

The Role of Directors in Building Trust

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Trust is the cornerstone of effective corporate governance, but as scandals at SingPost and the UK Post Office show, it can be fragile and easily broken. Directors play a pivotal role in fostering and safeguarding trust. Ethical leadership, transparency and professional curiosity are vital qualities for board members, without which can lead to devastating consequences for both organisations and their stakeholders.

Trust is a foundational element in any organisation, acting as the intangible force that binds its members and facilitates effective collaboration. It is often said that trust can be seen as both “a lubricant and a glue”, underscoring the dual role of trust in easing interactions and solidifying relationships.

Trust improves organisational alignment and a sense of belonging. When employees trust their employers, they are much more likely to work together toward achieving the same ultimate business goals, and they are more likely to feel like they belong to their organisation.

A study on trust found that people at high-trust companies reported 74 per cent less stress and 40 per cent less burnout than people at low-trust companies. On the flipside, employees at high-trust companies reported 106 per cent more energy at work and 50 per cent higher productivity than those at low-trust organisations (Paul Zak, “The Neuroscience of Trust,” *Harvard Business Review*, 2017).

Clearly then, trust is the bedrock on which corporate culture can be built. It should also

be obvious that efforts to build trust within companies must start at the top, with senior management and the board of directors.

Without trust, a toxic culture can develop, and the consequences can be disastrous – as in the two case examples in the box, “A Tale of Two Post Offices”.

Another example of board dysfunction in Singapore was the case of Hyflux, where the board went along with a decision made by a strong and charismatic CEO to diversify from water purification to power generation, a decision which ultimately led to Hyflux’s demise.

Did Hyflux’s board exercise sufficient independent judgment when approving the ill-fated diversification? Was a proper risk assessment performed, or did everyone simply assume the CEO knew best?

Of equal relevance is: was there an adequate independent element within the board, or was the board comprised mainly of long-serving, rubber-stamping compliant personnel who only appeared to be independent?

A Tale of Two Post Offices

Take the case of two post office scandals – in Singapore and the UK – which reveal important governance lessons for board directors, particularly around trust, accountability and transparency.

SingPost Scandal (2024-2025)

- Three top executives were dismissed by the board for alleged mishandling of a whistleblower report.
- The report pointed to misconduct related to customer dealings.
- The board acted swiftly, but shareholders were left in the dark, leading to uncertainty about company direction, particularly around asset sales in Australia.
- The governance crisis raised concerns about internal trust, transparency and communication between the board and management.

The case of SingPost

The dispute between SingPost's board and the three top executives who were fired in December 2024 made for sensational media headlines, but the truth is that shareholders and investors had to make investment decisions shrouded in uncertainty at the time amidst numerous unanswered questions.

SingPost's position at the time was that there was no guarantee that proposed asset sales in Australia would materialise, counter to a stockbroking report which said shareholders might benefit from such sales if the company were to use the cash to pay special dividends.

The board apparently fired the three executives over the handling of an investigation involving a whistleblowing report that said certain undesirable actions were being performed on the ground relating to a particular customer.

However, until the matter is fully resolved, it appears that trust between the board and its management has been irrevocably broken, leaving shareholders in limbo. A number of senior managers have also since left the company.

UK Post Office Scandal (1999 - ongoing exposure)

- Hundreds of sub-postmasters were wrongfully prosecuted for theft and fraud due to errors in the Horizon IT system.
- For years, the Post Office ignored or denied flaws in the system, even as evidence accumulated.
- Senior executives and the board failed to act on internal concerns and external warnings, leading to major reputational and legal consequences.
- A public enquiry in the 2020s revealed severe governance failures, lack of accountability and mistreatment of whistleblowers and staff who were wrongly accused.

The UK Post Office scandal

In the case of the UK, frontline staff known as subpostmasters (SPMs) were wrongly accused of misappropriating funds, leading to wrongful prosecutions that saw more than 900 SPMs fired between 1999 and 2015.

It was only later that the true culprit was identified – a faulty computer system known as Horizon. However, by then, thousands of lives had been ruined; at least five people took their lives, whilst hundreds died before they could be exonerated or receive compensation.

According to the UK's Institute of Directors (IoD) 2024 report "The Post Office Scandal – a Failure of Governance", the board and senior management failed to consider other explanations for accounting irregularities. And more importantly, management did not trust the SPMs, who were viewed as "outsiders". (See page 34)

In a damning review, the report noted: "Over a period of 20 years, numerous cohorts of directors failed to deliver adequate scrutiny of management and key business activities. There was a lack of professional curiosity and critical challenge".

Lessons for board directors

1. Whistleblower handling must be robust and independent.

Both cases show the dangers of failing to take whistleblower reports seriously or investigating them inadequately. Boards must ensure robust, independent procedures are in place and that whistleblowers are protected and heard without fear of retaliation.

2. Transparency with stakeholders is essential.

SingPost's opaque communication created market uncertainty; the UK Post Office's denials caused long-term reputational damage. Boards must balance legal caution with the need for timely, transparent updates to stakeholders, especially in crisis situations.

3. Boards must not abdicate oversight responsibility.

The UK Post Office board failed to question management narratives; SingPost's board intervened, but arguably too late. Directors must proactively challenge management, not just monitor from a distance.

4. Organisational trust depends on board credibility.

Trust, once broken, is hard to rebuild. Directors should lead with integrity and be seen as independent arbiters of truth, not protectors of corporate image.

5. Crises expose culture weaknesses.

Both scandals revealed deeper cultural issues – a curious nature is needed to overcome complacency. Directors should question the status quo and have professional curiosity to ask the right questions. Boards should monitor corporate culture as closely as financial metrics.

Build trust – and use common sense

Possibly in response to the postal scandal, the UK IoD in October last year issued a Code of Conduct for Directors that “provides organisational leaders with a behavioural framework that can help them

build and maintain the trust of the wider public in their business activities”.

In the Foreword to the new Code, IoD stated the purpose “is to help UK business win back trust by embedding the values that are already adopted as a matter of course by most responsible business leaders”. It is structured along six pillars: leading by example, integrity, transparency, accountability, fairness and responsible business.

Like the UK, Singapore too has a voluntary Directors' Code of Professional Conduct for Directors which is intended to complement the Singapore Code of Corporate Governance.

As noted by the Singapore Institute of Directors (SID), whereas the Singapore Code of Corporate Governance sets out principles of corporate governance to be observed by listed companies, the Directors' Code of Professional Conduct “amplifies the standards of ethics which should be adopted by individual directors in order to bring about the highest standards of conduct in the discharge of their office” by embracing the values of honesty, integrity, personal excellence and accountability.

Similar to the UK Code, there are five fundamental principles that Singapore directors should observe – integrity, competence, commitment, accountability and transparency.

Whilst there are strong and useful resources such as the Code of Conduct in place to assist directors in discharging their duties, ultimately it is each individual's moral compass, character and personal beliefs that will dictate their conduct.

In this regard, perhaps the most important observation was made by the UK's IoD when it stated that during the public consultation exercise conducted in summer 2024, the Code received strong endorsement from the overwhelming majority of respondents, “and most agreed that the undertakings contained within the Code are matters of common sense”. ●