

Governor's Order No 2023-102

on the Code of Ethics¹

The purpose of the Governor's Order on the Code of Ethics (hereinafter referred to as the "Code of Ethics") is to define behavioural and moral standards for the Magyar Nemzeti Bank (hereinafter referred to as the "MNB") that serve to ensure that the MNB operates in accordance with ethical standards and maintains an ethical corporate culture. To achieve the above, and in accordance with the provisions of Executive Board Resolution No 45/2023 (04. 18.), I hereby establish the rules of the Code of Ethics as follows.

I. PREAMBLE

As the central bank of Hungary, the MNB plays a key role in the domestic financial institutional system, and its operations provide direction for all sectoral actors. It is therefore essential that its activities are characterised by a high level of ethical standards, in addition to the principles of design, legality, transparency, credibility, regulation, thrift, efficiency, effectiveness and sustainability set forth in its Charter.

The Executive Board of the MNB is committed to ethical corporate operation and believes that, in line with the two main fundamental values of independence and responsibility as set forth in the cardinal law on the Magyar Nemzeti Bank and the MNB's Charter, compliance with ethical standards is a fundamental requirement for the MNB's operations, along with compliance with the provisions of the relevant laws and internal rules. In addition to putting to use their high level professional knowledge, MNB employees have a moral obligation to uphold the reputation of the institution by setting an example in their professional and personal lives.

The Code of Ethics is a comprehensive set of values and principles, a set of standards of conduct and behaviour that guide the way of working at the MNB, and is intended to serve as a guide for the employees in their daily work, helping them by presenting the continuously expected behaviour and the correct ways to be followed when certain situations and events occur. Increased expectations have been placed for the MNB's managers, and in addition to these, they are also required to ensure that the rules introduced in the Code of Ethics are observed and enforced by the employees in their area of responsibility. They should do this primarily by providing guidance to subordinate colleagues and by setting an example.

The Executive Board of the MNB trusts that the Code of Ethics will provide appropriate support to all employees in their daily work and that its application will contribute to the further development of the corporate culture, thereby further enhancing the institution's traditionally high moral standing.

Achieving this common commitment however can only be based on laying down ethical rules, and the practical implementation of this requires the contribution of all employees.

¹ Date of publication: 25 April 2023

II. APPLICATION OF THE CODE OF ETHICS

Section 1 (1) The Code of Ethics lays down binding rules for MNB employees (hereinafter referred to as “employee”), compliance with which is essential for maintaining ethical conduct and safeguarding corporate values. The MNB considers it particularly important that its employees conduct themselves in a lawful and ethical manner at all times, and that they always act fairly and impartially in their activities and decisions.

(2) In the light of the above, the Code of Ethics emphasises that, in addition to general expectations, it shall cover, as broadly as possible, situations that bear risks from the point of view of ethical corporate operation, but does not aim to define or account for all forms of ethical conduct.

(3) From the point of view of its application, it is important to underline that in many cases the Code of Conduct only sets out the main rules, which apply in conjunction with the detailed rules contained in the relevant internal regulations and other regulatory instruments. (This is usually referred to in the text itself.)

(4) In the application of the Code of Ethics, not only the letter of the Code, but also the purpose, the inner essence and the spirit of the rules shall be taken into account and the conduct shall be in accordance with them. The conduct of employees may not aim to circumvent the principles and rules contained in the Code of Ethics.

(5) The MNB supports the implementation of the requirements of the Code of Ethics by operating the Compliance and Defence Department and the Ethics Committee, and by employing an Ethics Commissioner. The Compliance and Defence Department promotes the integrity-based operation of the MNB by providing training, consultancy, regulation and monitoring, and its detailed tasks are determined in the MNB’s Rules of Organisation and Operation. The Ethics Committee is the body responsible for handling and investigating allegations of ethical misconduct, and its rules of procedure are laid down in a separate internal order also setting out the detailed rules applicable to the matter. The Ethics Commissioner of the MNB acts in an advisory capacity, and his or her duties and the person occupying the office are set forth in Part IV of the Code of Ethics.

