

Australia's new whistleblower regime



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Presentation to the CPE Europe Pacific Conference Courmayeur, Italy, 12 January 2020

Why are whistleblowers important?

- Whistleblowers identify and report misconduct and harm.
- Whistleblowers have helped:
 - expose wrongdoing
 - in the prosecution and enforcement of corporate, consumer, financial and tax laws
 - as a deterrent on executives and officials from engaging in fraud or corruption, and
 - improve the compliance culture of organisations.

CRISIS of CONSCIENCE



WHISTLEBLOWING IN AN AGE of FRAUD

TOM MUELLER

NEW YORK TIMES-BESTSELLING AUTHOR

Mueller's subtitle describes the modern era as "an age of fraud," a harsh conclusion that nevertheless isn't easy to refute. Noting the rise of whistleblowing in recent years, he calls it "a symptom of a society in deep distress." Revealingly, his extensive footnotes include a remarkable catalogue of books and articles that document the "increasing incidence of fraud and corruption in many parts of U.S. society." One of the most important contributors to this literature has been Lawrence Lessig, a Harvard law professor and political agitator. Mueller quotes Lessig's irrefutable judgment: "We have allowed core institutions of America's economic, social, and political life to become corrupted. The White House now appears to be one of them."

From the book review: *Why are there more whistleblowers than ever? Because there's more fraud.*

Robert G Kaiser, Washington Post, 27 September 2019

How you may be affected

- As a whistleblower
- As a director, manager or auditor of a company the subject of a whistleblower complaint
- As a lawyer -
 - advising a whistleblower
 - advising a company the subject of a whistleblower complaint
 - advising directors or managers involved in a whistleblower complaint

Whistleblower events

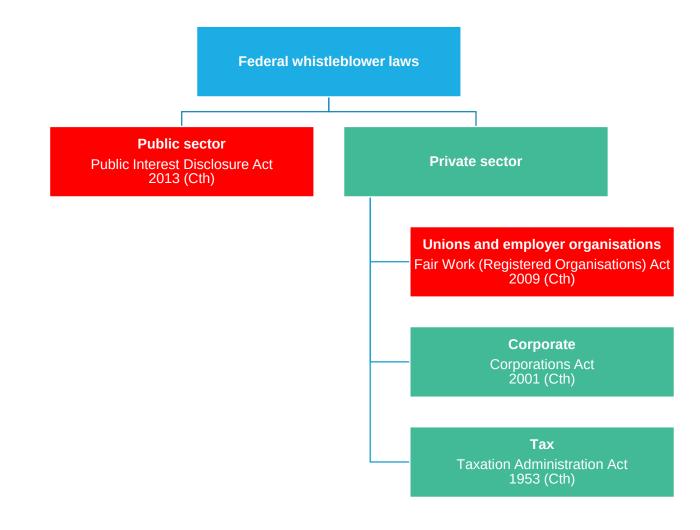
Not frequent

Each one is different

Impact can be huge

They may become more common

Public sector, private sector regimes



Corporations Act (Part 9.4AAA)

Timeline of changes

- **2004**: old legislative protections introduced.
- **2014**: Senate Committee inquiry.
- 24 November 2016: limited whistleblower protections introduced for unions and employer organisations in the *Fair Work (Registered Organisations) Amendment Act 2016* (Cth).
- **2017**: Parliamentary Inquiry into whistleblower protection.
- **12 March 2019**: new whistleblower laws extended to the private sector in the *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* (Cth).
- **1 July 2019:** the new laws took effect but the provisions also apply to whistleblower reports made before 1 July 2019, if a whistleblower's confidentiality is breached or the whistleblower suffers detriment on or after 1 July 2019.
- **1 January 2020**: requirement to have a complying whistleblower policy (public companies, large proprietary companies, and APRA regulated superannuation entities).

