

## INTRODUCTION

The Business Ethics and Transparency Target Group of the HBLF committed itself to promoting the spread of ethical business behaviour and ethical company culture.

Codes of ethics, as elements of ethical company culture, are less known to the small and medium enterprises (SMEs) of the Hungarian business community.

Thus, the Target Group has decided to lay out such a recommendation that may be a model for SMEs for creating their own codes of ethics.

In order to be able to draft a model with the most comprehensive and credible content the Target Group has conducted a survey among the HBLF members and reviewed the codes of ethics of more than twenty multinational companies operating in Hungary. As a successful result of this work such a recommendation could be worded that may be taken as a reliable model for the SMEs when wording their own codes of ethics.

The model code of ethics published herein is structured in three parts. Those principles appear in the first section (Point A) that have a general appearance and may form part of any code of ethics. The principles listed in the second section (Point B) have a more facultative character and had a less frequent and general appearance in the surveyed codes of ethics. The measures listed in the third section (Point C) already refer to other possible ethical institutions - forming part of the ethical company culture - that may be in place at the given company. Certainly, making such a principle the part of the code of ethics makes sense only if the respective ethical institution (such as the ombudsman or the "Ask us" webportal) is indeed in operation at the given company.

In fact, the model code of ethics should serve as a menu for companies wishing to establish their own code of ethics. When creating the code of ethics, the specialties of the given company, including the industry in which it operates, its employees, company culture, or the aims of the company as set out by the management should all be taken into account. Only such a code of ethics can become a truly useful, effective and living company institution which is clear and transparent and has been individually drafted, while due attention has been given to the specific characteristics of the company.

As any other model document, the present model code of ethics can be also further refined and made better. Hence, the Target Group warmly welcomes any critique submitted with the Secretariat of HBLF.

# DOING THE RIGHT THING – MODEL CODE OF ETHICS

## HBLF Business Ethics and Transparency Target Group

### **For whom is the Code of Ethics important?**

Codes of Ethics outline a company's behavioural norms, rules and/or other standards of practice. Every internal and external participant in a Company – owners, directors, co-workers, clients, regulating agencies – should consider Codes of Ethics as important guidelines, with respect to which they should not only consider themselves users or subjects, but also as creators and stakeholders.

### **Why is it important for a company to use a Code of Ethics?**

#### **... because they help achieve the business goals and expectations of the owners and directors**

The communication of owners' expectations and the definition and achievement of goals depends not only on fiscal and/or physical conditions, but also on human capital and regulatory systems. We can find an answer to the question of "How can we be different from and better than our competition?" by examining a company's inherent values, unique culture of conduct, interests, priorities or responsibilities in light of the questions raised in Codes of Ethics. Awareness of the rules stated in a Code of Ethics can contribute to better engagement, improved loyalty, greater motivation and increased efficiency from both employees and managers.

#### **... because they help avoid offenses and the heavier sanctions associated with those offenses**

Codes of Ethics bring attention to avoidable actions, which result in violations of laws or internal company rules and can bring about serious legal sanctions or other penalties. Taking this into consideration, the preventative role of Codes of Ethics becomes paramount. Codes of Ethics also provide orientation in situations where the establishment of transparent norms in moral or other questionable situations is crucial.

#### **....because they contribute to competitive advantages and reputation repair.**

Codes of Ethics provide examples for behaviour in relationships with partners and clients. These behaviours reveal a lot about the Company's business intentions and reliability. Transparent Codes of Ethics provide a message of consideration and predictability to clients, partners and competitors. This in itself provides adequate competitive advantage in customer and other partnerships.

## **Why is it important that a company use a Code of Ethics?**

**... because it demonstrates a higher level of compliance and facilitates co-operation with regulatory agencies and other organizations**

Companies' internal rules and norms must be developed and employed around their respective compliance requirements, the supervision of which is the responsibility of external monitoring bodies. A company that, when following the standards of "regulatory compliance" pays attention to the elements included in a Code of Ethics will demonstrate a greater commitment to "compliance," which will help build confidence in its relationships.

**... because it provides employees with a guideline of which actions to complete and which actions to avoid**

In every healthy, working body and individual there lives a certain principle of a "need for adequacy" since that is one of the keys to recognized achievement. In these bodies lie written and unwritten rules, incentives and sanctions, simultaneously. Codes of Ethics can provide a guideline in those ambiguous situations which belong in the realm of "legal, but not ethical." Given the large differences in individual situations, assessing the levels outline in the Code of Ethics encourages "compliance" and the avoidance of doubt.

