



# 7 Reasons to Implement a Whistleblower Hotline

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# Anonymous Hotline: First Line of Defense

Strong business ethics is seen as an important factor for businesses that want to protect their brand from diverse risks and elevate their workplace culture. We will never stop seeing the importance of ethics in business as scandals continue to be publicized. More executives today are understanding that merely checking of a compliance box is not going to protect the company from unwanted business risks or negative legal exposure.

Executives today are more aware than ever that they need to do much more than meet minimum requirements of their GRC to do list or other mandatory processes or regulation. Today's executives understand the importance of having a system in place where anyone, anywhere, can safely report any wrongs they see without fear of retribution.

The importance of understanding how and why crimes occur within a company can help that company direct its efforts towards quickly resolving issues, no matter where in the world they take place. All organizations, from publicly traded companies, to non-profit groups face many challenges maintaining proper controls. One of the simplest and most cost-effective

ways to accomplish this is by implementing an anonymous ethics reporting hotline. Fraud and other risks cost everyone more if they are ignored. No organization is immune to unethical behaviour, and no organization can afford the costly consequences resulting from misconduct that does not get reported. And beyond the direct financial impact, organizations can face regulatory violations or noncompliance issues. Public organizations face penalties for failing to meet regulatory obligations, and non-profit entities could face the loss of government funding and public trust.

Anonymous employee tips are the most common method of detecting any type of misconduct within a company. It is well known that employees are an important source of information for discovering potential fraud, and they provide valuable insight into a company's internal workplace culture when they are able to safely speak up to a hotline. It is well known how fast rumors spread. Therefore, if employees don't have a safe and secure place to raise concerns other than the rumor mill, companies could find themselves trying to sort out devastating fact from equally devastating fiction.



# Today's Whistleblower

It's time to rethink whistleblowing. During the past decades, attitudes towards whistleblowing have evolved considerably from the early days of the "company man" atmosphere where loyalty to the organization was the ruling norm. Today, outrage over corporate misconduct has created a more encouraging climate for whistleblowing.

As we move past each decade, the older generation will be retiring and the younger generation will be taking their place. And this new generation does not have any tolerance for being silenced. In fact, they have no problem speaking up when they see something wrong. As mentioned earlier, the rumor mill is not the communication tool any company wants their employees using to speak up.

The younger generation demands freedom of speech and the right to speak up without fear of retribution. They will be the future whistleblowers who shed light on the next global scandal. They will be the employees who change the internal culture of an organization that previously had a preference to silence those who speak up, or brush wrongdoing under the rug and pretend it never existed.

The attitude towards whistleblowing has progressively evolved from "snitch" and "lowlife" to "savior" and someone who "informs". Not only are tips by whistleblowers the most common detection method, organizations with hotlines uncover wrongdoing quicker than those without a reporting hotline.

The use of hotlines as reporting mechanisms

has increased notably over the last decade. Your employees are your first line of defense when it comes to learning of misconduct within the organization. They are the eyes and ears of your organization. Giving them the tools to safely speak up when they think they see something wrong is smart business.



*This new generation doesn't tolerate being silenced.*

# Why Implement an Ethics Reporting Hotline?

There are plenty of reasons to implement an anonymous ethics reporting hotline. First and foremost, companies today see this as a way to promote their company-wide culture of having high integrity and accountability. When an employee does want to come forward to voice a concern, they want to know where to go, how to avoid supervisors, and how they can remain anonymous. An anonymous hotline removes many of the obstacles to reporting inappropriate

behaviour and gives all stakeholders, including employees, suppliers, and vendors the ability to raise genuine concerns about illegal or unethical behaviour in a safe manner. As well, when a reporting mechanism is in place, it reduces the risk of individuals going elsewhere with their concerns, potentially damaging a company's reputation and causing further financial harm. Again, the rumor mill should be avoided to protect the company's reputation and finances.



