

RESEARCH

**INTERNAL
WHISTLEBLOWING
SYSTEM
IN COMPANIES**

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"Sabiedrība par atklātību — Delna" is a Latvia's chapter of the international anti-corruption organization *Transparency International*. Delna is Latvia's leading non-governmental organization in the field of anti-corruption. Delna's purpose is to develop an open, fair and democratic society free from corruption in politics, public and private sectors, and in people-to-people relations.

Research "INTERNAL WHISTLEBLOWING POLICY IN COMPANIES"

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INTRODUCTION

The Whistleblowing Law in Latvia entered into force on May 1, 2019, mentioning that there are four mechanisms for whistleblowing: using the internal whistleblowing system; applying to the competent institution; using a whistleblower contact point, association, or foundation or raising the alarm publicly. The contact point for whistleblowers and the coordinator of the implementation of the Whistleblowing Law is the State Chancellery. Already in 2019, the State Chancellery published good practice guidelines for the creation of a whistleblowing system. In 2020 *Transparency International Latvia "Sabiedrība par atklātību – Delna"* conducted a study on the implementation of internal whistleblowing systems, their operational effectiveness, and compliance with the guidelines of the State Chancellery, identifying problems and reasons for their occurrence.¹

On February 4th, 2022, the new Whistleblowing law (further - Law)² came into force. Delna also participated in the development of this Law. As a result, issues related to internal whistleblowing had to be reviewed and updated in both the public and private sectors.

The Law provides that legal entities under private law (including companies and state or municipality-owned companies) which have more than 50 employees need to establish an internal whistleblowing system providing employees an opportunity to blow a whistle safely and granting their protection. Considering that the Law allows companies to choose how to establish their internal whistleblowing system, significant differences can be observed in the experiences companies have.

In 2022 from the end of August until October Delna conducted this research to learn about the establishment and functioning of internal whistleblowing systems in state and municipality-owned companies as well as private companies. In this research we wanted to find out the different practices and identify the most effective models to help other companies to improve their internal whistleblowing systems by showing practical examples.

¹"Sabiedrība par atklātību – Delna". Iekšēji trauksmes celšanas sistēmu ieviešana Latvijā. Priekšizpētes ziņojums. 10.2020.

²Trauksmes celšanas likums: LV likums. Pieņemts 21.01.2022.

Ten private companies as well as state and municipality-owned companies participated in this research. In the conducted interviews participated representatives from international companies: Bonava Latvia, SCHWENK Latvia, Elevation Group, Tele2 Latvia; representatives from state-owned companies: State Real Estate (Valsts nekustamie īpašumi), Pauls Stradiņš Clinical University Hospital (Paula Stradiņa klīniskā universitātes slimnīca), Latvian Road Maintenance (Latvijas Autoceļu uzturētājs) and "Latvijas Finieris"; and representatives from municipality-owned companies: Riga Forests (Rīgas Meži), Riga Public Transport (Rīgas Satiksme).

There still are different views and understandings in society about what whistleblowing is and why it is important. Not only employees have different views on whistleblowing but also employers. They can both increase and decrease the motivation to blow a whistle as well as talk about the importance of transparency. That is why it is important to see not only the formal side of the internal whistleblowing system and its normative regulations, but also understand how the system incorporates into the company's culture and how it works in practice. There are four main topics that make the structure of the research paper: establishment of an internal whistleblowing system, description of the system, operation of the system and the influence of the system on the company.

METHODOLOGY

The research is based on structured individual interviews conducted online using “Ms Teams” platform. Conversations lasted from 25 to 45 minutes depending on whether the company has encountered cases of whistleblowing or implemented any practices for informing employees on a regular basis. Conversation length also depended on the interest of the company’s representative. Most interviews with international companies were shorter because the representatives from Latvia didn’t have detailed information about the characteristics and statistics of whistleblowing cases in those companies. To gain as much detailed insight into the operation of the whistleblowing system implemented by the company and the challenges it must face as possible Delna invited to the interviews representatives of companies that are responsible for or involved in ensuring the operation of the internal whistleblowing system. Some company board members also joined the conversation by an individual initiative. In one of the interviews with international companies, two foreign representatives also participated allowing to gain a more complex understanding of the system’s operation and differences comparing it to the Latvian system.

Companies were approached individually to participate in the research. There are several factors that influenced the choice of companies. Invitation was sent to companies who have addressed the importance of transparency and responsibility because this research aims to create an understanding of a functioning whistleblowing system. The eligibility of a company for this study was decided by using publicly available information about its characteristics and approach in such matters. Factors that were considered are the size of the company, the scale of operations, and the field represented. As already mentioned, the companies involved in this research are municipality and state-owned companies, as well as international companies with branches in Latvia. It was crucial to have companies representing various sectors that are important to society such as construction, health, technology, transport, and communications. As a result, all companies involved in Delna's initiative "Zero tolerance for corruption" responded to the invitation as well as state and municipality-owned companies and international companies that work in areas which have higher risk of illegal actions for example the field of procurement.

