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FACT SHEET

ETHICS HOTLINE MANAGEMENT
BEST PRACTICE GUIDE FOR SOUTH AFRICAN EMPLOYERS

INTRODUCTION

This is the third in our series of 2019 Fact Sheets written to equip Human Resource (HR) practitioners to fulfil their strategic support role in respect of an organisation's ethics, compliance and governance needs.

In **Fact Sheet 2019/4** we set out the obligations and implications for South African employers of the Protected Disclosures Act (PDA), as amended.

The Act recognises the fact that unethical activity endangers organisation sustainability and economic stability, in turn having an adverse impact on our broader society. It states that every employer, employee and worker has a responsibility to disclose criminal and any other irregular conduct in the workplace. It requires organisations to provide for the making of disclosures and to protect those who do so from reprisal and occupational detriment.

Readers were advised that regardless of the size of the organisation in which they work, the HR practitioner should serve as a knowledgeable, committed and vigilant custodian of employee disclosures of known or suspected wrongdoing and their correct handling.

In **Fact Sheet 2019/6** we examined the features of a 'speak-up' organisation culture – one in which employees are confident that they can and should share their knowledge of ethical risks facing their employer, without fear of retaliation.

The reasons why employees find difficulty in expressing views or conveying information that they believe may be contentious were discussed. The organisational practices that HR practitioners must champion, in order to overcome the employee tendency to stay silent despite having knowledge needed by their employer, were considered.

By creating the experience of psychological safety and ensuring that all people management practices equip and embolden employees to speak up, the HR profession can deliver profound value to individual employees and organisations while serving the interests of society as a whole.

However, the challenge that remains is this:

- Regardless of how enabling and psychologically safe the organisation culture, there will be those who will remain unwilling to share their information or concerns openly. This may be for reasons of personality or pragmatism – the powerful impact of the immediate superior can overshadow any confidence an employee has in the organisation's commitment to preventing reprisal. The limited alternative prospects in an environment of high unemployment can weigh heavily on the degree of risk an employee is willing to take.
- Regardless of how readily an employee would normally share their information and concerns, some organisation cultures inadvertently or actively deter their employees' likelihood of speaking up, and the prospect of occupational detriment for those who do is very real.

  It's not only fear but care that drives some employees to stay silent – those with a deep commitment to the organisation's best interests may choose to stay silent and continue to work within the system in order to minimise the harm being done by the unethical conduct of powerful others.

Given these realities it will always be the case that for some the making of an anonymous or confidential information disclosure via an ethics hotline will be their avenue of first, only or last resort. These employees are in positions in every level and functional area of the workplace.

> It will always be the case that for some, the making of an anonymous or confidential disclosure via an ethics hotline will be their avenue of first, only or last resort.

Evidence that even well qualified professionals in senior and specialist positions want access to an anonymous reporting facility was found in a recent study by the Anti-Intimidation and Ethical Practices Forum (AEPF). The AEPF is a collaboration of six South African professional bodies: the institutes of Chartered Accountants (SAICA), Directors (IOD), Internal Auditors (IIA), Professional Accountants (SAIPA), Risk Management (IRMSA) and the Association of Certified Fraud Examiners (ACFE), as well as The Ethics Institute and Corruption Watch.

In the AEPF 2018 Ethical Practices Survey, 56% of the 1900 professionals surveyed agreed or strongly agreed that they would only report unethical conduct in their organisation if they could remain anonymous.

While the Human Resource practitioner should work tirelessly at creating a culture in which open reports comprise the majority of disclosures, a so-called whistleblowing facility that enables employees to make safe disclosures of unethical conduct is an essential element of an organisation's total integrity management system.

Anonymous reporting lines were first established to receive reports of fraud and theft and were often referred to as fraud lines. Today an organisation's ethics hotline in a one-stop service for the receipt of employee and stakeholder concerns, information and complaints regarding unethical conduct of any nature: bribery and corruption, nepotism and favouritism, policy violations, bullying and harassment, unfair discrimination and any other forms of illegal and criminal activity or unethical practice.

The provision of an effective ethics hotline, the promotion of its use and the management of reports made to it are the subject of this Fact Sheet, which is complemented by Fact Sheets 2019/4 and 2019/6.

THE DIFFERENCE BETWEEN INTERNAL AND EXTERNAL WHISTLEBLOWING FACILITIES

An **internal** ethics hotline system is one that has been established by the organisation and it may be operated on an in-house or outsourced basis. Regardless of whether your organisation's ethics hotline service is managed on its behalf by a third-party, specialist service provider, it is categorised as an internal system because reports of disclosures are sent to the organisation's management.

An **external** whistleblowing facility is typically operated by a regulatory body with the goal of obtaining information about corporate wrongdoing, from insiders and from the public, in response to which action might be taken against the organisation. For example, a former employee reports their employer for illegal business practices to the Competition Commission, resulting in the organisation facing prosecution by the Competition Tribunal on charges of collusion or price fixing.

An internal ethics hotline may be operated on an in-house or outsourced basis. It is defined as internal even if outsourced, as reports are directed to the management of the organisation.

The worldwide proliferation of external whistleblowing services, some of which offer financial incentives for credible information, is in itself a motivation for the establishment of an effective internal system: it's preferable for the organisation's leadership to hear about, investigate and remediate unethical practices before these are reported to a regulator or revealed on social media.

In this Fact Sheet we are concerned with the effective management of organisational or internal ethics hotlines which may or may not be outsourced. When operating optimally, such a facility reduces the likelihood of reports being made to external regulator hotlines or being exposed in the public domain via social media.

'...companies with fully implemented, actively advertised, and widely used internal WB systems benefit from a flow of information from employees, thus being in a position to more quickly identify and rectify problems before they become larger and most costly to the company.'

- Stubben and Welch, 2018

Even where a hotline is managed by a specialist service provider, overall responsibility for the service must be allocated within the organisation. This role can fall to one of a number of in-house functions: governance and compliance, risk management, internal audit, the ethics office or human resources.

