amway's records.
- 3.12 Conspiracy; Inducement to Breach:** An ABO shall not conspire with any other person to breach or induce a breach of any Rules of Conduct or the Amway Business Policies or to induce or attempt to induce another ABO to breach any of the Rules of Conduct or the Amway Business Policies. Any such activity shall constitute a breach of the Rules of Conduct or the Amway Business Policies.
- 3.13 Exceeding Scope of Authorization:** An ABO shall not exceed the scope of authorizations granted pursuant to the ABO Contract. Any such activity shall constitute a breach of the ABO contract.
- 3.14 Representations and Warranties:** An ABO shall not make any false representation or statement to Amway, nor induce Amway to enter into an ABO Contract under false pretenses, nor breach any representation or warranties implied in this contract or by law. Any such activity shall constitute a breach of the Rules of Conduct or the Amway Business Policies.
- 3.15 Multiple Breaches:** It is a breach of the Rules of Conduct or the Amway Business Policies for an ABO to allow any breaches to remain uncorrected following notification from Amway of the existence of the same, or to have multiple simultaneous, serial or repeating breaches of the Rules of Conduct or the Amway Business Policies.
- 3.16 Unauthorized Amway Business Owner Activity in Unopened Markets:** Each ABO has an ABO Contract that authorizes the ABO to engage in activities within the countries and territories described in that ABO Contract ("Opened Market"). Any activity taken in furtherance of an Amway business in any country or territory other than an "Opened Market" is considered "Unauthorized Activity" and is strictly forbidden. No ABO shall conduct unauthorized activities in markets Amway has not opened (also refer to Unauthorized ABO Activity in Unopened Markets Policy, available on [www.amway.com.ph](http://www.amway.com.ph)).

**3.17 Circumvention of the Rules of Conduct:** In case of attempt to circumvent or acting against the intent of the Rules of Conduct, Amway may at any time take corrective action at its discretion.

**3.17.1** All ABOs shall be subject to the Enforcement Procedure which is set out in the Amway Business Guidebook provided that Amway expressly reserves the right to terminate, at anytime and with immediate effect, the authorization of an ABO who shall have provided false information in the Application or who shall have accepted authorization as an ABO in violation of these Rules or when authorization may in Amway's opinion bring the Amway Sales & Marketing Plan into disrepute.

## **Section 4**

### **Responsibilities and Obligations of all ABOs**

**4.1 Abide by the Amway Business Policies/Amendments/Duty of Good Faith:** At all times, ABOs must adhere strictly to the guidelines, procedures and policies stated in the Amway Business Policies of which these Rules of Conduct are a part, in addition to the Amway Sales and Marketing Plan, and, in each case, any amendments made to such from time to time. All ABOs are charged with the duty of good faith and fair dealing under the terms of the ABO Contract.

**4.1.1 Cooperation with Investigations:** ABOs shall cooperate in any investigation undertaken by Amway into activities that are potentially in contravention of his or her Distributorship or the Distributorship of another ABO.

**4.2 Cross Group Buying or Selling:** No ABO shall engage in cross-group buying or selling. "Cross group buying and selling" occurs when a ABO sells Amway distributed or supplied products and/or services to another ABO who is not personally sponsored and downline of those sponsored, down to the next Platinum.

**4.2.1** An ABO must only purchase Amway products and services and Amway BSM directly from his or her Sponsor or Amway.

**4.2.2** An ABO must not sell Amway products and services to another ABO who is not personally sponsored and downline of those sponsored, down to the next Platinum.

**4.3 Retail Store:** With the exception of Limited Retail Service Establishments as defined in Rule 4.3.1, or Temporary Events defined in Rule 4.3.2, no ABO shall allow the sale or display of Amway products or services in establishments whose main purpose is the retail sale of products or services, including both physical retail locations and unauthorized internet sites.

**4.3.1 Selling and Displaying Amway Products at Limited Retail Service Establishments:**

For purposes of this **Rule 4.3.1**, a Limited Retail Service Establishment is an establishment including beauty salons, health spas, fitness centers, gyms, bars, restaurants, where the retail sale of Amway products are incidental to the products or services available at those establishments.

**4.3.1.1** Notwithstanding the restriction in Rule 4.3, ABOs may sell and display Amway products in Limited Retail Service Establishments under the following conditions:

**4.3.1.2** The sale and display of Amway products must be related to the service rendered in the particular Limited Retail Service Establishment. For example, nutrition products may be sold and displayed in health clubs and spas; personal care and skin care products may be sold and displayed in spas and beauty salons. In addition, XS products may be sold and displayed in each of the Limited Retail Service Establishments referenced in Rule 4.3.1.

**4.3.1.3** The ABO must be the sole or majority owner of, or be the manager or officer of, or otherwise in a position of primary responsibility for, the Limited Retail Services Establishment, and be an ABO in Good Standing with Amway.

**4.3.1.4** An ABO must fill out and submit a Request for Authorization to Sell and Display Amway Products at Limited Retail Service Establishments form which must be approved by Amway before selling and displaying Amway products at the Limited Retail Services Establishment by the ABO. A Request for Authorization to Sell and Display Amway Products at Limited Retail Service Establishments form may be obtained through Amway. At its sole discretion, Amway may accept or reject the Request, revoke authorization at any time, or vary the terms of its authorization.

**4.3.1.5** An ABO who has received written authorization by Amway to sell and display Amway products in the Limited Retail Service Establishment shall be responsible for, and will be accountable under the Rules of Conduct and Policies for the acts and/or omissions related to Amway products in the Limited Retail Service Establishment.

#### **4.3.2 Selling and Displaying Amway Products at Temporary Events:**

For purposes of this Rule **4.3.2**, a Temporary Event is an event lasting no more than 10 days. An ABO may request Amway's authorization to sell and display Amway products during a Temporary Event provided the theme or nature of the Temporary Event is consistent with the nature of the Amway brand or product being sold and displayed. ABOs must submit a completed Request for Authorization to Sell and Display Amway Products at Temporary Events (Request) to Amway at least 30 days before a Temporary Event and must receive authorization from Amway before selling and displaying any Amway product at a Temporary Event. A Request form may be obtained from Amway. At its sole discretion, Amway may accept or reject the Request, revoke authorization at any time, or vary the terms of its authorization with or without prior notice.

**4.3.2.1** After the Temporary Event, the ABO must inform Amway of the total sales volume generated as a result of the sale of Amway products at the Temporary Event in order to determine if this sales volume contributes to a qualification month of a Silver Producer or above, and to verify compliance with Rule 4.18.

**4.3.3** Medical or allied health professionals, nutritionists, dieticians, or professionals engaged in the practice of alternative medicines, who are also ABOs and use NUTRILITE products may prescribe, promote and sell NUTRILITE through their clinics or professional rooms subject to the following conditions:

**4.3.3.1** There can be no display of NUTRILITE or other Amway products, services, materials, trademarks, logos, photographs, and other paraphernalia in the public areas of the clinic. Product displays and poster can be used in private consulting areas as long as the approach is one on one.

**4.3.3.2** "Working product" can be used with and in front of a customer in "working areas" of the clinic. For this purpose, only the amount of product that is reasonably required for working purposes can be used. Typically, no more than one bottle/container of each product should be in use at any given time.

**4.3.3.3** The ABO may recommend particular Amway products and services to the customer provided that the communication occurs in a one on one environment.

