

# 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, November 17, 2011, and May 30, 2019, with the changes enacted at the General Assembly of 26 May 2025**

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 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).

2.3 Ethical responsibility shall be assessed on the basis of the legislation in force at the time of the ethical violation and the present code of ethics (temporal 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.

4.4 Members of the Ethics Committee, the complainant, the member organization(s) subject to the proceedings, and all third parties involved in the ethics proceedings who may have gained access to business or other (e.g. attorney) secrets in the course of handling the case are bound by a comprehensive confidentiality obligation. The confidentiality obligation extends to all senior officers, members, employees, and agents of legal entities participating in the ethics procedure.

4.5. All persons participating in the ethics procedure are obliged to treat all information, business secrets, and data that come to their knowledge during or in connection with the ethics procedure as confidential, and may not disclose them to third parties, make them public, make them accessible or available, or

use them for their own benefit or the benefit of third parties. The confidentiality obligation shall remain in force without any time limit even after the procedure has been terminated or discontinued. The Ethics Committee may grant written exemption from the confidentiality obligation.

4.6. If, on the basis of the ethics procedure or in a matter affected by the ethics procedure, official or court proceedings are initiated, the members of the Ethics Committee shall not be bound by the obligation of confidentiality during the proceedings before the authority or court.

## **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 market participants make their decisions independently of each other in fair market competition, the Association and its members pay particular attention to ensuring that this is respected.

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. Members of the Association shall not seek to unlawfully poach employees representing the entire business of other companies from their competitors.

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, meeting, exchange of information, or transfer of information among members of the Association that raises suspicion of restricting competition, is aimed at doing so, or could result in doing so, is prohibited. Such information includes, among others, strategic information of member companies, trade secrets, and any data or facts whose reasonable confidentiality is in the business interests 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 to engage in conduct within the Association (at meetings, discussions, gatherings, events, formal or informal meetings, etc.) and in connection with or related to its activities that gives rise to or may give rise to suspicion of restriction of competition or is aimed at or may result in such restriction;

(c) are prohibited from creating any situation or circumstances that may be the basis for the creation of a secret anti-competition agreement, and to attempt to do so;

d) are obligated to immediately report any conduct that raises suspicion of competition restriction within the scope of the Association's activities, to the Association through the appropriate channels.

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;
- f) to unreasonably refuse to conclude a transaction and to unjustifiably refuse, interrupt, or delay delivery.

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. Any suspected conduct that violates the prohibition on abuse of dominance must be reported to the Association through the appropriate channels.

6.5. The Association cooperates with competition authorities (in particular the Hungarian Competition Authority and the European Commission's Directorate-General for Competition) as it does with other authorities, whether in the conduct of specific official proceedings or in response to official inquiries that serve or affect the development of the pharmaceutical wholesale market.

## **7. RELATIONSHIP BETWEEN MEMBERS**

7.1. The members of the Association shall fulfill their obligations with a high level of diligence and mutual respect towards each other. Members, their senior officers, and employees shall maintain good working relationships with each other, taking into account the legitimate interests of each other, the market, and the Association, and shall conduct their work in a spirit of mutual trust, courtesy, and humanity.

7.2. All members of the Association shall refrain from making offensive or disparaging remarks about other members or their officers or other employees, regardless of whether such remarks are made in public or in private communications, either verbally or in writing.

## **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. Members shall not seek to circumvent, evade, or render impossible the obligations prescribed by regulations, guidelines, or resolutions.

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 shall immediately notify the Association if

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.

8.5. Members shall immediately notify the Secretary General of the Association or the person entrusted with the duties of the Secretary General if the Hungarian Competition Authority or the European Commission's Directorate-General for Competition has initiated competition proceedings against the member in a matter directly or indirectly affecting the Association.

## **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) obligation to cease unlawful conduct,
- d) initiation of official or court proceedings,
- e) ultimately, exclusion

## **10. RULES OF PROCEDURE**

10.1. In the event of an ethical violation, the Association's Ethics Committee shall take action ex officio or on the basis of a written report. The Ethics Committee is a body consisting of the Association's Executive Committee and the Chairperson of the Association's Hospital Section. All members concerned must be involved in the procedure, and the member suspected of ethical misconduct must be provided an adequate opportunity to defend himself. In this context, it is particularly important to ensure the possibility of appointing legal representation, and, in the case of a request to this effect from a member suspected of ethical misconduct, to grant access to documents to the extent necessary for the defense, - excluding the internal decision-making documents and internal draft decisions of the Ethics Committee - as well as reasonable deadlines for the preparation of the defense. If the member suspected of ethical misconduct wishes to engage a legal representative or other external expert as a third party for their defense, it must be ensured that this third party has full power of attorney to participate in the ethical proceedings on behalf of the member organization subject to the proceedings, and it must also be ensured that the third party to be engaged undertakes to comply with the confidentiality obligations and the provisions of the Code of Ethics.

