

The Code of Ethics for FM Cosmetics UK Members

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 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 fair trade within free market economy and to reinforce a positive image of FM COSMETICS UK, FM GROUP World, its Network and FM GROUP Trademark among Customers and Business Partners.

1.2. The Code governs relations between:

- 1) FM COSMETICS UK and Members of the FM GROUP Clubs
- 2) Business Partners and Customers
- 3) Business Partners

2. Definitions

2.1. Unless specified otherwise, the terms used in the following FM COSMETICS UK Code have the same meaning as those defined by FM GROUP Club 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 UK, FM GROUP World, FM GROUP Branches, FM GROUP Trademark;
- 2) "Customer" means any person purchasing FM GROUP products from a Business Partner
- 3) "Point turnover" means a total amount of points granted to a Business Partner in a given Month, calculated on the basis of the volume of products purchased by them or any other Business Partner from their Group;
- 4) "Level of effectiveness" means an efficacy unit of a given Business Partner 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) "Leadership Council" means a consultative and advisory body consisting of Business Partners with a predetermined Level of Effectiveness in a given period and the manager of FM COSMETICS UK and/or a person or persons designated by him/her.
- 6) "FM GROUP Trademark" means copyrights of the word and graphic Trademarks: "FM GROUP", "FM GROUP FOR HOME", "FM GROUP MAKE UP", "FM FEDERICO MAHORA", "MAHORA", "AURILE" 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 UK – BUSINESS PARTNER RELATIONS

1. Mutual relations

1.1. Mutual relations between a Business Partner and FM COSMETICS UK govern contracts concluded between the parties which include Business Partnership Agreements, FM GROUP Club Regulations, the Marketing Plan and the terms of the following Code.

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

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

2. Attention to reputation

2.1. Business Partner shall not undertake any actions that would harm the reputation of FM COSMETICS UK, FM GROUP World or its FM Group Branches, 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 UK or FM Group Branches, Business Partner shall act in a reliable and honest manner, use materials, which include advertising, promotional and information materials, issued by FM GROUP World, FM COSMETICS UK or FM GROUP Branches or an materials explicitly approved by these entities.

Business Partners 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. Business Partner 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. Business Partner 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 Business Partner's Turnover.

3.2. Business Partner shall not follow unethical practices in order to recruit new Business Partners to their group, which includes but is not limited to:

- 1) Dissemination of false, unreliable or misleading information concerning FM COSMETICS UK, FM GROUP World or its Branches and FM GROUP Products as well as that pertaining to FM GROUP policies and cooperation with FM COSMETICS UK or FM Group branches,
- 2) Enticing members to join them from other FM groups
- 3.3. Business Partner shall not use the data from FM GROUP Business Partners' Network for purposes other than those indicated by Business Partnership 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, Business Partner 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. Business Partner shall preserve the confidentiality of information concerning internal relations between a Business Partner and FM COSMETICS UK

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

III. ETHICAL PRINCIPLES IN BUSINESS PARTNER-BUSINESS PARTNER RELATIONSHIPS

1. Mutual Relations

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

1.2. Business Partner shall not make any negative assessments on other Business Partners, 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 Member

2.1. Business Partner shall not undertake any actions that would persuade other Business Partner 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 UK or FM Group Branches, shall register directly "under" each other.

3. Personal Information

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

3.2. Business Partner shall not disclose his login or password to any other persons or Business Partners that would enable them to log in on FM COSMETICS UK or FM Group Branches website.

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

4. Terms of Recruitment of new Business Partners

4.1. Business Partner shall not follow misleading, fraudulent or dishonest practices in regard to the process of sponsoring and recruitment of new Business Partners.

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

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

- 1) activity of FM COSMETICS UK or FM Group Branches,
- 2) terms of cooperation with FM COSMETICS UK or FM Group Branches
- 3) the content of contracts concluded by Business Partners and FM COSMETICS UK or M Group Branches,
- 4) terms of FM GROUP Club Regulations,
- 5) terms of the Marketing Plan,
- 6) terms of the Code hereof,
- 7) terms of direct sales.

5. Relations between the Sponsor and Business Partners from their Group

5.1. Sponsor shall be defined as the manager and the adviser 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 Business Partners, 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 UK regulations. Sponsors shall also motivate Business Partners of the Group they "manage" to work in FM COSMETICS UK

5.3. Sponsor shall offer their guidance to Business Partners of the Group they manage, by providing of information concerning FM GROUP Products, terms of cooperation with FM COSMETICS UK or FM Group Branches, motivation programmes 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 Business Partners of the Group they manage.