*Promote company-wide culture of high integrity and accountability.*

# Are Ethics Hotlines Really Effective?

Do hotlines create a false sense of security and cause more problems than they solve. No they don't. What they do is promote an ethical culture that provides stakeholders a safe and anonymous place to speak up about any wrongs they see.

Communication is key when it comes to creating a culture of integrity, honesty, accountability, transparency, the list goes on. Communication is a fundamental element of an effective compliance program and a well performing workplace.

Hotlines encourage employees to speak up about wrongdoing. Many employees might feel comfortable voicing concerns to a manager or supervisor. But many more don't and anonymous hotlines provide another way to speak up about wrongdoing in a safe place.

Encouraging employees to speak up about

wrongdoing to a hotline allows business leaders to immediately investigate issues and resolve them quickly. The alternative could be employees going outside the company and speaking up to media, or social media, or an outside agency.

Hotlines are conveniently available to anyone, anywhere to blow the whistle on wrongdoing. Many employees would choose to be in the safety of their own home when the time comes to speak up. They also offer anonymity to those employees who are scared to come forward, or fear retaliation.

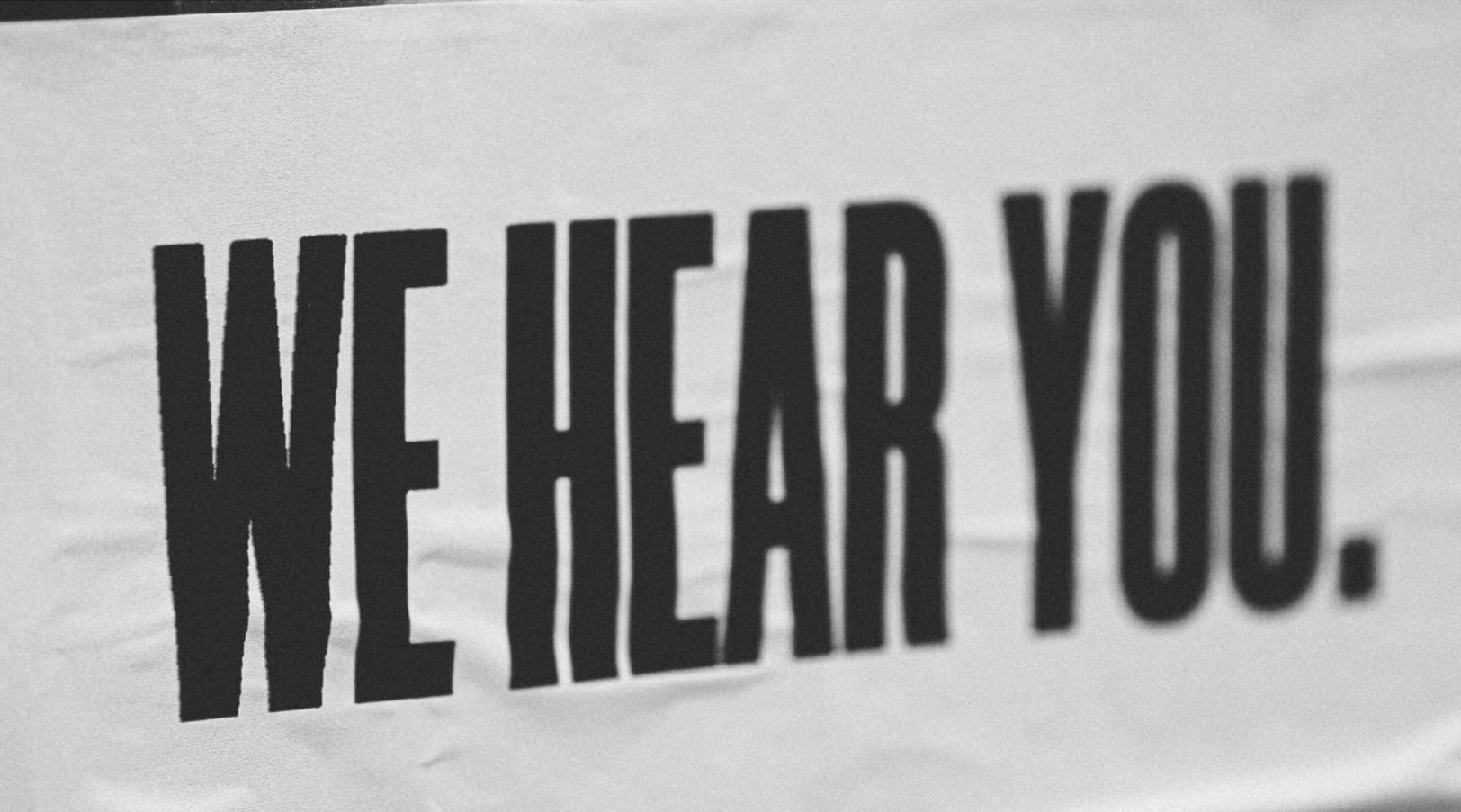
Hotlines also reinforce the company's ethical culture. And this is strengthened when all reports are investigated because it shows employees that the company does not tolerate unethical behaviour, and encourages a speak up culture.



