



Policies and Procedures
For Enagic Philippines Distributors
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Policies & Procedures for Enagic Distributors

1. The Company, Policies & Procedures and Distributor Handbook

Enagic Philippines, Inc., hereinafter the "Company," is a direct selling company marketing water treatment system devices/machines, its parts, and anti-radiation device its accessories through independent distributors. The policies and procedures herein are applicable to all independent distributors of the Company. Further, the published Enagic Distributor Handbook, as amended and published from time to time, is incorporated as a part of these policies and procedures, and the Enagic Distributor Agreement.

2. Distributor Qualifications

An independent Distributor is one who has completed a Company application and distributor agreement and has been accepted by the Company as an independent distributor. All independent distributors must be of legal age. The Company reserves the right to accept or reject anyone as an independent distributor.

Unless waived in writing by the Company upon application, the Company will consider a married couple as a single independent distributor. Husbands and wives may sponsor each other directly, but may not be sponsored in different lines. If the Company finds that a spouse was sponsored in a different line by any reason, the Company reserves the right to change the status of the spouse from an independent distributor into a user, or transfer the distributorship to his or her upline.

Independent distributors are independent marketing representatives of the Company and are not to be considered purchasers of a franchise or a distributorship. The agreement between the Company and its independent distributors does not create an employer-employee relationship, partnership, or joint venture. Independent distributors are independent contractors; they are free to enter into separate agreements with other independent distributors involving the conduct of their distributorships, subject only to the distributor agreement, policies and procedures and distributor handbook.

Each independent distributor agrees to defend, indemnify and hold the Company harmless from any and all claims, demands, loss, liability, damage, cost or expense including judgments, civil penalties, refunds, attorney's fees, court costs, lost business or claims incurred by the Company arising out of his/her business practices. Independent distributors have no authority to bind the Company to any obligation. Each independent distributor is encouraged to set up his/her own hours and to determine his/her own method of sale, so long as he/she complies with the policies and procedures of the Company.

The company's program is built upon retail sales to the ultimate consumer. The company also recognizes that independent distributors may wish to purchase products or services in reasonable amounts for their own personal or family use. For this reason, a retail bonus purposes shall include sales to non-participants, as well as sales to independent distributors for personal or family use which are not made for purposes of qualification or advancement. It is company policy, however, to strictly prohibit the purchase of product or large quantities

of inventory in unreasonable amounts solely for the purpose of qualifying for bonuses or advancement in the marketing program. Independent distributors may not inventory load nor encourage others in the program to load up on inventory. Independent distributors must fulfill published personal and downline retail sales requirements, including requisite retail sales to non-participants, as well as supervisory responsibilities, to qualify for bonuses, overrides or advancements.

3. Transaction Submission Integrity

It is essential to the success of the Company, its independent distributors and customers that submissions of transactions to the Company maintain integrity of communication. It is to be expected that all transactions submissions to the Company, including, but not limited to, distributor applications, distributor communication, distributor financial transactions and consumer transactions, be submitted by the individual or entity involved in the transaction. Third party submission of any and all transactions submissions is prohibited. An independent distributor should not communicate any transactions submissions on behalf of another independent distributor, independent distributor applicant or customer. An independent distributor may not use his or her credit card or bank account on behalf of another individual or independent distributor, except as allowed for as an alternate payer. This rule is applicable to any and all forms of transactions submissions, including, but not limited to, online, telephone, fax, email, etc.

4. Business Conduct

In the conduct of business, the independent distributor shall safeguard and promote the reputation of the products and services of the Company and shall refrain from all conduct which might be harmful to such reputation of the Company or to the marketing of such products and services or inconsistent with the public interest, and shall avoid all discourteous, deceptive, misleading, unethical or immoral conduct or practices. An independent distributor shall not interfere with, harass or undermine other independent distributors and, at all times, shall respect the privacy of other independent distributors. An independent distributor must not disparage the Company, other independent distributors, Company products and/or services, the marketing and compensation plans, or Company employees. Violation of the above is grounds for termination.

5. Providing Sponsor Support

Any independent distributor, who sponsors other independent distributors, must fulfill the obligation of performing a bona fide supervisory, distributing and selling function in the sale and/or delivery of product to the ultimate consumer and in the training of those sponsored. Independent distributors must have ongoing contact, communication and management supervision with their sales organization. Examples of such supervision may include, but are not limited to: written correspondence, personal meetings, telephone contact, voice mail, electronic mail, training sessions, accompanying individuals to company training, etc. Independent distributors should be able to provide documentation to the Company of their ongoing fulfillment of sponsor responsibilities.

6. Taxes and Regulations.

All independent distributors are personally responsible for paying all taxes, assessments, fees, whether national or local, which are incidental to the distributorship business such as but not limited to earnings from commissions or any other earnings generated as a seller of Company products and services. The Company shall not be responsible for the unpaid taxes of independent distributors.

All independent distributors shall comply with all Philippine laws, rules and regulations governing the sale of Company products or services.

7. Advertising Correct Information

Independent distributors shall not advertise, make statements or representations about Company products and services and/or marketing plans, such as its policies and procedures and/or any other official printed literature and publications except as specifically approved in writing by the Company. Independent distributors agree to make no false or fraudulent representations about the Company, the products, the Company compensation plan, or income potentials.

