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A Review of the "Guideline for Preparing the List of Disqualified Parties in Transactions with the National Iranian Oil Company and Its Subsidiaries," with an Examination of Corporate Veil Piercing

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Highlights

- The preparation of a list of disqualified parties, through the identification of legal entities that have breached their obligations during the pre-contractual stage or within the contractual validity period, can reduce the likelihood of future contractual disputes.
- The current guideline issued by the National Iranian Oil Company requires revision.
- The mere inclusion of a company's legal personality on the list of disqualified entities may undermine the effectiveness and deterrent function of this measure.

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Abstract

The compilation of a list of disqualified entities by the National Iranian Oil Company (NIOC) serves as both a supervisory and deterrent mechanism intended to prevent violations and mitigate the legal and financial risks associated with high-risk contracts. This directive has been formulated to enhance the integrity of the tendering process, ensure fair competition, enforce regulations governing public procurement and governmental transactions, and prevent the repeated award of contracts to companies that have demonstrated unsatisfactory performance in prior projects. However, an exclusive focus on the legal personality of companies may weaken the deterrent effect, as offending entities may continue their activities through subsidiaries or shell companies.

This study proposes that the managing director and members of the board of directors, as the principal natural persons influencing corporate decision-making, be included in the blacklist of disqualified contractors alongside the legal entity itself. This measure is presented as a practical and cost-effective approach to strengthening the effectiveness of the disqualification system. Using a descriptive–analytical method, the research examines the current directive, outlines the legal foundations of managerial accountability, and evaluates both the feasibility and effectiveness of the proposed reform, while also addressing the practical and legal challenges associated with piercing the corporate veil. The findings indicate that extending the disqualification list to relevant individuals can meaningfully reinforce the deterrent function of the existing supervisory framework.

Keywords: Disqualification from transactions, Exclusion from transactions, National Iranian Oil Company tender, Tender committee.

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1. Introduction

The tendering process, in addition to constituting a legal and systematic method for identifying the most appropriate price, entails significant temporal and financial costs. In many instances, after the award of a contract, various factors attributable to the negligence or fault of contractors, consultants, or suppliers may lead to contractual failure. Consequently, despite the substantial investment of time and resources, the contracting authority may be required to repeat the tendering process, reassign the work at a considerably higher cost, or initiate legal proceedings. Under such circumstances, awarding a contract to a company whose prior performance indicates a high likelihood of failure, whose engagement may result in violations of applicable laws and regulations, or whose participation may compromise the integrity of the tendering process substantially increases the risks borne by the procuring entity.

To mitigate such outcomes, the National Iranian Oil Company (NIOC), by resolution of its Board of Directors, adopted a guideline providing for the preparation of a list of companies with adverse performance records, thereby prohibiting transactions with them. Through this mechanism, the likelihood of successful contract performance is enhanced, additional costs are minimized, and contractors are discouraged from repeated breaches. The list is updated monthly and communicated by the Deputy for Engineering, Research, and Technology of the Ministry of Petroleum to all affiliated entities within the Ministry.

Given the strategic importance of Iran's oil industry and the high value of its contracts, robust supervisory mechanisms are essential for effective transaction management. The "List of Disqualified Parties" identifies companies or individuals disqualified for reasons such as financial misconduct, breach of contract, submission of false documentation, or lack of technical competence. It functions as a supervisory instrument designed to prevent future collaboration with violators. However, the use of complex corporate structures and shell companies has rendered the identification of ultimate beneficial owners and actual wrongdoers increasingly challenging.

Pursuant to Articles 583, 588, and 589 of the Iranian Commercial Code, companies possess a legal personality distinct from that of their shareholders or partners. The principle of the separate and independent corporate personality is firmly established in Iranian law, and departure from this principle requires compelling justification (Damavandi et al., 2022, p. 365). In practice, however, the corporate name may serve merely as a façade concealing underlying realities. In such circumstances, the doctrine of corporate veil piercing seeks to uncover the true facts behind the improper use of corporate personality, ensuring that this independence is not abused as a vehicle for fraudulent or unlawful purposes, such as the creation of subsidiaries or nominal entities to evade civil or criminal liability.

This study examines the existing directive of the National Iranian Oil Company and, with reference to the doctrine of corporate veil piercing, evaluates the adequacy of the current guideline in achieving its intended objective of preventing transactions with violators. Given that the list presently focuses exclusively on corporate names, its deterrent and punitive functions may be weakened, potentially incentivizing wrongdoers to establish and operate through shell entities. In this context, corporate veil piercing, as developed in common law systems to disregard the corporate entity and impose liability directly on shareholders or directors, may provide an effective corrective mechanism (Muchlinski, 2010, p. 123).

This article therefore analyzes the current directive of the National Iranian Oil Company, examines its practical and legal challenges, and proposes measures for improvement. The "Guideline for Preparing the List of Disqualified Parties in Transactions with the National Iranian Oil Company and Its Subsidiaries," approved and issued by the Board of Directors of the National Iranian Oil Company, prohibits subsidiaries and affiliated entities from entering into contracts with bidders who have demonstrated poor performance or breached their contractual obligations. Given the practical difficulty of verifying the accuracy of numerous documents submitted during the tendering process, the directive performs a preventive function by seeking to reduce the likelihood of violations and the resulting losses.

Comparable mechanisms exist in other jurisdictions. For example, the "Instruction on Handling Disciplinary Violations of Contractors" No. 94867/99 dated May 23, 2020, issued by the National Planning and Budget Organization, classifies acts such as the submission of false documents, collusion, bribery, intimidation, noncompliance with conflict-of-interest regulations, and breaches leading to contract termination as contractor violations. Unlike the directive of the National Iranian Oil Company, which limits the sanction to listing the company as disqualified, the directive of the National Planning and Budget Organization provides for broader sanctions, including suspension, reduction of technical capacity, and temporary exclusion from participation in public tenders.

It should be emphasized that the authority of the Tenders Commission to establish and maintain disqualification lists, beyond the specific list contemplated by the aforementioned regulation, has been the subject of significant objections by affected companies and has resulted in multiple judgments issued by the Administrative Justice Court. For instance, Branch 10 of the Administrative Justice Court, in Judgment No. 140031390002200410 dated 19 November 2021, addressed a company's objection to its inclusion on the list of entities disqualified from entering into transactions and held as follows:

"First, the deprivation of any rights of natural or legal persons is contingent upon explicit legal authorization. Pursuant to Principle 46 of the Constitution of the Islamic Republic of Iran, every person is entitled to the fruits of their legitimate business and occupation, and no one may, under the pretext of exercising their own right of ownership, deprive another of the opportunity to engage in lawful business or occupation. Furthermore, under Principle 40 of the Constitution, no person may exercise their rights in a manner that causes unjust harm to others. Second, the Tenders Commission lacks the legal competence to declare an entity disqualified from entering into transactions."