III. ETHICS RULES

1. General ethics rules

Section 2 (1) The inviolable, unconditional respect, protection and primacy of human dignity shall be ensured in all circumstances. The strongest action must be taken against any behaviour that violates human dignity.

(2) The employees are expected to perform their work honestly, impartially, without bias, free from undue influence, to the highest possible professional standard, to the best of their knowledge and responsibly, in order to promote and develop the effective operation of the MNB and in the service of the public good.

(3) In addition to the up-to-date knowledge required for their work, employees of the MNB are expected to be familiar with and act in accordance with the laws, internal rules and ethical requirements defining the legal status, tasks and powers of the MNB and its organisational system.

(4) Since the establishment of the independent Hungarian central bank in 1924, the stable basis of its operation has been ensured to a large extent by the personal integrity and high level of professionalism of our predecessors, and by their standing up for our values and central bank achievements in the turbulence of history. Sándor Popovics (1862–1935), the first Governor of the MNB, formulated the guiding principle of his work as “being conservative in principles and progressive in the recognition and fulfilment of tasks”. This illustrates the close link between a solid

value base and innovation that can respond to the challenges of the times. Fulfilling the mission of the central bank is an ongoing task, a journey that we share if we are committed to a set of values with historical roots, in line with the mission of the MNB.

(5) Article 28 of the Fundamental Law of Hungary formulates the requirement of value-based application of the law, which is also professed in the operation of the central bank, according to which “when interpreting the Fundamental Law and the legislation, it must be assumed that they serve a moral and economical purpose in accordance with common sense and the common good”.

(6) Compliance is not just a legal concept, it is a culture and a set of values. Taking into account its specific constitutional status and autonomy, the MNB will do its utmost to strengthen value-based operations with the tools at its disposal.

(7) The Code of Ethics cannot draw up a detailed set of ethical rules applicable to every situation in life, so everyone must develop their own integrity and ethical conduct as well. Training is also a priority for the MNB, which naturally involves rooting the employees in the world of values, so that they can carry out their tasks responsibly as individuals with strong inner integrity.

2. Basic rules of professional and business management ethics

Section 3 (1) In addition to the professional and business ethical rules determined by the Code of Ethics, the internal rules governing the performance of the tasks of each specialised area may lay down additional ethical requirements related to the work processes, and each specialised area shall take into account the provisions of the codes of ethics and conducts of business applicable to it in the work of self-regulating professional bodies.

(2) Economic and financial activity is not an ethically neutral field, it is part of human activity, therefore it is necessary that the ethical aspects become part of the business culture. With fairness, responsibility and transparency in mind, a business decision is not just a practical action, but also a human based and therefore ethical one. The ethical nature of economic and financial activities should not just be an external “label”, but should be intrinsic to the very nature of these activities. Professionalism and ethics are inseparable requirements for realising good business conduct.

(3) In making professional decisions, attention shall be paid to compliance with at least the following criteria:

a) Is it lawful, i.e. does it comply with the applicable legislation, other legal norms, internal rules and professional requirements?

b) What is its internal quality like; is it ethical?

c) How does it relate to the requirement of serving people and the common good?

d) Is it in line with the mission, purpose, core values and strategies of the MNB, and how does it affect the image of the MNB?

e) What impact does it have on the MNB’s partners and third parties?

(4) In the course of work at the MNB, honesty and proper conduct shall be exercised. If in doubt or if there are questions about a situation, advice shall be sought from your supervisor or, depending on the subject, from the legal or compliance department or the Ethics Commissioner. Covering up and silencing problems and mistakes only adds to the trouble. The identification of problems and mistakes, honest communication based on mutual trust, cooperation in finding solutions, correcting mistakes and learning from them also strengthens the integrity of the organisation.

3. Rules of ethics for certain activities

Behaviour in internal relations

Section 4 (1) The basis for the successful operation of the MNB is that the employees carry out their work diligently, conscientiously, responsibly, in cooperation with other employees, and with mutual respect. The employees must not influence the decision-making process in a way that is contrary to the interests and objectives of the MNB.

