

## ESG RESEARCH

# Singapore Corporate Governance View



Source: SGX

## Summary

Corporate Governance (“CG”) fosters trust by ensuring that a company’s management works towards enhancing shareholder value and takes in account other stakeholders’ interests.

The Code of Corporate Governance (“CG Code”) facilitates the adoption of good CG practices among SGX-listed companies. It came under the purview of the Monetary Authority of Singapore (“MAS”) and SGX from September 2007. Singapore’s first CG Code was issued in March 2001 by the Corporate Governance Council (“CGC”), which was established by the Ministry of Finance, along with MAS and the Attorney-General’s Chambers, to review CG in Singapore. The CG Code has since been revised in July 2005, May 2012 and August 2018. It has been further amended in January 2023.

The CG Code is organised into Principles and Provisions. Compliance with Principles is mandatory while companies may vary from Provisions provided that they explain how their practices are consistent with the spirit of the underlying Principles. The Principles are grouped into categories such as Board Matters, Accountability and Audit, and Managing Stakeholders Relationships. We collate the Principles included in each category.

Thereafter, we examine how the non-adherence to the CG Code may have affected two companies: Singapore Post Limited (“SingPost”) and City Developments Limited (“CDL”).

SingPost’s share price fell by 10.7% after the Board announced that it fired the Group CEO (“GCEO”), Group CFO (“GCFO”) and CEO of its International Business Unit Operations (CEO of “SP IBU Ops” or “CEO-IBU”). The GCEO, GCFO and CEO-IBU were fired for perpetuating misrepresentations regarding the false entry of Delivery Failure (“DF”) status code. As the GCEO, GCFO and CEO-IBU perpetuated misrepresentations according to SingPost, they may not have provided complete and adequate information to the Audit Committee (“AC”). Prior to receiving the whistleblowing report, the Board may also have failed to instil the appropriate culture within SP IBU Ops, or to ensure that the Management maintained sufficiently sound internal controls. Thus, SingPost’s contraventions of the CG Code, even if temporary, may have led to the incident (and the corresponding fall in share price).

For CDL, its share price fell by 6.5% immediately after trading resumed, following the lifting of its trading halt. CDL had requested for the trading halt due to a Board dispute, which involved the bypassing of the Nominating Committee (“NC”) by the GCEO. While we may not be in the position to assess if the GCEO’s actions were justified, we find that his actions may have been contrary to the CG Code. Even though the Executive Chairman brought some resolution to the matter by issuing a statement on 12 March 2025, it remains to be seen whether similar incident(s) will re-occur (such that CDL’s share price may fall again).

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## TABLE OF CONTENTS

INTRODUCTION TO CORPORATE GOVERNANCE (“CG”).....	3
THE CG CODE .....	4
(I)    BOARD MATTERS.....	5
(II)   REMUNERATION MATTERS .....	6
(III)  ACCOUNTABILITY AND AUDIT .....	6
(IV)  SHAREHOLDER RIGHTS AND ENGAGEMENT .....	7
(V)   MANAGING STAKEHOLDERS RELATIONSHIPS .....	7
CASE STUDIES.....	8
(I)    SINGAPORE POST LIMITED (“SINGPOST”) .....	8
(II)   CITY DEVELOPMENTS LIMITED (“CDL”) .....	12
CONCLUSION .....	15
DISCLOSURES/DISCLAIMERS.....	16

## INTRODUCTION TO CORPORATE GOVERNANCE (“CG”)

This report highlights the importance of CG in the management of SGX-listed companies.

According to the Code of Corporate Governance (the “CG Code”) published by the Monetary Authority of Singapore (“MAS”), CG “refers to having the appropriate people, processes and structures to direct and manage the business and affairs of the company to enhance long-term shareholder value, whilst taking into account the interests of other stakeholders.”

The CG Code added that following “good Board and Management practices” will “help build investor and stakeholder confidence.”

According to MAS, the CG Code “came under the purview of MAS and SGX with effect from 1 September 2007.”

Singapore’s first CG Code was issued in March 2001 by the Corporate Governance Committee (“CGC”). CGC was established in December 1999 by the Ministry of Finance, along with MAS and the Attorney-General’s Chambers, to review CG in Singapore. CGC’s 2001 report indicated that Singapore needed to improve its standard of CG “to provide a climate conducive to the orderly development of the capital markets and to meet the increasing expectations of investors.”<sup>1</sup>

The CG Code has since been revised in July 2005, May 2012 and August 2018. It has been further amended in January 2023.

