



# MALAYSIAN BUSINESS ETHICS

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An illustration of a hand holding a pen, positioned above the section header. The hand is light-skinned and is holding a black pen with a yellow accent. The background is a solid orange color.

## FOREWORD

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In recent years, ethical behaviour and integrity in business management have become an increasingly challenging universal issue. The current wave of business transformation, the pressure of the global market and the volatility of the changing world economy have presented new implications to all levels of entrepreneurs in Malaysia. The definition of ethics and integrity in wide areas of business has led to a variety of different perceptions. However, in the context of the community, ethics and integrity should be defined as thinking that is imbued with moral values and the manner in which an organisation or community is governed and managed.





The Ministry has embarked on a closer collaboration with the Malaysian Institute of Integrity (INTEGRITY) and Universiti Teknologi Malaysia (UTM) in an effort to improve the present Code of Malaysian Business Ethics (MBE), which was first launched on November 12, 2007. Support from various parties such as the Companies Commission of Malaysia (SSM), Malaysian Anti-Corruption Commission (MACC), SME Corporation Malaysia (SMECorp), Business Ethics Institute of Malaysia (BEIM), TEKUN National (TEKUN), Amanah Ikhtiar Malaysia (AIM), Universiti Utara Malaysia (UUM), and the and the Federation of Hawkers and Petty Traders Association Malaysia (GPPPKM) has also helped realise the creation of the new Code of Malaysian Business Ethics (known as the MBE Code).

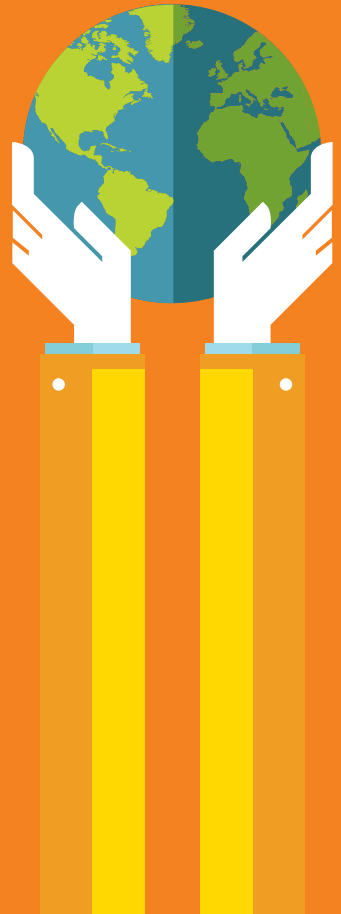
The MBE Code will form the basis of ethical business practices and integrity for all levels of companies/businesses in Malaysia. Ten Ethical Principles have been designed incorporating fundamental issues and policies in line with new Government initiatives such that the revised MBE Code is more comprehensive, structured and relevant to current business needs. Its objective is to ensure that the MBE Code will remain current and relevant for addressing ethical issues that may arise in an organisation, thus enabling it to create a more dynamic and appropriate business image.

The Ministry hopes that the MBE Code will continue to guide the operating systems of companies/businesses in Malaysia, both large and small. With the transformation and upgrading of its processing, illustrations and presentation, the new MBE Code is expected to have a greater impact on improving the level of awareness and the importance of ethical business practices and integrity among businesses in the country. Congratulations to all those who were directly or indirectly involved in the development of the new revised MBE Code. With the cooperation and confidence of all parties in the National Blue Ocean Strategy (NBOS), it is my belief that the National Integrity Plan will go from strength to strength.

# INTRODUCTION

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The rapid development of the national economy has led to business becoming more complex, full of challenges and intense competition. This could create a climate of misconduct such as fraud, embezzlement and corruption among businessmen. The adoption and practise of the Code of Business Ethics serves to prevent such misconduct. It also helps to enhance business ethics in Malaysia through the adoption and practise of the Code of Business Ethics, which was introduced by the Government in 2007.





