

WHISTLEBLOWER MECHANISM IN INDIA- BEYOND COMPLIANCE



Whistleblower mechanisms in India are mandated under Section 177 of the Companies Act, 2013 and Regulation 22 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

Most companies today can prove compliance on paper; policies exist, reporting frameworks are in place and periodic updates happen. But the actual effectiveness is not really spoken about.

This mechanism has proven to be far from acting as an early warning system, and serious issues surface only after the damage is done. Despite formal compliance, actual effectiveness of the mechanism falls short in detecting serious misconduct, fraud or governance failures. Its true potential is undermined by cultural inertia, fear of victimisation, weak investigative independence, minimal board engagement, and poor integration with risk management.

This raises an uncomfortable question: are whistleblower mechanisms in India “pre-emptive” governance systems or “post-event” documentation tools?

Rather than only reiterating the legal framework governing whistleblower mechanism, this paper focuses on the practical gaps in its implementation and how they can be made more effective.

WHAT ARE THE KEY ISSUES AND WHAT CAN BE DONE?

1. CULTURAL INERTIA

In many Indian organisations, whistleblowers are still viewed through a relational lens —questions like loyalty vs disloyalty, team cohesion vs disruption are also raised. There is also a general hesitation to “rock the boat,” especially where hierarchies are strong. As a result, employees often rationalise silence as professionalism. If speaking up starts feeling like betrayal, policies cannot change behaviour.

Employees take cues from leadership—if the Board and senior management are seen to take complaints seriously and act on them, confidence in the mechanism improves significantly.

There could be a possible misuse of the mechanism for routine HR grievances. In many cases, policies do not clearly define what falls outside the scope of whistleblowing, leading to dilution of focus.

What companies can do:

- Clearly define the scope of reportable concerns and distinguish them from routine HR issues or interpersonal issues.
- Promote whistleblowing mechanism as a risk management tool, and not a moral confrontation.
- Embed whistleblowing into leadership KPIs, ethics programmes, and internal communications so it becomes an organizational expectation and not a personal risk.
- Demonstrate visible commitment from both the Board and senior management to reinforce trust in the mechanism.
- Recognise escalation as an organisational contribution.

2. ANONYMITY

Most companies offer anonymous reporting channels for complaints but employees are often uncertain about those channels being truly anonymous.

Concerns around identity traceability through, IP logs, email logs, informal leaks are very common. In close-knit organisations, identity often becomes known quickly, regardless of formal safeguards.

Even where anonymity is prescribed, employees are unsure whether it will be maintained in practice. Some companies accept anonymous complaints if they contain verifiable information. This helps balance credibility with protection.

What can be done:

- Use secure third-party, encrypted platforms.
- Minimise internal handling of identity-linked data and assign unique whistleblower IDs for each case.
- Train employees on confidentiality protocols.

3. FEAR OF RETALIATION

Employees often hesitate to report misconduct due to career risk, including fear of demotion, isolation, peer pressure, or subtle retaliation. Raising voices can often be treated as crossing the line. While in theory, policies are in place for protection, but they alone cannot help in overcoming this fear. Outcomes, and not policy language, can change the equation – employees do notice what happens to those who speak up.

What can be done:

- If the system is kept in-house, keep it separate from management and limit who can access complaints.
- Implement independent third-party reporting channels, enforce zero-tolerance against retaliation, and demonstrate visible leadership commitment.
- Act on retaliation cases, when they arise—employees pay attention to this more than anything else. Encourage anonymous reporting with assurances and communicate protection clearly to employees.
- Offer more than one way to report—email, phone, or even in-person, and ensure oral complaints are properly recorded.
- Be clear about who an employee can approach first, especially if they are not comfortable going to their immediate manager.

4. INVESTIGATIVE INDEPENDENCE

Many companies assign whistleblower complaints investigations to the internal HR team, legal teams or to the internal auditors. While this may be efficient, it raises an obvious concern—can individuals employed by the organisation actually investigate its leadership? Often the perception of bias discredits the entire process.