Ravi Menon, former Managing Director of MAS, noted in November 2023, “Good corporate governance is fundamentally about building trust.” Citing the example of Credit Suisse, Menon noted that “the loss of confidence and trust can quickly lead to the end of a bank.”

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<sup>1</sup> Credits to Luh Luh Lan, Associate Professor at the National University of Singapore (“NUS”), for bringing our attention to the source in her working paper titled, “Corporate Governance in Singapore – The Road Thus Far”.

## THE CG CODE

In February 2017, MAS established the Corporate Governance Council (the “Council”) to review the CG Code. The Council submitted to MAS its recommendations on revisions to the CG Code in August 2018, following which MAS accepted all the recommendations and issued the revised CG Code.

Based on the Response Paper on Recommendations of the Council (which detailed the Council’s recommendations), the revised CG Code was organised into “Principles” and “Provisions”. Principles were defined as “overarching, non-disputable statements embodying the fundamentals of good corporate governance that companies should comply with”. Meanwhile, Provisions were “actionable steps which guide companies in complying with the substance of the Principles”.

MAS later amended the CG Code in January 2023 “to reflect SGX RegCo’s Listing Rule changes to introduce a nine-year tenure limit for independent directors and mandatory remuneration disclosure for each individual director and chief executive officer (CEO).” The latest CG Code (amended January 2023) categorises the 13 Principles as follows:

- Board Matters: Principles 1 to 5
- Remuneration Matters: Principles 6 to 8
- Accountability and Audit: Principles 9 & 10
- Shareholder Rights and Engagement: Principles 11 & 12
- Managing Stakeholders Relationships: Principle 13

Compliance with the CG Code is regulated under Rule 710 of the SGX Listing Rules (Mainboard).

Rule 710 states, “An issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. An issuer must comply with the principles of the Code. Where an issuer’s practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.”

Compliance with SGX’s Listing Rules (thus the CG Code) is enforced by SGX Regulation (“SGX RegCo”). SGX RegCo may halt or suspend the trading of listed securities of an issuer or remove an issuer from the Official List (which “consists of companies admitted to (and not removed) from the SGX Mainboard and the SGX Catalyst” based on Chapter 7.1.1 of the SGX-ST Rules).

In the next section, we collate the Principles included in each category.

## (I) BOARD MATTERS

Board Matters relates to The Board's Conduct of Affairs (Principle 1), Board Composition and Guidance (Principle 2), Chairman and Chief Executive Officer (Principle 3), Board Membership (Principle 4) and Board Performance (Principle 5).

1. **The Board's Conduct of Affairs:** "The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company."<sup>1, 2</sup>
2. **Board Composition and Guidance:** "The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company."<sup>3, 4</sup>
3. **Chairman and Chief Executive Officer:** "There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making."<sup>5</sup>
4. **Board Membership:** "The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board."<sup>6, 7, 8</sup>
5. **Board Performance:** "The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors."

<sup>1</sup> Footnote(s) in the original wordings have been removed from all our quotes.

<sup>2</sup> SGX Mainboard Listing Rule 210(5)(a) mandates that "A director who has no prior experience as a director of an issuer listed on the Exchange must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange."

<sup>3</sup> SGX Mainboard Listing Rule 210(5)(d) notes that "A director will not be independent under any of the following circumstances:" (i) "if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years;" (ii) "if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer;" or (iv) "if he has been a director of the issuer for an aggregate period of more than nine years (whether before or after listing)."

<sup>4</sup> SGX Mainboard Listing Rule 210(5)(c) mandates that "Independent directors must comprise at least one-third of the issuer's board."

<sup>5</sup> SGX Mainboard Listing Rule 1207(10A) mandates that "The relationship between the chairman and chief executive officer of the issuer must be disclosed if they are immediate family members."

<sup>6</sup> SGX Mainboard Listing Rule 210(5)(e) mandates that an issuer "must establish one or more committees as may be necessary to perform the functions of an audit committee, a nominating committee and a remuneration committee, with written terms of reference which clearly set out the authority and duties of the committees."

