



# Lighthouse Hotline Implementation

## *A Guide for Success*



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# Hotline Implementation - A Guide for Success

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Welcome to Lighthouse Services. Our comprehensive hotline services offering can be a valuable tool in your effort to establish a corporate culture built on a foundation of integrity and trust. Used appropriately, a hotline will augment the effectiveness of other key ethics program components such as your code of conduct and ongoing ethics training.

This implementation guide is designed to help you set up a successful hotline program for your organization. Launching your hotline program may seem daunting at first, but following this guide will facilitate the process.

## Lay the Groundwork for a Hotline

- Roles.** There are various functions performed by individuals involved with your hotline program. One person may perform multiple roles at any given time. Here is a description of each role:
  - **Primary Contact** – The individual with primary responsibility for your hotline program. By emailing [reports@lighthouse-services.com](mailto:reports@lighthouse-services.com) they will manage who the designated recipients for reports are and inform us of any changes to your DBAs (Doing Business As). They will also receive email notification of any upgrades to our services, administrative matters and program correspondence. There can only be one primary contact.
  - **Designated Recipient** – All reports are sent via email to your designated recipients. Your hotline agreement provided you the opportunity to specify who will receive which types of reports, such as Fraud, Compliance & Ethics and HR. If you require customization of incident types, we will need to understand your organizational requirements. You may have as many designated recipients as you like.
  - **Case Management System (CMS) Administrator** - A CMS Administrator has unrestricted access to your entire online database and is responsible for updating information related to the database. In addition, they also assign reports to CMS Investigators and add new users. There is no limit to the number of CMS Administrators you can have.
  - **Case Management System (CMS) Investigator** - Investigators have limited access to the CMS and can investigate, track progress, dialog, and upload files to reports they have been assigned by the Administrator. There is no limit to the number of CMS Investigators you can have.
- Case Management System (CMS).** Tracking hotline reports can be complicated and labor-intensive. Your organization can save time and energy by using our secure web-based CMS to manage hotline activity and investigations. With the CMS, you can track every issue from report receipt through resolution, optimizing investigations, reducing administrative oversight, ensuring due diligence and creating an audit trail. With the CMS you can:
  - View reports online at your convenience
  - Assign incidents to the appropriate party for investigation
  - Set the risk level, priority and status of reports
  - Record follow-up and outcome notes
  - Anonymously dialog with reporter if enabled
  - Create reports and charts to help track activity and analyze trends
  - Review an audit trail for added internal control
  - Upload digital files and documents to a record
  - Search the database using keywords and date filters
  - Create multiple user levels
  - Add customized fields
  - Send messages to system users

- Integrate system data using API
  - a. **What is the difference between a Designated Recipient and a CMS Administrator?** A Designated Recipient is a person who receives an email with a copy of the transcript of a report when a report is submitted to Lighthouse. A CMS Administrator is a person with access to your online database of reports responsible for managing your hotline program and updating the information related to your report investigation activity and outcome. Typically an organization will have fewer CMS Administrators than they would have Designated Recipients. A Designated Recipient can be a CMS Administrator. However, Designated Recipients are not automatically added as users in the CMS and must be added by the CMS Administrator.
  - b. **Choosing the Administrator** – We suggest that one person be in charge of the CMS. They will add new users and delete users who have left the company. The CMS is your tool to manage reports and allows unlimited users in the system, both Administrators (who can access every report) and Investigators (who have limited access to reports assigned to them).
  - c. **Auto-assigning reports** - Using CMS's Auto Assignment feature gives you the ability to conveniently have any user in the CMS automatically assigned as an investigator to a report based on a criteria chosen. When a report is added to the CMS, if the selected criteria are met, the user will be sent an email notification they have been assigned and automatically be given access to the report
  - d. **Stay informed** – It is the CMS Administrator who is responsible for assigning Investigators to reports. Unless there is a CMS Administrator who is also a designated recipient, the Administrator will not be aware when a new report has been sent by Lighthouse or added to the CMS. As such, clients can automatically assign Investigators without the need of an Administrator by using the CMS' auto assignment feature. Also, on the Setting tab, clients can enable the New Incident Report Email Notification feature which notifies an Administrator via email when a new incident report has been added to the CMS.
  - e. **CMS help documentation** – All users of the CMS will receive a welcome email with information on using the system. There is extensive help documentation for the CMS available to you. Start by reviewing the help file and tutorials which have extensive information about how to use this CMS software:
    - To view a CMS brochure – [click here](#).
    - To view the CMS help file – [click here](#).
    - To view a CMS video tutorial – [click here](#).
3. **Make security a top priority.** Confidentiality and anonymity are critical factors in a properly managed ethics hotline. Be sure that all hotline information, including CMS passwords and copies of reports, are kept in a secure environment and that access to this information is limited only to those individuals who “need to know.”