On this basis, the Court annulled the decision of the Tenders Commission.

At the international level, comparable measures are recognized under the UNCITRAL Model Law on Public Procurement, Article 21, which addresses the disqualification of suppliers or contractors who engage in bribery, offer undue advantages, or are involved in conflicts of interest. Such sanctions may be imposed by competition authorities, courts, or procurement agencies (OECD, 2022, p. 18). Furthermore, the Court of Justice of the European Union, in its judgment of 19 June 2019 in Case C-41/18, affirmed that pursuant to Article 57(4) of Directive 2014/24/EU, the contracting authority, rather than a court, bears responsibility for independently assessing the legitimacy of exclusion measures[*].

The objectives of exclusion are generally categorized into three principal functions. The first is general deterrence, which discourages violations by imposing opportunity costs, such as the loss of future tendering opportunities, or by inflicting reputational harm, without necessarily relying on criminal sanctions. The second is specific deterrence, which reduces the likelihood of repeated misconduct by the same companies, particularly in monopoly-sensitive sectors such as infrastructure, medical equipment, and defense procurement (OECD, 2015, p. 23). The third objective is the protection of the

[*] https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A62018CA0041

public interest, achieved by safeguarding the integrity of procurement processes and preventing corporate misconduct (OECD, 2022, p. 48).

In the United States, exclusion primarily serves to protect public funds (Yukins & Kania, 2019). The blacklisting of companies may result in reputational damage and a decline in share value, potentially triggering shareholder activism, whereby major shareholders exert pressure on boards of directors and chief executive officers to ensure regulatory compliance (OECD, 2011, p. 28). Accordingly, exclusion not only sanctions past misconduct but also mitigates future risks while promoting equality, fair competition, and assurance of contractor competence (OECD, 2022, p. 29).

Several studies have addressed corporate veil piercing in this context. For example, Razavi and Salari (2019) analyzed veil piercing in relation to subsidiaries of the National Iranian Oil Company operating under sanctions, while Amini and Vahedi (2019) examined the limits of partner liability. In the English-language literature, Arnáiz (2006) explored veil piercing as a mechanism to combat corruption; the OECD Competition Policy Roundtable (2022) examined director disqualification and bidder exclusion within the framework of competition law enforcement; and Bojko and Puto (2020) analyzed the issue under Polish law, reflecting European Union practices. Portions of the findings of Bojko and Puto (2020) have been relied upon in the present study. The Polish example is particularly instructive because Poland, as a Member State of the European Union, provides a regulatory framework in which the contracting authority, similar to the framework applicable to the National Iranian Oil Company, possesses the competence to place undertakings on a blacklist without first obtaining a judicial decision or initiating additional administrative or judicial proceedings.

Drawing on this body of research, the present article reviews the current directive of the National Iranian Oil Company, compares it with international approaches, and examines its quasi-judicial character. The analysis underscores the inadequacy of merely listing corporate names without addressing the substantive realities of corporate structures, as such limitations may render the mechanism ineffective. Accordingly, Part Three discusses the doctrine of corporate veil piercing. Part Four examines the possibility of piercing the corporate veil in the context of inclusion on the disqualification list and proposes that, in addition to legal entities, the names of their managers or directors should also be recorded on the list. Part Five addresses the procedure for removal from the disqualification list, with the objective of ensuring fairness and providing companies with a meaningful opportunity to remedy improper practices. Finally, Part Six considers the legal implications and potential challenges arising from the proposed approach and, to the extent possible, offers reasoned responses to those challenges.

2. Methodology

This study employs a descriptive-analytical approach to evaluate the effectiveness of the National Iranian Oil Company's Directive on the Preparation and Updating of the List of Disqualified Persons. Its primary objectives are to critically assess the directive's provisions, identify its shortcomings and regulatory gaps, and provide practical recommendations to strengthen qualification assessment and debarment procedures in public procurement.

The research draws on multiple authoritative sources, including official NIOC documents and board resolutions, relevant Iranian statutes, decisions of the Administrative Justice Court and public courts, scholarly literature on corporate criminal and administrative liability, and debarment mechanisms. A comparative analysis of Polish law and EU Directives has also been conducted to extract lessons from international best practices. A concise comparative overview of selected foreign jurisdictions is included—not as a comprehensive study of comparative law, but to highlight practical insights from established international practices that may inform improvements to Iran's domestic framework.

Poland has been selected as the primary reference point because its legislative materials and administrative practices are readily accessible and, importantly, because—similar to the NIOC framework—it allows the contracting authority to establish and enforce debarment lists and to extend exclusion to related entities without requiring a separate judicial ruling.

Part of the analysis is informed by the authors' extensive professional experience and direct field observations in qualification evaluation units, tender committees, and contract supervision bodies within Iran's petroleum sector affiliates. These insights provide a nuanced understanding of practical challenges and common circumvention strategies, with all identifying details omitted to maintain confidentiality.

The central focus of this study is to determine whether—and under what conditions—a debarment sanction imposed on a legal entity for procurement violations may lawfully and appropriately be extended to another, formally distinct company solely on the basis that both entities share the same natural persons (i.e., individuals previously responsible for the misconduct) as directors or key managers. It should be noted that arriving at more definitive and generalizable conclusions will require broader, interdisciplinary field research employing empirical and statistical methods, which may constitute a natural continuation of the present study in the future.

3. Review of NIOC practices concerning the list of disqualified parties

Disqualified parties, also referred to as prohibited entities, are legal persons barred from participating in tenders, auctions, consultant selection processes, and, in certain cases, from exemptions to tender procedures. Consequently, contracts cannot be concluded with these entities. The list of disqualified parties is intended to promote transparency and mitigate legal and financial risks in contractual engagements. It encompasses companies that, due to violations such as the submission of falsified documents, breaches of obligations, or failure to execute projects, are prohibited from future collaboration, along with their subsidiaries.

Pursuant to Article 65 of NIOC's Procurement Regulations, the Board of Directors holds the authority to establish and enforce uniform procedures for implementing these regulations. Under this authority, a directive on the preparation of the list of disqualified parties was issued, attached to Board Resolution No. 36173-2337 dated January 14, 2026, and communicated by the Secretary of the NIOC Board.

