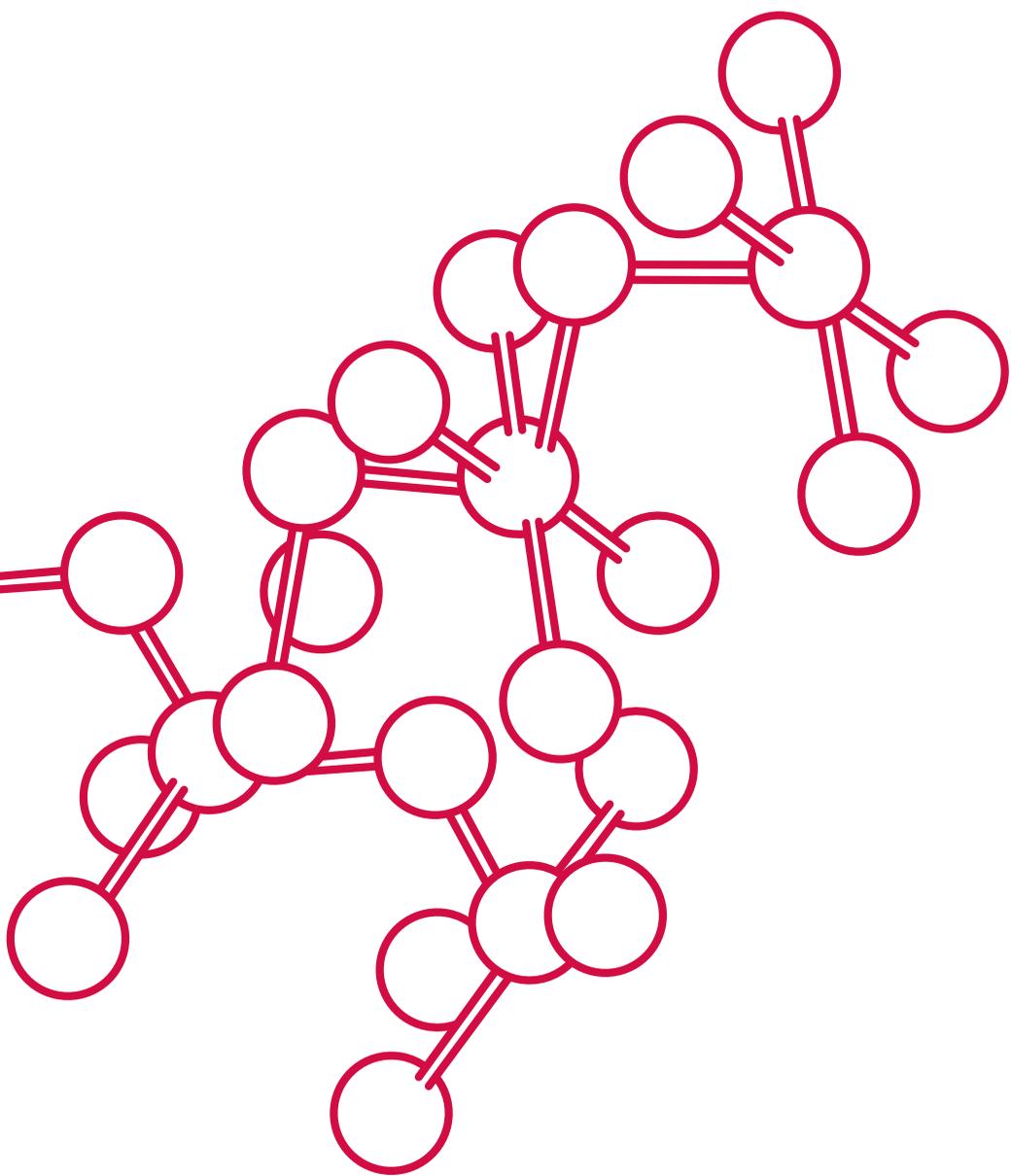




Code of Ethics

of the BorsodChem Group

November 2008



 **BorsodChem**
Chemistry for generations

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Preface

Dear Colleagues,

It is not only in the field of performance where the BorsodChem Group of Companies sets a benchmark for itself but also by the ethical conduct of its employees.