During the research problems were caused by the attitude of other approached private companies and state and municipality-owned companies of regional municipalities which didn't answer to the emails. For this reason, only municipality-owned companies from Riga are involved in the research. There was only one case when the representative of a municipality-owned company refused to get involved justifying the action with the lack of whistleblowing cases and other work that is more important. Although it is understandable that various challenges concerning energy, health, and other fields must be a priority, but the reluctance of the approached companies to participate in the dialogue about the issues related to the prevention of illegal activities is a negative aspect. Currently, the distribution of resources available to the state must be implemented and monitored as efficiently as possible. Due to the pandemic, there have been reports of various illegal activities including issues with procurement in the field of health. Therefore, it is crucial to ensure well-functioning whistleblowing systems and informed employees. Delna encourages every company to prioritize whistleblowing.

Before the interview companies received a list of questions that were the basis of the interview. The conversations were free-flowing and allowed representatives to highlight their company's priorities and individual characteristics. Since the whistle-blowing system is part of the company's culture it is possible to see and understand how the common personnel policy resonates with the different approaches and models through understanding the system.

Firstly, interviews focused on the analysis of issues related to the implementation process of the internal whistleblowing system and the measures taken to strengthen employee understanding of it. Secondly, the description of the system was assessed both from the employee's and from the responsible person's perspective. Thirdly, the operation of the system was evaluated either by cases the company had encountered or by discussing why there are no cases of whistleblowing and how it could be tied with society's perception of whistleblowing. Fourthly, representatives expressed their opinion about the Law's importance for the company, society, and Latvia as a whole. The questions about the problems concerning issues of the legal framework and what measures or tools would help to ensure a more successful operation of the system were brought up. To maintain confidentiality, the cases described in the study will not be linked to specific companies.

1. ESTABLISHMENT OF AN INTERNAL WHISTLEBLOWING SYSTEM

It is only possible to create an effective system if there is stable base. In all the companies internal whistleblowing systems were created following laws and improved after the adoption of the new Law. Two of the companies implemented the internal whistleblowing system after the Law came into force, others had it after the first law. Some of the representatives were not able to describe in detail the implementation process of the system because they started working in company only after that.

1.1. Implementation process

Not only the obligations set by the Law but also whistleblowing cases that indicated problems in the company's internal communication and process management encouraged them to implement an internal whistleblowing system. Result was either the implementation or significant improvements of the system. The whistleblowing system was created in relation to company's ethics and moral principles. Successful integration can be observed in one Latvian and three international companies that stood out because they had a regulation for ethical issues and a clear understanding of them. In all international companies that were interviewed whistleblowing is included in the system created at the group level. Representatives of those companies emphasized that the values and principles on acceptable behaviours defined at the group level helped in the implementation process of the whistleblowing system.

A representative from a municipality-owned company based in Riga emphasized that whistleblowing requirements were reviewed along with the policy change in the entire city region. This leads to the conclusion that action on a larger scale is an important factor to motivate the implementation and improvement of the whistleblowing system. In seven cases the system was implemented using internal resources by cooperation of the legal, risk management, human resources, and communication departments. That is especially typical for companies with a larger number of employees. To improve the whistleblowing system only two companies have had consultations with third parts such

as Corruption Prevention and Combating Bureau (KNAB) successfully solving technical issues and expanding the understanding of the system.

The responsibility for managing the whistleblowing mechanism in the company is most often taken by one person. Job titles and responsibilities for this person vary. Persons are often from legal, risk and quality departments, the field of internal security as well as the audit committee. In two of the state and municipality-owned companies, the representative is also chairman of the ethics commission, and in one - an ethics advisor. In all companies where an ethics commission has been established the board of the company is also represented in it, as well as representatives of departments, ensuring exchange of information and coordination of actions. In three international companies whistleblowing system was established involving responsible representatives from the company's group level and Latvia. One of the international companies chose to hire an external service provider for management and data holder of the system.

In the case of international companies, the implementation of the system was facilitated by already existing principles of conduct and good governance practices, for example, a common code of ethics that also regulates whistleblowing. The approaches are different, but the system is designed so that the legal framework fulfils the legal norms of all the countries represented in the company. In one company, the whistleblowing system for a long time has been operating centrally at the group level and a joint training is held once a year. From this summer the responsibility for the whistleblowing system has been transferred also to the national level. The responsible person in each country must inform the employees about the whistleblowing mechanism and at the same time work as an alternative contact creating more communication channels for employees. The representative of one company highlighted that Latvia's normative regulation set one of the highest requirements, to which the system was adapted accordingly.