*Hotlines encourage employees to speak up about wrongs they see.*

# What an Ethics Reporting Hotline Should Do

- **Encourage employees** to bring knowledge of ethical and legal violations to an internal authority so that action can be taken immediately to resolve the problem
- **Be accessible** company wide, including availability to vendors and suppliers. It's not just employees who observe misconduct
- **Meet regulatory requirements** – specifically applicable to publicly traded organizations
- Have an option to **provide anonymity** to anyone wishing to report concerns
- **Minimize the company's exposure** to the damage that can occur when employees circumvent internal mechanisms
- **Be cost-effective and available 24/7/365**
- **Let employees and stakeholders know** the company is serious about adherence to the codes of conduct that have been put into place



WE HEAR YOU.

# Avoid Ethical and Legal Violations

The regulatory environment is often changing and many companies operate in a market that is competitive, and highly scrutinized. Ethics and compliance professionals charged with guiding their organizations away from non-compliance need to keep pace with best practices.

Many executives are now seeing a whistleblower hotline as a positive presence to promote and advance a company's core values. If there is no effective mechanism in place for employees to report their suspicions of ethical or legal violations, those violations can grow quite significantly over time to a point where the organization could face serious repercussions both legally and financially.

Often, employees are the first to know of organizational irregularities before upper management becomes aware of them. Publicly traded companies are required to have a reporting mechanism in place. If employees have an anonymous means of reporting irregularities, management can find out about them sooner and take corrective action before they escalate into an ethical or legal nightmare.

Not all misconduct can be prevented. Inevitably, it's likely that some type of unethical misconduct will eventually occur, even in the most secure organizations. However, quick detection of it is vital to protecting a company from potential damage. A proactive detection measure like an ethics hotline, is key to catching unethical behaviour early, limiting loss, and avoiding ethical and legal violations.



# Ethics Reporting is Easily Accessible

Anonymous reporting hotlines play an important role in ethics and compliance programs. They provide an alternative method for communication between employees and management when more formal channels may present a barrier.

It is more crucial than ever that companies have effective reporting hotlines as part of their corporate compliance programs so that employees, and other company stakeholders, such as vendors, are motivated to report suspected unethical or unlawful conduct internally and not be incentivized to turn to regulators.

Your employees aren't the only people with eyes on the organization. Incidents of misconduct can be observed by multiple stakeholders including contractors, vendors, customers and members of the public. The problem is, internal systems often sit behind firewalls, completely inaccessible

to non-employees. And there may be some instances where employees would prefer to use your internal system from home but can't. An external third-party hotline increases accessibility to anyone who needs to report a concern.