Under the directive, a violation is defined as non-compliance with or breach of laws, regulations, bylaws, instructions, contractual provisions, or failure to perform contractual obligations at various stages, including prequalification evaluation, award, contract execution, proper performance, provisional and final delivery, and failure to seize, renew, or extend guarantees. Specific examples of violations include:

- Actions resulting in the forfeiture of performance guarantees or contractual securities during the award process.
- Employing current or retired personnel from companies, organizations, or institutions affiliated with the oil industry in violation of applicable rules and regulations during contract execution.
- Non-compliance with or violation of HSE (Health, Safety, and Environment) requirements issued by the employer, or failure to adhere to environmental protection standards.
- Failure to declare prohibited activities or submission of any false or forged documents, including, but not limited to, employee records, social security history, educational certificates, qualification certificates, quality assurance certificates, safety certificates, product approval certificates, customs certificates, loading/unloading documentation, technical inspection

certificates, laboratory approvals, records of past performance, executed contracts, tax declarations, social security clearance, financial statements, and bank guarantees.

- Collusion, abuse in transactions, bribery, intimidation, corruption, and similar misconduct.
- Assigning all or part of the contract subject matter to third parties without the written consent of the employer.
- Non-compliance with or violation of Article 141 of the Constitution and the Law on the Prohibition of Intervention of Ministers, Members of Parliament, and Government Employees in Public and National Transactions.
- Non-performance or breach of obligations related to the maintenance or guarantee period of the contract.
- Unjustified delays in the delivery of goods, resulting in project delays or disruptions.
- Partial delivery of goods, delays in compensating shortages, or delivery of substandard, non-original, or second-hand goods.
- Negligence or fault leading to contract termination or removal of the company.
- Unauthorized use of facilities and benefits allocated under the contract for purposes beyond the scope of the agreement.
- Negligence or fault causing damage to the employer during the guarantee or support period.
- Non-performance or deficiencies in fulfilling contractual obligations for installation and commissioning of purchased equipment.
- Non-performance or deficiencies in supplying spare parts under the contract.
- Damage to the employer's facilities or equipment due to negligence or fault in manufacturing, supplying, installation, commissioning, support, or maintenance.
- Breach or delay in fulfilling contractual obligations.
- Submission of documents or evidence withheld by the company that are relevant to the assessment of transaction eligibility.
- Entering contracts with manufacturers or contractors outside the approved list of competent organizations or central authorities without the written consent of the employer.
- Failure to pay, renew, or extend bank-issued guarantees in accordance with the employer's request.

According to Article 3 of the NIOC Procurement Bylaw, the process for reviewing a request to include a company in the list of disqualified parties is as follows:

- Initially, the employer's Legal and Contracts Department reviews the violation report. The report, along with justifications and supporting evidence, is submitted to the Employer's Procurement Committee. If the committee confirms the violation, its resolution, together with related worksheets, justifications, and documents, is forwarded to the Secretariat of the Main Company Committee for a final decision.
- The Secretariat reviews the submitted documents and, if sufficient, places the matter on the agenda of the Main Company Committee. The Committee, if deemed necessary for further

examination, may invite the employer and the company and consult relevant experts, hearing their statements regarding the employer's request before making a decision.

- The company has twenty (20) working days from the date of notification by the Secretariat of the Main Company Committee to prepare and submit a defense, receiving acknowledgment of submission. The Main Company Committee reviews the defense and other documents and renders a decision.
- If the reported violation is not confirmed, the Secretariat notifies the employer accordingly. If the violation is confirmed, the Committee determines the duration of the disqualification and records the company's name in the list of disqualified parties, documenting the reasons, evidence, type of violation, and the start and end dates of the disqualification, in accordance with procedures prepared by the Main Company Committee. The company's name is also entered into the misconduct verification system, and the Committee's resolution is communicated to both the employer and the company.

According to Article 7 of the Directive, its provisions must be incorporated by the employer into the tender or auction documents and made available to all participants. The Directive must also be observed in cases where tender procedures are waived or when selecting consultants, and it should be attached as part of the contractual annexes.

In general, the grounds for exclusion from participation in tenders are grouped into three categories:

a. Exclusion arising from the commission of specific acts that constitute legal violations or, in some cases, criminal offenses.
b. Exclusion due to breaches of specific legal obligations, such as delayed payment of social security contributions or non-payment of taxes.
c. Exclusion based on the personal or financial status of the contractor or bidder, which renders them unsuitable for further economic relations, for example, due to bankruptcy, insolvency, or dissolution (Bojko & Puto, 2020, p. 31).

The reasons listed in the Directive can similarly be classified into these three categories. The Directive grants the Committee broad discretion in enforcing the sanction of inclusion in the list of disqualified parties and does not provide a detailed procedural framework for this action. In contrast, in many countries, the authority and scope of action of the competent body for imposing bidder exclusion are more clearly defined.

For example, in the Polish legal system—which has been selected for comparative purposes in this study—the employer itself, similar to the NIOC Directive, has the authority to exclude a contractor from its tenders. Under the Polish Act of January 29, 2004, Public Procurement Law (PPL), the grounds for exclusion are divided into mandatory and discretionary categories.

Mandatory grounds for exclusion under Article 24(1) of the PPL include:

- Violation of criminal law by the contractor, current board members, supervisors, partners in a general partnership, shareholders in a limited liability or joint-stock company, or legal representatives.
- Non-payment of social security contributions or taxes.
- Misleading the contracting authority or improperly influencing its activities or the procurement process.
- Participation of the contractor or its employees in the preparation of the procurement process.

- Collusion among contractors.
- Issuance of a ban on participation in public contracts.
- Submission of separate bids by contractors belonging to the same investment group.
- Submission of abnormally low bids.

Discretionary grounds include bankruptcy or dissolution of the contractor, breaches of professional obligations, the contractor's relationship with the contracting authority, non-performance or improper performance of a contract, commission of a criminal offense, administrative fines of at least 3,000 PLN for violations of labor, environmental, or social security laws, and non-payment of taxes, duties, or contributions.

It is important to note that discretionary exclusion allows the contracting authority to decide whether to include such provisions in the tender documents. If included, the authority is obliged to apply them and exclude the contractor upon verification of the grounds.

For instance, contract termination is considered a discretionary ground for listing a contractor in Poland. Under Polish law and binding judicial practice, the contracting authority must determine which elements of improper contract performance are significant enough to justify termination and, consequently, affect future relations, including exclusion from participation in tenders. While the public authority retains discretion in this matter, it is required to provide justified reasons and ensure proportionality between the violation and the sanction of exclusion. Not every contractual breach can automatically justify termination and exclusion (Bojko & Puto, 2020, p. 33).