Regardless of which internal strategic support service is the primary owner of the ethics hotline, the Human Resource practitioner has a significant role to play in ensuring its effectiveness.

KEY FEATURES OF AN ETHICS HOTLINE

By the end of this Fact Sheet you will be in a position to benchmark your current system, be it insourced or outsourced, against prevailing best practices.

You may wonder whether your internal ethics hotline should be managed on an in-house or outsourced basis. Our overview of the requirements that must be met by an effective system will help you to determine whether your organisation has or wishes to invest in the necessary internal capabilities.

Let's start by taking a look at the high-level features required of an ethics hotline.

WHAT	HOW	WHY
Accessibilty	24/7/365 live service	A significant percentage of reports are made after hours | Calls may be made from different time zones | Live call answering is essential as recorded messages cannot establish trust.
	Multiple reporting channels at no or little cost, and catering for international callers	Freecall telephone, post, email, fax, WhatsApp, SMS, SMS Call Me, and online reporting options are needed to cater for the individual's preferred channel of communication.
	Multi-lingual	Your employees and other stakeholders must be able to make reports in their own language and written submissions may need to be translated.
Anonymity & confidentiality	Reporting channels must not capture caller IDs, IP addresses, leave cookies or similar	Those who report information must be able to do so with confidence that their anonymity or confidentiality will not be compromised, failing which the service will not be used.
	Restricted access to premises and recording devices	Mobile phones are not allowed in the call centre so that screen shots or audio recordings cannot be made by agents.
	Reference numbers and code names	By allocating a reporter a reference number or code name they are able to follow-up on their original reports without revealing their identity.
Competence	Rapport building and interview skills	Callers need to be put at ease and helped through effective information-gathering skills to share all the relevant information that they have.
	Distinguishing hoax calls	Skilled agents learn to detect hoax callers and deter them from making false reports.
Integrity	Trustworthiness of agents	Those working on the hotline service must be free of conflicts of interest and must be trusted to be independent.
Reporting	Anonymisation	Any information that would reveal the likely identity of the reporter must be removed from reports while maintaining the substance of the report.

Reporting continued	Quality assurance	All reports must be quality assured for anonymisation, accuracy and completeness.
	Sequential report numbering	A report numbering system must prevent the hiding of a specific report by recipients and an annual internal audit process should verify that all reports issued have been attended to.
Dissemination	Timely issue of reports	While all reports should be made available within 24 hours, where there are incidents in progress emergency contacts should be given telephonic reports immediately.
	Only authorised recipient distribution	Reports should be sent only to the authorised recipients and these should be the smallest possible groups.
Data protection	Strict, continually monitored and recorded access control	Access control must be enforced and a register kept of every entry to the call centre, with CCTV surveillance.
	Secure backup and storage	Disaster recovery systems must be in place and access to stored data carefully controlled.
Privacy regulations	Compliance with all applicable data privacy regulations	Processing of personal data must comply with the existing and evolving regulations and best practices (POPI, GDPR).

In the balance of this Fact Sheet, and notably in the Section: "**Benchmarking your Ethics Hotline**," we consider the more detailed practices and standards that an effective ethics hotline must meet.

PROMOTING ETHICS HOTLINE AWARENESS AND CONFIDENCE

As with all organisation policies and systems, it is necessary to breathe life into your whistleblowing policy and ethics hotline on an ongoing basis. This is easily achieved through policy and hotline awareness training and the use of communication materials.

The scope of your target audience

A comprehensive and legally defensible education and awareness programme must reach a wide range of stakeholders.

While the employees may be your largest audience, a programme must cater for the broader definition of those covered by the PDA: 'workers'. This means that those engaged through temporary employment services and employees in outsourced services should be included in your awareness campaigns.

> 'Every employer must authorise appropriate internal procedures for receiving and dealing with information about improprieties; and take reasonable steps to bring the internal procedures to the attention of every employee and worker'
>
> Protected Disclosures Amendment Act No 5 of 2017.

Most organisations today go to great lengths to ensure that their suppliers and suppliers' employees are aware of and have access to their ethics hotline contact details. They appreciate the unique window through which suppliers may experience the organisation's procurement and accounting practices and understand their reluctance to report concerns openly for fear that contracts are jeopardised.

An often overlooked audience is the governing body itself. Its members should not only satisfy themselves that an ethics hotline is in place, they need to be made aware of the contact details in case they themselves wish to make use of it.

Other target audiences will vary according to the organisation and might include, for example, members in the case of a professional body. In some instances, the ethics hotline will be advertised to the organisation's customers and the public, perhaps via its website, but in these instances communication must clearly distinguish the ethics hotline from any general customer complaints reporting channel.

Whistleblowing policy and ethics hotline awareness training

The goals of policy and ethics hotline training should be:

- to promote awareness of the policy and the facility, its various channels and contact details
- to demonstrate top management commitment to the importance of receiving and managing reports of unethical conduct
- to motivate employees to fulfil their obligation to speak up when they suspect or have knowledge of wrongdoing in the workplace
- to instil confidence in all audiences of the independence, trustworthiness and reliability of the ethics hotline and report management system.

Given regular employee and contractor turnover, transfers and other changes, training cannot be a once-off initiative that only takes place at the time of a hotline's implementation. While a launch is an important communication opportunity, it is necessary for ethics hotline induction training to be available to all newcomers early in their association with the organisation and regardless of geographic location. The use of video-based and e-learning hotline induction programmes makes this possible and affordable.

A microlearning approach to ongoing awareness helps to keep the ethics hotline top of mind, and this can take the form, for example, of short videos and motivational quotes on the organisation's intranet.

The role of communication materials

Your target audiences should have ongoing ease of access to the ethics hotline contact details. An organisation's physical and digital environment provides many promotional opportunities. These can include computer desktop widgets, telephone handset stickers, mousepads, contact details on payslips and invoices and the like.

