

Regional Conduct Watch Whistleblowing Report 2022

The Future of Trust

Executive summary

With organisational governance seeing increasing importance in today's world, there is rapid progress made especially in the area of whistleblowing.

From 2017 to 2021, information gathered from our database yielded insights how we can make whistleblowing more effective and encourage more stakeholders to step forward and speak up.

Some of these questions include:

01. How do we make whistleblowing more accessible?
02. What is defined as a disclosure and how has this definition changed?
03. What can whistleblowing tell us about building trust in the workplace?

Findings and conclusion

Our data confirmed that despite the challenging economic environment, there is a rising number of whistleblowing cases, and a demand for higher levels of trust in the workplace. This reflects a shift in the definition of a disclosure, moving the emphasis beyond misconduct to HR-related issues and breaches in policy. As a result, we see a positive upward trend in organisations being more open to creating an honest and transparent workplace by being better equipped to listen and to respond to employee and stakeholder concerns.

Pre-pandemic, organisations around the world may have been more inclined by external regulatory pressures to provide whistleblowing avenues at their workplace. Post-pandemic, whistleblowing won't be optional or a nice-to-have – rather, it would be the final piece of the puzzle to complete an organisation's internal control defenses.





Introduction

In addition to the continuing effort to manage the unprecedented changes arising from the COVID-19 pandemic, businesses are now dealing with a raft of additional challenges such as remote work, inflation, disrupted supply chains, and new risks from the rise of digital innovations in Fintech, among others. Concurrently, the Great Resignation is occurring where toxic work environments, dissatisfaction with or lack of meaning in work, and a culture of misconduct in the workplace, which were tolerated before, are no longer tolerated, leading employees to seek change and more ethical workplaces. These developments, alongside global social justice movements such as #MeToo and Black Lives Matter, underscore the rising need to address issues that were once muted, but are now amplified.

Economic priorities will understandably take centre stage, however there will be a focus on strengthening governance effectively. This push further propels global expectations to continuously raise the bar on effective governance, taking shape in the form of stricter regulatory requirements in the European Union, Australia, New Zealand, Japan, and Korea. At the same time, the Environmental, Social & Governance (ESG) agenda is also making its way into the boardroom, shining a spotlight on issues like audit and internal controls. All these factors increase pressure on businesses to keep up, as failure to do so can result in regulatory non-compliance, as well as significant monetary and reputational damage.

Along with the call for improved corporate governance, whistleblowing has evolved from an optional, nice-to-have provision to an integral part of an effective internal control framework. It is the last defence when detection and prevention have failed, and remains the single most effective countermeasure to help organisations deal with workplace misconduct. Media exposure has led the public to believe that whistleblowing is only necessary to detect and uncover workplace problems when they are at their worst, i.e., in the case of bribery and corruption, forgetting its effectiveness in discovering the less perceptible but equally insidious issues such as bullying, harassment, and gaslighting.

At Deloitte, we are led by one purpose: to make an impact that matters. We are a trusted and recognised global provider of independent whistleblowing solutions for global and public sector entities across the globe with an experienced team of analysts, multi-language capabilities, deep subject matter expertise and industry knowledge, enhanced by Deloitte Conduct Watch (formerly known as HALO), our leading digital whistleblowing solution.

Road to recovery: Key challenges in 2022

The World Economic Forum (WEF) highlighted in their annual The Global Risk Report 2022 that, social cohesion erosion, livelihood crisis, and mental health deterioration are some of the key risks that have been exacerbated through the global pandemic. The report also highlighted that even businesses less impacted by the pandemic will face challenges in meeting ESG commitments while trying to build their supply chain resilience, as well as keeping up with rapid technological changes. The report concluded that the “actions and behaviours of all stakeholders will determine how quickly the world recovers.”

In the face of uncertainty, businesses will be more reliant on their staff to be the eyes and ears of the organisation. While whistleblowing only makes up one of the components of an effective internal control system, it has been proven that almost half of fraud schemes were uncovered from tip-offs (ACFE, , 2020). A whistleblower is often someone close to the problem and would be able to provide a level of detail that can help identify the root cause of the problem.

Whistleblowing channels are not solely for the detection of regulatory infractions that can result in serious breaches. It is also to alert management to the less tangible, but nonetheless virulent threats, that may either be condoned or simply ignored until it becomes a broader issue within an organisation.

A company that provides secure, confidential, and convenient whistleblowing channels is making a public commitment to uphold governance and keep open, clear and transparent channels of communication with their employees. In doing so, many organisations may be able to detect problems before they become large-scale crises.

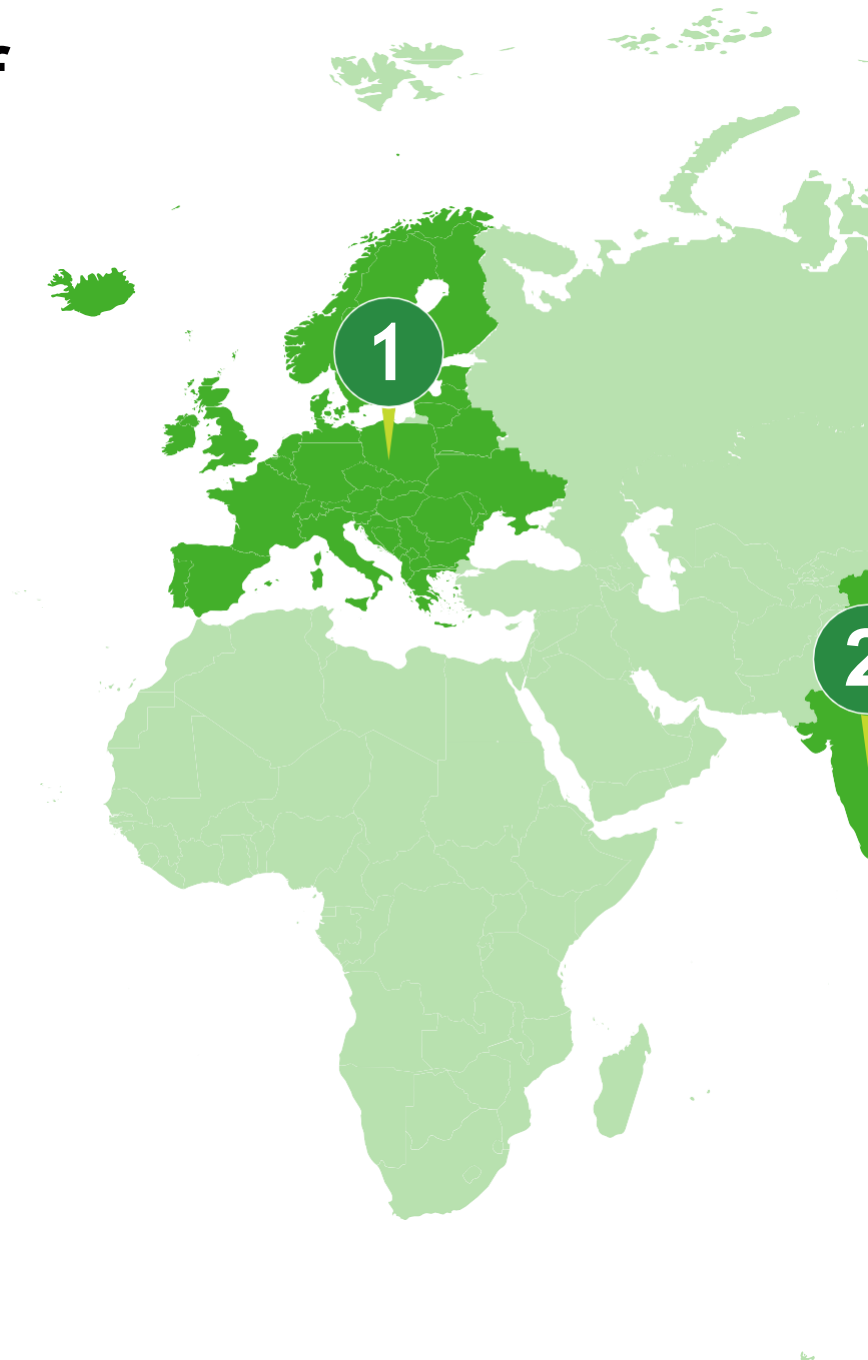
The array of issues reported here range from HR matters to fraud and corruption, and give insights into the complicated nature of misconduct and why listening to the staff and to their grievances. These issues are key to navigating the evolving nature of work, be it hybrid, work from home (WFH) or at the office.