(2) The MNB expects its employees to conduct themselves in a manner worthy of the MNB, both at work and outside of working hours. The employees shall not engage in any conduct, whether at work or outside of it, nor during or outside of working hours, that is likely to reflect negatively on the MNB.

(3) As the central bank of the Hungarian nation and a prominent national institution, the MNB places great emphasis on ensuring that its employees do not find themselves in compromising or ethically questionable situations that may increase the risk of bribery. The MNB expects that its employees, even as private individuals refrain from engaging in any conduct that may be ethically questionable.

Additional expectations for managers

Section 5 (1) Managers shall regard the employees under their management as partners.

(2) Managers are expected to make effective use of the skills and abilities of employees, to ensure their satisfaction and a positive attitude towards their workplace, to strive to create a good working atmosphere, overall satisfaction and mutual trust among employees. Leadership is a service. Managers are expected to support innovation, listen to their employees, help solve problems, get the job done and help their employees develop.

(3) The managers must set an example for their colleagues through their actions.

(4) The managers have to be objective in the management, supervision and evaluation of the employees and in their day-to-day interactions with them.

Behaviour in external relations

Section 6 (1) In its external relations, the MNB shall endeavour to fully promote the interests of the MNB and to foster effective cooperation with customers, peer institutions, public authorities and business partners, while preserving its independence. For this purpose, it is essential that MNB employees always act within the framework of the authority given to them by the MNB in their external relations, consistently demanding the bank's standards and aspirations, but refraining from any act that could be considered as unauthorised interference and damage the MNB's reputation.

(2) In liaising with authorities, the facilitation of the work of the authority shall be the primary consideration. As part of this, the relevant employees must cooperate throughout administrative processes and contribute to their effectiveness to the best of their professional ability.

(3) The quality of the relationship with business partners is also important, as the services of a number of business partners have to be used in day-to-day operations. The quality of the business partners, in particular their integrity, reliability, accuracy, professionalism and practical experience, is a determining factor. All these considerations should be taken into account and carefully acted upon when making a cost-effective choice of business partners. The selection process will involve choosing the most appropriate partner from a number of potential ones, taking into account the legal framework.

(4) During the business relationship, mutual and effective cooperation, trust, fairness and high quality of service provision must characterise the professional work. Against unfair partners, decisive action must be taken.

Communication

Section 7 (1) The MNB's communication strategy aims to effectively support the achievement of the MNB's objectives. Conscious, planned communication is effective in positively influencing the image of the MNB.

(2) The MNB's independent and successful communication activities are imbued with stability, trust, legitimacy, transparency, preparedness, consumer focus and partnership.

(3) The employees are required to communicate in a credible manner that maximises the positive reputation of the MNB. When communicating with the public, MNB employees must not give any information advantage to certain market participants or groups.

Protection of data, information and confidentiality

Section 8 (1) It follows from the tasks and functions of the MNB that it also holds non-public and classified information as well as other data protected by law. The strongest expectation is that all information that comes to the knowledge of the employees in the course of their work within their sphere of competence must be handled responsibly and not used in an unauthorised manner. All data other than public data at the MNB's disposal may be disclosed to third parties only within a regulated framework and, in the case of certain types of data, only with the MNB's approval. Except in the case of public data, employees are also under an obligation of confidentiality in respect of their relatives with regard to information that comes to their knowledge in the course of their work.

(2) The employees of the MNB shall be under a duty of confidentiality with regard to all facts and data (including, in particular, personal data, classified data, banking secrets, payment secrets, securities secrets, insurance secrets, fund secrets, employer's pension secrets, business secrets and non-public data) of which they acquired knowledge in the course of performing their professional duties or in connection with holding their position.

(3) The employees of the MNB shall treat insider information as strictly confidential and shall not disclose it under any circumstances. The employees of the MNB may not use insider information that has come to their knowledge to gain any advantage in connection with their own or their relatives' transactions (any economic transactions, in particular stock exchange transactions). In all circumstances, the MNB employees must respect the good reputation of the MNB and must not tarnish it even with the appearance of using insider information.

(4) Knowledge of the provisions of the law and internal rules on data processing – data protection, confidentiality, protection of classified data, information security – and their proper practical application is a basic requirement for all MNB employees.

