

The frontline of the “Whistleblowing System” essential for global companies (Part 2)

Legal basis for global Whistleblowing System

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Introduction: The importance of international laws and regulations

When global companies create Whistleblowing System, it is very important to comply with the laws and rules of each country and region. This section looks at the main whistleblowing laws in Japan, the US, the European Union (EU) and major Asian countries, and what to look out for in practice.



1. Whistleblower protection laws in Japan

1. Overview of the law

Japan's Whistleblower Protection Act was created in 2004 to protect whistleblowers and find and resolve fraud as quickly as possible, as whistleblowing has increasingly led to the revelation of corporate fraud. Since then, there have been cases of fraud being left unchecked, so the law was partially amended in June 2020 and came into force in June 2022 (hereinafter referred to as the “2020 Amendment”). Most recently, the law was also amended on 4 June 2025 (“2025 Amendment”), which was promulgated on 11 June of the same year (not yet in force at present).

2. The 2020 Amendment

(1) There are three main points.

- i. To make it easier for companies to correct wrongdoing on their own and for whistleblowers to report it without any fear.
- ii. To make it easier to report to administrative bodies (e.g. government offices).
- iii. Ensure that whistleblower are better protected.

Specifically, the scope of protection has been extended to include not only “workers” but also “retirees (within one year of retirement)” and “officers”. In addition, a “duty of confidentiality” has been introduced to ensure that the person receiving the report does not divulge any information that could identify the whistleblower, and a fine is imposed for non-compliance.

(2) In addition, the 2020 amendment obliges companies with more than 300 employees to establish a system (mechanism) to respond appropriately to whistleblowing (an effort obligation for companies with less than 300 employees). This includes setting up an internal contact point for whistleblowing and appointing a department and person responsible for investigating and resolving problems. In order to ensure that whistleblowers feel safe in reporting, those involved in the investigation of the content of the report must not divulge any information that could identify the whistleblower. Violation of this duty of confidentiality is punishable by a fine of up to 300,000 Japanese yen.

3. The 2025 Amendment

The 2025 amendment adds freelancers and people within one year of the end of a work contract to the scope of protection, and specifies that dismissal or disciplinary action on the grounds of reporting is, in principle,

invalid. It also strengthens the protection of whistleblowers by presuming that dismissal or disciplinary action within one year of reporting is “due to reporting” and imposes the burden of proof on the company. In addition, if a company treats a whistleblower disadvantageously, the corporation is now subject to criminal penalties, including a fine of up to 30 million Japanese yen. Interference with whistleblowing and identification of whistleblowers is also prohibited, and the whistleblowing system must be improved and made more effective. The revised law is scheduled to come into force by the end of 2026.

2. The US SOX Act (Sarbanes-Oxley Act)

1. Overview of the SOX Act and whistleblower protection

The US SOX Act (Sarbanes-Oxley Act) was enacted in 2002 to prevent companies from reporting accounting irregularities and to protect investors.

An important aspect of the Act is its strong “whistleblower protection” provisions. Employees who report wrongdoing are protected by the SOX Act from retaliation (e.g. dismissal, demotion or harassment). This allows employees to feel safe to speak out about wrongdoing and increases transparency and accountability within the company.

2. Penalties and high-profile cases of non-compliance

Companies that do not comply with the SOX Act face severe consequences, including legal action, large fines and damage to their reputation. For example, executives who knowingly submit or certify false financial reports can be fined up to USD 5 million and imprisoned for up to 20 years. In recent cases, UBS Securities and Wells Fargo have been ordered to pay fines for whistleblower retaliation, and the Securities and Exchange Commission (SEC) has awarded large rewards to whistleblowers. These cases show that the SOX Act places great emphasis on whistleblower protection and the consequences for companies in the event of a breach are significant.

3. The EU Whistleblower Protection Directive

1. Purpose and scope of the Directive

The EU Whistleblower Protection Directive entered into force on 17 December 2021 to protect people who report breaches of EU law or misconduct in the workplace. The Directive applies to private companies with 50 or more employees and to companies in certain sectors, such as financial services.

It covers reporting on a wide range of EU legislation in areas such as public procurement, finance, environmental protection, and personal data protection. Employees, self-employed persons, officers, volunteers, and others who learn of wrongdoing in the course of their work are protected.

2. Personal data protection and protection against reprisals

The Directive places particular emphasis on protecting the identity of whistleblowers and protecting them from retaliation. Strict confidentiality is required, as any disclosure of a whistleblower's information could lead to retaliation such as dismissal, demotion or threats of retaliation. Companies need to ensure that the personal data of whistleblowers is protected in accordance with the rules of the “GDPR” (EU General Data Protection Regulation). In addition, hotlines (reporting channels) must be made available to employees in a safe and anonymous manner without fear of reprisals.

3. Status of national legislation in Member States and practical implications

EU Member States were obliged to make the Directive national law by 17 December 2021, but the status of the response in each country varies. For example, Germany has enacted legislation that provides more generous protection for whistleblowers than the EU Directive, requiring companies with more than 50 employees to establish a whistleblower contact point and providing penalties for non-compliance.

Companies need to establish transparent, safe and confidential reporting channels, ensure feedback to

whistleblowers and implement measures to prevent retaliation. Implementing a multi-lingual reporting system can also be helpful.

4. Trends in major asian countries (overview)

In some Asian countries, there is no comprehensive legislation on whistleblowing, while in others, specific legislation provides for whistleblower protection. However, due in part to the impact of the GDPR, personal data protection laws are being actively enacted or amended in many countries.

As whistleblowing often involves personal information not only of the whistleblower but also of the subject of the report and other persons concerned, attention should be paid to the personal data protection legislation of each country. In China, in particular, there are strict regulations on the cross-border transfer of personal data (data exchange across borders).

The treatment of anonymous reporting and the scope of the prohibition of retaliation also differs from country to country; for example, in South Korea, as a general rule, names must be stated, but it is possible for a lawyer to file a report on behalf of a person. Cultural differences also influence reporting behaviour, so it is important to make use of anonymous reporting mechanisms and external contact points.

5. Finally.

Whistleblowing laws and regulations in the major countries have different characteristics, but they all emphasise the importance of whistleblower protection and the obligation of companies to have a system in place. Understanding these laws and regulations and establishing an appropriate global whistleblowing system is key to reducing the risks faced by companies in their international operations and achieving sustainable growth.

In the next article, we will elaborate on the specific elements of designing and operating an effective global whistleblowing office.

End of article

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