1.2. Informing employees at the beginning of employment relations

All companies comply with the requirements established by the Law and inform employees about the internal whistleblowing system when employment, service, internships, or other types of legal relations related to the professional activity are formed. The representative of one company particularly emphasized how important it is

to convey a clear message to the new employee at the very beginning of what is acceptable for the company and what is not. There have been cases when an employee was used to a certain behaviour pattern in the previous workplace that is completely unacceptable in the new workplace. Therefore, the employee needs help to get used to the new system. This creates additional difficulties for both the company and the employee and also indicates that people in Latvia lack a common understanding of what behaviour is ethical and permissible.

The law stipulates that the information about the system should be easily accessible, companies post descriptions of the whistleblowing mechanisms on their websites and inner online network if one is created so that the information can be found at any time. In terms of technical details, the good practice is to create a separate section on the website for whistleblowing and similar issues like prevention of corruption and ethics and to show employees where the information can be found. A negative example from the observed practice is handing the documents to the employee without getting further explanation.

Two companies showed an effective example of the introduction process by asking employees to send an e-mail to the specified address or submit a report in another form. That helps to make sure that the employee has a practical understanding of how the system works. A unique way to increase personal responsibility was introduced in an international company where the employee must sign a letter of commitment along with the employment contract. By that employees confirm that they will respect company's culture which also includes whistleblowing. If a company has created a code of ethics, the company indicates its responsibility and shows openness towards employees, customers, and investors.

The amount of information concerning whistleblowing and the way it is presented is different in each company. Practice of two of the state and municipality-owned companies involves creation of informative graphs and presentations to make the whistleblowing system easily understandable. When visual materials are created in simple language the information is easy to understand even for people without legal background that mostly do technical, practical work outside office. Another good example is to place visual materials in everyday workspace environment increasing the possibility that employees will see it.

1.3. Ensuring operation over a longer period

For the systems to function successfully it is necessary to have discussions on different levels within the company, regularly review goals and increase the effectiveness. A great way to raise awareness of the importance of whistleblowing and make it a stable part of company's policy is to organize regular training and seminars. Their frequency and main themes may be different depending on the internal policies of the company. Two of the interviewed companies organize seminars once every two years, three companies - once a year, and one company four times a year. Three companies have not yet organized any training, but plan to do it. One of the companies does not organize training specifically for whistleblowing, but four times a year there is internal company training, where values, goals, and the current situation in business matters are discussed, promoting employee involvement and strengthening loyalty.

All interviewed companies have more than 400 employees, but in some of the biggest companies, there are more than 3000 employees. Four companies agreed that many employees make informing and conducting training more time-consuming and difficult. Training needs to be conducted several times, and it should be made sure that each employee has understood the topic. Online training format has both positive and negative sides, so whether to use it should be weighed individually by each company. The advantages of online training are that it is more accessible. The pandemic has made online communication a big part of everyday life and remote work has improved the digital skills of employees. However, three companies highlighted the disadvantages of the online format. Firstly, it is impossible to make sure that the employee listens and understands what is being said, and employees are also less interested in asking questions. Also, the level of digital skills of employees still varies as some of them do not work at a computer every day. In some cases, there even are employees who do not have their own e-mail or access to the company's internal system. However, face-to-face training requires a lot of time and resources.

Large number of employees does not mean less frequent training. In two companies with the same number of employees one is having training once every two years but the other - four times a year. The difference depends on company's internal culture and previous

experience. One company has not received any whistleblowing reports, while another company has had positive consequences from whistleblowing and is actively trying to improve the system in various ways by involving employees.

If the training is in the form of a lecture or a presentation, at the end of it a test should be conducted to ensure that employees understand the nature of whistleblowing, reporting mechanism, and the role of employees in improving the company's internal environment. The test should be multiple choice and the questions should be changed every time. Good example of training can be observed in an international company, where it is held remotely but high-quality communication is achieved by dividing employees into focus groups of an average of 10 people. In the learning process, a specially created game is used, which makes it easier to ask questions individually and involves everyone making sure that employees acquire the needed knowledge. The played-out situations that the employees must deal with are not related to their daily duties, but to the challenges of other departments to reinforce the basic understanding of the whistleblowing system. If the quality of training is high, then the number and frequency of them become less important. A more convenient and successful model is to have training on whistleblowing together with training on a similar topic. This model is used by almost all companies that have trainings regularly. There were three cases where companies used help from Corruption Prevention and Combating Bureau or Delna that allows to broaden the knowledge and is also considered good practice.

The interviewed representatives emphasized that the employees' interest in the topic is relatively small, but to gain self-motivation at least a basic understanding must be obtained. This can only be achieved through targeted communication – individual learning and tests are only additional tools. During the research, several companies emphasized that daily communication between the employee and his direct manager is the main mechanism to prevent a situation where it is necessary to blow a whistle.

