



CORPORATE GOVERNANCE AND ETHICS

CASE STUDIES

Edited by Prof Mak Yuen Teen

OVERVIEW

Established in 2024, the Centre for Investor Protection (CIP) at the NUS Business School is the first of its kind in Singapore dedicated to research on investor protection, and one of a few such centres in the world. The Centre undertakes independent research, public education and related activities to promote the improvement of investor protection in Singapore and internationally.

Its work will centre on its **Independence** and the **Impact** it can bring. Its projects will be primarily Singapore-focused, together with international studies that have significant implications for policies and practices relating to investor protection in Singapore and beyond. The projects and activities of the Centre include comparative international studies, case studies, reports, position papers, submissions to public consultations, and academic studies with relevance for investor protection policies and practices in Singapore and beyond.

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- Feedback on consultation papers
- Position papers related to investor protection and corporate governance
- Academic studies with relevance for investor protection policies and practices in Singapore

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CORPORATE GOVERNANCE AND ETHICS: CASE STUDIES

2025 Series: Volume 2

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Title: Corporate Governance and Ethics: Case Studies, 2025 Series, Volume 2

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PREFACE

This is the second volume of the 2025 Corporate Governance and Ethics case study series, first published by the Centre for Investor Protection at the NUS Business School last year.

This annual series comprises case studies on listed companies and other organisations in Singapore and the rest of the world. The cases are written from public information to facilitate discussion and for use in courses and programs for undergraduates, graduates, executives, directors, and other stakeholders. While the cases are selected for their relevance to issues relating to ethics, corporate governance and investor protection, they often raise many other business issues, such as business models, finance, accounting, and sustainability. I personally review and do the final editing for every case.

These cases are available for use free of charge. We only request that those using the cases write to me at bizmakyt@nus.edu.sg letting me know which cases they are using and for what courses and programs, and to acknowledge the source of these cases.

Volume 2 comprises 10 cases, including five Singaporean cases, a case from China, two cases from Australia, one case from the United States, and one case from Switzerland. The selection of cases from multiple countries allows students and practitioners to learn about corporate governance systems in different jurisdictions.

The Singaporean case on 17LIVE, a live-streaming platform which became the first, and so far the only, company to be listed on the Singapore Exchange (SGX) though a Special Purpose Acquisition Company (SPAC), allows a discussion of not only corporate governance issues but also the business model of the company. It has performed poorly since its listing and was cast into the spotlight when one of its independent directors resigned after she became one of the three Singaporeans added to the US Specially Designated Nationals and Blocked Persons list for her alleged links with a Cambodian businessman accused of running a global scam operation involving forced labour.

Three of the Singaporean cases – Metech, KTL Global and Ntegrator – highlight the highly problematic corporate governance in many SGX-listed issuers, with issues such as character and integrity of individuals who are substantial shareholders, directors or management; questionable transactions; common personalities involved in different companies undertaking such transactions; and many other compliance issues.

The case on Mobile Health Network Solutions (MHNS), which became the first pure-play telehealth company in the Asia Pacific to list on a major US stock exchange, is about how speed can kill – in this case, the lightning speed of the teleconsultation services offered by its MaNaDr platform led to the Ministry of Health in Singapore revoking the latter's license and triggered disciplinary actions against many doctors involved in providing these services. It raises questions about how listed healthcare companies can balance ethics and profits, and a range of other corporate governance issues.

The case on Country Garden, a People's Republic of China company listed on the Hong Kong exchange which went into financial distress, raises issues relating corporate governance of family-controlled businesses; board composition and responsibilities; remuneration policies; risk taking, oversight and management; share buybacks; and corporate governance in China.

The two Australian cases on Qantas and Mineral Resources have a common theme of a dominant CEO, although the two companies have very different ownership structures, with the former being widely held and the latter with the CEO being the controlling shareholder. Board structure and composition, board-CEO relationship, remuneration policies and sustainability are common issues in the two cases. However, while the treatment of customers and employees is a key issue in the Qantas case, the Mineral Resources case deals with issues such as serious ethical lapses and conflict of interest.

The Tesla case is also about a dominant CEO, in this case one who wears multiple hats, and is also about board structure and composition, independence of directors, and compensation policies for directors and CEOs, among other issues.

The final case in this volume on Nestlé focuses on its governance structure, remuneration policy, risk management framework, business strategy and sustainability initiatives.

I would like to acknowledge the students in the Governance, Risk Management and Sustainability course who worked on the original cases as part of their course requirements. Their names are listed in each case. I would also like to thank Andrea Aw Zhi Yi, Rachel Tang Kai Xuan, Tan De-Reng, Aditya Keshav Singanamala, Nethania Che Khai Le and Tan Yuxuan, who helped with checking the accuracy and editing the cases.

This publication and the establishment of the Centre for Investor Protection would not be possible without the generous donation from a donor who believes in the importance of corporate governance and investor protection for a robust capital market. I am deeply grateful to this donor.

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NUS Business School

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IS 17LIVE ENOUGH?*

Case overview

17LIVE was founded in 2015 and became the top Internet live-streaming platform by revenue in Japan and Taiwan. In December 2023, Vertex Technology Acquisition Corporation (VTAC) became the first Special Purpose Acquisition Company (SPAC) to successfully complete a business combination and execute a de-SPAC, through a merger with 17LIVE. The issue price of VTAC units when it listed in January 2022 was S\$5.

By 16 October 2025, the share price of 17LIVE, which had fallen to S\$0.87. That day, news broke that one of its independent directors, Karen Chen Xiulin, had resigned after she became one of the three Singaporeans added to the U.S Specially Designated Nationals and Blocked Persons list for her alleged links with a Cambodian businessman accused of running a global scam operation involving forced labour. This turned the spotlight on 17LIVE.

The objective of this case study is to facilitate a discussion of issues such as the business model of a live-streaming platform company, board composition, the appointment and cessation of directors and key management, fit and proper criteria for directors; differences in financial reporting standards, share buybacks, and SPAC listings.

17LIVE goes live

Vertex Technology Acquisition Corporation (VTAC) listed on the Singapore Exchange (SGX) on 20 January 2022, becoming the first Special Purpose Acquisition Company (SPAC) to do so.¹ VTAC's sponsor is Vertex Ventures Holdings (Vertex Ventures), a Singapore-based global venture capital platform which manages over US\$5.1 billion of assets and has an active portfolio of over 200 companies. Vertex Ventures is a wholly-owned subsidiary of Temasek Holdings (Temasek), the investment company which is wholly-owned by the Singapore government.²

VTAC's Chairman Chua Kee Lock (Chua), together with Executive Director (ED) and Chief Executive Officer (CEO) Jiang Hong Hui (Jiang), led the company through an Initial Public Offering (IPO). VTAC raised

* This case study was originally prepared by Caren Harry Ho, Chan Wei Yin Ethel, Faith Mok Jing Huan, Kelly Tan Yi Hui and Lee Yan Rong. It has been edited by Andrea Aw Zhi Yi, under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

S\$208 million in gross proceeds with its IPO price set at S\$5 per share. Each ordinary share offered in the IPO came with a fraction of a warrant.³

On 1 December 2023, shareholders of VTAC voted at an Extraordinary General meeting (EGM) for the acquisition of 17LIVE, with 95.53% of shareholders supporting the deal.⁴ This made the VTAC deal the first- and so far only - successful acquisition of a target company by a Singapore-listed SPAC.⁵ The listing of 17LIVE on SGX provided capital for further expansion beyond Japan and Taiwan, allowing it to enter additional regions in Asia.⁶

The VTAC shares were issued at S\$5 during its January 2022 listing. By 7 December 2023, the day before trading commenced under the 17LIVE name, the shares had fallen by 61 cents, or 13.6 per cent, to S\$3.88. On its first day of trading as 17LIVE, the share price declined further, closing at S\$3.15, a drop of 18.9 per cent.⁷

For a de-SPAC to occur, the issuer must appoint a financial adviser, which is an issue manager, to advise on the business combination. SPAC's sole issue manager was DBS Bank (DBS), which is controlled by Temasek. DBS and UBS AG Singapore Branch were the Joint Financial Advisers in respect of the Business Combination, and Joint Placement Agents for the Private Investment in Public Equity (PIPE) financing.⁸ VTAC and 17LIVE merged on 8 December 2023.⁹

There were two other SPACs which did not manage to complete their SPAC transaction, Pegasus Asia and Novo Tellus Alpha Acquisition (NTA A). The three SPACs together raised IPO proceeds of S\$528 million.¹⁰ Both Pegasus Asia and NTA A cited unfavourable market conditions deterring them from concluding a combination with another business, and they were wound up with the IPO proceeds returned to the IPO subscribers.^{11, 12}

“The three SPACs listed here have not enjoyed a good start, marked by the “disastrous de-Spac involving 17LIVE”

- Professor Mak Yuen Teen , Corporate Governance Advocate¹³

Who owns 17LIVE?