Key highlights of whistleblowing regulations

Pre-pandemic, organisations within and outside of Asia Pacific may have been spurred by updates in whistleblowing regulations. Though the intention may have been focused primarily on compliance, it is a step towards a more standardised approach in providing a safer and more secure workplace. These changes may be more matured in some countries, but all indicators point to a more positive development in whistleblowing regulations. Complying to these external pressures is the first step to a more solid foundation in building trustworthy organisations.



01. EUROPEAN UNION (EU)

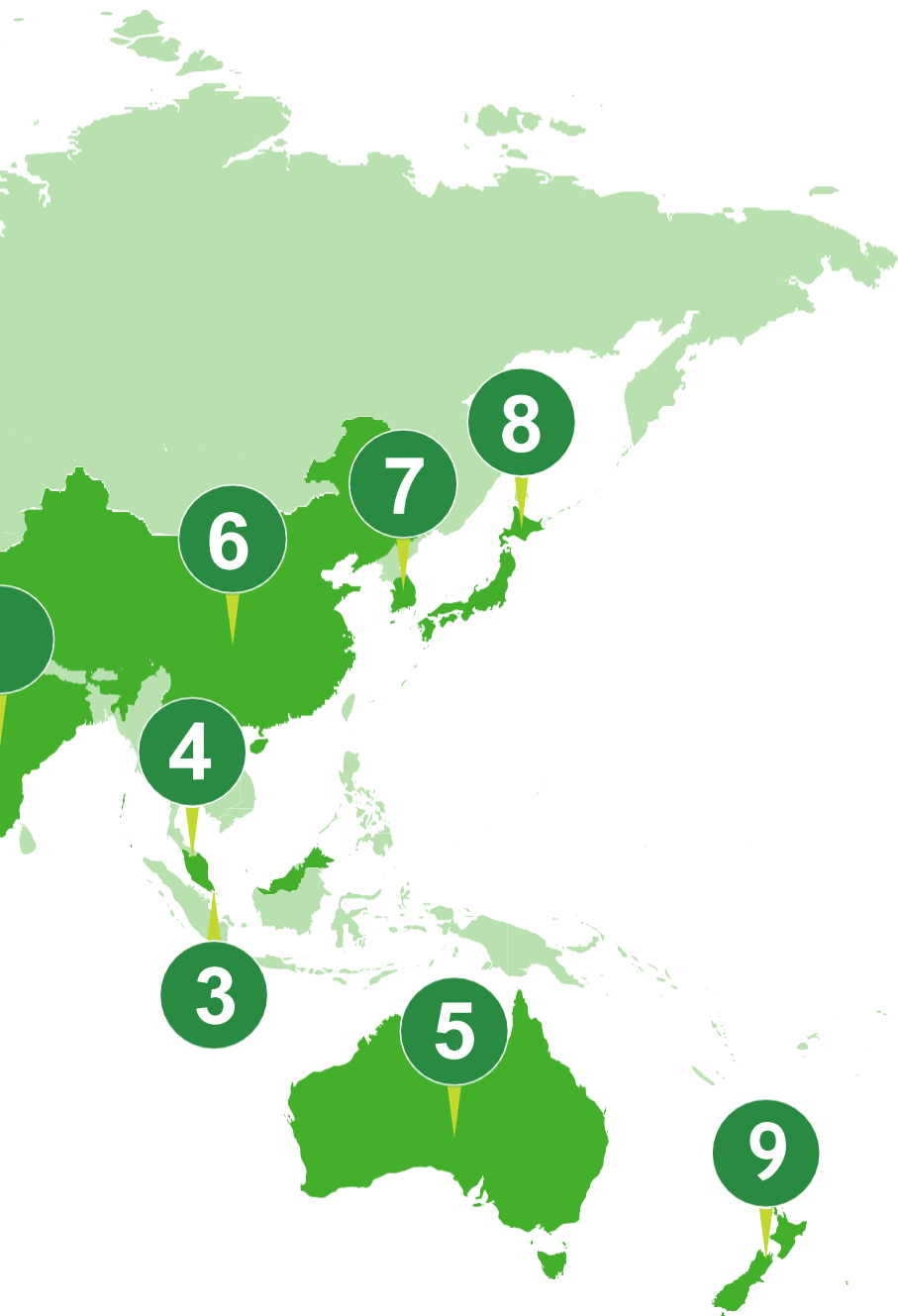
Since 2021, EU companies are expected to implement the EU Directive on Whistleblower Protection, to ensure their reporting systems run professionally and to help encourage internal reporting. It is compulsory for organisations with a minimum of fifty employees or with an annual turnover or assets of €10 million to provide an internal reporting channel.

02. INDIA

The Securities and Exchange Board of India (“SEBI”) recently strengthened a monetary incentive with the aim to reward employees for reporting insider trading within the company. This move is supplemented by the Companies (Auditor’s Report) Order 2020, which requires enhanced financial transparency in the running and day-to-day affairs of a company, with an emphasis on whistle-blower complaints.

03. SINGAPORE

The Singapore Exchange Regulation (SGX RegCo) has mandated all issuers to establish and maintain a whistleblowing policy where the identity of the whistleblower is kept confidential, and the individual is protected from reprisal. Issuers will be required to state in their annual reports that such a policy is in place, as well as an explanation of how they have complied with key requirements such as independent oversight of the policy and commitment to protection of the identity of the whistleblower. This requirement took effect from 1 January 2022 and apply to annual reports relating to financial years commencing from 1 January 2021.



04. MALAYSIA

In June 2020, the Corporate Liability provisions under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 galvanised the role of whistleblowing under the Guidelines of Adequate Procedures where under the heading of “undertake control measures”, the organisation is required to provide adequate reporting channels.

05. AUSTRALIA

On 1 January 2020, with the expansion of the whistle-blowers protection in the Corporation Act, public companies, large proprietary companies, and corporate trustees of APRA-regulated superannuation entities are required to have a whistleblower policy. Failure to comply can attract fines of over AUD\$125,000.

06. CHINA

Presently, China does not have a law on whistleblowing. Instead, individuals are urged to report incidents of non-compliance in relation to food and drug safety, product quality, antitrust, securities, labor, and employment. The Civil Code of the People’s Republic of China (Civil Code), which came into effect in 2021, requires organisations and enterprises to have a workplace sexual harassment prevention policy.

07. SOUTH KOREA

In South Korea, between 2011 to 2019, 8.361 billion KRW (over \$7 million USD) across 6,193 cases were awarded to public interest whistleblowers. One whistleblower was paid 503 million KRW (about \$425,000 USD) in 2019, for helping South Korean authorities recover \$4.4 million from an unscrupulous hospital.

08. JAPAN

In 2020, Japan’s amended Whistleblower Protection Act require businesses to establish systems to properly respond to whistleblower disclosures. Changes included administrative actions and penal provisions to ensure that businesses comply. The definition of ‘whistleblower’ now includes retired workers, temporary workers, and officers while reportable facts now include “not only criminal acts subject to criminal punishment, but also acts subject to administrative penalties.”