Independent distributors do not buy Enagic water treatment systems for resale. The independent distributor acts as an order taker to retail customers, or, orders an Enagic water treatment system for personal use in the capacity as a customer who is also an independent distributor. All Enagic water treatment systems are sold at Enagic specified prices. Independent distributor may not advertise for sale or sell an Enagic water treatment system that deviates from Enagic pricing or offer to provide a customer with a rebate or other consideration to facilitate a lower customer price for an Enagic water treatment system.

8. Trademarks, Trade Names, Advertising

- (a) The name of the Company and other names as may be adopted by the Company are proprietary trade names and trademarks of the Company. As such, these marks are of great value to the Company and are supplied to independent distributors for use only in an expressly authorized manner. Independent distributors shall not advertise Company products or services in any way other than the advertising or promotional materials made available to independent distributors by the Company. Independent distributors agree not to use any written, printed, recorded or any other material in advertising, promoting or describing the products or services or the Company marketing program, or in any other manner, any material which has not been copyrighted and supplied by the Company, unless such material has been submitted to the Company and approved in writing by the Company before being disseminated, published or displayed.
- (b) The independent distributor, as an independent contractor, is fully responsible for all of his/her verbal and written statements made regarding the products, services and/or marketing programs which are not expressly contained in writing in the current distributor agreement, advertising or promotional materials supplied directly by the Company. The independent distributor agrees to defend, indemnify and hold the Company harmless from any and all claims, demands, loss, liability, damage, cost or

expense including judgments, civil penalties, refunds, attorney's fees, court costs, lost business or claims incurred by the Company as a result of independent distributor's unauthorized representations.

- (c) The Company does not permit the use of its copyrights, designs, logos, trade names, trademarks, etc. without its prior written permission. Independent distributors may not use the Company logo in marketing or sales materials. Independent Distributors may only use the Distributor Logo specifically developed to demonstrate their status as an official "Enagic Independent Distributor". The Distributor Logo can be downloaded in the Distributor section of the Company website and may only be used by the Independent Distributor in their Distributorship. Trademarked terms such as Enagic®, Leveluk®, Anespa® Mineral Ion Water®, "Let's Unify" Magkaisa Tayo!® and Change Your Water...Change Your Life® should be appropriately annotated. In addition to the general prohibitions on the use of Company trademarks or logos, the Company specifically prohibits the use of Company trademarks or logos in conjunction with the sale of any other non-Company products.
- (d) All Company materials, whether printed, on film, produced by sound recording, or on the internet, are copyrighted and may not be reproduced in whole or in part by independent distributors or any other person except as authorized by the Company. Permission to reproduce any materials will be considered only in extreme circumstances. Therefore, an independent distributor should not anticipate that approval will be granted.
- (e) An independent distributor may not produce, use or distribute any information relative to the contents, characteristics or properties of Company product or service which has not been provided directly by the Company. This prohibition includes but is not limited to print, audio or video media.
- (f) An independent distributor may not produce, sell or distribute literature, films or sound recordings which are deceptively similar in nature to those produced, published and provided by the Company. Nor may an independent distributor purchase, sell or distribute non-Company materials which imply or suggest that said materials originate from the Company.
- (g) Any display ads or institutional or trademark advertising copy, other than covered in the foregoing rules, must be submitted to the Company and approved in writing prior to publication.
- (h) All advertising, direct mailing, and display including promotional products such as DVDs, CDs, Brochures, Flyers, etc. must be approved in writing before being disseminated, published or displayed. Advertising on radio, TV, newspaper, magazine, and website except independent distributor's own Enagic Web System ("EWS") website is strictly prohibited.
- (i) No claims as to the therapeutic or curative properties about the products may be made. In particular, no independent distributor may make any claim that the Company products are intended to diagnose, treat, cure or prevent any disease. Such statements can be perceived as medical claims. Not only is this against Company policy, but it is also against Philippine laws and rules and regulations of the Philippine Food and Drug Administration. Pursuant to the policy of prohibition of medical, curative or treatment claims, the Company enumerates specific implementation of these policies which shall include, but are not limited to:

- (i) Independent distributors are prohibited from making medical, curative or treatment claims, whether expressed or implied;
 - (ii) Independent distributors are prohibited from using in all of their marketing materials and promotion any descriptions that are regarded as health or medical claims stating that Kangen Water may alleviate, cure, diagnose, prevent, relieve, or treat any medical condition, disease, ailment or malady;
 - (iii) Any violation of these guidelines will constitute grounds for disciplinary action, commission suspension and/or termination of distributor status.
 - (iv) The independent distributor further agrees to defend, indemnify and hold the Company harmless from any and all claims, demands, loss, liability, damage, cost or expense including judgments, civil penalties, refunds, attorney's fees, court costs, lost business or claims incurred by the Company as a result of independent distributor's medical, curative or treatment claims.
- (j) Sales of Marketing Materials and Trademark License Agreement: All independent distributors who plan to sell any additional products must receive prior approval from the Customer Service Representative Department Head. Productions and sales of any marketing materials including DVDs recorded at seminars without prior authorization from the Company are strictly prohibited in any circumstances. Distributors who violate this article are subject to suspension and/or termination without warning.