17LIVE has several substantial shareholders. Temasek has a total interest of 47,495,950 shares (25.96%) held through multiple entities, including Venezio Investments Pte. Ltd, Vertex Co-Investment Fund Pte. Ltd., the Vertex Growth Fund Pte. Ltd., and Pav Investments Pte. Ltd., all of which are subsidiaries or affiliated companies of Temasek.¹⁴ Their shares are held through various fund entities, including Tembusu Capital Pte. Ltd., Fullerton (Private) Limited and Ellensburg Holding Pte. Ltd.,

Phua Jiexian, Joseph (Phua) owns 30,000 shares directly and is deemed to have an interest in 16,055,627 shares (9.05%) through his 100% ownership of Dragon Alexander Limited.¹⁵ Akio Tanaka (Tanaka) holds no direct shares but is deemed to have an interest in 19,453,132 shares (10.96%) via his 100% ownership of Growth Tree Ltd, which wholly owns Infinity e.Ventures Asia III, Ltd., the general partner (GP) of Infinity e.Ventures Asia III, L.P., which holds the shares.¹⁶

Other substantial shareholders include KTB China Synergy Fund (5.13%) through its parent, Woori Venture Partners Co., Ltd., and M17 Growth SPV LLC (M17), which directly holds 18,703,753 shares (10.22%) and is deemed to be associated with Aika Tong, who has a 14.1% deemed interest including through her ownership of M17.¹⁷

Board changes

On 7 December 2023, the day before the merger with 17LIVE - several individuals resigned from VTAC in preparation for a new Board and management team under 17LIVE. Chua Kee Lock (Chua) resigned as non-

executive chairman; Jiang resigned as Executive Director (ED) and Chief executive officer (CEO); Anupama Sawhney resigned as a non-independent non-executive director (NINED); and Low Seow Juan resigned as an independent non-executive director (INED).¹⁸ Following the merger, Phua was appointed as non-executive chairman of 17LIVE; Lien Chien-Lin (Lien) as Executive Director (ED) and Chief executive officer (CEO); Akio Tanaka as a NINED; and Tan Hup Foi (Tan), Hideto Mizuno and Chen Xiuling as INEDs.¹⁹

However, on 26 January 2024, less than two months after 17LIVE was listed. Lien resigned as ED and CEO citing personal family reasons. He was appointed as a senior adviser for one year to facilitate the leadership transition.²⁰ Phua took over as Executive Director (ED) and Chief executive officer (CEO) and Tan became the Lead Independent Director.

Jiang was appointed as a strategic adviser for 17LIVE.²¹ The NC then nominated him to be appointed as Executive Director (ED) and Chief executive officer (CEO), citing his extensive experience in venture capital and strategic investments especially in the technology and consumer internet sectors. On 13 August 2024, Jiang formally began his role as Executive Director (ED) and Chief executive officer (CEO) Phua was re-appointed to his former role as Non-Executive Non-Independent Chairman (NENIC).²²

The “Live” Board

As of November 2025, the Board of Directors of 17LIVE consisted of seven members, who were stated as having expertise in finance, technology, corporate governance, and international expansion. Figure 1 shows the Board members and their date of appointment, gender, age, ethnicity, working experience and qualifications.

In its Board Diversity Policy, 17LIVE acknowledges that a diverse Board improves decision-making through leveraging different skills, industry expertise, gender representation, independence, and other attributes. The company said it was dedicated to improving diversity through upcoming board appointments, ensuring that new members extend the board’s competencies and strategic perspectives.

Name	Date of Appointment	Position	Gender, Age, Ethnicity, Working Experience and Qualifications
Phua Jiexian, Joseph (Male)	13 August 2024	• Non-Executive Non-Independent Chairman	<ul style="list-style-type: none"> • A Singaporean-Taiwanese entrepreneur, the co-founder of 17LIVE and its subsidiaries. • Experience in consulting and banking at McKinsey & Company and Citigroup respectively. • Experience in luxury retailing, managing Da Vinci Asia’s fine watch and jewellery operations nationally from May 2008 to April 2011. • Bachelor of Science, New York University Stern School of Business, and Master of Business Administration, University of Chicago Booth School of Business.
Jiang Hong Hui (Male)	13 August 2024	Executive Director (ED) Chief executive officer (CEO)	<ul style="list-style-type: none"> • Over 12 years of experience in venture capital, focusing on Greater China, Japan, and Southeast Asia. • Previously served as the CEO and ED of VTAC, where he oversaw the business acquisition of 17LIVE in December 2023. • Held leadership roles at Temasek Life Sciences Accelerator and Whispir Limited. • Bachelor of Science in Mechanical Engineering, University of Michigan, and Master of Science in Mechanical Engineering, Massachusetts Institute of Technology.

Name	Date of Appointment	Position	Gender, Age, Ethnicity, Working Experience and Qualifications
Akio Tanaka (Male)	7 December 2023	Non-Executive Non-Independent Director	<ul style="list-style-type: none"> A Japanese investor and co-founder of early-stage startups in Asia, with a focus on online enterprises. Holds 100% ownership of Growth Tree Ltd, which wholly owns Infinity e.Ventures Asia III, Ltd., the GP of Infinity e.Ventures Asia III, L.P. (the fund). A former director of Emerging Market Investments and Corporate Development at Adobe Systems Inc., concentrating on the company's foreign investment programme. Bachelor of Arts, Urban Geography, University of British Columbia Canada, and Master of Arts, Urban Geography, University of British Columbia Canada.
Tan Hup Foi (Male)	26 January 2024	<ul style="list-style-type: none"> Lead Independent Director Chairman of the Audit Committee (AC) Member of the Nominating Committee (NC) and Remuneration Committee (RC) 	<ul style="list-style-type: none"> A seasoned Board director with experience in various sectors, including transportation, education and financial services. Experience as director of listed companies such as Credit Bureau Asia Bachelor of Engineering (Hons), Monash University, and Master of Science (Industrial Engineering), University of Singapore.
Dr Steve Lai Mun Fook (Male)	7 December 2023	<ul style="list-style-type: none"> INED Chairman of the NC and RC Member of the AC 	<ul style="list-style-type: none"> Previously held positions as the deputy CEO of TUV SUD PSB Corporation and PSB Corporation, CEO of PSB Academy, and General Manager (Standards & Technology) at the Singapore Productivity & Standards Board. Received the Green Leaf Award (Individual) from the Singapore Ministry of the Environment and the Silver Public Service Award in 1997 for his contributions to the environmental movement and eco-labelling. Currently serves as a director for two publicly-listed companies in Singapore, Intraco Limited and Yongmao Holdings Limited. Bachelor of Science (Honours) in Industrial Chemistry and Doctor (PhD) of Philosophy, Loughborough University of Technology.
Hideto Mizuno (Male)	7 December 2023	<ul style="list-style-type: none"> INED Member of the NC and RC 	<ul style="list-style-type: none"> Served in many leadership positions in Japan, including directorships at Waterfield KK and Well-pedia KK, Vice Chairman of the Mizuno Sports Promotion Foundation, and executive positions at Mizuno Corporation, VF Japan (Timberland), and Compass Group Japan. As director of Mizuno Corporation, managed the company's US operations, supervising strategic planning, national retail alliances, and new commercial initiatives. Held the position of INED of AEON Stores (Hong Kong) Co., Limited since 2018. Bachelor of Arts in Economics, Keio University; Bachelor of Arts (Chemistry), Carthage College; and Master of Business Architecture and IT Management, Kanazawa Institute of Technology.

Name	Date of Appointment	Position	Gender, Age, Ethnicity, Working Experience and Qualifications
Chen Xiuling (Female)	7 December 2023	<ul style="list-style-type: none"> • INED • Member of the AC and NC 	<ul style="list-style-type: none"> • Serving as the Chief Financial Officer of DW Capital Holdings Pte. Ltd. • Previously held the position of Head of Internal Audit at Neil Professional Services Pte. Ltd., and Audit Manager at PricewaterhouseCoopers LLP, Singapore. • Bachelor of Science in Accounting and Finance, University of London in association with The London School of Economics and Political Science, conducted through the Singapore Institute of Management • Member of the Institute of Internal Auditors Singapore since October 2019 • Member of the Institute of Singapore Chartered Accountants since October 2015 • ASEAN Chartered Professional Accountants Coordinating Committee (ACPACC) ASEAN Chartered Professional Accountant since May 2018

Figure 1: 17LIVE's Board of Directors²³

Source: 17LIVE (2024). Annual Report 2024.