What can be done:

- Engage external investigators or forensic experts to conduct investigations.
- Active Audit Committee oversight on investigations to ensure impartiality and credibility.

5. ESCALATION PROTOCOLS

In many cases, the issue is not the absence of reporting but that escalation is actually delayed. Serious and sensitive complaints are often processed through routine channels which leads to it losing urgency and visibility at critical stages. This is not just a flaw in the system's design. Under SEBI Listing Regulations, vigil mechanisms are expected to ensure that serious concerns can be escalated appropriately, including to the Chairperson of Audit Committee.

However, in practice, escalation matrices are unclear, inconsistently applied, or influenced by organisational hierarchy rather than seriousness of the complaint. As a result, complaints involving senior personnel or having material exposure may be delayed, diluted, or handled at levels that in fact, lack the authority to act decisively.

What can be done:

- Clearly identify high-risk complaints based on severity, seniority involved, and potential impact on the organisation.
- Ensure that serious concerns reach the Audit Committee Chair without unnecessary layers.
- Maintain dashboards of how long complaints take to escalate and close, and review delays if any, at the Audit Committee level.
- Review the effectiveness of the mechanism on a periodic basis to align it with evolving best practices, through independent external assessments.

6. ACCESS TO AUDIT COMMITTEE

Under SEBI Listing Regulations, listed entities are required to establish a vigil mechanism that provides for adequate safeguards against victimisation and direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases. This is not just conceptual. For whistleblowers to have direct access to the Audit Committee Chairperson, companies need to disclose, in the policy, contact details such as an email ID of the concerned.

However, in practice, many companies either omit these details entirely, or provide generic or management-controlled email IDs and contact details, this defeats the entire purpose and impacts adversely on the credibility of the mechanism.

Equally important is the role of the Audit Committee Chairperson. Direct access alone is not sufficient unless it is actively used and monitored. The Chairperson of the Audit Committee needs to ensure that such communications can be received directly and are not filtered or delayed.

What can be done:

- Disclose the name and direct contact details of the Audit Committee Chairperson in the whistleblower policy put up on the website of the Company.
- Ensure that reporting channel bypasses management, and is independently monitored.
- Conduct periodic test to validate if complaints routed through this channel reach the Audit Committee Chairperson without interference.
- Audit Committee should periodically review whistleblower dashboards, including closure timelines and repeat complaints, to identify patterns and delays.

7. MINIMAL BOARD ENGAGEMENT

Boards receive whistleblower summaries or dashboards containing the number of complaints, broad categories, and investigation and closure status. What is rarely studied is pattern recognition. Boards are expected to review complaints without context or trend patterns for repeated red flags, and this leads to mere observation and noting, and not actual review.

What can be done:

- In addition to reporting cases, patterns and trends should be reported.
- Use whistleblower data as an input for internal audit planning and thematic reviews, enabling early identification of control gaps.

8. TRANSPARENCY OF OUTCOMES

This is one of the least discussed gaps in effective functioning of the whistleblower mechanism. In most organisations, outcomes of whistleblower complaints remain confidential. Yes, it is necessary but complete invisibility can be counterproductive too. Employees at least need to know whether any action was taken. Delays or lack of visible action can weaken confidence in the system. Without seeing action, can anyone actually believe in the system?

What can be done:

- Periodically share anonymised outcomes and corrective actions to address them.
- Highlight systemic changes that have resulted from complaints.
- Ensure the process is carried out without compromising confidentiality.

9. AWARENESS AND TRAINING

Employees are often unclear about what can be reported, how to report, and what protections are available. In the absence of regular communication, the mechanism remains underutilised.

What can be done:

- Conduct periodic training and awareness sessions for employees and management, including what if scenarios.
- Seek feedback on a periodic basis from employees on barriers in regard to reporting of complaints to understand and address trust gaps.
- Include whistleblower mechanism in onboarding and regular compliance communications.
- Reinforce messaging through real examples and case-based discussions.