<sup>7</sup> SGX Mainboard Listing Rule 720(5) mandates that "An issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years."

<sup>8</sup> SGX Mainboard Listing Rule 720(6) mandates that "When a candidate is proposed to be appointed for the first time or re-elected to the board at a general meeting, the issuer shall provide the information relating to the candidate as set out in Appendix 7.4.1 in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting." The issuer "must" also "announce the outcome of the shareholder vote".

## (II) REMUNERATION MATTERS

Remuneration Matters relates to Procedures for Developing Remuneration Policies (Principle 6), Level and Mix of Remuneration (Principle 7) and Disclosure on Remuneration (Principle 8).

6. **Procedures for Developing Remuneration Policies:** “The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.”
7. **Level and Mix of Remuneration:** “The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.”
8. **Disclosure on Remuneration:** “The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.”<sup>1</sup>

## (III) ACCOUNTABILITY AND AUDIT

Accountability and Audit relates to Risk Management and Internal Controls (Principle 9) and Audit Committee (Principle 10).

9. **Risk Management and Internal Controls:** “The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.”<sup>2, 3</sup>
10. **Audit Committee:** “The Board has an Audit Committee (“AC”) which discharges its duties objectively.”

<sup>1</sup> SGX Mainboard Listing Rule 1207(10D) mandates that “The annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including at least” “The names, amounts and breakdown of remuneration paid to each individual director and the chief executive officer by the issuer and its subsidiaries. Such breakdown must include (in percentage terms) base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.”

<sup>2</sup> SGX Mainboard Listing Rule 610(5) states, “The board must comment on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the audit committee concurs with the board's comment must also be provided. Where material weaknesses are identified by the board or the audit committee, they must be disclosed together with the steps taken to address them.”

<sup>3</sup> SGX Mainboard Listing Rule 719(1) requires that “An issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.” Rule 719(1) adds, “The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management.”

#### (IV) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Engagement relates to Shareholder Rights and Conduct of General Meeting (Principle 11) and Engagement with Shareholders (Principle 12).

11. **Shareholder Rights and Conduct of General Meeting:** “The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.”<sup>1, 2</sup>
12. **Engagement with Shareholders:** “The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.”

#### (V) MANAGING STAKEHOLDERS RELATIONSHIPS

Managing Stakeholders Relationships relates to only Engagement with Stakeholders (Principle 13).

13. **Engagement with Stakeholders:** “The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.”

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<sup>1</sup> According to Rule 704(20), An issuer “must immediately announce” “Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management”. Rule 704(21) adds that an issuer “must” also “immediately announce” “The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries”. Rule 704(32) states, “For any loan agreement or debt securities of the issuer or any of its subsidiaries, any breach of, or occurrence of any event under the terms of, the loan agreement or debt securities if it, in the opinion of the issuer's directors, may:” (a) “have a significant impact on the operations of the issuer; or” (b) “result in the issuer facing a cash flow problem.” “Where Rule 704(20), (21) or (32) applies”, SGX Mainboard Listing Rule 704(23) mandates that “a monthly update must be announced regarding the issuer's financial situation, including” (a) “the state of any negotiations between the issuer and its principal bankers or trustee; and” (b) “the issuer's future direction, or other material development that may have a significant impact on the issuer's financial position.” Rule 704(23) adds, “If any material development occurs between the monthly updates, it must be announced immediately.”

<sup>2</sup> SGX Mainboard Listing Rule 704(24) mandates that an issuer “immediately announce” “Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced together with the reason(s) for such decision.”

## CASE STUDIES

Having covered the CG Code's Principles, we shall examine how non-adherence to the CG Code may have affected two companies: Singapore Post Limited ("SingPost") and City Developments Limited ("CDL").

### (I) SINGAPORE POST LIMITED ("SINGPOST")

On 22 December 2024, SingPost (SGX:S08) announced that it had "terminated with immediate effect on 21 December 2024" the employment of its Group Chief Executive Officer ("GCEO"), Group Chief Financial Officer ("GCFO") and Chief Executive Officer of its International Business Unit Operations ("CEO-IBU").