Avoiding conflicts of interest

Section 9 (1) In the context of participation in the MNB's official procedures, in addition to the conflict of interest and disqualification rules laid down in law, if an employee, in the context of an official inspection, is investigating a financial institution with which he or she holds a loan (including a credit line linked to a payment account or a financial leasing), a loan, a deposit or a payment account, he or she must report the fact to the MNB.

(2) The employees of the MNB should, as far as possible, not have a market loan or credit of a type that the MNB can also provide and should, as far as possible, seek to replace their existing loans with employer loans on more favourable terms provided by the MNB. Personal financial transactions should be adjusted to the income and wealth of the employee. Even when making a personal financial decision, the employees must act prudently, carefully, in good faith and ethically, avoiding even the appearance of conflict of interest with the MNB's activities. In the performance of certain specific tasks, situations that do not allow for unbiased work, including decision preparation and decision-making, should also be excluded. The employees of the MNB are obliged

to report immediately if there are any grounds for disqualification against them in a given case (official or other), or if they are involved in the case in any manner or cannot be expected to give an objective assessment of the case.

(3) No legal relationship may be established or maintained in the MNB which would result in a management (supervisory), control or accounting relationship with a close relative of an MNB employee.

(4) In all cases, the declaration of conflicts of interest and involvement shall be made in accordance with the relevant internal rules.

Managing business gifts and entertainment (catering) offered

Section 10 (1) All employees shall refrain from using the MNB or their legal relationship with the MNB as a pretext to intervene in their own or others' personal affairs or to conclude a contract with any financial institution on terms more favourable than market conditions, excluding the preferential account management package that the employee is entitled to in respect of his or her employment with the MNB.

(2) The MNB expects from its employees that the acceptance and reciprocation of gifts, advertising and propaganda materials in the course of their working relations shall be a formality or an act of kindness, shall not impair or affect the objectivity, independence and impartiality of the MNB's employees, shall not create a sense of indebtedness or expectation, and shall not even create the appearance of such an expectation. Business gifts and entertainment² (hereinafter referred to as hospitality) such as business lunches, accepting invitations to events, etc., can only be fair within the boundaries of general business practice, but only in the cases where there is no sign of any intention to influence. For example, it is a sign of an intention to influence if an employee of the MNB receives more hospitality or gifts than other partners in the same category.

(3) Hospitality may be accepted from the MNB's professional and business partners to the customary extent and without indebtedness.

(4) MNB employees are obligated to report in writing to their manager – at least at the level of the head of the organisational unit – the acceptance of a large gift (with a value exceeding HUF 25,000) in the course of their working relations, and the acceptance of hospitality from professional and business partners of the MNB with a value exceeding HUF 25,000. The manager shall, in consultation with the Compliance and Defence Department, determine and then indicate to the person concerned the further actions to be taken in connection with the handling of the gift or hospitality.

(5) Any gift or hospitality the value of which cannot be clearly established to be below the threshold provided for in paragraph (4), or any offer of gifts or hospitality the acceptance of which is prohibited, must be reported in writing by the employee of the MNB without undue delay to his or her manager at least at the level of the head of the organisational unit, who, in consultation with the Compliance and Defence Department, shall determine and indicate to the person concerned the further action to be taken in connection with the handling of the gift or hospitality.

(6) Accepting gifts or hospitality from the same cooperating partner on a regular basis is not allowed.

(7) Only customary, non-binding, minor gifts or hospitality may be accepted from current or potential suppliers and only if refusal would cause harm or seriously jeopardise the business relationship.

² entertainment: catering (food, drink) and services (travel, accommodation, leisure activities, etc.) provided in connection with a business, official, professional, diplomatic or religious event related to the activity of the provider as well as on the occasion of public or religious festivities

(8) The permissive rules set out in paragraphs (2) to (4) and paragraph (7) shall not apply to gifts or hospitality offered in the course of official procedures and public procurement procedures, as they are not acceptable at all.

(9) Money, cash substitutes and vouchers may not be accepted at all, unless their meaning or acceptance is symbolic.