Conducting business with integrity is beneficial as it provides lasting benefits and contributes to national development. It also reinforces the positive investment climate for investors. In addition, it improves the image and credibility of businesses entities and enhances consumer confidence. Practicing ethics in business leads to benefits such as:

- (i) becoming more successful;
- (ii) being respected by community and customers;
- (iii) improving business branding and competitiveness;
- (iv) providing satisfactory service;
- (v) better use of resources;
- (vi) making a meaningful contribution to society;
- (vii) increasing productivity and sales;
- (viii) obtaining business financing more easily; and
- (ix) having employees who are trustworthy, cheerful and productive.



# DEFINITIONS AND REFERENCES

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**Integrity** is the superior quality (completeness and wholeness) that exists as a coherent whole within an individual and organisation and is closely related to ethics. It is based on ethics and ethical reflection in everyday actions.

**Business Ethics** are the ethical principles accepted by the business community and the business world. It is a set of values and rules including rules that are good or bad in daily business operations.

**Businesses Entities** are registered companies and businesses operating in Malaysia.

**Code Administrator** refers to KPDNHEP



**National Anti Corruption Plan (NACP)** is a plan that has been prepared and launched by the Malaysian Government with its main focus is to create a corrupt-free nation through three specific goals which are Accountability and Credibility of Judiciary, Prosecution and Law Enforcement Agencies; Efficiency and Responsiveness in public service delivery and integrity in bussiness.

**Integrity Officer** is the person responsible for managing matters related to ethics and integrity in a company or business.

**Intellectual Property** refers to the exclusive rights recognised under laws such as copyright, trademarks, patents and industrial design rights.

**Code** refers to the Code of Business Ethics.

**National Law** refers to Malaysian law currently in force.

**Malaysian Rukuniaga** is a Code of Business Ethics based on the religious, philosophical and cultural values of the citizens of the country that was published in 2002.

# CODE OF BUSINESS ETHICS



## Objectives

The objectives of Code of Business Ethics are:

- (i) to promote and provide guidance for businessmen and their employees to conduct business in a manner that is honest, correct, transparent and prudent;
- (ii) to prevent unhealthy practices and misconduct that violate applicable rules and laws;
- (iii) to create a business culture that is healthy, customer-friendly and trustworthy;
- (iv) to create a community that is harmonious, prosperous and peaceful; and
- (v) to encourage traders to report fraud, abuse of power and corruption.

## Policy Statement

Business Entities believe that by adhering to the principles of honesty, truth, transparency and prudence, their businesses will become more advanced and successful. This principle is important for establishing trust in relationships between business entities and their partners and customers. In business, all parties must fully embrace and practise these principles.

In order to produce products and services of accepted quality, business entities will ensure their production processes are in accordance with best standard practices and in line with the requirements of the Code of Business Ethics.

Business entities are determined to practice the six (6) principles of the Malaysian Rukuniaga 2002 while doing business, namely:

- (i) being honest and transparent in all business matters and being compliant;
- (ii) being aware of responsibility towards customers, community, the environment and country;
- (iii) being humane to all levels of society;
- (iv) being straightforward and fair in business dealings;
- (v) being trustworthy, reliable, fair and loyal; and
- (vi) being committed and creative in developing business.

By practising the Malaysian Rukuniaga, Business Entities believe that it will have a positive impact on cultivating integrity in accordance with the wishes of the National Anti Corruption Plan (NACP).

# 10 ETHICAL PRINCIPLES



## Principle 1: Competition

Business entities are committed to carrying out their commercial activities in an open environment and competing fairly and ethically to achieve higher levels of efficiency, creating options and competitive product prices and services. Business entities will review all agreements, practices and procedures to ensure compliance with the principles of competition.

Business entities will not:

1. engage in any conduct or agreement that prevents or restricts competition with other business entities in the market such as fixing the price or terms of trade, sharing the markets or sources of supply, limiting or controlling production or engaging in deceptive bidding;
2. abuse the significant market power (dominant position) of the business entities, which can harm consumers or competitors of the business entities in the market such as price discrimination, refusing to provide supply, fixing sales or purchasing goods/resources which are scarce.



