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**NATIONAL AND INTERNATIONAL RULES AND CORPORATE PRACTICES ON THE
PREVENTION OF CONFLICTS OF INTEREST**

(thesis)

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Budapest, 2026

Abstract

This thesis provides thorough research on the national and international laws and business practices that relate to the conflict of interest. It discusses the difficulties in defining the term “conflict of interest” and compares Hungary’s fragmented rules with Europe’s horizontal approach and the US’s specific, prohibitive laws. The thesis presents case studies on scandals to show how failures in the system drive the movement away from voluntary ethical behavior toward mandatory compliance controls. The study recommends best practices for governance, such as conducting risk assessments, offering situational training, and monitoring using artificial intelligence. It makes recommendations for legislative consistency among Hungarian laws with international standards, encouraging development of a culture-focused method to establish the integrity of institutions and trust from the public.

Key words: conflicts of interest, corporate compliance, scandals, institutional integrity, risk management

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1. Introduction

The issue of conflict of interest has long been present in both public administration and corporate operations; however, its significance has increased considerably in recent decades. With the development of modern corporate governance, the separation of ownership and control has become endemic to a market economy.¹ This separation is theoretically rooted in the Fisherian Separation Principle, which implies that under idealized market conditions, managers can be delegated to make investment and production decisions independently to maximize firm value. However, this structure engenders ‘agency problems’, as the personal incentives of decision-makers (agents) frequently diverge from the profit maximization objectives of the stakeholders (principals). Consequently, it has become evident that managing these conflicts is the primary reason for establishing detailed corporate governance and conflict-of-interest regulations. This phenomenon is one of the fundamental challenges of corporate governance, which can distort decision-making processes and endanger the long-term performance and credibility of organizations.²

Regulating conflict of interest has become one of the central elements of corporate compliance systems and public service ethics in recent decades. The aim of conflict-of-interest regulations is to protect public trust, ensure the objectivity of decision-making, and prevent corruption. In this process, the possibility that the impartiality of elected officials, public servants, and corporate leaders could be questioned must be avoided. In order for decisions to be made based on actual, professional considerations, and not due to external influence or personal interest, legal solutions must be applied.³ By properly identifying, prohibiting, or managing conflict of interest, corruption can also be prevented more effectively.

However, several challenges arise in practice. Among the challenges, the difficulties in recognizing certain potential conflict of interest situations, the difficulties in establishing formal

¹ Bart VOORN – Marieke van GENUGTEN – Sandra van THIEL: Multiple principals, multiple problems: Implications for effective governance and a research agenda for joint service delivery. *Public Administration*, Volume 97, Issue 3, 25 January 2019, <https://doi.org/10.1111/padm.12587> [Accessed 3 May 2026]

² Kose JOHN, Lemma W. SENBET: Corporate governance and board effectiveness. *Journal of Banking & Finance* 22(1998), Pages 372. and 374-375.

³ OECD: Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service. OECD/LEGAL/0316; Page 3.

regulations, the practical challenges of conflict-of-interest investigations, as well as the necessity of creating a balance between different public and business interests can be mentioned.

These challenges are relevant both in the international environment and in the context of Hungarian organizations. For entities operating in the international environment, compliance with international standards, as well as managing the differences between regulatory environments and organizational cultures, is also necessary, which further increases the difficulties of internal regulation.

The aim of this thesis is to provide a comprehensive overview of conflict-of-interest regulation, national and international practices, and to examine to what extent Hungarian practices conform to international trends and how effectively they manage the risks arising from conflict of interest.

Based on the contents of the thesis, this study seeks to answer the following specific questions: How is the concept of conflict of interest defined across different legal systems and branches of law, and what are the primary difficulties in creating a uniform dogmatic definition? What are the key pillars of the national legal framework in Hungary regarding both public officials and the private sector? How do the regulatory frameworks of the European Union and the United States address conflicts of interest, and what role do binding international conventions and soft law guidelines play in this context? How do corporate scandals impact the internal compliance mechanisms and ethical codes? What are the best practices for corporate governance regarding risk assessment, training, internal investigations, and whistleblowing systems? What recommendations can be formulated for legislators and corporations to improve the effectiveness of their conflict-of-interest policies and internal procedures?

The structure of the thesis reflects this approach: the first section introduces the conceptual and theoretical framework, detailing the various definitions and types of conflicts of interest. This is followed by an overview of the national legal framework governing public officials and the private sector in Hungary. Next, a comparative perspective is provided, outlining the legal and soft law frameworks of the European Union, the United States and key international organizations. The subsequent chapter examines corporate governance and compliance mechanisms in practice, analyzing high-profile corporate scandals, comparing the internal policies of major energy companies, and identifying best practices for internal controls. Finally, the thesis evaluates the current legal and corporate frameworks and formulates concrete recommendations for both legislators and corporations.

2. Conflicts of interest in general

2.1. Definition of conflict of interest

2.1.1. Difficulties in definition

Historically, numerous different approaches have been developed to define the term ‘conflict of interest’. Since many public officials could have legitimate private interests, conflicts of interest generally cannot be simply avoided or prohibited. Instead of the prohibition, it must be individually identified and managed.⁴

In order to define the legal concept of conflict of interest, it is first and foremost necessary to establish that the purpose of conflict-of-interest regulations is to maintain public trust and ensure the integrity of decision-making processes. In modern society, the intertwining of the economic and political spheres, along with the various offices, roles, activities, or personal relationships undertaken and held by individuals, creates a complex structure of interests in which an individual’s various interests can easily conflict with one another.

A dogmatic definition of the concept of conflict of interests faces serious difficulties, as it involves an extremely fluid, relative, and context-dependent legal institution that carries moral and ethical implications in addition to its legal aspects. This difficulty arises from the combined interaction of several factors, including the historical semantic development of the term ‘interest.’ Over the past centuries, law has mostly defined interest as a right related to property, income, or material benefit. As a result, courts to this day largely rely on objective, monetary parameters when resolving legal disputes, primarily because proving objective interests is easier. However, modern business and professional ethics must also account for the more recently evolved ‘subjective’ sense of interest, which encompasses emotional attachments, familial loyalties, and personal concerns that are equally capable of biasing competent judgment. Therefore, on the one hand, the legislature seeks to regulate not a static state but a process of conflicting interests or a risk, where an individual’s subjective or objective private interests come into conflict with the public or business interests arising from their office.⁵

⁴ OECD: Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service. OECD/LEGAL/0316; Page 6.

⁵ Michael DAVIS: Conflict of Interest Revisited. *Business & Professional Ethics Journal*, Vol. 12, No. 4 (Winter 1993), Pages 22-23., <https://www.jstor.org/stable/27800924> [Accessed 3 May, 2026]

On the other hand, conflicts of interest span numerous fields, from administrative law through corporate law to labor law, and thus different specific prohibitions are formulated in each branch of law. Thirdly—as will be elaborated later in this thesis—several types of conflict of interest can be distinguished (actual, potential, apparent; personal or economic etc.), each carrying different levels of risk and requiring different considerations.

In order to define a dogmatic concept of conflict of interest with regard to the abovementioned aim and despite the abovementioned difficulties, the legal literature had to establish a ‘general clause’ that is applicable to all branches of law and legal relationships, is simplified, and allows for broad interpretive discretion.

2.1.2. Definitions in legal literature

According to Susan Rose-Ackerman’s simplified definition, a conflict of interest “arise when a person mixes up his or her roles”. Conflict of interest could be defined as a “broad umbrella that incorporates all sorts of tensions between official and private roles”.⁶

In addition to the above definitions, Michael Davis's definition focuses solely on decision-making and judgment capabilities. According to Davis, a conflict of interest exists if someone has a relationship or interest that can influence their proper judgment. In this context, 'judgment' explicitly refers to an aspect of intelligent activity requiring more than mechanical rule-following, highlighting that conflicts only arise when a fiduciary's specialized discretion is threatened by special influences or loyalties.⁷

Building on these theoretical foundations, the OECD definition defines current, already arisen, actual conflict of interest in relation to holders of public office: “A ‘conflict of interest’ involves a conflict between the public duty and private interests of a public official, in which the public official has private-capacity interests which could improperly influence the performance of their official duties and responsibilities.”⁸

⁶ Jean-Bernard AUBY – Emmanuel BREEN – Thomas PERROUD: *Corruption and Conflicts of Interest: A Comparative Law Approach*. Edward Elgar Publishing Limited, 2014., Page xv

⁷ Michael DAVIS: Conflict of Interest Revisited. *Business & Professional Ethics Journal*, Vol. 12, No. 4 (Winter 1993), Pages 21, 35., <https://www.jstor.org/stable/27800924> [Accessed 3 May, 2026]

⁸ OECD: Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service. OECD/LEGAL/0316; Page 6.

2.1.3. Definitions in Hungarian Law

In the Hungarian legal system, the regulation of conflicts of interest appears in several branches of law. The general concept mentioned above in legal literature is not recognized in current Hungarian law. We could find only the codification (and prohibition) of specific conflict of interest situations applicable within individual branches of law.

The most important and general rules can be found in Act I of 2012 on the Labor Code (hereinafter: Labor Code). In addition, the most important further detailed rules applicable to specific situations and individuals can be found in Act V of 2013 on the Civil Code (hereinafter: Civil Code), Act CXLIII of 2015 on Public Procurement (hereinafter: Kbt.), Act C of 2012. on the Criminal Code (hereinafter: Criminal Code), Act CXCIX of 2011 on public service officials and Act CLII of 2007 on the Legal Status of Members of Parliament, but further detailed provisions can be found in numerous places in sector-specific legislation (for example Government Decree No. 339/ 2019 (XII. 23.) on the internal control systems of publicly owned business associations, Section 9 (5) and (6), Section 14 (6); Act LXXVIII of 2017 on the Practice of Law Section 23 (1), or Government Decree 191/2009 (IX. 15.) on construction execution activities, Section 11 (2) and Section 15 (3)). I will set forth these further detailed rules in more detail in Section 3 of the thesis.

According to Section 8 (1) and (2) of the Labor Code, “[a]n employee may not, during the term of the employment relationship—unless authorized by law—engage in conduct that would jeopardize the employer’s legitimate economic interests. Nor may an employee, outside of working hours, engage in conduct that—particularly given the nature of the employee’s position and their standing within the employer’s organization—is directly and effectively capable of jeopardizing the employer’s reputation, legitimate economic interests, or the purpose of the employment relationship.”

Under current Hungarian law, this rule is considered the most generally applicable rule; however, it is important to emphasize that these rules apply only to legal relationships between an employer and an employee and are therefore not applicable to public employees, civil servants, or persons in contractual relationships.

2.1.4. Definition in the law of European Union

The concept of conflict of interests is not harmonized in the European Union’s member states. In the national law of the individual member states, the rules on conflict of interest appear in

different branches of law and with different meaning. In view of this, in this thesis I do not set out the regulations of the European Union member states, but only the regulatory framework of the European Union.

The European Union regulates conflict of interest in general for the purpose of the protection of the financial interests of the European Union.⁹

- a) Financial Regulation applicable to the general budget of the European Union (Regulation No 966/2012)

Article 57(2) of the Financial Regulation applicable to the general budget of the European Union (Regulation No 966/2012) gives a definition of conflict of interests for the purposes of spending and managing the EU's budget.

Regulation (EU) No 966/2012—which lays down the basic rules for the management and implementation of the general budget of the European Union—provides a general, horizontal definition of the concept of conflict of interest in the context of the use of EU budgetary resources. According to the Regulation, the prohibition on conflicts of interest applies to all persons and entities involved in the implementation, management, control, or audit of the EU budget.

It states:

“1. Financial actors and other persons involved in budget implementation and management, including acts preparatory thereto, audit or control shall not take any action which may bring their own interests into conflict with those of the Union. [...]

2. For the purposes of paragraph 1, a conflict of interests exists where the impartial and objective exercise of the functions of a financial actor or other person, as referred to in paragraph 1, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient.”

A conflict of interest arises if the performance of the tasks of such persons can be influenced by family or emotional ties, political or national affiliation, economic interest, or any other shared interest with the beneficiaries of Union funding.

⁹ European Commission - Identifying conflicts of interests in public procurement procedures for structural actions; A practical guide for managers; elaborated by a group of Member States' experts coordinated by OLAF's unit D2-Fraud Prevention

The significance of these provisions lies in the fact that conflict of interest appears as a preventive prohibition in EU financial law. The objective of the regulation is not limited to sanctioning infringements but also aims at preserving public trust and institutional integrity.

b) Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

With regard to the financial interests of the European Union, I should also mention the Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC. This is one of the cornerstones of European public procurement law, whose fundamental objective is to ensure fair competition, transparency, and equal treatment. Regulations designed to prevent conflicts of interest play a key role in achieving these objectives.

Article 24 of the Directive provides an explicit and normative definition of conflict of interest. Accordingly, a conflict of interest exists in any situation where “a staff members of the contracting authority or of a procurement service provider acting on behalf of the contracting authority who are involved in the conduct of the procurement procedure or may influence the outcome of that procedure have, directly or indirectly, a financial, economic or other personal interest which might be perceived to compromise their impartiality and independence in the context of the procurement procedure.”¹⁰

The Directive imposes a specific obligation on Member States: not only to sanction conflicts of interest, but also to prevent, detect, and effectively manage them. This approach treats conflicts of interest as a risk factor that can be managed through appropriate organizational and procedural measures.

Article 57 allows for the exclusion of economic operators in cases of conflict of interest if the conflict cannot be resolved by other, less severe means. In this way, a conflict of interest may function as a ‘serious breach of professional duty.’ Although Article 58 does not directly address conflicts of interest, it indirectly prevent conflicts of interest through eligibility requirements and integrity standards.

Several other EU directives address obligations to the management of conflicts of interest, but they do not define the concept of conflict of interest at a conceptual level; rather they only

¹⁰ Directive 2014/24/EU, Article 24

establish a set of tools for managing such conflicts. I therefore discuss these additional regulations in Section 4.1. of my thesis.

2.1.5. Lack of definition in the law of the United States of America

Federal regulation in the United States—in contrast to the OECD’s theoretical-guideline approach, for example—does not originate from an abstract, doctrinal definition. Instead, it is prohibition-based (prohibitive) and fact-specific.

The prohibition itself defines the concept: the primary mandatory source, 18 U.S.C. § 208, does not state what ‘conflict of interest’ is, but rather specifies what a government employee is prohibited from doing under criminal liability. In the U.S., therefore, conflict of interest is not a declarative definition, but rather the coexistence of legally defined prohibited nexus points and the activities conducted in relation to them, as will be elaborated in a later chapter.

This approach promotes legal certainty, as the employee does not need to interpret or consider a moral concept, but rather needs to record whether he/she or his/ her relative has a financial or personal interest in the actual case.

3. Types of conflicts of interest

3.1.1. Actual, potential, perceived conflicts of interest

In legal literature, conflicts are typically distinguished as actual, potential, or perceived.

An actual conflict means that two opposing duties are actually conflicting. The secondary duty has already impinged upon the professional's ability to carry out his/her main duty. Therefore, immediate remedial action must be taken (e.g., recusal).

A possible conflict exists when evidence of a possible future conflict exists in the form of latent facts that demonstrate a realistic situation that can develop into an actual conflict in the future; a potential conflict may be managed through pre-disclosure and observation to prevent escalation.

A perceived conflict is defined as a situation where a reasonable, informed observer would suspect that there has been a loss of impartiality, even in the absence of actual bias. The reputation risk associated with it is of great significance so that today's compliance frameworks

provide for the same degree of risk management for perceived conflicts as for actual violations in order to preserve stakeholder confidence.¹¹

The manner in which we categorize and managing ‘actual’ and ‘perceived’ conflicts of interest/situations is complex for a variety of reasons. One of the most significant reasons is due to the various psychological mechanisms that operate beneath the surface. Traditional economic/legal models assume that bias created by a conflict of interest is simply a product of choice. However, two-process models of psychology indicate that self-interest may be automatically, viscerally or even unconsciously driven which makes it difficult to eliminate self-serving behavior without the implementation of some form of structural intervention.¹² Psychological research also shows that individuals are subjected to an extraordinary collective influence, as a result of which a significant portion of distorted processes occurs beyond their conscious thinking. Therefore, professionals easily incorporate elements that favor them into their reasoning as arguments. According to research, individuals are not at all aware that they are not thinking or acting objectively. As a result, individuals who face a conflict of interest regularly believe that their biased assessment of the situation (for example, when obtaining a position) is completely objective. Thus, situations in which individuals are in a conflict of interest are particularly dangerous and extremely difficult to eliminate merely through administrative disclosure.¹³

3.1.2. Conflicts of interest arising from occupation, economic interests or personal relationships

The categorization of the type of material conflict presents an organized roadmap for determining risk. The three categories involve the most common areas of secondary interest that can negatively or disproportionately influence one’s professional judgement: occupational, economic and personal relationships.