Backstage pass

Figure 2 shows the other members of the senior management team of 17LIVE, their positions, working experience and qualifications.

Name	Date of Appointment	Position	Working Experience and Qualifications
Ng Jing Shen (Male)	7 December 2023	Global Chief Technology Officer (CTO)	<ul style="list-style-type: none"> • Former Chief Operating Officer (COO) of 17LIVE. • Together with Phua, co-founded Paktor Pte. Ltd., a dating and social networking platform that merged with 17 Media in 2017 and formed 17LIVE (formerly M17 Entertainment Limited). Paktor was subsequently divested by 17LIVE under the direction of Phua. • Held leadership positions at Paktor, including CTO from August 2013 to 2019 and CEO from November 2017 to August 2019. • Before Paktor, founded Restless in 2012, an online platform that allowed people in Singapore to explore, search for, and reserve activities. • Worked as a Software Engineer at Amazon.com Inc. for three years. • Bachelor of Science in Engineering (Computer Science), University of Michigan.

Name	Date of Appointment	Position	Working Experience and Qualifications
Kenta Masuda (Male)	7 December 2023	Global CFO	<ul style="list-style-type: none"> • Experience in finance and management, particularly within the Japanese market, and supervises management reporting, investor relations, and banking connections. • Held the position of CFO at 17LIVE in Japan. • Previously served as director of Financial Reporting and Consolidation, and Controller and Senior Director of Financial Planning and Analysis (FP&A) and Treasury of Walmart Japan. • Over eight years of experience at Deloitte Touche Tohmatsu LLC, focusing on global audit, due diligence, and advisory services. • Bachelor of Economics, Doshisha University.
Joji Koda (Male)	29 May 2024	Global Chief Investment Officer (CIO)	<ul style="list-style-type: none"> • Held the position of Senior Vice President at 17LIVE and its subsidiaries. • Over 20 years of leadership experience in finance, investment, and global corporate strategy at 17LIVE, overseeing group investor relations, mergers and acquisitions, and strategic partnerships. • Served as director of Ripple, a cryptocurrency and blockchain technology firm in San Francisco; CFO and COO of HOMMA, a Silicon Valley-based smart home technology business; and director at EY Transaction Advisory Services in Tokyo. • Before joining EY, gained experience at Cool Japan Fund, GE Capital, and MUFG Bank (previously UFJ Bank), where he led worldwide initiatives in investment, finance, restructuring, and operational enhancement. • Bachelor of Business Administration, Hosei University, and Master of Business Administration, University of Chicago Booth School of Business.

Figure 2: Other Members of 17LIVE's Management Team²⁴

Source: 17LIVE (2024). Annual Report 2024.

Business model

17LIVE's revenue comes mainly from livestreaming, with live commerce as another revenue source.

Live streaming

17LIVE's livestreaming platform enables real-time interaction between content creators and viewers. Viewers can interact with creators through live chat, virtual gifts and other interactive features. The platform enables creators to broadcast content across categories such as gaming, music, entertainment and lifestyle.²⁵

The platform classifies its content creators, known as LIVERS, into two categories: Real Livers and V-Livers. Real Livers, who present themselves as their real-life personas, accounted for US\$265.8 million in revenue in 2023,

or 95.3% of the company's total revenue.²⁶ In contrast, V-Livers, who use computer-generated avatars controlled by human operators, contributed US\$5 million or 1.8% of the company's revenue during the same period.²⁷ In 2024, Real Liver live streaming and V-Liver live streaming continued to be the main revenue contributors, accounting for US\$171.7 million and US\$11.0 million respectively.

Creators can earn revenue through virtual gifts, subscriptions, sponsorships and advertising. 17LIVE retains between 30% and 80% of the revenue as commission, with the remaining amount paid to LIVERS. The payout structure depends on the streamer's level of experience and whether they stream exclusively on the platform.²⁸

Viewers can purchase virtual points called "Baby Coins", which are used to buy virtual gifts as a show of support for their favourite LIVERS. Viewers may directly purchase virtual points in bundled packages, with the total package price proportionally allocated to each virtual point, or receive a specified amount of virtual points through their monthly VIP membership subscription. Payment is made through third-party online payment systems such as internet banking, debit or credit card transactions, and other external payment methods. 17LIVE determines the virtual points required to purchase each type of virtual gift.²⁹

Additionally, viewers may spend their virtual points to participate in in-app games while watching live streams. Some of the latest games introduced include Tokyo Turf: Super-Powered, Dragon vs Tiger and Supreme Baccarat, released on 24 April 2024, 30 April 2024, and 31 May 2024 respectively.

Viewers have the option to pay a monthly subscription fee to become an "army subscriber" for a specific LIVER.³⁰ This fee is collected upfront, and different subscription plans offer various benefits determined by 17LIVE. Perks of an army subscription include army-only streams for access to exclusive live streams, though LIVERS retain the liberty to restrict these based on rank as well as the frequency of streams; exclusive content for viewing of private posts, which LIVERS may limit by rank, edit, or remove at their discretion; comment badge for a distinct badge displayed in comments to indicate subscriber status; front row priority for display of usernames at the top of the LIVER's view, giving priority recognition to subscribers; and exclusive gifts for access to subscriber-only, army-themed virtual gifts.

Army subscribers can choose from different subscription cycles, all of which are automatically renewed at the end of each cycle. The mobile app offers a one-month renewal cycle, whereas the web platform provides options for one, three, or six months.³¹

Live commerce

Live commerce serves as another key revenue stream for 17LIVE. This segment is seen to be highly synergistic to the platform's core livestreaming operations, contributing to the diversification of its revenue sources as part of the company's "sustainable growth strategy".³²

17LIVE operates HandsUp, a platform in Japan that enables merchants to sell their products through live streaming. It provides structured support for live commerce operations, including development of mid- to long-term operational strategies, providing feedback and action plan recommendations, consulting on strategies for customer acquisition and engagement management, regular meetings to implement the "Plan-Do-Check-Act" cycle, and training of LIVERS for product placement. Clients are charged based on a quoted price, which varies according to the scale of operations.³³

17LIVE also operates a business-to-business live commerce platform named OrderPally in Taiwan which seeks to streamline live streaming sales and order fulfilment to simplify the process for businesses conducting live commerce.³⁴ The main product is a social e-commerce system that integrates order management across multiple channels, such as Facebook, Instagram and LINE.

Customer segmentation and relationships

17LIVE primarily targets mobile users and operates across multiple markets, with Japan and Taiwan serving as its main revenue-generating regions.³⁵ The company also maintains a presence in Hong Kong, Singapore, the United States (US), the Philippines, India, and Malaysia.

Information on the contribution to the company's revenue, gross profit and non-current assets by region is shown in Figure 3.

SEGMENT INFORMATION (CONTINUED)

Geographical information

	2024			
	Japan US\$'000	Taiwan US\$'000	Others US\$'000	Total US\$'000
Revenue	134,342	48,312	8,181	190,835
Gross profit	68,243	11,334	2,962	82,539
Non-current assets	3,188	2,273	24,545	30,006

	2023			
	Japan US\$'000	Taiwan US\$'000	Others US\$'000	Total US\$'000
Revenue	190,213	70,406	18,308	278,927
Gross profit	96,011	14,281	4,657	114,949
Non-current assets	2,507	4,052	24,242	30,801

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets and intangible assets as presented in the balance sheet of the Group.

Figure 3: 17LIVE's Annual Report for the Financial Year ended 31 December 2024³⁶

Source: 17LIVE (2024). Annual Report 2024.

Distribution channels

17LIVE distributes its mobile applications primarily through third-party platforms, including Google Play and the iOS App Store. In addition to mobile applications, the platform is also accessible via web browsers, but a significant portion of downloads is expected to continue originating from mobile marketplaces.

Offline events

Offline events serve a dual purpose for 17LIVE. While providing an opportunity for LIVERs to strengthen their connection with their communities through in-person interactions, it also serves as a key component of the company's strategy to implement return-driven marketing activities.³⁷ Notable events include the Sengoku-Themed Gamified Contest Finale in Tokyo in March 2024 as a grand finale event for a series of Sengoku-themed gamified contests attended by over 60 LIVERs.³⁸

Key resources

While specific details about the development of its applications are not publicly disclosed, 17LIVE has an in-house engineering team responsible for the development of multiple apps, including those for video streaming, voice streaming, and e-commerce streaming.³⁹ To complement the in-house development of its live-streaming software and enhance its service offerings, 17LIVE has established partnerships with companies such as Google Cloud, Ably, and CDNetworks.