9. Internet and Website Policy

Independent distributors are prohibited from creating any independently-designed website relating to the Enagic business, or using any non-EWS current websites. Independent distributors are allowed to advertise on the internet through an approved EWS site (www.enagicwebsystem.com). All independent distributors are eligible to create a free EWS site for their Distributorship. Additional features and options are available for upgrade on the EWS registration site. This Company program allows independent distributors to choose from among Company home page designs that can be personalized with the independent distributor's message and his/her contact information. These websites link directly to the Company website giving the independent distributor a professional and Company-approved presence on the internet. Only these approved websites may be used by independent distributors. No independent distributor may independently design a website that uses the names, logos, product or service descriptions of the Company, nor may an independent distributor use "blind" ads on the internet making product or income claims which are ultimately associated with Company products, services or the Company's compensation plan. Without prejudice to available legal remedies, independent Distributors using Company names, logos, trademarks, etc. on the internet or any other advertising medium, except as permitted by these policies and procedures shall be subject to immediate discipline, including termination of distributor status.

10. Prohibition of Sales on Unauthorized Internet Sites

An independent distributor is prohibited from selling or promoting Company products on internet shopping sites, internet auction sites, and internet classified listings including, but not limited to OLX, Lazada, Shopee, eBay, Amazon, Alibaba, and Craigslist. Any violation

of this article will constitute grounds for commission suspension and/or termination of distributor status.

All Warranties on Company products are limited and non-transferable. The Company disclaims all statutory and implied warranties to the extent permitted by law. Warranty benefits shall extend only to the original purchaser unless express written permission has been provided by the Company. The product warranty is limited to the express terms of the Consumer Limited Warranty and the Extended Consumer Limited Warranty.

11. No Spam Policy

It is a specific Company policy to prohibit unsolicited email (spamming) or information by facsimile relating to the Company's products and services. The Company has a zero-tolerance policy of spamming practices. Independent distributors who violate the Company's "no spam policy" are subject to termination, suspension or disciplinary action.

12. Retail Establishments

Company products or services may only be displayed and sold in retail establishments where the nature of the business is to make appointments with customers (such as salons, doctor's offices, and health clubs where appointments are made for personal training or classes are scheduled). The sale of such products or services within such retail facilities must be conducted by an independent distributor and must be preceded by a discussion where the independent distributor introduces the prospective client to the products or services and opportunity just as they would if they had met outside of the retail facility. Company produced literature, banners, or signage only may be displayed on a shelf, counter, or wall and must be displayed by itself. Products or services may not be sold from a shelf or taken from a display for purchase by a customer. Company products or services may not be sold in any retail establishment, even by appointment, if competitive products or services are sold in the establishment. From time to time, the Company may announce policies and rules that expand or contract restrictions on sales in retail establishments.

13. Prohibition on Affiliation with Other Water Treatment Marketing Companies

- (a) It would undermine the basic distributor relationship if independent distributors marketed competing water treatment, water filtration or safe drinking water conversion products. Therefore, so long as an independent distributor desires to maintain distributor status, he or she may not sell or market any water treatment, water filtration or safe drinking water conversion products that are similar to the products sold by the Company.
- (b) 6A2-3 bonus¹ is available only to independent distributors who are exclusive to the Company in direct selling/mlm business.

¹ Please refer to the Distributor Handbook.

14. Prohibition of Sales of Kangen Water (Safe Drinking Water)

Sales of Kangen Water or any other water produced from an Enagic® machine, directly or indirectly, is strictly prohibited. This prohibition includes all sales of Kangen Water in which a person receives water, bottled or otherwise, from an Enagic® machine. No “donation”, “membership fee”, or other sum(s) may be collected for the distribution of Kangen Water. Charging customers due to the use of electricity or the general usage of the machine is also prohibited. These are considered to be business expenses and should be paid by the independent distributor. Any violation of this article will constitute grounds for termination of distributor status.

15. Trade Shows

With written authorization from the Company, Company products or services and opportunity may be displayed at trade shows by independent distributors. Request for participation in trade shows must be received in writing by the Company at least two (2) weeks prior to the show. Written authorization from the Company must be received before participating in the trade show. Unless written authorization is secured from the Company, Company products or services and opportunity are the only products or services and/or opportunity that may be offered in the trade show booth. Only Company produced marketing materials may be displayed or distributed. No independent distributor may sell or promote the Company products or services or business opportunity at flea markets, swap meets, or garage sales.

16. Assigned Territory

Independent distributors are not assigned exclusive territories for marketing purposes, nor shall any independent distributors imply or state that he/she does have an exclusive territory. There are no geographic limitations on sponsoring independent distributors or selling product within the Philippines and any approved countries in which the Company is registered to do business.

17. International Sales

No independent distributor may export or sell directly or indirectly to others who export the Company's products, literature, sales aids or promotional material relating to the Company, its products or services to any other country. Independent distributors who choose to sponsor internationally must fully comply with the Rules of Operation of a Company distributorship in that country. Any violation of this rule constitutes a material breach of this contract and is grounds for immediate termination of the distributorship.

18. Change of Business Name

The Company reserves the right to approve or disapprove independent distributor's change of business names, formation of partnership, corporations, and trusts for tax, estate planning, and limited liability purposes. If the Company approves such a change, the organization's name and the names of the principals of the organization must appear on the

distributor agreement along with documents pertaining to their identity, i.e. Certificate of Registration and government-issued IDs. It is prohibited to make change to attempt to circumvent or violate Company rules on raiding, solicitation, targeting, cross-sponsoring or interference.

19. Cancellation of Distributorship

The distributor agreement may be canceled at any time and for any reason by the independent distributor. All cancellations are accepted and effective as of the date the Company was notified in writing. As of the effective cancellation date, the independent distributor loses all privileges of leadership and downline organization, and is no longer eligible for any commissions, bonuses or prizes. He/she cannot advertise, sell or promote the Company products or purchase product from the Company.