¹¹ OECD, *Managing Conflict of Interest in the Public Sector: A Toolkit*, OECD 2005, Page 8.

¹² Don A. MOORE and George LOEWENSTEIN: Self-Interest, Automaticity, and the Psychology of Conflict of Interest, *Social Justice Research*, Vol. 17, No. 2, 2004 DOI:10.1023/B:SORE.0000027409.88372.b4 Page 1.

¹³ Don A. MOORE, Lloyd TANLU and Max H. BAZERMAN: Conflict of interest and the intrusion of bias. *Judgment and Decision Making*, Volume 5, Issue 1, February 2010, Cambridge University Press, 2023, Pages 37., 39., 49. <https://doi.org/10.1017/S1930297500002023>

Conflicts of interest can occur when another position, whether secondary/part-time or simply an appointment outside the organization, interferes with the primary position of the employee. High-risk activities would encompass 'moonlighting' (working for competitors, suppliers, or customers), which is usually prohibited because of the potential for leaking intellectual property. Similarly, one could also serve on external boards, and there are fiduciary duties associated with this service; however, these fiduciary duties might conflict with the interests of the employer. It is essential to disclose to the employer any outside activities that might create a potential conflict and objectively assess through ethical analysis whether there is a conflict, even if at the time no conflict were considered.

The type of economic interests are measurable types of conflict of interest and involve tangible material benefits. They can be measured from a significant financial stake (for example, a high level of ownership in one of the bidding companies) to more distant interests (for example, an overall investment portfolio).

In addition to the above, accepting gifts or hospitality creates a 'reciprocity pressure,' which undermines impartiality, so many organizations implement strict gift registers and value limits. Self-dealing transactions are also considered a serious violation of the rules; therefore, when an official engages in an agreement that benefits them, it is a self-deal transaction. Another form of serious violation is using insider information for the employees' own benefit and/or assisting the business partner of the company with regard to obtaining a competitive advantage through safe havens created by knowledge obtained from the company.¹⁴

Family, friends or romantic partners can create hostility among employees and reduce productivity in a corporation. When an employee offers assistance or support to his/her family or friend, this is referred to as 'nepotism'. Nepotism is viewed as damaging to corporations because it creates a situation where the ability to perform in the job is not as important as showing family loyalty.¹⁵ Nepotism in the workplace may also contribute to a company's decline because employees perceive that there are preferential relationships amongst employees, regardless of whether the relationship exists. Variances in productivity may be

¹⁴ UNODC, An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide, United Nations, 2026., Page 37.; [An Anti-Corruption Ethics and Compliance Programme for Business- A Practical Guide.pdf](#)

¹⁵ Hafatin NATRAH and Navaratnam VEJARATNAM: Exploring Nepotism in Workplace: Causes, Consequences, and Countermeasures; *International Journal Of Research And Innovation In Social Science (IJRISS)* ISSN No. 2454-6186, Volume IX Issue VII July 2025, <https://dx.doi.org/10.47772/IJRISS.2025.907000105>, Page 1.

attributed to favoritism of employees or bias against or towards an employee due to a perception of favoritism by their manager within that company and, thus, generate a high level of tension and hostility.

In addition to developing procedures to ensure equitable treatment of all employees, there are also certain steps a company can take to minimize risks associated with nepotism, such as implementing policies that define relatives as second-degree relatives based on blood relationships (i.e., parents, children, siblings, grandparents) and second-degree relatives based on marriage (spouses, in-laws) and restricting employees from having romantic relationships with managers. Certain wider-ranging frameworks also connect to ‘related parties’, such as personal acquaintances and business associates, as they both can also affect impartial supervision with an affect at least as serious as financial relationships. Companies must avoid nepotism, even if favoritism exists, because the presence of a family member in a sensitive area creates a ‘suspicion veil’ that damages trust.

4. Overview of legal framework of national legislation on conflicts of interest

The framework of Hungary’s conflict-of-interest law combines principles from constitutional, administrative, civil, and criminal law to prevent corruption. Initially, it is grounded in ethical standards but has now become a legally enforceable right. The purpose of this analysis is to look at the primary components of the framework in addition to the workings of the framework between the public and private sectors, corporate governance, and government-sponsored trade.

4.1. Rules applicable to public officials

a) Act CXCIX of 2011 on Public Service Officials (Kttv.)

Act CXCIX of 2011 on Public Service Officials (Kttv.) serves as the primary instrument for regulating the conduct of the Hungarian civil service. The legislation established a rigorous system of prohibitions and notification duties for those acting on behalf of the public interest. The conflict-of-interest cases are in Sections 84-87. According to Section 86, if a conflict is not terminated within 30 days of notification, the legal relationship ceases by operation of law.

b) Act XXXVI of 2012 on the National Assembly (Ogytv.)

Act XXXVI of 2012 on the National Assembly (Ogytv.) contains provisions on the incompatibility of a member of parliament's mandate, particularly economic and other incompatibilities, activities not subject to incompatibility, as well as the obligation to make a declaration of assets in this context, and the detailed procedural rules related to this (Sections 80-94). From the day of the declaration concerning the conflict of interest, the representative may exercise all rights except for the right to vote during the existence of the conflict of interest. At the same time as the conflict of interest is declared, the representative's mandate terminates.

4.2. Rules applicable to private sector and corporations

a) Act I of 2012 on the Labour Code

Act I of 2012 on the Labour Code focuses on the contractual duty of loyalty and protecting the employer's economic standing. As I have already stated the definition of the conflicts of interest, I do not elaborate the question here. I would rather state that among numerous labor law consequences (stated in general in Section 56.), the most serious legal consequence is immediate termination of the employment relationship.

b) Act C of 2012. on the Criminal Code

Act C of 2012. on the Criminal Code criminalizes the abuse of power for private gain (corruption). Sections 290–291 criminalize bribery in the private sector, while Sections 293–294 (Active/Passive Bribery) protect official impartiality. Punishment ranges from fines to 10 years of imprisonment.

c) Act V of 2013. on the Civil Code

Section 3:115 of the Civil Code identifies specific rules that govern executive officers and are designed to limit the potential for conflicts of interest. These include limiting an executive officer's stock ownership and position as an executive officer in other business entities doing similar business to the company, where the executive officer is employed. Additionally, transactions between executive officers and their relatives (with two exceptions, daily transactions between family members) cannot be executed in their name or for their own benefit that relate to the primary business activity of the company, where the executive officer is

employed. Similar rules apply to cooperatives (Section 3:346 (4)–(5) of the Civil Code). Regarding the conflict of interest of the supervisory board, Section 3:26 (2) of the Civil Code provides that no person may be a member of the supervisory board if any grounds for disqualification applicable to executive officers exist against them, or if they or their relative is an executive officer of the legal person. Under Section 3:24, directors are liable to the legal person for damages. Intentional harm results in joint and several liability with the company towards third parties.

d) Act CXLIII of 2015. on Public Procurement

Act CXLIII of 2015. on Public Procurement is vital for fair competition and public fund control. Section 25 defines conflict as any situation where a person acting for the contracting authority (including consultants) is unable to be objective due to economic or personal interests. Section 25, para (4) excludes organizations owned by high-level dignitaries (e.g., President, Speaker, Ministers) or their household relatives. As sanction, tenders involving conflicted parties must be excluded from the procedure.

5. Comparative perspective

5.1. Legal framework in the EU

As I mentioned earlier, conflicts of interest appear in several areas of European law, and the most general definition can be found in the legislation on the protection of the European Union's financial interests. At the same time, conflict-of-interest rules also appear in other areas of European law. European Union acts primarily contain relevant rules in the areas of anti-corruption, public procurement, and financial market regulation.

a) Criminal Law Convention on Corruption

At the same time, when discussing European regulations on conflicts of interest, it is essential to mention the Criminal Law Convention on Corruption, adopted by the Council of Europe outside the scope of European Union law, which is primarily aimed at strengthening international criminal law cooperation against corruption.

The significance of the Convention lies in the fact that it establishes a minimum level of harmonization among member states of the Convention regarding the definition and criminalization of corruption-related offenses. The Convention does not contain a separate, normative definition of conflict of interest. It is implicit in the regulation, as the criminalized conduct - in particular the passive and active bribery of public officials, trading in influence, and abuse of official position - are, in part, attributable to existing or unaddressed conflicts of interest.¹⁶

Under the Convention, therefore, conflict of interest is not a separate category of illegality, but rather a situation from which criminally relevant acts of corruption may arise. Consequently, the Convention serves a punitive rather than a preventive function.

b) Regulation (EU) No 966/2012

Regulation (EU) No 966/2012, which establishes the most general EU definition of conflict of interest, was already mentioned in Section 2.1.4 of my thesis; therefore, I will not discuss this regulation further in this chapter.

The following section describes the legal sources that provide European Union-level regulations for the prevention and management of conflicts of interest. I would like to emphasize that the legal sources cited in this section no longer provide a definition-level regulation of conflicts of interest; rather, the provisions below merely set forth specific situations involving conflicts of interest and the related obligations.

c) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II)

In the field of financial markets, the central legal source governing conflicts of interest is Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II). According to the Directive, conflicts of interest arising in the provision of investment services constitute a significant risk factor and have an impact on investor protection and market integrity. According to the preamble of the Directive, investment

¹⁶ Council of Europe, Criminal Law Convention on Corruption (ETS No. 173), Article 2.-5., 12., 19.

companies' ability to engage in various activities at the same time creates more opportunities for investment companies to act against clients' best interests, therefore requiring the establishment of coordinated mechanisms for prevention and management.¹⁷ The Directive does not contemplate that investment firms will be merely passive recipients of their obligations; rather, investment firms have an active responsibility to identify, prevent, and manage conflicts of interest, as well as to provide to their customers, as a last resort, the appropriate information regarding such conflicts.

Article 9 of MiFID II assigns strategic responsibility for the management of conflicts of interest to the management bodies of investment firms. The management body is required to establish and oversee governance arrangements that ensure the segregation of duties and the prevention of conflicts of interest, in a manner that promotes market integrity and the interests of clients.¹⁸ This obligation is further specified in Article 16, which requires investment firms to maintain effective organisational and administrative arrangements designed to prevent conflicts of interest from adversely affecting clients' interests.¹⁹ The regulation emphasises that such internal processes must be consistent with other provisions of the Directive, in particular those relating to disclosure obligations and inducements.

Article 23 of MiFID II specifically states the definition of a conflict of interest, the types of conflict of interest and how to deal with them. All Member States must ensure that firms provide appropriate ways to eliminate conflicts of interests arising between the firm (e.g. managers, employees, tied agents) and their clients, and between clients, including but not limited to incentives, remuneration structures and third party provided benefits; whenever the firm enters into an agreement with any third party who will provide a service, product or benefit to the client.²⁰ Where organizational measures do not provide sufficient safeguards to prevent risks that could harm clients' interests, the Directive requires that clients be provided with clear and upfront information regarding the general nature and/or sources of the conflict of interest.²¹

MiFID II also lays down separate rules for market operators, organised trading facilities (OTFs), and data reporting service providers (APAs, CTPs and ARMs). In these cases, conflicts of interest primarily arise at an institutional and structural level. The management bodies of market operators and data service providers are required to operate governance systems that ensure the

¹⁷ Directive 2014/65/EU (MiFID II), recital (56).

¹⁸ Directive 2014/65/EU (MiFID II), Article 9(3).

¹⁹ Directive 2014/65/EU (MiFID II), Article 16(3).

²⁰ Directive 2014/65/EU (MiFID II), Article 23(1).

²¹ Directive 2014/65/EU (MiFID II), Article 23(2).

effective segregation of business functions, the non-discriminatory handling of information, and that their own economic interests do not undermine either the stable operation of the market or the interests of users.²²

When the MiFID II Directive was adopted, Directive 2002/92/EC was also amended, as the logic of Articles 13b–13c largely parallels the solutions set forth in MiFID II: here, too, the primary emphasis is on prevention and organizational governance.²³

Under the regulations, insurance intermediaries and insurers must identify and manage conflicts of interest that adversely affect client interests, and if this is not possible, they must inform the client of the nature of the conflict of interest before entering into a business relationship.²⁴

- d) Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law

Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law approaches conflicts of interest from a distinct perspective, presenting them as a safeguard for the independence of organisational units responsible for receiving and following up on reports of breaches of Union law. Under the Directive, the persons and entities designated to receive and investigate reports must be independent and free from conflicts of interest, thereby ensuring the impartiality and credibility of procedures.¹¹

- e) Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC, and 2004/72/EC (MAR)

The Regulation MAR serves to protect the integrity of financial markets and, as a directly applicable source of law, establishes uniform regulation within the European Union. The Regulation focuses on the prohibition of insider trading and market manipulation.

²² Directive 2014/65/EU (MiFID II), Articles 45(6), 47(1), 63(2), (4), 64(3), 65(4), 66(2)

²³ Provisions amending Directive 2002/92/EC, Article 13b

²⁴ Provisions amending Directive 2002/92/EC, Article 13c

The MAR does not identify conflicts of interest as a separate legal category. However, according to the logic of the regulation, a conflict of interest is typically a situation that could lead to market abuse. The personal scope of the regulation is extremely broad: it covers issuers, senior officers and persons closely associated with them, investment service providers, financial analysts, and any person who comes into possession of inside information.

MAR primarily addresses conflicts of interest through organizational and compliance measures: the obligation to maintain insider lists, the establishment of information barriers (Chinese walls), and ensuring the transparency of incentive schemes. The emphasis, therefore, is not on the immediate prohibition of specific conflict situations, but on systemic risk management.

5.2. Legal framework in the USA

Now that we have reviewed the most important European rules on conflicts of interest, let us turn to the legal framework governing conflicts of interest in the United States.

The U.S. legal system addresses the issue of conflicts of interest - primarily due to past unlawful acts involving conflicts of interest and their significant economic impact - in one of the strictest and most detailed ways in the world. The regulations can be divided into two categories: on the one hand, criminal and ethical standards applicable to public officials, and on the other hand, regulations ensuring transparency and integrity in the private sector (particularly for publicly traded companies).

a) Title 5 of the U.S. Code — GOVERNMENT ORGANIZATION AND EMPLOYEES, Part IV — ETHICS REQUIREMENTS

While the U.S. Code Title 18—CRIMES AND CRIMINAL PROCEDURE, Part I, Chapter 11, § 208 (18 U.S.C. § 208) defines prohibited acts and penalties, Title 5 of the U.S. Code—GOVERNMENT ORGANIZATION AND EMPLOYEES, Part IV—ETHICS REQUIREMENTS contains both an ethical framework for public service and the laws and regulations under which the U.S. Government operates in general and public service specifically, that includes provisions for disclosing certain information and maintaining certain standards of conduct and ethical behavior. Together, these two sets of laws constitute the federal conflict of interest regime for public officials.

b) U.S. Code Title 18 — CRIMES AND CRIMINAL PROCEDURE, Part I, Chapter 11, § 208

The most important federal substantive law provision applicable to federal government officials is U.S. Code Title 18 — CRIMES AND CRIMINAL PROCEDURE, Part I, Chapter 11, § 208 (18 U.S.C. § 208) (Financial Conflicts of Interest). Under this provision of criminal law, executive branch officials are strictly prohibited from engaging in “personally and substantially” any governmental decision that has a direct and foreseeable impact on their own financial interests or on the financial interests of individuals with whom they have a specified relationship (spouse, minor child, business partner). Regulation establishing exemptions to this rule are also included.

The purpose of the regulation is to maintain the appearance of objective impartiality. Penalties for violating the law include imprisonment and substantial fines.

As I have already mentioned, the approach taken in Title 5 of the U.S. Code (Government Organization and Employees) differs from the criminal nature of the aforementioned 18 U.S.C. § 208.