**4.3.3.4** In the event that the customer demonstrates an interest in the purchase of any Amway product or service, the following (or substantially similar) statement must be made: *"These products are available exclusively through Amway ABOs located throughout the Philippines. If you are already being serviced by an ABO and wish to purchase NUTRILITE products, you must purchase the products from your existing ABO. If you are not an existing customer or an ABO, I will be happy to supply you with these products."*

**4.3.4** ABOs are not allowed, on their own or utilizing non-ABO third parties, to sell or promote Amway products or services in any digital retail property which has the primary purpose of selling products or services to the public. No Amway products or services are allowed to appear in these properties even if the products or services are not for sale.

**4.3.5** In the online environment, ABOs are allowed to blend and leverage their non-Amway communities and businesses, promote and sell Amway products, and prospect contacts made through that business or community, only in accordance with the Digital Communication Standards.

**4.4. Advertising:** An ABO may not present the Amway Sales and Marketing Plan or solicit participation in the Amway Sales and Marketing Plan through any broadcast communication methods including mass mailings, telemarketing, national or international advertising, radio, television, facsimile services, computer communication networks including the Internet, or any other means by which personal contact with a Prospect is not present. Advertising is allowed in a limited context as described in the Digital Communication Standards.

**4.5 Truthful and Accurate:** ABO statements about the products and services offered through or by Amway must be truthful, accurate, and not misleading, and shall be made in accordance with the Quality Assurance Standards. ABOs shall not:

**4.5.1** Make exaggerated product claims not authorized by Amway with regards to Amway's products or products distributed by Amway;

**4.5.2** In any way whatsoever, represent Amway incorrectly with regard to prices, quality, standards, grades, contents, style or model, place of origin or availability of Amway's products or products distributed by Amway;

**4.5.3** State that Amway's products or products distributed by Amway are backed, approved, or present any features as regards to yield, accessories, uses or benefits that they do not have, or

- 4.5.4** Act or present in any way whatsoever Amway, its products or the products Amway distributes, in a fraudulent manner or promote products that do not belong to Amway as if they did.
- 4.6** **Repackaging:** ABOs may not repackage products, change the content of products or otherwise change or alter any of the packaging labels of Amway products or services.
- 4.7** **Written Sales Receipt:** An ABO who takes and/or delivers an order in person shall deliver to the customer at the time of sale, a written and dated order or receipt which shall: (a) describe the product(s) sold, (b) state the price charged, and (c) give the name, address, and telephone number of the selling ABO.
- 4.8** **Satisfaction Guarantee and Warranty:** A customer is allowed to return the purchased products under a Buy-Back Guarantee if products are in salable condition and under a Warranty if products have defects due to the manufacturing process, within 100 days from the date of purchase. Whenever a customer requests Satisfaction Guarantee service within the stated guarantee period, an ABO shall immediately offer the individual his or her choice of; a) full refund; b) exchange for a like product; or c) full credit for the purchase of another product.
- 4.8.1.** ABOs shall advise Amway of any complaint regarding the Satisfaction Guarantee from a customer and provide copies of all correspondence and details of all conversations regarding the complaint as requested.
- 4.8.2.** ABOs are not authorized to make any type of offer or compromise or render Amway liable for any complaint or product return except as provided in the foregoing provisions.
- 4.8.3.** ABOs will be held strictly liable for claims they make which exceed the terms of the Satisfaction Guarantee/Warranty and shall indemnify and hold Amway harmless for claims made to that effect.
- 4.9** **Compliance with Applicable Laws, Regulations and Codes:** ABOs shall comply with all laws, regulations and codes that apply to the operation of their Distributorship wherever their business may be conducted. ABOs must not conduct any activity that could jeopardize the reputation of the ABO and/or Amway. Upon request, ABOs shall forthrightly provide any information requested about an ABO's activities or any other activities known by the ABO (even with respect to other ABOs). In all such communications with Amway, the ABO shall act with absolute candor and good faith.
- 4.10** **Deceptive or Unlawful Trade Practices:** No ABO shall engage in any deceptive or unlawful trade practice.
- 4.11** **Unlawful Business Enterprises or Activities:** An ABO shall not operate any illegal or unlawful business enterprise, engage or participate in any illegal or unlawful business activity. An ABO must operate his/her business in a financially responsible, solvent and business-like manner.

- 4.12 Professionalism:** An ABO shall at all times conduct himself or herself in a courteous and considerate manner and shall not engage in any high-pressure tactics, but shall make a fair presentation of Amway products or services, or the Amway Sales and Marketing Plan, when and where appropriate.
- 4.13 ABO Relationship:** No ABO shall represent that he or she has any employment relationship with Amway or any of its affiliated companies and/or other ABO.
- 4.13.1.** ABOs shall not give a false representation as to the nature of the relationship between Amway and its ABOs, or make any representation, except in accordance with the explanation given in the Amway Business Guidebook and Amway Business Policies or other official literature of Amway. An ABO is required to indemnify Amway for the cost, damage or prejudice stemming from such false representation, including any legal fees Amway may have incurred.
- 4.13.2.** ABOs shall not imply that they are employees of Amway, nor shall they refer to themselves as “agents,” “managers,” or “company representatives”, nor shall they use such terminology or descriptive phrases on their stationary or other printed materials.
- 4.13.3.** ABOs may not use their business cards to create the impression that they are in an employment relationship with Amway.
- 4.14 Franchises and Territories:** No ABO shall represent to anyone that there are exclusive franchises or territories available under the Amway Sales & Marketing Plan.
- 4.15 Other Selling Activities:** Except as provided in the Digital Communications Standards, ABOs may not take advantage of their knowledge of or association with other ABOs, including their knowledge resulting from or relating to the Line of Sponsorship, in order to promote and expand other business ventures. Such conduct constitutes an unwarranted and unreasonable interference with the business contract of other ABOs and Amway.
- 4.15.1** ABOs shall not solicit, directly or indirectly, other ABOs in order to sell, offer to sell, or promote other products, services, or business opportunities not offered or marketed by Amway. This Rule also applies to investments, securities, and loans, regardless of their source.
- 4.15.2** ABOs shall not sell, offer to sell, or promote any other business opportunities, products, or services in connection with the Amway Sales and Marketing Plan.
- 4.16 Interference in another ABO’s Distributorship; Inducement:** It is a breach of the Rules of Conduct or the Amway Business Policies for an ABO to:
- 4.16.1** Interfere or attempt to interfere with another ABO’s Distributorship; or
- 4.16.2** Induce or attempt to induce another ABO to change his/her Line of Sponsorship, to transfer or abandon his/her Distributorship, or to sponsor or not sponsor a particular Prospect; or
- 4.16.3** To induce or attempt to induce another ABO to deny training, education, motivation or other support to a downline ABO; or
- 4.16.4** To induce or attempt to induce another ABO to breach the Rules of Conduct or the Amway Business Policies.

**4.16.5** To supply tickets or passes to ABO events to ABOs from other Lines of Sponsorship. ABOs are to ensure that event promotion, if any, should be within their own respective Lines of Sponsorship.

**4.17 Exporting Amway Products:** No ABO may export or import, or sell to others who import or export, Amway products from any other country in which Amway has established operations, into any country regardless of whether or not Amway is doing business in that country.

**4.18 Retail Effort Rule:** Amway pays commission under the Amway Sales & Marketing Plan based on sales to end consumers. For an ABO to be entitled to commission and/or qualification under the Amway Sales & Marketing Plan, that ABO's purchases must be consumed or sold to end consumers within a reasonable period as determined by Amway. Amway reserves the right to deny all qualifications, awards and rewards if in Amway's judgment, the ABO's purchases are not in compliance to this rule.

**4.18.1** Amway does not require stock keeping or purchase of inventory. ABOs may not purchase or counsel other ABOs to purchase product for any purpose other than the provision of such product to end consumers.