Changes

Old law	New law
Whistleblower protections regimes covering corporate and financial system whistleblowers in the Corporations Act, the Banking Act, the Insurance Act, the Life Insurance Act and the Superannuation Industry (Supervision) Act. No whistleblower protections under the National Consumer Credit Protection Act and the Financial Sector (Collection of Data) Act.	The Corporations Act whistleblower protection regime covers all corporate and financial sector whistleblowers in entities regulated by one or more of these Acts.
Inconsistent protection for whistleblowers.	Consistent protection across the corporate and financial sectors.

Changes

Old law	New law
Each whistleblower regime concerns only disclosures about entities covered by that Act.	Single concept of 'regulated entity'.
Each whistleblower regime concerns different categories of persons who might make protected disclosures.	Single concept of 'eligible whistleblower'.
Each whistleblower regime concerns different kinds of potentially protected disclosures.	Single concept of disclosable conduct.
Each whistleblower regime has different categories of persons who might receive protected disclosures.	Single concept of 'eligible recipient'.

Changes

Old law	New law
No regime permits disclosure to members of Parliament or journalists under any circumstances.	Provides for public interest and emergency disclosures to a Member of Parliament or journalist in specified circumstances.
No regime provides for disclosures to be made to a lawyer for the purpose of obtaining legal advice.	Allows disclosures to lawyers for the purposes of obtaining legal advice.
Whistleblower had to provide name	Whistleblower does not have to provide name

Regulated entities

- Companies, corporations
- Authorised deposit-taking institutions (ADIs) – i.e., banks, credit unions
- General insurers
- Life insurance companies
- NOHCs of ADIs, general insurers and life companies
- Superannuation entities
- As prescribed by regulations

Not-for-profits

- Legislation covers not-for-profit organisations if they are companies registered under the Corporations Act
- Will also be covered if they are incorporated (even under State or Territory law) and are a "trading" or "financial" corporation (even if formed for a not-for-profit, charitable, or community benefit purpose)

When disclosures qualify for protection

- These are called **qualifying disclosures**.
- They must be:
 - **1. From**: an eligible whistleblower
 - **2. To**: an approved type of recipient
 - 3. About: a disclosable matter

Eligible whistleblower

- Current or former:
 - officer or employee of the regulated entity;
 - individual who supplies services or goods to the regulated entity, and their employees;
 - individual who is an associate* of the regulated entity; or
 - relative or dependant of any of the above categories of persons.
- Additional eligible persons for superannuation entities (including trustees, investment managers).
- *Associate includes directors, officers, persons acting in concert with

Competitors and customers



Not covered unless they also fall into one of the categories of an eligible whistleblower



Whistleblower protection is for "insiders"

Approved types of recipients



ASIC or APRA or other prescribed Commonwealth body



An eligible recipient



A lawyer for the purposes of obtaining legal advice or representation on the operation of the whistleblower regime

Eligible recipient

- For a regulated entity that is a body corporate:
 - officer or senior manager of the body corporate or related body corporate;
 - **auditor**, or a member of an audit team conducting an audit, of the body corporate or a related body corporate (includes both internal and external auditors);
 - **actuary** of the body corporate or a related body corporate; and
 - a person **authorised** by the body corporate to receive disclosures that may qualify for protection (may be a third party).
- Similar provisions for superannuation entities also includes trustees

Disclosable matters

Information the whistleblower has **reasonable grounds to suspect**:

- (General) concerns misconduct, or an improper state of affairs or circumstances in relation to the regulated entity (or if the regulated entity is a body corporate) a related body corporate; or
- (Specific) indicates:
 - that the regulated entity (or related body corporate) or its officer or employee has engaged in conduct that constitutes an offence against, or a contravention of, the Corporations Act, the ASIC Act, the Banking Act, the Financial Services (Collection of Data) Act, the Insurance Act, the Life Insurance Act, the National Consumer Credit Protection Act, or the Superannuation Industry (Supervision) Act, or regulations made under those laws; or
 - that an offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months or more; or
 - that represents a danger to the public or the financial system; or
 - as prescribed by regulation.