The regulations governing conflicts of interest are found in Title 5 of the U.S. Code, Part IV, Chapter 131, in sections §§ 13101–13111, titled “Financial Disclosure Requirements of Federal Personnel.” The regulations include requirements for disclosure of compensation, prohibitions on accepting gifts, rules restricting outside earnings, and provisions regarding political conflicts of interest.

c) Title 5 Code of Federal Regulations (CFR) § 2635.502

The rules concerning public officials do not appear only within the framework of criminal law prohibitions. The Title 5 Code of Federal Regulations (CFR) § 2635.502 sets out mandatory ethical and conduct rules for employees of the U.S. executive branch, the violation of which may not result in criminal liability, but in disciplinary proceedings under labor law. According to the regulation, any employee is disqualified from being involved with the program if there are reasonable grounds for believing that a knowledgeable person would have reason to question his/her impartiality. In certain situations, an agency can authorize the employee's involvement even though the employee is disqualified under 18 U.S.C. § 208. Thus, it can be

said that the CFR serves as an additional, ethics-based, protective mechanism in conjunction with, but separate from, Title 18 U.S.C. § 208.

d) Foreign Corrupt Practices Act (FCPA, 1977)

In connection with U.S. federal laws on conflicts of interest, the Foreign Corrupt Practices Act (FCPA, 1977) should also be mentioned. The primary purpose of the FCPA in 1977 was to make it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. In 1998, the FCPA was amended so that its anti-bribery provisions also apply to foreign companies and individuals who commit corrupt acts within the territory of the United States.²⁵ In practice, companies implement compliance with the law by establishing conflict of interest regulations and strict 'due diligence' processes.

e) Sarbanes-Oxley Act of 2002 (SOX)

After reviewing the rules governing the public sector, let us turn to the regulations governing the private sector. In the private sector, the prevention of conflicts of interest is closely linked to investor protection. The most important sources of law is Sarbanes-Oxley Act of 2002 (SOX)²⁶, which was enacted following the major corporate scandals of 2000s (Enron, WorldCom), and fundamentally transformed corporate governance of the U.S.

SOX requires companies to establish and implement practices for maintaining financial records and preparing financial statements.

The SOX prohibits certain non-audit services (such as consulting and internal audit outsourcing) to clients by auditors under Section 201 to maintain the independence of an auditor from a client; these provisions ensure that the audit process is independent and free from the influence of external financial considerations.²⁷ Section 406 of the Act requires publicly traded companies to disclose a code of ethics (or any change in or waiver of the code of ethics) for

²⁵ Foreign Corrupt Practices Act, <https://www.justice.gov/criminal/criminal-fraud/foreign-corrupt-practices-act> [Accessed 3 May, 2026]

²⁶ Sarbanes-Oxley Act of 2002, https://pcaobus.org/About/History/Documents/PDFs/Sarbanes_Oxley_Act_of_2002.pdf, [Accessed 3 May, 2026]

²⁷ Tom CAMPBELL and Keith HOUGHTON: *Ethics and Auditing*, 2005 ANU E Press, Page xxviii.

senior financial officers that specifically addresses the management of conflicts of interest between personal and professional interests.²⁸

The Section 406 point (c) set the definition of the code of ethics, by which means these are “such standards as are reasonably necessary to promote (1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (2) full, fair, accurate, timely, and understandable disclosure in the periodic reports required to be filed by the issuer; and (3) compliance with applicable governmental rules and regulations.”

In Section 501, we find further conflict of interest rules for analysts which state that reasonably designed rules shall have adopted and disclosed to address conflicts of interest of the securities analysts in order to improve the objectivity of research and provide investors with more useful and reliable information.

5.3. Legally binding international conventions

With regard to conflicts of interest, it is necessary to briefly mention two international conventions that impose binding obligations on the states parties to the convention. Both conventions concern the prevention and punishment of corruption; consequently, they indirectly prevent and prohibit conflicts of interest that lead to corruption. It is important to mention there that while a conflict of interest is not ipso facto corruption, the conflicts between the private interests and public duties of public officials, if inadequately managed, can result in corruption.²⁹

a) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

The Convention on Combating Bribery of Foreign Public Officials in International Business Transactions³⁰ was adopted on November 21, 1997, and entered into force on February 15,

²⁸ Sarbanes-Oxley Act of 2002, Section 201 and 206

²⁹ OECD Guidelines for Managing Conflict of Interest in the Public Service, OECD Guidelines and Overview Part I., A., Page 22

³⁰ OECD, Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, OECD/LEGAL/0293

1999. Its creation was prompted by the intensifying globalization of the 1990s and the increasingly widespread corruption in international business, as recognized by the participating states, who acknowledged that no government or market economy can function effectively in the presence of significant corruption. Prior to the Convention, there was no uniform international regulation that would have sanctioned acts of bribery involving public officials. The introductory provisions of the convention state that serious harm is caused when public officials accept bribes, for example when awarding contracts to foreign companies in sectors such as road construction, water infrastructure, the pharmaceutical industry, or electricity supply. Substandard products and services cause human suffering; furthermore, bribery undermines the functioning of markets and economic development. Under the convention, the parties therefore agree to classify the bribery of foreign public officials as a criminal offense under their laws, to investigate it, and to impose sanctions for it.

By adopting the Convention, the states parties undertake to establish as criminal offenses under their domestic law the offering, promising, or giving of an undue advantage to a foreign public official, directly or through an intermediary, for the purpose of obtaining business or any other undue advantage. In addition, aiding and abetting, incitement, attempts and conspiracy are also punishable.

The Convention is notable for being the first international agreement to include within its scope the “supply side of corruption”, that is, the person or entity that provides, offers or promises a bribe (monetary or non-monetary).³¹

The Convention constitutes to serve as a fundamental and foundational element of the worldwide regulatory regime against corruption, it shapes how companies develop compliance programs, establishes liability rules, and manage conflict of interest in international business operations.³²

b) United Nations Convention against Corruption (UNCAC, 2003)

The UNCAC was adopted on October 31, 2003, and entered into force on December 14, 2005. With a total of 192 parties to the Convention, it enjoys universal participation, which in itself

³¹ OECD, Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, OECD/LEGAL/0293, Background Information

³² OECD Fighting foreign bribery, <https://www.oecd.org/en/topics/fighting-foreign-bribery.html> [Accessed 3 May, 2026]

underscores its significance within the international legal system.³³ The Convention is unique in that it takes a comprehensive approach to the fight against corruption, emphasizing the importance of preventive measures, criminalization and prosecution, international cooperation and asset recovery.³⁴

The practical implementation of the Convention is facilitated by working groups, which are bodies established under the Conference of the States Parties to the Convention, where participants can exchange information on best practices and existing and emerging issues, and develop recommendations on matters to be submitted to the Conference. Given the topic of this thesis, the activities of the Open-ended Intergovernmental Working Group on the Prevention of Corruption are relevant to us. The Working Group will discuss topics such as the efficiency and effectiveness of anti-corruption measures, policies and bodies, raising anti-corruption awareness, education and training, the role of supreme audit institutions, and last but not least, the prevention and management of conflicts of interest.³⁵

Articles 7 and 8 of the Convention refer to the rules on conflicts of interest, which state that “[e]ach State Party shall, in accordance with the fundamental principles of its domestic law, endeavour to adopt, maintain and strengthen systems that promote transparency and prevent conflicts of interest.” The United Nations has identified the three key elements of public administration as follows: integrity (which means both honesty and putting the public interest first, transparency (which means providing unimpeded public access to dependable information), and accountability (which is an obligation for those who are publicly accountable to be responsible for what they do). Building a service-oriented public sector based on these three pillars is not just a precondition for good governance, it is also an essential prerequisite for realizing all globally agreed-upon objectives, such as the Millennium Development Goals (MDGs), which are being undermined by unmanaged conflicts of interests.³⁶ Consequently,

³³ United Nations, Office on Drugs and Crime Corruption and Financial Crime Branch, UNCAC <https://www.unodc.org/corruption/en/uncac/index.html> [Accessed 3 May, 2026]

³⁴ United Nations: Learn about UNCAC, <https://www.unodc.org/corruption/en/uncac/learn-about-uncac.html> [Accessed 3 May, 2026]

³⁵ United Nations, Office on Drugs and Crime Corruption and Financial Crime Branch: Open-ended Intergovernmental Working Group on the Prevention of Corruption, <https://www.unodc.org/corruption/en/cosp/working-group-on-prevention.html> [Accessed 3 May, 2026]

³⁶ Elia ARMSTRONG: Integrity, Transparency and Accountability in Public Administration: Recent Trends, Regional and International Developments and Emerging Issues, United Nations, Economic and Social Affairs, 2005, Pages 1., 2. and 5.

each State Party shall endeavour to establish measures and systems requiring public officials to declare to the appropriate authorities, inter alia, their outside activities, employment, investments, assets and significant gifts or benefits that may give rise to a conflict of interest in relation to their public official functions.³⁷ According to the private sector, Each State Party shall take measures to prevent corruption involving the private sector, such as promoting the development of standards and procedures designed to safeguard the integrity of relevant private entities, including codes of conduct for the correct, honourable and proper performance of the activities of business and all relevant professions and the prevention of conflicts of interest. As a further preventive rule, the Convention provides that, in order to prevent conflicts of interest, restrictions shall be imposed, where necessary and for a reasonable period, on the professional activities of former public officials or the private sector employment of public officials after their resignation or retirement, insofar as such activities or employment are directly related to the functions performed or supervised by the said public officials during their term of office.³⁸

6. Soft law framework of conflicts of interest

While the international conventions examined in the previous chapter impose a direct legislative obligation on the States Parties, the toolkit for combating conflicts of interest are not limited to rigid, enforceable legal norms. The direction of international legal development indicates that binding regulations (hard law) are organically complemented by more flexible, self-regulatory mechanisms (soft law).

In the international conflict of interest regime, soft law does not replace but rather interprets and frames the mandatory rules. While mandatory norms establish minimum standards and sanctioning frameworks, soft law instruments - such as the OECD Guidelines or recommendations of the Council of Europe - provide detailed guidance for practical implementation.

The significance of soft law lies in its ability to respond more quickly to new types of conflict-of-interest risks in modern public administration and business than the cumbersome international treaty-making processes.

³⁷ United Nations Convention against Corruption (UNCAC, 2003) Article 7 (4), 8 (5)

³⁸ United Nations Convention against Corruption (UNCAC, 2003) Article 12. (2)

6.1. The importance of ethical foundations

Soft law goes beyond mere legal compliance; its roots lie in public service ethics and the principles of good governance. In this context, managing conflicts of interest is not merely a means of preventing corruption, but also a tool for maintaining public trust in public institutions. Ethics-based soft law regulation must establish proper standards of conduct. Concretely, these abstract ethical aspirations translate into what the OECD terms an 'ethics infrastructure'—a coherent set of rules, institutions, and practices designed to outline the mutually reinforcing societal pillars—such as independent watchdog agencies, civil society, a free media, and the judiciary—that collectively sustain accountability. By integrating these comprehensive systems, organizations and states can foster a synergistic environment that proactively addresses and mitigates conflicts of interest before they escalate into systemic corruption.³⁹

6.2. Role of international organizations and standards

After the above demands for the creation of soft law have arisen, it is important to record which organizations developed the recommendations for the creation of soft law and how.

These documents are typically issued by international intergovernmental organizations (such as the OECD, the Council of Europe, the World Bank, institutions of the European Union), national authorities (particularly ethics and judicial bodies in the United States), as well as international standards-setting and civil society organizations (such as ISO or Transparency International) in order to provide uniform principles, best practices, and interpretive frameworks for identifying and managing conflicts of interest.

The primary purpose of these documents is not to create direct legal obligations, but to establish a unified framework of principles, best practices, and guidelines.

Included in this category there are resource sources such as Council Rules, Rules of Procedure; Guidelines; Assessments; Compliance Standards; and Policy Recommendations to date. The audience for these resources includes Public and Politically elected Officials; EU/International Donor Institutions, Non-Government Organizations (NGOs), and Private companies. Although these soft law norms are not formally considered binding legal sources, in practice they play a

³⁹ Elia ARMSTRONG: Integrity, Transparency and Accountability in Public Administration: Recent Trends, Regional and International Developments and Emerging Issues, United Nations, Economic and Social Affairs, 2005, Pages 2. and

quasi-normative role: in many cases, they serve as the basis for interpreting hard law regulations or pave the way for their subsequent codification into legislation.

6.3. Short overview of international soft law regulation on the conflict of interests

6.3.1. OECD: Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service⁴⁰

The document was adopted by the OECD Council on May 28, 2003, as a recommendation within the framework of the OECD's non-binding legal instruments. The document's scope of application primarily covers persons working in the public service - including civil servants, public employees, and public officials - but it may also serve as a guide for other branches of government, lower-level public administration, and state-owned enterprises.⁴¹ The recommendation was issued because the strengthening of ties between the public and private sectors, as well as changes in the economic and social environment, have given rise to new and more complex conflicts of interest; if not properly managed, these could jeopardize the integrity of public institutions and public trust.⁴²

The recommendation states that a conflict of interest is a "conflict between the public duty and private interests of public officials, in which public officials have private-capacity interests which could improperly influence the performance of their official duties and responsibilities," which is an actual conflict of interest definition. These guidelines provide details about how to differentiate between case-by-case, visible and expected conflicts of interest.⁴³ After defining the objectives of the policy and basic concepts, this guideline also provides information on the ways in which to identify all applicable conflict-of-interest situations involving professionals within the context of the policy guideline. In addition, this guideline will outline how to establish procedures for identifying, managing and resolving these types of professional conflict before the professional framework can successfully be put into place.

Finally, the guidelines will describe the basic principles to implement the policy framework, which include exhibiting leadership commitment, collaborating with employees, enforcing the

⁴⁰ OECD, Recommendation of the Council on OECD Guidelines for Managing Conflict of Interest in the Public Service, OECD/LEGAL/0316, 2003

⁴¹ OECD/LEGAL/0316, Page 6.

⁴² OECD/LEGAL/0316, Page 3.

⁴³ OECD/LEGAL/0316, 2003, Page 6.

conflict of interest policy and engaging in new collaboration partnerships with businesses and not-for-profits.

The significance of this document lies in the fact that it provides an internationally recognized, uniform framework for the prevention and management of conflicts of interest in the public sector, requires a political commitment from OECD member countries, and serves as a basis for the development and interpretation of national legislation, codes of ethics, and integrity systems.

6.3.2. OECD: Managing Conflict of Interest in the Public Service, OECD Guidelines and country experiences (2003) and A Toolkit (2005)

The guidelines adopted by the OECD Council in 2003 represent the first international standard to help governments review and modernise their conflict of interest policies for the public sector.⁴⁴ Its significance lies in the fact that it seeks to address conflicts of interest not merely through prohibitions, but through organizational policies, internal procedures, and managerial accountability, which also defines the basic logic of modern compliance systems.⁴⁵ In addition to the Guidelines, the Toolkit offers practical solutions for developing and implementing methods for managing conflicts of interest.⁴⁶ The Toolkit contains objective tests, checklists, code of ethics definitions, self-tests, procedures, testing policies and also training cases, which facilitate the practical application of the guidelines.

6.3.3. OECD: Recommendation of the Council on Public Integrity

The document was adopted by the OECD Council on January 26, 2017, thereby replacing the previous Recommendation of the Council on Improving Ethical Conduct in the Public Service, including Principles for Managing Ethics in the Public Service⁴⁷. All public sector entities will be required to adhere to these recommendations for ensuring good public integrity; in addition

⁴⁴ OECD, *Managing Conflict of Interest in the Public Service, OECD Guidelines and Country Experiences*, OECD 2003, Page 11.

⁴⁵ OECD, *Managing Conflict of Interest in the Public Service, OECD Guidelines and Country Experiences*, OECD 2003, Page 23-24.

⁴⁶ OECD, *Managing Conflict of Interest in the Public Sector A Toolkit*, OECD, 2005

⁴⁷ OECD, *Recommendation of the Council on Improving Ethical Conduct in the Public Service Including Principles for Managing Ethics in the Public Service*, OECD/LEGAL/0298, 1998

to providing additional guidance to State-Owned Enterprises (SOEs), Public Service Organisations (PSOs) as well as the Private Sector and Civil Society. This document seeks to create an integrated, risk-based and systemic approach to public integrity through the establishment of a comprehensive framework comprised of 3 pillars (System, Culture and Accountability), to enable the consistent demonstration of public interest, to prevent conflicts of interest and corruption, and to promote ethical behaviour through the everyday operation of the public sector. Rather than a purely normative and compliance-focused approach, it serves as a strategic compass for member states, providing a unified international reference framework for the development and evaluation of public integrity systems.