**4.19 Digital Communications:** Digital Communications as used in these Rules means electronic transmissions (generally by computer or mobile device) of text, data, images, video, voice, and other information including, without limitation, any posts or publications made available within the digital space, including emails, videos, live streaming, podcasts, blog posts, mobile applications (apps), advertising, forums, webpages, and through any social media or messaging platform, e.g., Facebook®, YouTube®, Facebook Messenger®, Twitter®, Google+, Instagram®, Skype®, LinkedIn®, Viber®, Pinterest®, Kakao Talk®, Line®, WhatsApp®, Snapchat®+ or WeChat®.

The Rules apply to ABO Digital Communications regarding Amway, the Amway opportunity, Amway products and services (directly or indirectly), or when the Digital Communications constitute BSM as defined under the Rules and BSM Policy. Since the digital space is unique, Amway has established Digital Communications Standards (DCS) to ensure ABO Digital Communications are in compliance with the Rules and the QAS. The DCS are incorporated into and made a part of these Rules, and ABOs must comply with the DCS. A copy of the currently applicable DCS is available upon request from Amway.

**4.20 Fundraising:** No ABO shall use Amway products in conjunction with any type of fundraising activity. Fundraising includes but is not limited to the solicitation for the purchase of Amway products or services based on the representation that all, or some, of the gains, proceeds, commission, or profits generated by such sale will benefit a particular group, organization or cause.

- 4.21 Amway Sales and Marketing Plan Manipulation:** No ABO shall manipulate the Amway Sales and Marketing Plan or award volume in any way which results in the payment of commission or other awards and recognition that have not been earned in accordance with the terms of the Amway Sales and Marketing Plan and/or the Amway Business Guidebook. In this regard, the strategic and artificial structuring of an Amway Line of Sponsorship for the purpose of depth building, whether or not there are relationships between those who are sponsored and those who sponsor, is considered to be manipulation and an unacceptable business practice. Amway at its sole discretion will determine what constitutes manipulation of the Amway Sales and Marketing Plan.
- 4.22 Personal/Business Information Update:** All ABOs are responsible for communicating any updates or changes to their personal information (e.g., name, address, and telephone numbers, etc.) or business information (e.g., change of business status, etc.) to Amway.
- 4.23 Proprietary Information:** In addition to the provisions contained in Rule 9 of the Rules of Conduct, pertaining to the use of the Amway trade name, trademarks and copyrighted materials, Amway's confidential and proprietary business information including, by way of example and not limitation, Line of Sponsorship information (i.e., information compiled by Amway that discloses or relates to all or part of the specific arrangement of sponsorship within the Amway business, including, without limitation, ABO lists, sponsorship trees, and all ABO or Amway business information generated there from, in its present and future forms), business information, manufacturing and product development, business plans, and ABO sales, earnings and other financial information, etc., constitute commercially advantageous, unique, and proprietary trade secret and business secrets of Amway which it keeps proprietary and confidential and treats as a trade secret and business secret and constitute "Proprietary Information" subject to the ABO Contract.
- 4.23.1** Amway is the exclusive owner of all Proprietary Information, which is derived, compiled, configured, and maintained by Amway. The ABO acknowledges all proprietary information is owned by Amway through the considerable expenditure of time, effort and resources.
- 4.23.2** ABOs are granted a personal, non-exclusive, non-transferable and revocable right by Amway to use Proprietary Information only as necessary to facilitate their Amway Business as contemplated under the Rules of Conduct including, for example, the Confidentiality Policy and other terms and conditions of the ABO Contract. Amway reserves the right to deny or revoke this right, upon reasonable notice to the ABO stating the reason(s) for such denial or revocation, whenever, in the reasonable opinion of Amway, such is necessary to protect the confidentiality or value of Proprietary Information.
- 4.23.3** All ABOs shall maintain Proprietary Information in strictest confidence, and shall take all reasonable steps and appropriate measures to safeguard Proprietary Information and maintain the confidentiality.
- 4.23.4** An ABO shall not compile, organize, access, create lists of, or otherwise use or disclose Proprietary Information except as authorized by Amway. An ABO shall not disclose Proprietary Information to any third party, or use Proprietary Information in connection with any other businesses.
- 4.23.5** Use or disclosure of Proprietary Information, other than as authorized by Amway, shall cause significant and irreparable harm to Amway, and Amway may claim appropriate

compensation for damages as well as demand an ABO refrain from the harmful conduct as well as seek any other remedies under applicable laws.

**4.23.6** In case of disclosure of the Proprietary Information, voluntary or not, by an ABO to any third person, the ABO should immediately notify Amway about that fact and take the necessary measures in order to (a) prevent further disclosure by such third party and (b) oblige such third party to sign a confidentiality and non-disclosure agreement for the benefit of Amway and under no less stringent terms that those provided within this Rule 4.23.

**4.23.7** An ABO shall promptly return any and all Proprietary Information or any copy of same to Amway upon resignation, expiration, failure to renew, denial of extension or termination of his or her Distributorship and shall refrain from any further use.

**4.23.8** The confidentiality obligations set out in this Rule 4.23 shall bind the ABO during the term of the ABO Contract, and shall survive the expiration or termination, for any cause.

#### **4.24 Presentation Rules**

The content of the presentations which include or support the promotion of the retailing of Amway™ products and services, or the Amway Sales and Marketing Plan, must otherwise be in accordance with the following:

**4.24.1** ABOs shall not:

- a. exaggerate income representations by relating it to or incorporating it with other income and suggesting that it is the result of building the Amway business;
- b. substitute group or non-Amway organizational identity for the Amway business. The Amway business must always be clearly identified without any ambiguity to the participants during the course of the presentation;
- c. advocate, imply or give the impression that success can be achieved through promoting personal consumption with no requirement to sell or promote inappropriate product usage and/or claims;
- d. promote one's Line of Sponsorship, affiliation or group in any manner that will give rise to or likely to give rise to resentment by or cause any detriment to others;
- e. misrepresent whether directly or indirectly and by whatever means the relationship of the ABO to Amway, for example, suggesting or implying that Amway is "just a supplier", or that the ABO represents a business opportunity of which "Amway is a part", or that the ABO "outsources" administrative support to Amway, etc.;
- f. promote any other business opportunity other than the Amway Business or solicit any participants to attend meetings for the purpose of presenting another business opportunity at any time; or,
- g. use the meeting as a platform to promote or advocate religious, political and/or personal social beliefs.

**4.24.2** Personal reflections on the following are not appropriate:

- a. social and cultural issues;
- b. preferences regarding specific political views, parties, candidates or elected officials.

**4.24.3** Discussions must only relate to ethics and positive attitudes that will assist and encourage the ABO's and Amway's products, services and business.

**4.24.4** Income representations, whether direct or implied, must reflect a realistic income potential from participation in the Amway Sales & Marketing Plan.

**4.24.5** ABO statements about the Amway Business Opportunity and Amway Sales & Marketing Plan must be truthful, accurate, and not misleading, and shall be made in accordance with the QAS and these Rules of Conduct.

**4.25 Activity Outside the Philippines or Activity Outside The Market Where The ABO Is Registered:** ABOs who engage, directly or indirectly, in any activity related to the Amway business in a jurisdiction outside of the Philippines must do so in a manner that complies with the letter and spirit of the applicable laws, regulations, and rules, policies and procedures of the Amway affiliate in that jurisdiction, regardless of whether they are registered ABOs in that jurisdiction. Failure to do so shall be a breach of the ABO Contract.

