

Companies learn how to capitalize on keeping whistleblowers safe

Legal requirements for confidential communication provides business opportunities

GLEN KORSTROM

Blowing the whistle on corporate wrongdoing has become easier since North America-wide legal changes mandated that all public companies must have some process for employees and others to report corporate wrongdoing.

There's a fast-growing sector of companies that offer an arms-length service, facilitating communication between a client's top executives, a client's employees and others who believe they know of corporate wrongdoing in the client's enterprise.

Companies such as Portland, Oregon-based **EthicsPoint Inc.**, Toronto-based **ClearView Strategic Partners Inc.** and West Vancouver-based **Whistleblower Security Inc.** all help corporate CEOs learn secrets about what could be hurting their venture.

Legal changes that were part of the U.S.'s 2002 Sarbanes Oxley Act and Canada's 2004 Bill 198 made it so all public companies had to have some sort of process to enable anonymous feedback about potential ethical lapses within the company.



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West Vancouver-based Whistleblower Security Inc. CEO Shannon Walker has grown her third-party communication facilitator's revenue 30% per year for the past few years

"They don't have to hire a third party," said **Clark Wilson LLP** partner **Bernard Pinsky**, who is chair of his firm's corporate finance and securities group as well as its U.S. law group. The key is that the process must allow for confidential

communication.

He suggested that a cost-effective way for small companies to conform to the laws would be to have an identifiable e-mail address that more than one person within the firm has access to. The box could be

constructed so that e-mails could not be deleted

"In the States, they have actually created criminal responsibility for anybody who takes action, fires or takes revenge on [a whistleblower]. It's criminal and civil and really well protected."

Companies that trade on U.S. exchanges, yet fail to set up a process to enable whistleblowing face fines, potential jail time for executives and the potential that the U.S. **Securities and Exchange Commission** would cease the stock from trading, Pinsky said.

Telus Corp. spokesman **Shawn Hall** said his company (TU:NYSE; T:TSX) uses EthicsPoint because it is a "large, well-regarded firm that specializes in this, and they do a good job."

EthicsPoint has a toll-free line (888-265-4112) for people to call to report ethical lapses at Telus. Hall said most callers ask questions rather than report wrongdoing.

One situation he remembers involved a new Telus employee who e-mailed his supervisor confidential information about a client that was gleaned from that

employee working in a past job with a Telus competitor.

The employee had the compulsory ethics training course that all Telus staff must take each year. He also

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had taken courses related to competition law, Hall said.

After an investigation, the employee was terminated, Hall added.

Smaller companies such as Vancouver miner **Quaterra Resources Inc.** (QTA: TSX-V; QMM:AMEX) have also chosen third-party communications facilitators.

Quaterra chose Whistleblower Security because its audit committee chair, **Bob Gayton**, is a director at

other small companies that have also chosen and had pleasant experiences with the local company's service, said Quaterra CFO **Scott Hean**.

Whistleblower Security CEO **Shannon Walker**, who founded her venture in 2004, would not reveal annual revenue but said that sales have risen 30% per year for the past couple years.

She has clients both in the public and private sectors. Some are institutions such as hospitals, she said, without revealing names.

One of her successes was to help a company that has operations in South America discover that, because of weak contract tendering regulations, some contracts were not being put out to tender. The result was that contracts were going to family members, even though they were less-qualified, she said.

Firings followed those revelations, Walker said.

Other times, Walker's service has dealt with accusations of sexual harassment.

"Whistleblowers who come to us have the option to go online. There are open and closed questions on a form. When they close the form, they get a username and password. Then, they log back in at a later time to see if there are any messages posted from the organization," Walker explained.

"They can then continue the dialogue anonymously online." ■
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