The partnership with Google Cloud supports the capacity of up to two million concurrent viewers on the live-streaming platform through flexible content delivery enabled by Cloud CDN. It helps improve live streaming performance with data insights generated by BigQuery and reduces 40% of streaming-related issues through

system error predictions powered by Vertex AI.⁴⁰ With Ably, the partnership provides real-time infrastructure, comprehensive documentation, and dedicated support for implementing real-time functionalities. Ably also aids in scaling the platform to handle traffic spikes without performance degradation. To meet security and compliance requirements, Ably deployed a dedicated cluster within the region to ensure secure data handling in accordance with local regulations. SAML integration enabled seamless maintenance of 17LIVE's existing SSO system.⁴¹ For CDNetworks, the partnership offers Content Delivery Network and streaming media distribution services to deliver 17LIVE's live technology. It overcomes cross-border latency issues and unstable connections through the provision of CDNetworks' China Premium Service, enabling cross-country interactions for live streaming. CDNetworks also supports the large-volume distribution of FLV to ensure low-latency streaming capabilities.⁴²

Talent acquisition and retention

17LIVE establishes an AI Co-Host feature to assist LIVERs in enhancing their content and fostering stronger connections with their audiences.⁴³ In response to the growing competition from other platforms, 17LIVE has moved away from its exclusivity clause, which previously restricted contracted LIVERs from broadcasting on other platforms.⁴⁴

However, the platform continues to focus on hosting offline events and promoting premium content. For instance, 17LIVE has partnered with Japanese radio station Nippon Broadcasting for the All Night Nippon Zero show, which is streamed exclusively on 17LIVE daily at three in the morning. This strategy is aimed at encouraging greater collaboration between well-known stars and emerging LIVERs, providing more incentives for LIVERs to remain active on 17LIVE.⁴⁵

To complement its bid in organic talent acquisition, 17LIVE has acquired several VTuber production companies, including Mikai⁴⁶ and N Craft⁴⁷ to enhance the platform's virtual influencer portfolio.

Licensing agreements

17LIVE has secured comprehensive licensing agreements with prominent game companies, including Capcom Co., Ltd (Capcom)⁴⁸ and Nintendo Co, Ltd (Nintendo).⁴⁹ Capcom's notable franchises include "Street Fighter", "Monster Hunter", and "Resident Evil", while Nintendo is known for iconic series such as "Super Mario", "The Legend of Zelda", and "Animal Crossing". Under these agreements, LIVERs will have the opportunity to use Capcom's applicable game copyrights for these popular titles in accordance with the guidelines provided. LIVERs are also able to monetise their content by offering virtual gifts themed around these games during their live streams.

Partnerships

17LIVE signed a Memorandum of Understanding (MOU) with mm2 Asia Limited (mm2), a regional media and entertainment company headquartered in Singapore and listed on SGX.⁵⁰ This partnership aims to create opportunities for collaboration in the marketing of movies, the involvement of LIVERs in mm2 movie projects, and the production of long-form animation content utilising 17LIVE's proprietary V-Liver intellectual property (IP). Through this collaboration, 17LIVE and mm2 will leverage their combined expertise to enhance entertainment offerings and expand reach across Southeast Asia. The partnership also provides 17LIVE with the opportunity to further enhance its live streamer reward incentives while offering mm2 access to a global talent pool. Additionally, this allows for the expansion of 17LIVE's flagship offline streamer events into the region, thereby increasing its audience base and content diversity.

A key partnership for 17LIVE is its collaboration with Sega Corporation (SEGA), a renowned global gaming company, which has enabled 17LIVE to integrate live commerce within popular game titles such as "Yakuza

7 Side Story” and “Sonic Superstars”. The partnership leverages on SEGA’s gaming franchises to create live-streaming events that combine gameplay promotion with live commerce features, such as the 17LIVE Shop introduced in July 2023.

For instance, the “Yakuza (Like a Dragon Gaiden) x 17LIVE Shinjuku Vision Appearance Contest”, a collaborative event to promote the release of “Like a Dragon Gaiden: The Man Who Erased His Name”, allowed LIVERs to promote the game while interacting with viewers in real time. Viewers were also able to make in-app purchases as they watched, with the event providing top-ranking LIVERs with the opportunity to be featured in a Shinjuku Station Vision advertisement in promotion of the Yakuza franchise.

Similarly, another collaboration event was held with digital gifts and event content based on the beloved SEGA character, Sonic, to promote Sonic Superstars video game.⁵¹

Cost structure

17LIVE’s cost structure is primarily driven by three key components.⁵²

The largest cost category, fees paid to streamers and other live streaming costs, accounts for 75.2% of the total cost of revenue in 2024. This includes commissions paid to LIVERs and payments made to content providers, both of which are directly linked to platform activity. As such, this cost is classified as variable, fluctuating in proportion to the volume of sales or the number of transactions conducted on the platform.

The second largest cost driver is server and bandwidth costs, representing 13.2% of the cost of revenue in 2024. These expenses cover the hosting of 17LIVE’s digital infrastructure, including websites, applications, and data delivery to viewers. The classification of this cost depends on the specific payment agreement with service providers. If 17LIVE operates under a pay-as-you-go model, these expenses would be entirely variable. However, if a fixed monthly cost applies with additional fees beyond a usage threshold, they would be semi-variable.

The third major cost component is channel costs, constituting 10.8% of the total cost of revenue in 2024. These expenses arise from commissions and fees paid to third-party platforms that facilitate the sale of virtual points and subscriptions through 17LIVE’s payment system. Given that these costs increase in direct correlation with transaction volume, they are also variable costs.

Growth strategy

In August 2024, 17LIVE introduced the “17LIVE Forward Strategy,” outlining three core pillars of streamer growth, strengthening platform, and revenue diversification.⁵³ This is to support sustainable growth in the livestreaming industry while driving business expansion through organic development and strategic acquisitions.

By lowering barriers-to-entry through the V-Create tool where new V-LIVERs can create virtual personas with minimal setup, 17LIVE will be able to attract a larger base of potential V-Livers.⁵⁴

17LIVE also aims to strengthen its position in the livestreaming industry by continuously improving viewer engagement through innovative platform features. The introduction of AI Co-Host and other interactive tools seeks to enhance viewer retention and stream quality, encouraging existing viewers to stay on the platform longer and spend more while also aiding LIVERs in content creation and moderation.

To diversify revenue streams, 17LIVE invested in IP-driven content to expand its virtual IP ecosystem. The acquisition of mikai Inc (mikai), a VTuber production company, has allowed 17LIVE to leverage on mikai’s existing virtual influencers to expand 17LIVE’s current viewer base.⁵⁵ The integration of mikai’s content library and VTuber assets is aimed at enhancing the platform’s offering, making it more appealing to a broader audience.

Additionally, its continued investment in artificial intelligence and interactive livestreaming tools demonstrates a focus on enhancing content creation and moderation to improve the user experience and stream quality.

Key obstacles

The live-streaming industry has become increasingly competitive as more digital platforms incorporate live-streaming into service offerings. Although 17LIVE initially gained an advantage as one of the first dedicated live-streaming platforms, the rapid rise in live-streaming consumption during the pandemic attracted new entrants. This has led to heightened competition, making it more challenging to attract top content creators and retain users in an increasingly saturated market.⁵⁶

The intensifying competition in the live-streaming industry has led to aggressive talent poaching by rival platforms, many of which offer more lucrative revenue-sharing schemes to attract top streamers.⁵⁷ As a result, 17LIVE has experienced a loss of content creators to competitors with larger budgets. Recognising that it cannot compete solely on financial incentives, 17LIVE has shifted its focus toward fostering streamer growth and retention through improved onboarding, training, and exposure opportunities, for instance collaborations with high-profile celebrities.

To adapt to the evolving landscape, 17LIVE has also revised its contract structure, transitioning from exclusive agreements to a more flexible model that allows streamers to participate on multiple platforms.⁵⁸ This phased policy change enables former streamers to return for in-platform events while maintaining presence elsewhere. Additionally, 17LIVE continues to emphasise its strong event-driven ecosystem, hosting over 60 online and offline events per month, to create an attractive and engaging environment for existing and returning streamers.

By prioritising sustainable growth and cost efficiency over aggressive bidding wars, 17LIVE aims to maintain profitability while strengthening talent pool. The company remains confident in its ability to grow its pool of streamers through strategic investments in talent development and engagement initiatives, keeping operating costs lean and focusing on long-term profitability to differentiate itself from competitors.