## **Section 5**

### **Responsibilities and Obligations of all Sponsors/Platinums**

Each ABO is responsible for building his/her own Amway business. Amway recognizes that proper support, training and motivation from the Sponsor/Platinum are also important to the continued growth of Amway businesses downline. However, Sponsor and other upline activities must never undermine the independence and personal effort of each Amway business or improperly interfere with the relationship between Amway and each ABO. *ABOs who qualify at the Emerald or Diamond level should only support and communicate with ABOs in their downlines qualified Emerald and/or Platinum Business Group as set forth in Rule 5.2.5. below.*

Further, Rule 5 prohibits excessive or improper upline involvement which may also constitute manipulation of the Amway Sales and Marketing Plan Rule (Rule 4.21).

Amway reserves the right to evaluate the type and frequency of upline involvement to determine whether it constitutes interference in violation of the Rules of Conduct

**5.1 Duties and Responsibilities of Sponsors:** An ABO who engages in sponsoring activity or who sponsors an ABO shall:

**5.1.1** Sell to the sponsored ABO an unaltered Amway Business Kit and inform him/her of the applicable time period in which to return the Kit for a refund.

**5.1.2** Be in compliance with the ABO Contract and meet all requirements as set forth in the ABO Contract including Amway Business Policies.

**5.1.3** Train and motivate the sponsored ABO in accordance with Amway Business Policies, or cooperate with the upline Platinum to ensure that this training and motivation occurs.

**5.1.4** Ensure that the ABO whom they have personally sponsored fully comply with the Amway Rules of Conduct and the terms of the ABO Contract including the Amway Business Policies, and all applicable laws and regulations.

**5.1.5** Encourage ABOs whom they have personally sponsored to attend official Amway meetings and functions.

**5.1.6** Explain the responsibilities and obligations of an ABO under the ABO Contract, including the Amway Business Policies and instruct the sponsored ABO on how to operate a

Distributorship in accordance with the Amway Business Policies, in addition to the Amway Business Guidebook and other official Amway literature.

**5.1.7** Support and comply with the Rules of Conduct and educate and assure that other ABOs whom they have personally sponsored do the same.

**5.1.8** Protect the sponsorship rights of each ABO whom they have personally sponsored.

**5.2 Duties and Responsibilities of an ABO at Platinum Level or Above:** The following are some of the responsibilities and functions of a Platinum ABO:

**5.2.1** Ensure that the ABO whom they have personally sponsored and downline of those sponsored, to the next Platinum, fully comply with the Amway Rules of Conduct and the terms of the ABO Contract including the Amway Business Policies, and all applicable laws and regulations.

**5.2.2** Encourage ABOs whom they have personally sponsored and downline of those sponsored, to the next Platinum, to attend official Amway meetings and functions.

**5.2.3** Support and comply with the Rules of Conduct and educate and assure that other ABOs whom they have personally sponsored and downline of those sponsored, to the next Platinum do the same.

**5.2.4** Protect the sponsorship rights of each ABO whom they have personally sponsored and downline of those sponsored, to the next Platinum.

**5.2.5** ABOs who qualify at the Emerald or Diamond level have the following additional responsibilities related to the ABOs in their downline qualified Emerald and/or Platinum Business Group:

**5.2.5.1** Offer to consult and support them in coordination with the downline qualified Emerald and/or Platinum of the group to strengthen the success of their business.

**5.2.5.2** Promote compliance with the Amway Rules of Conduct.

**5.3 Training and Motivation:** Conduct, or provide access to, training and motivation that complies with the Rules, including the incorporated QAS.

**5.3.1** In order to meet this obligation, the Sponsor may personally train the ABOs whom he or she sponsors, or arrange for support from others, including his or her upline Platinum where applicable, ABOs eligible and approved to create and use BSMs in training, educating, and motivating other ABOs, or third-party vendors ("Training Providers").

**5.3.2** If the Sponsor directly provides the training and motivation, the Sponsor remains responsible and accountable under the ABO Contract for ensuring that training and motivation that are compliant with the Rules and the QAS are made available to his or her sponsored ABOs.

**5.3.3** If arrangements are made with the upline Platinum, or other authorized ABOs, to provide the training and motivation, then the ABO providing the training and motivation shall be responsible and accountable under the ABO Contract for the training and motivation to be compliant with the Rules and the QAS.

- 5.3.4** If arrangements are made with the Training Providers, then the Sponsor or any other ABO who made the arrangement shall be responsible and accountable under the ABO Contract for the training and motivation to be compliant with the Rules and the QAS.

## **Section 6**

### **Preservation of the Line of Sponsorship**

- 6.1 Protection of the Line of Sponsorship:** The sale of an ownership interest in a Distributorship, transferring a Distributorship, requires prior approval by Amway. This approval shall be at Amway's sole discretion.
- 6.1.1** The transfer of an ABO, with or without his/her personally sponsored and downline of those sponsored, moves the sponsorship of that Distributorship from one ABO to another.
- 6.1.2** When a Distributorship is sold, such Distributorship shall remain in the same position in the Line of Sponsorship.
- 6.1.3** Transfers may not be used to strategically or artificially restructure any part of the Line of Sponsorship.
- 6.2 Individual Transfers:** An individual transfer involves the transfer of an ABO without any of his or her sponsored ABOs. Without limiting or restricting in anyway Amway's powers and discretion under Rule 6.1 above:
- 6.2.1** Any ABO who wants to change Sponsors must submit a written request to Amway accompanied by (1) a written release signed by all the ABOs upline up to and including the first qualified Platinum or above, and (2) a written acceptance from the new Sponsor and new Platinum or above. The written acceptance from the new Sponsor and Platinum or above confirms that they will incur all responsibilities of the transferring ABO.
- 6.2.2** Amway will also contact any International Sponsor and International Leadership Bonus recipients and will allow 30 days for comment.
- 6.3 Group Transfers:** A group transfer involves the transfer of an ABO with all or some of his/her personally sponsored and downline of those sponsored. Without limiting or restricting in any way Amway's powers and discretion under 6.1 above:
- 6.3.1** An ABO who wishes to transfer to a different Sponsor with all or part of his/her personally sponsored and downline of those sponsored, must submit a written request to Amway accompanied by the written consent from all downline ABOs, who wish to transfer, down to the first ABO who is qualified at the Platinum or above level and all ABOs who are qualified at the Platinum or above level up to and including the first ABO who is qualified at the Emerald or above level.
- 6.3.1.1** If the first upline ABO who is qualified at a formal award level is a qualified Emerald or above, written consent must be received from the next ABO who is qualified at the Platinum or above level who is upline from that Emerald.

**6.3.1.2** Amway will then notify the first qualified upline Diamond and allow 14 days for comment.

**6.3.2** The transfer request must be accompanied by written consent of all those ABOs, including those internationally sponsored, who the transferring ABO wishes to take with him or her and the written acceptance of the ABO in the Line of Sponsorship to which the requester wants to be transferred.

**6.3.2.1** Amway will also contact any International Sponsor and International Leadership Bonus recipient and will allow 30 days for comment.

**6.3.3** No ABO currently recognized by the company as a Group Leader (e.g., Silver Producer, Gold Producer, Platinum, or Ruby, etc.) can be transferred with his/her personally sponsored and downline of those sponsored under this Rule.

**6.3.3.1** A former Group Leader ABO may be transferred with his/her personally sponsored and downline of those sponsored only if more than 2 full years have elapsed since the last month in which the ABO was recognized as such, provided there has been compliance with the procedures outlined above.

**6.4 Six Month Inactivity:** An ABO who wishes to terminate (by resignation or failure to extend) his or her Distributorship under his or her present Sponsor and who thereafter becomes inactive for a period of six or more consecutive months shall cease to be an authorized ABO and may, following the lapse of said inactive period, apply as a new ABO under a new Sponsor. The date on which Amway receives the letter of resignation begins the inactivity period. A person who has not renewed his/her Distributorship will be considered expired and must remain inactive six months from the expiration date.

