Annex I

State Measures for Strengthening Business Integrity

In line with a number of resolutions of the Conference of the States Parties to the United Nations Convention against Corruption (UNCAC), including, inter alia, resolutions 5/6, 6/5, 9/6 and 9/8, as well as the commitments made by States parties in the political declaration entitled "Our common commitment to effectively addressing challenges and implementing measures to prevent and combat corruption and strengthen international cooperation", adopted by the General Assembly at its special session against corruption held in 2021, the secretariat is seeking information on good practices, practical examples and lessons learned by States parties on the engagement of the private sector and the use of sanctions and incentives to strengthen business integrity in the last decade. The answers provided by States parties will be used to update the 2013 UNODC publication "A Resource Guide on State Measures for Strengthening Corporate Integrity" (English - Spanish - Russian) and to develop an e-learning tool that will further support States parties' efforts to strengthen business integrity.

The Resource Guide provides a catalogue of measures that States parties can adopt to promote business integrity and the reporting of corruption involving the private sector. The Resource Guide features three chapters: i) The United Nations Convention against Corruption and the private sector, which describes the articles of the Convention that frame State interaction with the private sector; ii) Engaging the private sector, which outlines the business case for countering corruption with an emphasis on governance and other factors that can drive business integrity; and iii) Using sanctions and incentives, which describes the range of sanctions and incentives that have been developed to prevent and address corruption involving the private sector.

The secretariat invites States parties to disseminate this questionnaire among relevant stakeholders, with a view to identifying internal measures adopted by private sector organizations to prevent and counter corruption. Respondents may choose to answer the whole questionnaire or only sections that are applicable and relevant to a State party. The secretariat would especially welcome the provision of illustrative examples.

Respondents' contact details will be kept confidential, but submissions will be made public unless a State party requests otherwise. The secretariat may contact a respondent to seek additional information.

To facilitate the process of providing information, the Government may wish to complete the online questionnaire (English only). Alternatively, the Government may wish to submit the questionnaire to the secretariat by email to florian.lair@un.org and sabrina.dandrea@un.org at its earliest convenience but no later than **31 October 2022**.

Questionnaire

Chapter 1 – The United Nations Convention against Corruption (UNCAC) and the private sector

Background: It is important that States' legislative and other measures contain sufficient detail to inform the private sector of their requirements and scope of application. In line with the principle of legal certainty, it is important to have clear provisions outlining prohibited conducts and consequences to the private sector.

1(a) Please describe (cite or summarize) good practices and/or examples of measures taken by your country to promote business integrity and/or reporting of corruption in the private sector in line with the United Nations Convention against Corruption.

Criminal Offenses

1. *Article 291A of the **Penal Law** criminalizes bribery of foreign public officials.*
2. ***Article 423 of the Penal Law, 1977** prescribes an offense of false entry in the corporate documents punishable by up to five years imprisonment in the event that the founder, manager, a member or an official in a corporation, records a false entry in a corporate document, with the intention to deceive, or avoids entering information that he was obligated to enter, with the intention to deceive.*
3. *Article 32 of **The Tax Ordinance** includes a list of deductions that may not be made against taxable income. The list includes sub-payments, whether made in cash or in cash-equivalents, for which there is a reasonable basis to believe that the payment thereof constitutes an offence pursuant to any law (Article 32(16)). The combination of this provision in the Tax Ordinance, and the Penal Law establishing the criminal offence of bribery and bribery of a foreign public official, cements in law the position long held by income tax authorities and adopted in the Commentary to the Ordinance - that expenses incurred in paying bribes are not permitted as deductions to taxable income.*
4. *Corruption is a predicate offence for money laundering under the **Prohibition on Money Laundering Law, 2000 (PMLL)**.*
    a. *The institutional bodies (insurance companies, management companies and pension companies) and the providers of regulated financial services (credit service providers, providers of services in financial assets, and the operators of credit intermediation systems) (hereinafter collectively: 'Financial Bodies') are subjected to a long list of obligations and directives (Anti-Money Laundering Order (Obligations of Identification, Reporting and Record-Keeping of Insurers, Insurance Agents and Managing Companies for the purpose of Preventing Money Laundering and Terror Financing), 2017; The Money Laundering Order (Obligations of Identification, Reporting and Record-Keeping of an Operator of an Intermediation Credit System for the purpose of Preventing Money Laundering and Terror Financing), 2019; and the Anti-Money Laundering Order (Obligations of Identification, Reporting and Record-Keeping of Providers of Service in a Financial Asset and Credit Service Providers for the purpose of Preventing Money Laundering and Terror Financing), 2022) that are intended to minimize, to the extent possible, money laundering risks associated with their activities. These include the obligation to perform a "Know Your Customer" procedure prior to the performance of the services and maintenance of regular control over the activities of their customers.*
    b. *The Banking Supervision Department (BSD) at the Bank of Israel examines the banking system's compliance with the directives on the prohibition of money laundering and financing terrorism in accordance with the risk-based approach, using the supervisory tools at its disposal.*
5. *Section 117 of the **Value Added Taxes (VAT) Law, 1975** prescribes criminal offenses as follows:*
    - *Section 117(a) prescribes an offense punishable with up to one year of imprisonment with respect to any person who committed, inter alia, any of the following acts:*