This is why we have elaborated the Code of Ethics on group level wherein we laid down the basic principles applicable to both corporate and individual behaviour within the BorsodChem Group.

Of course, the Code of Ethics does not regulate all of our actions but provides guidance for each employee of the group and is intended to provide a basis for the corporate culture that we are dedicated to. We will investigate and consistently sanction any offences against the spirit of the Code of Ethics in the interest of our employees. We want our shareholders, business partners, employees and the authorities to regard us as serious, trustworthy and reliable partners.

The rules defined in the Code are simple and easy to understand. Should anyone still have difficulties in a particular situation, he or she should apply the following principles based on common sense:

- Do not do anything you know or think is illegal or unethical
- Do not use any company property for private purposes
- Do not get involved in any transaction not having a real lawful business purpose
- Ask yourself whether the proposed transaction or business practice would pass the test of publicity if detected
- Do not do anything that would force you to give your trustworthiness
- If you are uncertain about something, seek advice



Kay Gugler
*Chairman and
Chief Executive Officer*

Introduction

The BorsodChem Group as one of the leading chemical companies in Central and Eastern Europe is dedicated to adhere and cause its employees to adhere at all times to the generally accepted ethical norms and rules of business in its operations. We have elaborated the Code of Ethics to support this ambition of ours. The enclosed policy is organised around 10 categories. Each of these contains such directives as are to be followed by everybody in the BC Group in their acts and activities:

- Relations within the company
- Relationship with customers
- Relationship with suppliers and creditors
- Relationship with competitors
- Relationship with state and governmental agencies, the region and the society
- Relationship to quality, safety and environmental protection
- International relations
- Shareholder relations
- Moral responsibility of managers
- Execution and sanctions

Any and all directors, officers and employees of BorsodChem have to comply with the spirit of this policy. A task expected of managers is also to demonstrate positive example in all aspects and communicate clearly the highest ethical norms laid down in the Code of Ethics, helping in this way their subordinates to comply with the key directives.

I.

Definition, Purpose and Scope of the Code of Ethics

Definition of Code of Ethics

The Code of Ethics is the collection of all human and professional norms of conducts accepted and expected by the BorsodChem Group that must be complied with by the private persons and business entities subjected thereto in their activities in respect of both their internal and external relationships.

The Purpose of the Code of Ethics

The purpose of the Code of Ethics is to maintain the organisational values and the high standard of work culture achieved in the operations of the BorsodChem Group and to ensure such consistent conduct of the employees as corresponds to the reputation and image of the Group, enhancing by this the positive image formed of the group, the cohesion among the subjects of the Code of Ethics as well as responsibility for each other and the sense of security.

In order to realise all these goals the Code of Ethics lays down:

- the principles and requirements of the BorsodChem Group of Companies in relation to the working morale,
- the general basic principles for the conduct of the subjects of the Code of Ethics,
- the norms to be applied during work in the internal and external relations.

Scope of the Code of Ethics

Territorial Scope

The Code of Ethics covers:

- the entire territory of the BorsodChem Group of Companies, including the registered seats, all sites and representation offices of the companies,
- all places outside of the territory of the Group where those subjected to the Code of Ethics represent or act on behalf of the group.

Personal Scope

The subjects of the Code of Ethics:

- BorsodChem Zrt and all business companies owned by it to 100%,
- all employees of the Group,
- the physical persons and business entities acting on behalf of or representing the Companies based on their relationship with the group.

Time Scope

The Code of Ethics will enter into force as of:

1 November, 2008

The time scope of the Code of Ethics covers the term of the employment or that of other relationship.

Upon the termination of employment or other relationship the BorsodChem Group and the persons/entities concerned may lay down in separate agreement the further application of the provisions set forth in the Code of Ethics.

Key Basic Principles and Requirements

Relationships within the Company

Respect of the Individual – the Basis for Human Relationships within the Company

Employee relations, relations among the employees and the relationships between superiors and subordinates are based on the respect of the dignity of all human beings and that of human rights at the BorsodChem Group.