09. NEW ZEALAND

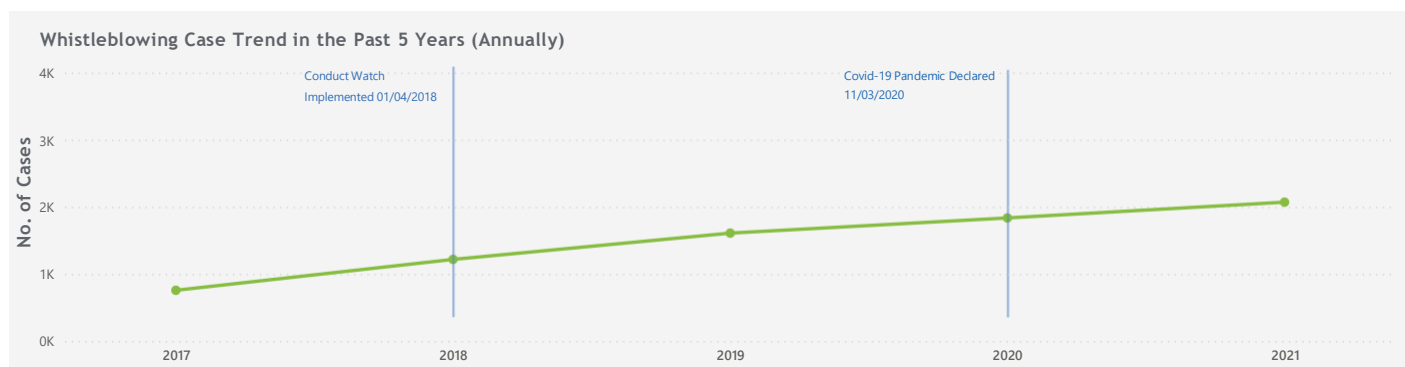
In 2020, New Zealand extended the definition of ‘serious wrongdoing’ to include the misuse of public funds; make available information of public sector policies on protected disclosures guidance on the process for both the disclosers and receivers; allowing whistleblowers at any time to report serious wrongdoing directly to an appropriate authority; as well as clarification on the potential forms of retaliation against disclosers.

Insights: What does data tell us?

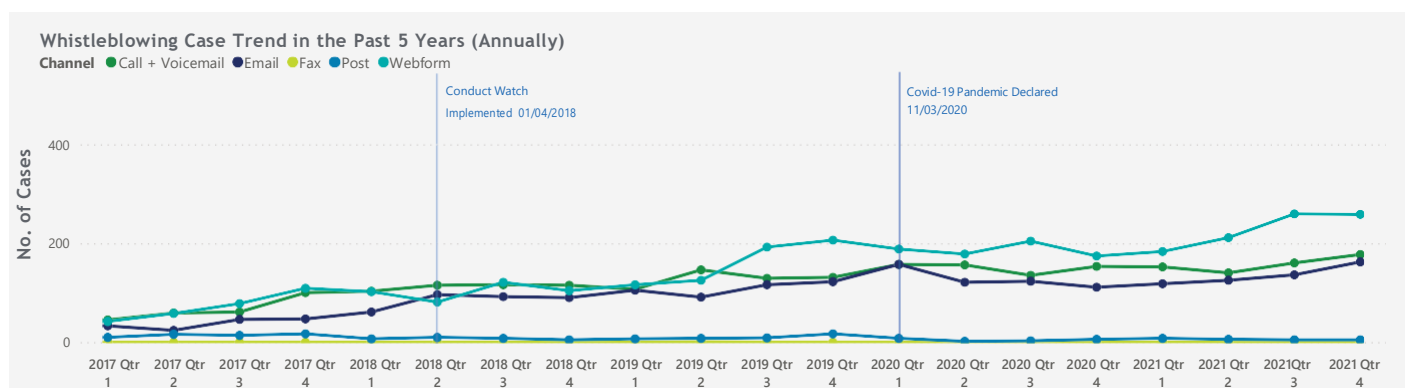
There are many factors that shape an organisation's whistleblowing process, and this includes: the management of whistleblowing, levels of anonymity, present-day regulations in a particular country or region, the current business climate or recent scandals, and their approach to whistleblowing.

The insights presented in this report were developed by analysing data collected from over 6,000 disclosures during a 5-year period between 2017 and 2021. The data collected covers organisations that operate across a range of industries and considers the impact of the pandemic on these industries. Data collected during the pandemic assumes that a broad, internationally accepted response was taken by each organisation. Any organisational and/or country specific initiatives to mitigate the risks and impacts of the pandemic have not been factored into the analysis.

Disclosures are rising at a constant rate

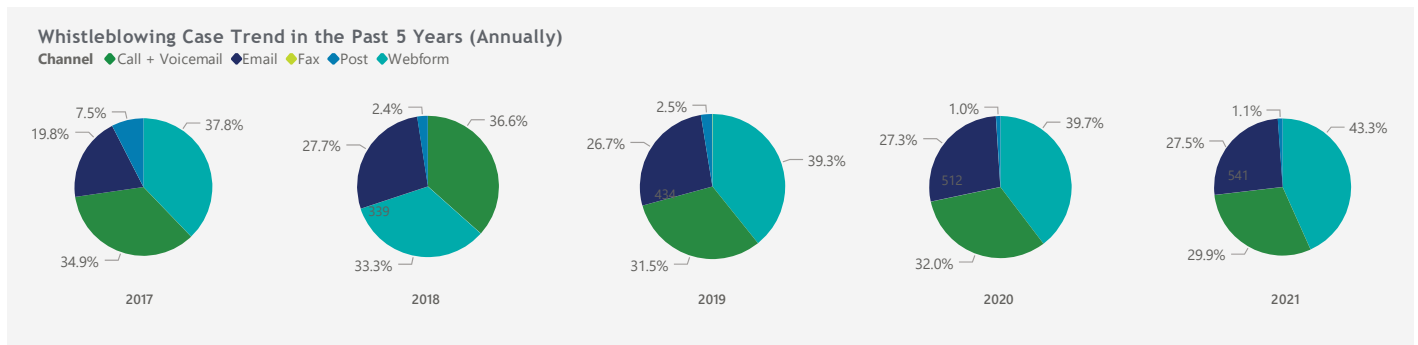
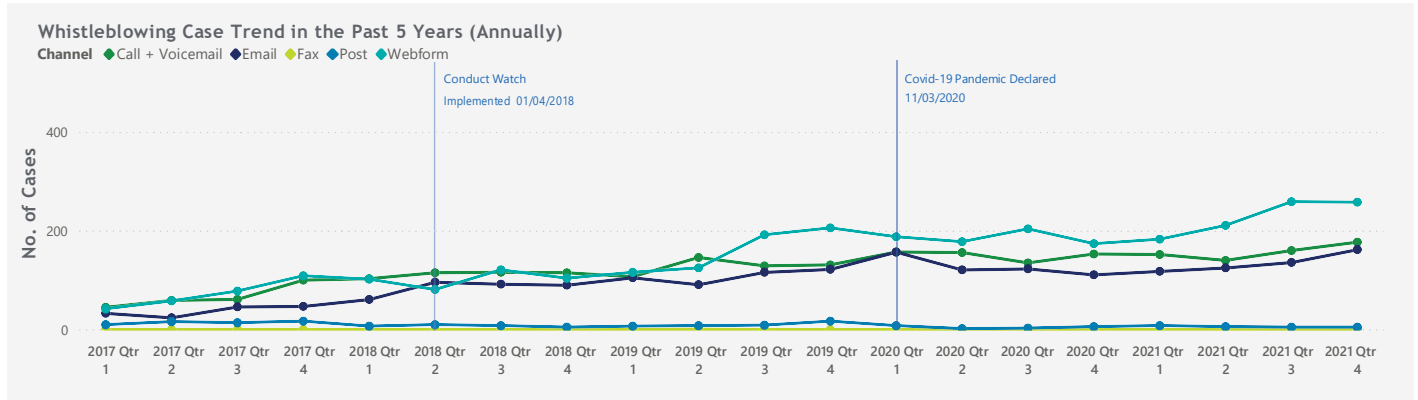


The number of disclosures saw a steady rise from 2017 to 2021. The beginning of the pandemic indicated a slight decline, but as employees and their organisations adjusted to the new normal, disclosures continued to rise.