SingPost noted that it "had earlier in the year received a whistleblowing report", which "stated that there were alleged manual entries of certain delivery status codes by the International Business Unit Operations ("SP IBU Ops") for international transshipment parcels which the Company had agreed to deliver under an agreement with one of its largest customers, allegedly without basis or supporting documentation and with the intention of avoiding contractual penalties under the agreement."

SingPost added that, following investigations and disciplinary proceedings, "it was found that GCEO, GCFO and CEO-IBU had accorded undue weight to the misrepresentations by representative(s) from SP IBU Ops without any independent substantiation or evidence, and had in turn made various serious misrepresentations to the Audit Committee, which has oversight responsibilities on internal controls, financial reporting, fraud, compliance and risk management systems, including oversight and monitoring of whistleblowing."<sup>1</sup>

Following SingPost's announcement, SingPost's share price fell by 10.7% from S\$0.560 on 20 December 2024 to S\$0.500 on 23 December 2024 as shown in **Exhibit 1**.

On 29 December 2024, SingPost clarified that "The three former key management executives were not directly involved in the allegations raised in the whistleblowing reports." SIAS added, "The disciplinary proceedings against them related to their mishandling of the internal investigations into the whistleblowing matter as well as the renewal of the affected customer agreement in 2023."

On the same day, SingPost added separately that the GCEO, GCFO and CEO-IBU "relied on the misrepresentations made by representative(s) from IBU Ops (who were interested parties)" on the manual entry of Delivery Failure ("DF") status code, e.g.:

- "there was no evidence of data manipulation and wrongdoing in relation to the manual "DF" data entries;"
- "the purpose of the manual "DF" data entries was not to avoid contractual penalties;"
- "the customer was fully aware of the assumptions of the manual "DF" data entries and such practice is said to be in line with industry practice."

SingPost noted too that the misrepresentations "contradicted the findings" of the Group Internal Audit ("GIA"), "an independent and important Group function responsible for investigating whistleblower incidents." SingPost noted that "if the Audit Committee had relied on and accepted the misrepresentations", "the practice of the false manual "DF" data entries which were intended to avoid contractual penalties would likely have continued."

<sup>1</sup>The Straits Times ("ST") reported on 23 December 2024 that SingPost's former GCEO and GCFO sent a joint statement to the media that stated, "It is our position that the termination is without merits and was also procedurally unfair". SingPost's former GCEO and GCFO added in their joint statement, "We vigorously contest the termination of our employment, both on merits and on the grounds of procedural unfairness. We categorically reject any suggestion that we were grossly negligent, had behaved inappropriately or had sought to misrepresent facts at any point."

Simon Israel, Chairman of SingPost's Board, summarised that the "termination of senior management was a carefully considered decision" that "reflects the Board's unwavering commitment to governance principles, prioritising what is right - even when it is more challenging in the short term - in the best interests of the Company".

SingPost's share price remained at S\$0.520 from 27 December 2024 to 30 December 2024.

However, after SingPost appointed a new Group Chief Operating Officer ("GCOO") on 2 January 2025, SingPost's share price rose by 1.9% from S\$0.530 on 31 December 2024 to S\$0.540 on 2 January 2025 as shown in **Exhibit 1**. SingPost noted in its news release that the new GCOO "will be responsible for the Singapore Business Unit, the International Business Unit and Property." SingPost also noted that the new GCOO "will also support the Board in a review of the International Business Unit."

We review if anything went wrong with SingPost's CG.

### Exhibit 1: SingPost's Share Price Performance



Source: SGX Stock Screener, FPA

Based on the CG Code, we find that the main Principles (and Provisions) that may be relevant to the incident are as follows:

1. "The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company."
  - 1.1. "Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict."
  - 1.6. "Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities."
2. "The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company."
  - 2.1. "An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company."

3. “There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.”
  - 3.1. “The Chairman and the Chief Executive Officer (“CEO”) are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.”
9. “The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.”
10. “The Board has an Audit Committee (“AC”) which discharges its duties objectively.”
  - 10.1. “The duties of the AC include:”
    - (e) “reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company’s internal audit function; and”
    - (f) “reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.”

We find that SingPost may have complied with most of the relevant Provisions in the CG Code.

Based on Chairman Israel’s statement, the Board may have exercised independent judgement (Principle 2 and Provision 2.1) to hold the Management (including the GCEO) accountable (Provision 1.1) despite being aware that the disclosure of the incident & termination of the GCEO, GCFO and CEO-IBU would likely lead to “short term” challenges for SingPost.