4. Criteria for determining inclusion in the list of disqualified parties

Although the Procurement Committee may not formally qualify as an administrative authority under the applicable definitions, in practice it reviews cases and issues decisions that can significantly affect the financial and commercial prospects of companies. Consequently, its decisions must be grounded in minimum evidentiary standards. Establishing a blacklist that includes the offending companies, their board members, and major partners can serve as a powerful mechanism to prevent corporate fraud and promote responsible corporate behavior. However, the implementation of such a list requires a careful balance between legal compliance, fairness, and ethical considerations.

4.1. Data collection

Information should be collected from reliable sources, including judicial records, supervisory reports, and stakeholder complaints. The violation report prepared by the employer's Legal and Contracts Department constitutes the initial step in this data collection process. Certain cases, such as collusion, abuse in transactions, bribery, intimidation, or corruption, may require a judicial ruling or, at minimum, an investigation by an Administrative Violations Committee to confirm the misconduct of the employee involved.

4.2. Legal assessment

The violation report prepared by the Legal and Contracts Department is evaluated in two stages. Initially, it is reviewed by the Employer's Procurement Committee. If the committee confirms the violation, its resolution, along with supporting justifications and documentation, is forwarded to the Secretariat of the Main Company Committee for a final decision. The Main Company Committee then re-evaluates the matter and, if necessary, may consult with relevant experts to complete the review.

4.3. Transparency and notification

The company is informed of the process for potential inclusion in the list of disqualified parties. It has twenty (20) working days from the date of notification by the Secretariat of the Main Company Committee to prepare and submit a defense, with acknowledgment of receipt provided. The Committee's decision—whether to include or exclude the company from the list—is communicated to the company. If the company is not included, the Secretariat notifies the employer. If the violation is confirmed, the Committee's resolution specifies the grounds, type of violation, and the start and end dates of the disqualification, in accordance with procedures established by the Main Company Committee. The company's name is also recorded in the misconduct verification system, and the resolution is communicated to both the employer and the company.

4.4. Publication and updating

The list of disqualified parties is maintained to mitigate risks for NIOC and its subsidiaries. It is communicated to relevant companies, recorded in the misconduct verification system, and updated as necessary. Removal of a company from the list requires completion of the prescribed process and formal notification. Such removal is contingent upon the submission of a remedial report demonstrating corrective or compensatory measures and resolution of the violation.

This remedial process, often referred to as a self-cleaning procedure, typically includes:

- Compensation for damages resulting from the misconduct or a commitment to provide such compensation.
- Active cooperation with authorities to clarify the facts.
- Implementation of technical, organizational, and personnel measures to prevent future violations or misconduct.

In several cases, the Court of Justice of the European Union has emphasized that contract award decisions are based on the contractor's integrity and good faith. Once this presumption is undermined, bidders are obliged to demonstrate their compliance with eligibility criteria and the absence of grounds for exclusion (Härginen, 2022, p. 118).

5. An overview of the concept of corporate veil piercing

Having outlined the types of violations that lead to disqualification from participation in NIOC's procurement processes and the procedure for listing offending companies, it is now pertinent to examine the concept of corporate veil piercing to evaluate the sufficiency of listing only the company's name.

Traditionally, veil piercing refers to disregarding the separation between a company's legal personality and its shareholders (Razmouri & Salari, 2019, p. 47). The principle of separate legal personality, and consequently limited liability for shareholders, is well established in commercial law worldwide. However, absolute limitation of shareholder liability has been criticized on economic and practical grounds, as a company's separate legal personality can externalize the risks associated with insufficient company assets or produce unintended side effects (Amini & Vahedi, 2019, p. 63).

Veil piercing may be necessary to mitigate inefficiencies or misconduct arising from limited liability and to prevent abuse of the company's separate legal personality. Limited liability offers numerous advantages, including capital aggregation, encouragement of investment, reduced monitoring costs, separation of management from ownership, portfolio diversification, and enhanced risk-taking. Nevertheless, it also carries potential disadvantages, such as moral hazard, misconduct, and the

externalization of commercial risks to third parties and involuntary creditors (Amini & Vahedi, 2019, p. 76).

Originating in common law and grounded in equity, veil piercing holds shareholders liable for corporate debts when a company is established fraudulently or used as an instrument of fraud, particularly where shareholder control is so extensive that the company effectively becomes the shareholder's alter ego (Thompson, 1991, p. 1058). By disregarding the corporate personality, veil piercing allows creditors access to shareholders' personal assets in addition to corporate assets (Damavandi et al., 2022, p. 366).

As a general rule, when a company is lawfully incorporated and contractual parties act in good faith, its separate legal personality should not be questioned. However, in exceptional circumstances, judicial or regulatory authorities may invoke veil piercing to hold shareholders, directors, or beneficial owners liable in cases of corporate abuse (Bainbridge, 2018, p. 89; Cheng, 2011, p. 155; Yaghoubi et al., 2024, p. 313). Veil piercing serves as a deterrent against misuse of corporate structures, promotes responsible conduct, and compensates for the inherent limitations of limited liability. Internationally, courts have occasionally disregarded separate corporate personality to achieve justice across multiple entities (Farahmand et al., 2023, p. 244).

The primary purpose of veil piercing is to prevent fraudulent acts, ensure justice, and prohibit abuse of rights (Mohibi & Ziaei, 2013, p. 10). It is considered a remedy for the inequities arising from rigid application of limited liability (Farahmand et al., 2023, p. 223). Veil piercing—also referred to as vicarious liability or the substitute investment theory (Mohibi & Ziaei, 2012, pp. 7–8)—may also allow courts or arbitral tribunals to assert extraterritorial jurisdiction.

Veil piercing can take several forms:

- **Vertical veil piercing** occurs when the court disregards a company's legal personality to access the assets of shareholders or a parent company, typically only in cases of fraud or serious misconduct (Thompson, 1991, pp. 1042–1044).
- **Horizontal veil piercing** arises when multiple sister companies effectively operate as a single economic unit. Courts may treat these independent entities as a single unit.
- **Reverse veil piercing** is less common and involves extending a shareholder's obligations or debts to the company. Courts generally apply this only in cases of clear abuse, given its far-reaching consequences.
- **Punitive veil piercing** is employed primarily for deterrence and punishment rather than compensation (Stevens & Payne, 1999, p. 199). Additional forms include compensatory and deterrent veil piercing (Macey & Mitts, 2014, p. 105). In the context of disqualifying companies from procurement, veil piercing should be considered primarily punitive and deterrent.