IV. ETHICAL PRINCIPLES IN BUSINESS PARTNER – CLIENT RELATIONSHIPS

1. Attention to reputation of FM GROUP

Business Partner 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 UK, FM GROUP World and its FM Group Branches as well as reinforce a positive image of FM GROUP in the customers' minds.

2. Honesty to Customers

2.1. Business Partner 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 Business Partner, described in chapter II, article 2.2. above and in article 5.2. below.

3. Responsibilities to provide information

3.1. Business Partner 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 Business Partner 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 in an unopened and reasonable condition.

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 Business Partner shall precisely and comprehensibly respond to all Customer inquiries concerning FM GROUP and FM COSMETICS UK

4. Principles of direct sales and the price

4.1. Business Partners may sell 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 Business Partner'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. Business Partner 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, under FM COSMETICS UK Act, constitute an unlawful act of unfair competition.

5. Advertisement and methods of presentation of FM GROUP Products

5.1. Business Partner may use FM GROUP Trademark as well as advertising, promotional and information materials issued or explicitly approved by FM GROUP World, FM COSMETICS UK or FM GROUP Branches 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 UK or FM Group Branches, that are explicitly disapproved by FM GROUP World, FM COSMETICS UK or FM Group Branches, is unacceptable.

5.2. For the purpose of advertising or presenting FM GROUP Products, Business Partner 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. Business Partner may use a website for the purpose of 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 Business Partner and is not an official website of FM COSMETICS UK

5.5. The website may include:

1) Pictures which were made available for download by FM COSMETICS UK at www.fmcosmetics.co.uk website (on the terms specified by FM COSMETICS UK

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) Catalogues 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.co.uk website 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 UK and FM GROUP World websites.

5.6. The website shall not include:

1) Current events and other information available to logged in users

2) Business Partner's prices and the amount of points granted to a Business Partner,

3) Pictures and video materials that contain other Business Partners or persons, unless the person publishing this content has their explicit approval to do so,

4) Data included in "Trees", available to logged in Business Partners at "Business Partner's Zone" nor any other third parties personal information (including other Business Partners) published at the websites of FM COSMETICS UK FM GROUP World or its FM Group Branches on account of Corporate events

5) Rules and regulations of motivation programs and promotions offered by FM COSMETICS UK,

6) False and unreliable information on FM COSMETICS UK, FM GROUP World or its Branches as well as FM GROUP Products,

7) Misleading or comparative advertisement, unless it is not an unlawful act of unfair competition (under the FM COSMETICS UK Act),

8) Internet auctions,

9) Other illicit information according to Regulations, the Marketing Plan or other current codes of conduct within the Business Partner's Network, established by FM COSMETICS UK

5.7. Business Partner shall immediately notify FM COSMETICS UK or FM GROUP Branches of any claims lodged by any entity with regards to materials published by Business Partner on his/her website and made available by FM COSMETICS UK or FM GROUP Branches

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

5.9. Business Partner may create "Information Points of Independent FM GROUP Business Partner" 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 UK, 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 UK shall appoint the Ethics Commission.

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

1.3. If the Commission considers that a case requires a consultation with some Business Partners, 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 Business Partner 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 Business Partner 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 Business Partner 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 Code contravenes the Regulations of FM GROUP Business Partners' Network as specified by article 4.1. of the Regulation and entitles FM COSMETICS UK to:

1) Terminate its legal relationship with a Business Partner in terms of the Business Partner's right to recommend (sponsor) new Members for the FM GROUP Club. The above-mentioned termination deprives the Business Partner of the right to recommend (sponsor) new Business Partners 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 Business Partner for a period that does not exceed 6 months. The above-mentioned termination particularly deprives the Business Partner of the right to make purchases at FM COSMETICS UK or its Branches 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 UK (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 Business Partner is not entitled to Commissions at the time of their suspension.

3) Terminate the Business Partnership Contract and their other contracts with FM COSMETICS UK without prior notice and to remove the Members of the FM GROUP Club from the Business Partners' 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. Business Partner 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 Business Partner of the provision, referred to in section 3.2. above, FM COSMETICS UK 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 Code.

2. Introduction of the Code

The Code was prepared and introduced by FM COSMETICS UK

3. Publication

FM COSMETICS UK 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 UK website.