Had the Chairman and the GCEO been the same person, the incident may have been concealed such that, as we cite from SingPost, “the practice of the false manual “DF” data entries which were intended to avoid contractual penalties would likely have continued.” (Provision 3.1.)

According to SingPost’s Annual Report (“AR”) for the Financial Year ended 31 March 2024 (“FY2023/24”), the AC “has explicit authority to investigate any matter within its terms of reference.” (Principle 10.) SingPost also noted that the GIA “performs detailed work to assist the AC in the evaluation of material internal controls of the Group.” (Provision 10.1 (e).)

SingPost noted too in its AR that “The Group has put in place whistleblowing policies and arrangements by which staff and any other persons may, in confidence, raise concerns about possible improprieties”. While the GIA “has been designated as the independent function to maintain the dedicated whistleblowing channels and investigate whistleblowing reports made in good faith”, the “AC is responsible for oversight and monitoring of whistleblowing”. (Provision 10.1 (f).)

SingPost was able to identify the “practice of the false manual “DF” data entries” as it implemented whistleblowing policies. SingPost was also able to address the issue as it had established the AC & GIA, both of which functioned as they should.

However, SingPost may have, even if temporarily, contravened Provisions 1.1 & 1.6 and Principle 9 of the CG Code.

The misrepresentations that SingPost claimed the GCEO, GCFO and CEO-IBU perpetuated may have reflected the mindset of the involved employees from, thus cultural issues in, SP IBU Ops<sup>1</sup>. Had the CEO-IBU been unaware of the manual entry of DF status code prior to SingPost receiving the whistleblowing report, he could have been negligent. The negligence in relation to the malpractice would apply for the chain of command extending up to the GCFO and GCEO, as well as the Board.

Based on Provision 1.1, the Board is to set the “appropriate tone-from-the-top and desired organisational culture”. Given the occurrence of the incident, the Board may not have ensured that the “organisational culture” within SP IBU Ops was “desired”. Thus, the Board may have temporarily contravened Provision 1.1.

Based on SingPost’s account of the incident, the GCEO, GCFO and CEO-IBU may not have provided “complete” and “adequate” information to the AC by them having perpetuated the misrepresentations. Thus, the GCEO, GCFO and CEO-IBU (even if they are no longer employed by SingPost) may have contravened Provision 1.6.

Further, one could argue that the Board did not manage to ensure the Management maintained a sufficiently “sound” “system of risk management and internal controls” (as quoted from Principle 9), such that the Board was not alerted to the malpractice until they received the whistleblowing report. By then, the delivery of a “significant number of parcels which SingPost had agreed to deliver” had been “falsely indicated” as having “been attempted but had failed” (as quoted from SingPost’s announcement on 22 December 2024)<sup>2</sup>. Thus, the Board may have contravened Principle 9.

To the Board’s credit, it may have remedied SingPost’s contraventions through the investigations, disciplinary proceedings, and firing of the GCEO, GCFO and CEO-IBU. Thus, the Board may have later complied with Provision 1.1 by once again attempting to set “appropriate tone-from-the-top and desired organisational culture” and ensure “proper accountability within the company”.

Nonetheless, SingPost’s likely contraventions of Provisions 1.1 & 1.6 and Principle 9, even if temporary, may have led to the incident’s occurrence (thus the corresponding fall in share price).

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<sup>1</sup> Mak Yuen Teen, a professor at NUS Business School who helped to develop the “first corporate governance rating for Singapore companies” (as cited from NUS’s website), noted on 30 December 2024 that the incident raised “new questions about SingPost’s corporate governance, including its communication, internal controls, internal audit, whistleblowing policy, investigation process, succession planning and corporate culture.” While his original article was written prior to SingPost’s second announcement on 29 December 2024, his point on potential “deeper corporate culture issues” may still stand. Mak noted that the Key Performance Indicators (“KPIs”) may have been “too demanding such that they were impossible to achieve”, or that there may have been “too much pressure exerted” on the employees “to meet the KPIs”, such that the employees may have been compelled to “falsify” the KPIs. Mak added, “When a company is facing financial challenges, as SingPost is, the risk of fraud often increases.”