In corporate law literature, veil piercing is described as a secondary remedy, invoked only when the protection of limited liability results in manifest injustice. It is therefore exceptional rather than general in nature. Approaches to piercing the veil vary, including formalistic, control-based, and mixed approaches. Affiliated companies often share management and common interests, and control is the key element in veil piercing. Courts may infer that the legal personality of the company and the shareholder are effectively merged, and that the controlled company functions merely as an agent or alter ego of the shareholder (Blumberg, 1989, p. 120).

Common characteristics of such companies include undercapitalization, non-compliance with formalities, and commingling of assets. In sham subsidiaries, assets, employees, and offices may exist only on paper. In procurement processes, many companies share addresses. In parent-subsidiary veil

piercing, relevant factors include full or majority ownership of capital by the parent, complete financing of the subsidiary by the parent, insufficient capital of the subsidiary to cover its risks, use of subsidiary assets as the parent's own, and shared personnel and offices (Barber, 1981, pp. 372–398).

In Iranian law, veil piercing is grounded in three bases: fraud, representation, and instrumental use (Damavandi et al., 2022, p. 381). Fraud focuses on good faith and the prevention of abuse, representation pertains to business groups, and several Iranian court decisions have relied on the interests of the beneficiary as a basis for rulings*. Under Article 14 of Iran's Sixth Development Plan, complementing Article 44 of the Monetary and Banking Law, effective shareholders may be sanctioned for banking violations, with the Central Bank authorized to restrict their rights—a measure that can be considered a form of veil piercing (Ghorbani-Lajvani et al., 2020, p. 169). While the definition of "effective shareholder" remains vague, the provision represents a significant regulatory step. According to paragraph 2, an effective shareholder is one who elects one or more board members or actively participates in their selection, as recognized by the Central Bank.

6. Assessing veil piercing in the preparation of ineligible companies lists

When companies commit the aforementioned violations and are declared ineligible for procurement pursuant to decisions of the Tender Commission, merely including the company's name in the blacklist may be insufficient. Such entities may re-enter procurement processes under alternative corporate identities, thereby undermining both the deterrent and punitive functions of the blacklist. Limiting blacklisting to the corporate name may encourage the creation of parallel companies lacking independent substance, established by the same shareholders or managers to circumvent disqualification. This practice can generate an artificially competitive market and diminish the preventive and deterrent impact of sanctions from a criminological perspective.

Historically, the primary purposes of punishment have included the maintenance of order, deterrence, and intimidation (Mahmoudi-Jangi & Aghaei, 2008, p. 343). Although deterrence is most commonly analyzed within criminal law, it is equally relevant in this context, as blacklisting operates as a quasi-punitive measure. Effective deterrence depends on three elements: certainty, proportional severity, and swift enforcement. Potential offenders must perceive a high probability of detection and prompt sanction.

Classical deterrence theory, developed by Hobbes, Beccaria, and Bentham, posits that when punishment is severe, certain, and prompt, rational individuals will weigh potential benefits against potential costs and refrain from violating the law if the expected losses exceed the anticipated gains (Abramovaite, 2022, p. 1664). In practice, potential offenders evaluate all three elements—certainty, severity, and swiftness—regardless of their individual risk preferences (Mendes, 2004, p. 32).

Economic and rational choice models conceptualize the legal enforcement framework as establishing the "price" of unlawful conduct. Increasing the expected cost of punishment can influence individuals' decisions to engage in violations. Gary Becker's economic theory of crime and punishment emphasizes that offenders, like all individuals, seek to maximize utility; accordingly, their decisions involve a cost–benefit analysis in which the probability of detection significantly shapes expected utility (Becker, 1968, p. 170; Posner, 2003, p. 10; Hovenkamp, 1991, p. 293).

When sanctions are uncertain or easily avoidable, offenders are incentivized to maximize gains, thereby weakening the deterrent effect (Na'imi, 2015, p. 204). Administrative corruption, judicial

* See: Mirzaei Emghani, M. (2016). Imposing liability on the real principal beyond the corporate veil in a judicial ruling. *Ra'i Quarterly, 3*(14), 20–25

inconsistency, or regulatory gaps further diminish deterrence. To strengthen deterrence, potential avenues of circumvention must be limited through transparency, independent oversight, and legal reform.

In the context of blacklisting, exclusion from future procurement opportunities can serve as a meaningful deterrent. However, if only the corporate name is listed and the entity can readily participate through shell companies or subsidiaries, the sanction loses much of its deterrent value. Identifying a company's ultimate decision-makers may pose practical challenges for the Tender Commission, given the volume of tenders, administrative constraints, workforce capacity, and legal limitations.

Accordingly, it is recommended that both the legal entity and, at a minimum, its board members be included in the blacklist. Observations from multiple procurement processes indicate that participating companies frequently share addresses and personnel. Including board members in the blacklist would ensure that other entities with an identical management composition are likewise restricted. Considering that many such companies are family-controlled, this approach would enhance deterrence while alleviating the state's burden of identifying ultimate controllers and shareholders.

In effect, the present proposal is that, in addition to the legal entity itself, only those members of the board of directors who are formally registered with the Companies Registration Office should be included in the debarment list. The proposed mechanism therefore deliberately refrains from identifying de facto or shadow directors, beneficial owners, or informal controllers, as doing so would exceed the institutional capacity and legal mandate of the Tender Commission.

The issue is also significant from another perspective. When managers commit a criminal offense or administrative violation in furtherance of the company's interests, and the legal person derives benefit from that misconduct, limiting criminal or administrative liability solely to the natural persons involved—while exempting the company from any legal or administrative consequences—would undermine the very purpose of such sanctions.

In one case in which the present authors were professionally involved, a company with no prior experience in the specific field covered by a tender amended its articles of association only a few months before the tender was announced, adding the subject matter of the tender to its corporate objects. Because submission of evidence of similar prior experience constituted one of the evaluation criteria, the company forged several certificates of satisfactory performance and prior work records related to the tender subject. Due to its heavy workload, the Tender Commission failed to cross-check the date of the amendment to the articles of association against the dates appearing on the submitted certificates. Consequently, the company was admitted to the tender process and ultimately declared the winner, whereas absent the forged documentation it would not have achieved the minimum qualifying score.

Following termination of the contract, the National Iranian Oil Company filed a criminal complaint upon discovering the bidder's misconduct. Branch 13 of the Public and Revolutionary Prosecutor's Investigation Office (District 6, Tehran), in Order No. 140068390013261475 dated 7 December 2021, held that, as a general rule, criminal liability attaches to natural persons, while the criminal liability of legal persons constitutes an exception. The decision further stated that, because commission of the offense by a legal person was not conceivable under Iranian law, the managing director and the chairman of the board of directors, as natural persons, were convicted, whereas an order of acquittal was issued with respect to the legal person.