## Principle 2: Prohibition on Giving and Receiving Kickback Bribery

Business entities will not offer, promise or solicit to give or receive gifts, gratuities, rewards, entertainment, hospitality or other inducement, whether directly or indirectly, which can be used as an inducement to influence a decision.

Business entities will not tolerate corruption in any form, including illegal funds to expedite payments, political contributions or any form of fraud or corruption. Employees may not solicit, accept, offer or promise any gift or consideration that could be construed as kickback bribery.

Business entities should ensure they have the proper and true intention to contribute to Corporate Social Responsibility (CSR) and not do so for reasons of personal or business interests.

Business entities will ensure that suppliers and business partners are informed about the stand of the business entities regarding corruption and encouragement against it.





### Principle 3: Asset Management

Business entities will manage their own assets responsibly. This includes:

1. using equipment and machinery in accordance with given instructions;
2. ensuring that equipment and machinery are maintained in accordance with the prescribed requirements and instructions;
3. ensuring that all licenses, approvals and required insurance policies are valid and up to date;
4. keeping and updating accurate asset inventory records;
5. ensuring that accommodation and facilities for workers are in good condition and livable /usable; and
6. ensuring the care and safety of assets accordingly.

## Principle 4: Resource Management

Business entities will manage resources in a responsible and transparent manner. This includes:

1. ethical behaviour in all financial transactions;
2. using financial and other resources wisely;
3. accurate and updated accounting and record keeping;
4. updated inventory;
5. clear procurement procedures;
6. clear debt-recovery procedures;
7. audits of accounts being conducted regularly by a qualified accountant; and
8. mutual respect for customers, partners and individuals in general.

Business entities will not:

1. purchase or exchange assets from dubious sources; and
2. allow company/business resources to be used in an unethical manner or unlawful purposes.

## Principle 5: Advertising and Promotion

Business entities will promote their services in a proper and correct way. All advertising, publicity and promotional activities will be carried out based on principles of integrity and transparency. Business entities will try their best to avoid the use of images or language that may offend or cause anxiety or embarrassment to other people and countries.

## Principle 6: Protection of Intellectual Property

Business entities will do their best to respect and protect intellectual property rights and take appropriate measures to meet this principle. To fulfil this promise:

1. Business entities must not use, copy or plagiarise any form of intellectual property owned by other party without the permission of the registered owner;
2. Business entities as owners of intellectual property must take steps to register their intellectual property or copyright to obtain exclusive rights enabling them to take action against any infringement or plagiarism.

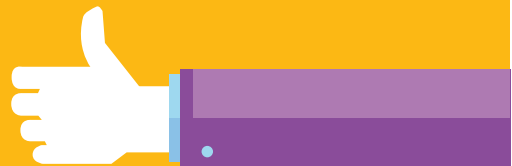
## Principle 7: Declaration of Interests

Each individual in a Business entities must make a declaration of his/her interest and withdraw from any decision-making process if it can benefit himself/herself or a family member or have any such tendency.

## Principle 8: Environment

Business entities are confident and believe in building a bright future. Business entities will strive to:

1. cooperate with suppliers of the business entities to determine supply of products and services are delivered and disposed of in a way that shows that the business entities are environmentally responsible;
2. use the facility in a responsible and efficient manner; and
3. dispose of waste in the right way, and if necessary, use recycling facilities.



## Principle 9: Safety and Health of Traders and Employees

Business entities must provide a working environment that is safe and healthy for workers and ensure that workers are not exposed to the risk of illness and accidents.



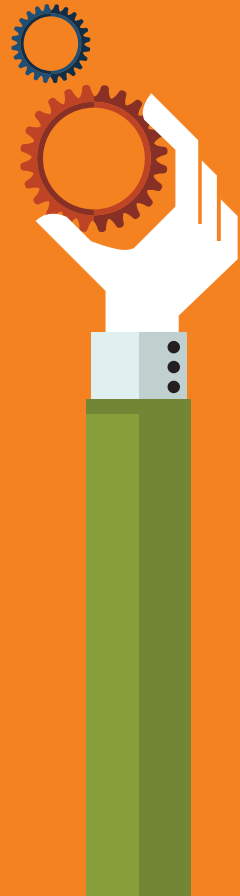
## Principle 10: Reporting of Misconduct and Non-Compliance with the Code of Business Ethics

Business entities should encourage employees, customers and the public to report any misconduct or violation of any provision of the Code of Business Ethics. In this regard, business entities must provide a secure channel through which those concerned can take such action with confidence without the risk of retaliation.