No physical, mental or sexual harassment of any kind shall be tolerated at the BorsodChem Group. No abuse, humiliation, intimidation, violent conduct or other form of discrimination of any kind shall be permitted at the company

Co-operation with Fellow Employees

The role and weight of our fellow employees is determinant for the success of the BorsodChem Group. The BorsodChem Group creates conditions

offering professional as well as personal perspectives and creating the condition of a high level and excellent performance.

We count on all our motivated and qualified employees regarding change as an opportunity and desiring to develop for whom the BorsodChem Group assumes social responsibility and strives to increase their eligibility for employment¹.

Co-operation with Trade Unions

The BorsodChem Group co-operates openly and in confidence with the Trade Unions, maintains constructive dialogue and strives to consult with them correctly on their interests.

Ethics of Communication

The management of the BorsodChem Group ensures the possibility for each of its employees to freely express their opinion without the risk of intimidation or sanctions.

Management describes clearly its objectives and intention, maintains effective communication and pays special attention to the preparation of its employees for changes within the company.

Each and every employee and entity is obligated to participate in such communication and provide factual information for the entire company. It is unacceptable from the aspect of ethics to withhold deliberately such information as may contribute to the improving of the quality of the company's performance.

Confidential Handling of Matters and Data Protection

All internal corporate affairs not disclosed to the public have to be treated confidentially. They include – among others – information on the organisation of the company and the development of the organisation, issues of manufacture, research and development and the data of internal reports. An employee's obligation regarding confidential handling of matters will exist even upon termination of his or her employment with the company.

1. Eligibility for employment is understood to mean such an ability of a person whereby he or she can further develop his or her expertise and capabilities so as to remain an active earner in the market.

The high level of progress in computer engineering creates new challenges also in the field of data protection. High level of protection is to be provided in respect of both the quality of data and the efficient protection against unauthorised access. Personal data are not to be collected, processed or used but only if it is necessary for pre-determined clear and lawful purposes.

Solely legally purchased software shall be used within the company.

Protection of the Reputation and Assets of the Company

Each employee of the BorsodChem Group is responsible for and shall protect in public the reputation of the company.

Each employee of the group is responsible for the protection of the intellectual property and the physical assets of the company. Telephone, fax, e-mail and all the IT hardware and software may primarily be used for the purpose of work and any other use is subject to permission (stated in the employment contract or approved by the line manager). Other special means of work must be used according to the relevant stipulations.

Employees of the group are not allowed to use corporate assets without permission. Use of corporate assets for own or third party purposes without express permission is to be regarded as serious as theft which may result in the termination of employment.

Transparency

All transactions are to be recorded and documented according to the applicable Hungarian and international rules and laws. Besides independent third party audits, the internal audit also takes part at high level in tracking and checking these.

Conflict of Interest

Situation of opposite interest is where the interests of the BorsodChem Group differ from your personal interest or from those of your close relatives or business partners. Such situations are to

be avoided as they may have an influence upon judgement even without us noticing it. Therefore it is important to avoid even the mere appearance of conflict of interest as it may give rise to the appearance of bias.

The following situations are possible cases of conflict of interest, which are to be avoided by everybody:

- Providing services to a client wherein the BorsodChem Group holds direct or indirect interest
- Profiting personally from a business opportunity offered to the BorsodChem Group or using the assets and sources of the company for personal purposes.
- Accepting any personal advantage whether direct or indirect offered to us because we are the employees of the BorsodChem Group unless it is a socially acceptable gift or any other demonstration of hospitality.
- Acquiring interest in the enterprise of a supplier, client or competitor of the BorsodChem Group except for publicly traded shares.
- Filling in a position or undertaking any other job outside of the BorsodChem Group without receiving permission for it.
- Executing with a close relative or organisation any transaction within the sphere of interest of the BorsodChem Group wherein you or a close relative of yours have an interest.
- Employing a relative without prior authorisation.

Anyone having a question relating to a conflict of interest should contact the Chief Compliance Officer.