6.3.4. Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions and the Annex II, the Good Practice Guidance on Internal Controls, Ethics, and Compliance ⁴⁸

The OECD Recommendation adopted in February 2010. The guidance is mainly focused on bribery, but the key tenets—such as assessing the risk of bribery and the need for a commitment from senior management—are accepted as global standards when it comes to dealing with conflict of interest. The guidance states that an organization must have a strong and clearly visible commitment from senior management to build a culture that does not condone misconduct. It also emphasizes that organizations should implement internal controls for high-risk areas, including gifts, hospitality, and political contributions, which are often the sources of interest-based ethical violations. Additionally, it establishes confidential reporting systems and whistleblower protection as essential tools to detect when private interests improperly influence official duties. This holistic approach prevents uncoordinated compliance activities, ensuring that those in power exercise discretion solely for the organization's benefit.

6.3.5. OECD: Anti-Corruption and Integrity Outlook 2026⁴⁹

⁴⁸ OECD, Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, Annex II: Good Practice Guidance on Internal Controls, Ethics and Compliance; OECD/LEGAL/0378, 2009 (amended on: 2021), <https://legalinstruments.oecd.org/en/instruments/oecd-legal-0378> [Accessed 3 May, 2026]

⁴⁹ OECD, Anti-Corruption and Integrity Outlook 2026, Harnessing the Integrity Advantage, OECD, 2026 <https://doi.org/10.1787/16708b78-en>. [Accessed 3 May, 2026]

As I mentioned earlier, the creation and application of static rules would not be a sufficient tool to reduce conflicts of interest risks or avoid their effects. To have a successful conflicts of interest framework, there must be compliance with the regulations; continuous analysis of certain facts concerning individual activities; and there must be a continuously documented process of monitoring activities. The need for monitoring of activity is further underscored by the fact that there are ongoing updates to rules and recommendations as new trends emerge, and new standards are also needed to be developed. In order to support this endeavour, the OECD Anti-Corruption and Integrity Outlook 2026 will contain a broad-based data-driven analysis of the public integrity standards in 37 member countries and 25 partner countries of the OECD, including the potential for growing risks associated with corruption, fraud, or undue influence and also the disconnect between the regulations and real-world application of the regulations. Among other things, the report assesses progress in the area of conflicts of interest. With regard to conflicts of interest, it is noted that most countries have adequate legislation in place to prevent conflicts of interest; however, enforcement is often weak due to a lack of institutional capacity and oversight authority. This can undermine public confidence in anti-corruption efforts and create the impression that the regulations are merely formalities. A large problem lies between rule-making and day-to-day practice where there is often not an effective process to verify the executive declarations, provide official guidance or ensure compliance with an obligation. Digitalizing information produced by Executive Declarations will help close the gap and strengthen risk-based oversight.⁵⁰

This document shows why laws are insufficient and that nations with the most success are also progressing to more efficient, cost-effective, and risk-based forms of regulations and processes that will strengthen the credibility of democratic institutions and support public confidence in government as well as economic efficiency.

6.3.6. Council of Europe: Code of Conduct for Public Officials⁵¹

Although it sets out standards of conduct not for public officials of member states but for employees of the Council of Europe, it is still worth mentioning the Council of Europe's – Code of Conduct for Public Officials, which entered into force in 2023, as it can serve as a model for

⁵⁰ OECD, Anti-Corruption and Integrity Outlook 2026, Harnessing the Integrity Advantage, OECD, 2026 <https://doi.org/10.1787/16708b78-en>. [Accessed 3 May, 2026], Page 58

⁵¹ Council of Europe: Code of Conduct, 1 January 2023

the creation and further development of Member States' public service ethics and conflict of interest regulations. Its personal scope extends to all employees of the Council of Europe as international civil servants; its material scope covers conduct in the course of duty and—to the extent that it affects the organization's reputation—conduct in private life as well. The rules on conflicts of interest, linked to the document's pillars of 'integrity' and 'independence', stipulate that staff members are required to place the interests of the Council of Europe above any personal or sectoral interests, to refrain from any situation that may give rise to an actual, potential, or apparent conflict of interest, and that such situations must be reported immediately so that the Organization can properly identify and address them. In this context, the acceptance of external instructions, benefits, or advantages, as well as lobbying and influence-peddling activities, are prohibited. The significance of this document lies in the fact that it establishes a legally binding, uniform ethical standard for the entire apparatus of an international organization.

6.3.7. World Bank: Procurement Guidance on Conflict of interest⁵²

The document provides detailed professional guidance on managing conflict of interest situations related to procurements implemented under World Bank-financed Investment Project Financing (IPF). It will provide examples to show the kinds of relationships (e.g., family relationships, business relationships, and relationships between friends) and types of actions (e.g., gifts, obligations to pay back money, and secondary jobs) that can lead to potential conflicts of interests.

A three-step process has been outlined by the bank for managing these types of situations: initial and subsequent disclosure, the identification of the conflict, and the documentation of a solution to resolve the conflict that is satisfactory to the Bank. This process allows the bank to potentially exclude a committee member from participating if they are found to be in conflict with the Bank's Mission Statement. The significance of this process is the bank's view of conflict of interest as more than simply a legal issue; it is viewed as both an issue of integrity and a risk management issue.

⁵² World Bank: Procurement Guidance on Conflict of interest, How to identify and manage conflicts of interest in Evaluation Committees, The World Bank, 2020

6.3.8. U.S. Office of Government Ethics (OGE): Analyzing Potential Conflicts of Interest⁵³

The Office of Government Ethics (OGE) interprets the ethics law. The ‘interpretive guidance’ issued by the OGE is not the law; however, the methods used by the OGE provide a roadmap for how officials are expected to apply the law in real-time. In addition to providing a roadmap for the application of Section 208, OGE is the primary authority for administering Section 208 (the crime of conflict of interest). This law prohibits government employees from participating ‘personally and substantially’ in any government activity that will affect the employee’s financial interest along with those of the employee’s spouse, minor child, or general partner. The OGE publishes specialized guides for identifying potential risks associated with an employee’s assets, liabilities, and/or level of employment. Resolution typically involves directed recusal, divestiture, or waivers for interests deemed ‘too remote’ or ‘inconsequential’ to affect integrity.

6.3.9. U.S. Department of Justice (DoJ) Criminal Division: Evaluation of Corporate Compliance Programs (ECCP), (Updated September 2024)⁵⁴

ECCP first defined in 2017 the factors that prosecutors of the DoJ Criminal Division must consider when evaluating the compliance program of a company under criminal investigation. The document went through several amendments until its’ most recent amendment was enacted in 2024.⁵⁵ The document highlight the DoJ’s focus on the program's rationale, evolution, and functionality against the company's specific risk profile.

New guidelines are being put in place regarding the management of AI and emerging technology risks, strengthening whistleblower rewards and protection from retaliation, ensuring that compliance functions have the appropriate amount of funding and access to data analytics for effective implementation of those functions, and making sure that both internal and industry-wide lessons learned are included in the evolution of all programs, along with emphasizing the want/need for compliance to be involved in the integration phase of M&A transactions.

⁵³ U.S. Office of Government Ethics (OGE), Analyzing Potential Conflicts of Interest, Page 3. <https://www.oge.gov/web/oge.nsf/Resources/Analyzing+Potential+Conflicts+of+Interest> [Accessed 3 May, 2026]

⁵⁵ Andrew M. GOOD, Avia M. DUNN, and Zaneta WYKOWSKA: Key Updates to the DOJ's Evaluation of Corporate Compliance Programs, 2024 <https://corpgov.law.harvard.edu/tag/doj/> [Accessed 3 May, 2026]

6.3.10. U.S. Department of Justice (DoJ): Grants Financial Guide 2024 (Last Updated December 2025)⁵⁶

The DoJ Grants Financial Guide is a key resource for federal award recipients that serves as the framework for defining and identifying the recipient's fiduciary responsibilities to protect the award funds. In addition, the Guide utilizes a comprehensive conflict of interest definition to provide a distinction between 'conflict in fact' as opposed to 'conflict in appearance.' It is also noted that even the perception of bias erodes public confidence.⁵⁷ Grantees are required to maintain written conflict-of-interest policies, enforce mandatory disclosure procedures, and address organizational conflicts.

6.3.11. OLAF: Guidance on Identifying, Managing and Monitoring Conflicts of Interest within European Regional Development Fund (ERDF) and the European Social Fund (ESF)⁵⁸

The Guidance developed by OLAF was published in 2019 and is intended to ensure the integrity of decision-making and procurement processes related to the use of funds from the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The material scope of this policy includes the distribution of EU funds, project management and control, public procurement carried out in association with the projects that receive funding, etc.; while its personal scope encompasses all members of the Managing Authorities, Intermediate Bodies and committees under ESIF, as well as all beneficiaries and the person(s) who have significant authority over decisions regarding the use of funds. In addition, it requires that a potential conflict of interest be identified prior to any conflict occurring, therefore requiring that disclosures are made on a regular basis throughout the decision-making process, a person's involvement in the decision-making/procurement process will cease if a conflict of interest exists, and finally, internal control systems, recordkeeping and ongoing training play a major role in ensuring compliance. The document treats conflicts of interest as a major financial and

⁵⁶ U.S. Department of Justice (DoJ): Grants Financial Guide 2024 (Last Updated December 2025), <https://www.ojp.gov/doj-financial-guide-2024> [Accessed 3 May, 2026]

⁵⁷ U.S. Department of Justice (DoJ): Grants Financial Guide 2024 (Last Updated December 2025), <https://www.ojp.gov/doj-financial-guide-2024> [Accessed 3 May, 2026]

⁵⁸ OLAF: Guidance on Identifying, Managing and Monitoring Conflicts of Interest within European Regional Development Fund (ERDF) and the European Social Fund (ESF), ESIF-GN-1-027, Version 2, 2019

integrity risk that could result in severe financial corrections (including repayment of up to 100% of the grant).

6.3.12. Code of Conduct for the Members of the European Commission⁵⁹

The Code of Conduct establishes a legally binding integrity framework for current and former Commissioners. It requires the avoidance of actual, potential or apparent conflicts of interest, including those involving family members. To achieve this, those involved must publicly declare their financial interest and professional activity. Possible sanctions can include exclusion, transfer of documents, disposal of assets, or ‘blind trust funds’ all of which are monitored by the President, or an independent ethics committee. In addition, the Code regulates the ‘reverse revolving door’ through post-termination notification and prohibits lobbying. The Bureau Decision of 16 October 2023 establishes the Implementing Measures for this Code, providing the technical and administrative procedures necessary to operationalize these integrity principles in practice.

6.3.13. Code of Conduct for Members of the European Parliament regarding integrity and transparency and Implementing measures⁶⁰

The Code of Conduct for Members of the European Parliament regarding integrity and transparency (Annex I, Rules of Procedure) requires acting solely in the public interest and proactive conflict resolution. Key pillars include public disclosure of private interests (remunerated activities, board roles), reporting lobbyist meetings, and declaring assets. It also imposes a six-month post-mandate lobbying ban to prevent ‘revolving door’ scenarios.

6.3.14. ISO 37001 Anti-bribery management systems

⁵⁹ Commission Decision of 31 January 2018 on a Code of Conduct for the Members of the European Commission C/2018/0700

⁶⁰ https://www.europarl.europa.eu/pdf/meps/Code_of_Conduct_EN.pdf [Accessed 3 May, 2026]; European Parliament: Implementing measures for the Code of Conduct for Members of the European Parliament regarding integrity and transparency bureau decision of 16 October 2023, https://www.europarl.europa.eu/pdf/meps/Implementing%20measures_EN.pdf [Accessed 3 May, 2026]

Unlike the aforementioned soft law guidelines of the OGE, DOJ or OECD, which primarily serve as interpretive or prosecutorial frameworks, ISO 37001 is a prescriptive management system standard. ISO 37001 is different because it has "shall" requirements for independent third-party certification; therefore, the organisation has transitioned from having ethical principles to having a system of measurable operational compliance.

ISO 37001 considers conflict of interest a fundamental corruption risk to commit or conceal bribery; it requires an organisation to manage by leadership commitment (Clause 5), conduct risk assessments (Clause 4.5), and implement internal controls (e.g., recusal, Clause 8). In addition, it requires transparency by establishing declarations of interest, training (Clause 7) and by preventing retaliation against those reporting concerns (Clause 8.9). While it does not prohibit conflicts of interest absolutely, it does require identifying them and mitigating them proportionally and timely. Ultimately, ISO 37001 transforms conflict of interest from being an ethical dilemma to a compliance obligation and provides an internationally accepted structure for global verification of operational integrity for purposes of certification or regulatory review.

7. Corporate governance and compliance mechanisms for preventing conflicts of interest in practice

7.1. Role of corporate governance in preventing conflicts

Corporate governance is the system of relationships between a company's management, board of directors, shareholders and stakeholders, as well as the set of related decision-making and control structures.⁶¹

A corporate governance framework generally encompasses legal provisions, regulatory requirements, stock exchange listing rules, self-regulatory agreements, contractual commitments, voluntary commitments, and business practices.⁶² It is recommended to supplement the legislative and regulatory elements of the corporate governance framework with 'soft' legal elements, corporate governance codes, which provide sufficient flexibility and take into account the specificities of individual companies.⁶³

⁶¹ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 6. <https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

⁶² OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 9. <https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

⁶³ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 9.

In an effective corporate governance framework, excessive regulation that operates only on paper must be avoided, and emphasis must be placed on the practical application and applicability of properly defined, yet sufficiently flexible rules.

The central actor in the framework is the board of directors, which is responsible for strategic direction, management oversight, risk management and ensuring accountability.⁶⁴ Considering that the board of directors determines the organizational culture and ethical requirements, when establishing and applying conflict of interest regulations, the board of directors must also act in an exemplary and impeccable manner, and they must support all initiatives related to compliance and enforcement of the regulations.⁶⁵

However, taking the above into account, we must note that there is no single model suitable for all companies, however, the principles set out in the OECD Principles of Corporate Governance (2023) document serve as a common minimum for establishing good corporate governance.⁶⁶

7.2. Codes of ethics and internal policies in practice

After briefly summarizing the decisive role of corporate governance in the development, observance and enforcement of appropriate rules of conduct, and after presented the legal and economic consequences of what happens if a gap forms in the shield, in this chapter I present the implementation of conflict of interest regulations found in codes of ethics and other internal regulations through practical examples of large companies operating in the energy sector.

The selection of companies in this chapter is not random: there are three reasons for reviewing the regulation of large companies operating specifically in the energy sector. On the one hand, the specific characteristics of the sector—such as the close relationship between state and market actors, significant investments of public interest, and the regulated environment—make it particularly justified to handle conflict of interest situations clearly and in detail, and therefore the conflict of interest rules in the energy sector can serve as a model for other actors in the

<https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

⁶⁴ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 34.

<https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

⁶⁵ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 35.

<https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

⁶⁶ OECD (2023), G20/OECD Principles of Corporate Governance 2023, OECD Publishing, Paris, Page 9.

<https://doi.org/10.1787/ed750b30-en>, [Accessed 3 May, 2026]

private sector. On the other hand, in the case of non-domestic examples, I have collected energy companies in which there has already been an integrity-violating incident related to a conflict of interest, so in the later part of the thesis I will also discuss whether and to what extent this influenced the internal regulation on conflict of interest. Thirdly, my personal involvement also justifies a more thorough study of the practice found in the energy sector. After recording the above, I will now seek to answer the question of what solutions the codes of ethics of the companies concerned use to manage these risks, and to what extent do these reflect modern corporate governance expectations.