# CODE IMPLEMENTATION

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## Leadership Commitment

Members of the board of directors and management of business entities shall be responsible for and committed to implementing the Code of Business Ethics by:

- (i) complying with the Code of Business Ethics;
- (ii) setting an example for employees, customers and the public; and
- (iii) encouraging employees and customers to adopt ethical principles as laid out in the Code of Business Ethics.

## Integrity Officer

Business entities must appoint an Integrity Officer or equivalent Business entities should refer to the Prime Minister's Directive No. 1 of 2018 and Series 1 No. 1 Year 2018 – The Establishment of Integrity and Governance Unit in Companies.

## Oversight and Monitoring

Business entities must have an oversight body responsible for ensuring compliance with the Code of Business Ethics and take appropriate corrective action, when necessary.

## Training and Communication

Business entities must prepare ongoing and effective training on the Code of Business Ethics and participate in related training provided by agencies that offer such training. This training should be able to enhance awareness, understanding and the practise of ethical principles.





Business entities must explain and promote the implementation of the Code of Business Ethics to all levels of employees on an ongoing basis through various media such as printed materials and online.

## Policies and Procedures

Business entities must develop policies, guidelines, methods and instruments to implement the principles of the Code of Business Ethics.

## Reporting Procedure

Business entities must establish a mechanism for reporting complaints regarding dissatisfaction and misconduct. Business entities must ensure the confidentiality of the complaint and complainant, and provide appropriate protection. This gives the complainant the confidence to report any misconduct without fear. The complainant can channel complaints through the hotline/e-Aduan KPDNHEP.

## Community Cooperation

Business entities must have healthy engagement with partners and local communities. Business entities must also ensure partners and local communities understand the Business entities' policy on the implementation of the Code of Business Ethics.



# APPENDIX

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1. The Acts
2. Hawker Pledge



# THE ACTS

## Acts under the supervision of KPDNHEP

- Price Control and Anti-Profiteering Act 2011
- Trade Descriptions Act 2011
- Direct Sales and Anti-Pyramid Scheme Act 1993
- Consumer Protection Act 1999
- Hire Purchase Act 1967
- Electronic Commerce Act 2006
- Optical Discs Act 2000
- Franchise Act 1998
- Exclusive Economic Zone Act 1984
- Petroleum (Safety Measures) Act 1984
- Petroleum Development Act 1974
- Weights and Measures Act 1972
- Control of Supplies Act 1961

## Acts under the supervision of SSM

- Companies Commission of Malaysia Act (Act 614)
- Companies Act 2016 (Act 777)
- Interest Schemes Act 2012 (Act 778)
- Limited Liability Partnerships 2012 (Act 743)
- Registration of Business Act 1956 (Act 197)
- Trust Companies Act 1949
- Kootu Fund (Prohibition) Act 1971 (Act 28)





## Acts under the supervision of MyIPO

- Intellectual Property Corporation of Malaysia Act 2002
- Layout-Designs of Integrated Circuits Act 2000
- Geographical Indications Act 2000
- Industrial Designs Act 1996
- Copyright Act 1987
- Patents Act 1983
- Trade Marks Act 1976