17LIVE's performance

In FY2023, 17LIVE recorded a net loss of US\$247.9 million based on International Financial Reporting Standards (IFRS), despite generating an operating income of US\$13.8 million.⁵⁹ The discrepancy was mainly attributed to a non-cash fair value loss of US\$245.7 million on financial liabilities, including warrants and earn-out instruments issued during the de-SPAC transaction. Under IFRS, these instruments are categorised as financial liabilities, with changes in their fair value recognised in the income statement that result in significant non-operating losses that obscure the company's operational performance.

17LIVE supplements its IFRS results by including adjusted net income metrics, which excluded the impact of non-cash items, such as revaluation losses on financial liabilities, share-based compensation, and expenses related to de-SPAC transactions.⁶⁰ During its FY2023 annual general meeting, the company reported an adjusted net income of US\$11.0 million, compared to an IFRS net loss of US\$247.9 million.⁶¹

In FY2024, 17LIVE reported a comprehensive loss of US\$6.6 million⁶² and disclosed an adjusted net loss of US\$3.2 million, after eliminating fair value impacts on financial instruments.⁶³ The company said that this reconciliation method offered a clearer view of 17LIVE's operations and is permissible under IFRS, contingent upon the adjustments being clearly defined, reconciled to IFRS-compliant figures, and not misleading in nature.

17LIVE's share price has also performed poorly since its listing, as shown in Figure 4.

17LIVE GROUP (LVR.SI)

☆ Follow

+ Add holdings

1.0100 +0.0100 +(1.00%)

At close: 12 September at 5:04:29 pm SGT

**Figure 4: 17LIVE's Share Price⁶⁴***Source: Yahoo!Finance (n.d.). 17LIVE Group.*

17LIVE's share price history is a reflection of its transition from a SPAC-backed listing to a publicly-traded digital entertainment company. The journey started in January 2022 with the IPO of VTAC on the SGX at an issuance price of S\$5.00 per unit. On 7 December 2023, VTAC ended its final trading day at S\$3.88, ahead of the de-SPAC transaction. The following day, 17LIVE debuted under the ticker SGX:LVR with an opening price of S\$3.88, and closed at S\$3.15. The share price continued to decline, falling to S\$1.55 by 29 December 2023, which represents an almost 69% decrease from the IPO of S\$5.00.

In January 2024, following the re-appointment of co-founder Phua as CEO, 17LIVE's share price increased by 3.2%, a reversal from a continuous share price decline following its listing. However, investor sentiment deteriorated in February 2024, following the company's report of a widened loss per share of US\$2.24 from US\$0.40 and a revenue decline to S\$128 million from S\$163.3 million for the second half of FY2023, with the share price falling by six percent. The shares reached a 52-week low of S\$0.425 on 15 July 2024.⁶⁵

In the first half of FY2024, 17LIVE posted revenues of US\$101.1 million, down 33% year-on-year, primarily due to reduced activity in the live-streaming segment and adverse foreign exchange movements.⁶⁶ However, it surprised the market with a net profit of US\$1.9 million, a significant recovery from the US\$118.2 million net loss in the same period the previous year.⁶⁷ This rebound was driven by cost optimisation and a revaluation gain in financial liabilities.

In the face of continuous pressure, 17LIVE pursued strategic initiatives to strengthen its market position. On 19 August 2024, the company launched HandsUP Crossborder, a live commerce platform targeting East Asia, which received a favourable market reception.⁶⁸ As of 14 September 2025, 17LIVE's share price stood at S\$1.01.

17LIVE's share buybacks

17LIVE implemented a share buyback program after shareholders approved a Share Buyback Mandate during its Extraordinary General Meeting (EGM) on 28 November 2024.⁶⁹ The mandate granted the repurchase of a maximum of 10% of its issued share capital, or 17,744,663 shares.

The rationale for the buyback, as outlined in the Circular to Shareholders, includes enhancing shareholder value via improved earnings per share and return on equity; offering flexibility in capital management through the effective use of surplus cash; allowing the use of treasury shares for employee share schemes or other corporate objectives; and signalling management's confidence in the company's long-term outlook.⁷⁰ The program started on 12 December 2024.

Directors in the spotlight

On 16 October 2024, a man with the name Joseph Phua garnered public attention by offering a S\$10,000 reward on Facebook for the recovery of his wife's iPhone 15 Pro Max, which had gone missing in a restroom at ION Orchard Shopping Mall in Singapore. He stated that the device held two years' worth of personal photographs, such as images of his family and children, which he characterised as possessing "significant sentimental value". The news ignited discussion on social media and was reported in several alternative media due to the magnitude of the reward.⁷¹

The Facebook posts of this individual include numerous news reports and comments about 17LIVE, pointing to him as the same Joseph Phua who is the co-founder and non-executive Chairman of 17LIVE.

But much more negative news was to come a year later.

Director with the wrong connections

Chen Xiuling (also known as Karen Chen), a INED of 17LIVE, was named by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) in October 2025 among individuals linked to Prince Group, a conglomerate the U.S. and U.K. describe as a transnational criminal organization that operated forced-labour "scam compounds" and ran global crypto-fraud schemes under the leadership of Chen Zhi.⁷² ⁷³ Chen Xiuling is alleged to oversee multiple Prince Group-affiliated companies across Mauritius, Taiwan and Singapore, and to be listed in filings as a director, company secretary, or shareholder of many entities on the sanctions list.⁷⁶

On 15 October 2025, shortly after the sanction's announcement, 17LIVE said Chen had voluntarily resigned from the board, citing that she was not involved in the company's business operations.⁷⁷

SPAC-tacular way to go public

A SPAC is an alternative way for private companies to raise capital and go public, compared to the more common IPO.⁷⁸ Firstly, investors invest in a SPAC through an IPO. The SPAC usually does not have business operations at this point of time. It will search for a target company to merge or acquire, negotiate and eventually ask for approval from shareholders. Once it is approved, the merger or acquisition occurs which is a process called de-SPAC. If negotiation fails with the target company, the SPAC will continue to search for a new target or dissolve, thus ceasing operation and returning investment to shareholders.

Effective 3 September 2021, the SGX introduced new rules that enable SPACs to list on its Mainboard.⁷⁹ Under SGX's rules, the SPAC needs to have a minimum market capitalisation of S\$150 million based on IPO issue price and post-invitation issued share capital.⁸⁰ This was reduced from the initial S\$300 million under its draft rules, and is in line with SGX's traditional IPO rules.

The de-SPAC must occur within 24 months from the IPO with an extension of 12 months, subjected to fulfilment of certain conditions such as approvals from SGX and shareholders.⁸¹ The sponsors' shares are subject to a moratorium from the IPO to de-SPAC, and a further six month-moratorium after de-SPAC and for applicable resulting issuers, a further six month moratorium thereafter on 50% of shareholdings. A moratorium is put in place to maintain promoter's commitment to issuers, thus aligning their interests with public shareholders.⁸²

Sponsors must subscribe to at least 2.5% to 3.5% of IPO shares/units/warrants depending on market capitalisation of the SPAC. This helps align the interest of sponsors and management team with the public shareholders.

The de-SPAC can proceed if more than 50% of IDs and 50% of shareholders support the transaction. A simple majority of IDs and an ordinary resolution passed by shareholders at the general meeting is required for the merger to proceed.

Warrants issued to shareholders are detachable and maximum percentage dilution to shareholders arising from conversion of warrants issued at IPO is capped at 50%.⁸³ This is a risk premium for shareholders for investing with SPAC, and the maximum percentage dilution is to ensure the conversion is still acceptable in the market.

All independent shareholders are entitled to redemption rights.⁸⁴ This helps attract investors for SPAC as the redemption rights offer protections for them.