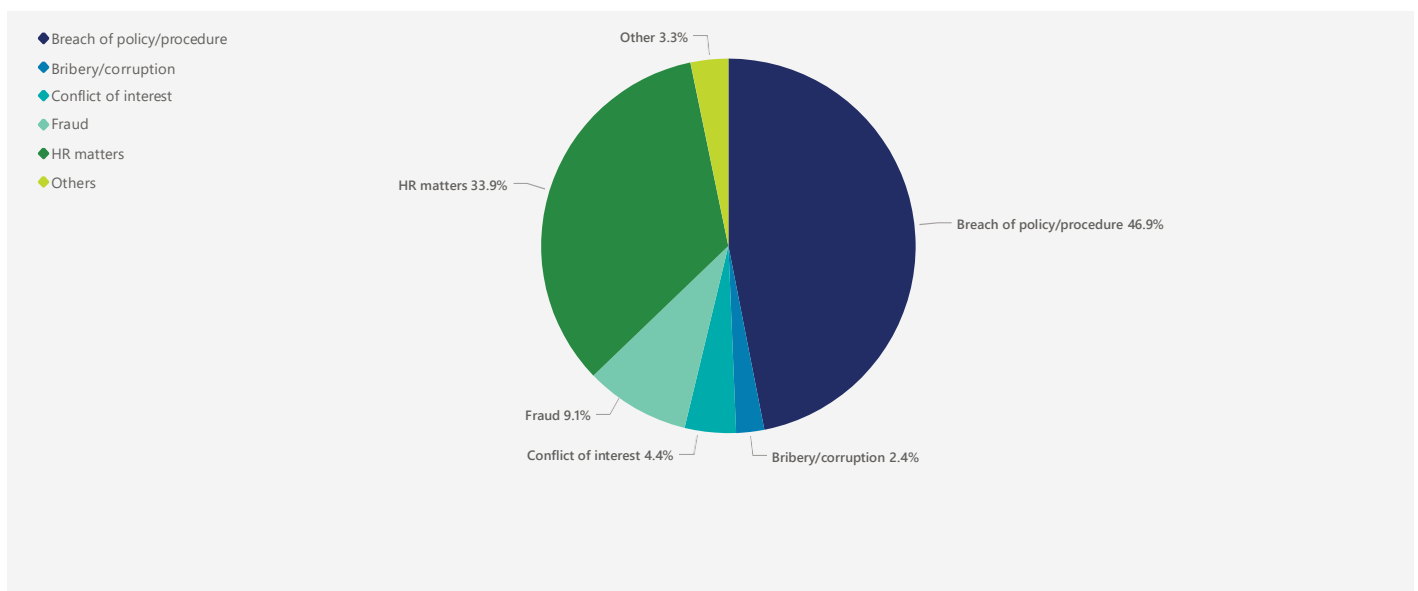


A year into the launch of Conduct Watch, we observed that web-based self-service channels were key in enabling the increasing number of disclosures. This increase can be attributed to technology, broader adoption of a variety of channels, and higher level of trust for web-based reporting channels. While there is still a demand for it, it is clear that web-based channels have outpaced the traditional methods.

Breakdown by channels

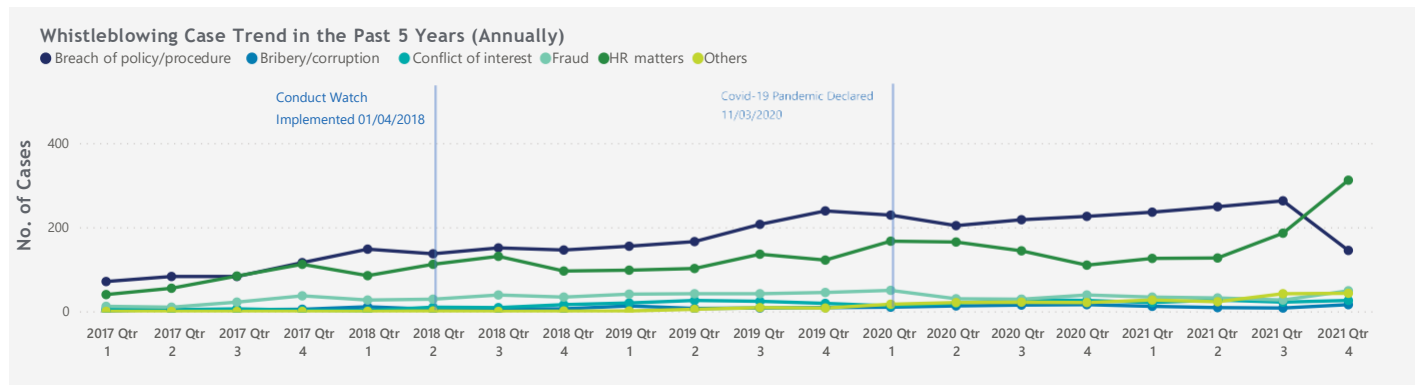


Although webforms have the highest adoption rate as of the beginning of the third quarter of 2019, usage of email and calls are still consistent. The data shows that although the number of submissions were relatively small, fax and post are still being utilised by whistleblowers.



In terms of disclosures, there are five broad categories of disclosure types (Note: the definitions may vary among companies,) and they are:

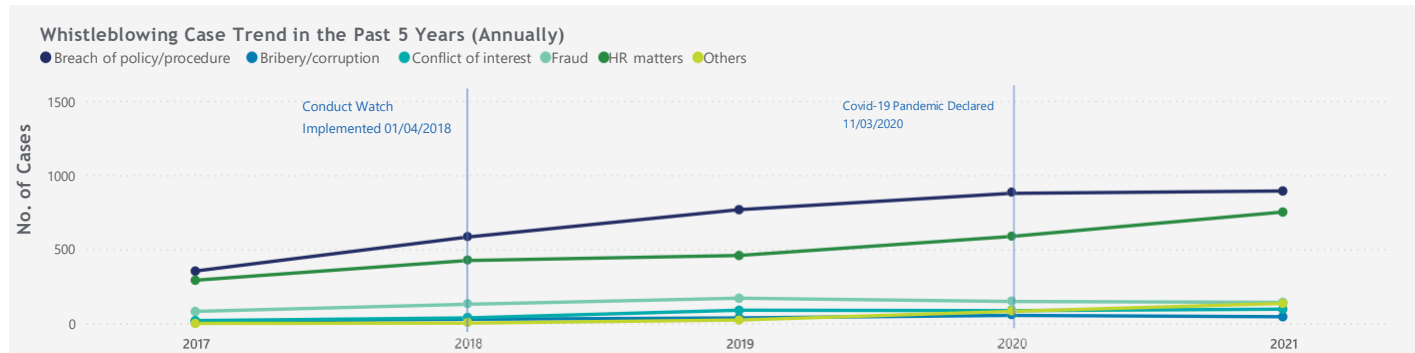
01. Breaches of policy or procedure (46.9%)
02. HR matters (33.9%)
03. Fraud (9.1%)
04. Conflict of interest (4.4%)
05. Others (3.3%)
06. Bribery & corruption (2.4%)



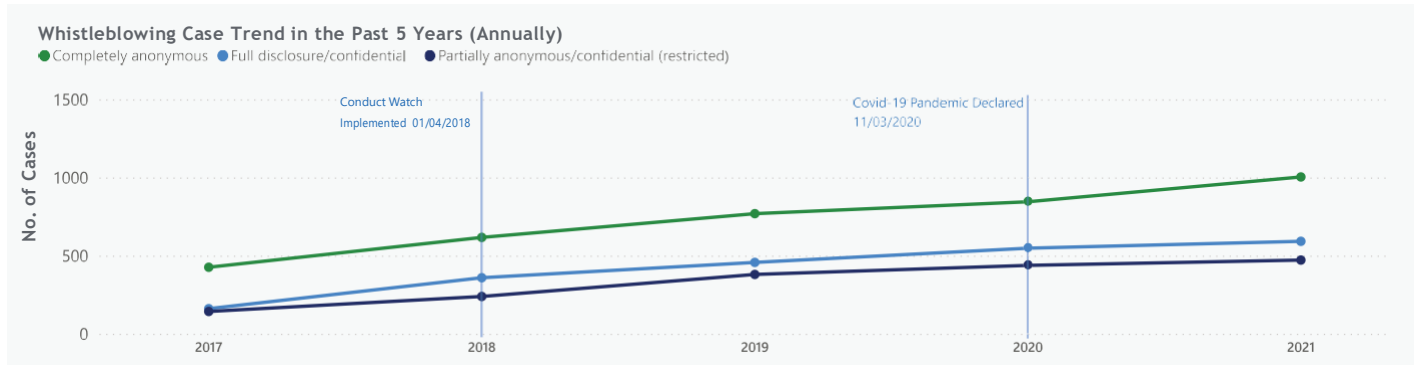
Breaches of policy & procedure and HR matters are the two most common disclosure types and have both risen steadily over the 5-year period. Although the rise in breaches of policy have declined since the beginning of the pandemic, disclosures related to HR matters have risen sharply, alongside a modest but steady increase in “other” disclosures.