**6.4.1** To sponsor an ABO under this Rule, the applicant must complete a new ABO Contract which may be obtained from Amway. When Amway receives an ABO Contract, it notifies the original ABO at the Platinum or above level of the fact and grants him or her 14 days to file an objection to the inactivity claim. If evidence of activity during the six-month period is substantiated, Amway will refuse to honor the sponsorship under the new Sponsor. The right of an ABO to contest the sponsorship of a former ABO who is now sponsored under a different Sponsor ceases when two years have elapsed since the date Amway accepted the application under the new Sponsor.

**6.4.2 Definition of Inactivity:** Inactivity for purposes of this Rule shall mean that during the period of inactivity, the ABO shall be completely inactive, which means such ABO:

**6.4.2.1** Shall not have purchased products or services of Amway as an ABO for personal use (although he or she may do so as a customer);

**6.4.2.2** Shall not have sold any products or services of Amway except pursuant to the "buy-back" policy, shall not have engaged in any phase of a product sale/purchase (e.g., taking an order, making a delivery, or accepting payment);

**6.4.2.3** Shall not have presented the Amway Sales and Marketing Plan to any Prospect;

**6.4.2.4** Shall not have filed a Renewal Form for the extension of his or her Distributorship; and



**6.4.6** A formerly fostered sponsored ABO may sponsor again subject to paragraphs 6.4.1, 6.4.2, 6.4.3, and 6.4.4 and the following conditions:

**6.4.6.1** At the time of application, the former ABO must specify whether or not he wishes to be internationally and foster sponsored again, and

**6.4.6.2** A former ABO may not be personally sponsored by a Sponsor who was previously above him or her in the original line of foster sponsorship up to and including the first ABO qualified at the Platinum or above level, or below him or her in the original Line of Sponsorship down to and including the first ABO qualified at the Platinum or above level unless two or more years have elapsed since the termination of his or her Distributorship.

**6.4.7 Corrective Action:** If any provisions to this Rule are violated, Amway may take corrective action, which may include, but is not limited to, the termination of the violating ABO's Distributorship, and transfer of his or her former personally sponsored and downline of those sponsored and/or the Business Volume generated during the period of violation to the appropriate Line of Sponsorship.

**6.5 Sale of a Distributorship:** An ABO who owns a Distributorship (whether or not qualified as Platinum or above) may sell his or her Distributorship only to another authorized ABO as prescribed by this rule. Amway requires that specific terms of sale be included in any sales agreement. In order to preserve the Line of Sponsorship, the selling ABO must offer his or her Distributorship in the order of priority stated below and the ABO interested in purchasing the Distributorship must meet all of the terms and conditions as set forth in these Rules. The purchased business shall remain separate from the buyer's other Amway business and the Line of Sponsorship shall not be altered in any way as a result of the sale.

**6.5.1** The first option to purchase belongs to his or her International Sponsor, who retains throughout the sales negotiations to sell the Distributorship the right to acquire the same by meeting the price and conditions of any bona fide offer received by and deemed acceptable to the Seller;

**6.5.2** The second option to purchase belongs to his or her local Foster Sponsor so long as the first option has not been exercised. In the event the selling ABO has no International Sponsor, the local Sponsor retains throughout the sale negotiations to sell the Distributorship the right to acquire same by meeting the price and conditions of any bona fide offer received by and deemed acceptable by the Seller;

**6.5.3** The third option, exercisable so long as the first or second options above have not been exercised, belongs to any one of the Seller's personally sponsored ABO;

**6.5.4** The fourth option, exercisable so long as the first, second, or third options above have not been exercised, belongs to any qualified Platinum or above either up or down the Line of Sponsorship to the next qualified Diamond;

**6.5.5** The final option, exercisable so long as the first, second, third, or fourth options above have not been exercised, belongs to any qualified Emerald at that time. All purchasing ABOs must be in good standing as determined by Amway. All sales (except the price) must be reviewed and approved by Amway before they become final. Amway reserves the right to approve all sales at its own discretion. No changes in ownership will be implemented and no change of title of the business shall be made final until the sales agreement has been received and approved by Amway and a final executed copy of the sales agreement is provided to Amway for its records.

- 6.5.6** If the ABO wishes to sell his or her Distributorship under terms and conditions different from those of his or her first offer, the Distributorship must be once again offered for sale under the revised terms and conditions in accordance with the order of priority indicated above.
- 6.5.7** All purchasing ABOs must meet the following criteria as reasonably determined by Amway. Failure to meet the following criteria will act as if the offer to purchase was revoked or the option to purchase was never exercised.

- 6.5.7.1** Possesses sufficient expertise in the business so as to demonstrate a complete and accurate understanding of the Amway Sales and Marketing Plan and the Amway Business Opportunity;
- 6.5.7.2** Possesses a complete and accurate understanding of the Rules of Conduct and demonstrate a willingness to abide by them;
- 6.5.7.3** Possesses adequate resources to operate the seller's Distributorship and to provide necessary training and support;
- 6.5.7.4** Possesses an understanding of any relevant market factors that may impact the operation of the seller's Distributorship; and,
- 6.5.7.5** Is not currently engaged in any dispute or possess any conflict which may impact their ability to operate the seller's Distributorship.

- 6.5.8** Monthly Performance Commissions accruing to the business after the date of sale will be paid to the new owners. Annual Bonuses (such as Emerald and Diamond Bonuses) shall be paid as specified in the Sales Agreement as authorized by Amway. All awards previously awarded to the business will not be transferred to the new owners. Qualification for awards for the business will be determined only by activities occurring after the date of sale.

- 6.6 One Amway Business Rule:** An ABO may own, have an interest in, be a signatory on or be listed as a designee on only one Distributorship, except as provided in Rules 6.6.1 – 6.6.5. Only under the following circumstances may an ABO have ownership interest in more than one Distributorship:

- 6.6.1** Where two ABOs marry and one or both have attained the Platinum or above level prior to marriage pursuant to Rule 3.2.2;
- 6.6.2** Where an existing Distributorship purchases another Distributorship pursuant to Rule 6.5;
- 6.6.3** Where an ABO (transferor), in order to facilitate the transfer of his or her Distributorship in the event of his or her death, requests to assign the Distributorship to another existing ABO pursuant to Rule 10; or,
- 6.6.4** Where an existing ABO inherits a Distributorship pursuant to Rule 10.
- 6.6.5** In the event an ABO owns or has an ownership interest in two or more Distributorships pursuant to this Rule, Amway shall continue to recognize such Distributorships as separate Distributorships and will only recognize them as separate, individual Distributorships for all purposes including for award and commission purposes.

- 6.7 Mergers and Combinations of IBs:** No merger or combination of two or more existing IBs by reason of intentional affirmative act on the part of the owners shall be permitted which results in the merging IBs obtaining any level of achievement.

- 6.7.1** Only those mergers or combinations resulting from failure to file a Notice of Intent to Renew form, termination, resignation, death (with no designation of succession by heirs), or some involuntary event or cause beyond the control of any of the owners, shall be permitted,

provided, however, that the merging business has fewer than two (2) qualified legs. A permissible merger and combination must not be implemented until same has been reviewed and approved by Amway.