- *refused or abstained from delivering any notice, document, book or sample which he must deliver, after required to do so;*
- *delivered an incorrect or inaccurate information without a reasonable explanation, or delivered a report or other document that includes said information;*
- *failed to perform the necessary actions for purposes of registration;*
- *did not submit on time a mandatory report under this Law or regulations thereunder, including a report in accordance with the demand of the Tax Authority Director demand;*
- *did not specify an act that was designated under the law as a reportable act in the periodic report, in violation of the provisions of the law;*
- *did not specify in a periodic report, in a special report or in an annual report information he was obligated to provide;*
- *did not keep account books or other records which he was obligated to keep, or a final determination was made that he kept them in substantive digression from the provisions;*
- *recorded proceeds on a cash register tape, on receipts, on invoices, in a daily intake book or on other documentation and did not record proceeds which he was obligated to record under those provisions;*
- *when an employee or an agent acts in the said manner, the law lays down also the liability of the employer;*
    - *did not issue a tax invoice, when required to do so; issued a tax invoice and did not pay the tax included in it on time; did not demand a tax invoice, when required to do so;*
    - *interfered a person in the performance of a duty by virtue of this Law.*

- *article 117(b) prescribes an offense punishable by imprisonment of up to 5 years (or up to 7 years if committed in aggravated circumstances) where a person committed, inter alia, one of the following acts for the purpose of evading the payment of tax:*
    - *delivered false information or delivered a report or other document that includes said information;*
    - *prepared, kept or allowed another to prepare or to keep false account books or other false records;*
    - *falsified, concealed, destroyed or altered any book or other document which he was required to keep or to deliver, or he allowed another or did not prevent another from doing as aforesaid;*

6. *The chapter in the **Income Tax Ordinance** concerning punitive action prescribes offenses with a penalty of one year imprisonment or a fine with respect to the following offenses, among others (articles 215A-216 of the Ordinance):*
    - *failure to submit a report regarding a shelf prospectus;*
    - *failure to submit an income report or a transferor report;*
    - *failure to keep books of account in accordance with the provisions of the Ordinance;*
    - *destruction or concealment of documents relevant the assessment.*
    - *failure to record proceeds;*
    - *failure to report a reportable action;*
    - *failure to fill any other requirement set in the ordinance.*

- *Article 217 of the Ordinance sets a penalty of up to two years imprisonment on anyone who prepares an inaccurate report.*
- *Article 220 of the Ordinance imposes a penalty of up to seven years imprisonment on anyone who committed, inter alia, one of the following, maliciously, with the intention of evading tax payment or colluded with another to do so:*

- *omitting from a report in accordance with the Ordinance any income that must be incorporated in the report;*
- *providing a false answer, whether verbal or written, to a question or a demand for information delivered in accordance with the Ordinance;*
- *preparing, keeping, or permitting another person to prepare or keep false accounting books or other false entries, or forging or permitting another to forge accounting books of or records;*
- *presenting a false document to the income payer for the purpose of preventing or minimizing deduction of tax.*

Internal Auditing

The Israeli Companies Law, 1999*, obliges corporations to assign different internal control mechanisms, based on the type of the corporation.*

According to the Companies Law, any company whose annual turnover is larger than a certain amount (615,000 ILS) is required to appoint an independent auditor, whose function is to audit its annual financial statements and report about material defects to the Chairman of the Board. The company must submit an annual report to the Corporates Registrar. The report should include the financial statements that were audited by an auditor and were signed by the board of directors, as well as information about the auditor who audited the financial statements and who assisted in the preparation of the report.