## Create the Operating Framework

4. **Draft a Hotline Policy.** Draft a hotline policy that encourages employees to speak up when they have legitimate concerns about misconduct. The policy should:
- a. Be simple and easy to understand;
  - b. Communicate the company's objectives for the hotline and the responsibilities of employees to report misconduct;
  - c. Clearly set out the standards of behavior expected of employees;
  - d. Describe the types of misconduct that should be reported (for example, harassment, fraud, corruption, conflicts of interest, and embezzlement);
  - e. Explain who has access and when, why, and how to use the hotline;
  - f. Outline the procedural steps involved in investigating any concerns and the steps that the company may take if the investigation establishes misconduct;

- g. Emphasize that employees who report concerns in good faith will not be subjected to retaliation and set out the consequences of retaliation; and
  - h. Clarify that employees are not protected from the consequences of their own misconduct by using the hotline and they will face disciplinary action if they provide false or deliberately misleading information.
- 5. **Prepare Operating Procedures.** Set a protocol for case management and investigation of hotline reports.
  - a. Route and assign incidents to appropriate personnel while managing conflicts of interest and segregation of duties;
  - b. If collective bargaining agreements are in place, properly directing hotline reports that are covered by a grievance process;
  - c. Coordinate investigation-related activities by internal groups such as legal, compliance, human resources, internal audit, and accounting; and
  - d. Communicate report contents and investigation status to internal authorities (such as the audit committee or the full board of directors and senior management) and external regulatory bodies, as necessary.
  - e. Incident reports that come to your attention instead of through the hotline can be added by you to your CMS by using the Add button on the far left of the tool bar located on the Incident Reports tab. These reports are considered Internal and do not count towards client usage.
- 6. **Code of conduct.** An organization's code of conduct outlines the principles by which you operate and serves as a guideline for the behavior that is expected of each employee. Our whitepaper will help you successfully draft your code, one of the most important documents your organization will ever produce – [click here](#). If you currently have a code, please include your hotline information and instructions in your document. We also offer a sample code template for you to customize - [click here](#). Your code of conduct may also be added as a link on your web reporting page.
- 7. **What to do when you receive a report.** Conducting an effective investigation and avoiding potential pitfalls are critical. We have developed a whitepaper to help organizations identify best practices regarding ethics investigations and how they can be developed and implemented for your organization's own use. A "real world" example of best practices in corporate ethics investigation policies and procedures is outlined – [click here](#).
- 8. **Importance of timely and appropriate report handling.** To protect the interests of all parties involved in an incident as well as the organization as a whole, it is imperative that reports are forwarded to the proper department(s) in a timely manner and that all investigations are conducted expeditiously. Lighthouse often hears from reporters that they have not received company feedback after submitting a report. As such, we strongly recommend that you provide a response to a reporter soon after receipt of a report. Establish procedures for the handling of reports and have them reviewed periodically. If an ethics code violation occurs, appropriate disciplinary action must be taken in accordance with organizational policy. If there are recurring ethics issues or behavioral trends within certain areas of your organization, additional ethics training may be in order.
- 9. **Consider sending reports alleging fraud and accounting matters to an independent board member.** Based on your organizational structure, it may be a best practice for reports alleging fraud or accounting irregularities to be forwarded to an independent board member or audit committee member directly. Including senior management on the recipient distribution of fraud reports may be acceptable, as long as the



independent director is receiving the same information at the same time as senior management without senior management's ability to interfere or intercept the communication from Lighthouse.

10. **Prohibit Retaliatory Conduct.** Retaliation against employees for reporting misconduct may expose the company to liability under state laws for wrongful discharge, and run afoul of local whistleblower protection laws. To minimize the risk of retaliation, the legal, compliance, and human resources departments should take precautionary steps, including the following:
- Discuss with reporters any concerns they may have about retaliatory conduct and ask reporters to flag any potentially retaliatory acts.
  - Review any negative performance management or disciplinary action against a reporter prior to implementation in order to ensure that the action is not being taken for retaliatory reasons or timed in a way that creates that impression.