The Company will consider an application to reinstate a "resigned independent distributor" one year after the Resignation Date. As part of the application, the former independent distributor must pledge to adhere to the existing requirements of the Distributor Agreement and Policies and Procedures. The Company reserves the right to accept or reject, at its sole discretion, such application for reinstatement. The Company shall also have the discretion to reinstate the former independent distributor at his/her former position or at a lesser placement as a condition to reinstatement.

20. Changes to Product or Service Prices

The Company shall be entitled to change product or service prices at any time and without prior notice, and to make changes in the statement of Policies and Procedures.

21. Customers' Rights

Notwithstanding the Company's retail customer guarantee policy, all retail sales must comply with relevant Philippine laws, rules and regulations pertaining to the rights of customers.

22. Return Policy

The company shall accept the return of the machine/s if the **machine/s is in new, unused, and resalable condition; must be in its original packaging with complete warranty documents, manuals and accessories.** This shall mean that the machine/s does not have scratches, marks, must not have lost or missing part and must not have any damages. **Distributor or User must return the product within 60 days.** The company reserves the right to inspect the machine and make decision for return.

23. Cooling-off

The company offers a ten (10) day cooling-off period permitting the client to refund the machine from its purchased.

24. Company's Signature Products

The signature product of the Company is one which involves water treatment device to produce safe drinking water. This signature product is fundamental to the branding and image of the Company. Therefore, although independent distributors are free to sell, within the guidelines of the Company's policies, products of third-party vendors, an independent distributor shall not, during the term of the distributorship, sell products which involve the Company's signature products, namely, products that involve water treatment which then produces safe drinking water. Violation of this provision may result in the termination of distributorship.

25. Prohibition on Raiding and Cross-Solicitation of Products or Other MLM and/or Business Opportunities

The Company takes seriously its responsibility to protect the livelihood of its sales forces and the hard work invested to build a sales organization. Raiding and solicitation actions in which independent distributors seek to raid and solicit other independent distributors in the sales organization to non-Company products and services and to other MLM/business opportunities, severely undermines the marketing program of the Company, interferes with the relationship between the Company and its sales force and destroys the livelihood of other independent distributors who have worked hard to build their own business, the business of their sales and benefits they have earned by helping to build a sales organization. Therefore, independent distributors shall not directly or indirectly sell to, nor solicit from, other independent distributors for or to any non-Company products or services, or in any way promote to other independent distributors business opportunities in marketing programs of other MLM or business opportunity companies at any time. The independent distributor shall not engage in any recruiting or promotion activity that targets other independent distributors for opportunities or products of other direct selling companies or business opportunities, either directly or indirectly, by themselves or in conjunction with others, nor shall an independent distributor participate, directly or indirectly, in interference, raiding or solicitation activity of independent distributors for other direct selling companies or business opportunities. Unless approved in writing by the Company, this prohibition includes sales or solicitation of non-Company products or services at meetings organized for Company sales, promotion, training recruitment, demonstration, etc. This prohibition on targeting, interference, soliciting and raiding shall be in effect during the term of the Distributor Agreement and for a period of three (3) years after the termination of the Distributor Agreement. Specifically, for the term of said agreement and for three (3) years after termination hereof, an independent distributor shall not, directly or indirectly, recruit any independent distributors to join other direct sales or network marketing companies nor solicit, directly or indirectly, independent distributors to purchase services or products, or in any other way interfere with the contractual relationships between Company and its independent distributors.

Because of the unique nature and signature characteristic and association with the field of water treatment with the Company, and because of the inherent confusion and conflict that may occur, independent distributors may not engage in the representation or sale of water treatment systems offered by any other company.

26. Purchases for Inventory of Mandatory Sales Aids

If the independent distributor has purchased products for inventory purposes or mandatory sales aids while the Distributor Agreement was in effect and said products are still in a good resalable condition, the Company may repurchase the same if the independent distributor opts to return/cancel his purchase within ninety (90) days from the purchase date. The repurchase shall be at a price of not less than ninety percent (90%) of the original net cost to the distributor returning such goods. As long as the 90-day period as stated above has not yet lapsed, the buy-back shall be commenced by the Company within twelve (12) months from its determination that the previously purchased products are still in a good resalable condition.

27. Commission Recuperation

The Company shall be entitled to repayment of any commission previously paid on a sale of product/service if the product/service purchase is cancelled, reversed (e.g. collections activity results in legal or further action), or a refund is paid for a terminated purchase. The Company shall recover the commission by an adjustment on the distributor's next check payment. In the event that no commission is available for adjustment, the independent distributor who has received the commission shall repay the commission paid on the "reversed sale" within 30 days of the Company's notice to repay.

All accounts with balances that have been unpaid for three (3) months or more will be transferred to the Collections Department. Any associated commissions for sales to these accounts will be reduced to 50% of the stated commission rate. Additional costs associated with further collections activity (such as legal costs) may be deducted from any eligible commission.

28. Confidentiality

Each party shall not, at any time or under any circumstance, directly or indirectly communicate or disclose (or tolerate any communication or disclosure) to any third person, or otherwise use or benefit (or allow any such use or benefit) from all confidential or proprietary information, intellectual property, customer or client data and confidential facts relating to or concerning the customers, products, technology, trade secrets, systems or operations, or other confidential information regarding the property, business, operations and affairs, of either party (the "Confidential Information").