Meaning of "misconduct" or "improper state of affairs or circumstances"

- "Misconduct" includes fraud, negligence, default, breach of trust and breach of duty.
- From the Explanatory Memorandum for the Act:

The broad categories of disclosable conduct are also intended to include conduct that may not be in contravention of particular laws. For example misconduct, or an improper state of affairs or circumstances in relation to a regulated entity, may not involve unlawful conduct but may indicate a systemic issue that would assist the relevant regulator in performing its functions.

Public interest disclosure

- 1. Whistleblower previously disclosed the information to ASIC, APRA or other prescribed Commonwealth authority and that previous disclosure qualified for protection
- 2. At least 90 days since the previous disclosure
- 3. Whistleblower does not have reasonable grounds to believe that action is being, or has been, taken to address the matters to which the previous disclosure related
- 4. Whistleblower has reasonable grounds to believe that making a further disclosure of the information to a journalist or Member of Parliament would be in the public interest
- 5. Whistleblower has given written notification, including sufficient information to identify the previous disclosure, to the authority to which the previous disclosure was made that they intend to make a public interest disclosure of the information previously disclosed
- 6. The extent of the information disclosed is no greater than is necessary to inform the recipient of the misconduct or improper state of affairs to which the previous disclosure related.

Emergency disclosure

- 1. Whistleblower has previously disclosed the information to ASIC, APRA or other prescribed Commonwealth authority and that previous disclosure qualified for protection
- 2. Whistleblower has reasonable grounds to believe that the information concerns a substantial and imminent danger the health or safety of one or more persons, or to the natural environment
- 3. Whistleblower has given written notification, including sufficient information to identify the previous disclosure, to the authority to which the previous disclosure was made that they intend to make a public interest disclosure of the information previously disclosed
- 4. No more information is disclosed than is reasonably necessary to inform the recipient of the substantial and imminent danger

- a **Member of Parliament** (Commonwealth or State or Territory parliament)
- a journalist (a person who is working in a professional capacity as a journalist for a newspaper, magazine, or radio or television broadcasting service, or an electronic service that is operated on a commercial basis, or by a body that provides a national broadcasting service, and is similar to a newspaper, magazine or television broadcast)

Who can receive public interest or emergency disclosures

Personal workrelated grievances

- Disclosure where
 - it concerns a grievance about any matter in relation to the discloser's employment, or former employment, having (or tending to have) implications for the discloser personally, and
 - the information does <u>not</u> have significant implications for the regulated entity to which it relates, or another regulated entity, that do not relate to the discloser
- Specific disclosable matters (see slide 14) are not included in the definition (therefore could still be protected).
- Are protected if concern detriment to the discloser in contravention, or alleged contravention, of section 1317AC (whistleblower-related victimisation).
- Are protected if made to a legal practitioner for the purposes of obtaining legal advice or legal representation in relation to the operation of the whistleblower provisions.
- Otherwise not protected.

Identity protection

- Offence for a person to disclose the identity of a protected whistleblower, or information likely to lead to the identification of the whistleblower, if the identity information is obtained by the person directly or indirectly because of the qualifying disclosure.
- However such a disclosure is authorised if made:
 - to ASIC, APRA or the AFP;
 - to a legal practitioner (for advice or representation about whistleblowing);
 - to prescribed persons; or
 - with the consent of the whistleblower.

Identity protection

- ASIC, APRA and the AFP can also disclose to a government authority for the purpose of assisting in the performance of its functions or duties.
- A disclosure that is not of the identity of a protected whistleblower, but is information likely to lead to the identification of the whistleblower, is also allowed if reasonably necessary for investigating a disclosable matter, and the person disclosing takes all reasonable steps to reduce the risk that the person will be identified as a result of the disclosure.
- A whistleblower is no longer required to disclose his or her identity when making a protected disclosure.

