



6 Steps to Implementing an Ethics Reporting Hotline

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What Do Whistleblower Hotlines Do?

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.

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.

Hotlines detect and deter fraud before it can take a company down. As such, they protect your reputational sustainability, your financial sustainability, and help create a strong corporate culture. This way, management can increase connection with employees, increasing their morale, and engagement.

Hotlines are:

- Indicative of management's commitment to employees
- A way to limit liability for directors and managers.



Do You Outsource a Hotline, or Keep It Internal?

When considering implementing a whistleblower hotline, there's much to take into account regarding features and benefits of a program.

The biggest factors are budget, resources, implementation plan, training, report review, response, and analytics. What policies and codes need to be developed to support the system? What types of reporting do you need? How do you measure success? And of course, how important is an anti-retaliation policy?

When considering an outsourced or internal hotline:

- **Cost effectiveness** – Although easy to set up a voicemail system on an ad-hoc basis – which is not recommended - internal systems lack budget needed to staff the system, maintain the system, and market the system. External systems are more cost effective in that they generally include all costs needed to maintain, service, and market the program.
- **Availability** – A whistleblower hotline should be available 24/7/365. This means that employees can use the hotline, or file their report online at anytime, from anywhere. Many employees will choose to speak-up about wrongdoing after work hours because they are afraid of being

outed at work.

- **Regional / National / Global Coverage** – For organizations with a global footprint, 24/7/365 hotline coverage and accessibility provides all employees with access the hotline when they feel they need it. Global coverage considerations include having a hotline set up throughout different regions where the organization operates.
- **Translation Services** – Internal systems covering large organizations with global locations may not have the capacity to service all employees who blow the whistle. These employees may prefer to speak to someone in their native tongue at the moment of intake. An external provider has the availability of translation and interpretation services at the moment of intake, so employee are able to voice their concern immediately.

What are the benefits of a whistleblower hotline?

- Public company compliance, private company good practice
- Detect misconduct sooner
- Provides transparency and oversight that management alone may not have



Start With a Whistleblower Policy

It's important to effectively develop and implement a whistleblower policy. The purpose of a whistleblower policy is to encourage your employees and any other stakeholder to speak up about any concerns they have or misconduct they have witnessed.

Your whistleblower policy should be designed to provide your employees with assurance that they can raise concerns about wrongdoing within the organization without fear of retaliation, or discrimination. Employees should be encouraged to not remain silent about any wrongs they see, but to report these concerns immediately. This prevents the urge to take any concerns outside the organization.

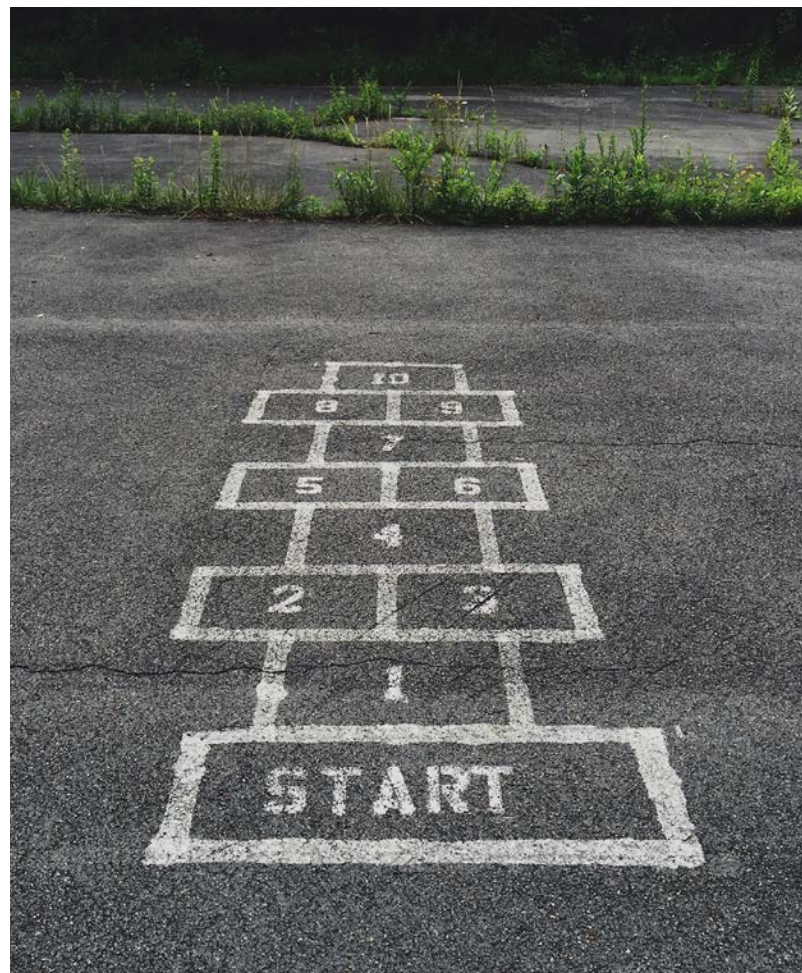
Your whistleblower policy should:

- Encourage all stakeholders to feel confident to speak up about ethical concerns as soon as they can
- Document all available avenues for raising their concerns (*This includes a link to a web portal, a list of all hotline numbers, etc.*)
- Promote the ability for an anonymous dialogue between the whistleblower and management
- Provide feedback on any action taken to a reported concern
- Reassure protection to anyone who blows the whistle, including discrimination, harassment, dismissal, etc.

When creating your whistleblower policy, consider your existing corporate culture. Ask the question, "is there an opportunity to enhance it"? Has your organization historically had a culture

where employees feel unsure about speaking up? Use this opportunity to improve the level of expectations and adherence to your corporate culture that employees have. It is a message from upper management that they embrace the ability to voice concerns without fear. If they don't embrace it, that message of adherence will not filter down.

Lastly, make your policy clear and easy to understand. It's going to be read by all employees and you will likely have a diverse audience. Avoid using too much legalese jargon that nobody understands. Your audience has to understand the very basic tenets of your policy.



Grant Hotline Access to Other Stakeholders

It's important to grant access to your whistleblower hotline to all stakeholders. This includes customers, vendors, suppliers, etc. The reason for this is because it's not only employees who may become aware of unethical behaviour. Any supplier, vendor, or customer that has regular access to your company, could learn of misconduct that will not only negatively affect your company if not reported, but could affect their company as well.

Today it is crucial that companies have effective whistleblower hotlines as part of their corporate compliance programs that provide a safe and secure method for employees and other stakeholders to blow the whistle on unlawful conduct internally first, instead of turning to regulators first.

Consider the Securities and Exchange Commission (SEC) Whistleblower Program that provides monetary incentives for individuals, including employees, to come forward and report possible violations of the federal securities laws to the SEC.

Promoting internal reporting first may provide the opportunity to address and remedy misconduct before it becomes unlawful, or the company is required to report it to regulators. Reporting misconduct first to regulators may trigger a government investigation or shareholder suit.

Also consider the European Union Whistleblower Directive. Anyone can file a report including employees, suppliers, business partners, even third parties, and any and all of these people are protected against retaliation and need to be supported during their whistleblower process.



Anonymity Is Key

When it comes to internally run whistleblower systems, what an organization thinks is 'anonymous' may not actually be seen the same way in the eyes of employees. In-house systems don't always offer the same level of confidentiality as an external system. This can be a detriment as an employee may not wish to report an incident if they don't feel they can remain anonymous. One of the more common fears is that someone will recognize their voice. This can be because of an accent, or a specific way someone speaks.

Your whistleblowing hotline should be able to accommodate a 2-way anonymous dialogue with the whistleblower. This way management is able to ask more questions or clarifying information from the whistleblower without either party revealing their identity.

Benefits of promoting anonymous whistleblowing:

- Encourages a speak up culture
- Demonstrates trust with the organization
- Prevents violations and legal battles
- Reinforces an ethical culture

Any stakeholder filing an anonymous report should have confidence in their anonymity being preserved because they know that the reported information, and their identities, will not be revealed. Having a sense of security in reporting misconduct can promote a culture of open and honest communication within the organization.

As well, it can establish a deeper level of trust with management by knowing that they not only take compliance concerns seriously, but they are equally serious about preserving the integrity of their reporting employee.



Anti-Retaliation Policy

It's crucial for employers to emphasize zero tolerance for retaliation towards whistleblowers when publicizing the whistleblower hotline. Fear of retaliation among whistleblowers is very real and this fear may have an adverse affect on the quality of the reporting process.

Trusting an employer's whistleblower program, without fear of retaliation, is essential to motivate employees to report suspected unethical misconduct internally, and not take their concerns outside the company.

A very important factor in ensuring your program functions in a capacity that it is intended is to eliminate fear of the program. Employees may fear speaking up about the small things or day to day issues because they feel like their fears may be dismissed as unimportant. If a climate is created where employees feel safe speaking up about small day to day issues, then employees will be more likely to speak up about more serious issues and report them through your whistleblower program.

One of the biggest obstacles employers face is earning the trust of employees. The biggest factor driving an employee's decision to not speak up is fear of someone finding out who they are, and fear of retaliation if they do speak up.