**6.7.2** Under no circumstances will Amway approve a merger which results in an ABO attaining a higher award level.

**6.8 Annulment, Legal Separation, Separation, or Other Dissolution:** Whenever a business is ordered to be separated or divided as the result of a decree of annulment, nullity of marriage, or separation of property, dissolution of a corporation or partnership (where applicable), the separation or division must be accomplished in such a way as to not adversely affect the interests and/or income of the IB in the Line of Sponsorship. During the division or separation process, neither party shall administer or operate, together or separately, any other IB without Amway's express written consent.

**6.8.1 Annulment or Legal Separation:** Upon the issuance of a decree of annulment, nullity of marriage, or separation of property of a married couple one of whom is a signatory to an ABO Contract, Amway shall continue to recognize the signatory to the ABO Contract as the ABO and shall pay Bonuses and grant awards and rewards to such ABO only. Amway will continue to treat the IB as a single entity and for the purposes of this contract the individuals formerly married are still bound by Rules 3.2, 3.11, and 4.15 as they deal with spousal issues. Any arrangements between divorced spouses with respect to proceeds from an Amway Business of one of the spouses must be handled by the spouses. Absent the express written consent of Amway, no arrangements shall be made to divide proceeds or to share awards or rewards between spouses.

**6.8.2 Dissolution of a Legal Entity Operating an IB:** Absent the express written agreement of Amway to the contrary, prior to dissolution of a legal entity that is a signatory to an ABO Contract, the ABO Contract may be assigned to the authorized representative of the legal entity who signed the ABO Contract originally on behalf of the company, or the IB may be sold in accordance with Rule 6.5 of the Rules of Conduct. The failure to either assign the ABO Contract to the authorized representative or to sell the IB in accordance with Rule 6.5 of the Rules of Conduct shall result in abandonment of the IB in accordance with Section 13 of the Rules of Conduct.

**6.9 Disposition of a Distributorship:** If an ABO terminates his/her Distributorship with Amway, or fails to apply for extension of the Distributorship within the required time period, or dies without leaving heirs who are willing and able to assume responsibility for the Distributorship, Amway, at its sole discretion, shall decide the future of the Distributorship in accordance with Rule 13.1.

**6.10 Non-Compete/ Non-Solicitation:**

(a) Non-Compete:

An ABO shall not, *who is or has qualified at the level of Platinum or above*, shall not, *during the existence of his/her contract of Distributorship with Amway*, and for a period of 6 months after the termination of his/her contract of distributorship with Amway, engage in or carry on any business or service, either directly or indirectly, which may be considered to be in competition with or similar to the businesses of Amway, whether for his/her own account, or for the account of any other person in the Philippines using or exploiting any confidential information belonging to Amway, its customers or distributors.

Confidential information includes the proprietary information under Rule 4.23, but is not limited to: Amway's Line of Sponsorship information, Amway's Sales and Marketing Plan, marketing strategies, technology, know-how, customer lists and contacts, distributor lists and contacts, customer portfolios, costs of production and marketing, product costs, prices, quoted prices, specific needs and requirements of customers and suppliers, status of all on-going negotiations with customers, price lists, and any other information which by its nature could be considered to be confidential.

(b) Non-Solicitation:

An ABO shall not, during the existence of his/her contract of distributorship with Amway, and for a period of 24 months after the termination of his/her contract of distributorship with Amway, whether for his/her own account, or for the account of any other person in the Philippines, solicit, induce, attempt to solicit, attempt to induce, or otherwise entice away from Amway, any of its ABOs in the Philippines. Furthermore, an ABO shall not use or exploit Amway's confidential and proprietary information which includes but is not limited to Amway's Line of Sponsorship information, Amway's sales and marketing plan, marketing strategies, technology, know-how, customer lists and contacts, distributor lists and contacts, customer portfolios, costs of production and marketing, product costs, prices, quoted prices, specific needs and requirements of customers and suppliers, status of all on-going negotiations with customers, price lists, and any other information which by its nature could be considered to be confidential.

## **Section 7**

### **Business Support Materials (BSM)**

While Amway does not require anybody to purchase BSM, ABOs may decide that they can play a useful role in building a profitable business or achieving goals. BSM are entirely optional and any ABO who chooses to promote, use, sell or distributes BSM must emphasize in writing that the purchase is strictly voluntary and that any ABO who purchases BSM shall be able to return the BSM for any reason, within a time specified by Amway, for a full refund. An ABO cannot be burdened or obligated to purchase BSM or placed at any disadvantage by an upline or downline as a result of choosing not to purchase or sell BSM. ABOs shall not receive any compensation, incentives, or benefits from the sale of BSM, whether the BSM is ABO- or third party-produced. Rather, ABOs may sell BSM only at cost, and in no event at a price above the approved published price. ABOs may refer to the Quality Assurance Standards (QAS) for more specific direction regarding pricing for materials and events.

All BSM must comply with the Rules of Conduct, QAS and the Digital Communications Standards, regardless of the purpose or source of the BSM. BSM may not be sold to non-ABOs nor can the purchase of any BSM be framed as a requirement for becoming an ABO. Amway does not endorse any BSM.

At its sole discretion, Amway may review any BSM and determine whether or not it is suitable for use in the market. ABOs are responsible for compliance with all laws regarding the content, production, distribution, and sale or use of BSM

**7.1 ABO Only:** ABOs may produce BSM dealing with general subjects of a "how-to" nature; however, they must bear the legend "For Existing ABOs Only – Not for use with Prospects."

**7.2 Review:** All BSM must be submitted to Amway for review and authorization as stated in the QAS. Some Digital Communications that are BSM as stated in the Digital Communication Standards must also be submitted to Amway for review and authorization. As a result of such review, Amway may deny authorization or require at its sole discretion that such BSM be modified and/or take other appropriate action(s) before such BSM is used. In addition to its right to approve all BSM, Amway may also conduct reviews of the use and treatment of Amway's name, or trademarks, service marks, copyrighted works, or other intellectual property belonging or licensed to Amway to ensure compliance with all Rules, QAS and the Digital Communications Standards. Reviews may include, but are not limited to, attending (in person or electronically) training and education meetings, as well as conducting interviews and surveys of ABOs. ABOs shall provide Amway with full access to BSM, including, without limitation, access to meetings and events, all password-protected areas of websites, and reasonable access to such other materials, information, and locations necessary or helpful for the purpose of conducting any of the aforementioned reviews including, without limitation, those reviews conducted to verify ABOs' compliance with the Rules of Conduct, QAS and the Digital Communications Standards. ABOs shall respond to inquiries and otherwise cooperate in a timely fashion with any reviews conducted by Amway in connection with their obligations under the ABO Contract. ABOs shall act in good faith and shall not unreasonably withhold access to any materials or information requested by Amway.

## **Section 8**

### **Presentation of the Amway Sales and Marketing Plan**

- 8.1 Must not Give False Impression:** When inviting a prospect to hear a presentation of the Amway Sales and Marketing Plan, an ABO shall neither directly or indirectly:
- 8.1.1** Give the impression that the Amway Sales and Marketing Plan relates to an employment opportunity (in accordance with Rule 4.13);
  - 8.1.2** Imply that the invitation is to a social event;
  - 8.1.3** Disguise the invitation as a "market survey;"
  - 8.1.4** Promote the event as a "tax seminar;" as stated in Rule 8.3.3
  - 8.1.5** Promote the Amway Business Opportunity as a business relationship with a person, company, or organization other than Amway as stated in Rule 4.24.1 sub point e above;
  - 8.1.6** Directly or indirectly indicate that such products are merely one line of products distributed through or as a part of a brokerage, consignment, or intermediary business operated by a person, company or organization other than Amway;
  - 8.1.7** Directly or indirectly indicate that the Amway Business Opportunity, ABO or products and services merchandised through Amway are part of any business other than the Amway Business Opportunity as defined in the Rules of Conduct and other official Amway literature;
  - 8.1.8** Fail to affirmatively indicate in connection with such invitation the true nature of such presentation and that the presentation is about the Amway Sales and Marketing Plan and the Amway Business Opportunity; or

**8.1.9** Engage in any other direct or indirect misrepresentation of the Amway Business Opportunity and the ABO's relationship to Amway and the nature of this Amway Business, or omit any information that a person receiving such an invitation or attending or otherwise participating in such a presentation or event could reasonably be expected to need in order to properly evaluate the Amway Business Opportunity, Amway products and services.