The conflict-of-interest documents of the companies I examined are as follows:

- MVM Zrt. Code of Ethics⁶⁷
- MOL Business Partner Code of Ethics⁶⁸
- MOL Nyrt. Code of Conduct⁶⁹
- MOL Nyrt. Ethics cases⁷⁰
- Siemens Business Conduct Guidelines⁷¹

⁶⁷ MVM GROUP: CODE OF ETHICS https://mvm.hu/-/media/MVMHu/Documents/ESG/Governance/Etikaikodex/KIE-19-M-03_20260224_EN_FIN.pdf [Accessed 3 May, 2026]

⁶⁸ MOL GROUP: Business Partner Code of Ethics https://molgroup.info/storage/documents/sustainability/uzleti_partneri_etikai_kodex/business_partner_code_of_ethics_english_2022.pdf [Accessed 3 May, 2026]

⁶⁹ MOL GROUP: Code of Ethics and Business Conduct https://molgroup.info/storage/documents/sustainability/mol_code_of_ethics_2026_english.pdf, <https://molgroup.info/hu/fenntarthatosag/etika-es-vallalatiranyitas> [Accessed 3 May, 2026] <https://molgroup.info/hu/fenntarthatosag/etika-es-vallalatiranyitas> [Accessed 3 May, 2026]

⁷⁰ MOL Group Details of Ethics Cases 2022 https://molgroup.info/storage/documents/sustainability/details_of_ethics_cases_22_12.pdf [Accessed 3 May, 2026]

⁷¹ Siemens business is clean business, <https://www.siemens.com/en-us/company/compliance/> [Accessed 3 May, 2026]; Siemens Business Conduct Guidelines <https://resources.sw.siemens.com/en-US/brochure-siemens-business-conduct-guidelines/> ; Siemens Code of Conduct Training for Suppliers <https://static.dc.siemens.com/siemens-coc-training/story.html> [Accessed 3 May, 2026]

- Siemens Code of Conduct for Suppliers and Third-Party Intermediaries⁷²
- British Petrol Code of Conduct⁷³
- British Petrol Conflict of Interest⁷⁴
- Gazprom International⁷⁵
- EDF Code of Ethical Conduct⁷⁶

The analysis of the conflict-of-interest regulations of the above large companies highlights that although the basic principles are globally uniform, individual companies detail their expectations in different depth and along specific industry risks.

7.2.1. Common rules found in all examined corporate policies

The analyzed corporate documents all contain the fundamental pillars of conflict-of-interest management. The global and regional industry players are unified in the following basic principles:

- Reporting obligation: Every employee is obliged to report immediately and in writing to their superior or the Compliance/Ethics organization if they find themselves in a perceived or actual conflict of interest situation.
- -

⁷² Siemens Code of Conduct for Suppliers and Third-Party Intermediaries, <https://assets.new.siemens.com/siemens/assets/api/uuid:cbb1292b-f2d5-4f67-9bad-28e2823568b0/Code-of-Conduct-English.pdf> [Accessed 3 May, 2026]

⁷³ BP Our code, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/who-we-are/bp-code-of-conduct.pdf> [Accessed 3 May, 2026]

⁷⁴ BP Conflict of Interest (BPES) <https://www.bp.com/content/dam/bp/business-sites/en/global/bp-supply-trading-and-shipping/documents/regulatory-resource-centre/europe/english/bpes-conflict-of-interest.pdf> [Accessed 3 May, 2026]; BP International Ltd., Policy Conflicts of Interest, 2024, [https://www.bp.com/content/dam/bp/country-sites/pt_br/brazil/home/pdfs-etica/bp%20policy%20-%20conflicts%20of%20interest%20\(3%20June%202024\).pdf](https://www.bp.com/content/dam/bp/country-sites/pt_br/brazil/home/pdfs-etica/bp%20policy%20-%20conflicts%20of%20interest%20(3%20June%202024).pdf) [Accessed 3 May, 2026]

⁷⁵ About the Gazprom Group, Corporate Ethics and Anti-Corruption, Corporate Ethics and Values <https://sustainability.gazpromreport.ru/en/2023/about-gazprom/corporate-ethics-and-anti-corruption/> [Accessed 3 May, 2026]

⁷⁶ EDF Code of Ethical Conduct https://library.edf.org/AssetLink/5xr5h182rsl1080s251r1oh36t14k048.pdf?_gl=1*7w3bc5*_gcl_au*ODMxNzc5MTU1LjE3Nzc3Njc4MDM.*_ga*MTM1MDM3MjkxMy4xNzc3NzY3ODA0*_ga_2B3856Y9QW*cze3Nzc3Njc4MDMkbzEkZzAkdDE3Nzc3Njc4MDckajU2JGwwJGgw [Accessed 3 May, 2026]

- Objective decision-making obligation: Business decisions must be made free from personal, financial, or family interests, keeping only the best interests of the company in mind.
- Strict limitation of gifts and hospitality: It is prohibited to give or accept any benefit, gift, or hospitality aimed at unlawfully influencing business decisions, or which may give the appearance of bribery.
- Non-retaliation of whistleblowers: Companies declare zero tolerance against those who retaliate against employees who report suspicious cases in good faith.

7.2.2. Typical conflict of interest cases and categories

The documents classify conflict of interest situations into several distinct categories:

- Family and personal relationships (nepotism): Employment of close relatives, especially in a subordinate-superior relationship, or situations where the company does business with a relative's company.
- Financial and investment interests: Owning a significant stake or investment in a competitor, client, or supplier.
- External employment and other roles: Taking on a second job, consulting activity, or board membership at other organizations—especially competitors.
- Misuse of corporate information: Using insider information, business secrets, or business opportunities learned through the job for personal gain.

7.2.3. Documented examples in the respective policies

Several companies also illustrate the expected behavior with concrete, practical examples:

- MOL: Provides a practical example where a manager accepts a high-value car as a wedding gift from the owner of a service provider (who is also a relative) without recording it in the gift register. Furthermore, it prohibits a business partner from employing a MOL employee without MOL's knowledge.⁷⁷

⁷⁷ MOL GROUP: Code of Ethics and Business Conduct https://molgroup.info/storage/documents/sustainability/mol_code_of_ethics_2026_english.pdf [Accessed 3 May, 2026]; MOL Group Details of Ethics Cases 2022

- Siemens: Mentions an intimate relationship between a manager and a subordinate as a classic example of an internal conflict of interest, which requires changing reporting lines.⁷⁸
- bpES: Highlights incentives (money, goods, services) received from a third party (client) and specific capital market examples related to investment services.⁷⁹
- Gazprom: Specifically mentions participation in elected government bodies as an example, which requires managerial approval, as well as the employment of relatives in direct subordination.⁸⁰

7.2.4. Prevention mechanisms and controls

Companies employ complex prevention systems utilizing the following resources:

- Reporting channels (Whistleblowing): Companies may provide anonymous and specific hotlines (for example, bp OpenTalk; MOL SpeakUp!; Siemens Tell Us; EDF Helpline).
- Risk-based due diligence: Companies conduct an initial screening of business associates by verifying the business; employee; owner; and/or political exposure of any interested parties.
- Maintaining registers: Companies should maintain (in a central location) a clear record on all gifts; hospitality; and declared conflicts-of-interest for a single.
- Training and annual declarations: Compliance training through mandatory eLearning courses and annual ethics compliance declaration signing by all managers.
- Information barriers (Chinese walls): Physical and IT separation between business units that prevent insider trading and information flow between these units.

https://molgroup.info/storage/documents/sustainability/details_of_ethics_cases_22_12.pdf [Accessed 3 May, 2026]

⁷⁸ Siemens Business Conduct Guidelines <https://resources.sw.siemens.com/en-US/brochure-siemens-business-conduct-guidelines/> [Accessed 3 May, 2026]

⁷⁹ BP Conflict of Interest (BPES) <https://www.bp.com/content/dam/bp/business-sites/en/global/bp-supply-trading-and-shipping/documents/regulatory-resource-centre/europe/english/bpes-conflict-of-interest.pdf> [Accessed 3 May, 2026]

⁸⁰ Gazprom Group, Corporate Ethics and Anti-Corruption, Corporate Ethics and Values <https://sustainability.gazpromreport.ru/en/2023/about-gazprom/corporate-ethics-and-anti-corruption/> [Accessed 3 May, 2026]

7.2.5. Applied sanctions

Violating a rule has serious penalties depending on how bad the rule was violated:

- Violations of labor laws can result in strict punishments including disciplinary action, loss of bonuses, public reprimands (Gazprom), demotion or being fired immediately from the job.
- Violations of business laws could result in being terminated immediately from contracts with suppliers/subcontractors, expulsion from bidding in future contracts with those parties.
- Violations of laws and/or criminal laws will result in liability for damages and could be criminally reported and imprisoned if the violation was severe enough (bribery, insider trading).

7.2.6. Unique solutions in the publicly available, examined documents

Beyond general principles, some companies have incorporated unique elements in its' publicly available, examined documents due to their industry or structural characteristics. However, it is important to note that it is possible that these solutions can be found in other companies' unpublished internal regulations, but I have not had the opportunity to examine them:

- MVM: As a state-owned company, it establishes that 'public service' inherently demands a higher and stricter moral standard from employees and managers than the general business sphere.
- MOL: Conducts an exceptionally transparent practice, as annually releases public but anonymized statistics and case studies detailing exactly how many ethics investigations were launched, what types of offenses occurred, and how many employment relationships or contracts were terminated.
- Siemens: In a pioneering manner, it specifically addresses the responsibilities associated with the use of Artificial Intelligence (AI). It expects critical verification of AI-generated results (explicitly mentioning 'hallucinations' and biases) to avoid integrity and data protection conflicts caused by the technology.
- bpES (bp Energy Solutions): Since it provides investment and financial services, its regulation is built on the European MiFID II directive, with a special emphasis on

technically avoiding financial conflicts between clients and the company (e.g., via algorithms) and applying ‘information barriers’.

- Gazprom: Prescribes an institutionalized control process: at least every three years, it screens the sole executive bodies of controlled entities via questionnaires to filter out signs of conflict of interest.
- EDF: Its policy links ethics and resource management to donor intent, emphasizing that to maintain nonprofit (charitable) status, foundation funds must be used solely for mission purposes.

7.2.7. Summary assessment of conflict-of-interest regulations

For the sake of transparency, I have summarized the most important aspects of the similarities and differences between each company in the table below.

Aspect	MVM	MOL	Siemens	bp / bpES	Gazprom	EDF
Reporting channel	Central reporting line	SpeakUp!	Tell Us Hotline, Ombudsperson	OpenTalk	Ethics Commission, Hotline	EDF Helpline
Prevention of conflicts	Strict managerial and employee control	Supplier screening, Annual test	Risk-based partner screening	E&C register, Information barriers	3-year mandatory managerial screening	Financial audit, Annual training
Typical sanction	Accountability, dismissal	Termination of employment and contract	Damages, imprisonment, contract termination	Disciplinary, termination	Loss of bonus, public reprimand	Disciplinary action
Highlighted (unique) focus area	State (public service) elevated ethical standard	Detailed annual case study statistics	Ethical use of artificial intelligence	Financial (MiFID II) compliance	Political neutrality, strict nepotism ban	Donor goals (non-profit status)

Source: Own compilation using Gemini (Google AI)

7.3. Case studies of corporate failures and scandals in accordance with conflict of interests

The practical manifestation of a conflict of interest often leads to systemic corporate failures, legal sanctions, and irreparable reputational damage. This chapter examines four high-profile cases in which the failure to identify, disclose, and manage competing interests led to global scandals. The examples presented illustrate the fact that conflict of interests are not simply administrative errors; they represent an ethical breach of the highest degree and can endanger the integrity of the international financial/corporate system.

7.3.1. Siemens AG scandal⁸¹ - The institutionalization of corruption

In 2006, there was a scandal involving Siemens AG. They were found to have paid approximately \$1.4 billion worth of ‘bribes’ to government and/or state-owned enterprise employees worldwide so that they would win contracts from the government to provide goods and services. They used ‘slush funds’ to do this and thought nothing was wrong with doing this. Employees and senior management believed that these types of payments created a competitive advantage and made their business more profitable; therefore, they made these short term business decisions, and in doing so, they violated both the law and their ethical responsibilities to conduct themselves according to all legal and ethical obligations. The internal audit controls of the company were intentionally established to be inadequate and ineffective such that, when there were instances of illegal activity, it was impossible to identify who had committed them. Lastly, in November 2006, the current Siemens management made changes to the company's internal audit controls to help reduce, but not eliminate, the occurrence of illegal payments. After the scandal came to light and the investigations by the German and United States authorities, Siemens reached a settlement with the U.S. Department of Justice (DoJ) and the Securities and Exchange Commission (SEC), paying roughly \$1.6 billion in fines and disgorgement. In Germany, the company paid additional hundreds of millions of Euros. Several top executives were forced to resign and faced criminal prosecution, at the same time, lower level employees could benefit of the amnesty program of the investigation in order to gather more facts of the illegal acts.

⁸¹ U.S. Securities and Exchange Commission, SEC Charges Siemens AG for Engaging in Worldwide Bribery, 2008. <https://www.sec.gov/news/press/2008/2008-294.htm> [Accessed 3 May, 2026]

Cheryl J. Scarboro, an Associate Director in the SEC's Division of Enforcement, draw a conclusion of the purpose of the sanction: the “\$1.6 billion in combined sanctions that Siemens will pay in the U.S. and Germany should make clear that these corrupt business practices will be rooted out wherever they take place, and the sanctions for them will be severe.”⁸²

After the scandal, Siemens underwent a complete organizational overhaul. The key to establishing a compliance-first culture is establishing a ‘tone at the top’ that leads from the top to the down of the organization. By developing a compliance system with strict oversight, you can ensure that personal interests and corporate interests will never be conflicting with the law.⁸³

7.3.2. BP p.l.c. scandal⁸⁴ - Undisclosed personal relationships

In September 2023, BP's Chief Executive Officer (CEO), Bernard Looney, abruptly resigned amidst an investigation into his personal relationships with various colleagues based on their nature and extent, and whether he had been fully transparent in his prior disclosures regarding such. The findings of the investigation involved were in violation of BP's conflicts of interest policy and disclosed that there had been a violation of the company's policy of having a senior management personal relationship with a management personnel and therefore created a direct conflict of interest that could be viewed as demonstrating favoritism and/or would make it difficult to engage in objective decision-making regarding promotions or to provide non-discriminatory professional oversight.

Looney resigned with immediate effect, and subsequently lost more than \$40 million in compensation, because he was found to have committed ‘serious misconduct’ by misleading the board. Following the scandal, BP implemented even stricter rules, requiring thousands of senior managers to disclose any office romances from the last three years. Employees are also prohibited "from directly or indirectly managing relatives or those with whom they're in an intimate relationship," and must report relationships regardless of whether they feel there could

⁸² U.S. Securities and Exchange Commission, SEC Charges Siemens AG for Engaging in Worldwide Bribery, 2008. <https://www.sec.gov/news/press/2008/2008-294.htm> [Accessed 3 May, 2026]

⁸³ Siemens Compliance System – Track Record and Challenges, 2012. <https://eclass.aueb.gr/modules/document/file.php/DET156/SESSION%204%3ACORRUPTION/Siemens%20Case%20Study%20Presentation%20for%20Collective%20Action%20-%20ASOEE.pdf> [Accessed 3 May, 2026]

⁸⁴ Polly THOMPSON, Tell us if you've had an intimate relationship with a colleague, or you could get fired, oil giant warns staff, 2024, <https://www.businessinsider.com/bp-new-office-relationships-policy-bernard-looney-disclose-or-fired-2024-6>, [Accessed May 3, 2026]

be a conflict of interest. Previously, it was only necessary if they felt there was a conflict of interest.⁸⁵

The BP case highlights that conflict of interest is not limited to financial gain, personal interests can be just as damaging. We could draw a conclusion that transparency regarding personal associations is vital for maintaining the trust of the board and shareholders. The scandal is also demonstrated that even a CEO is not above the company's ethical code.

7.3.3. Gazprom scandal - State-corporate conflict and systemic nepotism

The interaction between Gazprom and Stroygazmontazh (SGM) presents a prime illustration of state capture and systemic conflict of interests through oligarch networks in Russia's energy sector. Arkady Rotenberg is one of the most important figures in Russia's executive structure and used his relationship with Gazprom's assets (construction) to create SGM in 2008.⁸⁶

Since March 2014, Rotenberg, or his companies, have received State contracts totalling over USD 7 billion.

In 2015, Rotenberg led the annual list of government contracts in terms of value, after being awarded contracts worth RUB 555 billion from the Russian Government. Many of these contracts were awarded without formal competitive processes. On 30 January 2015 Stroygazmontazh concluded a contract for the construction of the Kerch bridge from Russia to the illegally annexed Autonomous Republic of Crimea despite the firm having no prior experience in large-scale bridge construction.⁸⁷ Between 2015 and 2018, the total amount of money earned on Gazprom contractual orders via SGM and two partners was approximately \$20 billion, but these projects were not profitable to Gazprom shareholders.

