

CODE OF ETHICS

Consolidated text of the Code of Ethics of the Hungarian Association of Pharmaceutical Wholesalers, approved on April 15, 2004, amended on January 6, 2005, May 21, 2008, and November 17, 2011, with the changes enacted at the General Assembly of 30 May 2019

Pursuant to the authorization granted to it in section 16.8, paragraph 'k' of the Charter of Incorporation of the Hungarian Association of Pharmaceutical Wholesalers (hereinafter the "Association"), the General Assembly has adopted the following regulations concerning the ethics rules and expectations of pharmaceutical wholesale activities:

1. PURPOSE OF REGULATIONS

1.1. These regulations (hereinafter the "Regulations") specify norms of conduct the neglectful violation of which entails penalty (sanction).

2. SCOPE OF REGULATIONS

2.1. The Regulations apply to ordinary and supporting members registered by the Association. Further, the Regulations apply to the executive officers, staff and other employees of the member organizations, with the understanding that these organizations are responsible for any conduct of their executive officers, staff and other employees in breach of these Regulations (personal scope).

2.2. The Regulations are applicable to acts committed in Hungary and abroad (territorial scope).

3. MEMBERS' OBLIGATIONS

3.1. In the wholesale trade of pharmaceutical preparations, ordinary members are obliged to use legitimate means and act lawfully in the course of enforcing their interests and fulfilling their obligations.

3.2. In addition to representing their own professional and business interests, members are obliged to promote safe and regulated pharmaceutical supply in accordance with the health care requirements.

3.3. Any action contrary to the Association's objectives is forbidden.

4. CONFIDENTIALITY

4.1. For the purpose of these Regulations, business secret means any such facts, information, solutions or data which are connected with the wholesale activity and the confidentiality of which is the legitimate interest of the Association or any of its members.

4.2. The acquisition or use of business secrets by foul means and their unauthorized disclosure or publication are forbidden.

4.3. The acquisition of business secrets without the approval of the entitled party through persons having a fiduciary or business relationship with the latter during or before such acquisition is also regarded as acquisition by foul means.

5. PROHIBITION OF UNFAIR COMPETITION

5.1. The Association is committed to fair market competition and organizes its activities with this principle in mind. Since in a competitive market, market players make their decisions independently of each other, the Association and its members pay particular attention to respecting this principle.

5.2. The unfair conduct of pharmaceutical wholesale activity, in particular, in a manner violating or endangering the interests of the other members of the Association or the interests of safe and regulated pharmaceutical supply, or in breach of the requirements of business integrity, is forbidden.

5.3. Violating or endangering the goodwill or credit solvency of the other members of the Association by stating or communicating false facts or by making true facts appear false or by other conduct is forbidden.

5.4. Initiating any action with third parties aimed at the termination of business relationship with any member of the Association or the prevention of the establishment of such relationship is forbidden.

5.5. Deceiving customers and consumers by advertisement or in another way in the economic competition, in particular, falsely making any purchase appear exceptionally advantageous, is forbidden.

5.6. The members of the Association convey truthful information to their target audiences in their commercial communications, whether they are consumers or business partners. Moreover, it does so in a manner that ensures that the information provided to the recipients is neither misleading nor false. The members of the Association are obliged to act in compliance with the act on the prohibition of unfair and restrictive market practices.

6. RULES FOR MAINTAINING AND PROTECTING MARKET COMPETITION

6.1. Any consultation, exchange or transfer of information between members of the Association which may raise suspicion of a restriction of competition is prohibited. Such information shall include strategic information of member organizations, business secrets, and any data of facts the non-disclosure of which is reasonably in the interest of the company concerned.

6.2. The members of the Association

a) are prohibited from making any decisions that affect the pharmaceutical wholesale market by restricting competition;

b) are prohibited from engaging in any conduct within the Association (at meetings, discussions, gatherings, events, etc.) or in connection with its activities that raises or may raise suspicions of anti-competitive behavior;

(c) are prohibited from creating any situation or circumstances that may be the basis for the creation of a secret anti-competition agreement.