(10) The employees of the MNB may not use their legal relationship with the MNB for gaining any advantage for themselves or for others, whether in their private or business life. An advantage is any benefit, whether monetary or non-monetary, which actually improves the financial, legal or personal situation of an employee of the MNB or of any person in respect of the employee and to which the employee is not legally entitled.

Procurement – Public procurement

Section 11 (1) In order to maintain fair competition, transparency and clarity in procurement procedures are of paramount importance as well as the need to ensure that the objectives and interests of the MNB always prevail in procurement procedures, subject to the conditions of the relevant legal provisions.

(2) In addition to ensuring that the participants in the procurement process behave in a lawful manner and that the processes are transparent, it is important to document and communicate the necessary and sufficient information. Apart from this, several independent supplier bids should be invited in a manner that the tenders do not contain conditions that restrict competition.

(3) The contractors must comply with the requirements set forth in the Code of Ethics. In addition to the provisions of the Code of Ethics, the participants in procurement and public procurement procedures must act in accordance with the legislation and internal rules applicable to these activities.

Social and political activity

Section 12 (1) The non-employment-related social commitment of employees, in particular voluntary charitable and social commitment, which is both legally and socially acceptable and remains within reasonable limits, shall be encouraged. The employees who undertake a commitment in such a context do so in their private capacity, and therefore their social engagement does not reflect the MNB's position.

(2) The MNB respects to the fullest extent the rights of its employees to the freedom of conscience and religion, and expects the same from its employees in their relations with each other.

(3) The employees are free to exercise their political rights in accordance with their own convictions, and as a result shall not be subject to any advantage or disadvantage at work. No political, religious or other ideological persuasion may be carried out or practised during working hours or at the workplace.

Social media presence

Section 13 (1) When using social media applications, employees must ensure that their activities do not jeopardise the MNB's reputation or social standing.

(2) It is important to respect the rights, dignity and values of others in all circumstances, and any communication in online social spaces should avoid any expression that may offend others or that may violate the human dignity or rights of others.

(3) The employees must refrain from publishing false, untrue or misleading content, and from sharing any information or data the publication of which could cause legal damage to others.

(4) As in everyday life, the use of inappropriate and vulgar language on social media platforms must be avoided, in the same manner as the sharing of content with inappropriate visual or audio elements.

Representation of interests

Section 14 (1) The MNB recognises, supports and respects the activities of interest representatives, trade unions, works councils and health and safety representatives in the field of interest representation and protection.

(2) When negotiating with interest representatives, the parties look at the interests of employees from their own perspective, but the common goal is that the agreements reached should serve the long-term interests.

(3) During the cooperation, the rights and legitimate interests of one another have to be respected. In exercising rights and fulfilling obligations, actions must be taken in good faith and complying with the requirements of fairness and mutual cooperation.

Scientific and publication activity

Section 15 (1) The MNB considers it important to employ highly qualified and motivated employees with a broad range of knowledge and a high level of expertise, and therefore encourages the employees to pursue self-training and professional self-realisation beyond the training provided by the MNB's training system.

(2) The MNB shall support its employees in pursuing scientific and educational activities and in publishing their works in addition to their professional duties. The lecturing or publishing employees must obtain prior written approval in accordance with the relevant internal rules or, in the absence of such rules, from the senior manager exercising the authority of the employer over them (Governor, Deputy Governor, Director General) for any educational material or publication containing information relating to the MNB or in connection with the MNB's tasks that is not yet made public.

(3) Individual and group opinions shall not be considered to be the MNB's opinions and shall not be disclosed as such. A clear distinction must always be made between official and individual positions.

Awards, recognitions and medals outside the MNB

Section 16 (1) The employees must seek the permission of the Governor of the MNB before accepting any awards, recognitions or medals granted to them in connection with their activities carried out for the MNB, other than those established or endowed by the MNB.

(2) The request for authorisation shall be submitted in writing to the Governor of the MNB through the Head of the Compliance and Defence Department.

Environmentally conscious operation

Section 17 (1) In the context of its corporate social responsibility, the MNB strives to develop exemplary and leading practices in the field of environmental protection, including responsibility for the natural and built environment.