This is without prejudice to the following exceptions: (i) when the other party has specifically consented in writing to the same; (ii) when the Confidential Information is generally available to the public at the time of disclosure or use without breach of this Agreement; (iii) when a party can establish by reasonable proof that the Confidential Information was

lawfully in its possession prior to the execution of this Agreement; or (iv) when the Confidential Information is required to be disclosed by law, final order of a competent court or an administrative or legislative tribunal, or by the applicable regulations or policies of any regulatory agency of competent jurisdiction or any stock exchange, in which case:

- (a) The receiving party has provided the disclosing party with prompt written notice thereof so that the latter may seek appropriate remedy and/or injunctive relief prior to such disclosure;
- (b) The receiving party has taken all reasonable actions and/or steps to resist or narrow down the information to be disclosed;
- (c) Should partial disclosure be required, the receiving party furnishes only that portion that is legally required to be disclosed; and
- (d) The receiving party shall not oppose and shall cooperate with the disclosing party with respect to any such request for any protective order or other relief.

The disclosing party shall be entitled, in addition to any other relief available to it, to the granting of injunctive relief without proof of actual damages or the requirement to establish the inadequacy of any of the other remedies available to it. These obligations in relation to confidentiality shall survive the termination of this Agreement.

28.1. Vendor Confidentiality

The Company's business relationship with its vendors, manufacturers and suppliers is confidential. An independent distributor shall not contact directly or indirectly, or speak to or communicate with any representative of any supplier or manufacturers of the Company except at a company sponsored event at which the representative is present at the request of the Company. Violation of this regulation may result in termination and possible claims for damages if the vendor/manufacturer's association is compromised by the distributor contact.

28.2. Downline Information Confidentiality

On a periodic basis, the Company will supply data processing information and reports to the independent distributor, which will provide information concerning the independent distributor's downline sales organization, product purchases and product mix. The independent distributor agrees that such information is proprietary and confidential to the Company and is transmitted to the independent distributor in confidence. The independent distributor agrees that he or she will not disclose such information to any third party directly or indirectly, nor use the information to compete with the Company directly or indirectly during or after the term of the Distributor Agreement. The independent distributor and the Company agree that, but for this agreement of confidentiality and nondisclosure, the Company would not provide the above confidential information to the independent distributor.

29. Data Privacy

In the course of the Company's relationship with the independent distributor, disclosure of certain information shall be made by one Party to the other Party. Based on the foregoing, the receiving party shall implement reasonable and appropriate organizational, physical and technical security measures for the protection of any Confidential Information that would qualify as Personal and/or Sensitive Personal information (collectively, referred to as the "**Data**") as defined under Republic Act No. 10173, otherwise known as the "*Data Privacy Act of 2012*", and its Implementing Rules and Regulations (collectively, the "**Data Privacy Laws**"). The receiving party and its representatives shall not transfer any data to any other person or entity that is not previously authorized in writing by the disclosing party or its data subject. Where the receiving party knows or reasonably suspects that an Information Security Breach, as defined under the Data Privacy Laws, has affected the Data provided by the disclosing party while such data is processed by the receiving party, it shall promptly notify the Company (in any case within the later of 24 hours or one (1) calendar day following such discovery) and cooperate with the Disclosing Party in any post-breach/incident investigation, notification requirement, or remediation efforts. The notification shall, at the minimum, describe the nature of the breach or incident, effects thereof, the Data possibly involved and the measures taken by the entity to address the incident or remediate such breach. It shall also include measures taken to reduce the harm or negative consequences of the breach or the security incident.

30. Changes in Status

- (a) Marriage: Two independent distributors who marry after having established their own individual distributorships may continue to operate their existing distributorships.
- (b) Death: Upon the death of an independent distributor, the rights and responsibilities of the distributorship may be passed on to the rightful, legally-documented heir as long as that person has filled out a new distributor application, together with a copy of death certificate.
- (c) Disability: Should an independent distributor become disabled to the extent that he/she can no longer fulfill the required duties of an independent distributor, such independent distributor's legal representative or conservator shall:
 - (i) Contact the Company within thirty (30) days of the disability and advise the Company of the independent distributor's status and the plans for future management or cancellation of the distributorship.
 - (ii) Provide a notarized or court-confirmed copy of appointment as legal representative or conservator.
 - (iii) Provide a notarized or court-confirmed copy of document establishing right to administer the Company business.
 - (iv) Should the legal representative or conservator plan to continue the business of the distributorship, then he/she shall fill out a new distributor application and return policy, and receive the required training consistent with the disabled independent distributor's level at the time of disability. These requirements shall be satisfied within a deadline of six (6) months.

31. Modification of Product Orders

- (a) Upgrades: All upgrades for product orders require the authorization of the CSR Supervisor and above in the respective sales area of the order. The Company reserves the right to refuse upgrade requests in its sole discretion. Upgrades for new and unused products are allowed within one (1) year of the purchase date.
- (b) Downgrades: Downgrades are not allowed for product orders. In the event of an extraordinary circumstance, the respective RSM may provide a waiver within ten (10) business days of the purchase date for new and unused products only. A Three Thousand Pesos (P3,000.00) handling fee will be charged. The Company reserves the right to refuse any such request in its sole discretion. No waiver will be provided beyond the ten (10) business day period.

32. Sale or Transfer

The sale of products to third parties will not automatically cause said third parties to become independent distributors. All those who wish to become independent distributors must go through the normal application procedure. Independent distributors agree to inform all third parties of the facts above and further agree not to promise any possibility of transferring distributorship.