**8.1.10** Or in any other way violate Rule 4.24 above.

**8.2 First Contact with Prospects:** It is a breach of the Rules of Conduct or the Amway Business Policies for an ABO to mislead or fail to inform a Prospect the nature of the ABO activities and, therefore, at the first contact with Prospects, an ABO must:

**8.2.1** Introduce himself/herself by name;

**8.2.2** Truthfully and honestly represent the Amway Sales and Marketing Plan, its products and/or service;

**8.2.3** Make himself/herself known as an Amway ABO;

**8.2.4** Appropriately identify Amway and the ABO's relationship to Amway;

**8.2.5** Indicate the purpose of contact, namely the sale of Amway products and services and/or the introduction of the Prospect to the Amway Business Opportunity; and

**8.2.6** Truthfully and honestly respond with full transparency and candor to any questions that the Prospect has concerning the Amway Business Opportunity, Amway products and services, the ABO or Amway.

**8.3 Sponsorship Ethics:** In seeking participation of a prospect in the Amway Sales and Marketing Plan, the sponsoring ABO must comply with Rule 4.24 above as well as the following:

**8.3.1** Must not say that a successful Distributorship can be built in the form of a "wholesale buying club", where the only products bought and sold are those transferred to other ABOs for their personal use.

**8.3.2** Must not say that there is no requirement for the retail sale or marketing of products by ABOs.

**8.3.3** Must not promote the enjoyment of tax benefits as the best or principal reason for becoming an ABO.

**8.3.4** Must not say that the business is a "get-rich-quick" opportunity in which it is easy to achieve success with little or no expenditure of effort or time. In the event that another ABO is used as an example for success, that ABO's success must be verifiable and substantiated.

**8.3.5** Must not use any broadcast communication methods including mass mailings, telemarketing, national or international advertising, radio, television, facsimile services, computer communication networks including the Internet, or any other means by which personal contact with a Prospect is not present. Advertising is allowed in a limited context as described in the Digital Communication Standards.

**8.3.6** An ABO must not misrepresent the relationship between Amway and any other company affiliated with Amway.

**8.4 No Exclusive Territories:** No ABO shall represent that there are exclusive territories available. It is a breach of the terms of ABO Contract to make such a representation.

**8.5 No Obligation to Purchase:** An ABO shall not require a Prospect to purchase products and/or services and/or that a deposit is required in order to participate, nor that there is a fee under the form of a training course, seminar, social event or similar activity in order to have the right to participate, except for the Amway Business Kit. It is a breach of the terms of ABO Contract to make such a representation.

## Section 9

### Use of the Amway Trade Name, Trademarks and Copyrighted Materials

*This rule has been developed to maintain the integrity of Amway's intellectual property and to ensure that the AMWAY brand will be available exclusively for the Amway Business. In addition, Amway has implemented a corporate identity program that requires the correct and consistent use of the Amway corporate logo, no matter where it appears. Therefore, no alterations to the approved logotype are allowed. Upon request, Amway will provide an example of the approved logotype and color specifications.*

**9.1 Misuse and Misappropriation:** ABOs shall not misuse or misappropriate Amway's trademarks or other intellectual property or proprietary information. It is a breach of the ABO Contract for an ABO to use any trademarks or other intellectual property or proprietary information belonging to or licensed to Amway except in accordance with the applicable terms, conditions and procedures set forth in the ABO Contract, including the Amway Rules and Policies.

**9.1.1** Each ABO acknowledges and agrees that Amway is the licensee of certain trademarks including, e.g., logos, service marks and other intellectual property and industrial property, including the name AMWAY, and various trademarks, trade names and service marks used in connection with Amway products and services, and the various designs or labels.

**9.1.2** An ABO shall not use, in connection with his/her Amway Business or any other business (including but not limited to, any business vehicle, office, phone listings, premises, or stationery) and/or on or in connection with any products, the AMWAY name, or trademarks, service marks or other intellectual property belonging or licensed to Amway without the prior written consent of Amway and subject always to any conditions attached to such use except as otherwise provided herein. Amway reserves the right to withdraw its consent at its absolute discretion.

**9.1.3** No AMWAY name, or trademarks, service marks or other intellectual property belonging or licensed to Amway may be used on any BSM, including third-party BSM, without the prior written permission of Amway.

**9.2 Imprinted banners/signs for Meetings/Events:** If an ABO is at the Platinum level or above, and desires to conduct a meeting or event in which the Amway name will be displayed in public, the ABO must first obtain prior written approval from Amway for such use of the Amway name (*A public meeting is one where prospects may attend*). The ABO shall provide a written request to Amway for each meeting; such request shall include a description of the proposed banners/signs, their size, materials to be used for banner/signs and location.

- 9.2.1 ABOs must not produce or obtain any printed products from any source other than Amway which bears the Amway name, trademark, logo or trade name without written permission. Such permissions must be renewed for each Event/Meeting.
- 9.2.2 Amway reserves the right at all times to withdraw permission to display the Amway name if standards stated are not met, of which Amway shall be the sole judge.

**9.3 Imprinted Checks and Business Cards:** Provided that an ABO is otherwise in full compliance with the Rules of Conduct and all other provisions of the ABO Contract, an ABO may use the AMWAY name (but not the AMWAY trademark, logo or any other trademarks, trade names, or service marks belonging to or licensed to Amway), on his imprinted checks and business cards provided that name is used in one of the following ways with no deviation:

(common name) Amway Business Owner (ABO)	Or	(common name) Amway Business Owner of Amway products/services
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- 9.3.1 Authorization for use of the Amway name on ABO business cards/checks must be requested in writing to Amway's Sales departments. This request will be reviewed by Amway prior to approval.
- 9.3.2 Any written approval for the use of the Amway name on checks and/or business cards must be renewed annually. No ABO may refer to himself/herself other than as an ABO on the checks/business cards.
- 9.3.3 An ABO may not promote any other activities unrelated to the Amway business on their imprinted checks and business cards, including but not limited to, the placement of information, trademarks, trade names, logos or service marks relative to any training or education company, system or program the ABO owns, controls or participates in.

**9.4 Promotional Literature, Stationery, Premiums, etc.:** ABOs shall not produce or procure from a source other than Amway any item bearing the Amway name or logo or any trademarks, trade names or service marks belonging to or licensed to Amway.

**Section 10  
Death and Inheritance**

**10.1 Death and Inheritance:** Upon the death of an ABO, the ABO's interest in the Distributorship may be passed on to a relative or other designated person, subject to the laws on succession and Amway's acceptance of the assignment of the Distributorship pursuant to Rule 3. Therefore, the original ABO must make proper arrangements during their lifetime for the orderly and legal transfers of ownership of their Distributorship to their heirs. This is to ensure that downline ABOs will continue to receive proper service, training and motivation. In the event that the heirs do not take steps to take over the Distributorship, the Distributorship may be deemed abandoned in accordance with 13.1. When a Distributorship is deemed abandoned, the heirs shall have no further rights in the Distributorship. Amway may then move up the Line of Sponsorship to the next qualified sponsor unless such a movement increases the number of 21% legs of the upline sponsor in which case the Distributorship shall be designated as a placeholder.

