



Code of Conduct of Family Businesses under Czech Law

Preamble

This Code of Conduct is binding upon family businesses, i.e., family corporations or family crafts that fall under the definition under Government Decree No. 299/19 of 13 May 2019 "Definition of Family Business in the Czech Republic" and have been entered, at a registration point of the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic (AMSP CR), in the Register of Family Businesses of the Czech Republic maintained by the AMSP CR (hereinafter also referred to as the "register").

In addition to advocating and promoting the interests of family businesses, the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic is dedicated to ensuring that all activities pursued by family businesses are not only in accordance with the law, which the Association regards as a fundamental duty of the Association and family businesses, but also in accordance with generally accepted ethical business standards, in particular the "CODES OF CONDUCT" standard adopted by UEAPME – the European Association of Craft, Small and Medium-Sized Enterprises based in Brussels.

By subscribing to the Code of Conduct, a family business declares its commitment to adhere to this ethical standard in its daily practice and in its relationships with business partners and other entities comprising the overall business environment and, in this way, contribute to cultivating the business environment and enhancing transparency and partnership.

Family businesses promote the advancement of family entrepreneurship, not only as part of developing their own family businesses and through ongoing efforts at coping with the system of family business, but especially by helping other Czech and Moravian family businesses in their growth, motivating future generations and stimulating their interest in understanding the specifics and unique nature of family entrepreneurship. This is the only way to ensure the importance of Czech and Moravian family businesses continues to grow within the Czech economy and on a global scale.

Family business code of conduct

The corporate values defined by this Code are at the heart of all decisions and activities aimed at the sustainable development of a family business. These values form an integral part of the corporate culture and business strategy of a family business. The corporate culture of a family business must be cultivated as one that is open, innovative and results-oriented.

Validity

This Code of Conduct applies to all family businesses and their employees without distinction. It is the objective of family businesses to ensure that all business partners adhere to these values and principles. The principles laid down in this document may also serve as a tool in assessing the suitability of business partners.

Each family business undertakes to provide honest, factual and up-to-date information on its activities in accordance with the relevant laws and to immediately report any changes that affect the family nature of the business pursued and render the continued use of the family business designation impossible.

Family business in relation to employees

- respects its employees, respects their dignity, privacy and personal rights, and does not tolerate discrimination;
- shows respect to its employees and, with all its actions, aspires to demonstrate an exemplary attitude to laws, standards, customs and moral principles;
- respects and undertakes to honour internationally recognised human rights;
- all employees have the right to a safe working environment that is free of occupational hazards;
- managing employees of a family business undertake to follow all the principles set out in this document in an exemplary manner and to monitor observance by all employees;
- employees may report violations of the rules set forth in this Code of Conduct anonymously to the company management or require complete confidentiality. Employees who report alleged violations of this Code do not have to fear any repercussions or sanctions;
- the management provides feedback to employees and appraises their performance and their conduct and respects the principles of fair pay based on performance;
- outside the realm of work responsibilities, a family business also pays attention to its employees principles of civility towards customers and suppliers, on the one hand, and other employees and owners of the company, on the other;
- where practicable, a share of the company's profit is invested in employee care and satisfaction – health care allowances, vacation allowances, pensions and supplementary health insurance;
- systematic attention is devoted to professional and personal growth of employees;
- during all private, external or other activities, all employees must ensure their actions are not in conflict with those of the family business and do not trigger such conflict. If a conflict of interests arises anyway, the person concerned must immediately report the situation to their superior.

Relationship to business partners

The business relationships between a family business and its business partners must be based on decency and reliability and must be sustained at a standard that enhances the family business's reputation, which particularly means the following:

- in all activities, the family business complies with laws and standards, consistently delivers on concluded contracts and agreements and abides by its internal rules;
- regards sound payment discipline as the cornerstone of its business relationships and the necessary precondition to building a healthy business environment;
- delivers the highest achievable standard of quality and personal care to its customers;
- cultivates long-term relationships with its suppliers;
- in cooperation with suppliers and customers, innovates and develops its products, services, equipment, and its marketing;
- refrains from providing any benefits or rewards to potential customers, public authorities, public establishments or representatives of such authorities, which would contravene the law or good business morals;
- members of a family business and its employees must not accept any payments, gifts or other rewards from third parties that could call into question their objectivity in subsequent decision-making.

Social responsibility

A family business:

- motivates all members and employees of the family business to demonstrate personal social responsibility and to protect the environment;
- protects the environment by using materials and technological processes that minimise the harm caused to health and the environment;
- develops and offers products and services at the required quality, safety, environmental and health standards;
- puts in place continuous improvement policies in the domain of health and safety and environmental protection in order to achieve values more favourable than those laid down in the applicable laws;
- produces prosperity on the principles of sustainable development and promotes a preventive approach to environmental protection;
- provides maximum guarantees for the quality of its products and services;
- where practical, promotes culture, sports, interest and civic organisations and associations;
- drives efforts at improving the quality of life in locations where it operates;
- supports and actively contributes to initiatives related to education and recreation of children and youth;
- cultivates and improves a healthy environment;
- with its attitudes and actions in business relations a family business creates an atmosphere of trust and fairness and on that basis promotes family entrepreneurship and the brand of family businesses in the Czech Republic in marketing communication.

Family business management, family and care of family traditions

Running a family business particularly means:

- fairly treating all members of the family and the family business, and its partners or shareholders, including minority shareholders, cultivating sound relationships with them and protecting their rights;
- in running the family business, consistently applying the principles of transparency, honesty and responsibility and the Code of Corporate Governance based on OECD principles;
- acting openly and providing all relevant information useful to the members and partners of the family business, including information on its financial situation, performance, ownership and management;
- leading descendants to respect the legacy and work of their ancestors;
- preserving the history of the family business or craft;
- raising awareness of the advantages of family entrepreneurship within the family;
- showing children how to lead an orderly life;
- investing in the education of children;
- empowering close family members to fulfil their expectations within the context of getting involved in the company;
- running the family business with an intention to pass it on to future generations, primarily according to a plan discussed in advance;
- putting the interests of the family above the business and its ownership.