International Perspectives:

What Actually Works

In the **United States**, the Sarbanes-Oxley Act of 2002 requires Audit Committees to establish procedures for handling whistleblower complaints. Complaints are not always made directly to the Audit Committee, they are overseen by it, ensuring independence from management. In practice, this makes a difference—employees know their concerns are less likely to be filtered by management, especially in sensitive matters.

In the **United Kingdom**, protection comes from the Public Interest Disclosure Act 1998, while the UK Corporate Governance Code 2024 places the responsibility on boards to ensure that concerns are actually looked into. Reporting is typically through internal channels, but boards are expected to have visibility and oversight. The result is a system where people are not just allowed to report, but feel safer doing so.

Singapore takes a more process-driven route. Under the Singapore Exchange (SGX) Listing Rules and the Code of Corporate Governance 2018 (Singapore), companies are expected to have clear reporting lines and follow through with independent investigation. There is less ambiguity in how complaints are handled.

What stands out across these jurisdictions is not the existence of policies, but how they operate in reality. Employees have clearer access, boards are closer to the process, and escalation is less dependent on internal discretion.

In India, the framework exists—but how it works in practice varies widely. The issue is not regulation itself, but whether the mechanism actually functions independently and earns employee trust.



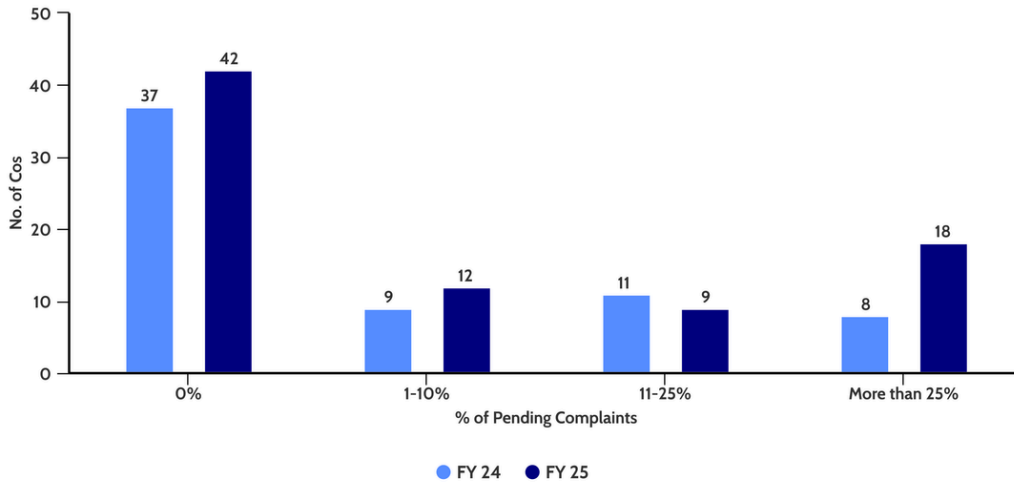
The Real Question:

In India, the framework exists—but how it works in practice varies widely. **The issue is not regulation itself, but whether the mechanism actually functions independently, and earns employee trust.** Expanding its access beyond employees to include vendors, consultants, and other stakeholders can further strengthen its ability to act as an early warning system.

At the end of it all, the effectiveness of a whistleblower mechanism may come down to a simple moment—when an employee notices something is not right and pauses. In that moment, **do they feel confident enough to speak up, or do they decide it is better left unsaid?**