Informational and motivational posters typically play a central role in the organisation's ongoing hotline awareness programme. Posters should be changed regularly to avoid 'familiarity blindness' and to reaffirm the organisation's own continuing commitment to the ethics hotline. Where employees and contractors are based on multiple sites, a programme for checking that posters are being displayed and remain in good condition will be needed.

Poster content should not only contain the contact details for the hotlines various reporting channels, but should contain content that is informed by best practices in effective messaging. For example, posters can promote the concept of social courage as discussed in Fact Sheet 2019/06 in order to replace the stereotype of a whistleblower as a snitch.

Whistleblowing policies and procedures must not only exist but should be made easily-accessible in formats and languages to cater for the full target audience of the ethics hotline awareness programme.

HOT TOPIC 1: THE NEGATIVE IMPACT OF FINANCIAL INCENTIVES

When discussion in the boardroom turns to the encouragement of employee whistleblowing, the HR representative is often faced with the suggestion that financial rewards be offered to incentivise reporting.

As the specialist on organisational behaviour and culture, it is the responsibility of the HR practitioner to provide sound, evidence-based advice that dissuades the leadership from embarking on an approach that is likely to delay and deter rather than promote reporting.

For support, we need look little further than the important study published in Auditing: A Journal of Practice & Theory (August 2017), 'Hijacking the Moral Imperative: How Financial Incentives Can Discourage Whistleblower Reporting' (paywall) by researchers Berger, Perrault and Wainberg.

These are the key observations and findings of the study, which are likely to be intuitive to the HR practitioner:

- Financial incentives (or penalties) are sources of extrinsic or external motivation as opposed to intrinsic motivation.
- When financial incentives are introduced, the decision to report wrongdoing, which is usually influenced by ethical and other intrinsic concerns, is reframed as an economic transaction. As Berger et al (2017) write, 'whistleblower programs that offer financial incentives can transform the motivational properties of the reporting decision'.
- The result is an unintentional hijacking of a person's moral, or intrinsic, motivation to do the right thing.
- It is even possible that introducing financial incentives will reduce reporting to levels below that which exist when no incentives are offered at all.
- Not only can reporting be deterred altogether, but it can be deliberately delayed by those attracted to the incentive and who wish to maximise the potential reward.

Why would someone who is motivated by a financial incentive delay reporting? As many employers who have pursued incentivisation of whistleblowing will attest, if you decide to pay for information you must next develop a 'payment policy' that caters for the fact that not all information is of equal value. Typically, this involves setting a minimum threshold for loss above which reporters become eligible for reward, and the introduction of a 'reward formula' which increases the amount of award as the extent of loss detected via a report increases.

Even ad-hoc, post-reporting rewards can have a perverse effect as can be seen from this real life example:

An executive, against the advice of the human resource manager, rewarded a company driver with a grocery voucher when he spotted the company's stolen vehicle and advised the police of its location. A month later, the driver had his assigned vehicle stolen again. This time, it was the driver's spouse who 'coincidently' stumbled across the allegedly stolen vehicle in an obscure location. Needless to say, the human resource manager now faced three additional challenges: calming the executive who was furious about being deceived, convincing the aggrieved driver that no further reward was justified, and managing the disciplinary action against the driver!

Anecdotes aside, the most profound negative impact of a financial incentive scheme for whistleblowing is found in the deterrent effect it has on the many employees who would speak up if it wasn't for the payment scheme. These are the people who find the idea of seeking financial reward to do the right thing as repugnant, and who do not want to be cast in the role of a 'paid informant' in the eyes of their colleagues.

Simply put, there is a high likelihood that the kind of employee who is deterred from whistleblowing by the presence of an incentive scheme is the kind of employee you want more of in your organisation. Considered from another perspective, if you must make special payments to get employees to fulfil their obligation to act in their employer's best interests, you probably have bigger problems than figuring out how to promote whistleblowing.

A critical HR role in the management of whistleblowing in the workplace is as a guardian and promoter of an enabling organisation culture. Rather than support 'quick fix' action steps that can do more harm than good, it is necessary to focus on the higher-level objective of creating a speak-up culture in the workplace, as we discussed in detail in Fact Sheet 2019/6.

REPORT MANAGEMENT

When a whistleblowing report lands on the desks of the designated recipients it is necessary that a carefully considered and managed process unfold. While an in-depth examination of this process is beyond the scope of this Fact Sheet, we discuss some of the key issues that will require the support of the Human Resource practitioner.

The key objectives of the process will be:

- To substantiate the allegations or information contained in the report;
- To agree and pursue a course of action in response to the outcome of the substantiation process;
- To fulfil these objectives in compliance with all relevant policies and legislation.

At all times it will be the responsibility of the human resource practitioner to exercise their duty of care to protect the whistleblower from exposure and retaliation. This can only be achieved by ensuring that the substantiation process is conducted in a strictly confidential manner and that all involved are aware of and committed to this same objective.

Depending on the nature and content of the report, its investigation may require cross-functional collaboration by a team of inhouse and even outsourced specialists. Members may be drawn from the disciplines of information technology, risk management, loss control, internal audit, forensic investigations, governance and compliance, ethics and human resources. Unless they are themselves implicated, it will be necessary to engage the trusted senior executive and relevant line management of the business unit that the report relates to.

All these participants must be aware of their confidentiality and non-retaliation obligations and of the considerable risk to the organisation if they are breached. Remember that you can use the SABPP Fact Sheet 2019/4 to raise awareness amongst this key group of people of their obligations in terms of the Protected Disclosures Act.

While the investigative process and its participants will vary from one matter to another, the Human Resource function must ensure that the information gathering processes are conducted lawfully and in a manner that maintains the dignity of all who may be required to participate in interviews or submit data.