(For further details see Anti-corruption Policy.)

II.

Relationship with Customers

The pre-condition for successful and long term commercial relationship is the frank and correct treatment with customers and the satisfaction of their needs and interests.

Behaviour with customers is to be discrete, free from exceptions, bias and discrimination. The em-

ployees of the company obligate themselves to use solely legal business practices and to regard as confidential all information received from customers.

BorsodChem shall provide actual, full, clear, reliable and comprehensible information on its products. The company shall not spread lies, shall not withhold facts or make exaggerations in its advertisements or other public presentations.

III.

Relationship with Suppliers or Creditors

Relationship with suppliers or creditors is based on mutual trust and respect. All information connected with the relationship of the BorsodChem Group and its suppliers is to be regarded as confidential.

The company shall not misuse its market position and undertakes to ensure equal conditions for its commercial partners.

BorsodChem obligates itself to create safe working environment for its employees and commercial partners staying at the premises of the company and simultaneously the form obligates them to comply with any and all security rules applicable in the company.

The company undertakes to adhere to all agreed conditions. In the event our company is not able to fulfil its mutually agreed obligations in an emergency, the company shall carry on negotiations as soon as possible with its commercial partner in order to find an alternative solution.

The BorsodChem Group shall provide authentic guarantees and reliable information for its creditors in respect of its economic situation and shall strive to use efficiently the credit received for business purposes.

IV.

Relationship with Competitors

The BorsodChem Group shall comply with the laws governing relationship with competitors and prohibits all unethical and illegal business practices.

It is forbidden to carry on negotiations with the competitors in respect of the following:

- Prices, discounts, terms of sale
- Profit, margin, data about costs
- Market shares, selling territories or markets
- Allocation of customers or territories
- Selection or rejection of customers or suppliers
- Restriction of territories or markets where a company may sell its products

The BorsodChem Group shall not attempt to obtain information on the business of its competitors in an unfair or unlawful manner (industrial espionage, bribery or other unfair practices).

The company shall not force anybody in any manner to use its products.

V.

Relationship with State or Governmental Authorities, the Region and the Society

BorsodChem undertakes to demonstrate a behaviour expected of socially responsible legal entities with state and governmental agencies, local authorities, the region and the media and the entire society and shall provide them with reliable information on an ongoing basis.

The group shall comply with the laws and act solely in accordance with the applicable statutory regulations.

The company shall pay its taxes accurately and shall not commit tax fraud deliberately and shall ensure that all financial transactions are transparent, furthermore it shall comply the laws relating to money laundering.

In accordance with its approved internal norms, BorsodChem shall support the cultural, education, technical and infrastructural developments in the region.

In awarding donations the following rules shall be considered:

- Requests of private individuals for donations shall be declined on principle
- Payments to private accounts shall not be permitted
- Donations shall reduce tax
- Donations shall be transparent and explanation shall always be available for the reason of donation and how the aid will serve the objective to be achieved with it
- Ostensible donations are forbidden as they violate the principle of transparency (ostensible donations are benefits appearing to be consideration for a particular service while in reality the value of the consideration is much greater)

The company undertakes to use its activities to spread the reputation of the region and the entire country.

No political activities of any kind whatsoever are permitted in the territory of the group and the company shall not grant direct or indirect financial contributions to any political party.

VI.

Quality, Safety, Environmental Protection

In order to enhance the confidence of the partners of the BorsodChem Group and to increase the competitiveness of its products, it applies an integrated quality assurance and environmental protection management system. As integrated part of company management in the field of environmental protection and safety, BorsodChem has a complex approach to the health and safety of the partners, employees and citizens. In selecting technologies and processes the company shall give priority to efficient technological solutions in order to reduce damage to the environment and enhance the safety of the processes.

Company management is dedicated to and assumes responsibility for creating the conditions for safe work and reducing to minimum the risk of accidents and forming a safe and secure environment. Besides the activities of management, the key role in achieving these objectives is played by the safety conscious behaviour of employees. In accordance with its established safety policy, BorsodChem consistently strives to develop continually work safety, fire safety and environmental safety.