An independent distributor may not sell, assign or otherwise transfer his or her distributorship, marketing position or other distributor rights without written application and approval by the Company. This paragraph is also applicable to a transfer of any interest in an entity that owns a distributorship, including but not limited to a corporation, partnership, trust or other non-individual entity. The potential buyer must be of a higher rank than the selling independent distributor. The distributorship must be offered in writing first to the independent distributor's sponsor. If the sponsor declines the offer, the independent distributor may offer the distributorship for sale to the upline independent distributor of the sponsor within the same group. An independent distributor who sells his or her distributorship shall not be eligible to requalify as an independent distributor for a period of at least three (3) months after the sale. The Company reserves the right to review the sale agreement and to verify waiver from the upline sponsor in the event the upline sponsor declines to purchase the distributorship.

An independent distributor may not add a co-applicant to their distributorship and thereafter, remove their name from the distributorship, as an effort to circumvent the Company's sale, assignment, delegation or merger procedures. The primary independent distributor must wait for twelve (12) months after adding a co-applicant to the distributorship before the former will be allowed to remove the latter from the distributorship. It is prohibited to use a sale or transfer to attempt to circumvent Company policy on raiding, soliciting, cross-sponsoring or interference.

For the term of three (3) years after sale or transfer, an independent distributor agrees that he/she shall not, directly or indirectly, disrupt, damage, impair or interfere with the business of the Company, whether by way of interfering with, or raiding its employees or distributors, disrupting its relationship with customers, agents, representatives, distributors, suppliers,

vendors or manufacturers or otherwise. “Disrupting” or “interfering” shall include, but not be limited to, direct or indirect solicitation or recruitment for other direct selling business opportunities or products or services of other direct selling companies. An independent distributor seeking to sell or transfer his/her distributorship must acknowledge and agree to this provision prior to the finalization of the sale or transfer of their distributorship.

33. Rights of the Company

The Company expressly reserves the right to alter or amend prices, Rules and Regulations, Policies and Procedures, product availability and the compensation plan. Upon notification, in writing, such amendments are automatically incorporated as part of the agreement between the Company and distributor. Company communication of changes may include, but shall not be limited to mail, email, fax, posting on the Company website, publication in company newsletters or magazines, etc.

Enagic reserves the right to make all final decisions as to the interpretation of the articles stated in these Policies and Procedures. The final company decision based on the interpretation of the articles stated in the Policies and Procedures is effective immediately. All independent distributors are obligated to follow the company’s decision as to the interpretation of the articles of these Policies and Procedures.

34. Non-Individual Ownership

A partnership or corporation may be an independent distributor. However, no individual may participate in more than three (3) independent distributorships in any form without express written permission from the Company. Only in the most extreme and extraordinary circumstances will this be considered.

- (a) An independent distributor may change its status under the same sponsor from individual to partnership (in which he/she is a partner) or corporation (in which he/she is a stockholder) or from partnership to corporation (in which the net assets of the partnership is transferred to the corporation) with proper and complete documentation.
- (b) To form a new distributorship as a partnership or corporation or to change status to one of these forms of business, an independent distributor must request a change request form from the Company. This form must be submitted detailing all partners, stockholders, officers or directors in the partnership or corporation. The partner or officer who submits the form must be duly authorized to enter into binding contracts on behalf of the partnership or corporation. In addition, the partner or officer should also certify that no other person with an interest in the partnership or corporation has an interest in a distributorship within three (3) months from the submission of the form.

35. Individual Distributorship

An individual can have up to three (3) distributorships in the Company. He/she may not own any other distributorship, either individually or jointly, nor may he/she participate as a partner, owner, stockholder, trustee, director, or association member, outside his/her sponsorship. An individual shall provide the Company with his/her government-issued identification.

36. Entity Distributorship

A partnership, corporation or trust can have up to five (5) distributorships in the Company, as long as they are within the same distributorship. The said entities must provide the Company with a copy of its constating documents and also a government-issued identification of their respective authorized representatives.

37. Entity Guarantee for Owners

Actions of the independent distributor's shareholders, members, officers, directors, trustees, beneficiaries, agents, employees or other related or interested parties and the actions of such parties, which are in contrast to Company's policies shall be attributable to the partnership, corporation or trust entity.

In the event that any of the entity shareholders, officers, directors, trustees, beneficiaries, agents, employees or other related parties shall terminate ownership interests in the distributorship, any breaching actions by such parties that continue to have a beneficial financial interest, directly or indirectly, in the distributorship shall be attributable to the distributorship.

38. Members of Same Household; Responsibility

Members of the independent distributor's household should operate together under the same distributorship unless otherwise allowed by these Policies and Procedures. Household is defined as husband, wife, and dependents. Children of legal age to contract and at least 18 years of age are not considered a part of their parent's household for the purpose of operating under the same distributorship.

The Company recognizes that members of the same household may belong to competing direct selling opportunities. Although the actions of the parties are normally in good faith, in some circumstances, there is an abuse of relationships in which the non-Company affiliated household member is engaged in recruitment, solicitation or raiding of the Company's organization. The independent distributor is in the best position to prevent raiding or cross-sponsoring activity by his/her non-Company affiliated household member, therefore the cross-recruiting activity of the non-Company affiliated household member shall be attributed to the independent distributor.