6.3. It is prohibited for the ordinary members of the Association to abuse dominant position, in particular,

a) to establish sales prices unfairly in business relations or to stipulate unjustified advantages in another manner, or to force the acceptance of disadvantageous terms and conditions on another party;

b) to restrict the distribution of low-price pharmaceutical preparations to the detriment of the partners in order to achieve unjustified advantages;

c) to abusively withdraw pharmaceutical preparations from circulation or withhold them prior to price increase or for the purpose of causing price increase, or in a way otherwise capable of securing unjustified advantages or causing a disadvantage in competition;

d) to discriminate against certain business partners without justification, including the use of prices, payment deadlines, discriminatory sales conditions and methods that cause disadvantage to certain business partners in the competition;

e) to use overly low prices capable of squeezing the other members of the Association from the wholesale market of pharmaceutical products.

6.4. Also in view of the specificities of the pharmaceutical wholesale market, the members of the Association shall strive to ensure that the market is competitive and that market players do not abuse their potentially dominant or collective dominant position. They shall organize their conduct and operations in such a way as to avoid suspicion of abuse.

6.5. The Association cooperates with other authorities, including the competition authority, either in the context of a specific administrative procedure or in response to a request from a public authority, for the development of the pharmaceutical wholesale market.

7. RELATIONSHIP BETWEEN MEMBERS

7.1. The Members of the Association are required to pay special attention to the mutual fulfilment of their obligations. Members, their executive officers and employees should have a good working relationship with each other, and so their work should be characterized by courtesy based on mutual trust.

7.2. The members of the Association are obliged to avoid making statements that may offend or discredit other members or their executive officers or their employees.

8. RELATIONSHIP BETWEEN THE ASSOCIATION AND ITS MEMBERS

8.1. Members are obliged to participate in the Association's work in accordance with the Charter of Incorporation and act in a manner worthy of the Association.

8.2. Members are obliged to respect the Association's regulations, guidelines and resolutions during their activity.

8.3. Members are obliged to comply with their obligation to supply data to the Association, report any changes to such data and fulfil any special requests by the Association.

8.4. Members are obliged to report

a, any establishment of membership relationship, employment relationship or other legal relationship aimed at work with another social organization or association engaged in an activity identical to that of the Association or in the representation of the professional and economic interests of pharmaceutical wholesalers;

b, any accusation brought against them within the framework of criminal proceedings against an executive officer or employee serving in any executive body of the Association (Presidency, Management Board, Supervisory Board), in which case the proceeding regulatory authority and the case number have to be identified.

9. SANCTIONS

9.1. Upon violation of the norms of conduct and expectations set out in these Regulations (ethical offences), the following sanctions may be imposed on the Association's members:

a, notice,

b, reprimand,

c, exclusion.

10. RULES OF PROCEDURE

10.1. Ethical offences will be referred to the Management Board of the Association who will proceed ex officio or upon being informed of the case. All affected members will be involved in the procedure, and appropriate possibility for defense will be provided for the person suspected of ethical offence.

10.2. The procedure can be started within thirty days of becoming aware of the underlying reason, but no later than within one year of the occurrence of such reason.

10.3. Ethical offences will be discussed at the next Management Board meeting after the procedure is started but within ninety days at the latest, and a decision made within a reasonable period of time.

10.4. An appeal, with suspensory effect, can be lodged against the decision of the Management Board to the General Assembly of the Association in writing, within fifteen days of its delivery. The decision of the General Assembly cannot be attacked.

11. EFFECTIVE DATE

11.1. These Regulations and any amendments thereto will become effective upon approval by the General Assembly.

11.2. Within fifteen days of such approval, the Secretary General is obliged to send these Regulations and any amendments thereto to all members and executive officers of the Association.

This document contains the consolidated text of the Association's Ethics Regulations as accepted by the General Assembly on April 15, 2004 and amended by same on 06 January 2005, 21 May 2008 and 17 November 2011.

Budapest, May 30, 2019