Identity protection in court proceedings

- A person is not to be required to:
 - disclose to a court or tribunal the identity of a whistleblower, or information that is likely to lead to the identification of the discloser; or
 - produce to a court or tribunal a document containing the identity of a whistleblower or information likely to lead to the identification of the discloser;

except where it is necessary to do so for the purposes of giving effect to the whistleblower regime, or where the court thinks it necessary in the interests of justice to do so

Immunity

- Previous financial sector whistleblower protection regimes provided that information disclosed by a whistleblower is not admissible evidence against him or her other than in proceedings concerning the falsity of the information.
- However these protections were not in the Corporations Act regime.
- The amendments introduce a provision ensuring that information that is part of a protected disclosure is not admissible in evidence against a whistleblower in criminal proceedings or in proceedings for the imposition of a penalty, other than in proceedings concerning the falsity of the information.

Immunity is not absolute

Does not mean the whistleblower can't be prosecuted for an offence or sued for civil liability

Only relates to the use of the protected disclosure

Victimisation protection

- The previous Corporations Act provisions prohibited conduct that intentionally causes detriment to a whistleblower because he or she makes a protected disclosure. Few, if any, prosecutions were brought for this offence.
- The amendments create a civil penalty provision to address victimisation of a person in relation to a qualifying disclosure.
- The amendments also allow for criminal prosecution of victimisation.





Victimisation protection

- The offence of victimisation occurs where a person (the victimiser) engages in conduct that causes any detriment to any other person in the belief or suspicion that a person has made, may make, proposes to make, or could make, a protected disclosure.
- The offence of victimisation does not require:
 - that a disclosure has actually been made;
 - that the victimiser has actual knowledge that a disclosure or such a disclosure has been made; or
 - that the victimiser intends that the conduct cause detriment.



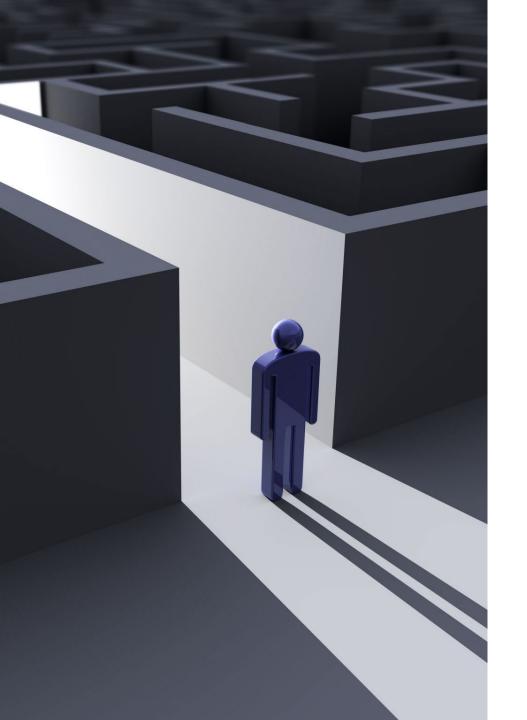
Victimisation protection



The victim may be the whistleblower or another person who suffers damage because of the conduct.



In civil penalty proceedings, as well as in proceedings for an offence, for threatening to cause detriment in relation to a qualifying disclosure, it is not necessary to prove that the person who was threatened actually feared that the threat would be carried out.



Victimisation protection – what is 'detriment'?

- Detriment includes, but is not limited to:
 - dismissal of an employee;
 - injury of an employee in his or her employment;
 - alteration of an employee's position to his or her disadvantage;
 - discrimination between an employee and other employees of the same employer;
 - harassment or intimidation of a person;
 - harm or injury to a person, including psychological harm;
 - damage to a person's property;
 - damage to a person's reputation;
 - damage to a person's business or financial position; and
 - other damage to a person.

Compensation

- The amended law makes it easier for a whistleblower or other person who is victimised in relation to a qualifying disclosure to seek compensation, and introduces a range of other remedies.
- Under the amended law, a person can seek compensation for loss, damage or injury suffered because of the conduct of the victimiser where the victimiser engages in conduct that causes any detriment to another person or threatens to cause detriment to another person:
 - believing or suspecting that a person made, may have made, proposes to make, or could make a qualifying disclosure; and
 - the belief or suspicion is the reason, or part of the reason, for the conduct.

