



## **Ethics and Legal Compliance Policy Snapshot**

**USA**

## **COLOR STREET CULTURE AND VALUES**

At Color Street, culture and values are vitally important both to the company and to its Independent Stylists. This includes abiding by all relevant legal requirements, as well as operating in an ethical manner in every way.

### **Ethics Statement**

***We conduct our business with integrity.** We take pride in conducting our business with integrity. We compete vigorously but do so fairly and ethically.*

***We keep accurate and honest records.** Accurate and honest records are critical to making sound business decisions.*

***We treat people with dignity and respect.** We achieve our goals through our people. We take pride in professionalism, honesty, and equity. Our constant aim is to emphasize and affirm the full participation of persons in all business activities and rewards without regard to race, religion, color, sex, sexual orientation, disability, age, or national origin. It is extremely important that these values are also held by our Independent Stylists.*

***We obey the law.** Obeying the law is the foundation on which our reputation and guiding principles are built. You must make yourself aware of the key legal and compliance requirements, which include making sure any statements that you make are accurate and not misleading in any way.*

### **WE CONDUCT OUR BUSINESS WITH INTEGRITY**

Independent Stylists will comply with all applicable laws and in all cases avoid any deceptive, misleading, unethical, or immoral conduct or practices. Specifically:

- Deceptive conduct is always prohibited. Independent Stylists must ensure that their statements are truthful, fair, accurate, and are not misleading.
- Independent Stylists may not represent or imply that any state or federal government official, agency, or body has approved or endorses Color Street, its program, or its products.
- Independent Stylists must not engage in any illegal, fraudulent, deceptive, or manipulative conduct.
- Color Street does not permit or condone any conduct that promotes discrimination, profanity, abusive or illegal activity in any form whatsoever.

### **Avoiding Misleading Statements**

Lawful, Truthful and Not Misleading. Any claims, representations, and testimonials, product efficacy and financial performance (including income) must be lawful, truthful, and not misleading. They must have a reasonable basis in fact and must have been substantiated in writing in advance of publication or other communication.

The income, bonuses, and rewards earned by an Independent Stylist through the Compensation Plan is based solely on the sale of Color Street products to end consumers. Independent Stylists are not paid on recruitment or the sponsorship of other Independent Stylists. Independent Stylists must truthfully and fairly describe the Compensation Plan.

Let's discuss earnings and lifestyle claims below.

**Q: What are earnings and lifestyle claims?**

A: An earnings claim is any claim regarding a Stylist’s actual or potential income. A lifestyle claim is a claim suggesting that a Stylist can: attain a certain lifestyle, or purchase certain items, through the business opportunity. Photos involving expensive or luxury cars, pools, vacations, or houses are also earnings or lifestyle claims.

**Q: What are examples of prohibited lavish lifestyle claims?**

A: Examples of prohibited lavish lifestyle claims include statements, or pictures involving large homes, luxury cars, exotic vacations, or other items suggesting or implying wealth or any substantially similar representations.

**Q: What are examples of prohibited extreme earnings claims?**

A: Examples of prohibited extreme earnings claims include the following or similar statements that participants can:

- “My Color Street income exceeded my salary after three months in business.”
- “My Color Street business has allowed my spouse to stay home and be a full-time parent.”
- “Quit your job.”
- “Be set for life.”
- “Sky’s the limit.”
- “Earn millions of dollars.”
- “Realize unlimited income.”
- “Make more money than they ever imagined or thought possible.”
- “Get rich.”

**Q: What are examples of hypothetical earnings claims?**

A. Hypothetical earnings scenarios may imply that the assumptions made are consistent with the actual experience of the average participants. If the assumptions are not typical of the average Independent Stylist, it would likely be false or misleading to consumers. As such, hypotheticals should ideally be avoided; however, if used, a clear and conspicuous disclaimer stating that the information is hypothetical in nature is required. Please consult with the compliance department before disseminating any such information.

**Q: Can I make an earnings claim?**

A: Yes. If you follow these rules:

- The information must be accurate and not misleading.
- The information must be based on your experience and actual compensation while fully disclosing the amount earned and lost by all Independent Stylists.
- The level of effort required to achieve the results described must be fully detailed.
- Claims of potential or guaranteed income must not be made.

- If your claim conveys a result that is better than what the typical Stylist can expect to achieve, you must also include the appropriate income disclaimer.

**Q: What is a disclaimer?**

Disclaimers put into context any appropriate earnings claim. Keep in mind that a disclaimer can only qualify or limit a claim to avoid a misleading interpretation. It cannot cure a false claim. Disclaimers must be “clear and conspicuous” and in “close proximity to the triggering claim.” That means before the “see more” or any scrolling. It may not be hidden at the end of a long post or in the comments section. If you keep the 4 P’s in mind, you should be in great shape. They are:

- Prominence: must be clearly visible and easy to see and read (readable font type and size, color, etc.).
- Presentation: must be easy to understand.
- Placement: must be somewhere where it is unavoidable to consumers.
- Proximity: must be close to the claim it qualifies.