Despite an appeal lodged by the National Iranian Oil Company, the Criminal Court of Tehran, in Final Judgment No. 140268390007610243 dated 20 August 2023, upheld the conviction of the managing director and the chairman of the board of directors while confirming the acquittal of the legal person.

As this case illustrates, rigid and overly formalistic adherence to the principle of separate legal personality may prevent the inclusion on the disqualification list of a company that demonstrably secured its participation in a tender process through forged documents. Such an outcome contradicts the spirit and purpose of the applicable regulations, which clearly require that a company in these circumstances be regarded as lacking the requisite qualifications.

7. Removal from the ineligible companies list

Competition law is grounded in the premise that the free interaction of competitive forces ensures the optimal allocation of economic resources, the lowest prices, the highest quality, and maximum material progress (Werden, 2015, p. 35). The degree of competition is commonly assessed by the number of bidders participating in a particular public procurement market (Tátrai et al., 2023, p. 237). The widespread exclusion of participants from this competitive environment can undermine the quality of competition. Accordingly, many countries have established defined exclusion periods, typically ranging from 3 to 5 years and, in certain cases, extending to 8 or 10 years (OECD, 2022, p. 31). The duration of exclusion generally depends on the severity of the violation committed.

Under the current guideline, the commission's resolution must include a statement of reasons, evidence regarding the type of violation, and the specified start and end dates of the exclusion. However, the guideline delegates the determination of the precise duration to a separate procedural document that has not yet been approved. Consequently, the commission currently exercises full and unrestricted discretion in determining the exclusion period, resulting in inconsistencies and a lack of uniformity in decision-making. Moreover, in practice, there are instances in which the commission fails to specify the duration of the company's disqualification in its decision, thereby subjecting the company to an indeterminate period of transactional prohibition.

Removal of a company from the list of ineligible contractors, upon the employer's request, requires submission of a corrective action report, resolution of the underlying issue, and completion of Form No. 2 of the guideline, together with supporting documentation from the employer to the main company commission. The matter must first be reviewed by the employer's legal and contracts department and the procurement commission. If approved, it is then forwarded to the main company commission for final decision-making.

The current guideline does not provide for early removal from the list before the expiration of the specified exclusion period. In many jurisdictions, including the European Union and its member states, however, a bidder subject to exclusion may reenter the market upon completion of specified remedial measures. These measures, commonly referred to as self-cleaning actions, are intended to demonstrate the market actor's reliability for future participation. Self-cleaning measures may include compensation for damages caused by the violation, cooperation with investigative authorities, and the implementation of specific technical, organizational, and personnel measures to ensure future legal compliance. This mechanism is important because it mitigates adverse market effects and prevents a reduction in the number of competitors. By adopting an approach analogous to probation in criminal sanctions, reforms could be introduced into the current guideline to allow suspension of the exclusion period upon fulfillment of specified conditions determined by the employer. Such measures could reduce the adverse effects of the guideline, particularly the decline in competitive intensity.

In the United States, rather than rectifying a specific violation to shorten an exclusion period, as is common in the European Union, companies are required to implement comprehensive risk management systems to prevent harm to the government arising from contracting with an unsuitable partner. Instead of proposing targeted remedial measures for individual violations, companies typically strengthen and

update their existing internal control frameworks, often under governmental supervision during investigations and post-violation negotiations. In Italy, Greece, and Germany, companies may propose the exclusion of managers as part of compliance programs or self-cleaning measures. Self-cleaning mechanisms are designed to prevent the exclusion of bidders while simultaneously promoting public policy objectives and safeguarding market integrity. These mechanisms encourage companies to improve risk management practices and undertake internal reforms, thereby reinforcing a culture of legal compliance (OECD, 2022, p. 33). Incorporating similar provisions into the guideline appears feasible and could support the achievement of these objectives.

In Poland, the ultimate purpose of self-cleaning is not merely to restore eligibility to participate in a tender; rather, its primary objective is to demonstrate that the contractor has adopted necessary, genuine, and effective measures to prevent future misconduct. It constitutes a substantive corrective process. This process requires full transparency and a comprehensive explanation of all relevant details and circumstances surrounding the "unreliable" conduct before the competent authorities or the contracting entity. It also entails compensation for damages, termination of employment with the responsible individual, removal of culpable persons from managerial or supervisory positions, employee training in regulatory compliance, and the introduction and implementation of additional control systems.

With respect to evidentiary standards, there is no fixed or uniform formula for demonstrating reliability. The nature and underlying causes of the misconduct determine how the contractor must establish its restored reliability. The measures adopted must be proportionate to the character and severity of the infringement. In Poland, each contracting authority independently evaluates self-cleaning measures within the context of a specific procurement procedure, and no central specialized body ensures uniformity in these assessments. As a result, divergent decisions may arise, with one contracting authority considering the measures sufficient and another deeming the same measures inadequate. Consequently, a contracting authority's decision to accept or reject self-cleaning is not final, and the contractor may file an appeal. The appellate body, the National Chamber of Appeals, has the authority to reassess the self-cleaning measures and determine their sufficiency (Dentons, 2021, pp. 38–41).

Regarding the disqualification of managers, requests for self-cleaning should be permitted both from the managers themselves and from the company as a legal entity. The self-cleaning framework can be structured to allow disqualified managers and companies to reenter the competitive process, provided that they satisfy clearly defined criteria, such as completion of managerial and financial training programs, compensation for potential damages, adherence to transparency and reporting standards, and submission of documented evidence of internal procedural reforms.

Another aspect, which may be considered an innovative contribution of this research, is the introduction of a provisional order during the verification of self-cleaning measures. Under this approach, the commission could permit the company to resume participation in the competitive process subject to specified conditions, even if all required self-cleaning criteria have not yet been fully satisfied. This mechanism would incentivize managers and companies to correct their conduct and, more importantly, enhance competition by increasing the number of participants in the tender process. At the same time, if the stipulated conditions are not fulfilled, the commission would retain the authority to impose further measures. Integrating this process with the electronic company registration system would ensure transparency and full traceability, thereby enabling the simultaneous enforcement of restrictions and rehabilitation measures.

8. Legal challenges and practical responses in implementing a blacklist of company managers

8.1. The quasi-judicial nature and jurisdictional limitations of the tender commission

8.1.1. Challenge

Under the governing legal framework, tender commissions, or bid evaluation committees, are mandated solely to assess the qualifications and eligibility of legal entities. Any effort to examine the personal conduct or violations of company managers inevitably assumes a quasi-judicial character. The current administrative structure, however, was not designed to perform judicial or quasi-judicial functions and lacks essential procedural safeguards, including decisional independence, a formal right of appeal, and a structured objection mechanism. These deficiencies substantially increase the risk of imposing disproportionate or unjust restrictions and, consequently, the likelihood that such decisions will be annulled upon review.