One of the reasons for this shift can be attributed to the rise of WFH due to office lockdowns and closures. Though not a wholly new phenomenon, the a concept of WFH at such a large scale, in such a short span of time, raises a different set of challenges. Lack of policies and procedures, and minimal interaction within a traditional office environment has shifted the balance and fuelled a rise in HR matters. Increased accessibility to whistleblowing services, combined with the comfort of a more physically isolated working environment, has also enabled more employees to step forward to report, further contributing the rise.

The Great Resignation has also shown that employees have been more vocal about issues and dissatisfaction with their employers, namely, by leaving their jobs in record numbers. While not a direct cause, the dramatic increase in HR related disclosures has shown that employees have been less hesitant in reporting issues of job dissatisfaction, lack of growth, toxic work culture or workplace bullying.



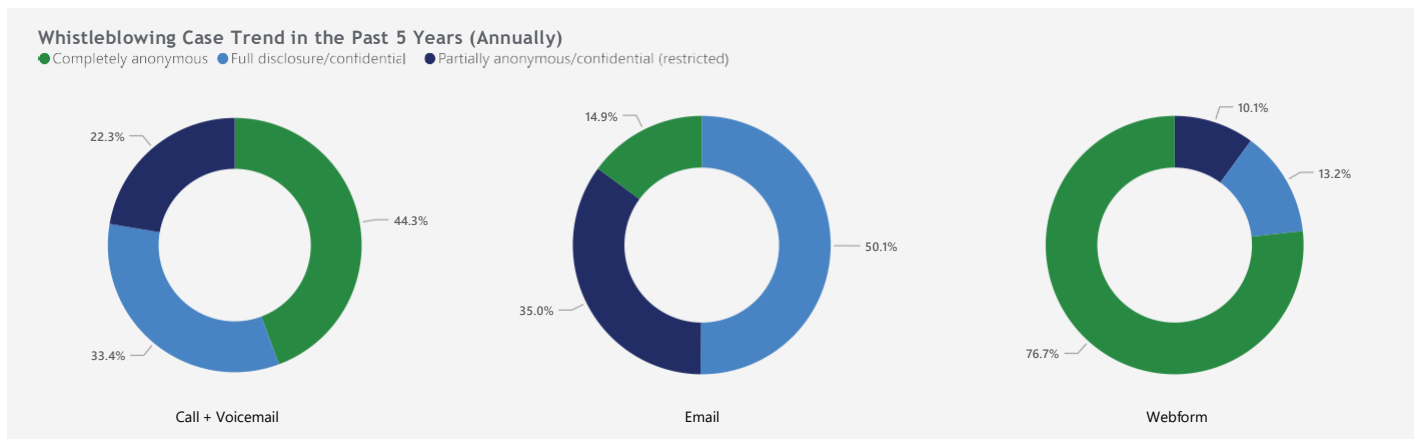
Disclosure channels influences anonymity



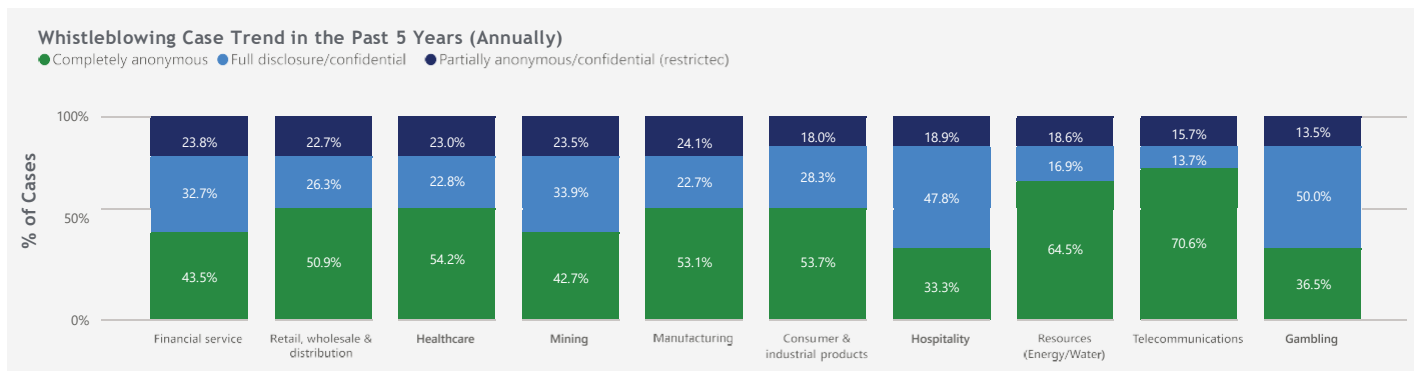
The three types of confidentiality level on disclosures are:

01. Completely anonymous (49.5%);
02. Full disclosure/confidential (28.2%);
03. Partially anonymous/confidential (Restricted) (22.3%).

Despite a steady rise over time across all three types, completely anonymous disclosures have continued to experience the most growth.

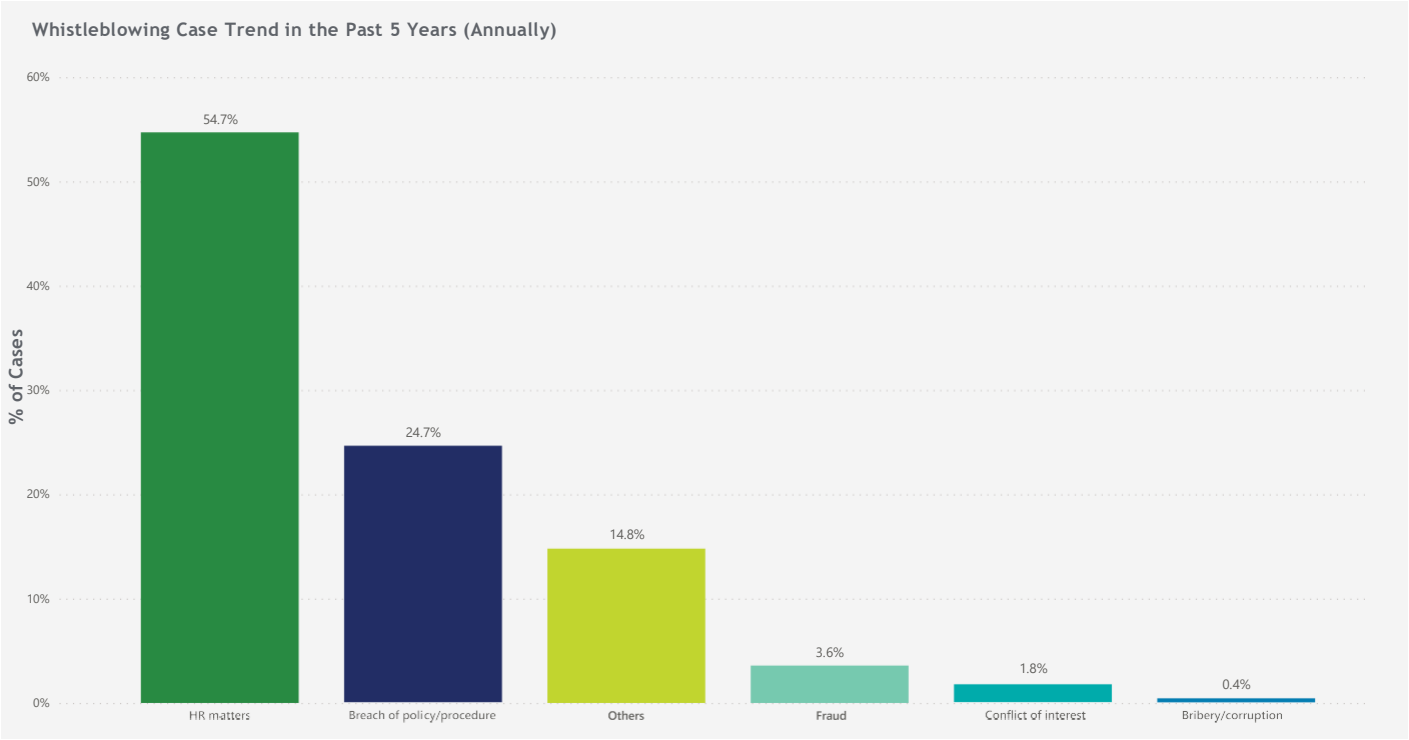


There is a striking contrast between the anonymity of disclosures submitted via telephone and email. The whistleblower service provides users with the option of complete anonymity, regardless of the channel used, indicating that there is a higher level of trust and confidence for email-based disclosures.

