



STRENGTHENING CORPORATE INTEGRITY: WHISTLEBLOWING TRENDS AND BEST PRACTICES

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India has emerged as one of the fastest-growing economies in the world, ranking fifth globally in 2023, in terms of GDP with FDI surpassing USD81 billion in the 2022-2023 fiscal year. Japanese companies have been key contributors to this growth, with more than 1,400 firms operating across sectors such as automotive, electronics, IT and manufacturing.

As these companies expand their operations in India, the need for strong corporate governance mechanisms — particularly in areas such as whistleblowing, anti-corruption and fraud prevention — has never been more pressing. Sound whistleblowing policies and mechanisms play a vital role in uncovering suspected unethical, illegal or inappropriate conduct, and corporate governance gaps, which could lead to legal, financial and reputational risks.

The number of whistleblower complaints in India has surged significantly in recent years. According to data compiled from BSE-50 companies, whistleblower complaints in listed companies increased by 8% year-on-year, reaching 1,074 in the 2023-24 fiscal year. This uptick underscores a broader shift towards greater corporate accountability and transparency. Both India and Japan have recently strengthened their whistleblowing frameworks. Japan amended its Whistleblower Protection Act, offering enhanced safeguards against retaliation. Similarly, India's Companies Act, 2013, and the Companies (Meetings of Board and Powers) Rules, 2017, mandate that certain companies implement a "vigil mechanism" for reporting concerns, while ensuring protection from victimisation.

The Companies (Auditor's Report) Order, 2020, requires companies, including foreign enterprises, to make disclosures relating to whistleblower complaints in their audit reports. Additionally, the Securities and Exchange Board of India regulations require listed companies to implement policies disclosing whistleblower details in their board reports, and on their websites.

This evolving legal landscape is leading to an increase in complaints and, while this promotes accountability, it also poses certain challenges. Companies are expected to respond effectively to genuine complaints while creating an environment where employees feel safe to speak up. Whistleblowers face numerous challenges — including the fear of retaliation, job loss or demotion — as well as concerns about their identities being exposed. Ambiguity

around what constitutes a reportable issue, coupled with doubts about the effectiveness or reliability of reporting channels, often prevents whistleblowers from coming forward.

If bona fide concerns are not properly addressed, whistleblowers could turn to social media platforms to highlight such incidents publicly, which could have reputational ramifications for companies.

To navigate these challenges, it is recommended that companies should establish a strong “tone at the top”, demonstrating clear commitment to transparency and ethical conduct. A comprehensive whistleblower policy should have clear guidelines on what constitutes misconduct and should also lay out the process to be followed by whistleblowers. Companies may also consider introducing a whistleblower hotline to ensure confidentiality and non-retaliation by safeguarding anonymity.

Regular training is also crucial to educate stakeholders on the whistleblowing policy of the company, including the procedure to be followed by whistleblowers. In cases involving false complaints, innocent employees may face extreme mental harassment and agony due to fear of loss of reputation, and other adverse ramifications. The psychological toll on individuals falsely accused of wrongdoing can be profound, leading to immense stress and anxiety, which in turn can create a toxic workplace environment.

However, while protection against malicious reporting is necessary to prevent such harm, penalising false claims must not come at the expense of discouraging legitimate concerns. Striking the right balance between safeguarding individuals from baseless allegations and ensuring that genuine issues are addressed is crucial for maintaining both justice and a healthy workplace.

By creating a culture of transparency, integrity and accountability, companies can better safeguard their reputations, foster long-term growth, and navigate the complex landscape of global business. Another final recommendation is that ideally an independent person or department should be made responsible for reviewing complaints to ensure impartiality and fairness.