The Sponsor's promote has a limit of up to 20% of issued shares at IPO. Promote is a practice of receiving shares for free or for nominal value. By limiting it, it will align the interest of sponsors and shareholders, as granting of promote is an incentive for sponsors which may end up diluting shares.⁸⁵

Why the SPAC-tacular way is preferred

For IPO, a company goes from private to public by way of issuing sales of its stocks for the first time with the help of an underwriter. The general public is able to purchase shares and own a portion of the company.⁸⁶ SPAC works differently. SPAC first raises capital through IPO to acquire an existing company. Thereafter, an operating company can merge with the aforementioned public company and become a listed company through executing its own IPO.⁸⁷

Companies' perspective

SPACs are executed faster than IPOs. SPAC merger typically takes three to six months whereas an IPO takes a longer period of twelve to eighteen months.⁸⁸ In an IPO, a company has to undergo multiple processes and ensure compliance with regulations before being able to publicly list their stock, which can be long and arduous. Companies may thus choose SPAC as a way to expedite the process of going public. However, this means that companies would have to meet an accelerated company readiness timeline, along with complex accounting and financial reporting requirements. The target company's management team will need to put in extra effort to ensure that it can operate as a public company within three to five months of signing a letter of intent.⁸⁹ The SPAC process does not mandate the same rigorous due diligence expected of an IPO, making it faster, though this could result in restatements, incorrectly valued business or lawsuits.⁹⁰

SPACs allow companies access to capital regardless of market conditions and liquidity. The IPO price is highly dependent on market conditions at the time of listing. On the other hand, the SPAC price is negotiated before the transaction closes, making it ideal in volatile market conditions. SPACs also provide the opportunity to raise additional capital. Additionally, SPAC sponsors raise additional debt or PIPE funding to fund the SPAC and growth for the merged company. This allows sufficient funds to complete the SPAC listing even if SPAC investors redeem their shares.⁹¹

Investors' perspective

SPACs may be a possible alternative for public investors. SPAC sponsors are typically experienced financial and industrial professionals. They are able to make use of their network to provide management expertise or take on a role themselves on the Board. These sponsors would be able to understand and value a business better. An

IPO does not provide such an extensive level of expertise, thus public investors may not be willing to invest in an IPO especially for companies which are more complicated, or ones which investors face challenges valuing. Investors may be more willing to invest in SPACs due to the assurance provided by the sponsors who have relevant expertise.

Additionally, investors in a SPAC IPO have the option to redeem their shares for what they paid for them plus interest. This means that they essentially have a money back guarantee. In addition, they have a warrant, which may turn out to be worth a lot if the SPAC is a success. The warrant is akin to a risk-free bet on the success of the SPAC. This feature is not seen for IPOs. Furthermore, SPAC investors stand a chance to own a bigger stake in the merged company than they would be able to through IPOs. This is because the number of shares that investors are granted in an IPO is usually less than what they apply for due to excess demand.⁹²

Humble beginnings of SPAC

The origins of SPACs can be traced back to the 1980s in the US, where blank-check companies, entities without a defined business strategy or substantial operations, were listed primarily to raise capital for prospective mergers or acquisitions. Blank-check companies were highly speculative in nature, with analysts frequently emphasising their susceptibility to penny-stock fraud.⁹³ Former Securities and Exchange Commission (SEC) Chairman David Ruder identified penny-stock fraud as “one of the most menacing problems facing investors, regulators, and the legitimate securities industry.”⁸⁵ By the early 1990s, such fraudulent activities had resulted in investor losses exceeding US\$2 billion per year.⁹⁴

The US government introduced the Penny Stock Reform Act of 1990 to mitigate fraud and manipulation within the low-priced stock market. The act mandated that blank-check companies not only hold IPO proceeds in escrow until a merger was finalised, but also offered investors the option to retract their investments after any merger decision. Furthermore, promoters are obliged to finalise a merger within 18 months following the IPO of the blank-check company.⁹⁵ Implementation of this regulatory framework led to the transformation of blank-check companies into what are now recognised as SPACs, establishing a more structured and investor-protected environment for their operation.

Rise and fall of SPACs

During the 1990s, SPACs continued to face scepticism from both institutional and retail investors due to insufficient SEC oversight and unregulated practices. Private firms that were not deemed IPO-ready were able to go public even though they had a weak track record. Consequently, these firms adversely affected the reputation of their affiliated SPACs. The average SPAC raised approximately US\$100 million, significantly lower than the nearly US\$400 million seen today.⁹⁶

The market conditions of the late 1990s, characterized by rapid technological advancement and a favourable IPO environment, led to the decline of SPACs. The massive growth in tech stocks and the rise of internet companies created a market frenzy, making IPOs a more attractive and beneficial route for companies seeking to go public. Small companies could easily bypass the SPAC route by going public through a traditional IPO, where they could achieve higher valuations and tap into a larger pool of investors, causing SPACs to fade into the background.

In the early 2000s, the increase in popularity of private equity led to SPACs gaining traction. SPACs experienced a resurgence, with public offerings growing from one in 2003 to 58 by 2007. SPAC IPO proceeds rose from US\$2.719 billion in 2006 to US\$10.674 billion in 2007. This revival was driven by investment banks recognizing SPACs as a lucrative source of underwriting revenue. By 2008, Nasdaq and the NYSE further legitimised SPACs by allowing them to be listed.⁹⁷

The 2008 financial crisis impacted the SPAC market, leading to a decline in activity. As credit markets froze and investor confidence plummeted, many SPACs struggled to secure funding for acquisitions, resulting in increased liquidations. With tighter financial conditions and heightened risk aversion, SPAC IPOs became less attractive. It was not until the end of the 2010s that SPACs began to recover, driven by a strong market rebound and increased interest from institutional investors seeking alternative investment vehicles. By this time, the US SEC had introduced stricter regulations for SPACs to protect investors, addressing governance concerns and improving transparency.

Going international

The adoption of SPACs outside the US began in the early 2000s at different paces. London was an early adopter, introducing SPACs in 2000. However, their development remained limited due to regulations requiring the suspension of trading immediately upon acquisition.⁹⁸ In Europe, SPAC listings emerged in 2007 with the Pan-European Hotel Acquisition Company being the first SPAC to debut on Euronext Amsterdam in July 2007.⁹⁹ Canada initially hesitated to embrace SPACs due to concerns over their lack of operational history and inability to meet specific financial standards. However, as SPACs gained popularity, the Toronto Stock Exchange introduced listing rules in 2008 to accommodate them.¹⁰⁰

Singapore has strategically positioned itself as a leading SPAC hub in Asia by introducing a regulatory framework in 2021.¹⁰¹ Shortly after, Hong Kong followed suit. The Hong Kong Exchange (HKEX) implemented its SPAC listing regime in January 2022 in response to strong market support. By 17 March 2020, a total of 10 SPAC listing applications had been submitted, highlighting the growing interest in this alternative listing method.¹⁰²

Changing rules

In recent years, regulatory changes have significantly shaped the potential of SPAC markets across major financial hubs, influencing their attractiveness and long-term viability.

The SEC proposed new rules to enhance transparency and investor protection in SPAC transactions in the US with the effective date being the 1 July 2024. These proposed changes aimed to address concerns over conflicts of interest by requiring more detailed disclosures on the compensation and incentives of SPAC sponsors. The proposed rules also sought to enhance the quality of disclosures by mandating more comprehensive information on the SPAC's target acquisition and the financial projections used to justify the transaction.¹⁰³

In the United Kingdom (UK), the Financial Conduct Authority aimed to make London a more competitive destination for large SPAC listings while maintaining strong investor protection. By offering greater flexibility and removing key barriers such as automatic trading suspensions, the UK sought to attract more SPAC activity. Specifically, the minimum initial listing amount would be lowered from £200m to £100m, expanding the range of target companies, significantly enhancing London's competitiveness compared to Nasdaq.¹⁰⁴ Another new ruling included a six-month extension option for the two-year operating period without shareholder approval, but only in specific cases where a deal is close to completion. The long-term viability of SPACs is unclear, but as private equity firms opt for SPAC exits, they may become a more mainstream investment vehicle.¹⁰⁵

The SGX listing rules for SPACs outline key requirements to ensure investor protection and market stability. The framework was developed in response to growing global interest in SPACs, particularly in the US market, but aimed to address concerns over excessive dilution, poor post-merger performance, and misaligned sponsor incentives that have plagued SPACs in other jurisdictions.

Hong Kong, on the other hand, has taken a cautious approach to SPACs due to concerns over potential market abuse. Following extensive consultation, the HKEX implemented a stringent SPAC listing framework in 2022. Some key changes include restricting SPAC securities to professional investors before the De-SPAC transaction, with securities traded in minimum lots of HKD \$1 million (US\$128,936) to prevent retail participation. The minimum

number of institutional investors for initial listing was reduced from 30 to 20 to maintain competitiveness while ensuring sufficient institutional participation.¹⁰⁶ At least one SPAC promoter must hold a Securities and Futures Commission Type six or Type nine license to ensure the promoter's competency. While these measures aim to protect market integrity, they may also limit the volume of SPAC activity compared to more flexible jurisdictions. De-SPAC transactions must be approved by shareholders, with promoters and their close associates abstaining from voting. The successor company post-De-SPAC must meet full listing requirements, including market capitalization and management continuity, and undergo due diligence by an independent IPO sponsor. These measures aim to protect market integrity but may limit SPAC activity compared to more flexible jurisdictions.¹⁰⁷

SPAC-ulations and trends

After the surge in activity during 2020 and 2021, the volume of SPAC IPOs has significantly declined. At its peak, more than 600 SPAC IPOs were recorded in 2021, raising over US\$162.5 billion.¹⁰⁹ However, the numbers have since dropped considerably. By 2024, only 57 SPAC IPOs were completed, generating approximately US\$9.6 billion in total proceeds.