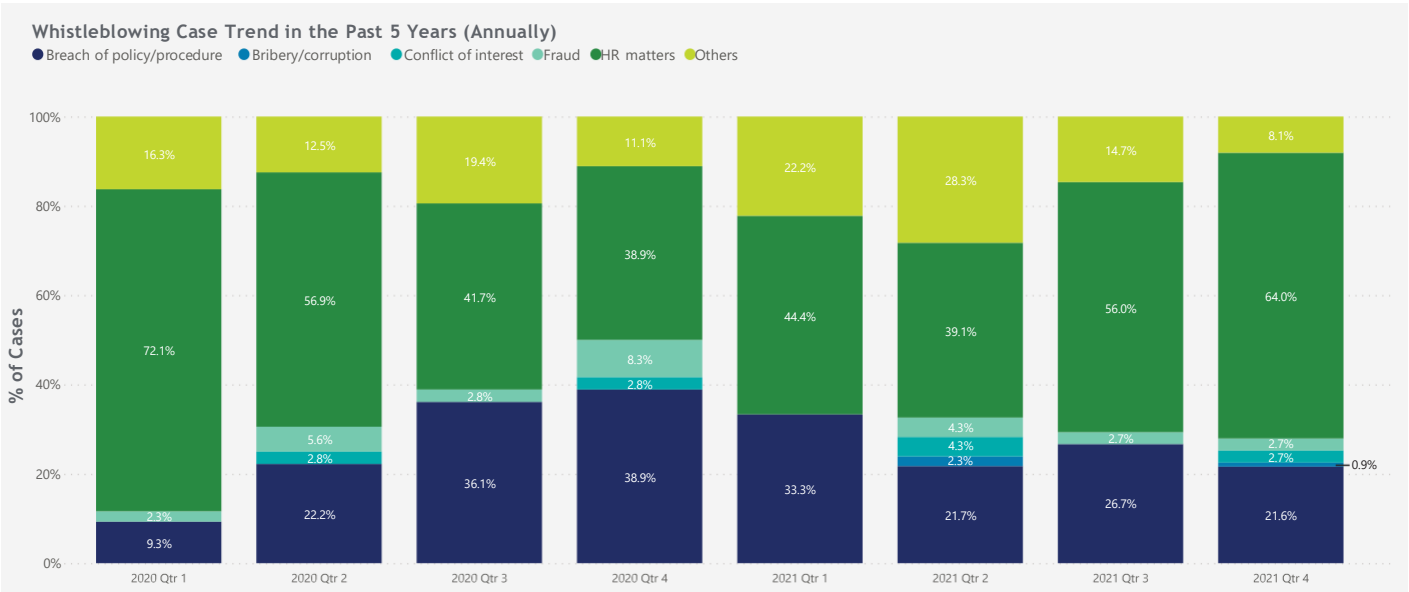


Full disclosures were also observed to be more prevalent in the more traditionally customer-facing industries that carry less of an expectation of anonymity, such as hospitality and gambling.

The impact of COVID on disclosures

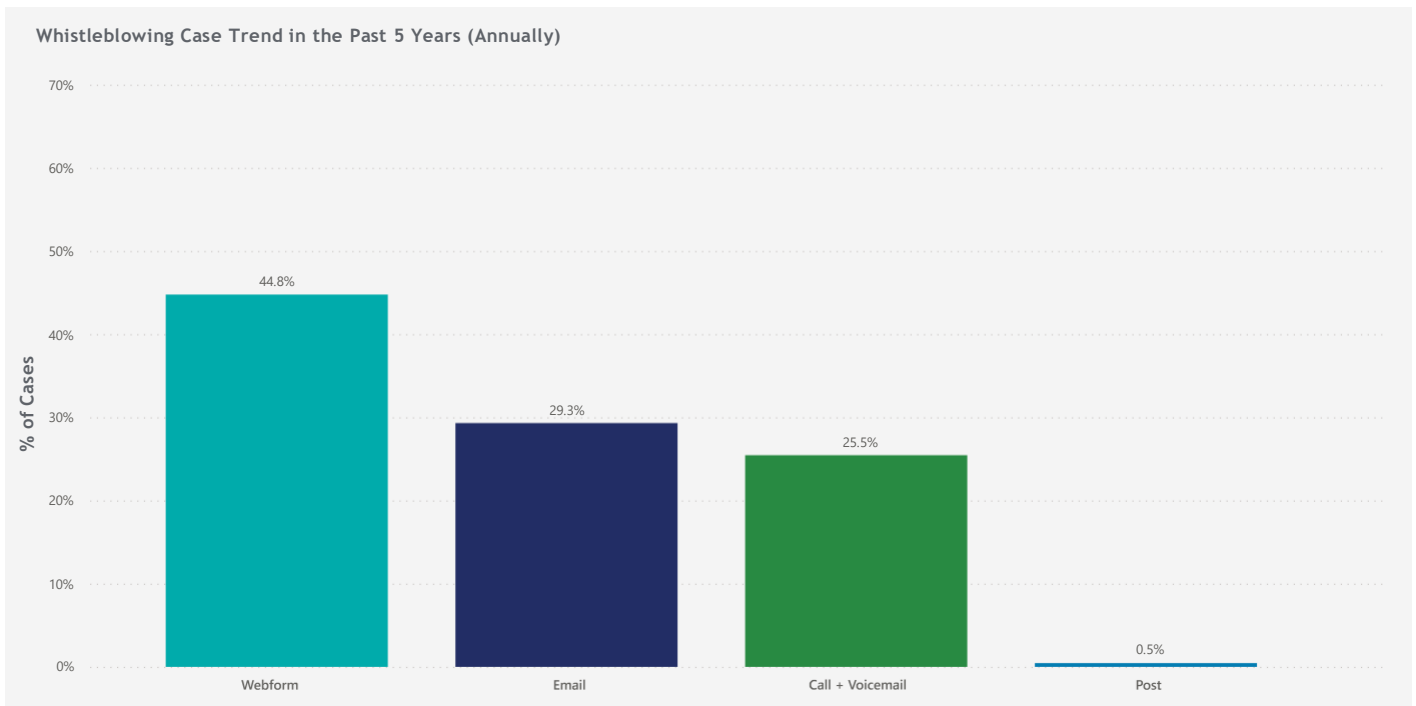


Although accounting for approximately 12% of all the disclosures included in our analysis, COVID-related disclosures provided insight into how the global reaction to the pandemic affected employees. COVID-related policy breaches were on the rise during the early stages of the pandemic, before falling as the global response to the pandemic began to normalise.



Reviewing the overall types of COVID-related disclosures, HR matters constituted the largest percentage, followed by policy breaches; an indicator that suggests organisations were facing challenges in responding to the rapidly changing work landscape.