Public companies (companies whose shares are traded in the stock exchange) and debentures companies (companies whose debentures are traded in the stock exchange) are obligated to appoint, in addition to the auditor, an audit committee and an internal auditor. The function of the audit committee is, inter alia, to find defects in the business management of the company, to consider extraordinary transactions and to supervise the internal audit system and the work of the auditor. Internal auditors are appointed according to the proposal made by the audit committee. Their job is to inspect, inter alia, the regularity of the operations of the company in terms of observance of the law and proper business conduct. They are obligated to submit a report to the chairman of the board of directors, to the CEO of the company and to the chairman of the audit committee.

The duty to appoint an audit committee and an internal auditor also exists in certain types of business partnerships. In public limited partnership there is an additional duty, to appoint an auditing accountant, as well as an inspector, whose role is to ensure the fulfillment of the duties and obligations of the general partnership according to the provisions of the law.

In accordance with ***the Associations Law****, non-profit organization are required to appoint an audit committee or auditing body whose job it is to check, among other things, the actions of the association and its institutions, taking into account its goals, as well as the actions of the officials of the association, in aspects of savings, efficiency, effectiveness and integrity. In addition, an association whose turnover exceeds 10,000,000 NIS (approx. 2,922,000 EURO) must appoint an internal auditor. Every association with a certain financial turnover (currently 1,172,933 NIS, approx. 342,540 EURO) is required to appoint an auditing accountant. The law includes provisions aimed at ensuring the professionalism and independence of the auditing bodies. Associations are required to submit to the associations registrar, inter alia, the minutes of its general meeting in which the annual financial report was*

approved, together with the report itself and the recommendation of the audit committee or the auditing body, and where there is a duty to appoint an auditing accountant, the accountant's opinion of the report. The registrar of associations may examine the financial statements submitted to him, request additional documents, clarifications or a revised report, as far as this is necessary and exercise supervisory powers and as necessary.

The Companies Law, 5799-1999 establishes similar provisions regarding internal audit mechanisms to those in the Associations Law regarding public benefit companies (another type of non-profit).

Public companies (companies whose shares are traded in the stock exchange) and debentures companies (companies whose debentures are traded in the stock exchange) are obligated to appoint, in addition to the auditor, an audit committee and an internal auditor. The function of the audit committee is, inter alia, to find defects in the business management of the company, to consider extraordinary transactions and to supervise the internal audit system and the work of the auditor. Internal auditors are appointed according to the proposal made by the audit committee. Their job is to inspect, inter alia, the regularity of the operations of the company in terms of observance of the law and proper business conduct. They are obligated to submit a report to the chairman of the board of directors, to the CEO of the company and to the chairman of the audit committee.

Pursuant to the provisions of the Associations (Amutot) Law, 1980, each association must appoint an audit committee or an auditing body that will inspect, inter alia, the regularity of the operations of the association and its institutions, taking into consideration its objects and, in this context, the regularity of the operations of the officials in the association from the aspects of savings, efficiency, effectiveness and integrity. An association whose turnover is greater than 10 million ILS must appoint an independent internal auditor, for the purpose of strengthening the internal audit mechanisms in the association. In addition, any association with a specific turnover (1,172,933 ILS or above) must appoint an auditor, whose function is to audit its financial statements and submit an audited report. The law includes provisions to protect the professional conduct, independence and no-dependency of the auditing bodies. The association is required to submit to the Registrar of Associations, inter alia, the minutes of its general meeting that approved the annual financial statement, together with the statement itself and the recommendations of the audit committee or the auditing body, as well as the opinion of an accountant regarding the report (in associations in which the appointment of an accountant is required). The Registrar of Associations is entitled to review the financial statements submitted, ask for additional documents, clarifications or an amended report, to the extent that this is necessary, and exercise supervision authority as required. The Companies Law lays down similar provisions regarding internal audit mechanisms as the ones prescribed under the Nonprofit Associations (Amutot) Law with respect to public benefit corporations (an additional type of a non-profit organization).