The whistleblowing system should be understood not only by employees but primarily for the person responsible for reviewing whistleblowing reports and the company's management. It also promotes the implementation of the principles in the company's culture and transfer knowledge to employees. This year two representatives attended a seminar led by Delna. Other companies organize training on ethical dilemmas or seminars on a group level. In one company, the responsible person is currently training

all managers so they would be able to provide training themselves in the future, this way improving and strengthening relations with their direct subordinates. The goal is to get managers more directly involved in deciding when to hold training, in what format and what will be the main focus of it. Only the direct manager sees the situation daily and knows what are the current issues that need to be addressed. The basis of information and presentation should be the same for the whole company to have a unified approach, but every direct manager can adapt it for their own needs. In another company individual discussions with representatives of departments take place regularly. The board of the company needs to get information about the main conclusions from the discussions to maintain close connection.

The interest and participation of employees in raising issues related to whistleblowing is significantly increased by alternative forms of involvement. One of the state or municipality-owned companies has created an employee trust council where employees elect up to ten representatives through elections, covering a wide spectrum of the company's structural units. A different approach is to ensure company's cooperation with separate employee unions. A position of a trusted representative, which in the company is responsible for internal security, is a step closer to a safe, confidential environment for the employee, allowing them to solve the situation or dispel concerns promptly. The range of issues that the trusted representative deals with can be adjusted to the specifics of the company.

2. DESCRIPTION OF THE INTERNAL WHISTLEBLOWING SYSTEM

Transparency International (TI) has indicated that the effective operation of an internal whistleblowing system is maintained by employee motivation, secure reporting channels, safeguards, as well as an effective communication system.³ The whistleblowing systems identified during this research are different. Delna analysed the different examples breaking down best practices that every company can apply to their systems.

2.1. Submission of a whistleblowing report

The first step that a whistleblower must take if he suspects a violation of the law is to prepare and submit a report. The basic requirements that the system must fulfil are provided by the Law. Requirements suggest that the system needs to be implemented in all companies, information about it should be available to the employee and several report channels need to be created. In one company an online report channel has been created, in eight cases companies have provided an anonymous e-mail as well as the possibility to send a report by post. The telephone number of the contact person is indicated only in companies that have an internal communication channel, to prevent an unnecessary spread of information.

To reach employees who do not work at the office but in factories, transport, or outdoors, three companies have placed boxes or mailboxes in the common areas of employees, marking them so that everyone knows that it is possible to leave a whistleblowing report in a physical format. It is especially important if the employee does not have their own e-mail or need to use a computer daily. An alternative to e-mail is a separate section in the company's internal system, where a whistleblowing form is posted, and it is possible to add a form. Employee must fill in only a few fields, but the basic structure is already given making the process easy and convenient. The

³Martini, Maira. Best practices and challenges for whistleblowing systems in multinational companies. 19.09.2014.

experience of companies shows that to make the process understandable one form can be created both for raising an alarm and for reporting on other topics like ethical issues, and complaints of practical nature. In case of whistleblowing employee indicates that it is whistleblowing and adds the report to the form. One company recommends posting the link to the form in the static part of the company's website. An international company shows a good example by creating a page where the instructions for what a whistleblower should do and what questions should be answered in the report are written step by step. Cases specific to the company when whistleblowing is necessary should be described to avoid cases when the alarm is raised without reason.

In most cases companies with experience in handling whistleblowing reports inform that they mostly have been submitted via email or through an internal system. The establishment of an internal whistleblowing system, where it is not possible to submit a report anonymously should be combined with another communication channel like a separate email. This is highlighted by the example of one company where employees did not report a significant observation of illegal behaviour for a long time because they did not feel confident, were afraid and therefore did not want to speak openly. As a result, the problem became only larger as well as the negative consequences.

International companies encourage employee communication with the direct manager and reporting in the mentioned channels only if the issue cannot be discussed "face to face" as the employee might be fearing negative attitude or seeing a company-level problem. Reports are translated from Latvian by an external service provider to ensure that persons who represent the company and could spread the information are involved as little as possible.

An international company that has used an external service provider highlight that it promotes openness to reporting, as employees are aware that it is an independent, neutral channel. The employee using the link enters and registers on the page of the service provider, indicating whether he wants to report anonymously, semi-anonymously, or completely openly. The whistleblower gets a personalized account ensuring the protection of data, submits a report and further communication takes place through this account, so the contact person can continue to provide clarifying information even if the report is anonymous. Two companies highlighted that they had

difficulty contacting an anonymous whistleblower when circumstances of the case deeded clarification therefore this communication platform has significant advantages.