8.1.2. Response

The establishment of a blacklist mechanism should be understood as an internal risk management instrument rather than a punitive measure directed at individual managers. In the same manner that a tender commission or technical-commercial committee is authorized to conduct qualitative evaluations of bidders and to select entities that are capable and qualified, it may also exclude companies whose prior performance records indicate an elevated risk of future contractual non-performance. Such an approach preserves the intended deterrent effect while remaining consistent with the commission's existing mandate and institutional capacities. If implemented through clear criteria and transparent procedures, it can be operationalized in a legally sound and administratively feasible manner. Compliance with proportionate procedural safeguards, particularly the issuance of a formal notice that guarantees the right to be heard and the opportunity to submit supporting documentation, will ensure respect for managerial rights and maintain the fairness, proportionality, and legal legitimacy of the overall process.

8.2. Identifying effective managers and ultimate beneficial owners in the implementation of a blacklist

8.2.1. Challenge

One of the most difficult practical issues in operating a managerial blacklist is the accurate identification of the actual controlling managers and ultimate beneficial owners of companies. At its core, both management theory and corporate law address the fundamental question of who truly controls and runs a company and makes final decisions (Blumberg, 1989, p. 120). The concept of the "effective manager" or "controlling mind" remains contested and generally encompasses those individuals who exercise control over key financial, commercial, and operational decisions and who have the authority to direct the company's policies and overall conduct (Thompson, 1991, pp. 1042–1044).

In practice, companies frequently employ complex ownership structures, multiple layers of shareholders, or shell entities. Such arrangements make the precise identification of real controlling persons extremely difficult without access to comprehensive and reliable information sources, thereby undermining the effectiveness of any blacklist. Empirical studies indicate that failure to correctly identify the true controlling individuals significantly increases the likelihood of abuse of corporate personality and the creation of new entities designed to circumvent restrictions (Razmouri & Salari, 2019, p. 47).

8.2.2. Response

To ensure that the mechanism remains practical and fully aligned with the institutional capacity of the Tender Commission, it is proposed that the identification of managers be based exclusively on official records registered with the Companies Registration Office. This approach combines simplicity, legal certainty, and operational feasibility while avoiding the complex and resource-intensive process of piercing corporate veils. Under this method, only those managers formally recorded in the Companies Registry are included in the blacklist. It should be emphasized that the purpose of the list is not to personally punish the registered managers themselves, but rather to prevent future transactions with companies whose past performance record or current managerial structure presents an elevated risk of contractual failure or nonperformance.

8.3. Punishing innocent directors

8.3.1. Challenge

The principle of the personal nature of crimes and punishments is a foundational element of the legal system. Imposing restrictions or punitive measures on individuals who have not directly participated in any wrongdoing is contrary to justice. Consequently, some directors may be unaware of a company's misconduct and bear no direct responsibility for it. Including such individuals in a blacklist without assessing their actual role would be unfair and would conflict with the principle of personal culpability. Moreover, no criterion exists within this process to distinguish between culpable and non-culpable directors.

8.3.2. Response

The purpose of the blacklist is not to punish directors; rather, by identifying officially registered directors, the mechanism enables the detection of companies that are likely to create future difficulties in contractual dealings. This tool functions as a precautionary measure for the NIOC, not as a personal sanction. Since, under the Tender Law, NIOC predominantly contracts with legal entities rather than individuals, focusing on officially registered directors as the legal representatives of companies allows the organization to avoid engaging with high-risk entities without imposing a direct penalty on any individual.

Given that NIOC conducts its procurement activities primarily with legal persons, the focus on directors does not constitute punishment. Instead, it serves as a method to identify companies that—through managerial continuity—are likely to replicate previous problematic behavior. In essence, this approach is a commercial risk-management mechanism, not a punitive instrument. Just as any businessperson, after experiencing loss or breach of contract, exercises greater caution in future dealings with the same party or affiliated persons, NIOC, by identifying directors who previously served in debarred companies, seeks to prevent the transfer of the same managerial substance and the repetition of harmful behavioral patterns under a newly incorporated legal entity.

8.4. The limited deterrent effect of blacklisting

8.4.1. Challenge

One of the key advantages of blacklisting is its deterrent effect on managers and companies. If, in addition to the offending company, other related companies are also barred from participating in the tendering process, the incentive to commit violations—and consequently to misuse the corporate form—will be reduced. Furthermore, managers' awareness of the possibility of having their names

included on the blacklist creates professional pressure on them, as well as pressure from shareholders, thereby decreasing the likelihood of misconduct (Becker, 1968, p. 170; Abramovaite, 2022, p. 1664).

However, some critics argue that companies may circumvent these deterrent effects by changing their board members, avoiding the use of the same managers, or creating new companies. As a result, the primary beneficiaries of the misconduct may continue to exploit the corporate form, thereby weakening the preventive effect of the blacklist.

8.4.2. Response

Despite this limitation, in practice, the creation of a new company for the purpose of participating in NIOC tenders is not straightforward. The tendering process requires technical and commercial evaluations, as well as the submission of records of similar past projects, all of which play a decisive role in the scoring process. Newly established companies are therefore unable to compete effectively or enter these tenders with ease. Moreover, many of these companies have a familial ownership structure, making changes to the board of directors neither simple nor necessarily meaningful.

In addition, the objective of this research and of the tender commissions is to propose a practical mechanism that avoids the complex and burdensome procedures associated with piercing the corporate veil, ensuring that the system remains both effective and operationally feasible.

8.5. Anti-competitive effect

8.5.1. Challenge

Excluding bidders from public tenders can have serious unintended consequences for the market, particularly over the medium and long term. One of the main risks is that fewer companies remain able to participate, which weakens competition in future tenders. This problem is especially pronounced in sectors such as infrastructure and utilities, where high entry barriers already limit the number of bidders. In these markets, removing even one major supplier can lead to higher prices, reduced quality, and increased market concentration. Ironically, exclusion measures tend to cause the greatest harm in markets that are already insufficiently competitive, further reducing competitive pressure. In addition, court challenges to exclusion decisions can themselves distort the market, particularly when a decision is overturned only after most of the exclusion period has elapsed. Because of these risks, many jurisdictions are adopting more flexible approaches, such as shorter exclusion periods, negotiated settlements, or targeted sanctions like director disqualification. These alternatives aim to protect competition while maintaining integrity and deterrence in public procurement.