Examples of the type of influence that the Human Resource team member may need to exert include:

- Motivating for an investigation to be undertaken when there is reluctance to do so for reasons of internal politics and bias – for example when a star performer is implicated;
- Ensuring that those involved in an investigation are able to act impartially (they should not include anyone who reports to the person under investigation);
- Ensuring that pressure to deliver results quickly does not compromise the investigation process;
- Requiring that investigative practices do not breach ethical and legal requirements;
- Monitoring the investigation for signs of blind adherence to initial assumptions which may have been inaccurate as they were of necessity based on incomplete evidence and preconceived theories.

As the evidence will be integral to any arising disciplinary process, the Human Resource practitioner must require that the evidence is obtained and presented in a manner that will be both useable and credible.

Throughout the investigation and follow-up process, the Human Resource practitioner must ensure that the Section 3B 'Duty to Inform' provisions of the PDA are being met.

Once a matter is resolved, whether it is substantiated or not, careful attention must be paid to the storage of personal data relating to all those implicated in the process.

Given the importance that a successful disciplinary outcome is achieved in response to a whistleblowing report that is substantiated and that warrants it, the Human Resource practitioner must recognise when it is necessary to obtain the advice of an employment law specialist. Similarly, the changing data privacy requirements may necessitate the soliciting of legal advice on the subject of personal data retention.

On finalisation of each case, a root cause analysis of the incident and report content should be facilitated. The outcomes of this should be incorporated into policies, procedures, learning and development programmes and catered for through improvements to the internal control environment. These are measures that will deter reoccurrence and ensure early detection going forward.

TEMPTED TO TRACK DOWN THE SOURCE OF AN ANONYMOUS REPORT? A CAUTIONARY TALE

It wasn't the content of whistleblower allegations, but his handling of them, that landed Barclays Group Chief Executive, Jes Staley, in hot water.

The matter began in 2016 when the Barclays board received a letter, postmarked New York, claiming that Staley had bypassed recruitment processes and appointed a former colleague whose career history was troubled by lifestyle issues. Both this past association and the candidate's personal history had in fact been appropriately disclosed by Staley and the applicant prior to the appointment.

What did Staley do wrong? He tasked a Barclays security boss with unmasking the whistleblower, initiating a transatlantic investigation that came to the attention of regulators in the US and the UK who are taking a firm stand against whistleblower intimidation. In the subsequent two years, both Staley and Barclays have felt their wrath.

Barclays issued Staley with a formal censure and docked £500 000 from his variable pay. UK regulators have subjected Barclays to an oversight regime, requiring them to report regularly on the management of their whistleblowing programme. In April 2018 the UK Financial Conduct Authority agreed Staley could keep his job but ordered him to pay a fine of £642,430 in his personal capacity. In December 2018, US regulators fined Barclays Bank and its New York subsidiary a total of $15 million, describing Staley's attempts to identify the whistleblower as 'failing to act with due skill, care and diligence'.

The Barclays case is being heeded as a strong warning in boardrooms the world over. We recommend that you review your whistleblowing policy to ensure that it contains clear provisions prohibiting your managers and supervisors from trying to identify the source of anonymous reports or from threatening to do so. Above all, the HR practitioner must discourage management from any efforts to unmask an anonymous whistleblower – let Jes Staley and Barclays be your cautionary tale.

HOTLINE INCIDENT METRICS AND REPORTING

Trends in reports made to an ethics hotline provide important information for the organisation's executive management and governing body. They can indicate whether or not the system enjoys the confidence of employees, serve to flag particular ethics risks and problem areas in the organisation, and give an indication of whether reports are being handled effectively.

The governance framework, size and structure of the organisation will influence to whom these high level summary reports are directed, their required frequency and content. Responsibility for the preparation of these reports will depend on role allocation within the organisation. Here are examples of the metrics that you can consider using in such reports:*

Examples of metrics for reporting on ethics hotline incidents

1. **Total number of reports received and report volume per 100 employees** (total number of unique reports from all channels, divided by employee complement x 100)
2. **Reporting intake method / channel used** (e.g. telephone, email, WhatsApp, SMS, web-based, fax, app)
3. **Relationship of reporter to organisation** (e.g. % employee, former employee, supplier, unknown)
4. **Reporter categorisation** (geographic location, business unit, job level and functional area, if known, but only generally reported in large organisations with no retaliation risk)
5. **Categories of allegation** (see the template for report categorisation that follows)
6. **Anonymity status** (% of reporters requiring complete anonymity, partial anonymity or no anonymity)
7. **Frequency of follow-up reports** (how many reporters made further contact to add to or update information or request progress reports)
8. **Substantiation rates** (what percentage of the reports were found on investigation to be valid concerns, misunderstandings or potentially malicious)
9. **Retaliation levels** (reports of threatened or actual retaliation for speaking up as a percentage of total reports)
10. **Case closure time** (range and median number of days / months)
11. **Frequency of PDA Section 3b compliance** (the 'Duty to Report to Employee or Worker' provisions of the Protected Disclosures Act, not possible with anonymous reporters who do not maintain contact with the ethics hotline)
12. **Root cause analyses and recommendations** (if applicable)
13. Number and nature of items incorporated into the ethics and compliance programme in response to report content.

* Metrics 1 – 2 and 4 – 9 taken from the 2019 Navex Global Ethics and Compliance Hotline Benchmarking Report

The most likely response of a board member or executive to an initial dataset will be to ask for a benchmark to compare it with. The most comprehensive hotline benchmark report available is published by Navex Global. This annual report is essential reading for all involved in the management of ethics hotlines, but its benchmarks should be used with circumspection given that 82% of the 1 million reports analysed for the 2019 study were made by employees in North America.

Given the challenge of comparing one organisation to another, together with the absence of a significant South African benchmark report, it is recommended that comparisons of the organisation's own data over time will provide valuable insights.

A TEMPLATE FOR REPORT CATEGORISATION

For trend analysis and reporting purposes, whistleblower reports should be categorised. While you may use your own categories, the following have been modified for the South African workplace from the 2019 Navex Global Ethics Hotline Survey for your consideration:

1. Business integrity violations
This would include items such as bribery, falsification of documents, fraud, undisclosed conflicts of interest, inappropriate supplier or customer engagements, abuse of procurement and tender processes.