<sup>2</sup> Mak also noted that the internal controls may not be “adequate”. Mak noted that the Board “said it believes that the Group’s internal controls and risk management systems are adequate” “year after year in its corporate governance report” “before this latest breach of its internal controls”.

## (II) CITY DEVELOPMENTS LIMITED (“CDL”)

On 26 February 2025, CDL (SGX:C09) requested for trading halt and cancelled their results briefing for the Financial Year ended 31 December 2024 (“FY2024”). CDL issued a media statement on the same day stating that CDL requested the trading halt “in view of the disagreement within the Board in relation to the composition and constitution of the Board and the Board Committees.”

CDL requested to lift the trading halt on 3 March 2025 (such that the trading halt lasted for six days, inclusive of 26 February 2025 and 3 March 2025). CDL also announced on the same day that “on 25 February 2025 Mr Kwek Leng Beng (Executive Chairman), Mr Philip Yeo Liat Kok (Non-Independent Non-Executive Director), Mr Ong Lian Jin Colin (Independent Non-Executive Director) and Mr Chong Yoon Chou (Independent Non-Executive Director)” (the four were later referred to in CDL’s AR for FY2024 as the “Opposing Directors”) “filed an originating application (the “Application”) before the High Court of Singapore (the “High Court”)” against the remaining seven directors, including the GCEO.

After CDL’s trading halt was lifted on 3 March 2025, ST noted on the same day that CDL was “no longer Singapore’s largest listed developer” at the close of trading. ST commented that CDL’s share price “plunged 6.5 per cent to \$4.79, a 16-year low, immediately after trading began on March 3, but recovered a third of its losses to close down 2.3 per cent at \$5.”<sup>1</sup>

At its lowest, CDL’s share price fell to S\$4.93 on 11 March 2025, 3.7% below the share price of S\$5.12 before the trading halt on 26 February 2025 as shown in **Exhibit 2**.

The incident gained some resolution only after the Executive Chairman issued his statement on the night of 12 March 2025, in which he stated that he would discontinue his court proceedings and that “All the Board members have agreed to put aside their differences for the greater good of CDL and its stakeholders.”

CDL’s share price rose by 3.0% from S\$4.94 on 12 March 2025 to S\$5.09 on 13 March 2025 (though still 0.6% below the share price of S\$5.12 before the trading halt on 26 February 2025) as shown in **Exhibit 2**.

### Exhibit 2: CDL’s Share Price Performance



Source: SGX Stock Screener, FPA

<sup>1</sup> For reference, CDL also released its 2H FY2024 results on 26 February 2025. CDL’s revenue fell by 23.6% from S\$2.2 billion in 2H FY2023 to S\$1.7 billion in 2H FY2024 while its profit attributable to owners of the company fell by 54.7% from S\$250.8 million in 2H FY2023 to S\$113.5 million in 2H FY2024. However, the final dividend per Ordinary Share proposed by CDL remained at S\$0.08 in 2H FY2023 & 2H FY2024. CDL’s Revalued Net Asset Value (“RNAV”; inclusive of fair value gains on investment properties but exclusive of “revaluation surpluses” on CDL’s “hotel properties, which are accounted for as property, plant and equipment.”) per share also rose by 2.1% (2.1% if inclusive of “revaluation surpluses” on CDL’s “hotel properties”) from S\$17.21 (S\$19.46) on 31 December 2023 to S\$17.57 (S\$19.86) on 31 December 2024.

CDL later addressed the incident in its AR for FY2024 (published in April 2025).

CDL noted, “Due to governance concerns in relation to the role and involvement of Dr Catherine Wu at the relevant time, as well as the belief by the Proposing IDs that the other members of the then NC were not likely to support the proposed appointments of new directors, the Relevant IDs deemed that it was necessary and appropriate that the Appointments, and Changes to the Constitution of Committees and the Other Matters, should be proposed directly to the full Board for approval without the usual process of prior review and recommendation by the then NC.”<sup>1</sup>

CDL added that the “deviation from the NC’s terms of reference and the provisions of the CG Code concerning the Appointments and Changes to the Constitution of Committees caused the Opposing Directors to file the Court Application, as these Opposing Directors did not agree with the position and actions taken by the Relevant IDs and the Group CEO.”