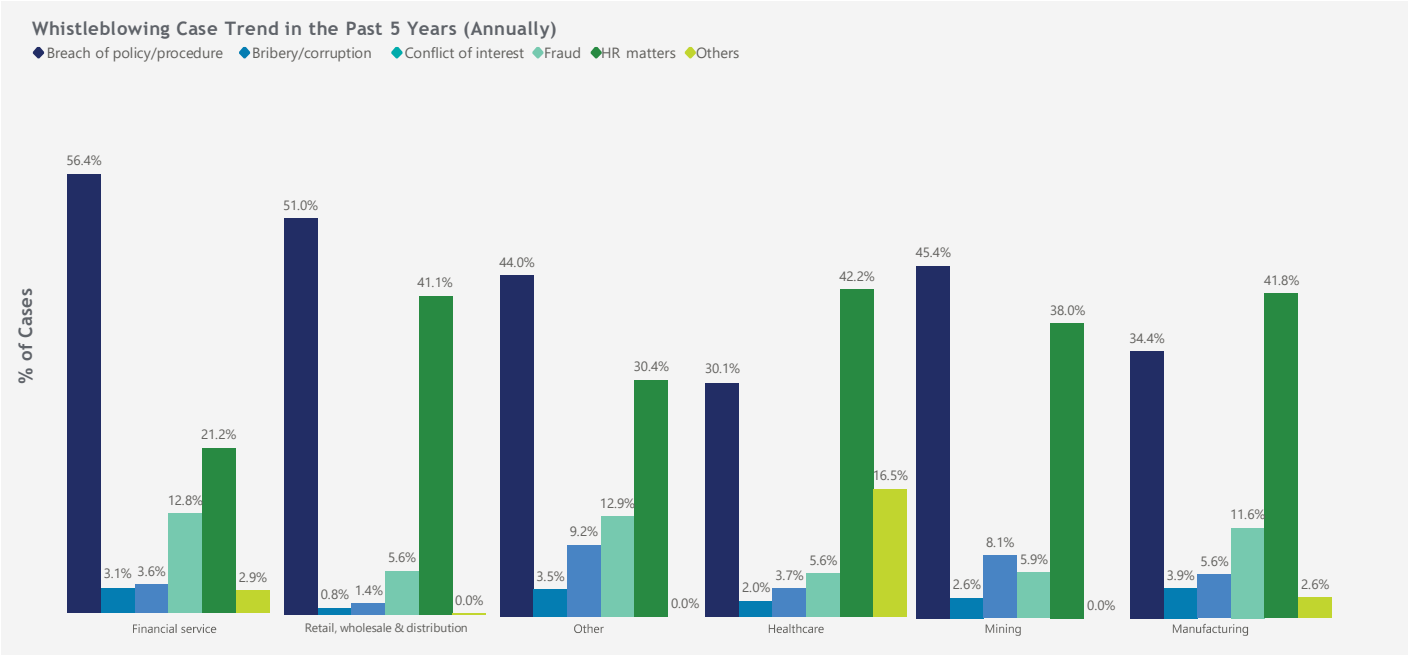
The data also indicates that employees were more comfortable voicing concerns regarding work policies during the pandemic.



In alignment with the overall data on disclosure channels, web-forms accounted for the largest share of the disclosure submissions.

Industry trends: the impact of increased accessibility

Analysis of the data by industry shows that self-service web-based disclosures were most prevalent in healthcare, as well as industries such as hospitality, resources, and consumer and industrial products. This indication highlights the convenience enabled by instantaneous online and/or mobile access, and its impact on the volumes of disclosure typically reported in shift-based industries.



While breach of policy and procedures made up the highest disclosure type across all industries, this particularly holds true for client and customer-facing industries such as financial services and retail.

In the healthcare industry, HR matters were the most prevalent, highlighting the challenges faced by the workforce both before and during the pandemic.



Key takeaways

This report provides insights into the challenges many organisations are facing today, including a rapidly evolving work landscape, shifting priorities, and changing employee expectations. These challenges demand for better governance, as well as a more open work environment that focusses on the need to listen to employees and address their concerns.

An increased focus on whistleblowing and misconduct reporting, combined with the piloting and adoption of initiatives such as 4-day work weeks and hybrid working models, show that employers around the world are rising to overcome challenges and meet employee expectations.

The Future of Trust - multiple avenues for reporting encourage employees to come forward

The volume of whistleblowing cases reported (i.e., disclosures), is on the rise with self-service electronic channels such as webforms seeing the largest growth. This strongly supports the idea that even under extenuating circumstances, where job security may be a concern, employees are still stepping forward to report on issues that they perceive to affect their work and wellbeing. This increase indicates that the level of trust between employees and employers is growing.

Accessibility is key. To make whistleblowing more accessible, organisations must recognise the need for multiple channels. Another dimension to consider is the role language plays in facilitating the ease of reporting, as well as capturing case details accurately and clearly. The adoption of tools and technologies will improve accessibility, as well as accuracy and completeness of reports, thus providing better support to the whistleblowing agenda.

A shift in the definition of disclosure

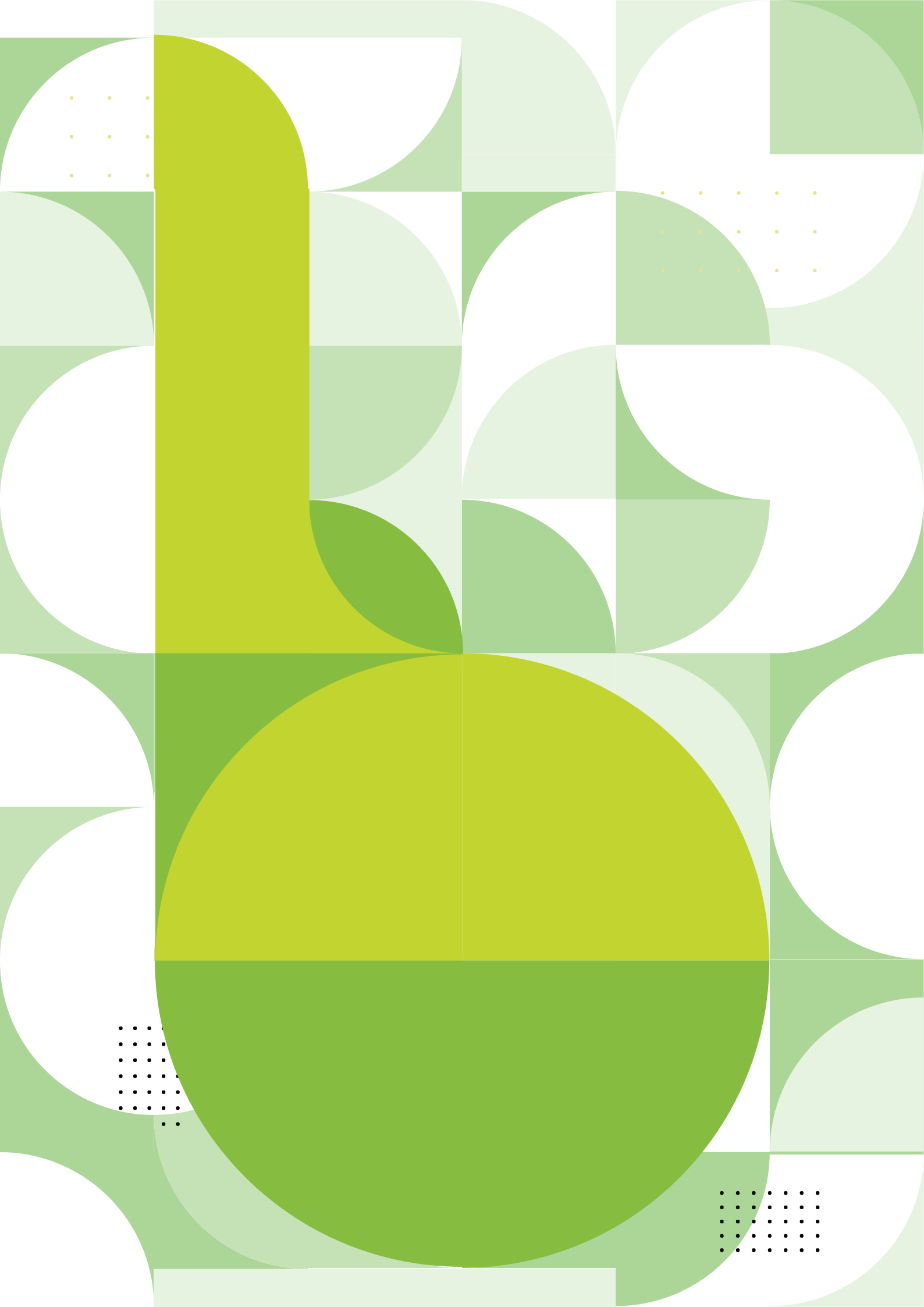
While disclosure types that are typically associated with whistleblowing, such as breaches of policy and fraud, have remained constant, other disclosure types that are more directly related to employees have increased.

The increase in these types of disclosures (misconduct, HR matters, work/life balance, etc.) is an indication that both employees and organisations are beginning to re-define what is encompassed by the term “whistleblowing disclosure”. Though external factors such as the pandemic would have contributed to this shift in definition, it is a step in the right direction. Employees are willing to communicate these issues and our data shows that employers are listening.