2. Employment, management and values violations
Typically the largest category and includes policy violations, employee misconduct, unfair discrimination, favouritism and nepotism, harassment, bullying, intimidation, retaliation and other general HR matters and all cases marked as 'other'.

3. Misuse and misappropriation of assets and resources
Reports of waste, misuse, abuse or theft of organisational time, assets and other resources, syndicate activity. Subcategory examples: clocking fraud, cybercrime, unauthorised private use of assets, theft of stock.

4. Accounting, auditing and financial reporting irregularities
All reports relating to these functions which could include: all forms of financial misconduct, internal control violations, fraudulent expense claims, and many more.

5. Health, safety and environmental violations
This would include failures to meet legal requirements, criminal practices, environmental damage, ignored employee health and safety threats and hazards, substance abuse, assault etc.

Integrated Report Management Systems – an emerging best practice

The insights available when reporting on your ethics hotline using these metrics are significant, but become of far greater value when a system is in place to integrate these with reports from all other sources.

A comprehensive picture only emerges when we track, measure and incorporate into our reporting all ethics-related reports made in the organisation. These include open-door conversations, letters to leadership, phone calls and walk-ins to the ethics, compliance and HR office, ethics issues raised in employee representative forums and the like.

In most organisations, and certainly in those where a speak-up culture has been successfully engendered, it is through these channels that the majority of red flags will be raised. What's more, international research indicates that the substantiation rates from such reports are higher. This is not just because they are less likely to be hoaxes, but because direct engagement greatly increases the ability to undertake an effective investigation of an allegation and bring the matter to resolution.

When you put in place a system to incorporate this previously uncaptured information into your ethics hotline reporting you can achieve an integrated report management system. This will enhance your ability to identify trends, flag high-risk issues and areas, and motivate effectively for remedial interventions.

Once you have established a consistent internal system for capturing these other reports you can incorporate this data into your incident analysis using the same metrics proposed for your ethics hotline.

Depending on the number of reports involved, you may amend your standard report simply by adding these other intake methods as an additional channel, typically described as 'All Other Methods'. Where a large number of reports come from these other methods, non-hotline reports can be presented by source (for example, reports to the HR department, reports received in letters to management).

HOT TOPIC 2: ARE FEW REPORTS A SIGN OF AN ETHICAL CULTURE?

In arguably the most important and credible research on the impact of whistleblowing systems ever published, Kyle Welch, Assistant Professor at George Washington University and Stephen Stubben, Associate Professor from the University of Utah, undertook a rigorous review of 15 years of hotline reporting information, including over 1.2 million records of internal reports made by employees in 936 publicly-traded companies in the US.

The anonymised data was obtained from NAVEX Global, a US provider of whistleblower hotline and incident management systems and the results reported in the paper 'Evidence on the Use and Efficacy of Internal Whistleblowing Systems' (2018).

Organisations with strong whistleblower systems were found to be more profitable and more productive as measured by return on assets, had fewer material lawsuits which were settled at lower cost, and had fewer reports made by insiders to regulatory agencies and other authorities.

In other words, increased whistleblower activity does not necessarily mean that your organisation has more problems than others.

The study clearly shows that few or no reports may not mean there is nothing to report. Rather it can indicate a lack of trust in management, poor awareness of or lack of confidence in the whistleblowing channel and perhaps worst of all, employee disengagement and lack of care for the employer's best interest.

No time to read the full study? For a highlights version see Welch and Stubben's article in Harvard Business Review in November 2018, 'Research: Whistleblowers Are a Sign of Healthy Companies'.

BENCHMARKING YOUR ETHICS HOTLINE

The full requirements of what needs to be a rigorously managed system far exceed the high level overview of an ethics hotline that we provided in Section 3. There is yet no single, international standard for ethics hotline management, but that is set to change with the upcoming International Standard Organisation (ISO) 37002 which will provide guidelines for implementing, managing, evaluating, maintaining and improving a robust and effective management system for whistleblowing within an organisation.

The ISO 37002 guidelines are likely to be published in 2021 and are based on three principles: trust, impartiality and protection. They will guide organisations of all sizes and from all sectors on how their whistleblowing system should enable the identification and reporting of wrongdoing, how concerns of wrongdoing should be assessed and addressed, and of how whistleblowing cases should be closed.

Fortunately, South African employers and specialist ethics hotline providers already have easy access to best practice guidelines and can have their whistleblowing systems assured against these. This service is offered by The Ethics Institute (TEI), with SAFELINE-IN assurance audits and statements available to internal ethics hotlines managed inhouse and SAFELINE-EX assurance audits and statements available to the outsourced providers of internal ethics hotlines.

> "...High usage is more often a sign of a healthy culture of open communication between employees and management than a harbinger of real trouble. After all, all large organizations face a large amount of common, unavoidable, and unobserved problems. Internal reporting systems simply make those problems visible to management."
>
> - Stubben and Welch, 2018

These best practices are based on five principles or 'guiding norms': integrity, efficiency, independence, protection and availability. As can be seen in the Appendix where you will find the detailed TEI SAFELINE-IN standard, a description of each norm is provided together with a list of standards that must be met to support it, together with the conditions necessary for compliance.

If your organisation manages their ethics hotline internally rather than on an outsourced basis, or if you are contemplating launching an inhouse hotline service, the SAFELINE-IN standard in the Appendix is an invaluable blueprint. If you are selecting an outsourced ethics hotline provider or wishing to assure yourself of the compliance of your existing provider you can use the SAFELINE-EX standard as your guide.

The ability to assure the governing body, regulators and other stakeholders that your organisation's ethics hotline management practices meet such standards is growing. When instances of corruption in an organisation are exposed, a bright spotlight is being shone on the defensibility of and deficiencies in an organisation's integrity management practices.