Depending on a number of factors like employee location, educational background, age and level of employment, employees may differ on their preferred method of reporting compliance concerns.

Having a program in place that is accessible via multiple reporting channels offers all stakeholders many different options for reporting possible wrongdoing. Multiple access points ensure any reporter can use the program in an easy-to-use format through an engagement point of their preference. This will increase program buy-in and usage.



# Meet Regulatory Requirements

The GRC landscape is always changing and Ethics and Compliance professionals are constantly navigating through the complex world of regulations to ensure their companies are compliant.

The most notable regulations are the **Foreign Corrupt Practices Act (FCPA)**, **Sarbanes-Oxley Act (SOX)**, **Multilateral Instrument 51-110 (Canada)**, and the **U.K. Bribery Act**. However, other forms of misconduct are identified in regulations like **HIPAA**, and **GDPR**.

Organizations should understand the regulations that apply to them and ensure they have the right tools in place to meet these standards.

Some regulatory requirements stipulate that publicly traded organizations are mandated to have a whistleblower policy and procedure in place. The US requirements of Sarbanes-Oxley and Canada's Multi-Lateral Instrument 51-110 state that a publicly traded organization must address and manage:

- The receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters
- The confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters

Other regulations like Australia's whistleblower legislation, requires any company to have a whistleblower program in place to allow employees to report unethical or illegal behaviour. But it's not just publicly traded companies that benefit from whistleblower policies and whistleblower reporting tools.

Non-profit organizations have much to lose in the event of fraud or other misconduct. The threat of the loss of government funding can shut down a not-for profit for good. Although the average amount lost to fraud in a typical non-profit is less than it is for a for-profit entity, the damage can be far greater given the nature of the business. This damage can also include loss of trust of the public who these organizations heavily rely on for support.

Private and smaller organizations also can't afford to be penalized for violating rules and regulations, such as FDA. The cost of fighting potential legal battles and protecting the brand could become more than a private entity can handle and the prospect of going out of business is that much greater.



# Provides Anonymity

Over the last decade, there's been a surge in the adoption and usage of anonymous whistleblower hotlines. Efforts to increase the protection of whistleblowers are on the rise. As well, we've seen an increased push in the need to include reporting hotlines as a means to support ever-changing global regulations. These factors have seen more companies incorporating ethics reporting mechanisms into their existing ethics, compliance, and fraud detection policies.

No organization is immune to fraud. These crimes can occur anywhere in the organization. We know the use of anonymous hotlines enables employees throughout all levels of an organization to speak up about something they think they see that is wrong. They may feel more comfortable about reporting anonymously instead of walking into the offices of management to talk about something that involves a co-worker. And no employee should be penalized for wanting to remain anonymous.

With training on what types of ethical violations and fraudulent acts negatively impact the organization's code and culture, and training on how and when to report this misconduct, organizations will see an increase in employee engagement, employee satisfaction, and overall employee buy-in to blowing the whistle.

Employees are likely to sit on their concerns for a long time before having enough courage to finally speak up. A reporting program that gives employees the option to remain completely anonymous, or be fully transparent if they so choose, will provide them the comfort and safety to speak up sooner about wrongdoing, and inform leadership on a variety of issues and enable them to investigate and remediate them sooner. By providing anonymous reporting mechanisms to employees, an organization will give credence to the whistleblowing program.



*No employee should be penalized for wanting to remain anonymous.*

# Cost Effectiveness

Most companies do not have the capacity to operate an in-house ethics reporting hotline with translation capabilities. Employees can be skeptical about reporting misconduct directly in-house because they don't know who's on the other end of the report, or if they'll be recognized as the person who spoke up.

Third-party hotline providers have the capacity to provide multiple methods of outreach that support many languages. This enables employees to report wrongdoing in a way they feel safe, in a language of their choice, and facilitates the ability to engage in anonymous dialogue between employees and their employer.