Compensation

- The victimiser may be an individual or a body corporate.
- A body corporate may also be liable if it is under a duty to prevent, or to take reasonable steps to prevent, a third person from engaging in conduct that causes any detriment to an actual or suspected whistleblower.
- The victim may be the whistleblower or another person (including a body corporate) who suffers damage because of the conduct.
- Court may make orders for compensation where the victimiser acted as an employee, their employer may also be liable to compensate.
- Court can also make injunctions and order reinstatement of employment.

Compensation – reverse onus of proof

- Generally, in any proceeding where a person (the claimant) seeks an order for compensation in relation to another person (the other person):
 - the claimant bears the onus of pointing to evidence that suggests a reasonable possibility that other person has engaged in conduct that has caused detriment or constitutes a threat of detriment; and
 - if the claimant discharges that onus, the other person bears the onus of proving that the claim is not made out.



Costs orders in compensation claims

- The new law protects whistleblowers and other victims from an award of costs against them in court proceedings seeking compensation, except in limited circumstances, where the court is satisfied that:
 - the victim instituted the proceedings vexatiously or without reasonable cause; or
 - the victim's unreasonable act or omission caused the other party to incur the costs.

Whistleblower policy

Requirements for a whistleblower policy

Applies to public companies, large proprietary companies, and corporate trustees of APRA-regulated superannuation entities. (Exemption for some public company NFPs <\$1m annual revenue)

Applies from 1 January 2020.

A whistleblower policy is an official document which outlines a company's policy with respect to employees and other workers reporting actual or suspected unethical, illegal, corrupt or inappropriate conduct.

On 13 November 2019, ASIC released *Regulatory Guide 270 Whistleblower policies* (RG 270) to provide further guidance and assist companies with establishing policies that support and protect whistleblowers.

Large proprietary company

- A proprietary company ("Pty Ltd") is a large proprietary company for a financial year if it satisfies at least 2 of the following:
 - **Revenue:** the consolidated revenue for the financial year of the company and the entities it controls (if any) is **\$25** million* or more;
 - **Assets**: the value of the consolidated gross assets at the end of the financial year of the company and the entities it controls (if any) is **\$12.5 million*** or more;
 - **Employees**: the company and the entities it controls (if any) have **50*** or more employees at the end of the financial year.
- (* Regulations may set a higher number.)
- A small proprietary company that becomes a large proprietary company after 1 January 2020 will have an additional six months to establish a whistleblower policy.

Contents of a compliant whistleblower policy (1)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
Protections available to whistleblowers, including the protections available under the Corporations Act	 A brief explanation about the purpose of the policy. The different types of disclosers within and outside the company who can make a disclosure that qualifies for protection (i.e. eligible whistleblowers). The criteria for a discloser to qualify for protection as a whistleblower under the Corporations Act. The types of wrongdoing that can be reported (i.e. disclosable matters), based on the company's business operations and practices. The types of matters that are not covered by the policy (e.g. personal work-related grievances). State that disclosures that are not about 'disclosable matters' do not qualify for protection under the Corporations Act. Information about the protections available to disclosers who qualify for protection as a whistleblower, including the protections under the Corporations Act: identity protection (confidentiality); protection from detrimental acts or omissions; compensation and remedies; and civil, criminal and administrative liability protection. (N.B.: ASIC says a company's whistleblower policy should also include information about the protections provided in the tax whistleblower regime under Part IVD of the <i>Taxation Administration Act 1953</i>.) 	 State the importance of the company's whistleblower policy. Encourage those who are aware of wrongdoing to speak up. Provide information about how to internally raise grievances that are not covered by the policy. Include a statement discouraging deliberate false reporting.