Furthermore, the perceived partiality towards SGM and their firm participation in Crimea, which has been occupied by Russia, has resulted in a number of international sanction actions

⁸⁵ Polly THOMPSON, Tell us if you've had an intimate relationship with a colleague, or you could get fired, oil giant warns staff, 2024, <https://www.businessinsider.com/bp-new-office-relationships-policy-bernard-looney-disclose-or-fired-2024-6>, [Accessed May 3, 2026]

⁸⁶ NGO Report: Stroygazmontazh Corporation (SGM Group) <https://ngoreport.org/sanctions-database/stroygazmontazh-corporation-sgm-group/> [Accessed 3 May, 2026]

⁸⁷ <https://www.legislation.gov.uk/eudn/2017/1386/annexes/data.xht> [Accessed 3 May, 2026]; Opensanctions – Arkady Romanovich Rotenberg <https://www.opensanctions.org/entities/Q4398633/> [Accessed 3 May, 2026]

across the United States, European Union, and United Kingdom.⁸⁸ Western sources of financial support, insurance, and the supply of specialized equipment now have cut-off the funding available to SGM. Faced with these challenges and the need to consolidate state financial expenditures, Gazprom acquired complete ownership of SGM in 2019. SGM assets were combined with Gazstroyprom (GSP), which is designed to be a ‘mega-contractor’ that consolidates all strategic financial expenditures and hides them from international sanctions monitoring.

Although there was a formal shift to the new organisation, the pre-existing personal networks continued to have a major impact on leadership at GSP. For example, the chief financial officer (CFO) of SGM was also appointed to be in charge of all finance functions for GSP as its deputy chief executive officer (CEO), and other ex-subsidiaries’ CEOs were appointed to take on leadership positions at GSP. Thus, though there was a new legal shell for these companies, the personnel and potential for internal conflict of interest remained in place.

7.3.4. EDF and Enedis scandal - Favoritism in public procurement⁸⁹

The failure of the internal control system and institutional integrity at both EDF and Enedis is demonstrated by the widespread corruption scheme created by a logistics/procurement employee, who received nearly €400,000 in bribes from subcontractors. This shady environment included false invoicing, price gouging, and the fraudulent appropriation of corporate funds from backdoor companies.

The crisis began with the non-segregation of duties, lack of oversight in procurement processes, and a corporate culture that allowed subcontractor selection processes to bypass standard audits through opaqueness.

As a result of these issues, the French National Financial Prosecutor's Office (PNF) has initiated criminal proceedings for organised fraud and money laundering. The group faced considerable reputational harm as well as disciplinary actions taken against nine employees.

After the scandal, EDF redesigned its compliance system in accordance with the Sapin II law, which included establishing a whistleblowing application, increasing the number of audits of

⁸⁸ NGO Report: Stroygazmontazh Corporation (SGM Group) <https://ngoreport.org/sanctions-database/stroygazmontazh-corporation-sgm-group/> [Accessed 3 May, 2026]

⁸⁹ Valérie de SENNEVILLE, Dans les coulisses du vaste système de corruption d'un employé d'EDF, 2019 and updated in 2025 [Dans les coulisses du vaste système de corruption d'un employé d'EDF | Les Echos; Corruption et détournement chez Enedis : l'affaire rebondit chez EDF](#) [Accessed 3 May, 2026]

procurement, and developing a larger (anti-fraud) specialist staff to enforce a strict zero-tolerance policy.

7.4. Impact of the scandals on the compliance mechanisms for preventing the assessment of conflicts of interest

Corporate scandals are direct drivers behind regulatory reform according to empirical studies, with many voluntary ethical standards becoming mandates for compliance or regulation. Analyzing specific companies reveals the transformation from voluntary to mandatory compliance resulting from the scandals' immediate and drastic changes to each company's internal conflict-of-interest policies and compliance systems. The cases studied demonstrate the effects that significant external pressures or damage to an organisation's reputation can have on the restructuring of organisations' ethical codes.

- Siemens: In response to the crisis, Siemens completely overhauled its compliance organization: the legal and compliance departments were merged and a direct reporting line was established to the CEO. In addition, the company issued new global anti-corruption guidelines and a new compliance manual and provided anti-corruption and compliance training to more than 180,000 employees.⁹⁰
- BP p.l.c.: Following CEO Bernard Looney's 2023 dismissal for undisclosed relationships, BP eliminated subjective reporting, mandating total disclosure of intimate workplace relationships.⁹¹
- Gazprom: As a result of the scandal, Gazprom also amended its Code of Corporate Ethics to extend its scope to the members of the Board of Directors in order to ensure its market reliability and the trust of its partners. The amendment also included a special provision expressly aimed at identifying and preventing conflicts of interest between board members. The company has also taken steps to extend ethical requirements to the

⁹⁰ Statement of Siemens Aktiengesellschaft: Investigation and Summary of Findings with respect to the Proceedings in Munich and the US, 2008, Page 23-24. <https://assets.new.siemens.com/siemens/assets/api/uuid:bb60b225-3c23-4343-8fd0-131bff2f8529/summary-e.pdf> [Accessed 3 May, 2026]

⁹¹ BP International Ltd., Policy Conflicts of Interest, 2024, Page 3., [https://www.bp.com/content/dam/bp/country-sites/pt_br/brazil/home/pdfs-etica/bp%20policy%20-%20conflicts%20of%20interest%20\(3%20June%202024\).pdf](https://www.bp.com/content/dam/bp/country-sites/pt_br/brazil/home/pdfs-etica/bp%20policy%20-%20conflicts%20of%20interest%20(3%20June%202024).pdf) [Accessed 3 May, 2026]

boards of directors of its subsidiaries, and starting in 2019, it will include a clause in its contracts requiring its counterparties to comply with the Code of Ethics.⁹²

- EDF: Although the implementation of new internal rules was also forced by the 2016 Sapin II law, which was implemented after the procurement scandal that also affected the company, EDF has completely overhauled its compliance system and introduced an Ethics and Compliance Code of Conduct.⁹³ The internal code, published in 2017 and updated in 2021 and 2023, defines 11 key risk topics, with a special focus on conflicts of interest, integrity of business relationships and acceptance of gifts. The management of conflicts of interest is also supported by a whistleblowing system, which was introduced after the scandal and has since been modernized.⁹⁴

7.5. Best practices in compliance programs and internal controls

While the aforementioned regulations are accessible to everyone, this is not the case for the internal regulations, which provide the framework for public principles and imbue them with substance. As these internal regulations constitute trade secrets, I am unable to analyze them individually. Therefore, this chapter presents only the best practices for how a sufficiently flexible and properly enforced corporate governance framework—firmly rooted in regulatory foundations—records and manages activities and tasks related to conflicts of interest.

The analysis utilized international guidelines and standards as benchmarks, particularly the U.S. Department of Justice (DoJ) 2024 updated Evaluation of Corporate Compliance Programs (ECCP) guidance⁹⁵ and OECD recommendations⁹⁶.

⁹² Gazprom, Our Governance, 1.3. Values, Standards, and Norms of Behaviour, Corporate Ethics <https://sustainability.gazpromreport.ru/en/2019/1-our-governance/13-values-standards-and-norms-of-behaviour/> [Accessed 3 May, 2026]

⁹³ ⁹³ Valérie de SENNEVILLE, Dans les coulisses du vaste système de corruption d'un employé d'EDF, 2019 and updated in 2025 [Dans les coulisses du vaste système de corruption d'un employé d'EDF | Les Echos; Corruption et détournement chez Enedis : l'affaire rebondit chez EDF](#) [Accessed 3 May, 2026]

⁹⁴ EDF Groupe, Preventing the risk of corruption, <https://www.edf.fr/en/the-edf-group/our-commitments/ethics-compliance/ethics-compliance-policy/preventing-the-risk-of-corruption> [Accessed 3 May, 2026]

⁹⁵ U.S. Department of Justice Criminal Division, Evaluation of Corporate Compliance Programs (Updated September 2024); <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl> [Accessed 3 May, 2026]

⁹⁶ OECD, Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, Annex II: Good Practice Guidance on Internal Controls, Ethics and

7.5.1. Risk assessment as the foundation of the control system

The foundation of every effective compliance program - alongside the commitment of top management - is continuous and structured risk assessment. International practice demonstrates that conflict-of-interest rules alone create only 'paper programs' if they are not built upon a current risk profile. According to the DoJ's 2024 updated guidance, prosecutors examine whether the methodology employed by the company is suitable for the proper identification and prioritization of risks, whether the company's risk assessment is proactive or reactive, and whether the results of the assessment directly influence the allocation of resources and the development of training plan.⁹⁷

Based on the recommendations of the DoJ⁹⁸ and the OECD⁹⁹, during the establishment of a risk management system related to conflicts of interest – and its continuous monitoring – the following subjects should be examined : the location of its operations, the industry sector, the competitiveness of the market, the regulatory landscape, potential clients and business partners, transactions with foreign governments, foreign bribery risks facing the company, use of third parties, gifts, travel, and entertainment expenses, and charitable and political donations, the used technology.

Conflict-of-interest risks are not static; changes in the economic environment, the introduction of new technologies—such as artificial intelligence—or geographical expansion as external risk factors all modify the organization's vulnerability. This also holds true in reverse: the risk associated with a specific area must be re-evaluated following the implementation of a risk-mitigation measure, such as a newly introduced internal training. If the measure proves effective, the probability of the risk may be reduced. Therefore, the periodic review should not

Compliance; OECD/LEGAL/0378, 2009 (amended on: 2021), <https://legalinstruments.oecd.org/en/instruments/oecd-legal-0378> [Accessed 3 May, 2026]

⁹⁷ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 3. and 5., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=> [Accessed 3 May, 2026]

⁹⁸ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Pages 2-3., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=> [Accessed 3 May, 2026]

⁹⁹ OECD, Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, Annex II: Good Practice Guidance on Internal Controls, Ethics and Compliance; OECD/LEGAL/0378, 2009 (amended on: 2021), [OECD Legal Instruments](https://legalinstruments.oecd.org/en/instruments/oecd-legal-0378) [Accessed 3 May, 2026]

limited to a 'snapshot' in time, rather than based upon continuous access to operational data and information across functions.¹⁰⁰

In an ideal corporate governance system, risk assessment is therefore not a one-time annual event, but a continuous monitoring activity based on continuous data access and operational information. This approach allows the company to proactively and continuously identify points where private interests and professional obligations may collide, whether in procurement, HR processes, or research and development.

7.5.2. Conflict of Interest Training

Training programs represent one of the most common and effective methods for mitigating risks associated with conflicts of interest. However, the methodology behind conducting these sessions is of critical importance. Before designing a training program, four fundamental questions must be addressed: Who is responsible for providing the training requirements? How will training be completed? How often will the training occur? What will the content of the training be? To answer these questions effectively, it is important to have been trained in the following areas.

It is vital that training materials be created for different jobs according to the identified level of risk. Employees in procurement, finance and senior leadership will need significantly different and larger amounts of training than others since their job decisions can affect the company's financials most directly.¹⁰¹

While there are many ways to provide training, the method selected to provide training may vary from the risk classification of the group. It is critical to present the training material in plain, accessible terms so that all employees can understand it, particularly for those employees who typically do not work regularly with complex technical/professional written materials. Training can be provided in an online (web-based), offline (in person) or hybrid training format (a combination of online and offline), and training can also be delivered either individually or as a group. Regardless of the method of delivery, the company should provide a rationale for

¹⁰⁰ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 3., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=>
[Accessed 3 May, 2026]

¹⁰¹ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 5., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=>
[Accessed 3 May, 2026]

their choice of training delivery method. Employees should have the ability to ask clarifying questions pertaining to the training, and the company should measure employees' understanding of the training material after they complete the training session.¹⁰² It is suggested that training modules contain direct links or a means of completing conflict of interest disclosure forms and/or reporting possible suspicious activity so that employees can convert their awareness into action immediately after completing their training. In addition, the company should determine how much of an impact the training has had on either employee behaviour or the company's operations.

It is recommended that employees understand the rules and regulations that apply to them and their work responsibilities at the beginning of their employment; therefore, conflict of interest training should occur during the onboarding phase. Follow up training should occur at least once each year. If the risk management activities require it, ad hoc or individual training sessions may be developed.

The key content of conflict-of-interest training also addresses one of the key issues regarding the recognition gap. The problem occurs when an employee violates a rule, but does not do so in *mala fides*; they simply were unable to adequately identify or interpret the situation as being a violation. Because of this, compliance programs should consider their training efforts as being more than simply conveying information, but instead as a tool to change the way people behave in their role.

In contrast to a static, rules-based approach to training, which provides only a framework of rules, an effective training program will use realistic training scenarios to simulate real situations. The need for this type of training comes from cognitive psychology, specifically, the differences between the automatic and controlled processing of human information. Individuals often engage in rapid automatic processes that have developed from years of socialization. Performance of self-interests and support of one's affiliations stimulates rapid automatic thinking that is deeply embedded in all humans. Ethical dilemmas require individuals to make a controlled decision, which is a very resource-consuming and time-consuming process. Most e-learning systems today fail because generic e-learning systems target the rational/controlled reasoning process whereas the 'recognition gap' and bias are the result of (and operate using) non-conscious/automatic processing. So, the Situational Scenarios should involve "Grey Zone"

¹⁰² U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 5., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=>
[Accessed 3 May, 2026]

cases that appear to be just normal business decisions or gestures of goodwill initially but have substantial risks related to integrity. The training will help retrain the automatic responses with priming and experience-based learning so that ethical compliance becomes the default behaviour and no longer requires a cognitive effort to implement.¹⁰³ An example would be a supplier providing hospitality or a familial connection in the supply chain, with a timing-based gap being the component that would create the issue versus the value of such hospitality. This is assuming that the timeline of the gift is during the active tendering process.¹⁰⁴

Aside from the above considerations of implementing training on a practical level, the effectiveness of training is dependent on both the learning experience and the organisational culture of an organisation. Both the OECD and the Department of Justice have issued guidelines emphasising that senior management's commitment to training (often referred to as 'the tone at the top' or 'the conduct at the top') is a key factor in determining the success of implementation.¹⁰⁵

As a leader, when you are held accountable for your own actions and decisions through both your own behaviour (by setting an example) and openness in how you collaborate with others, the result will be greater trust among your employees that they will be listened to if they report grievances (or "speak-up"). The corporate communication strategy must ensure that making conflict of interest disclosures is perceived not as a form of accusation or an administrative burden, but as a routine element of business ethics within the organization.

7.5.3. Best practices for compliance investigations and procedural standards

When a suspicion of a potential conflict of interest arises, the investigation must be methodologically sound, independent, and thoroughly documented. A fundamental requirement

¹⁰³ Voicu D. DRAGOMIR: Conflicts of interest in business: A review of the concept. *Accounting and Management Information Systems*, Vol. 16, No. 4, 2017, Pages 485, 487., <http://dx.doi.org/10.24818/jamis.2017.04003> [Accessed 3 May, 2026]

¹⁰⁴ Xcelus, Scenario-based compliance training, Conflicts of Interest Scenarios, [Conflicts of Interest Compliance Training Scenarios - Xcelus](#) [Accessed 3 May, 2026]

¹⁰⁵ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 11., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=>; OECD, Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions, Annex II: Good Practice Guidance on Internal Controls, Ethics and Compliance; OECD/LEGAL/0378, 2009 (amended on: 2021), <https://legalinstruments.oecd.org/en/instruments/oecd-legal-0378>, Page 21. [Accessed 3 May, 2026]

of the procedure is transparency; through effective communication, it must instill and maintain trust among all participants involved in the process.¹⁰⁶ In its publication titled *An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide*¹⁰⁷, the UNODC has published an Anti-Corruption Ethics and Compliance Programme for Business, so that companies can develop confidence in their employees and promote reporting of misconduct; businesses should promote the establishment of a credible professional internal investigation process. Three main phases are conducive to this professional internal investigation process; these include: Preliminary Assessment, Investigation, and Closing (or Resolution).¹⁰⁸

Incoming reports—whether originating from whistleblowing disclosures or automated monitoring alerts—must be systematically recorded and analyzed. Upon receiving a report of a potential violation, the company must provide the whistleblower with a timely response, acknowledging receipt of the report in writing. If the whistleblower requested anonymity, the persons conducting the procedure must act accordingly at this stage of the procedure as well. Subsequently, a preliminary assessment must be conducted. During this preliminary assessment, the primary objectives are to determine: whether the report was made in good faith; whether it is relevant (i.e., falls within the scope of the ethics reporting program); whether the compliance function has the jurisdiction to address the subject matter; whether there is a need for urgent intervention (for instance, to prevent data exfiltration or financial loss); and which person or unit is best suited to conduct the investigation. Simultaneously with the receipt of the report, the necessity of ensuring data protection compliance (GDPR) arises immediately.¹⁰⁹ At this stage, it is indispensable to verify the absence of any conflict of interest on the part of the

¹⁰⁶ UNODC, *An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide*, United Nations, 2026., Page 62.; [An Anti-Corruption Ethics and Compliance Programme for Business- A Practical Guide.pdf](#) [Accessed 3 May, 2026]

¹⁰⁷ United Nations Office on Drugs and Crime (UNODC), *An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide*, United Nations, 2026. [An Anti-Corruption Ethics and Compliance Programme for Business- A Practical Guide.pdf](#) [Accessed 3 May, 2026]

¹⁰⁸ UNODC, *An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide*, United Nations, 2026., Page 61-62. [An Anti-Corruption Ethics and Compliance Programme for Business- A Practical Guide.pdf](#) [Accessed 3 May, 2026]

¹⁰⁹ UNODC, *An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide*, United Nations, 2026., Page 62.; [An Anti-Corruption Ethics and Compliance Programme for Business- A Practical Guide.pdf](#) [Accessed 3 May, 2026]

investigator as well; no internal auditor or investigator may conduct an inquiry in a field or against a person to whom they are connected by professional or personal ties.