Conflicts of Interest

7. ***The Public Service (Restrictions after Retirement) Law**, 1969 ("The Cooling-off Period Law"), is intended to prevent the negative effects of exploiting professional or personal ties acquired by a civil servant during their tenure and to prevent the public official of making such personal ties available to private businesses, after retirement. Civil servants may also make decisions during the course of their work that affect regulated organizations or industries that would be interested in hiring their services after retirement. To prevent these types of conflicts of interests, the law details a number of different restrictions, some for a fixed period of time and some permanent, which*

apply to serving and retired civil servants. It should be noted that the provisions of the law do not detract from the provisions of the criminal code regarding bribery of a public official or undue use of influence. In order to implement the law, the Civil Service Regulations ("the Takshir") set out instructions guiding employees on how they should act, if they receive an employment offer from an outside organization or a private business during their employment at the government. The Takshir requires employees to report the offer to their supervisors and the legal department in their ministry. In addition, employees must refrain, in the course of their work, from any action that relates, directly or indirectly, to the business which made the offer.

- *Article 4 of the Cooling-off Period Law prohibits the receipt of benefits from private businesses for a period of one year after retirement from the public service ("cooling-off period"). The Law defines "benefits" as an offer of employment or other contract for services. During the cooling-off period, retired civil servants who were authorized to make decisions or recommendations during the course of their work, are prohibited from receiving any benefit from a person or business that could have been influenced by their decisions during the first year after retirement. The Cooling-off Period Law sets out additional limitations on retired public officials. For example, according to Article 2 of the Law, retired officials may not represent a person in relation to the public body to which they belonged.*
- *Article 3 of the Law prohibits the representation of a person by a retired official against a former subordinate for a period of one year since the official's retirement.*
- *Article 11 of the Law authorizes an administrative tribunal (the "Permit Committee") headed by a District Court judge, to grant exemptions from the restrictions stated in the law. Pursuant to the Takshir, in cases where it is determined that Article 4 of the Law applies, the official may request a pre-ruling from the legal department of the Civil Service Commission regarding their request to shorten the cooling-off period. The purpose of the pre-ruling procedure is to clarify the facts regarding the employee's request to shorten the cooling-off period and to inform the applicant of the position of the Civil Service Commissioner before submitting their application to the Permit Committee. This also enables shortening the procedure as it ensures that the committee subsequently has all the facts required for the purpose of its decision.*

*Article 10A of **The Securities Law** imposes further restriction after retirement, specifically with regard to ISA officials. For example, An ISA official who left their position may not, during the first year after departure, by virtue of shareholdings, be a party of interest in a Stock Exchange member, and must not be an employee of a Stock Exchange member during the first three months after leaving their position, except if granted permission from the Permits Committee. Furthermore, a retired ISA official must not engage in securities trading, either on their own account or of others, during the first three months after departure, except if granted permission from the Authority's chairman; the Authority's chairman shall report the grant of a permission to the Authority plenum.*

1(b) What challenges (if any) did you encounter in developing and/or enforcing such measures?

1(c) Please describe the steps you took to overcome such challenges (if any).

Chapter 2: Engaging the private sector

Background: Anti-corruption programmes, commonly referred to as compliance programmes, are a primary tool used by companies to advance ethical business practices. They provide a framework for

articulating the values, policies and procedures used by a company to educate its employees and to prevent, detect and counter corruption in its business operations.

2(a) Please describe (cite or summarize) good practices and/or examples of measures taken by your country to promote integrity through anti-corruption programmes in the private sector.