A key driver of this decline is the tightening of regulatory oversight from the US SEC, making it more challenging for SPACs with speculative business models to secure funding and complete mergers. As a result, market participants tend to prioritise transactions involving established companies with proven financial stability rather than high-risk startups, emphasising high-quality investments. Additionally, broader economic factors such as inflation, fluctuations in interest rates and geopolitical instability have influenced market sentiments, contributing to more cautious investment strategies and impacting the valuation of SPAC targets.¹⁰⁸

Although the number of SPAC IPOs has decreased, those that proceed are concentrated in industries with strong growth potential. Sectors such as technology, renewable energy, healthcare, and financial technology continue to attract investor interest.¹⁰⁹

While the US remains the dominant SPAC market, there is a noticeable shift toward international expansion. In 2024, approximately 10% of all SPAC IPOs originated outside the US, particularly in Asia, Latin America, and Europe. This trend is supported by regulatory reforms in jurisdictions such as the UK and Singapore.¹¹⁰

Despite the slowdown in IPO activity, mergers and acquisitions involving SPACs remain strong. There is an increasing preference for merging with companies that have well-established operations and clear growth trajectories, rather than those with uncertain profitability. Successful SPAC mergers, such as those involving Polestar and SoFi, demonstrate the market's shift toward higher-quality transactions.¹¹¹

De-SPAC or disaster?

Many de-SPACs have underperformed, with stock prices dropping significantly post-merger, often trading well below their all-time highs and near their de-SPAC prices.

Several high-profile de-SPAC companies, such as DraftKings, Virgin Galactic, and Nikola, initially surged to over five times their de-SPAC prices. However, they have since experienced significant declines and are now trading at or near their de-SPAC prices, well below their peak values.¹¹²

“Of the 313 SPACs IPOs since the start of 2015, 93 have completed mergers and taken a company public. Of these, the common shares have delivered an average loss of -9.6% and a median return of -29.1%, compared to the average aftermarket return of 47.1% for traditional IPOs since 2015. Only 29 of the SPACs in this group (31.1%) had positive returns as of Wednesday's close.”

A significant contributor to the underperformance of de-SPACs was their valuation during the highly optimistic market conditions of 2020 and 2021. Elevated market multiples during this period resulted in excessive valuations, particularly in rapidly expanding industries such as biotechnology, technology, and transportation. However, as market sentiment deteriorated, these companies faced challenges in substantiating their high valuations, leading to substantial declines in stock prices.¹¹⁴

Additionally, many SPAC mergers relied heavily on aggressive forward-looking projections in their prospectuses to attract target companies. While initially perceived as a strategic advantage, these speculative forecasts became a disadvantage when market conditions worsened. As several companies failed to achieve their projected growth, investor confidence weakened, leading to further declines in share prices.¹¹⁵

SPACs, while advantageous for those running them, tended to be detrimental to investors, often resulting in poor shareholder returns. The primary issue lies in the dilution of shareholders due to the “promote”, a large fee structure that benefits SPAC managers at the expense of investors.¹¹⁶

During the fundraising phase, SPAC managers raise capital without announcing a specific target investment. They are given a limited window, to identify a suitable target company. The SPAC manager either secures an investment and retains the substantial fees, upfront payments and promote, or they fail to do so and the funds are returned to investors. This structure incentivises managers to make a deal simply to secure their financial benefits, even if the merger is not in the best interest of the investors.¹¹⁷

In the scenario where a SPAC fails to complete a merger, it will result in poor returns for shareholders, even if they eventually get their money back, as their capital was tied up for a significant period without generating any return. However, even if a SPAC completes a merger, investors may still suffer poor returns due to the hidden cost of the promote.¹¹⁸

The SPAC manager receives additional shares in the target company, typically around 20%, which are effectively funded by the investors. The promote is paid in the form of its equivalent shares and this results in the share price for SPAC being adjusted upward to ensure the total number of issued shares remains unchanged, as if the promote did not exist. This increases the cost of the investment, as the number of shares issued to investors is reduced. The promote, along with other fees such as percentage and flat fees, often results in about 25% of the capital being directed toward enriching the SPAC managers. Given such high fees, even if the target company performs well, it would need to outperform significantly for investors to break even, making most SPAC investments a risky and unfavourable proposition for shareholders.¹¹⁹

According to CultureBanx, it was reported that most failing SPACs are linked to public figures. Bloomberg data shows that 21 out of 33 SPACs associated with celebrities delivered negative returns in 2021.¹²⁰ Many SPACs associated with celebrities gained significant attention and initial investor enthusiasm, but their underlying business fundamentals were often weak. This led to inflated valuations and unrealistic expectations, which later resulted in sharp declines in stock prices when financial performance failed to meet investor hopes. Athlete-backed SPACs underperformed significantly, as have those tied to entertainers.¹²¹ Matthew Tuttle, CEO of Tuttle Capital Management and a frequent commentator on financial news outlets mentioned, “Celebrities are eye candy, unless there’s really good reasoning to have them on board. At some point, these companies need to deliver on a real mission, and it becomes less about the marketing and more about the strategy.” One of the worst-performing was rapper and entrepreneur Jay-Z’s cannabis-focused SPAC, The Parent Company, saw an 84% decline.¹²²

17LIVE, laugh, list

The case of 17LIVE’s merger with VTAC offers a multifaceted lens through which we can examine contemporary issues in investor protection and corporate governance. SPACs have raised new questions about regulatory oversight, transparency, and accountability. This is especially pivotal in markets where these mechanisms are relatively nascent.

Chen Xiuling's abrupt resignation adds another layer to these concerns. Her prior leadership roles within entities linked to the Prince Group, and the exposure created after the US Treasury imposed sanctions on several individuals associated with that network, raised unavoidable questions about suitability and board-level due diligence. For a newly listed company navigating investor scrutiny, the episode underscores how director entanglements can quickly escalate into governance and reputational risks. How 17LIVE manages these issues and strengthens its oversight structures will have a significant impact on investor confidence going forward.

Discussion Questions

1. Evaluate the business model of 17LIVE and discuss the key challenges the company has faced since its listing. In your answer, consider both internal and external factors that may have contributed to these challenges.
2. What role does the board of directors play in assessing the viability of the business model of a company and shaping its long-term strategy?
3. Critically evaluate the composition of 17LIVE's Board of Directors given its business, and the changes in directors and management after its listing. Do they raise any governance concerns? Explain.
4. In the case of co-founder Joseph Phua and independent director Chen Xiuling, do the incidents described in the case affect the reputation of 17LIVE? Explain.
5. Do you think the appointment of Chen Xiuling as an independent director of 17LIVE reflects a failure in corporate governance in 17LIVE and also those responsible for its listing? Do you think there are red flags that should have been evident which should have prevented her appointment to the 17LIVE Board? How can a listed issuer undertake due diligence on appointment of directors to minimise the risk of appointing a director who is allegedly connected to organisations that are involved in criminal activities?
6. Does the fact the Chen Xiuling was an independent director of 17LIVE raise deeper questions about the business of the company? If so, what might these questions be?
7. Critically evaluate the performance of 17LIVE performance post-listing. Given its business, do you think its performance should have been expected? To what extent is corporate governance a contributing factor to 17LIVE's performance?
8. What are the SGX Listing Rules governing share buybacks, and how might have these rules influenced 17LIVE's share repurchase strategy? Do you think buying back shares in 17LIVE's case is good for the company and its shareholders? Explain.
9. 17LIVE prepares its financial statements in accordance with IFRS, despite using USD as its reporting currency. Why do you think the company chose IFRS over U.S. GAAP? How does this reporting decision affect key accounting treatments, such as the classification and measurement of financial liabilities like warrants and earn-outs, and what are the implications for investors and other stakeholders?
10. What are the different ways that a company can list in your market? What are some of the key benefits of a SPAC listing compared to an IPO? What are the key risks for investors?

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METECH: DIFFERENT NAMES, DIFFERENT PROBLEMS*

Case overview

Metech International Limited (Metech), a Catalist-listed company in Singapore, has undergone multiple transformations over its lifetime. Once a promising e-waste recycler under the name Citiraya Industries Ltd, the company collapsed in 2005 following one of Singapore's most notorious corporate scandals. Despite rebranding to Centillion Environment & Recycling Ltd (Centillion) and then to Metech, it continued to be embroiled in controversies, including questionable appointments, related party transactions and mismanagement.