## Promote and Launch the Hotline

11. **What to include in your marketing campaign.**
- a. Strong communication from senior management.
    - Management clearly supports the hotline and demonstrates leadership commitment to the program;
    - The hotline is not a “big brother” tool, but a positive way to maintain a culture of integrity; and
    - The company values employees coming forward with concerns.
  - b. Meet with employees and new hires.
    - Who has access and when, why, and how to use the hotline;
    - Encourage buy-in by explaining how loss caused by employee misconduct results in the loss of resources and opportunities for everyone at the company;
    - Assure employees that their good faith reports are protected and can be made without fear of retribution;
    - How to recognize red flags of fraud and bribery as well as unlawful sexual harassment, discrimination, immigration impropriety, or other misconduct;
    - Explain that hotline reports may be made anonymously and information received through the hotline is kept confidential; and
    - Confirm that all reports are considered seriously and acted on appropriately.
  - c. Initiatives to create and maintain awareness of and use of the hotline.
    - Hotline posters placed in conspicuous, public spaces and hotline wallet cards distributed to employees with instructions on how to access the hotline;
    - Targeted hotline messages included in regular employee communications; and
    - Periodic reminders of the purpose of the hotline.
  - d. Demonstrations of the hotline's effectiveness.
    - Following up with employees on the actions taken in response to their reports; and
    - Communicate investigation outcomes in generic or anonymized terms to build confidence that employees are using the hotline and their disclosures are dealt with appropriately.
12. **What to call your hotline?** How you refer to the hotline is completely your choice and depends on your type of business and goals for the hotline program. Here are some suggestions: Compliance Hotline, Ethics



Hotline, Employee Hotline, Fraud Line, Theft Line, Integrity Line, Safety Tipline, Anonymous Reporting Hotline, etc.

13. **Determine the scope of the hotline.** Questions to resolve include:
  - Who is allowed to make reports using the hotline (for example, employees only or also contractors, agents, customers, suppliers, and other business partners). You will want to make sure that your customers don't confuse the hotline with your customer service department (for example, placing your hotline on the homepage of your website would be ill advised);
  - Which site locations have access to the hotline;
  - What languages are relevant to the organization's employee population; and
  - Whether all or only certain types of misconduct may be reported using the hotline.
14. **Do not let your hotline policy replace your grievance policy.** It is preferable for employees who do not require anonymity to submit their grievances in harmony with your organization's grievance policy. When publishing your hotline policy, we suggest you direct your employees to use the hotline when the matter they would like to report requires anonymity. Over marketing a hotline may result in it being used inappropriately and can diminish an organization's ability to manage issues through its normal grievance procedures.
15. **Make using the hotline simple.** As part of your setup, you received your hotline phone numbers, web reporting website URL, email address for reports and a fax number. There are many ways you can extend a hotline to employees. However, offering too many alternatives to your employees can be confusing by adding excessive complexity. Keep it simple and offer the most appropriate means of submitting a report based on the diversity of your employees (typically web and phone).
16. **Consider how to integrate and coordinate the hotline with other compliance initiatives.** Best practice includes synchronizing with the company's compliance program, code of conduct, and other policies, practices, and governance and risk activities.
17. **Make it apparent that your hotline is not an emergency service.** Some employees may confuse your ethics hotline with an emergency contact service or Employee Assistance Program (EAP). Make certain that any promotional or informational materials you distribute clearly state the purpose of your hotline.
18. **Human Resource issues.** It is recommended that employees with HR related issues that do not require anonymity should be discouraged from using the hotline services and encouraged to work with your HR representative directly. Please consider how to effectively communicate use of your anonymous hotline service so that employees continue to work with your HR department as appropriate.
19. **Ordering collateral materials.** Ongoing marketing and promotion are integral parts of a successful hotline launch and its continued operation. To review our library of collateral material click on or place in your internet browser the following link <https://www.lighthouse-services.com/collateral.html>. Any printed materials you order can be edited and customized as you choose; if you have any specific comments just mention them in the "Special Instructions" portion of the order form, visible when you view your cart.
20. **Implementation templates.** We offer sample template documents that will assist you in disseminating your hotline program information to your employees via letter, paycheck stuffer or email. Please customize to suit your needs.