The BorsodChem Group carries on its environmental protection activities in accordance with the principles defined in its environmental protection policy. Accordingly, it continuously endeavours to repress environmental loads ensuring thereby that in its manufacturing activities the risks entailed by the use of the environment are kept at an acceptable level.

Environmental protection forms an important part of the development projects of the company. The company consciously endeavours already in the planning, preparatory and licensing stages to improve its environmental protection performance, laying emphasis on compliance with EU requirements.

VII.

International Relations

The BorsodChem Group responsibly conducts international trading and investment activities. In its foreign business activities the company shall always observe the statutory regulations applicable in the relevant partner countries and shall respect the traditions and culture of the particular country.

VIII.

Shareholder Relations

In its activities, the BC Group shall always bear in mind the interests of the shareholders.

BorsodChem shall credibly, regularly and openly inform its shareholders of its business policy, the results achieved so far and the main directions of its future development work.

IX.

Moral Responsibility of Management

The top managers of the BorsodChem Group shall at all times serve as examples for the other employees of the company therefore it is important to highlight some of the requirements and expectations to be met by them:

- The managers of the BorsodChem Group shall fully comply with all the provisions of the Code of Ethics and avoid even the appearance of any conflict of interest.
- Each manager shall be responsible to require and ensure the comprehensiveness and correct content as well as the accuracy and timeliness of the information provided in the documents and reports disclosed by the BorsodChem Group in external and internal fora.
- In their work managers shall never falsify facts.
- Managers can be found to have falsified facts especially when
 - a. making deliberately false and misleading entries in financial reports and records
 - b. they permit it for others or give an instruction with such a meaning
 - c. failing to correct false, misleading financial reports or records
 - d. signing or allowing others to sign such a document as contains false, misleading information
 - e. giving misleading answer or not giving any answer to the specific questions of the auditors of the BorsodChem Group.
- The manager shall make sure that the BorsodChem Group complies with and respects all relevant statutory regulations applicable in the legislative area relevant to the business activities of BorsodChem, including regulations relating to accounting and controlling as well.
- Each manager shall inform the Chief Compliance Officer promptly or make notification through the ethics line of any and all information brought to his or her knowledge in particular in connection with the following:
 - a. all cases of fraud irrespective of its severity or value limits wherein such managers or other employees are involved as play an

- important role in the preparation of or data supply about the financial reports of the BorsodChem Group
- b. infringement upon any law or regulation relating to the BorsodChem Group and its operations if committed by any employee, consultant, contractual partner or agent of the BorsodChem Group
 - c. any weakness or deficiency in the operations of the BorsodChem Group that detrimentally influences the company in recording, processing and booking its financial data, that is, in functioning transparently.