Given the critical role that an ethics hotline can and must play in the maintenance of an ethical culture and in the management of ethics risks, it is more important than ever that ethics hotline systems are operated in a manner that is consistent with a credible standard. A further benefit of assurance against a standard such as that provided by The Ethics Institute is that it evolves with changing international best practices and legislation, requiring in turn the same of your ethics hotline.

CONCLUSION

Regardless of which function is the designated owner of the ethics hotline facility and reporting process in the organisation, the Human Resource practitioner has a critical support role to play in ensuring its effectiveness.

The range of related contributions that should be made by the Human Resource function align to almost every SABPP HR Management Standard: Strategic HR Management, HR Risk Management, Learning and Development, Organisation Development, Reward and Recognition, Employee Relations Management, HR Technology, HR Service Delivery and HR Measurement Systems.

Effectively performed, it is a role with significant implications for both organisational sustainability and society as a whole. We urge all South African HR practitioners to embrace their responsibility to elevate the standard of ethical conduct in the organisations that they serve. The application of best practices to the management of the organisation's ethics hotline is a key component of this challenge.

This Fact Sheet was written by

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APPENDIX

THE ETHICS INSTITUTE SAFE REPORTING STANDARD: INTERNAL

THE ETHICS INSTITUTE

SAFE REPORTING SERVICE PROVIDER STANDARD: INTERNAL

>> SafeLine – IN <<

The best practice standard for internal safe reporting services.
Developed by The Ethics Institute.

INTRODUCTION

The Safe Reporting Standard Internal (SafeLine-IN) is a best practice standard that specifies requirements for a quality safe reporting system managed internally by an organisation. Organisations use the standard to demonstrate their ability to consistently provide a quality service that protects whistle-blowers. The standard should be seen as a business management tool that organisations can use to improve whistle-blowing operations, and to reduce operational and reputational risks.

SCOPE OF APPLICATION

SafeLine-IN is a set of best practice norms for organisations to operate their own internal safe reporting facility professionally and ethically, to ensure that both internal and external stakeholders are able to report observed or perceived unethical conduct confidentially and anonymously.

OBJECTIVES OF SafeLine-IN

The objectives of SafeLine-IN are:

> To strengthen internal safe reporting facilities by establishing a best practice standard;
> To provide quality assurance to organisational stakeholders who require internal safe reporting services;
> To create conditions in which would-be whistle-blowers are able to report misconduct with confidence;
> To discourage sub-standard service provision from internal safe reporting facilities; and
> To provide assurance that internal safe reporting facilities meet the requirements of the norms and standards of SafeLine-IN.

BENEFITS OF SafeLine-IN ASSURANCE

Complying with SafeLine-IN will help organisations to:

> Organise their internal safe reporting systems and processes;
> Improve the efficiency of their internal safe reporting systems and processes;
> Continually improve their service delivery in relation to safe reporting;
> Improve stakeholders' perception of the organisation's safe reporting facility;
> Create conditions in which would-be whistle-blowers are able to report with confidence; and
> Provide assurance to potential users of organisations' safe reporting facilities in terms of:
    - confidential handling of information,
    - protection of whistle-blower's identity,
    - professional service delivery, and
    - quality of reports.

NORMS GUIDING SafeLine-IN

This Standard is based on five guiding norms, for organisations providing their own internal safe reporting facility, which balance stakeholder needs, whistle-blower interests and operational requirements. A description of each norm, the standards that support it, and the conditions for compliance with it, are provided below.

>> Norm 1: INTEGRITY

A commitment to integrity requires that the internal safe reporting service provider acts in an honest manner and adheres to clear moral principles. In order to demonstrate commitment to the norm of integrity, internal service providers must comply with three standards, namely (1) being honest, (2) ensuring that safe reporting staff are of a high ethical standing, and (3) ensuring complete, accurate and truthful reporting, and delivery of reports.

INTEGRITY	
Standard 1.1	**Having integrity means that internal service providers are honest and will, therefore:** i. Be transparent about their procedures and processes; ii. Make no misrepresentations; and iii. Where safe reporting facilities record calls, advise whistle-blowers using telephone call facilities up front that their calls will be recorded.
Standard 1.2	**Having integrity means that internal service providers ensure that whistle-blowing facility staff are of a high ethical standing. They will therefore:** i. Perform background checks on prospective employees which include, as a minimum, verification of qualifications and certificates, criminal and incarceration records, past employer references, and character references, to ensure that applicants' claims are honest or truthful; and ii. Conduct continual reviews of the quality of staff members' verbal methods of interacting with whistle-bowers in their efforts to obtain complete and accurate information.
Standard 1.3	**Having integrity means that internal service providers ensure complete, accurate and truthful reporting. They will therefore ensure that:** i. All relevant information provided by a whistle-blower telephonically, via e-mail or letter, or in person is included in the report; ii. Reporting is objective, accurate and unbiased; iii. The anonymity and confidentiality of the whistle-blower is respected, in accordance with the whistle-blower's preference; and iv. Reports are professionally compiled and presented.

>> Norm 2: EFFICIENCY

A commitment to efficiency requires that the internal safe reporting service provider delivers high-quality information to stakeholders in a timely manner. In order to demonstrate commitment to the norm of efficiency,

internal service providers must comply with four standards, namely, (1) performing services in a timely manner, (2) ensuing that safe reporting facility staff are professionally trained to produce high-quality reports, (3) creating awareness of the internal safe reporting facility, and (4) continually improving service.