Contents of a compliant whistleblower policy (2)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
To whom disclosures that qualify for protection are to be made	 The types of people within and outside the company who can receive a disclosure that qualifies for protection, i.e.: eligible recipients; legal practitioners; regulatory bodies and other external parties; and journalists and members of Commonwealth, state or territory parliaments (parliamentarians), under certain circumstances. Information about who a discloser can contact to obtain additional information before making a disclosure. 	 Encourage disclosures to the company in the first instance. Use independent whistleblowing service providers when necessary. Provide advice about how to make a disclosure to an external party.

Contents of a compliant whistleblower policy (3)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
How a protected disclosure can be made	 Information about how to make a disclosure. The different options available for making a disclosure. The options should allow for disclosures to be made anonymously and/or confidentially, securely and outside of business hours. Information about how to access each option, along with the relevant instructions. Advise that disclosures can be made anonymously and still be protected under the Corporations Act. 	

Contents of a compliant whistleblower policy (4)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
How the company will support whistleblowers and protect them from detriment	 The company's measures for supporting disclosers and protecting disclosers from detriment in practice. Examples of how the company will, in practice: protect the confidentiality of a discloser's identity; and protect disclosers from detrimental acts or omissions. 	 Explain how the company will protect confidentiality when initially dealing with a discloser. Establish processes for assessing and controlling the risk of detriment.

Contents of a compliant whistleblower policy (5)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
How the company will investigate protected whistleblower disclosures	 Information about how the company will investigate disclosures that qualify for protection. The key steps the company will take after it receives a disclosure, including how it investigates a disclosure, keeps a discloser informed, and documents, reports internally and communicates to the discloser the investigation findings. 	 Determine whether the location and time are appropriate for receiving a disclosure. Focus on the substance, rather than the motive, of disclosures. Outline the factors that the company will consider when investigating a disclosure. Ensure investigations follow best practice. Provide an avenue for review.

Contents of a compliant whistleblower policy (6)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
How the company will ensure fair treatment of employees who are mentioned in protected disclosures or to whom those disclosures relate	 Information about how the company will ensure the fair treatment of employees who are mentioned in a disclosure that qualifies for protection, including those who are the subject of a disclosure. 	

Contents of a compliant whistleblower policy (7)

CORPORATIONS ACT REQUIREMENT (SECTION 1317AI(5))	RG 270 MUST HAVES	RG 270 GOOD PRACTICE
How the policy will be made available to officers and employees of the company	 How the policy will be made available to the company's officers and employees. The company's measures for ensuring its policy is widely disseminated to and easily accessible by disclosers within and outside the company (e.g. through upfront and ongoing education and training for its employees). (ASIC says a company should make its policy available on its external website.) 	 Demonstrate the company's commitment to the policy by promoting it actively and regularly. Provide upfront and ongoing training to all staff.

Tax whistleblowers

Tax whistleblower reforms

Old law	New law
Any person can make a disclosure regarding an entity's tax affairs to the ATO, but no specific regime protecting tax whistleblowers or providing remedies for individuals who suffer victimisation or other damage in relation to making such disclosures.	Protections and remedies for tax whistleblowers who make a protected disclosure about breaches or suspected breaches of the tax laws or misconduct in relation an entity's tax affairs.
The ATO accepts anonymous disclosures.	Eligible whistleblowers are not required to identify themselves in order to qualify for protection.
No specific protections of a whistleblower's identity.	Protections to prevent disclosure of an eligible whistleblower's identity.

Tax whistleblower reforms

Old law	New law
No equivalent.	Eligible whistleblowers are protected from civil, criminal and administrative liability in relation to a disclosure that qualifies for protection.
No equivalent.	Offence for a person to cause detriment to another person in relation to a disclosure (including a potential disclosure) that qualifies for protection.
No equivalent.	Court may award compensation to a person who suffered damage in relation to a disclosure that qualifies for protection.

Differences from corporate whistleblower regime

- Information to be protected includes information the discloser considers may assist the Commissioner of Taxation to perform his or her functions or duties under a taxation law.
- No exclusion of carve out personal work related grievances.
- No emergency or public interest disclosures.