2.2. Processing of the report

The company's responsible person receives, registers, and stores whistleblowing reports providing personal data protection. After receiving the report, there are two possible options for further action. If the report is not recognized as a whistleblowing report all companies explained that personal data is not disclosed to third parties. In three cases, those reports were registered in the same system, as the company has only one system both for whistleblowing and reporting on other issues related to ethical violations. After reviewing the reports, the whistleblower is informed. Each case is evaluated individually to decide on a solution. Information obtained from the report is used to improve the environment in the company. It is dealt with internally, in cooperation with representatives of the HR department and other departments involved in the issue. When using an external service provider, it is possible to respond whether whistleblowing in this case was reasonable.

If the report is recognized as a whistleblowing report according to all the criteria, it is registered, and the data is pseudonymized or anonymized in a different way. In nine cases, a separate database or server was used where personal data was assigned to a code or a number. This information is only available to the contact person and the deputy if there is one. In the international company the responsible person in either national or group level also registers it. The description of the situation is placed in another database no longer linking it to the specific whistleblower. The further process involves evaluation of the information and deciding on the next steps to take to fix the problem. In one of the international companies, cases of fraud are separated from cases concerning personnel. The company's board and representatives from within the company are involved in the process, mostly in the form of an ethics commission or council that consists of 6-8 people on average. The submission is assessed at the meeting of the ethics commission. A good practice is to protocol the meeting making it available to the company's board and to department heads, to promote transparency. The commission agrees on the further course of action, deciding which departments or

external representatives should be involved in solving the situation, for example, in the case of municipality-owned companies, the municipal council may be involved. After examining the report and establishing that the situation can be solved at the local level, two international companies involved representatives of Latvia in the resolving process. Until then, the responsible contact persons in Latvia were not informed about the report in detail, therefore, while conducting research, Delna observed that the company representatives are only partially aware of the number of whistleblowing reports received and the issues about which the alarm was raised. In one case, the representative from Latvia is also directly involved in the review of reports together with company representatives from the group level. In a different case, the report is reviewed by a Latvian or an international representative, depending on whom the report is addressed to.

In compliance with requirements established by the Law the report is considered within a week. Then the company's board or the responsible contact person prepares a response to the whistleblower informing about the further course of action. If the report needs to be dealt with in Latvia, for example, it is related to an ethical issue, it is handed over to the responsible person and relevant institutions or experts are involved, but confidentiality is maintained. All companies send information to the company's board, council and the State Chancellery as provided by the Law. The Board may decide on disciplinary action or dismissal of the employee. Companies most often have penalties for specific offenses in their code of ethics. The information obtained when classifying the reports is used to create statistics.

The issue of what information about whistleblowing cases should be public needs to be evaluated in the context of each case individually. There are significant differences and even contradictions in the approach of different companies. One municipality-owned company is almost completely transparent posting information about whistleblowing cases on the public website, of course, respecting confidentiality. In two other companies, only the fraud cases are discussed publicly. The cases are posted to encourage active communication with the employees and society. It is believed that the resolved cases will help to develop a more positive attitude towards whistleblowing in general. In two other companies there is a belief that only a few people should have detailed information about the report. Neither the employees nor the public is informed

about the cases. When evaluating the examples, it should be emphasized that the best approach depends on the company's internal policy and the individual views of the employees. If the employee is aware that whistleblowing is both in his and the company's interests making the information public is also supported. However, publishing information can cause frustration and fear if there is not a close relationship between the employees and the management either because the employee has recently started to work or because of unsuccessful communication.

If information about a whistleblowing case has become public, it is important to maintain close communication with employees to prevent internal disagreements and create confidence in employees that the company is able to handle the situation. In the long run, it also encourages employees to be more open to report.

3. OPERATION OF THE INTERNAL WHISTLEBLOWING SYSTEM

It is possible to assess the implementation of the whistle-blowing system and the practices stipulated in the laws and regulations only when faced with real examples. There still are companies in Latvia that have not had any whistleblowing cases, even if a report has been submitted, after examination it has not been recognized as a whistleblower report. That questions the society's attitude against whistleblowing and raises questions about the understanding of what whistleblowing is and why is it important. In the conducted interviews questions about the link between employee relations with each other and their attitudes towards whistleblowing were brought up as well as questions about the company's culture.

3.1. Number of whistleblowing cases

A small number of whistleblowing cases in the company does not always mean that the company has no problems. During this research, very different views and understandings about what whistleblowing were identified. In the context of this research, there are ten different approaches – each company has its own. That is why the number of whistleblowing cases and attitudes of employees should be interpreted individually in the context of each company's internal environment. Great examples are three companies that have not received any whistleblowing reports. In one case there have only been reports concerning questions related to ethical or practical nature that have prevented situations from escalating. In the second case, there are no whistleblowing reports whatsoever, but the implementation of the internal whistleblowing system was triggered by serious misconduct, because of which the currently existing system is focused on fast and close communication as well as improvement of the company's culture. In the third case, there are also no whistleblowing cases, but also no training sessions have been held. The responsible stated that there has not been any misconduct that would need reporting. This shows a great lack of understanding about whistleblowing.