Compliance Programmes

1. *In 2011, The Israel Securities Authority published the 'Criteria for the recognition of an internal enforcement program in the field of securities and investments management'. The document clarifies, as a preliminary matter, that there is no obligation to adopt the program, however the adoption of the program is a proper step for relevant corporations for the benefit of their investors and customers, as well as for the corporation itself, its management and its employees. The document also clarifies that the existence of an effective internal compliance program is one of the considerations that are entertained by the Authority within the framework of its enforcement program.*
2. *In 2017, the Ministry of Defense published the 'Guidelines regarding compliance program in the field of anti-corruption' that is intended for defense exporters. The purpose of this document is to assist defense exporters to formulate efficient compliance programs that meet international standards. According to the guidelines, the anti-corruption program must include, as a minimum, some of the major components set forth in the guidelines. However, this is not a closed list, and each corporation is required to prepare a proper compliance program based on, inter alia, the structure of the corporation, the scope and the features of its activities and the geographic areas in which it maintains business activities. The corporation is responsible for preparing an efficient compliance program. For major defense exporters, the compliance program is a pre-condition for obtaining a defense marketing and export license. While the situation is different for defense exporters in small and medium-sized industries, the Ministry of Defense nevertheless encourages these exporters to adopt this practice as well. According to the guidelines, corporations are required to update their compliance program periodically, based on the experience of that corporation in the implementation of the program and changes of circumstances. In July 2020, the Director-General of the Ministry of Defense published a letter to the defense exporters in which he emphasized the importance that the Ministry of Defense ascribes to the prevention of corruption, particularly in international transactions. The letter clarified that the Ministry of Defense is dedicated to promoting this issue among defense exporters and it therefore obliges major defense exporters to prepare and implement a compliance program. The letter also called upon defense exporters, who are not obligated to do so, to prepare and to implement proper measures for the purpose of preventing corruption and assuring compliance with the provisions of the law and the conditions set out in the defense marketing and export licenses. In addition, the letter also called upon defense exporters who already formulated such measures, to reconsider, review and update them, if required, and assure their efficient implementation within the framework of the operations of their corporations.*
3. *In October 2019 the Israeli State Attorney's Office published new guidance regarding the criminal indictment and sanctioning of corporations. This guidance sets out the main elements necessary for assigning criminal liability to a corporation and instructs prosecutors to make sure that suspicion regarding corporate criminal liability is properly investigated. The guidance further outlines considerations for indicting a corporation, including the severity of the crime, the damage caused, the profit made, the nature and history of the corporation and whether the wrongdoing was part of the corporate culture or was a deviation from this culture, as determined by assessment of the corporation's compliance programme. The guidance also details different factors to consider in criminal sanctioning of corporations, referring to a corporation's compliance program as a possible mitigating factor. The guidance also details elements for assessment of an effective compliance program. In the same month, the Israeli State Attorney's Office published an amendment to its guidance regarding the financial penalties for bribery offenses. The revised*

guidance determines specifically that the increase of the court's authority to determine higher economical penalties was intended, among other things, to be able to set deterrent sanctions for corporations.

Awareness Raising

The Anti-Corruption Unit in the Ministry of Justice has launched a new website that provides information on different topics related to the fight and the prevention of corruption – in order to raise awareness and educate, and is aimed at two target audiences: 1) the public – for whom it supplies information on legislation, case law, international treaties and conventions, etc.; 2) ***specific groups such as corporations*** *– for whom the website supplies mainly information which can assist them in learning about their rights and/or duties related to corruption prevention.*

2(b) Please describe (cite or summarize) good practices and/or examples of measures you have used to encourage transparency, public reporting and/or public participation through your anti-corruption programmes (both for the public and private sectors).

The ***Protection of Employees Law (Exposure to Offences of Unethical Conduct and Improper Administration), 1997*** *affords employees of both public entities and private sector companies (with over 25 employees) protection and compensation for reprisal regarding work conditions (including dismissal) for whistleblowing (i.e. reporting on violations of the law, corrupt acts and in the public sector unethical conduct and improper administration perpetrated by the employer or by other employees) (Article 2). The Law contains a penal clause – according to which reprisal for whistleblowing is an offence punishable by a maximum sentence of three years. Lawsuits filed according to the law fall within the jurisdiction of the Labor Courts.*

2(c) What was the impact of the measures described above (2a and 2b)?

2(d) What challenges (if any) did you encounter in implementing the measures above (2a and 2b)?

Chapter 3: Using sanctions and incentives

Background: While effective sanctions for corruption offences are required under the United Nations Convention against Corruption, the Convention also recognizes the essential role of incentives that encourage and reward corporate self-reporting and preventive efforts.

Part A - Sanctions

3(a) Please describe (cite or summarize) good practices and/or examples of sanctions used to strengthen business integrity and/or reduce corruption in the private sector in your country.

The competent entities in the Corporations Authority are entitled to impose sanctions on corporations that violate the reporting duties imposed on them. In this framework, it is possible to declare that certain companies are "in violation of the law" and impose financial sanctions on them, deny the issuance of a certificate of proper management to associations and, in proper cases, liquidate the corporations by filing an application for the purpose of this matter to the competent courts.

3(b) What were the main challenges (if any) your country faced in enforcing these sanctions?

3(c) What steps did you take to overcome those challenges (if any)?

Part B - Incentives

3(d) Please describe (cite or summarize) good practices and/or examples of incentives used to strengthen business integrity and/or reduce corruption in the private sector in your country.

3(e) What is the main impact of such incentives?

Part C - Additional measures

3(f) Please describe (cite or summarize) good practices and/or examples of any other additional measures used to strengthen business integrity and/or reduce corruption in the private sector in your country.

Additional information

Is there any other information that you wish to share which has not been addressed by the previous questions?