When it comes to putting any program in place, cost plays large role in determining how many

features will be incorporated, and what type of service level will be utilized. When it comes to whistleblower hotlines, these factors play a role in determining if an organization is going to build their own internally run program or outsource the program to a third-party.

An internally run ethics reporting program needs to take into account the costs associated with establishing and maintaining its infrastructure, reporting tools, and staffing. With an internal structure, all of these costs are sustained by the business itself.

The time, effort, and resources used to get an internal program built and running removes resources from their regular duties, thus costing the organization more.

With an external third-party provided service, there's a significant reduction in the cost of implementing the program. The structure has already been built and established by the service provider:

- 24/7/365 capabilities
- Trained agents
- Case Management system
- Anonymous dialogue capabilities
- Development and production of marketing materials
- Ability to route reports away from implicated individuals
- Translation and interpretation capabilities



# Minimize Damaging Exposure

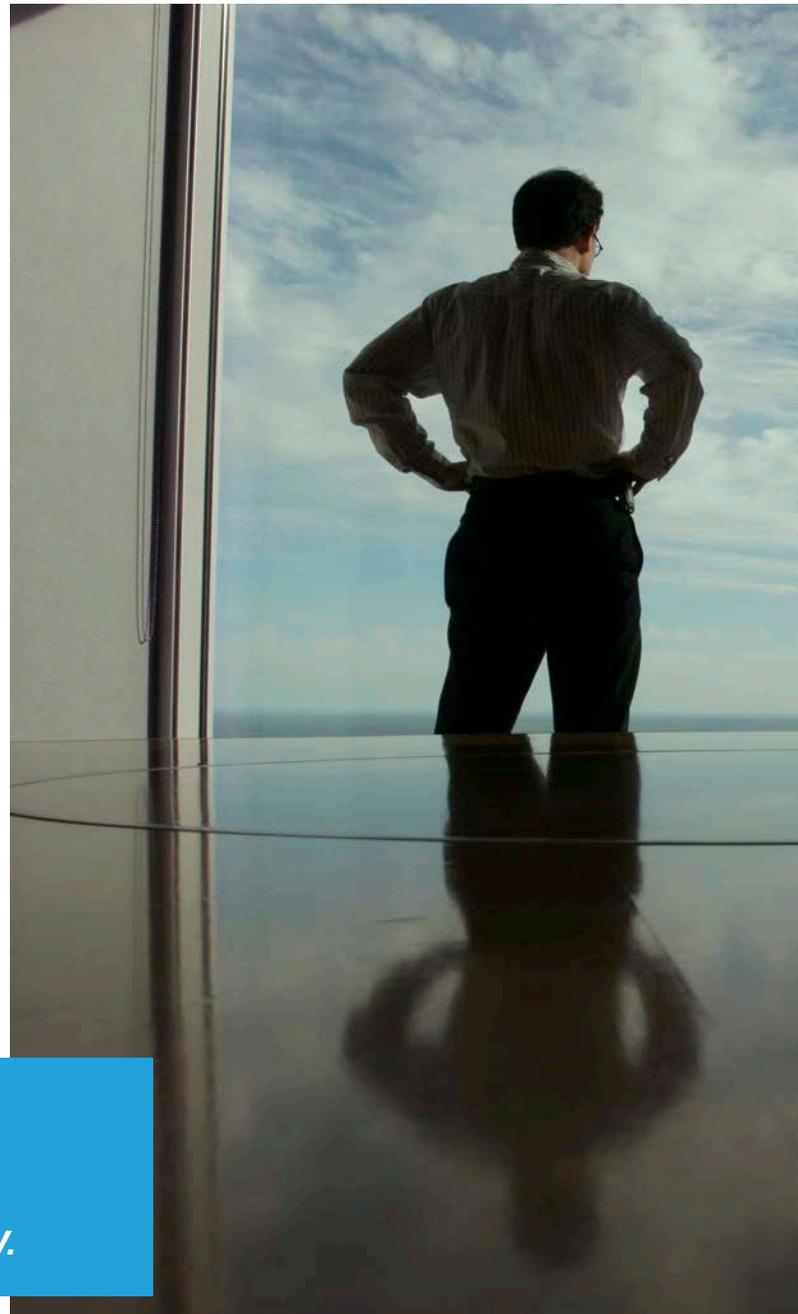
Many organizations have seen their fair share of scandal, bankruptcy, and reputation damage. When companies behave negligently, customers' perceptions and purchasing decisions will be adversely affected. Leadership understands this, but they may get caught off guard by how far-reaching the aftershocks of a scandalous situation can be.