CDL continued, “On 12 March 2025, the Directors agreed to put aside their differences for the greater good of the Company and its stakeholders and reached a settlement and discontinued the Court Application.” CDL added that “Separately, Millennium & Copthorne Hotels Limited had also received the resignation of Dr Catherine Wu as its independent advisor on 4 March 2025.”

CDL noted too that “notwithstanding” the “deviation from the NC’s terms of reference and the provisions of the CG Code concerning the Appointments, the Company’s position (based on the majority votes of the Board) is that there was a formal and deliberate process adopted in relation to the Appointments and that such process is consistent with the intent of Principle 4 of the CG Code”.

CDL justified its position by noting that “(a) the CVs of Ms Wong and Ms Young were circulated to the Board; (b) invitations for separate virtual interviews with Ms Wong and Ms Young were circulated to all Directors; (c) interview notes prepared by the Relevant IDs were circulated to the Board; (d) the 7 Feb Meeting was convened to discuss the Appointments; and (e) DRIW 1 was circulated after the 7 Feb Meeting to seek the definitive votes of the Board on the Appointments.” “DRIW 1” referred to the Directors’ Resolution in Writing which was “circulated after the 7 Feb Meeting to seek the definitive votes of the Board on the Appointments”.<sup>2</sup>

While we may not be in the position to assess if the GCEO’s actions were justified (which may require undisclosed details on “the role and involvement of Dr Catherine Wu”<sup>3</sup>), we assess if his actions were contrary to the CG Code.

Based on the CG Code, we find that the main Principles (and Provisions) that may be relevant to the incident are as follows:

2. “The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.”
  - 2.1. “An “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director’s independent business judgement in the best interests of the company.”

<sup>1</sup> The “Proposing IDs” referred to the two Independent Directors (“IDs”) who “introduced and recommended for appointment” the “Appointments”. The “Appointments” were the two new IDs Wong Ai Ai and Young Jennifer Duong. The “Relevant IDs” were the four IDs who attended the virtual interviews for the “Appointments”. The “Changes to the Constitution of Committees” referred to “changes to the composition of the Committees” including the constitution of the Nominating & Remuneration Committee (“NRC”). “Other Matters” referred to “other matters in connection with the Company’s key and significant subsidiaries”. “NC” referred to the Nominating Committee, which was merged with the Remuneration Committee (“RC”) to form the NRC.

<sup>2</sup> The “7 Feb Meeting” was the “Board meeting requested by the Lead ID” (one of the two Proposing IDs) which “was held and attended by all Directors, which included all members of the then NC, on 7 February 2025”. With regards to the 7 Feb Meeting, CDL added, “The Proposing IDs explained that the purpose of calling for the full Board meeting and the recommendation of these appointments, without first going through the then NC, was due to corporate governance concerns as well as to meet the diversity targets of the Company.”

<sup>3</sup> On 1 March 2025, ST cited the GCEO as claiming that Dr Wu “has been interfering in matters going well beyond her scope” and “wields and exercises enormous influence”. However, the appropriateness of Dr Wu’s influence may be assessed only if the full extent & impact of Dr Wu’s influence was disclosed.

- 2.4. “The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”
4. “The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.”
- 4.1. “The Board establishes a Nominating Committee (“NC”) to make recommendations to the Board on relevant matters relating to:”
- (d) “the appointment and re-appointment of directors (including alternate directors, if any).”
- 4.3. “The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company’s annual report.”

We note that Principle 4 specifies the “process” should be “formal and transparent”. Provision 4.1 (d) may thus suggest that the “formal and transparent process” was supposed to involve going through the NC.

Based on CDL’s AR for FY2023 (AR for FY2024 was published after the CDL incident), CDL specified, “The NC reviews the nomination of the relevant Directors for election/re-election as well as the independence of Directors annually.”<sup>1</sup>

CDL’s disclosure, taken together with Provision 4.3, seems to confirm that the “formal and transparent process” was supposed to involve going through the NC. Therefore, the GCEO’s actions could be seen as contravening Provisions 4.1 (d) & 4.3, thus contrary to the CG Code<sup>2</sup>.

To CDL’s credit, the “disagreement within the Board” may reflect that CDL’s directors were willing to exercise independent judgement throughout the incident (thus, the directors may have complied with Provision 2.1).