**Finally, Codes of Ethics have practical use when companies can say of themselves that:**

**"We don't just have a Code of Ethics, we work and live in accordance with it, too"**

Codes of Ethics should not just be a collection of written rules, but should instead be integrated into a company's daily workings. As with other rules, Codes of Ethics are only as valuable as far as they are realized in the daily workings of a company. Codes of Ethics become an internal force if a company takes into account its own unique identity while creating the code and if they are based on the broadest possible consensus and are continually enforced.

### **A) GENERAL PROVISIONS**

#### **A/I. Comply with law**

You are expected to conduct your personal and business dealings in accordance with all laws and regulations. You are expected to comply with both the spirit and the letter of all laws and regulations in order to maintain the highest standards of business integrity.

#### **A/II. Responsibility**

Each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility.

### **A/III. Equal Opportunities**

All employees have the right to be treated in a fair, polite and respectful manner. The personal dignity and beliefs of others must be respected.

### **A/IV. Confidentiality of Information**

You must treat all information you obtain concerning the company as confidential and ensure that you only use it for legitimately carrying out your duties. Data and information accumulated in the course of your work are the assets of the company.

### **A/V. Conduct business in a fair manner**

#### ***A/V.1. Improper payments, gifts***

You must ensure that you are not compromised, either as receiver or provider, by gifts and entertainment when doing business with suppliers, business introducers or other third party agents.

#### ***A/V.2. Fair business relationships with customers, competitors, parties***

Trust, fairness, respect, and a large degree of independence in making business-related decisions characterize our dealings with business partners. Private interests or personal gains are not allowed to influence our business decisions.

#### ***A/V.3. Conflicts of Interest***

You must avoid any situations which could lead to an actual or perceived conflict of personal interests with the interests of the company. You must not use your position at the company, your influence, any company assets or resources in a way that will benefit you personally, or your family or friends or the organizations they work with, or would lead to a conflict with the interests of the company.

#### ***A/V.4. Accuracy in reporting***

Any relevant event concerning the business transactions and the operation of the company shall be promptly and fully reported in due course to the competent body of the company.

### **A/VI. Assets, intellectual property**

Everyone is responsible for the company's assets and property and must use, preserve and handle it for the benefit of the company. Everyone is responsible for the company's intellectual property and must do everything to protect patents, trademarks, brands and know-how, and other intellectual property rights. Every company must respect the IP rights of others.

## **A/VII. Environmental responsibility**

Observe all technological and ecological guidelines in force and promote the acceptance of more stringent standards designed to minimize the risk of adverse effects on the environment resulting from business activities.

## **B) SPECIAL PROVISIONS**

### **B/I. Teamwork**

The best solutions come from working together with colleagues and clients. Effective teamwork requires relationships, respect and sharing.

### **B/II. Insider Trading**

Insider trading refers to the unlawful use of inside information for material gain. Insider trading means trading in securities or other stock exchange products such inside information refers to, regardless of whether received from insider resources or assignees thereof.

### **B/III. Government affairs and involvement in politics**

You must not make any political donation or incur any political expenditure on behalf of the company unless explicate permission has been sought and approval granted by the management.

### **B/IV. Financial crime**

The company has to be committed to minimizing financial crime which encompasses money laundering, fraud, bribery, tax evasion and corruption, malpractice. The company has to promote a zero tolerance approach to financial crime.

### **B/V. Competition law**

Competition is the lifeblood of business and has helped to bring down the cost of shopping for the customers. Each company has to respect competition law and to ensure it.

### **B/VI. Report on ethics**

The company provides regular reports to the public on ethical events occurred at the company.

### **B/VII. Social Responsibility**

The company shall support the local community surrounding its operation and shall co-operate with its stakeholders.

## **C) SPECIAL SOLUTIONS**

### **C/I. "Tell us" / Whistle blowing**

Breaches of the regulations may not only be reported to the workers' council or a line manager but also at any time to a whistle-blower.

### **C/II. "Ask us" Webportal**

The "Ask us" webportal of the company is helpful in answering questions about the Code of Conduct.

### **C/III. Compliance Committee / Ombudsman / Compliance Officer**

The Compliance Committee / Ombudsman / Compliance Officer initiates a clearly defined process for the clarification of reported cases. Any reported violations will be forwarded to the Compliance Committee / Ombudsman / Compliance Officer who will check them and instigate a clearly defined process that will lead to an appropriate solution.