If, following the preliminary assessment, a decision is made to initiate proceedings, the evidentiary phase of the investigation commences with the collection of evidence. Within the boundaries of the law, the methods for gathering evidence encompass a wide spectrum. Evidence may include any lawfully obtained document, email, or internal memorandum available to the company, as well as personal interviews. Although these interviews are similar to witness testimonies, they cannot be treated in an identical manner, as the process is an internal corporate procedure. Consequently, under Hungarian law, the criminal offense of perjury cannot be committed due to the absence of its statutory elements, as the personal interview is not conducted before an official authority. At the same time, if a breach of the duty of cooperation is established in the case of the interviewed employee, they must bear the resulting labor law consequences. In modern compliance systems, investigators must be granted access to corporate resources—such as emails and financial software—while strictly adhering to data protection and labor law regulations.¹¹⁰

The purpose of the interviews is to ask the interviewee open-ended questions without bias or leading them toward a particular answer, and to try and accomplish three things:

- Find out how long the interviewee has known the person in question, and the nature of their relationship,
- Find out what influence the subject has over decisions made by other parties,
- Identify who (or what) the subject of the report is according to the interviewee,
- when the subject's actions occurred, and where,
- Whether any other respectable witnesses exist and if they can provide evidence relative to the matter,
- Whether the interviewee has any type of evidence related to the investigative matter that could be provided for consideration during the investigation,
- Whether the conduct was intentional or resulted from a lack of awareness of the regulations,

¹¹⁰ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 13., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=> [Accessed 3 May, 2026]

- Which control mechanisms were circumvented during the incident.¹¹¹

In addition to the considerations mentioned previously, there is no substitute for the consideration of case-specific questions pertaining to the specifics of the investigation. The goal is to create the most substantive factual context possible so that each finding can be evaluated individually and as a whole. In this phase of evaluation, investigators need to be highly aware of the psychological realities of bias. Research has demonstrated that professionals held accountable to a partisan client or principal experience a comparatively larger influence on their independent judgment from this relational affiliation than from any direct financial incentive for objectivity. Moreover, individuals frequently have an inaccurate sense of the extent of their own bias and sincerely believe that their subjective evaluation is neutral. Therefore, investigators should look for clear evidence of willful financial corruption; however, the subject of the investigation may not be aware of how their relationship with the subject may have influenced their decision-making process.¹¹²

The procedure must be conducted and concluded in a timely manner—typically within an investigation period of 30 to 60 days, but not later than 90 days as stated in EU Whistleblowing Directive (2019/1937)—although this timeframe may vary depending on the complexity of the underlying facts, the number of individuals to be interviewed, and the volume of evidence to be procured. Should the personal interview of a person outside the company be necessary, they—unlike employees—are under no obligation to cooperate.

Consequently, it can be stated that if an investigation cannot be completed within the deadline due to a lack of capacity on the part of the investigators, the involvement of additional resources or the introduction of automated processes is required to ensure timely decision-making.¹¹³

The process concludes after completing the evidence phase of the investigation. The final product of the investigation is the production of an investigation report, and it includes a full summary of the results of the investigation and all evidence collected. Typically, this report will

¹¹¹ Deb MULLER, 35 Essential Questions to Ask During an Employee Investigation, 2025, <https://www.hracity.com/blog/best-practices-questions-for-complainants-in-a-workplace-investigation/>; [Accessed 3 May, 2026]

¹¹² Don A. MOORE, Lloyd TANLU and Max H. BAZERMAN: Conflict of interest and the intrusion of bias. *Judgment and Decision Making*, Volume 5, Issue 1, February 2010, Cambridge University Press, 2023, Pages 46-47. <https://doi.org/10.1017/S1930297500002023> [Accessed 3 May, 2026]

¹¹³ UNODC, An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide, United Nations, 2026., Page 63.; https://businessintegrity.unodc.org/bip/uploads/documents/resources/An_Anti-Corruption_Ethics_and_Compliance_Programme_for_Business- A_Practical_Guide.pdf [Accessed 3 May, 2026]

be sent to either the employee or employee body exercising any employer right (the ‘employer’s representative’) to be evaluated by a decision maker who will then determine if there has been a breach of the conflict of interest policy.¹¹⁴As part of this assessment, we can either come to a decision to take no further action due to no violation established, or we may require that the employer or employee perform certain actions to correct an action that has been violated. All corrective measures taken are intended to provide accountability and preserve the integrity of the company in the future.

After conducting a root cause analysis and determining how severe the issue is, the employer can put into place a number of different measures. These can include; punishing any misconduct, as well as reducing future exposures to risk and restoring the integrity of the organisation. The possible actions to take include:

- Correctional and Educational Measures: For minor or unintentional ‘recognition gap’ cases, the company may mandate additional, dedicated training for the employee involved to ensure future compliance and awareness.
- Operational Restrictions: To prevent immediate bias, the employer may order the exclusion from procurement or the formal recusal of the employee from specific decision-making processes.
- Informal and Performance-Based Sanctions: Depending on the internal policy, the line manager may issue a verbal reprimand or reflect the breach through a lower performance rating, which may impact future career progression.
- Formal Disciplinary Actions: As the severity increases, the company may issue written or formal reprimands (e.g., warning letters). In cases where a structural conflict persists, a lateral organizational transfer to an equivalent position within a different unit or a formal suspension from duties may be necessary.
- Financial or Status Penalties: Serious breach of your terms may lead to your demotion, or reduced financial rewards (including no or low bonus) for you to receive. In some jurisdictions, they can reduce your salary to reflect your performance; however, it is subject to local laws and the employment contract. If one do not get paid due to this

¹¹⁴ UNODC, An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide, United Nations, 2026., Page 66.; https://businessintegrity.unodc.org/bip/uploads/documents/resources/An_Anti-Corruption_Ethics_and_Compliance_Programme_for_Business- A_Practical_Guide.pdf [Accessed 3 May, 2026]

breach and the company has lost revenue from the error(s), the company can request reimbursement for the loss from his/her salary.

- Termination for Misconduct: The most serious and final measure that will be taken to protect the interest of the company is to terminate an employee's contract either with or without notice, due to serious or ongoing misconduct or Intentional acts of misconduct.¹¹⁵

The primary obligation of the employee is the elimination of the conflict-of-interest situation. Depending on the nature of the conflict, this may include divesting financial interests in a competitor or supplier, resigning from a secondary position or outside directorship, terminating a professional relationship with a family member or close associate involved in the same business chain.

Consistent with Step 3 of the UNODC framework¹¹⁶, the conclusion of an investigation is not merely about punishment. Identifying specific reasons for the incident, including systemic issues, inadequate training or gaps in internal controls, should be done. The company should recommend ways to resolve the situation, including policy changes and implementation of automated monitoring, to eliminate the issue of 'recognition gaps' and prevent future occurrences. To conclude with respect to investigations of conflicts of interest, it is important to note that such investigations can be conducted not only at the employee level but also through other commercial entities operating with the relevant contractual clauses between them and employee or business owner partners who have consented to those clauses.

Therefore, it is recommended to incorporate specific anti-corruption, conflict of interest prevention or audit clauses into agreements. Furthermore, companies should require their partners to formally accept the corporate Code of Conduct, the Business Partner Code of Ethics,

¹¹⁵ UNODC, An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide, United Nations, 2026., Page 65.; https://businessintegrity.unodc.org/bip/uploads/documents/resources/An_Anti-Corruption_Ethics_and_Compliance_Programme_for_Business- A_Practical_Guide.pdf [Accessed 3 May, 2026]

¹¹⁶ UNODC, An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide, United Nations, 2026., Page 66.; https://businessintegrity.unodc.org/bip/uploads/documents/resources/An_Anti-Corruption_Ethics_and_Compliance_Programme_for_Business- A_Practical_Guide.pdf [Accessed 3 May, 2026]

and, where applicable, the obligation to participate in designated training programs or to provide the opportunity for auditing.¹¹⁷

7.5.4. Indicators and Red Flags for Compliance Investigations

The framework for corporate governance should contain an internal control system that will generate an automatic alert when a predetermined anomaly occurs within the organization. The ICC (International Criminal Court) asserts that any occurrence or combination of events which raises the possibility that corruption may occur can be classified as a ‘red flag’ for corruption.¹¹⁸ Suspicious financial transactions, documentary inconsistencies, unusual employee behavior and conflicts within organizations are examples of ‘red flags’.¹¹⁹ ‘Red flags’ can be grouped into behavioral, organizational, financial and business categories.¹²⁰ This classification of ‘red flags’ provides a basis for internal auditors to classify different types of anomalies in an organized manner.¹²¹ According to the ICC's methodology, ‘red flags’ should not be regarded as conclusive evidence in their own right, but rather as indicators that delineate the direction of inquiry, which must subsequently be corroborated or refuted by direct evidence.¹²² In the

¹¹⁷ UNODC, *An Anti-corruption Ethics and Compliance Programme for Business: A Practical Guide*, United Nations, 2026., Page 70.; https://businessintegrity.unodc.org/bip/uploads/documents/resources/An_Anti-Corruption_Ethics_and_Compliance_Programme_for_Business- A_Practical_Guide.pdf [Accessed 3 May, 2026]

¹¹⁸ International Criminal Court (ICC), *Commission Document on Red Flags or Other Indicators of Corruption in International Arbitration*, Offprint from ICC Dispute Resolution Bulletin, 2024, Page 36. https://iccwbo.org/wp-content/uploads/sites/3/2024/12/2024-ICC-Red-Flags-or-Other-Indicators-of-Corruption_ICC-DRS-Bulletin.pdf [Accessed 3 May, 2026]

¹¹⁹ Kimia AKRAMI, Habibollah NAKHAEI, and Mahmoud. Lari DASHTBAYAZ, *Identification and Classification of Money Laundering Red Flags in the Internal Audit Process: A Role- and Conflict- Based Approach*, *Business, Marketing, and Finance Open*, 3(2), Page 1.

¹²⁰ Occupational Fraud Series, Part 3 of 3: Financial Statement Fraud <https://www.eisneramper.com/insights/risk-compliance/financial-fraud-rt-blog-1118/> [Accessed 3 May, 2026]

¹²¹ Kimia AKRAMI, Habibollah NAKHAEI, and Mahmoud. Lari DASHTBAYAZ, *Identification and Classification of Money Laundering Red Flags in the Internal Audit Process: A Role- and Conflict- Based Approach*, *Business, Marketing, and Finance Open*, 3(2), Page 1.

¹²² ICC Commission Document on Red Flags or Other Indicators of Corruption in International Arbitration, Offprint from ICC Dispute Resolution Bulletin, 2024, Page 36. https://iccwbo.org/wp-content/uploads/sites/3/2024/12/2024-ICC-Red-Flags-or-Other-Indicators-of-Corruption_ICC-DRS-Bulletin.pdf [Accessed 3 May, 2026]

context of conflicts of interest, financial and behavioral red flags are particularly prominent. Drawing upon the U.S. Department of War Office of Inspector General, *Fraud Detection Resources for Auditors* and the U.S. Department of Justice Criminal Division's *Evaluation of Corporate Compliance Programs*, the following key examples may be highlighted:

- Matching data between vendor master files and employee records (e.g., a vendor's address, phone number, or bank account number matches that of an employee),
- Payments significantly deviating from market prices,
- Payments stemming from consultancy contracts supported by inadequate or incomplete documentation,
- Unusually high-volume orders originating from a single source,
- Contracts awarded to a vendor without competitive bidding (sole-source contracting) lacking sufficient economic justification,
- Frequent contracting just below approval thresholds (split purchasing) or regular payments to a vendor below the approval limit,
- Resistance toward internal auditors during the audit process,
- Maintaining close personal relationships with vendors,
- Failure to take leave (vacation) in order to conceal mechanisms used to circumvent internal controls,
- An employee living a lifestyle beyond their known means,
- Secondary employment in the same sector or holding a financial interest in a potential competitor,
- Unusual aggression, suspicion, or hostility regarding routine audits,
- Keen interest of an employee in a particular vendor,
- Unexplained or unusual favoritism toward a particular contractor,
- Poor or incomplete performance where the contractor nonetheless continues to receive payments, additional contracts, and positive performance ratings,
- Complaints from unsuccessful bidders that a particular bidder is being favored over others,
- Discrepancies between quality assurance progress reports and contractor invoices (e.g., reports indicate greater progress than actually achieved),
- Inadequate documentation of contract violations by personnel responsible for contracting,
- Payment of unjustified high prices,
- Purchase of unnecessary or inappropriate goods or services,

- Procurement officials failing to file conflict of interest or financial disclosure forms,
- Lack of segregation of duties, ensuring a single employee is not responsible for the initiation of a requirement, the award of a contract, and the receipt/inspection of supplies and services,
- Continued acceptance of high-priced, yet low-quality work,
- Management override of established internal controls,
- Lack of transparency at decision-making levels,
- Business decisions lacking sound economic or professional justification,
- Restricted access for the compliance function to operational data,
- Resistance from senior management during internal or external audits.¹²³

7.5.5. Operation of the Whistleblowing System

Brief mention must also be made of the whistleblowing system, as it represents the most effective tool for detecting conflicts of interest, alongside initial (onboarding) and at least annual employee disclosures.

To have an efficient operating system, there must be confidence in the integrity of the system from both employees and external partners. Directive (EU) 2019/1937 of the European Union has created a strong framework on how these systems should operate, which has also been put into national law.

The Directive requires all legal entities with more than 50 employees to set up an internal reporting mechanism that keeps the identity of the whistleblower confidential. The reporting mechanism will be available not only to employees but also to suppliers, consultants and former employees. Companies which are obligated to provide an internal reporting mechanism must also provide comprehensive information and detailed instructions regarding how to report on its official website.

For this system to work successfully, it is required that a person of impartiality and competence assesses the reported red flag within defined timeframes using a safe communication channel such as email, telephone, via in-person or written reports. To report an incident of wrongdoing,

¹²³ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 11., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=>; U.S. Department of War Office of Inspector General, Fraud Detection Resources for Auditors, Fraud Red Flags and Indicators, Conflict of Interest, <https://www.dodig.mil/Resources/Fraud-Detection-Resources/Fraud-Red-Flags/> [Accessed 3 May, 2026]

potential whistleblowers require assurance that they will not incur a penalty or other work-related consequences, such as dismissal, demotion, discrimination or otherwise being penalized for doing so. Companies that can demonstrate that they have disciplined individuals who have attempted to silence or undermine whistleblowers will be viewed favorably by DoJ prosecutors.¹²⁴ Without assurances of safety, organizations without a functioning whistleblowing process, irrespective of the types of software used in their compliance program, will still lack an effective compliance program.