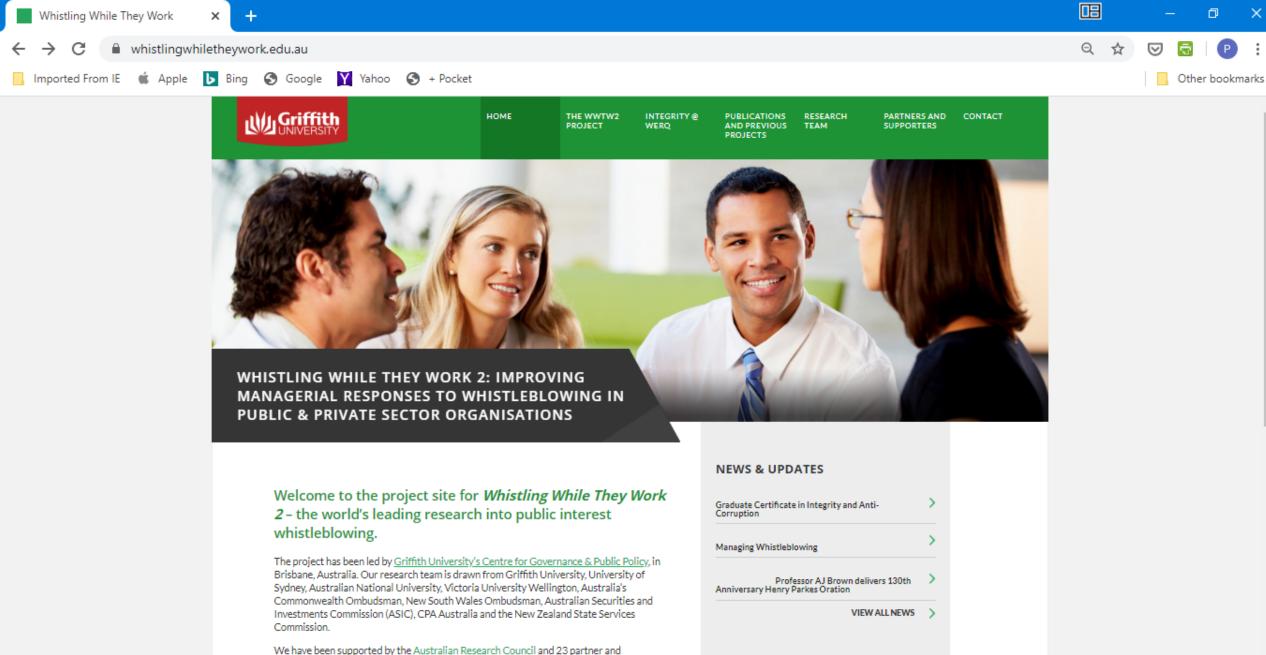
Dealing with whistleblowers

Dealing with whistleblowers

Prepare	Staff (particularly senior staff) are aware, trained and policies and procedures are in line with whistleblower policy/program.
Protect	Whistleblower is supported and protected in line with whistleblower policy – confidentiality and no victimisation.
Record	Complaint is well documented/recorded.
Assess	Assess (and seek advice) if the complaint is protected, the possible impact of the complaint, and credibility of the complainant.
Investigate	Investigate the complaint. May require an investigation plan. External investigation may be needed. NB 10 business day reporting period for significant breaches (AFSL)
Respond	Respond to the complaint. Communicate with the whistleblower.
Action	Address the complaint, including disclosure to third-parties if needed.

ASIC and APRA

- Both have webpages on how they deal with whistleblowers
- ASIC
 - Has an Office of the Whistleblower
 - Can't give you legal advice
 - Will prioritise complaints
 - Can receive protection even if in relation to laws not administered by ASIC
 - Will provide a dedicated liaison officer



We have been supported by the <u>Australian Research Council</u> and 23 partner and supporter organisations across Australia and New Zealand, along with our international collaborators.