Gathering the statistics about companies that have received whistleblowing reports it can be concluded that the incentive to report is very low. In one case there are six reports since the establishment of the system in 2019. In two other cases, there has been only one case that was solved by involving the human resources department or sent to a competent institution if the report addressed a bigger issue. The total number of submitted reports that have not been recognized as whistleblower reports is more than 10 in two cases. From this, it can be concluded that employee understanding of what whistleblowing is needs to be improved.

In the case of international companies, precise data about Latvia is mentioned only in one case, stating that 6-8 reports are received every year, but it needs to be considered that those are not only whistleblowing reports, but also reports about misconduct described in the company's code of ethics. The three other international companies were not able to provide data about Latvia. One of the company's registration of reports is centralized and the representative from Latvia does not have access to this information, but it is known that there have not been any cases. In the other company 20-25 reports are received every year – significantly fewer from the Baltic states. The company's representatives connect the number of reports with effective communication and measures which encourage the employees to talk with their direct managers. In the third company's Latvian branch, the establishment of an internal whistleblowing system is still in process.

3.2. Anonymous reporting

The advantages and disadvantages of reporting anonymously have been brought up in every conducted interview. There are valid arguments for both sides, but it needs to be mentioned that anonymous reporting is not considered to be whistleblowing because it does not allow to protect the whistleblower, which is one of the main aims of the Law. A representative from one of the companies emphasizes that in the future anonymous reporting should be of the same importance as whistleblowing. This belief is based on the hope that people will become more open to report and it will be possible to notice a problem just in time to act proactively. The importance of anonymous reporting was proved when employees did not report a violation for a long time due to doubts as only

completely transparent reporting options were available. This resulted in losses for the company as systematic misappropriation of company's resources continued. After consultations with the Corruption Prevention and Combating Bureau, the company decided to establish an e-mail for anonymous reports. Whistleblowing can be tied not only to the internal problems of the company but also to other companies with which the company cooperates as service providers and suppliers. One company carried out an investigation after receiving an anonymous report which resulted in the termination of a contract.

A representative of a different capital company expressed doubts about the effectiveness of anonymous reporting as it is a way to report wrongful information and checking the validity of it would create extra work. In the experience of the interviewed companies, cases of wrongful accusations in reports are rare. A company with experience in whistleblowing reports believes that it is worth having an e-mail for anonymous reports even if it helps to prevent problems only in a few cases.

It needs to be mentioned that there was one capital company that provided an opportunity for employees to ask anonymous questions to the board with the aim to find out whether there are issues that employees want to address. Observing increased activity from employees the company concluded that there are issues that employees would like to bring up but chose not to. Therefore, the company's representative supports anonymous reporting and emphasized that every initiative from the employees should be valued not necessarily to search for the guilty party but to strengthen trust and encourage openness within the organization. However, if anonymous reporting does not seem like the right fit, employees should be informed about other reporting opportunities to prevent employees from not bringing up important issues.

3.3. Motivating employees

Conducting the research, it was observed that in multiple companies the openness of employees to talk about problems had increased over the last years. Factors that contribute to this are: measures taken to build the company's common culture, better communication, new employees, as well as the protection guarantees provided by the Law. Even in cases where there are no improvements in whistleblowing activity, the

number of other types of complaints and reports has increased, indicating a positive trend - an increase in interest and openness. In one of the companies, the number of reports submitted to the ethics commission has increased. In another case, there is an increase in the number of reports submitted through the security system related to the company's scope of activity. There have been fewer reports that have been submitted as whistleblowing reports but did not meet all the whistleblowing requirements. The contents of whistleblowing reports have also changed. In the beginning, the alarm was usually raised about serious violations like fraud, but with time employees understood that whistleblowing can be also used to report smaller deficiencies observed daily which could possibly result in more serious problems if left unresolved. Moreover, in that company no wrongful or insufficiently formed reports have been submitted, suggesting that employees truly understand the whistleblowing system.

The advantage of international companies is the possibility to solve issues at the group level, two representatives brought it up stating that it helps to avoid fear of information leaks which could result in sanctions or changes in attitude against the employee from which the Law does not protect. Reporting to higher-level personnel allows the employee to understand that whistleblowing is important to the whole company. If the report is received by contact persons in another country or by an external service provider, the employee feels more secure that personal data is protected. A representative from one of the international companies stated that comparing the Baltic states to other countries where the company operates shows that the fear of reporting is a distinct characteristic of the Baltic states because the mentality of people and particular nations is different. In Latvia's case, the negative historical background has caused the reluctance to talk about problems, disbelief that the problems will be solved, and fear that the information will be used against the reporter. This is supported by an example of another company where the representative stated that after fraud was detected in the company, employees expressed that they did not report it due to fear of dismissal from work. Employees believed that the contact person was close to the company's management and therefore it would be easy to figure out who submitted the report. Employees who have worked in the company for a long time do not believe that the Law would be able to protect them. To avoid such fears an alternative in Latvia would be external reporting to the responsible state authorities, for example, State Revenue

Service (Valsts ieņēmumu dienests, VID), Corruption Prevention and Combating Bureau or reporting to an organization that maintains a whistleblowing contact point, for example, the Delna Whistleblower Center. This was mentioned by two of the representatives in the conducted interviews.