## Acts under the supervision of MyCC

- Competition Commission Act 2010
- Competition Act 2010

## Acts under the supervision of SMI

# HAWKER PLEDGE



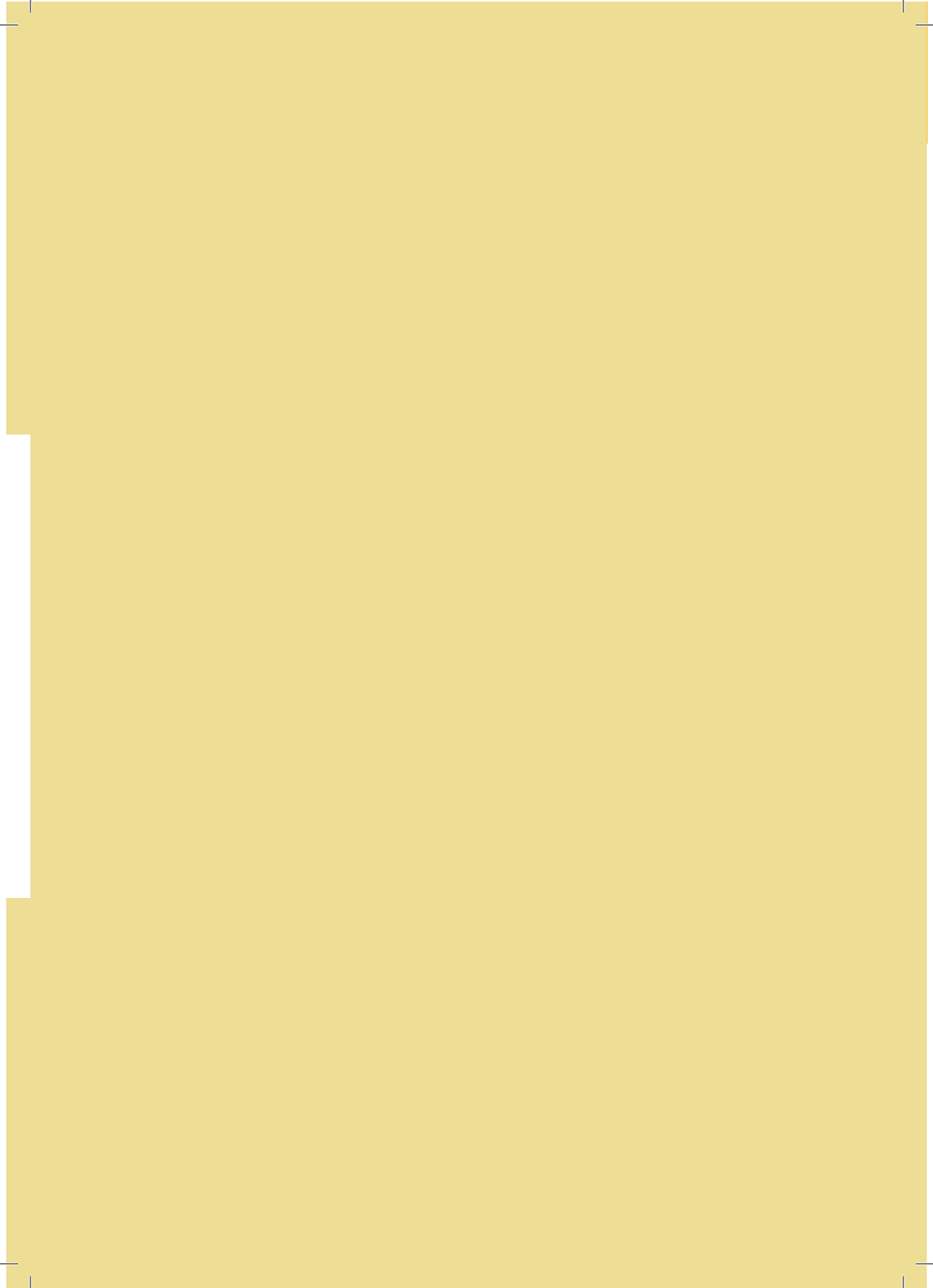
## **REALISING THE DESIRE OF THE NATION TO BE ADVANCED AND DEVELOPED IN ACCORDANCE WITH THE GOAL OF VISION 2020;**

We, hawkers of Malaysia, hereby promise and pledge to fully contribute and to play our role properly and appropriately based on the following ideals:-

- Improve service quality of vendors to the highest level;
- Ensure safety and hygiene of food as well as goods traded;
- Create a cheerful environment at business premises;
- Implement social responsibility and be considerate to society; and
- Stand firm and fully support the recommendations of the national leadership.

## Collaborative Cooperation:







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