EFFICIENCY	
Standard 2.1	**Being efficient means that internal service providers perform services in a timely manner. They will therefore:** i. Acknowledge receipt of whistle-blowing reports within the period as required by the Protected Disclosures Act (as amended in 2017); ii. Deliver reports to investigative and other relevant divisions within 24 hours of receiving information from a whistle-blower; iii. Have in place a channel for immediate emergency reporting of incidents; iv. Provide feedback to whistle-blowers within the period as required by the Protected Disclosures Act (as amended in 2017); and v. Capture reports on a data management system within 24 hours.
Standard 2.2	**Being efficient means that internal service providers ensure that staff are professionally trained to produce high-quality reports. They will therefore:** i. Ensure that staff are professionally trained to: a) provide information regarding the functioning of the safe-reporting facility; b) explain the difference between confidential, partially confidential, and anonymous reporting; c) write professional and comprehensive reports; d) distinguish between good-faith and malicious reports; e) conduct effective interviews (who, what, where, when and how); f) extract pertinent information from whistle-blowers, including detailed and relevant information about the reported incident; and g) understand the business of the organisation (for example, core business operations, regions, subsidiaries and organisation-specific terminology); ii. Refer in their reports to the communication medium through which reports were received; iii. Link reports to previous reports about the same incident; iv. Continually monitor and evaluate performance of the internal facility's staff; and v. Make relevant learning opportunities available to staff on an annual basis.
Standard 2.3	**Being efficient means that internal and external stakeholders are made aware of the internal safe reporting facility. Internal service providers will therefore:** i. Develop annual awareness and communication plans of the safe reporting facility; ii. Provide training to staff of the organisation about the safe reporting facility; iii. Provide awareness material; iv. Obtain, at least annually, top leadership (the Governing Body, Social and Ethics Committee, Audit Committee, or Executive Management) endorsement of the internal safe reporting facility; v. Publicise on internal and external platforms – such as the organisation's website and intranet, as well as in a whistle-blowing policy – the functioning of the internal safe reporting facility, with specific emphasis on measures taken to protect whistle-blowers' anonymity and the confidentiality of information; and

	vi. Publicise on internal and external platforms – such as the organisation's website and intranet, as well as in a whistle-blowing policy – the respective responsibilities of the internal service provider and whistle-blowers.
Standard 2.4	**Being efficient means that internal service providers continually improve their services. They will therefore:** i. Obtain, at least annually, written feedback from stakeholders about the quality of the service; ii. Stay abreast of technological developments in data management systems and advances in digital reporting; and iii. Act on stakeholders' feedback to better serve their needs.

>> Norm 3: INDEPENDENCE

A commitment to independence requires that the internal service provider remains free from undue influences. Independence includes two standards that the internal service provider must comply with, namely, (1) identifying, declaring and avoiding conflicts of interest, and (2) operating a self-contained safe reporting facility.

INDEPENDENCE	
Standard 3.1	**Being independent means that internal service providers identify, declare and avoid conflicts of interest. Protecting the interest of the whistle-blower is of prime importance and supersedes the interest of staff of the internal safe reporting facility and of the organisation. Internal service providers will therefore:** i. Require annual declarations of independence from all staff of the safe reporting facility; ii. Identify, declare and avoid any agreements, arrangements or situations that could negatively affect the service provided to stakeholders and whistle-blowers; and iii. Identify, declare and avoid any agreements, arrangements or situations that could create a perception of not being objective.
Standard 3.2	**Being independent means that internal service providers operate a self-contained safe reporting facility. They will therefore:** i. Occupy a facility at a dedicated site or premises or in a dedicated area; and ii. Staff the facility with persons dedicated to the safe reporting facility.

>> Norm 4: PROTECTION

A commitment to protection requires that the internal service provider respects whistle-blowers' anonymity, as well as the confidentiality of their information, as applicable and appropriate, to prevent victimisation, and to encourage use of the internal safe reporting facility. Protection includes three standards, namely, (1) ensuring

the security of the safe reporting facility, (2) guaranteeing whistle-blowers' anonymity, and (3) assuring the confidentiality of communications received and reports delivered.

PROTECTION	
Standard 4.1	**Protecting whistle-blowers means that internal service providers ensure the security of the internal safe reporting facility. They will therefore ensure that:** i. Access to the facility is strictly monitored at all times; ii. Appropriate logistical and physical access controls are in place to protect infrastructure, networks, hardware and software; iii. Appropriate logistical and physical access controls protect information received from whistle-blowers, as well as reports to relevant organisational recipients; iv. External stakeholders, such as service providers and contractors, sign a register confirming their presence in the safe reporting facility or area where the facility is located; and v. Visitors (including cleaning and security staff) and/or suppliers of services to the facility are monitored and supervised.
Standard 4.2	**Protecting whistle-blowers means that internal service providers guarantee whistle-blowers' anonymity and confidentiality. They will therefore ensure that:** i. There are no caller-line identification mechanisms in place to identify the originating telephone or fax number of the whistle-blower; ii. There are no IP address identification mechanisms in place to identify the originating email address of the whistle-blower; iii. Whistle-blowers are provided with the choice of: a) Remaining anonymous to the organisation; b) Revealing their identity to the internal service provider, but remaining anonymous to the rest of the organisation; or c) Revealing their identity to the internal service provider and the rest of the organisation; iv. Reports to investigative and other relevant divisions respect and protect whistle-blowers' anonymity by voiding them of any identification data – including gender and position; v. Whistle-blowers' confidentiality in respect of third parties is protected should they expressly request that their identity be revealed to the organisation, thus waiving their anonymity; vi. Recordings or transcripts of recordings are not made available to any person in the organisation unless ordered to do so by a court of law; and vii. In the case of reply-enabled communication channels, whistle-blowers are provided with unique reference numbers, case or user codes, that are not stored at the backend, should they wish to seek feedback from the internal service provider regarding their report.
Standard 4.3	**Protecting whistle-blowers means that internal service providers assure the confidentiality of communications received and reports delivered. Service providers will therefore ensure that:** i. All reports are delivered to authorised and appropriately senior divisional representative(s) only; and

	ii. The confidentiality of information is protected by password-protecting or encrypting all reports sent via email to authorised organisational recipients.
Standard 4.4	**Protecting whistle-blowers means that information received through all communication channels is recorded and securely stored. Service providers will therefore:** i. Invest in, and maintain, infrastructure to ensure that all information received is recorded; ii. Ensure that all information received is stored securely; and iii. Ensure that an audit trial is available of all communication with whistle-blowers.