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. In order to initiate proceedings before the Ethics Committee, a written notification (registered letter or email with delivery confirmation) or official notification to the Ethics Committee is required. Verbal, telephone, and/or anonymous reports will not be investigated by the Ethics Committee. If, in the opinion of the Ethics Committee, the written report is incomplete because it does not contain an identifiable description of the ethical violation, the facts substantiating the ethical violation, the available evidence, the name of the member organization subject to the ethical violation, and a specific request for the Ethics Committee to take action, or if it is not in the proper form (not sent in writing or by email with delivery confirmation), it shall set a 15-day deadline for the deficiencies in the report to be remedied. If the reporting party fails to remedy the deficiencies within the deadline set for doing so, the Ethics Committee shall reject the report without a substantive examination. After reviewing the written report, if it is deemed appropriate, the Ethics Committee will notify the parties concerned in writing (by email) that an ethics procedure has been initiated.

10.3. The ethical violation shall be discussed at the next meeting of the Ethics Committee following the initiation of the proceedings, but no later than ninety days after the initiation of the proceedings, and shall be decided within a reasonable time limit. No member of the Ethics Committee may participate in

the investigation of a given case or in the decision-making process relating to that case if the member organization that delegated the given member is involved in or subject to ethical proceedings for ethical misconduct. The Chairperson of the Ethics Committee shall be elected by the members of the Ethics Committee from among themselves at their first meeting. The Ethics Committee shall have a quorum if three of its members are present. Members shall attend meetings of the Ethics Committee in person or via videoconference, and they may not be represented by proxy. A new meeting shall be held if there is no quorum. The Chairperson of the Ethics Committee shall convene the meeting of the Ethics Committee by sending a written invitation (by email) at least 8 days prior to the meeting, indicating the ethical violation to be investigated. The Ethics Committee shall adopt its decisions by a majority vote, except in the case referred to in section 10.3./B, where at least two (2) members of the Ethics Committee shall be required to vote in favor of the decision. Each member has one vote. The Ethics Committee shall take its decisions by open vote and a show of hands. Minutes shall be taken of the meeting of the Ethics Committee, which shall be drawn up by the Chairperson of the Ethics Committee and certified by another member of the Ethics Committee.

10.3./A. Instead of attending in person, members of the Ethics Committee may also hold Ethics Committee meetings (online Ethics Committee meetings) using electronic communication tools suitable for recording what is said, such as Teams or Zoom (via videoconference). The rules governing quorum and voting rights in this case are the same as those governing in-person meetings and repeat meetings.

10.3./B. If a member organization delegating a member of the Ethics Committee is involved in an ethical violation or is subject to proceedings due to suspicion of an ethical violation, the member delegated by that organization may not participate in the investigation of the ethical violation and in the decision-making process, and the joint presence of the remaining two members of the Ethics Committee is required for a quorum. If there is no unanimous decision among the members with voting rights and in the event of a tie, the President of the Association shall have the casting vote, or, if the President is affected, the Vice-President of the Association shall have the deciding vote.

10.4. An appeal against the decision of the Ethics Committee may be lodged in writing with the General Assembly of the Association within fifteen days of delivery of the decision, with the effect of suspending the implementation of the decision. The decision of the General Assembly cannot be challenged.

10.5 The Ethics Committee shall reject the request for ethical review in writing without substantive examination:

- a) if the written notification is manifestly unfounded or unfair,
- b) if official or court proceedings are pending in respect of the matters covered by the written notification,
- c) if the facts set out in the written notification have already been finally adjudicated upon by a public authority or a court,
- d) if the statute of limitations has expired.

10.6. The Ethics Committee shall terminate the ethics procedure with a resolution:

- a) if a refusal should have been made under point 10.5 of the Code of Ethics, but the reason for the refusal comes to the Committee's knowledge only later;
- b) if it finds that the member subject to the ethics procedure has not committed the ethical misconduct in question or that the ethical misconduct cannot be established due to a lack of evidence.

## **11. EFFECTIVE DATE**

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

11.2. The Secretary General or the person entrusted with the duties of the Secretary General shall send the Code and any amendments thereto to the members of the Association and all officers within fifteen days of their approval.

This document contains the consolidated text of the Association's Ethics Regulations as accepted by the General Assembly on 15 April 2004 and amended by same on 06 January 2005, 21 May 2008, 17 November 2011 and 30 May 2019.

Budapest, May 26, 2025