Unless you get permission from Compliance, you must use the following disclaimer language:

*\* Income described is unique to me and is not typical. Achievements such as these require skill & consistent work, perseverance, and effort. There are no guarantees that any Stylist will achieve any level of income or rank success. For more information, including the average earnings of a Color Street Stylist, see [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure)*

**For Platinum Leaders and above**

*“Platinum Leaders and above earn annual income achieved by fewer than 1% of Independent Color Street Stylists. Their earnings are extraordinary and not typical. There are no guarantees that any Stylist will achieve any level of income or rank success. For more information, including the average earnings of a Color Street Stylist, see [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure)*

**For Team Sales (All Stylist Ranks)**

Team Sales do not equal income and should not be interpreted as such. Please see [www.colorstreet.com/incomedisclosure](http://www.colorstreet.com/incomedisclosure) for more information on all stylists by rank.

**For Incentive Trip Earners (All Stylist Ranks)**

Of Color Street’s active Independent Stylists, less than 1% hardworking and dedicated Stylists achieved this incentive trip this year and over half of those stylists have earned more than one incentive trip over the past five years.

**For Videos:**

The Earnings Statement should be shown at the beginning and sometimes the end, dependent on content and duration, of each video for a period of time long enough to be noticed, read and understood. Any time the Color Street Opportunity, Stylist earnings, or income potential is discussed the Earnings Statement must be shown.

## **EARNINGS STATEMENT**

Platinum Leaders and above earn annual income achieved by fewer than 1% of Color Street Independent Stylists. Their earnings are extraordinary and not typical. As with most opportunities, you can find exceptional individuals performing well above average, while others perform below average or perhaps make no money at all. The earnings of an Independent Stylist are based solely on the successful sale of products to consumers in accordance with the Color Street Compensation Plan. Independent Stylists will incur expenses in operating their Color Street business, such as the initial business kit purchase, e-Suite subscription, product purchases, and annual renewal fee (if any). With Color Street, you have an opportunity to earn income, but it takes hard work to make a substantial income in this business and an Independent Stylist's success depends largely on their personal commitment, hard work, business skills and market conditions. An Independent Stylist's income is not representative of future results and Color Street does not guarantee any income or rank success. For the average annual income for all Color Street Independent Stylists please see the full Color Street Income Disclosure Statement at <http://www.colorstreet.com/incomedisclosure>.

### **What disclosures do I have to make when I sign up a new Stylist?**

As with most opportunities, you can find exceptional individuals performing well above average, while others perform below average or make no money at all. Before an Independent Stylist may sponsor a new Independent Stylist, the Independent Stylist must confirm that: the prospective Independent Stylist understands:

- Earnings and success of an Independent Stylist is not guaranteed and depends largely upon their skills, work effort, commitment, leadership skills, and market conditions.
- Everyone's results will vary, and past success does not guarantee future results.
- Each Independent Stylist incurs expenses in operating their Business, such as the initial business kit, e-Suite subscription, and annual renewal fees (if any) paid to Color Street, as well as other operating expenses, and that these expenses may offset or exceed any income earned.
- That she see information about the average earnings of an Independent Stylist by going to <http://www.colorstreet.com/incomedisclosure>."

## **SELLING AND MARKETING WITH INTEGRITY**

Stylists must always conduct business in a manner that reflects Color Street's value and must never engage in deceptive, misleading, or unethical conduct or practices. This means always making sure that any claims about our product is truthful and substantiated with objective facts.

### **Social Media Policies**

If you create a group or page on a social media platform to promote your Color Street business, or if you use your existing social media profile(s) or account(s) to promote your Color Street business, you must adhere to the following requirements:

- You must comply with the policies of each social media website or network.
- You must never post anything that is false, misleading, or deceptive. This includes but is not limited to, false or deceptive postings about Color Street, Color Street products, the Color Street Opportunity, the owners, management, or employees of Color Street, or other Independent Stylists. Additionally, Independent

- Stylists should never post or link to or from any postings or other material that reflects negatively on Color Street, Color Street products, the Color Street Opportunity, the owners, management or employees of Color Street, or other Independent Stylists.

An Independent Stylist may, on their public social media profile page, encourage individuals on their friends list to join a closed VIP group by promoting that there is a giveaway available and to join the group to get more information. If an Independent Stylist does not have a VIP Group, they may offer individuals on their friends list to join their customer list by providing their email address via a direct message. No public exchange of email addresses is permitted. If an amount is associated with the giveaway, it may not exceed \$50 USD. It is the sole responsibility of each Independent Stylist to be aware of all limitations set by the online platform. Color Street will not be responsible for any post that violates the rules set by an online platform.