(2) It is the responsibility of the employees to preserve the condition of the MNB's premises and to ensure the cultured use and cleanliness of common areas. The MNB also emphasises the protection of the natural environment, so it expects its employees to be environmentally aware and

to take environmental considerations into account in their daily work.

Protection of working conditions and work equipment

Section 18 (1) The efficiency of the management of the MNB must be accompanied with responsibility. This requires, among other things, that the employees use the modern tools and IT services provided for the efficient performance of their tasks in a way that is appropriate, careful and economical.

(2) In order to ensure high quality, effective and efficient work, the MNB shall make the Internet, the electronic mail system and the telephone available as means of communication to all those whose use is justified by the performance of their duties, while at the same time expecting the employees to use these in connection with their work only.

Health and safety at work

Section 19 (1) The MNB aims to create a safe and healthy working environment for all employees. Based on the sense of responsibility towards the employees, the protection of their safety, health and mental health, the creation of a healthy and safe working environment focuses partly on the adequacy of the physical environment and partly on the employees personally. Occupational safety and health requirements for work and the creation of workplaces are laid down in internal regulations.

The requirement of equal treatment

Section 20 (1) Direct or indirect discrimination against employees, in particular on grounds of sex, race, colour, nationality, belonging to a particular ethnic group, mother tongue, disability, health condition, religious or philosophical belief, political or other opinion, marital status, maternity (pregnancy) or paternity, sexual orientation, gender identity, age, social origin, property standing, part-time or fixed-term nature of employment or other type of working relationship, membership of an interest representation organisation, or any other status, characteristic or attribute is prohibited.

(2) Any conduct aiming to harass, unlawfully segregate or retaliate against any employee is also expressly prohibited.

Behaviour, appearance

Section 21 (1) The MNB expects a behaviour and appearance in the context of work that is in line with the professional prestige of the institution and that shows respect for the environment, partners and employees. In their workplace relationships, the employees shall show tolerance and expectable patience for each other, avoiding any behaviour that the other party might consider offensive or hurtful.

(2) During online meetings, the same behaviour and appearance expectations as for face-to-face meetings shall be considered.

(3) In line with the MNB's dress code in keeping with the professional prestige of the MNB, the employees are expected to dress in a business-like, aesthetically pleasing and well-groomed manner in the course of their work relationships. Employees are expected to avoid wearing conspicuous, provocative or neglected clothing, and to avoid making visible provocative or bold body decorations.

IV. ETHICS COMMISSIONER

Section 22 (1) The post of Ethics Commissioner shall be held by the head of the internal audit area of the MNB. The Ethics Commissioner shall act in an advisory capacity, and he or she shall be professionally independent in the performance of his or her duties and shall not be subject to direct or indirect instructions.

(2) The Ethics Commissioner shall provide advice on the practical application of the rules introduced in the Code of Ethics and on the identification and detection of any conduct that is contrary to the Code of Ethics. The MNB's employees may ask him or her for guidance on any matter relating to compliance with the Code of Ethics or on the ethical assessment of situations and actions encountered in the course of their work. The opinion and guidance of the Ethics Commissioner shall not be binding on the Ethics Committee, but if an ethics investigation procedure is opened in relation to a case, the opinion and guidance previously given by the Ethics Commissioner in the case shall be taken into account in the conduct of the procedure.

(3) The Ethics Commissioner, in the exercise of his or her functions in relation to internal rules and other regulatory instruments on ethics:

a) shall participate in reviewing the Code of Ethics and the relevant internal rules and any amendments thereto;

b) may, if necessary, initiate amendments to the Code of Ethics or the relevant internal rules at any time;

c) shall participate as a reviewer in the overall review process of the content of the Code of Ethics.

V. FINAL PROVISIONS

Section 23 (1) Taking into account practical experience, national and international recommendations, the Compliance and Defence Department shall, at least every two years, carry out a comprehensive review of the contents of the Code of Ethics and report the results in writing to the Executive Board of the MNB.

(2) This Order shall enter into force on the day following its publication.

(3) The Governor's Order No 2021-105 on the Code of Ethics shall be repealed with the entry into force of this Order.