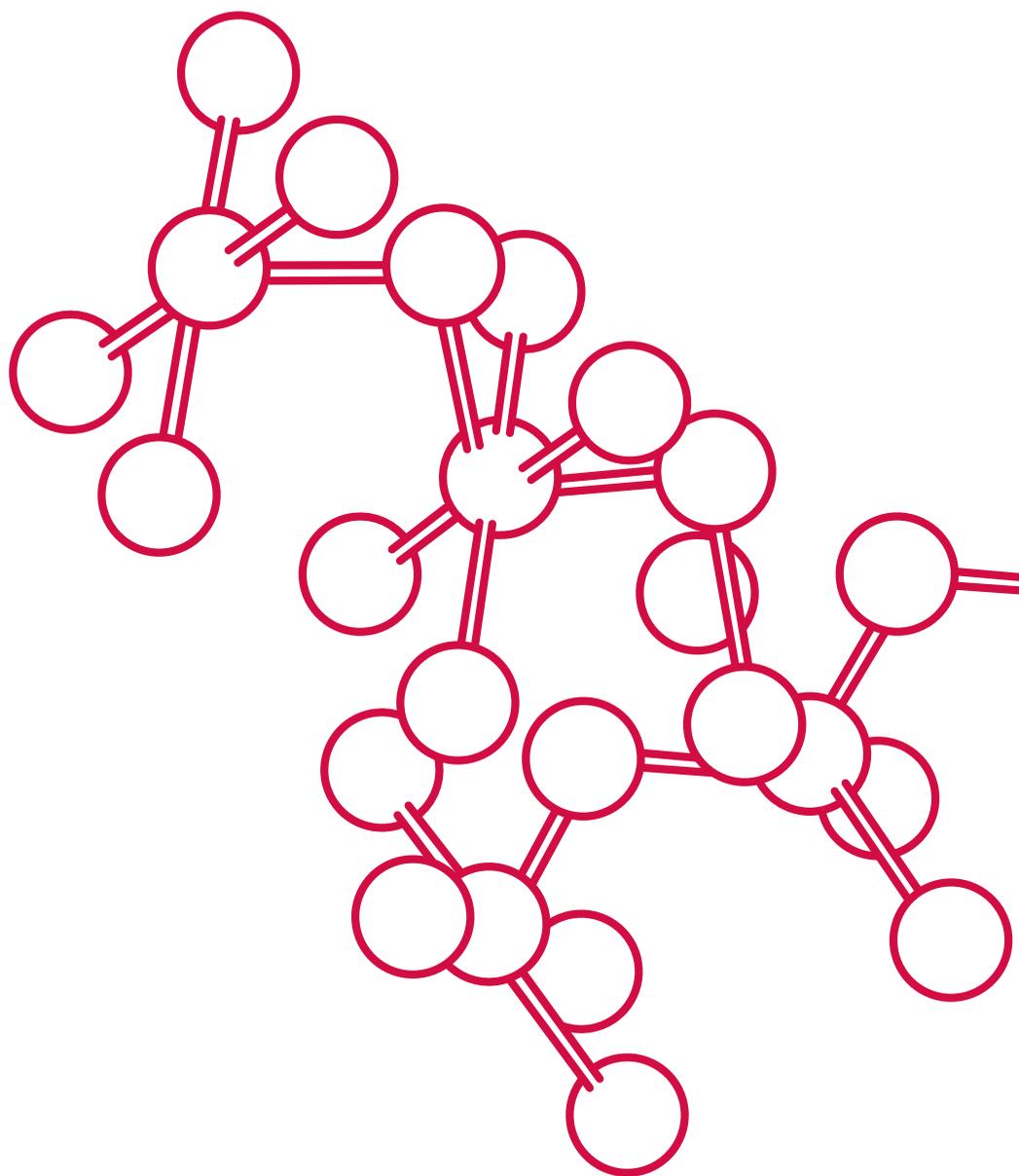
X.

Execution and Sanctions

Compliance with the Code of Ethics is the obligation of all employees of the BorsodChem Group. In case of doubt the relevant senior manager, the Compliance Officer and the HR director shall together decide whether an action is right and corresponds to the regulations and rules, or not.

It is the task of all employees and stakeholders to report on cases of breach of the Code of Ethics. Complaints may be sent by telephone, mail or e-mail to the ethics line of the BorsodChem Group (see contact information on page 14). Notification, if so chosen, may be submitted anonymously as well. We will treat notifications in strict confidence and the prompt and efficient investigation thereof is ensured.

Deliberate misconduct, that is, the violation of the values and principles of the Code of Ethics is unacceptable, and such violation will be prosecuted. Prosecution shall be in accordance with the Labour Code, the Civil Code and the internal regulations of the BorsodChem Group. The sanction applied may be an oral or written warning, termination of employment or other law enforcement, depending on the severity of the case, in accordance with statutory and internal regulations. If the culpable breach of obligations causes damage to the employer, employer may obligate the employee concerned to pay damages.



Contact Information for the BorsodChem Group Ethics Line

Address: Chief Compliance Officer
H-3700 Kazincbarcika Bolyai tér 1., Pf. 208
Telephone: +36-48-522-360
Email: compliance@borsodchem.hu

We call your attention that in case you send notification to the Ethics Line of the BorsodChem Group, this should be solely without data suitable for the identification of the person complained about. The unlawful forwarding of personal data may entail consequences under the civil law and the criminal law.



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