**Sweepstakes, Lotteries, Raffles, Giveaways, and other Prize Contests**

Lotteries are heavily regulated by federal, state, and local laws in both the U.S. and Canada, and additionally by the terms of use by all major online platforms. You must comply with all applicable laws.

Some key issues to keep in mind:

- Independent Stylists may not use sweepstakes, lotteries, raffles, drawings, contests, or other similar organized promotions when promoting the Color Street opportunity or recruiting a new Stylist with any monetary or non-monetary incentive, promotion, prize, bonus, or other benefit (i.e., purchase of the business kit).
- Independent Stylists may not offer giveaways or specials that require an “opt-in” option or lottery. Independent Stylists may make offers, propose special prices, or give an extra item with a purchase in their private VIP groups, if an option for “no consideration” is also provided; that is, without making someone spend time or money to participate.

<b>Acceptable Lottery Inducements</b>	<b>Unacceptable Lottery Inducements</b>
Conduct a drawing among everyone who hosted a party	Sell boxes on a grid for \$5 each and then conduct a drawing where one person wins
Have a Beauty Social and place each attendee’s name in a box just for attending (no consideration).	Have a Beauty Social and hold a drawing for each attendee that purchased a certain amount.

**Customer Returns**

Independent Stylists who sell products directly to customers must provide their retail customers with two (2) copies of an electronic or printed receipt at the time of the sale and advise them of the three (3) day right to rescind the transaction.

**WE KEEP HONEST AND ACCURATE RECORDS**

Stylists should make purchases only (1) to satisfy customer demand and/or (2) to meet their own, personal needs. Stylists who purchase supply for reasons other than for customers or themselves (such as to try to make sales targets), are “inventory loading” and that is not allowed. Color Street reserves the right to rescind qualifications for Recognition, Rank Advancements, Achievement Rewards, including incentive trips, or to claw back Commissions, in instances in which the Independent Stylist is found to have placed excessive orders, whether those orders are placed in his or her own Independent Stylist account or via a Customer account.

To prevent inventory loading, all Independent Stylist purchases of Color Street products in excess of \$800.00 during any calendar month may be required to provide documentation to Color Street.

- Such orders must be supported by receipts demonstrating they were sold to at least three (3) different Retail Customers and/or provided as incentives to at least three (3) different individuals; and
- Independent Stylists may be required to provide a monthly sales record detailing the date of the sale to a retail Customer, the retail Customer's name, address, and/or phone number, the products sold, the method of payment, and the total sale amount.
- Any time receipts cannot be provided, when requested, the Independent Stylist will be placed on automatic suspension for a duration Color Street determines at its sole discretion.

## **Receipts**

Independent Stylists who sell products directly to customers must provide their retail customers with two (2) copies of an electronic or printed receipt at the time of the sale and advise them of the three (3) day right to rescind the transaction, which is set forth on the receipt.

Independent Stylists must maintain all retail sales receipts for a period of two (2) years and furnish them to Color Street at the Company's request. Retail customers who purchase products from an Independent Stylist's PW need not be provided with a sales receipt as the receipt will automatically be sent by the Company via email at the time the order is placed.

## **WE TREAT PEOPLE WITH DIGNITY AND RESPECT**

Color Street is committed to providing Independent Stylists with an environment free from harassment, intimidation, and abuse from other Independent Stylists, employees, vendors, and any other individuals. At Color Street, harassment of any kind will not be tolerated and is strictly prohibited, such as: derogatory or threatening comments, inappropriate sexual behavior including but not limited to unwelcome sexual advances or requests for sexual favors, displaying visual images of a sexual nature, physical or verbal harassment, discriminatory remarks, or violent behavior. Independent Stylists are encouraged to report any type of harassment incidents immediately. The Company will not tolerate acts or threats of violence and will investigate all reports. You have a responsibility to act when you are aware of a threat or risk to any Independent Stylist or employee.

## **WE OBEY THE LAW**

The Direct Selling industry is subject to laws, regulations, and industry codes that are different and often more restrictive than those that apply to other industries. These obligations include:

- Complying with all applicable laws and regulations relating to the promotion and sale of Color Street products and the Color Street Opportunity, including relevant consumer protection laws and privacy requirements,
- Maintaining all records, such as order forms, receipts, and invoices required in connection with the operation of the Independent Stylist Business,
- Following FTC guidelines related to marketing and advertising of Color Street products (e.g.,

- “truthful, not misleading and, when appropriate, backed by scientific evidence”), and
- Adhering to the Federal Food, Drug, and Cosmetic Act and any subsequent registries or monographs regulating the Cosmetic industry.