Broader concerns reflecting the shift towards building trust in the workplace

Organisations are rising to the challenge of managing uncertainty by being better equipped to capture and respond to both employee and stakeholder concerns, creating a more open and honest work culture.

This increased level of transparency is key to continually developing an evolving, healthy employee-employer relationship built on trust. This reframing will allow organisations to identify and address underlying issues that may have been left dormant or unreported, enabling them to tackle root causes rather than merely treating symptoms.



Conclusion

At the start of the report, we hypothesised that whistleblowing would not be optional for organisations in the endemic phase, rather it would be the final piece of the puzzle to complete an organisation's internal control defenses. To support that hypothesis, we looked at several key questions:

01. How do we make whistleblowing more accessible to those who need it?
02. What is the definition of a disclosure, and has it changed due to the current circumstances?
03. What can whistleblowing tell us about building trust in the workplace?

Our data shows that despite the difficult circumstances in recent years, employees are still willing to step up to whistle blow. The increasing volume may be seen simply as an increase in the cases of misconduct, but the broadening and redefinition of a disclosure indicates greater complexity, bringing forward issues that may have existed but were previously unreported.

The key is to ensure that there are multiple safe and secure channels available. This will ease the process of reporting and enable employers to provide a level of comfort to employees who wish to step forward.

Once a disclosure is reported and an issue is highlighted, organisations will need to face both new (i.e. COVID and WFH related matters) and old (i.e. breaches in policy and HR related matters) challenges by taking time, assigning resources, and taking the effort to respond and remedy any issues that may arise. With some organisations having insufficient or constrained resources, external assistance and guidance might be required to meet those challenges and better listen to their employees.

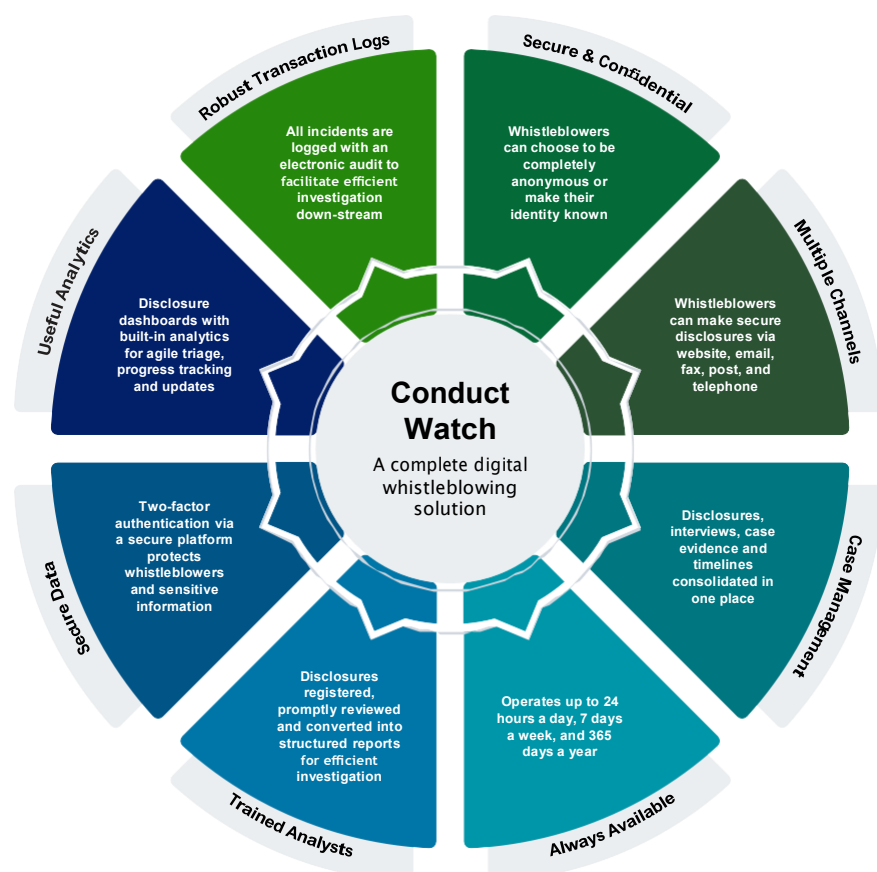
The future of trust should be about creating a better workplace for all.

About Conduct Watch

Fraud, bribery and corruption, misconduct, harassment, bullying, and other unethical behaviour, when left undetected, can cause irreparable financial and reputational damage to your organisation.

Protect your people and your organisation by establishing safe channels for your employees and other whistleblowers to step forward and 'blow- the-whistle' on misconduct safely and securely. Our services facilitate anonymous reporting, protection of the whistleblower's identity and still enables you maintain contact with the whistleblower and investigator during the process.

Conduct Watch, our digital whistleblowing solution, helps your organisation achieve secure and confidential reporting channels reinforced by advanced security features. It simplifies case management and provides analytical insight across your organisation's whistleblowing disclosures. Trained Deloitte analysts will review incidents, prepare reports, and escalate high-risk matters for your further action.



Conduct Watch was implemented on 1 April 2018 and is currently present in 22 countries in Asia Pacific.

About Deloitte

Deloitte is a trusted and recognised global provider of independent whistleblowing solutions for corporate and public sector entities across the globe. With over 200 clients currently using Deloitte Conduct Watch for their whistleblowing needs, we are the leading whistleblowing solutions provider with an experienced team of analysts, multi-language capabilities, deep subject matter expertise and industry knowledge, enhanced by our leading Deloitte Conduct Watch digital whistleblowing solution.

We offer language and translation support in various multiple languages including English, Bahasa Indonesia, Bahasa Malaysia, Chinese, Hindi, Japanese, Korean, Tamil, Thai, Vietnamese and others* (*not all channel options are available in some languages). Our clientele includes organisations from the public sector and government agencies, from leading household names to multinational companies, as well as private small and medium sized entities.

Our goal is to equip organisations with a solution that provides potential whistleblowers a confidential, secure method of reporting which is easily implemented, can be operationalised quickly and enables you to address and resolve reports, identify trends and root causes, and monitor the effectiveness of your policies and internal controls.



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Appendix

Listed below are the types of cases under their respective disclosure categories that were included in this analysis as reported by the clients.

Main disclosure type	Breakdown-related
Breach of policy / procedure	Breach of Banking Secrecy
	Breach of Code of Conduct
	Breach of Company Policies
	Breach of Confidentiality e.g. Data, Information and etc.
	Breach of Policies / Procedures
	Breach of Professional Integrity / Unethical Behaviour
	Criminal offences where a staff is involved
	Data Leakage / Information Theft
	Data Privacy Breach
	Leakage of corporate and confidential information
	Misconduct / Policy Violation
	Non-compliance to Policy
	Non-compliance with laws and regulations
	Professional Negligence and Malpractice
	Regulatory Breach
	Unauthorised System Access
	Violation of Law and Regulation
Bribery / Corruption	Bribery
	Corruption
	Improper gifts and entertainments
Conflict of Interest	Conflict of Interest
Fraud	Accounting
	Asset Misappropriation e.g., Theft, Fraudulent Disbursement
	Auditing and Financial Matters
	Embezzlement or improper use of company assets
	Falsification of Documents
	Fraud
	Misuse of corporate assets and intellectual property
	Theft
	Misappropriate

Main disclosure type	Breakdown-related
HR Matters	Abuse of Authority
	Abuse of Influence
	Abuse of Power
	Assault
	Bullying
	Harassment
	Discrimination
	Dishonesty
	Unethical Conduct
	Grievance with Colleague
	Grievance with Manager
	Hazardous actions that would impact the environment
	Health / Safety / Environment
	HR Matters e.g., General Misconduct
	HR Related Matters
	Improper conduct and behaviour of employee
	Improper working hours and working environment
	Misconduct
	Unethical Behaviours
	Other Serious Misconduct
	Patient Safety
	Pay / Benefits
	Safety and Services
	Safety Issues e.g., Patient Safety, Workplace Safety
	Unfair Dismissal
	Unprofessional Behaviour
	Violation of Environmental Laws
	Workplace Grievance
Other	Food Quality Issues
	Product Quality
	Others

For COVID-related cases, the following search terms to are used as identifiers:

01. COVID
02. COVID-19
03. Coronavirus
04. Mask
05. Social distancing
06. Quarantine
07. Vaccine



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