



**New Regulation from EU**

**Parliament on Whistleblowing Mechanism:**

**How can you protect  
the whistleblower?**

# New Regulation from EU Parliament on Whistleblowing Mechanism: How can you protect the whistleblower?

## *Why Whistleblowers are Important?*

- A whistleblower can be described as an employee, a shareholder, a volunteer, a contractor, subcontractor, supplier or a former worker that discovers or notices information about a wrongdoing or corruption.
- Recent cases exposed by whistleblowers include illegal mass surveillance, industrial scale tax avoidance, abuse of environmental protections, and even the sexual abuse. Such whistleblowing against large corporations and nation states is one of the most effective measures for combating wrongdoing that affects the whole of society.
- According to Association of Certified Fraud Examiners (ACFE) 'Report to the Nations 2018' study, **tips (whistleblowing) is the most common detection method** in reporting occupational frauds.
- It is estimated that **7% of all workers** will need whistleblower protection at some point in their career.

## *What does new regulation bring?*

- The European Parliament (EP) voted for the 'Whistleblower Protection Directive' by a large majority, which declared as **'one of the greatest successes of this European Parliament's mandate'**.
- A few procedural steps remain before the legislation comes into force, tentatively early autumn. The EP has established that whistleblowers from all EU member states will now be legally protected when they speak out against corruption and wrongdoing in general.
- EU-wide standards aim to protect whistleblowers revealing breaches of EU law in a wide range of areas including **public procurement, financial services, money laundering, product and transport safety, nuclear safety, public health, consumer and data protection**.
- Laws on whistleblowing were previously handled by the individual member states, resulting in major differences in legislation across the bloc.
- Promotion of **fraud and ethics hotlines are key to mitigate fraud risks**. Encouraging a speak-up culture and providing the anonymity for the individual who reports the violation have a positive impact on corporate culture.

## *'Zero Tolerance' to Retaliation*

- New legislation enables **safe reporting channels for whistleblowers**. To ensure potential whistleblowers remain safe and that the information disclosed remains confidential, the new rules allow them to disclose information either internally to the legal entity concerned or directly to competent national authorities, as well as to relevant EU institutions, bodies, offices and agencies.

- The law explicitly prohibits reprisals and introduces safeguards to prevent the whistleblower from being suspended, demoted and intimidated or facing other forms of retaliation. A wide range of actions have been listed as classifying as retaliation, including **lay-off, demotion of positions, transfer of duties or location, a reduction of salary or hours, disciplinary or financial penalties and discrimination.**

### *Which organizations will be effected?*

- The proposed rules will apply to all employers as far as protection against retaliation is concerned. Additionally, all enterprises with **at least 50 employees or with an annual turnover or total assets of more than €10 million** will be required to set up internal processes for whistleblower reporting. The obligation to set up such reporting mechanisms and channels for whistleblowers will apply to all financial services firms and **firms vulnerable to money laundering or terrorist financing, irrespective of their size or turnover.**
- A study carried out in 2017 for the Commission estimated the loss of potential benefits due to a lack of whistleblower protection, in public procurement alone, to be in the range of **€5.8 to €9.6 billion each year for the EU as a whole.**
- New legislation can also encourage Turkish lawmakers to adopt similar regulations to protect whistleblowers in organizations. This may also affect the **EU companies and citizens currently doing business in Turkey.** As a result, **Turkey may be obliged to draft its own whistleblowing legislation** parallel with the new EU Directive.

### *What Is Next?*

- The law will be approved by EU ministers and member states will then have two years to comply with the rules. It is important to bear in mind that whistleblowers take major risk and often pay the price for disclosing information.
- As seen in most of the cases, whistleblowing can be essential in bringing activities contrary to public interest, illegal activities, corruption and threats to public health and safety into light.
- Most of the potential whistleblowers are often discouraged from reporting their concerns or suspicions for fear of retaliation but the reality is that **whistleblowing can save lives, the environment and prevent the financial loss.**

### *How we can help?*

- We can help your organization **to implement or enhance internal control measures through a whistleblower (ethics) hotline** for disclosure of corporate wrongdoings in a confidential environment.
- We can introduce our training to provide guidelines in areas of **reporting channels, receiving and recording an allegation or report, how to respond and conduct the investigation and preservation of confidentiality** to maintain a high standard of integrity.

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