CDL also recovered a portion of its loss in shareholder value as the issue gained some resolution within 18 days, with the issuance of the Executive Chairman’s statement on 12 March 2025.

Nonetheless, the incident does not bode well for CDL’s CG.

Even though the Executive Chairman stated on 12 March 2025 that “All the Board members have agreed to put aside their differences for the greater good of CDL and its stakeholders”, it remains to be seen whether similar incident(s) will re-occur (and lead to another fall in CDL’s share price).

<sup>1</sup> After the incident, CDL’s AR for FY2024 stated, “An NRC which is a merger of the NC and RC was constituted on 21 February 2025.” Based on CDL’s AR for FY2024, four out of the five independent directors on the current NRC were on the GCEO’s side.

<sup>2</sup> CDL did acknowledge in its AR for FY2024 a “deviation from the NC’s terms of reference and the provisions of the CG Code concerning the Appointments and Changes to the Constitution of Committees”. However, CDL also stated, “In undertaking the actions in relation to the Appointments and Changes to the Constitution of Committees and the Other Matters, the Relevant IDs and the Group CEO acted in compliance with the law, the Listing Manual and the Company’s Constitution. Under these provisions, they have the legal right to convene the aforementioned Board meetings and have the Appointments and Changes to the Constitution of Committees decided at the Board level without the prior recommendation of the NC.”

## CONCLUSION

CG fosters trust by ensuring that a company's management works towards enhancing shareholder value and takes in account other stakeholders' interests.

In Singapore, the CG Code facilitates the adoption of good CG practices among SGX-listed companies. It came under the purview of MAS and SGX from September 2007. Singapore's first CG Code was issued in March 2001 by the CGC, which was established by the Ministry of Finance, along with MAS and the Attorney-General's Chambers, to review CG in Singapore. The CG Code has since been revised in July 2005, May 2012 and August 2018. It has been further amended in January 2023.

The CG Code is organised into Principles and Provisions. Compliance with Principles is mandatory while companies may vary from Provisions provided that they explain how their practices are consistent with the spirit of the underlying Principles.

The Principles are grouped into five categories: Board Matters, Remuneration Matters, Accountability and Audit, Shareholder Rights and Engagement, and Managing Stakeholders Relationships. We collate the Principles included in each category.

Thereafter, we explore how non-adherence to the CG Code may have affected SingPost and CDL.

SingPost's share price fell by 10.7% from S\$0.560 on 20 December 2024 to S\$0.500 on 23 December 2024 after the Board announced that it fired the GCEO, GCFO and CEO-IBU. The GCEO, GCFO and CEO-IBU were fired for perpetuating misrepresentations regarding the false entry of DF status code.

SingPost may have generally complied with most of the relevant Provisions through its separation of the Chairman & CEO roles (Provision 3.1), establishment of functional AC (Principle 10) & GIA (Provision 10.1 (e)), and implementation of whistleblowing policies (Provision 10.1 (f)). However, SingPost may have contravened, even if temporarily, Provisions 1.1 & 1.6 and Principle 9 of the CG Code. As the GCEO, GCFO and CEO-IBU perpetuated misrepresentations according to SingPost, they may not have provided complete and adequate information to the AC (Provision 1.6). Prior to receiving the whistleblowing report, the Board may also have failed to instil the appropriate culture within SP IBU Ops (Provision 1.1), or to ensure that the Management maintained sufficiently sound internal controls (Principle 9). Thus, SingPost's contraventions of the CG Code, even if temporary, may have led to the occurrence of the incident (and the corresponding fall in share price).

For CDL, its share price fell by 6.5% from S\$5.12 on 26 February 2025 to S\$4.79 immediately after trading resumed on 3 March 2025. CDL had requested for the trading halt due to a Board dispute, which involved the bypassing of the NC by the GCEO. While we may not be in the position to assess if the GCEO's actions were justified, we find that he may have contravened Provisions 4.1 (d) & 4.3 such that his actions may have been contrary to the CG Code. Even though the Executive Chairman brought some resolution to the matter by issuing a statement on 12 March 2025, It remains to be seen whether similar incident(s) will re-occur (such that CDL's share price may fall again).

## DISCLOSURES/DISCLAIMERS

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