Representatives from three companies emphasized that popular whistleblowing cases help the implementation of a whistleblowing mechanism in the company. Those cases allow more employees to see the company's internal problems, because of which the company implements administrative and procedural changes and changes the company's overall culture and policy.

The biggest advantage that can be gained if the mechanism is used as one of the elements in the transformation of the overall policy and attitude is that employees will see the system as more than just a formality. With every case, companies are gaining more experience and improving, for example, in one case whistleblowing has contributed to the improvement of the internal audit system, and in another case – motivated to make changes in regulatory acts, specifying how the employee should act when faced with specific situations.

4. IMPACT OF THE INTERNAL WHISTLEBLOWING SYSTEM ON THE COMPANY

Company representatives unanimously believe that the Law is a benefit both to the society and particularly their company, but noted the challenges faced in the process of implementing and operating the system. In general, it can be concluded that the effectiveness of the system and its benefits depend entirely on the company's collective culture and policies, as well as the level of understanding of the company's management and employees. The more open and positive the attitude and the desire to understand the importance of whistleblowing, the greater benefits of the whistleblowing system.

4.1. Benefits of the whistleblowing system

Thanks to the whistleblowing system, it is possible to identify problems in time and eliminate them. A representative of one company highlighted that a whistleblowing system is a valuable tool in creating a legal basis for action. There is no need to go through a lengthy bureaucratic process as an audit to prove that a problem exists.

Through the reporting channels people often not only blow a whistle but also report other problems. For example, in one company employees used the benefits of the system to solve a practical issue of changing outdated equipment faster. In three other companies reports on personal problems were transferred to the human resources department of the company. As a result, a report that is not recognized as a whistleblowing report points out problems and prompts the company to think about how to improve communication so that issues are resolved effectively, but the whistleblowing mechanism is not misused.

After a whistleblowing case, it is sufficient that the company conducts a situation analysis, evaluating the problems and recommending improvements. A common practice in multiple companies is to use their whistleblowing cases both in external training when company representatives are going to seminars in other countries and in internal training making employees solve the situation. International companies have the advantage of using cases from one country for employees in other country.

Two companies emphasized that the systematization of whistleblowing cases makes it easier to pass the information to investors, increasing the transparency of the company, this is also supported by the report published by *Transparency International*.⁴ One company even introduced an investor with a more detailed description of cases to show how effectively they are being solved. It proves that the company is stable and creates security guarantees for the investor by reducing the possibility of hidden crimes in the company and unexpected circumstances threatening the company's financial position and reputation.

To make the case-solving process easier it is important to highlight clear steps to be taken when dealing with more serious illegal activities. A representative from a company indicated that a lot depends on the company's attitude and ability to react, identify the circumstances, and act cautiously when involving competent institutions. Two companies brought attention to a proposal for clearly defined guidelines and recommendations. It would be useful for the person who is responsible for the system in the company and for the company's management, which could improve employee understanding of whistleblowing.

Whistleblowing cases also indicate the need to improve the Law, for example, stating how to store documents safely and how long specific documents must keep if whistleblowing has led to a criminal case.

4.2. Problems of common understanding

Even though there are also good practice examples, and the representatives indicate that whistleblowing is an important tool to fight corruption and promote good governance practices and honest behaviour in the country, one important element is still missing in most companies – it's communication. Reports that are not recognized as whistleblowing are submitted due to a lack of understanding of what whistleblowing is and what other tools are available to resolve issues. Three representatives emphasized that the problem could be solved by a change of generations in the company, two other mentioned that generation change would not be enough. The main ways to handle the

⁴Transparency International. The business case for "speaking up". Internal reporting mechanisms for companies. 31.07.2017.

situation are explanation, regular communication and showing that the company cares about its employees. The problem should be looked at in a broader perspective than the scale of the company because the understanding of how to react to illegal behaviour is formed by personal experience and knowledge acquired at different environments starting with experience in school and family.