What to add to your anti-retaliation policy:

- Communicate zero tolerance for any type of retaliatory or discriminatory action. Retaliation to any complaint is prohibited and could result in serious disciplinary action
- Communicate zero tolerance for discussing discrimination allegations with each other. This could result in unintentional additional retaliation. Many third-party programs

allow anonymous and safe dialogue inside a secure system that protects the identity of all parties

- Communicate continued support to employees after they have filed a complaint. This includes not only supporting the employee mentally in their daily tasks, but also continuing to maintain their existing privileges they had before they spoke up.

Tips to help eliminate retaliation:

- **Don't take frustrations out on the whistleblowing employee or other employees:** This sends a message that if anyone does voice their concerns, their identity may be revealed. It also eliminates trust in the anonymity and confidentiality of the entire process
- **Investigate all claims:** Depending on the situation, an internal investigation or one conducted by outside counsel may be appropriate
- **Treat employees consistently:** Before making employment decisions that may negatively affect the whistleblowing employee, ensure that you are acting consistently with past practice or that you can justify treating the employee differently
- **Explain your rules and expectations to all employees:** Ensure that employees understand your organization's discrimination policies. Inform employees that retaliation is illegal and will not be tolerated
- **Assess whether additional retaliation might occur:** For instance, if the complaining employee is still employed, steps should be taken to minimize possible further retaliatory action

Educate All Stakeholders

Educating all stakeholders on when and how to use the whistleblower hotline is key in it remaining a valid and integral component to the compliance program. Education should focus on teaching what types of unethical activities are appropriate for reporting, and those that are not.

When it comes to educating all stakeholders, this includes suppliers, vendors and other third parties the company has regular business with. Regularly educate everyone on the who, what, when, where, why and how of reporting ethical breaches.

Make training relatable to all stakeholders. If you have a global footprint, you will have a diverse group of employees with differing cultures, language barriers, and education. Make sure you take the time to provide education accessible and available to everyone.

To have maximum impact, compliance training and knowledge starts with leadership. The effectiveness of a compliant program requires commitment by company leadership to implement a culture of compliance from the middle and the top.

Training helps to reduce the “we were never told that” excuse. Upon completion, all stakeholders should be able to:

- Identify and categorize an actual ethics breach
- Understand how to use the whistleblower hotline correctly
- Know what to expect from their claim, and how to track it



Evaluate, Test, Audit

Employees are more likely to speak out if they have confidence in the system, and that their reports will be taken seriously and acted on. And of course, they absolutely won't speak up if they don't feel protected against retaliation.

It's important to evaluate, test, and audit the hotline. This includes how the hotline calls are received and managed, how the information is being transposed into the system, and how responses are initiated. Is the whistleblower hotline working as intended by management or the board?

One important audit measure taken is hotline usage rates, or the number of calls the hotline fields. There's no right or wrong number of calls, but usage rates can provide clues as to the effectiveness of the hotline. For example, if a smaller company is receiving an unusual number of calls relative to the number of employees, perhaps the hotline is used to report HR concerns instead of ethical breaches. Or if a large company is receiving a small amount of calls relative to the number of employees, the question could be asked "do employees know when and how to speak up". Or do employees feel safe speaking up.

Either way, additional training and education should be conducted to ensure employees understand how, when, and why to use the whistleblower hotline.

Another audit to the hotline should focus on response time. Failure to act quickly on reports can erode trust and confidence in management. It can also send the message that the employee and their concern isn't important enough. Metrics should focus on time to respond to initial reports, as well as how much time has lapsed from the initial report to update checks, or other action taken, including closing a case.

Finally, what types of cases are being reported into the whistleblower hotline. Do reported cases meet the expectations of the whistleblower policy or are they minor HR matters? The types of cases that will be reported through the program could have varying degrees of risk to the organization. The hotline program should demonstrate that it is making a positive impact on the organization through risk mitigation. And again, if minor HR matters are being reported that should be directed to management, additional training and education should continue to ensure employees feel confident enough using the program as required.