**Section 11  
Breach of Contract; Procedures**

## 11.1 Procedures.

**11.1.1 Investigation:** When Amway believes that a breach of the Rules of Conduct or the Amway Business Policies has occurred, will occur, or is threatened to occur, Amway may investigate the activity of the ABO at issue. Amway may undertake this investigation on its own initiative or when requested by another ABO who has submitted a written complaint to Amway as provided in Rule 11.1.2.

**11.1.2 Complaints by ABO:** An ABO who believes that another ABO has breached the Amway Business Policies and/or the Rules of Conduct, or who has personal knowledge of the activities leading to such alleged breach, shall notify Amway in writing of the alleged breach and all facts connected with it. A copy of this notification shall be provided either by the ABO or Amway to the ABO's Upline Platinum.

**11.1.2.1** On receiving this notice Amway will notify the appropriate ABO of the complaint and request an immediate response.

**11.1.2.2** If the complaint and response do not contain sufficient facts upon which to make a decision, additional information may be requested from any party by Amway.

**11.1.2.3** When Amway believes that it has sufficient information regarding the facts and circumstances relevant to the complaint, Amway will decide whether there has been a violation of the Amway Business Policies or other breach of the Rules of Conduct and will take appropriate action in accordance with Rule 12.

### 11.1.3 Notification of Action.

**11.1.3.1** Amway will forward a decision letter to the violating ABO, as well as the Sponsor and the first upline Platinum ABO of the sanctioned ABO. The decision letter will list the specific complaint(s), outline the corrective action to be taken and, if appropriate, set a time limit for the ABO to comply.

**11.1.3.2** Any notice shall:

**11.1.3.2.1** Be mailed, e-mailed or faxed or sent by registered mail or other confirmable method allowable by law to the address or fax that Amway has on record for the ABO. Claim of failure of an ABO to receive a notice shall not delay the action by Amway; and

**11.1.3.2.2** If applicable, state the Section(s) of the Rules of Conduct or other provisions of the ABO Contract violated or breached by the ABO; and

**11.1.3.2.3** State the date of which any such action shall become effective; and

**11.1.3.2.4** If applicable, advise the ABO of his/her opportunity to seek Review of Amway's decision by the Review Panel.

**11.1.4 INTERNATIONAL REVIEW PANEL:** In the event an Amway Business Owner (ABO) disagrees with an affiliate's decision regarding a sanction/decision (as noted in the International Review Panel Policy), the ABO has the right to request an appeal of their case for review by the International Review Panel. The appeal request must be submitted in writing (in your local language or English) and may be accompanied

by any documents supporting this request. (all supporting documents must be provided in English). Only the ABO whose Amway business was sanctioned can appeal and must do so within 30 days of the date of the affiliate's decision letter. The appeal request must be submitted to the Appeal Administrator either via email at [appeal.administrator@amway.com](mailto:appeal.administrator@amway.com) or via postal service to: Amway Corporation, Attn: Appeal Administrator, Center Rules/IRP, Mail Code: 78-2R, 7575 Fulton Street East, Ada Michigan 49355 USA.

**Waiver of Claims:** An ABO waives any and all claims against Amway arising out of or in respect to any action that Amway takes under the Distributorship and/or this Rule. An ABO who is terminated, de-sponsored or has other action taken as a result of a violation of the Rules of Conduct or the Amway Business Policies shall have no claim against Amway arising out of or with respect to the termination or de-sponsorship.

## Section 12

### Breach of Contract; Sanctions

**12.1 Sanctions:** In the event Amway at its sole discretion determines that there has been a breach of the Rules of Conduct or the Amway Business Policies by an ABO, Amway may take one or more of the following actions:

**12.1.1** Terminate the Distributorship by providing the ABO with a written notice of termination at his/her specified address or by some other suitable or electronic means or as allowed by law;

**12.1.2** Require the ABO to attend training;

**12.1.3** Suspend specific authorizations under the distributorship, such as by way of example and without limitation, the ABO opportunity to Sponsor, to purchase or sell Amway products and services, or to conduct similar activities associated with the Amway Business;

**12.1.4** Remove the ABO as a Sponsor of any downline ABO also called "de-sponsoring" and/or restrict the ABO's authority to Sponsor others;

**12.1.5** Require refund of Amway commission;

**12.1.6** Remove any qualification and require return of any objects evidencing such qualification (by way of example and not limitation, such as pins, certificates, etc.); or

**12.1.7** Require written acknowledgement of the breach(es) and an undertaking not to breach the ABO Contract in the future; or

**12.1.8** Take any action short of termination of the Distributorship as may be permissible under applicable law and appropriate in Amway's sole discretion to address the specific breach (es);

**12.2 No Waiver:** The failure of Amway to take any action upon learning of a breach or potential breach shall not constitute a waiver of Amway's rights to assert such a breach in the future. The failure of an ABO to take any action upon learning of a breach shall not constitute a waiver of any other rights or remedies that may be available under applicable law.

**12.3 Suspension:** Amway reserves the right to determine the specific terms of each Suspension on a case by case basis. In the event of any breach of contract by an ABO, Amway may take action to suspend some or all of the ABO's privileges under the Distributorship, including but not limited to:

**12.3.1** Withholding commission for payment of higher award monies pending final resolution of the matter; and/or

**12.3.2** Suspending authorization to conduct sponsoring activity (sponsoring, recruiting meetings, training sessions, home presentations, etc.); and/or

**12.3.3** Suspend invitations to company-sponsored seminars, trips and events; and/or

**12.3.4** Conduct reorientation and retraining meetings; and/or

**12.3.5** Require that ABOs provide Amway with recordings of their Amway Sales and Marketing Plan presentations.

**12.4** **Actions on Termination:** Upon termination for any cause whatsoever, the ABO shall:

**12.4.1** Cease to identify himself/herself as an ABO.

### **Section 13**

#### **Disposition of Terminated or Non-Renewed Distributorship**

**13.1** **Abandonment:** When a Distributorship is terminated or not renewed, the Distributorship is considered abandoned, and the signatory to the ABO Contract shall have no further rights in the Distributorship. Amway may Assign or Dissolve the Distributorship, pursuant to Rule 13.1.1 and Rule 13.1.2, the right to operate an Amway business in the former ABO's position in the Line of Sponsorship to another ABO, or may remove such position in the Line of Sponsorship, in its sole discretion. In exercising its prerogative hereunder, Amway may elect to employ one of the following methods or any other method permissible by law, and may unilaterally modify and amend the Distributorship of any affected ABO to change their Sponsor and the Line of Sponsorship as may be necessary to implement such decision:

**13.1.1** **Sale of Distributorship.** If Amway elects to sell the right to operate an Amway business in the former ABO's position in the Line of Sponsorship, the following will be observed:

**13.1.1.1** The sale shall be offered in the order of priority imposed by Rule 6.5 above.

**13.1.1.2** The terms of the sale will be set forth in a written contract executed between Amway and the purchaser.

**13.1.1.3** The purchasing party shall operate the Amway business in the position in the Line of Sponsorship held by the previous ABO.

**13.1.2** **Dissolution of Distributorship.** If Amway so elects, the Sponsor of the former ABO in the Line of Sponsorship may undertake the obligations of the former ABO and assume the role of Sponsor for all ABOs who had been personally or Internationally Sponsored by the former ABO.

**13.2** **No Limitation on Amway:** Amway, however, is in no way limited to any of the above methods of disposition of an Amway business and may exercise complete discretion as to methods and/or timing of disposition.