39. Default in Payment

If buyer becomes delinquent, ENAGIC reserves the right to appoint a 3rd party Collection Agency for the outsourcing of Extra-Judicial Collection to collect the unpaid balances, with 25% collection fee of the outstanding balances, and a late payment fee of Php 5,000.00 for each account.

40. Disciplinary Actions

Independent distributor's violation of any Policies and Procedures, the Distributor Agreement, terms and conditions or any illegal, fraudulent, deceptive, or unethical business conduct may result, at the Company's sole discretion, in one or more of the following disciplinary actions:

- (a) Issuance of a written warning or admonition.
- (b) Imposition of a fine, which may be imposed immediately or withheld from future commission checks.
- (c) Freezing of commissions for an indefinite period.
- (d) Suspension, which may result in termination or reinstatement with conditions or restrictions.
- (e) Termination of the distributorship.

41. Right to Terminate

The Company reserves the right to terminate any distributorship at any time, with or without cause.

A determination that the independent distributor has violated the provisions of the Distributor Agreement, including the provisions of these policies and procedures as they may be amended or the provisions of applicable Philippines laws, rules and regulations, shall be considered as a sufficient cause for terminating the distributorship..

To effect the termination, the Company shall notify the independent distributor by mail at its latest address as listed in the Company. In the event of a termination, the terminated independent distributor agrees to immediately cease representing him/herself as an independent distributor.

42. Termination

- (a) When a decision is made to terminate a distributorship, the Company will inform the independent distributor in writing that the distributorship is terminated immediately, effective as of the date of the written notification. The termination notice may be sent either by: (i) personal delivery, (ii) a reputable private courier, (iii) registered mail or (iv) electronic mail to the independent distributor's address on file with the Company.
- (b) The independent distributor's written appeal and/or correspondence in relation to the termination notice must be received by the Company within thirty (30) days from the time the notice is sent. If the appeal is not received within the thirty (30)-day period, the termination will be automatically deemed final.

- (c) If an independent distributor files a timely appeal of termination, the Company will review and consider the termination, consider any other appropriate action, and notify the independent distributor of its decision. The decision of the Company will be final and subject to no further review. In the event that the termination is not rescinded, the termination will be effective as of the date of the Company's original termination notice. The terminated distributor may not be sponsored as an independent distributor again.
- (d) Upon termination of the distributorship, all the rights of the distributor shall cease. He/she is no longer eligible for any commission, bonuses or prizes. He/she cannot advertise, sell or promote the Company products or purchase products from the Company. All obligations and responsibilities of each party that have accrued prior to the termination of the distributorship shall become immediately due and demandable.

43. Sponsorship

All independent distributors have the right to sponsor others. In addition, every person has the ultimate right to choose his/her own sponsor. If two independent distributors should claim to be the sponsors of the same new independent distributor, the Company shall regard the first application received by the corporate home office as controlling.

- (a) As a general rule, it is good practice to regard the first independent distributor to meaningfully work with a prospective independent distributor as having first claim to sponsorship, but this is not necessarily controlling. Basic tenets of common sense and consideration should govern.
- (b) For the convenience of its independent distributors, the Company may provide various methods of registering or informing the Company of newly sponsored independent distributors, including facsimile registration and online registration. Until such time as the Company receives an application, either as hard copy, facsimile or digital data, containing all appropriate information, as well as the signature of the proposed new distributor, the Company will only consider the incomplete facsimile or online registration in the category of "intended" registration. Thus, although the Company is attempting to create some convenience for its sponsoring distributors, it is the responsibility of the sponsoring independent distributor to cause delivery to the Company of a completed and signed distributor agreement and constating documents and/or government-issued identification if the sponsor is to expect recognition as the official sponsoring independent distributor.
- (c) There is no "magic" involved in the Company or in any business. Those who sponsor widely but who do not help new independent distributors develop their business meet with limited success. Therefore, it is the independent distributor's responsibility to follow through and make sure the new independent distributor is properly informed and trained in the areas of the product, the compensation plan, the policies and procedures and the professional guidelines of the network marketing industry.
- (d) When soliciting a prospective independent distributor to join the Company's network program, the independent distributor must clearly explain the following:
 - (i) Products: type, performance and quality of each product.
 - (ii) Compensation plan.
 - (iii) Policies and Procedures.
 - (iv) Independent distributor's rights and duties.

- (v) Other important items that will affect the judgment of the prospective distributor.
- (e) Independent distributors should never provide false information in order to encourage the conclusion of a sales agreement or to prevent the buyer from canceling the agreement.
- (f) Retail sales are a requirement of the Company's network program.
- (g) Each independent distributor must identify himself or herself by name and Company ID number to the prospective buyer.
- (h) The Company offers no sales discounts or other concessions and the distributor may not offer either. Any discounts offered by distributors may be grounds for termination.

44. Transfer of Sponsorship

Transfer is rarely permitted and is actively discouraged. Maintaining the integrity of sponsorship is absolutely mandatory for the success of the overall organization.

- (a) Transfers will generally be approved in only one of two (2) circumstances:
 - (i) In the case of unethical sponsoring by the original sponsor. In such cases, the Company will be the final authority in determining the same.
 - (ii) Resigning from the Company entirely and waiting six (6) months to reapply under the new sponsor.
- (b) In cases of unethical sponsoring, the independent distributor may be transferred with downline intact; in all other events, the distributor alone is transferred without any downline being removed from the original line of sponsorship.