>> Norm 5: AVAILABILITY

A commitment to availability requires that the internal service provider ensures easy and reliable access to the internal safe reporting facility through a variety of channels, 24 hours per day, 365 days per year. Being available includes the following two standards that service providers must adhere to, namely, (1) guaranteeing the sustainability of the service, and (2) providing a choice of user-friendly communication channels 24 hours a day, 365 days a year.

AVAILABILITY	
Standard 5.1	**Being available means that internal service providers guarantee the sustainability of the service. They will therefore:** i. Set up and maintain continuity and disaster plans that are regularly tested; ii. Have appropriate and comprehensive insurance for the internal reporting facility; and iii. Ensure regular integrity testing of systems, including the hosting applications of websites available to whistle-blowers.
Standard 5.2	**Being available means that internal service providers provide a choice of user-friendly communication channels 24 hours a day, 365 days a year. They will therefore:** i. Provide internal and external stakeholders with a telephone number, fax number, postal address, email address, SMS or WhatsApp number or website for whistle-blowers to report misconduct; ii. Ensure that these communication channels are easily accessible and free of charge, if possible; iii. Provide for live response to whistle-blowers 24 hours a day, 365 days a year (no answering machines or voice messages); iv. Staff the safe reporting facility appropriately to ensure staff availability; and v. Ensure that whistle-blowers who report by telephone have their calls answered promptly and are not placed on hold for an unreasonable period that might cause whistle-blowers to abort calls.

SafeLine-IN ASSURANCE

1. TEI will provide assurance on the Safeline-IN standard to any eligible internal service provider who wishes to submit themselves to an assurance audit.
2. On submission of a completed application form, which entails a self-assessment against the Standard, TEI will conduct a preliminary assessment of the information. Additional information may be requested from the service provider.
3. Upon completion of the preliminary evaluation, TEI will conduct a site visit to the internal service provider's facility and any other relevant site(s). During this visit, the assessor will interview staff, observe operations and review and inspect documentation to determine if the internal service provider complies with the Standard.
4. On completion of the assessment, the assessor will submit the final report for the internal service provider's attention. Recommendations for improvements will be included where necessary.
5. Successful internal service providers will receive an assurance statement, as well as the relevant logo banner from TEI.

ABOUT THE ETHICS INSTITUTE

The Ethics Institute is an independent public institute producing original thought leadership and offering a range of services and products related to organisational ethics.

Visit our website at **www.tei.org.za**.

For enquiries about SafeLine – IN or any other services, contact Liezl Groenewald at liezl@tei.org.za or call 012 342 2799.

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SEPTEMBER 2019 · NUMBER 2019/08

FACT SHEET

DATE	NUMBER	SUBJECT
2016		
February	1	**PRODUCTIVITY BASICS**
March	2	**SERVICE LEVEL AGREEMENT**
April	3	**TALENT MANAGEMENT: PAST, PRESENT AND FUTURE**
May	4	**BUILDING ORGANISATIONAL CAPABILITIES**
June	5	**CHANGE MANAGEMENT**
July	6	**INNOVATION IN HR**
August	7	**HR TECHNOLOGY**
September	8	**HR IN BUSINESS SUSTAINABILITY**
October	9	**THE LEARNING & DEVELOPMENT LANDSCAPE IN SA**
2017		
February	1	**MODERN SLAVERY**
March	2	**PENSION LAW FOR EMPLOYERS**
April	3	**THE GAME CHANGER: ROLE OF HR**
May	4	**HR GOVERNANCE**
June	5	**INTEGRATING SKILLS DEVELOPMENT, EMPLOYMENT EQUITY AND B-BBEE TRANSFORMATION**
July	6	**STRESS MANAGEMENT**
August	7	**REMUNERATION: RECENT TRENDS**
September	8	**HOW CEOs AND CHROs CAN USE THE SABPP TO CREATE EXCELLENCE IN HR MANAGEMENT**
October	9	**PEOPLE WITH DISABILITIES**
November	10	**RETRENCHMENT**
December	11	**THE SOUTH AFRICAN LEADERSHIP STANDARD**

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FACT SHEET

DATE	NUMBER	SUBJECT
2018		
February	1	**STRATEGIC HUMAN RESOURCE MANAGEMENT**
March	2	**BULLYING IN THE WORKPLACE**
April	3	**LISTERIOSIS AND FOOD SAFETY IN THE WORKPLACE**
May	4	**FLEXIBLE WORK PRACTICES**
June	5	**YOUTH EMPLOYMENT SERVICE**
July	6	**HR PRACTITIONERS AS EX-OFFICIO COMMISSIONERS OF OATHS**
August	7	**NATIONAL MINIMUM WAGE (NMW)**
September	8	**EMPLOYEE RETRENCHMENT**
October	9	**THE FUTURE OF YOUTH IN SOUTH AFRICA**
November	10	**BOARD EXAMINATIONS: A SIGNIFICANT STEP FORWARD FOR HR PROFESSIONALISATION**
December	11	**CHRONIC DISEASE MANAGEMENT: CANCER IN THE WORK PLACE**
2019		
February	1	**EMPLOYER VALUE PROPOSITION**
March	2	**QUALITY COUNCIL FOR TRADES AND OCCUPATIONS**
April	3	**RECENT TRENDS ON REMUNERATION GOVERNANCE**
May	4	**THE PROTECTED DISCLOSURES ACT**
June	5	**HR SERVICE DELIVERY MODELS**
July	6	**CREATING A SPEAK UP CULTURE AT WORK**
August	7	**JOB PROFILES**
September	6	**ETHICS HOTLINE MANAGEMENT: BEST PRACTICE GUIDE FOR SOUTH AFRICAN EMPLOYERS**

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