To create cooperation that is beneficial for both the company and the employee, it is necessary to establish close contact with each employee in the first months of work. An option where employees are left alone informing that they need to introduce themselves with the materials and ask questions when uncertainties arise is not acceptable. The strengthening of trust and successful communication can be facilitated through employees having individual conversations with the direct manager or by holding meetings in small groups if the company has a lot of employees. Two representatives indicated that understanding of whistleblowing will be very limited without consultations because the number of documents employees need to familiarize themselves with is very large.

During the interviews, it was stated that employees do not have an individual interest in whistleblowing, but some employees stand out by indicating insufficiencies and needed improvements. Employees who are more directly related to problem areas, such as procurement, are more aware of the importance of the system, but for those who do not have to deal with risky situations daily, it may seem that the frequency of training is exaggerated. The situation can be solved by shifting part of the responsibility to the direct managers, as one international company has done because in this way more trust can be built, and communication can be improved, creating significant benefits in the long term.

In the interviews, multiple times brought up was the link between whistleblowing cases and the good name and prestige of the company. This misconception that a small number of whistleblowing cases means that the company does not have any problems has also been mentioned in the research. However, the attitude of employees, the fears highlighted by other companies, as well as Latvia's result in *Transparency International's*

Corruption Perceptions Index, receiving 59 out of 100 points in 2021⁵, indicate that the risks of illegal behaviour are still sufficiently high. Therefore, it is important for the company to do everything to control the situation. The alarm system is one of the tools to identify the situation. A good practice highlighted by one company is creating incentives by rewarding employees for providing valid information. The goal is to motivate the employee so that whistleblowing is not perceived as a reprehensible act, but as essential for improving the company's internal environment.

A representative from an international company stated that the reports of representatives from the Baltic states are always shorter, and complaints about personal issues are very rare, while representatives of other countries, for example from Africa, write very detailed reports. The low level of civic participation in Latvia relates to historical experience, individualism, the tendency not to solve problems publicly, and mistrust of company management, colleagues, and state officials. In Latvia, the whistleblowing system was introduced relatively recently, so it is understandable why there are different attitudes. For the state and companies to benefit from the system the society still needs to understand it. It was mentioned that even ten years is a short period, and Latvia is still in the early stages of implementing changes. It will take longer until the habits become every day and the negative associations disappear, but there will be no change if we do not create opportunities to gain an understanding both at the national and company level.

⁵"Sabiedrība par atklātību - Delna". Korupcijas uztveres indekss 2021: Latvijas rezultāts uzlabojas, taču temps par lēnu. 25.01.2022. <https://delna.lv/lv/2022/01/25/korupcijas-uztveres-indekss-2021-latvijas-rezultats-uzlabojas-tacu-temps-par-lenu/>

CONCLUSION

The study shows that those companies that make whistleblowing part of their daily routine rather than something exceptional and scandalous benefit more from the system. Conversations with the representatives of the companies allow to conclude that the whistleblowing system is not just a formality that does not work. By whistleblowing, it is possible to point out both minor problems and significant violations helping to solve them in time, so that the negative affects are as small as possible.

Whistleblowing is a tool to show how much influence an employee has and how their actions can help the company to eliminate risks and improve the working environment for employees themselves and for those around them. Company's management must decide on a need for improvement, maybe even a policy change. To transfer the theoretical basis of the system into practice, active work on the part of the company's management, middle-level managers, and employees is required. That is why it is important from the beginning to recognize the positive impact of the system and see its role in a wider context.

The different approaches and practices of companies outlined in the research show that all companies are taking steps to create an inclusive and employee-friendly work environment, as well as trying to reduce potential risks of illegal conduct. Different practices are caused by different understandings and structures of companies and their operating principles. Challenges that are difficult to solve without external help show how important it is to create a dialogue between companies to exchange experience, knowledge, and information about successful solutions. The cooperation between a company and competent institutions or organizations that can help with practical and theoretical knowledge should also be encouraged.

The change of generations and the emergence of whistleblowing cases in the public space attract attention and the public is getting used to it, but as with any other new solution, without raising awareness, it will be difficult to successfully implement and use it. The internal whistleblowing system cannot be separated from the internal culture of the company and the individual experience, morals, and ethical norms of each person. The problems related to the system are broader because the attitude towards the system is related to each person's life and morality.

The Law all together is of high quality, adapted to guarantee whistleblower protection and to motivate reporting. The most significant shortcoming that prevents the public from understanding the importance of the whistleblowing mechanism is related to missing or ineffective communication. More platforms in the country need to be created through which a conversation about topics that are related to whistleblowing could be brought up. Those topics are open and responsible business operations, good governance practices, risks caused by corruption, and the importance of civic participation in a democratic society.

Experience gained in the research makes Delna conclude which topics need to be researched and which problems need to be paid more attention to on a wider scale. In future research, it is planned to study the situation in regions, to build support for internal whistleblowing systems which are beneficial to businesses, as well as state and municipality-owned companies to help their employees gain a positive experience and work for their and the society's common good.



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