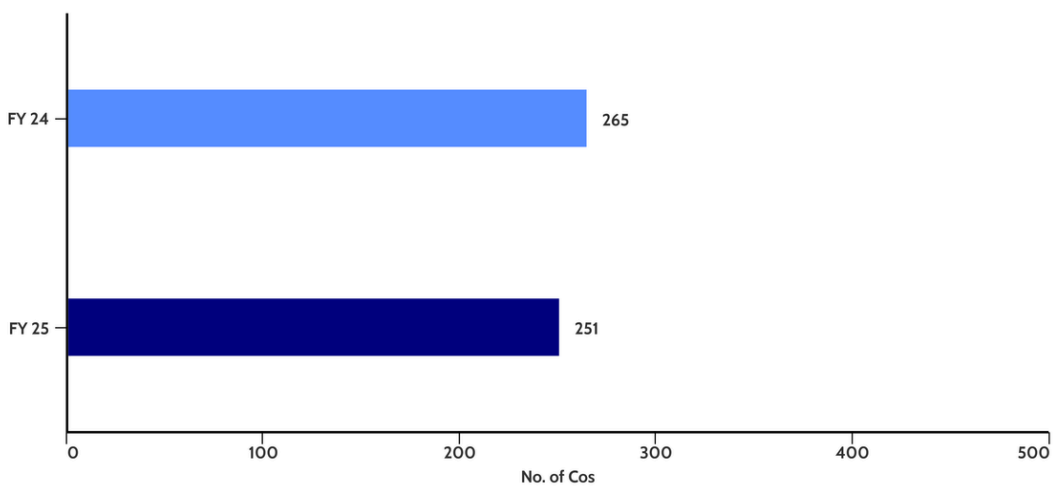
Where are we now?

Percentage of Whistleblower complaints pending at the end of FY



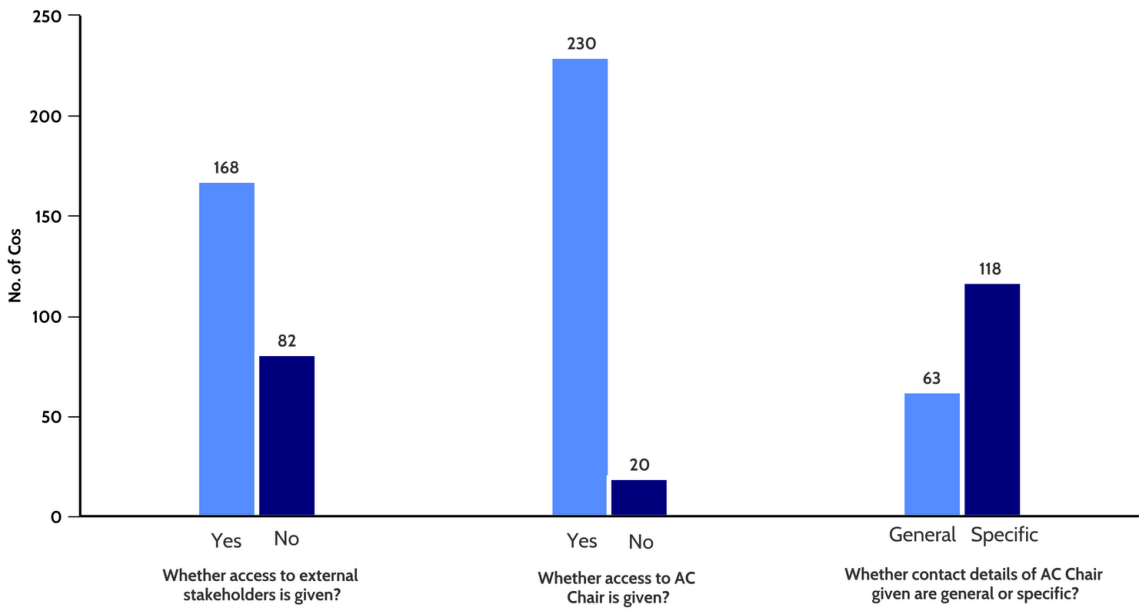
- Source: Annual reports of top 500 companies.
- Companies which reported zero complaints have been excluded.
- For FY 24 and FY 25, 167 cos did not disclose information related to whistleblower complaints.

Companies which received 0 complaints during the FY



- Source: Annual reports of top 500 companies.

Content of Whistleblower Policy



• Source: Whistleblower policies of top 250 cos available on their websites.

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We do not tick boxes. We help you think out of the box.



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