Let past scandals be a lesson for today's business practices. The focus on ethics in the workplace and the demand for ethics and compliance regulations soured as a result of the very highly publicized corporate accounting scandals of the early 2000s we know today as Enron, Tyco, and WorldCom.

It took more than a decade for the scandal at Olympus to surface. Leadership who were allegedly the mastermind behind it were also responsible for the company's whistleblowing hotline. The culture at this company made employees afraid to speak up about views that were different to the dominating and authoritarian leadership.

Scandals like these are not limited to North America. Organizations the world over can be the subject of highly publicized scrutiny due to fraudulent activity that has been ignored. By implementing a third-party ethics reporting system where anyone can report on wrongdoing,

and where the organization has the chance to seriously investigate and mitigate further risk, the "I wasn't aware of it" plea, used by CFOs and CEOs of other troubled entities, can be eliminated.



*Organizations worldwide can be the subject of highly publicized scrutiny.*

# Adherence to Codes

The Code of Conduct is the foundation of an organization's compliance program. An effective code is clear, concise, and easily accessible to every employee and those doing business with the organization.

Having an effective system for anonymous reporting of violations against the code will help the organization maintain the integrity of the ethics and compliance program.

Allegations of wrongdoing are going to be made. A well thought out compliance program is going to help raise red flags that require looking into. What's important for the organization is that it implements a mechanism for individuals to come forward and anonymously communicate any suspicions they have of wrongdoing and illegal acts that can harm the organization.

This intake program should be efficient and reliable and help employees speak up about violations of the Code. By implementing an anonymous ethics reporting program, the message received by employees and stakeholders is that the organization is serious about the adherence to the Code and there is a zero-tolerance policy for retaliation.

In the ACFE's latest Report to the Nations, most victim organizations had a Code of Conduct in place as an anti-fraud control method. Couple this with the increase in reporting hotline adoption over the past decade shows that organizations are taking detection of misconduct and the use of anonymous hotlines to detect misconduct seriously.

Effective compliance programs promote an acceptance within an organization that encourages a speak up culture, and a company-wide commitment to adherence to laws. Effective compliance programs protect an organization's reputation, brand, relationship with investors, and assets, and helps in the detection and prevention of misconduct.

From inside the walls of an organization, the perspective might be that everything is running smoothly. But front-line employees are generally the eyes and ears to an organization's internal culture, and possible unethical conduct. Giving them the tools to speak up anonymously gives leaders a holistic view inside the organization's culture and enables them to quickly put a stop to unethical misconduct.



# Create a Culture of Trust

Employees want to feel like they are contributing to the success of the organization. When their employer takes their reported concerns seriously, employees will feel like they are doing something good, and other employees will see the value in reporting issues in the future.

Even if employees choose to remain anonymous, the company can still learn about any developing patterns of bad behaviour or illegal practices and leadership can take action.

Of course, a reporting hotline won't do much good if employees don't know it exists. Therefore, it's important to communicate to stakeholders about its existence, train everyone on how and when to use it, promote it often, and most importantly, respond to every complaint.

Remember, just one reported incident can result in uncovering potentially damaging activity. And the ability to have a safe dialogue with the reporting employee can avoid the dreaded rumor mill that motivates unwanted and damaging gossip.

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