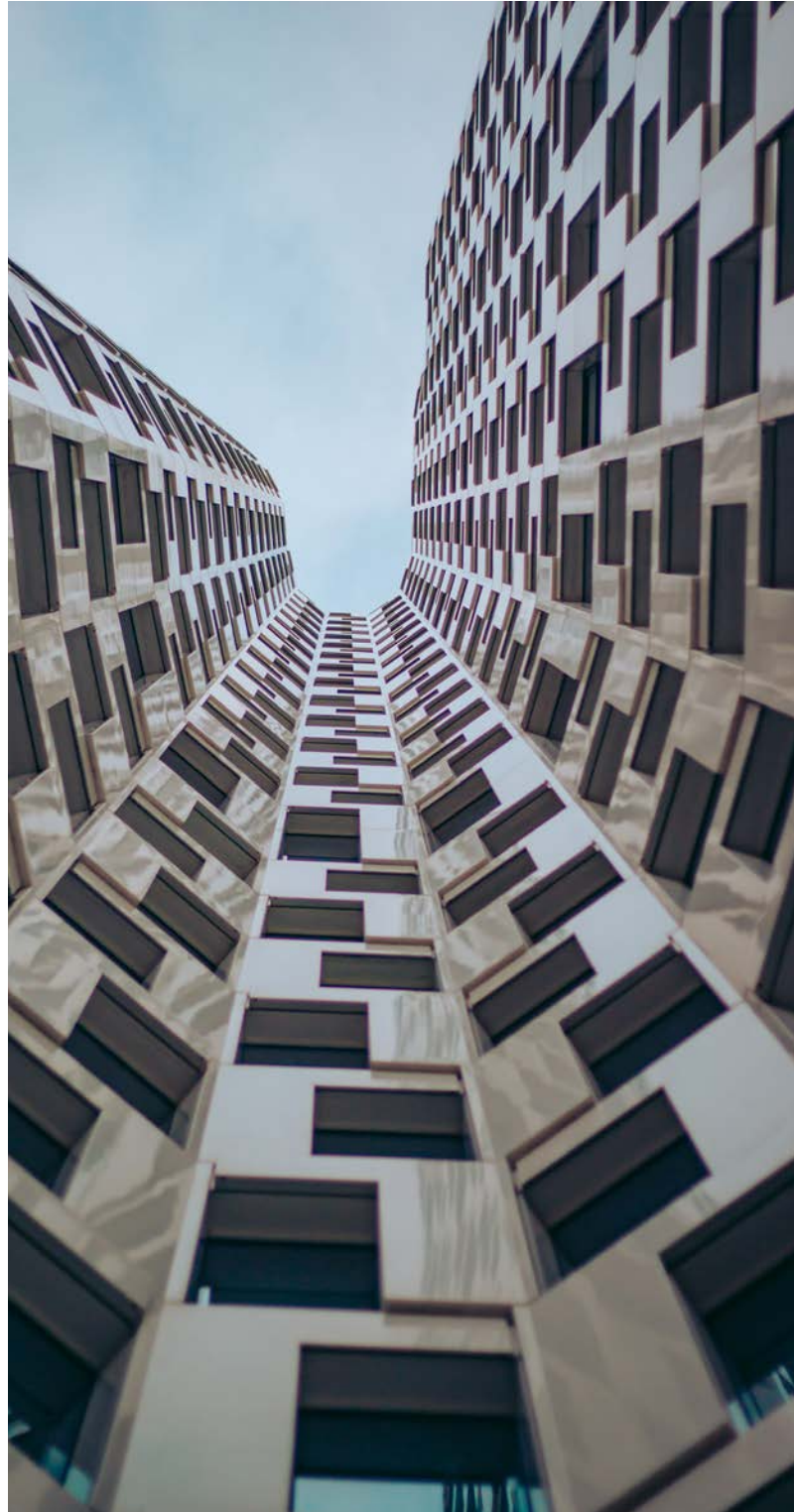


Failure to act quickly on reports can erode trust and confidence in management.

Summary

Implementing a whistleblower hotline correctly will:

- **Encourage a speak-up culture:** If there is wrongdoing happening inside your organization, there's at least one person who knows it's happening. You may have employees who feel just fine reporting misconduct face to face, but most don't. There is still fear of retaliation by either management or colleagues. Given the chance, most employees would prefer to report wrongdoing anonymously. And by reporting sooner, a company will become aware of unethical activity earlier, thereby saving time, money, reputation, and legal inquiries
- **Lessen the duration of misconduct:** Knowing about misconduct sooner enables organization to put a stop to it earlier. The median duration of fraud until detection is about 18 months. For smaller organizations, that could mean the difference between staying in business or going out of business, because smaller business do not have the resources to recover from these types of issues
- **Provide knowledge of a deeper issue:** Ethics hotlines are a great tool to gain a deeper insight into an organization's culture. It's one thing to know that a certain type of wrongdoing is taking place. But why is it happening in the first place. Chances are there's a deeper issue or concern happening that could be dragging employee morale down. Don't just treat the symptoms; dig deeper to get to the root of the issue



Conclusion

The importance of ethics is continually spotlighted everyday. And as much as an organization doesn't want to find itself publicly exposed to an ethical breach, without the proper tools and process in place, this could eventually become a reality.

Now more than ever, it's important to mitigate risk. Fraud and other misconduct costs everyone

more if it's ignored. No organization is immune to fraudulent or unethical behaviour, and no organization can afford the costly consequences.

And beyond the direct financial impact, organizations can face regulatory violations or noncompliance issues.

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