For employees within North America:

- Anonymous hotline implementation letter [basic] – [click here](#)
- Anonymous hotline implementation letter [personalized] – [click here](#)
- Ethics hotline policy template – [click here](#)

For employees outside of North America:

- Anonymous Hotline implementation Letter [basic] – [click here](#)
- Anonymous Hotline implementation Letter [personalized] – [click here](#)

21. **Importance of web reporting.** 35% of all reports are submitted through our clients' branded hotline websites. In your program setup documentation a link to your organization's web reporting URL was provided to you. We will customize your web landing page with your company's name, logo, introductory paragraph and links to your policies. To view webpage introductory examples - [click here](#). Multiple foreign language options are available. If you plan to promote your hotline web reporting page on your website we highly recommend restricting access to the page by adding code to it. Without the restriction your web reporting page may appear in search results when specific phrases are used as search criteria and may lead to undesirable submissions unrelated to your company. Additional information on the robots.txt file can be found [here](#).

## Assess the Hotline Effectiveness

22. **Audit the hotline program.** At least annually verify that the program is operating as intended. Look for the following attributes:

- It is effective in preventing and identifying noncompliance or potentially unlawful activity.
- Employees are aware of the hotline.
- Follow-up on hotline reports is timely.
- Feedback and closure are promptly provided to reporters.
- Conduct assessments that incorporate the following activities:
  - Interviews and surveys of employees.
  - Steps taken following receipt of a hotline report.
  - Metrics across time. For example, benchmark the following:
    - Number and types of reports and inquiries per period;
    - Rate of employee use;
    - Complaints by location, division, or claim type;
    - Time spent per report from report receipt to case closure; and
    - Percentage of complaints investigated and substantiated.

23. **Set your report volume expectations.** On average our customers receive 1 report per 200 employees annually. This may be a reasonable benchmark to consider for your organization. Organizations with a healthy work environment where employees trust management and do not fear retaliation tend to experience lower call volumes as compared to those which have a less cohesive work environment. Although our programs are not priced per report, report volume is monitored for excessive use ensuring that the hotline program is used for its intended purpose and volume is consistent with the anticipated report volume for an organization your size. Feel free to review our Reasonable Use Policy for more details: [http://www.lighthouse-services.com/documents/reasonable\\_use\\_policy.pdf](http://www.lighthouse-services.com/documents/reasonable_use_policy.pdf).



## Multinational Hotline Considerations

24. **Account for Cultural Sensitivities.** In some countries, the culture and history have made whistleblowing either a sensitive subject or taboo. A multinational hotline requires careful design and implementation to address cultural obstacles, such as a:

- Lack of trust in the internal system;
- Suspicion that a hotline threatens privacy rights;
- Misguided sense of loyalty to the union or work group;
- Belief that management is not held to the same standard;
- Fear of entrapment by management;
- Fear of retaliation for whistleblowing; and
- Fear of being branded a “rat” or a “snitch” by peers.

Strategies to consider in launching a multinational hotline may include:

- Naming the hotline a “helpline” or “guideline” to overcome the negative connotations that may be attached to the terms “hotline” or “whistleblower line”;
- Creating a two-way communication system for employees to seek advice or clarification on ethical, legal, or regulatory issues, so the use of the “helpline” is less intimidating;
- Providing alternative reporting methods to make communicating sensitive matters more comfortable for employees (for example, in some countries, web-based reporting is preferred over live telephone reporting); and
- Creating targeted hotline communications for the local audience by:
  - translating hotline interfaces, materials, and communications into the local language;
  - avoiding terms that may be viewed negatively in the local culture;
  - addressing different cultural understandings of acceptable behavior; and
  - involving local management and personnel to promote the hotline and tailor communications and training to the local audience.

25. **Employees within the European Union.** While whistleblower hotlines are prevalent in the United States, hotline implementation by U.S. multinationals within their European operations should be judiciously placed into operation. Please view our whitepaper titled *Launching a Lighthouse Whistleblower Hotline Across Europe* which provides an overview of implementation best practices – [click here](#). Toll-free dialing protocols are different for employees outside of North America. Please insure that you consult our Worldwide Calling Instructions and Access Codes document provided with your program setup documents.

Lighthouse Services is here to help you. Please let us know if you have any additional questions or need assistance with your hotline.