45. Income Claims

No income claims, income projections nor income representation, nor showing of commission checks ("check waving") may be made to prospective independent distributors. Any false, deceptive or misleading claims regarding the opportunity or product/service are prohibited. In their enthusiasm, distributors are occasionally tempted to represent hypothetical income figures based upon the inherent power of network marketing as actual income projections. This is counter-productive, since new independent distributors may be quickly disappointed if their results are not as extensive or as rapid as a hypothetical model would suggest. The Company believes firmly that the income potential is great enough to be highly attractive in reality without resorting to artificial and unrealistic projections.

46. Representation of Status

In all cases, any reference the independent distributor makes must clearly set forth the independent distributor's independent status. For example, if the independent distributor has a business telephone, the telephone may not be listed under the Company's name or in any other manner which does not disclose the independent contractor status of the distributor.

47. Subpoena Duces Tecum/Request for Records

Assuming proper jurisdiction, the Company shall comply with subpoena duces tecum demanding the records of an independent distributor in his/her capacity as an independent contractor of the Company.

The Company shall also comply with requests for records accompanied by a duly signed Authorization by the independent distributor whose records are being sought. Moreover, the Company shall recognize requests for records which may be made by government agencies, as long as the latter is with proper authority to request such records and with the requisite legal documentation.

48. Business Cards and Stationery

Any printed materials, including business cards and stationery, must be approved by the Company in advance. Criteria for approving these materials will include a judgment regarding the quality of the materials as well as properly setting forth the independent status of the independent distributor.

49. Telephone Solicitation

The use of the Company's name or copyrighted materials may not be made with automatic calling devices or "boiler room" operations either to solicit independent distributors or retail customers. The use of these methods in ways that are legal and are the equivalent of the "blind ads" alluded to above cannot be regulated by the Company.

50. Press Inquiries

Any inquiries by the media are to be referred immediately to the Company. This policy is to assure accuracy and a consistent public image.

51. Endorsement

The regulatory agencies of the Philippine Government rarely approve or endorse direct selling programs. Therefore, independent distributors may not represent that the Company's program has been approved or endorsed by any government agency.

52. Indemnification and Hold Harmless

The independent distributor hereby agrees to defend, indemnify and release the Company, its officers, directors, agents and assigns and holds harmless from and against the full amount of any and all claims, causes of action, judicial and administrative proceedings suits, charges, liabilities, losses, damages, demands, costs and expenses, including without limitation judgments, civil penalties, refunds, attorney's fees, court costs, lost business or claims, which are or may be made, filed or assessed against Company at any time arising out of distributor's business operations and representations made by distributor in the operation of his/her business, arising from the following:

- (a) Violation and/or lack of compliance with terms of the Distributor Agreement, policies and procedures, rules and regulations, marketing program manual or guidelines or any other directive from the Company as to the method and manner of operation of the independent distributor business;
- (b) Engaging in any conduct not authorized by the Company in the Company market program;
- (c) Any inadvertence, mistake, fraud, negligence, bad faith or willful misconduct in the operation of the independent distributor business;
- (d) Misrepresentation or unauthorized representation regarding the Company's product or service, marketing opportunity or potential or the Company's marketing program;
- (e) Failure to adhere to any Philippine law, order, rule, regulation, and/or ordinance;
- (f) Engaging in any action which exceeds the scope of authority to the distributor as granted by the Company.
- (g) Engaging in any activity over which Company has no effective control as to the actions of the distributor.

53. Waiver

The Company never gives up its right to insist on compliance with these rules or with the applicable laws governing the conduct of a business. This is true in all cases, both specifically expressed and implied, unless an officer of the Company who is authorized to bind the Company in contracts or agreements specifies in writing that the Company waives any of these provisions. In addition, when the Company waives any provision herein, said waiver shall not extend to future breaches.

54. Governing Law and Jurisdiction

These Policies and Procedures shall be construed in accordance with, and interpreted and governed by, the laws of the Philippines. Each party irrevocably submits to the exclusive jurisdiction of the courts of Makati City, Philippines to the exclusion of all other courts elsewhere situated.

55. Severability

Should any portion of these policies and procedures, the distributor's application and agreement, the distributor handbook or of any other instruments referred to herein or issued by the Company be declared invalid by a court of competent jurisdiction, the remaining provisions of such rules, applications, or instruments shall remain in full force and effect.

56. Arbitration

Should any dispute arise from the nature, validity, interpretation, implementation, obligation or on any matter relating to this Policies and Procedures, the same must be submitted to arbitration in accordance with Philippine laws. In the event that arbitration is unsuccessful, any party may thereafter seek legal relief in the proper courts as specified in Section 59 hereof.

Product Handling and Independent Distributor's responsibility:

- (a) The prospective independent distributor shall fulfill stated personal sales volume requirements to be recognized and registered as an active Enagic distributor.
- (b) Special favorable payment plans are available to independent distributors who wish to purchase company products.
- (c) The independent distributor shall be fully responsible for any issues arising in connection with his/her own customer.
 - (i) The independent distributor shall take the following actions without delay in case of cancellation of a sales agreement: (a) Return the commission and other applicable fees/charges to the Company and (b) Substitute the cancelled account with another account.

Any actions other than (a) and (b) above will be taken after discussion among the independent distributor, the Company and referrer.
 - (ii) The independent distributor shall provide such information as the Company may request from time to time in connection with the Company's collection of money payable for the products and/or with the Company's handling of sales-related claims other than the above.

The Sales Commission shall be transferred to independent distributor's BDO account.