8.5.2. Response

Although blacklisting companies may have negative competitive effects in certain markets, this concern does not undermine the legitimacy of debarment as a regulatory tool. Rather, it underscores the need for a proportionate and carefully designed system that targets misconduct without unnecessarily restricting market participation. The risk of reduced competition highlights the importance of proportionality in blacklisting decisions. A well-calibrated debarment regime—properly limited in scope, duration, and personal reach—can ensure effective deterrence without causing significant disruption to market competition.

9. Conclusions and recommendations

The tendering process is a legal mechanism designed to select the most appropriate price when awarding contracts by public entities. The outcome of a tender is the award of work to a company that meets

minimum quality standards and possesses the capacity to fulfill contractual obligations, thereby delivering goods or services at a reasonable price.

When a company lacks a record of reliable service provision—for example, failing to properly execute a prior contract, providing false information, or engaging in collusion or illegal acts—there can be no presumption of honesty or reliability. Based on this principle, the NIOC procurement commission has prepared a list of such companies, prohibiting their participation in tenders and contract awards.

A legal entity is considered independent from its directors and shareholders. One consequence of misinterpreting this principle is that, when a company is found to have committed multiple violations affecting critical matters such as energy security or the continuity of public services, it may be excluded from participating in NIOC tenders. However, the same company can subsequently establish a new entity with different directors and a new CEO, thereby regaining access to tenders and contracts. As a result, previous violations may continue to impact the execution and outcomes of new contracts.

Another major concern is the participation of shell companies in tenders to manipulate bid prices and engage in hidden collusion, undermining true competition. A company previously excluded may participate under a new name, effectively bypassing the ineligibility regime.

Piercing the corporate veil is a remedy that equity provides to prevent misuse of a company's independent legal personality. However, identifying controlling persons within tendering companies is practically difficult given the resources, expertise, and workload of the procurement commission. Accordingly, it is recommended that, in addition to the violating company, its board members and CEOs also be listed, thereby preventing other companies with the same managers from participating. This approach is feasible for the commission and discourages misuse of corporate names by violators.

One of the main objectives of maintaining this list is to preserve transparency and quality in future tenders. Although the commission has the authority to determine eligibility and make decisions, broad discretion without comprehensive guidelines can lead to ad hoc and inconsistent outcomes. To prevent abuse of authority, countries—particularly EU members—combine rules and guidance covering fair trial considerations, factors determining exclusion penalties, reduction of exclusion duration based on verifiable self-cleaning measures, and reporting requirements, compelling authorities to justify any decision not to impose exclusion (OECD, 2022, p. 34; Dixon, 2020).

Given the existing problems in the National Iranian Oil Company's blacklist of non-qualified entities, the following measures are proposed.

Establishment of a comprehensive electronic system for blacklist management and director verification

Given the challenges inherent in the current mechanism of the "blacklist" in oil industry tenders—including reliance on administrative correspondence, the possibility of human error, inconsistencies in information, and a lack of transparency—it is essential to establish a comprehensive, real-time electronic system for full management of the blacklist. Such a system should be capable of recording and communicating all decisions regarding company and director disqualifications in a transparent and up-to-date manner, including documentation and justification for each decision, as well as the duration of the sanction. By providing functionality to search for directors serving in multiple companies, the system can prevent circumvention of sanctions through the creation of new companies or the nominal reassignment of board members. Aggregating records of violations and directors' histories within this system not only enables more precise oversight but also serves as a single, authoritative reference for all units responsible for conducting tenders.

Moreover, the system should play a central role in the authentication and verification of company directors. By connecting electronically to the Official Gazette and the Comprehensive Company Registration System, any changes in CEOs, board members, or authorized signatories will be automatically updated and cross-checked against the information provided by the companies themselves. This minimizes the risk of inaccurate reporting and ensures that companies submit an up-to-date list of directors during the prequalification stage, which is verified systematically and in real time. Such a mechanism significantly reduces errors associated with manual review, enhances procedural consistency and administrative accuracy, and facilitates coherent, timely, and transparent decision-making.

The implementation of the system should be carried out in phases: designing the database and user interface, connecting to existing systems and establishing data exchange workflows, and finally testing, training users, and full deployment. In addition to reducing errors associated with manual review and enhancing consistency and accuracy in decision-making, this system can enable the notification of directors and board members regarding disqualifications and the Self-Cleaning process.

Ensuring transparency and establishing a legal mechanism for appeal

Considering that placing a company or a director on the blacklist constitutes an administrative decision that directly affects the rights of individuals, it is essential that the reasons, supporting documentation, and duration of the sanction be clearly recorded in the system and communicated to the concerned party. Furthermore, each decision should explicitly indicate that it can be appealed to the Administrative Justice Court, as these decisions are administrative in nature and, in accordance with the principles of administrative procedure, the right to challenge and appeal must be preserved for the affected parties.

Under the current guidelines on debarment from participation in tenders, notice is served only on the company. To implement the proposal set out in this article and to comply with quasi-judicial due process principles, notice should also be served on all members of the board of directors, who should be provided with an opportunity to respond.

The necessity of establishing clear criteria and guidelines for sanctions on companies and directors

One of the fundamental challenges in the current blacklist system is the lack of predefined and clear criteria regarding the type and severity of sanctions imposed on companies and directors. Decisions by the tendering authorities are often based on discretion rather than a transparent legal framework, resulting in similar violations leading to different outcomes and a lack of consistency across the oil industry.

To address this gap, it is essential to develop a comprehensive guideline or regulation in which various types of violations—whether contractual, financial, administrative, documentary, or breaches of tender regulations—are precisely defined and measurable. For each category of violation, a clearly defined range of sanctions should be established. Furthermore, aggravating or mitigating factors—such as repeated violations, the impact of the breach, the amount of damage caused, or the company's cooperation during the investigation—should be explicitly incorporated into the regulation.

The existence of such a framework not only ensures fairness and prevents arbitrary decisions but also promotes consistency in decision-making, predictability in administrative behavior, and increased confidence among private sector actors in the tendering process.

Future research could examine the legitimacy of procurement commission decisions in relation to fair trial principles and companies' right to defense, explore the potential development of corporate veil

piercing doctrine in Iranian law and criteria for disregarding legal personality, clarify the role of regulatory and judicial bodies in supervising and limiting commission powers, design and implement self-cleaning mechanisms for reinstating defaulting contractors, analyze the economic and legal impacts of contractual exclusions on competition and market efficiency, and leverage modern technologies to trace culpable managers and shareholders while assessing the adequacy of the current guidelines.

Nomenclature

HSE	Health, safety, and environment
NIOC	National Iranian Oil Company
PPL	Public procurement law

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