7.5.6. Technological Development

In the last 10 years, the role of compliance within an organization has changed dramatically. The compliance role should evolve from a passive reactive function (checking things after the fact) to being an active participant in the organization's overall internal controls and in the Corporate compliance program. The ideal compliance program includes an automated platform to manage conflict of interest disclosures (in line with data security and data management principles). These systems also allow compliance personnel to check (cross reference) the outside business interests of employees against the company's vendor records. AI-based analytics can not only more rapidly prepare the information required for decision-making in typical conflict of interest cases but can also assist in identifying patterns within procurement processes that would otherwise remain imperceptible to the human eye (for example, the subtle fine-tuning of tender specifications to favor a specific bidder).

7.5.7. Continuous monitoring

As previously noted in the preceding chapters, the ultimate test of a compliance program's effectiveness lies in continuous self-reflection and monitoring. The internal auditing process and the use of compliance as part of risk assessment and management require periodic reviews to ensure that lessons learned from previous incidents are being used to modify controls and training materials, thus improving compliance performance. The essence of a compliance

¹²⁴ U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated September 2024), Page 7., <https://www.justice.gov/criminal/criminal-fraud/page/file/937501/dl?inline=> [Accessed 3 May, 2026]

program is for businesses to prove that their compliance program both exists on paper and is applied to the everyday operations of the business.

7.5.8. Summary of the compliance programs and internal controls

Compliance programs and internal control analyses indicate that managing conflicts of interest is not only administrative, it is also central to contemporary risk management for companies. Some of the key features are: a commitment by senior management; an appropriate risk assessment that is specific to the company's situation; implementation of assessments through practical, currently relevant training; investigations undertaken by qualified persons using methodological protocols; a whistle blower programme that operates in a culture of trust and is compliant with law; a growing number of companies using technology that complies with data security principles; and on-going monitoring of all aspects mentioned above.

Thus, the process for identifying and managing conflicts of interest goes beyond just receiving the conflict disclosures; the true value is derived from rapid analysis of the disclosed information, increased transparency, and continued assurance of the integrity of the organization. A flexible, properly enforced framework protects the organization against legal action and increases the organization's market value and fosters trust among stakeholders.

8. Evaluation and recommendations

8.1. Effectiveness of current legal frameworks

There is a fragmented system for regulating conflicts of interest at the national and international levels. The international community, especially with the OECD and UN, has been moving towards a risk-based and preventive method of addressing conflicts of interest, while legislation in many countries is more reactive and punitive. One key observation is that, within Hungary's legal system there is no overarching, dogmatic definition of what constitutes a conflict of interest; the term is used throughout multiple areas of law, including aspects of the Labor Code and Civil Code. In this respect, Germany's organized national system is at odds with the European Union's attempts to establish a more unified system to monitor and address these types of issues within the EU's jurisdictions, specifically through its Financial Regulations. To illustrate, the EU has established a comprehensive horizontal definition for use in budgeting that emphasizes maintaining the integrity of institutions and preventing risks before they occur

rather than relying on prohibitive or punitive measures, as is common in the majority of countries.

The United States' 'prohibitive fact-specific' system of legal certainty, such as 18 U.S.C. § 208, contrasts with both the European and Hungarian models and reveals a large gap regarding how closely these various systems of law connect to each other, as well as to what the primary means of legal use and application will be when those means do not contain substantial criminal nexus points.

European and Hungarian models will utilize mainly broad 'general clauses' that will require considerable amounts of reference to be interpreted. Currently, both types of models are not functioning optimally due to the recognition gap caused by the high degree of complexity in the existing corresponding frameworks, making it difficult for officials to identify potential conflicts, and by the administrative burden of universal disclosure requirements culminating in such activities as are now necessary under the Sarbanes-Oxley Act.

Even the most stringent forms of response provided either in the existing models or in future legislation assume that anything having to do with bias must originate from a premeditated conscious decision made by the actor(s), and that such premeditated actions can be deterred through legal penalties.

However, because the selective accessibility of evidence and partisan perspectives operate largely outside of conscious awareness, the threat of distant and probabilistic legal punishments is frequently overwhelmed by the immediate, psychologically compelling influence of professional roles and client relationships. This phenomenon of 'bounded ethicality' means that professionals routinely engage in actions that observers deem unethical without ever intending to do so.¹²⁵ Therefore, simply increasing criminal penalties or demanding that professionals 'choose objectivity' is an inadequate regulatory response to the profound psychological challenges of conflicts of interest. While regulations increasingly mandate transparency, the focus often remains on formal compliance rather than substantive ethical decision-making.

8.2. Evaluation of corporate practices

¹²⁵ Don A. MOORE, Lloyd TANLU and Max H. BAZERMAN: Conflict of interest and the intrusion of bias. *Judgment and Decision Making*, Volume 5, Issue 1, February 2010, Cambridge University Press, 2023, Pages 48., 49. <https://doi.org/10.1017/S1930297500002023> [Accessed 3 May, 2026]

Upon a closer examination of corporate conduct, it is apparent that effective systems of compliance depend on more than just having defined rules. They also require the actual enforcement of those rules as well as a set of cultural values that pervade the organisation itself. The infamous corruption cases involving companies such as Siemens SA and EDF S.A. show the potential hazards of relying solely on ‘paper programs’ for developing a strong ethical culture because the effectiveness of any paper program is solely reliant upon there being an ethical commitment to that paper program by an organization’s senior management (the ‘tone at the top’).

Moreover, these companies’ internal control weaknesses are exacerbated by a general lack of transparency; for example, while companies such as MOL have provided valuable examples of how to establish a positive ethical culture through their publication of ethics statistics, the vast majority of companies continue to treat their internal investigations into potential conflicts of interest as proprietary and confidential trade secrets, which detracts from the deterrent effect of disciplinary action taken by employers.

There is an urgent need for transparency right now due to not just past deficiencies but also due to they’re an ongoing situation that will require transparency. The addition of AI into the decision-making process creates additional opportunities for bias and unfairness and the current policies that companies have in place (especially Siemens) don't account for these changes.

In addition to these technological risks of human factors remain an extremely important source of risk that needs to be managed adequately. The BP example has shown us that personal relationship conflicts (i.e., usually not disclosed) fall into the category of managing conflict of interest as one of the most difficult-to-manage and most volatile types of conflict. As a result, it will be necessary to shift our thinking and establish a greater emphasis on having mandatory full/complete disclosure of all professional and loving ties rather than asking managers to apply their subjective judgement.

8.3. Recommendations for legislators

Drawing upon international benchmarks such as the OECD 2026 Outlook and the UNCAC, several critical legislative improvements are proposed to strengthen the regulatory framework. The first step in harmonizing definitions requires the development of a general, dogmatic definition of conflict of interest for Hungary's legal system that applies uniformly to actual, potential, and apparent conflicts of interest at the public and private levels.

After creating the conceptual baseline to support its practical application through improved monitoring capabilities, there is a need for oversight authorities to be empowered through digitalized, risk-based auditing tools that will allow them to automatically validate asset and interest declarations. This will require a movement away from an excessive reliance on manual, formalistic verification processes to using more effective measures of final validation.

Nevertheless, technology by itself cannot identify all the abuse; it certainly requires there to be a culture where people feel safe and encouraged to report on those abuses. Thus, the transposition at the national level of the EU Whistleblowing Directive (2019/1937) will also be required to establish strong protections for whistleblowers against retaliation because the threat posed to a whistleblower from the action(s) taken against him/her remains the most significant impediment to uncovering a hidden matter(s).

The general horizontal reform should be supported with specific sectoral standards - such as requiring state-owned enterprises to create conflict of interest guidelines - in order to address their unique dual roles of serving as both market participants as well as public service providers while meeting higher ethical standards, similar to that of MVM.

8.4. Recommendations for corporations

To bridge the gap between regulatory expectations and everyday corporate practice, organizations must adopt a dynamic, integrated compliance framework.

This critical change is initiated at the beginning of the employment lifecycle, requiring universal conflict of interest disclosures at the time of recruiting, or at the very latest, at the beginning of an employee's first day. Equally important, these initial disclosures must be assessed on an ongoing basis during the probationary period to allow for immediate action or termination of employment when a significant and sustained conflict is identified.

For businesses that need to effectively manage the endless stream of data they receive continually, it is no longer an option to rely on the traditional manual approach to reviewing records. Automated risk catalogs are a technological advancement that enables compliance professionals to spend their time and effort reviewing only high-risk 'grey zone' cases by comparison of vendor master files and outside business registries against employee disclosures. While technology is important, they also need rethinking about how they provide all of their uniformed training. Corporations can do not use e-learning generic to develop situational and role-specific training addressing specific risks businesses face in each respective industry (e.g.,

providing gifts to competitors when those competitors are bidding, facilitating former Government-officials returning to private sector employment).

When potential violations are detected, establishing standardized evaluation timelines—such as instituting a clear 30-day initial assessment that can be extended to 60 or 90 days—guarantees that conflicts are resolved before they can cause financial or reputational harm.

All these operational procedures can be strengthened by internalizing the OECD Annex II guidelines and adopting and applying the 16-point good practice guide or using the Annex 2: Sample Compliance Assessment Checklist of the Anti-Corruption Ethics and Compliance Handbook for Business published by the OECD, UNODC, and World Bank in 2013.¹²⁶

Finally, provided that sufficient organizational resources are available, it is highly recommended to formally implement and undergo third-party auditing for the ISO 37001 anti-bribery management systems standard. Through obtaining globally recognized certification for the internal controls, a company demonstrates that their internal control system is sound, as well as providing a strategic asset to improve the company's overall market reputation and stakeholder confidence.

9. Conclusion

9.1. Summary of findings and answers to research questions

This research project's main aim has been to present an overall view of conflict of interest regulations and assess how well national and international compliance rules have been applied. This study will achieve this goal through careful examination of individual elements: the theoretical framework for creating laws; the actual country-specific legal framework applicable to your country; and enough corporation's case studies to give you an insight into how companies may be impacted by such regulations. Therefore, these conclusions represent reasonable responses to the Introduction Section's original proposed questions.

The basis of my research question is to define what is meant by a 'conflict of interest.' The results of my study show me that there is considerable confusion on how to create a dogmatically consistent definition because of the fluid, context-dependent nature of this

¹²⁶ OECD – UNODC – World Bank, Anti-Corruption Ethics and Compliance Handbook for Business, OECD – UNODC – World Bank 2013, https://www.oecd.org/content/dam/oecd/en/publications/reports/2013/01/anti-corruption-ethics-and-compliance-handbook-for-business_8a954f49/e1cf4226-en.pdf, [Accessed 3 May, 2026]

concept (i.e. how it encompasses moral, ethical, and legal considerations) and therefore many different interpretations exist. Although the legal literature attempts to create a "general clause" that is intended to cover the mixing of public and private roles, there is no one way that different countries deal with this definition. For example, there is no clear definition of what this means according to the Hungarian legal framework; instead, it is spread over multiple areas of law through various prohibitions. In the EU there is a general definition that is limited to only protecting the financial interests of the European Union, while in the U.S. the definition is more prohibition-based (meaning there are laws prohibiting specific conduct) on an activity-by-activity basis and therefore will provide much greater certainty than an EU definition.

The results show that the national legal framework in Hungary consists of a fragmented set of legislation. The main legislative pillars in the public sector are the Act CXCIX of 2011 on Public Service Officials and the Act XXXVI of 2012 on the National Assembly, which define the obligations to notify and what constitutes an incompatible appointment. In the private sector, the legislative framework is based mostly on the Labor Code's obligation to act in good faith, the Civil Code's restrictions on executive officers, the Public Procurement Act, and the Criminal Code's anti-bribery provisions. However, the domestic legal framework has a tendency to be more reactive and punitive than preventive.

The thesis shows how two very different approaches have been taken by the EU and the US to international regulatory frameworks. The EU chiefly points to robust market integrity; investor protection—the Markets in Financial Instruments Directive II (MiFID II) and the Market Abuse Regulation (MAR)—; and whistle-blowing protections (the Whistle-blowing Directive 2019/1937). Furthermore, while the US employs rigid criminal laws (such as the 18 U.S.C. § 208 dealing with crimes against the Securities Exchange Act) and requires disclosure of ethical breaches, it also has mandatory reforms through Sarbanes-Oxley. Finally, hard international law mechanisms exist at both levels, with minimum requirements provided through international law (such as the United Nations Convention against Corruption (UNCAC) and the Organisation for Economic Co-operation and Development (OECD) Anti-Bribery Convention) as well as soft law mechanisms designed to be adaptable (OECD, Council of Europe, and World Bank) in order to deal with new types of integrity exposures that the cumbersome process of a treaty cannot quickly provide a resolution for.

The answer to the fourth question regarding the effects of corporate scandals supports the conclusion that major scandals like those involving Siemens, BP, Gazprom and EDF have demonstrated that they are systemic failures, which serve as direct catalysts for regulatory change. In particular, scandals can compel organizations to transform voluntary ethical norms

into required and rigorously monitored compliance standards. Furthermore, the reputational and financial losses stemming from scandals have resulted in significant organizational restructurings, the elimination of subjective reporting, implementation of zero-tolerance policies, and a greater focus on establishing a ‘compliance first’ approach from/through senior management.

In response to the fifth question about the best practices surrounding the management of corporate governance, the report discusses that to best manage conflicts of interest, organisations need to ‘go beyond static ‘paper programs’ and instead they require ongoing and data-driven risk assessments which are then utilised to create very specific and targeted training related to the ‘recognition gap’ rather than rely on an unguided and generic e-learning course; additionally organisations must also utilise sound and impartial internal investigations and secure whistleblower protections with non-retaliation guarantees, and increasingly rely on the use of automated technological controls to cross-reference and monitor for disclosure-related offences on a proactive basis.

The last recommendation for the sixth question refers to harmonizing the dogmatic definition of the conflict of interest within the public and private sectors, providing auditors with digital auditing tools, and clearly protecting whistleblowers. Corporations will need dynamic frameworks for monitoring compliance, which will include requiring disclosure at the point of hire, the use of automated risk catalogs, establishing standard timelines for conducting investigations, and obtaining a third-party certification for compliance with the ISO 37001 Anti-Bribery Management System standards.

9.2. Final reflections

As conflict-of-interest regulation evolves over time, we have seen a significant transition toward a more ‘proactive’ (as opposed to ‘reactive’ and punitive) approach to regulation based on maintaining the integrity of the institution(s) in which the behavior occurs through the management of risk associated with the behavior. Due to the global complexity, rapid digitalization, and emergence of new technologies (e.g., AI) within today's business environment, traditional or fixed regulatory frameworks can no longer be effective.

This evolution raises the very important question: Is there any space left for one set of rules with respect to conflict of interest? After having reviewed the findings of this research the conclusion is that it is almost impossible to have one rigid set of regulations that regulates all sectors and jurisdictions regarding conflict of interest. Conflicts are so context-specific and

changing that the actual risks associated with a particular conflict and the prohibitions that must be placed on those conflicts vary greatly between public service, financial markets and the general private sector. Nevertheless, there is a strong necessity and plenty of opportunity for a uniform punishing foundation and consistent minimum procedures. Each of the sectors will need rules that are adapted to their specific characteristics, but a common conceptual definition, ethical baseline and the core compliance mechanisms (i.e. mandatory disclosures, transparent assessments of risk and protections to whistle blowers) could and should be harmonized across all sectors of law or industry. There is a trend towards an increasing number of international soft law instruments, EU Directives, and global certification standards (e.g., ISO 37001) that provide a common methodology for successfully linking national legislation, which are currently fragmented.

In the long run, preventing conflict of interest is much more than an administrative headache or something that is written on a piece of paper for legal reasons; it represents one of the key purposes of modern governance. The successful implementation of any framework will depend on the cultural values that exist within an organization. Therefore, in order to align between what is expected by regulatory agencies and what happens in practice every day, it is essential for organisations to demonstrate strong leadership commitment, radical transparency, and an ethical culture where ethics are integrated into how decisions are made on a daily basis. By adopting this type of harmonised, culture-based approach to governance, organisations and legislators will not only create a reduced risk of legal liability and reputational harm, they will also ensure long-term democratic integrity, maintain market competitiveness and enhance stakeholder confidence in their operation.

Citing AI Use

I acknowledge the use of Gemini (a large language model developed by Google) in the preparation of this thesis. Specifically, the AI tool was used for the following purposes:

- Translation and Language Polishing: To assist in translating specific technical terms and refining the grammatical accuracy and flow of the English text.
- Editorial Assistance: For proofreading and improving the stylistic consistency of the manuscript.
- Data Organization: To assist in the structural formatting and organization of data into tables (in Section 7.2.7).

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