The objective of this case study is to facilitate a discussion of issues such as board composition and changes; appointment of directors with questionable histories; shadow directors; questionable transactions; the sponsor-based regime for the Catalist board; the role and effectiveness of continuing sponsors; and regulatory effectiveness.

Origin story

The company now known as Metech began in the 1990s as Citiraya Industries Ltd (Citiraya), a promising e-waste management company in Singapore. Citiraya quickly rose to regional prominence by recovering and recycling precious metals from electronic scrap such as used computer chips.¹ It attracted major global electronics manufacturers as clients.²

However, Citiraya's early success in pioneering e-waste recycling in Singapore came to a dramatic halt in 2005 when it became the subject of one of Singapore's most notorious corporate fraud cases. Investigations by the Corrupt Practices Investigation Bureau found that senior executives, including then-Chief Executive Officer (CEO) Ng Teck Lee, were misappropriating electronic scrap containing gold, silver and copper for personal gain.³ To conceal the theft, the executives falsified documents to create false sales.⁴

* This case study is based on case studies originally written by Celynn Kong Ji Yu, James Bernice, Jonathan Lim Zhong-Yi, Nur Fatimah Binte Mohd Umaruddin, Wong Kang Ning, Chan Yong Jie, Chan Yong Jun, Lim Yu Xin Joleen, Qiu Hong Sheng, and Toh Ling Ying. It has been edited by Tan De-Reng, under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

The scale and sophistication of the fraud shocked investors and regulators alike, with Ng Teck Lee fleeing Singapore after pocketing S\$72 million.⁵ When the scandal came to light, it exposed deep-rooted governance weaknesses within Citiraya's corporate structure, including weak internal controls, a lack of oversight, and unchecked executive power. Later that year, Ng Teck Lee and several other key personnel were charged and later convicted of corruption and criminal breach of trust. The fallout was severe. Citiraya's share price plummeted,⁶ investor confidence collapsed, and its reputation was irreparably damaged.

Rebranding to Centillion and global expansion

In the aftermath of the 2005 scandal, Citiraya was placed under judicial management and rescued under a bailout plan.⁷ It then embarked on a transformation to break from its troubled past by rebranding itself as Centillion Environment & Recycling Ltd (Centillion), with a renewed focus on sustainable e-waste recycling projects.⁸

As part of its restructuring, Centillion acquired Metech International, Inc., a U.S.-based electronic waste recycler, that was gaining a foothold in North America's growing sustainability market in 2007.⁹ This was followed by the acquisition of another U.S.-based electronic waste recycler, Guaranteed Recycling Xperts Inc., in 2008,¹⁰ further strengthening Centillion's international presence.

However, Centillion failed to win back key major former clients, including major electronics manufacturers, due to reputational damage and a loss of trust. It faced huge operating losses, with its auditors KPMG flagging a material uncertainty as to whether Centillion could continue to operate as a going concern, for three consecutive years from 2009 to 2011.^{11, 12, 13}

Transition to Metech International

In 2012, Centillion rebranded itself again, this time as Metech International Limited, after its U.S. -based subsidiary.¹⁴ It committed itself to a "4R" initiative: Recycle, Recover, Resell, and Repair.¹⁵ This initiative reflected a new commitment to circular economy solutions aimed at reducing environmental impact and maximising resource efficiency.

A pivot, a profit, then a plunge

In 2015, Metech transferred its listing from the SGX Mainboard to the Catalist board.¹⁶ Following two years of losses in Financial Year (FY) 2015 and 2016, which were attributed to weak metal commodity prices and increasing operating costs, Metech ventured into the supply chain management business in 2017.^{17, 18, 19} It began trading copper cathodes and related products under its supply chain management unit, which allowed Metech to regain profitability.²⁰

However, just a year after returning to profitability in 2018, Metech faced major setbacks with its U.S. subsidiary. On top of falling metal commodity prices and rising operational costs, the subsidiary was forced to shut down a factory due to unresolved violations of hazardous waste regulations.²¹ Along with a significant portion of Metech's U.S. operations ceasing to generate revenue, costs remained high amid a challenging operating environment in the U.S.²² To make matters worse, Metech failed to secure operating licenses from Malaysian authorities for a processing facility set up in Penang in April 2017.²³ This effectively paralysed its e-waste business, leading to the eventual sale of the business to First America Metal Corporation on 19 February 2019,²⁴ leaving Metech with only its supply chain management operations.

In November 2018, it undertook a 50-to-1 share consolidation.²⁵ Prior to the share consolidation, Metech's share price had fallen from a peak of S\$0.005 on the first day of trading on the Catalist board, to S\$0.001 on 9 November 2018.

The financial and operational challenges marked only the beginning of Metech's woes. Despite efforts since 2012 to rebrand itself as an ESG-aligned innovator in resource efficiency, deeper corporate governance issues remained unresolved. Over the next decade, these underlying issues would manifest in boardroom sagas, strategic missteps, and regulatory entanglements.

A controversial board

In 2019, Metech found itself at the centre of several controversies involving its Board of Directors that would come to define a turbulent chapter in the company's history. As of 27 December 2019, the Board comprised five key individuals: Simon Eng (Eng), Chay Yiowmin (Chay), Ricky Sim (Ricky), Chng Hee Kok (Chng), and Liu Changsheng (Liu).²⁶ Each had a different background and professional experience but most were associated with governance controversies. Figure 1 shows their position and roles on the Board.

Board of Directors ²⁷			
Name	Position	Independence	Other related roles
Simon Eng	Chairman, Executive Director, and CEO ^{28,29}	Non-independent	
Chay Yiowmin	Lead Independent Director ³⁰	Independent	Chairman of Audit Committee; Member of Nominating and Remuneration Committee ³¹
Ricky Sim Eng Huat	Independent Non-Executive Director ³²	Independent	Chairman of Nominating and Remuneration Committee; Member of Audit Committee ³³
Chng Hee Kok	Independent Director ³⁴	Independent	Chairman of Remuneration Committee; Member of Nominating and Remuneration Committee ³⁵
Liu Changsheng	Non-Independent Non-Executive Director ³⁶	Non-independent	Member of Audit Committee, Remuneration Committee, and Nominating Committee ³⁷

Figure 1: Table of Metech's 2019 Board of Directors

Simon Eng: Old guard, new questions

In 2019, Metech reinstated one of its founding directors, Eng, to the Board. Eng had held several leadership positions at Metech over many years, including Non-Executive Chairman,³⁸ Executive Director,³⁹ and eventually Executive Chairman and CEO in 2019.⁴⁰

Eng's dual role does not comply with Provision 3.1 of Singapore's Code of Corporate Governance,⁴¹ which states that the Chairman and CEO should, in principle, be separate individuals to ensure a balance of power and strengthen board independence.

More troubling, however, was Eng's history of regulatory breaches. In 2014, the Monetary Authority of Singapore (MAS) issued him a formal warning for late disclosure of change of his interest at Teledata Limited, a then-SGX-listed information technology company.⁴² A year later, SGX publicly reprimanded Eng for multiple breaches of SGX Listing Rules while he served as Chairman and CEO of Advance SCT Limited, a company engaged in metal recycling and copper supply.⁴³

In October 2019, when Metech shareholders were asked to vote on Eng's re-election during their Annual General Meeting (AGM), none of Eng's prior transgressions were disclosed in Metech's notice of AGM,⁴⁴ or 2019 annual report.⁴⁵ Instead, Metech's 2019 annual report provided a "negative confirmation" to questions (a) to (k) under Appendix 7F of the Catalist Rules.⁴⁶ Professor Mak Yuen Teen, a corporate governance advocate, questioned the "negative confirmation" in a commentary posted on his website on 26 December 2019. He wrote: "Item (f) in Appendix 7F states: 'Whether he has been the subject of any current or past investigation or disciplinary

proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?'. How can the company say "Negative confirmation" when Mr Eng had been reprimanded only back in October 2015 at Advanced SCT (now called Citicode).⁴⁷

The day after Professor Mak's commentary, SGX Regco issued a notice of compliance to Metech for breaches of disclosure requirements under the Catalist Rule 720(5), directing Metech to convene an Extraordinary General Meeting (EGM) so that shareholders could vote again on Eng's re-election, this time with full and accurate information.⁴⁸

This incident raised questions as to whether Metech's Nominating Committee and its Catalist sponsor at the time, RHT Capital Pte Ltd (RHT Capital), had properly verified Eng's background.

After stepping down from his role as Executive Chairman and CEO in March 2020,⁴⁹ Eng remained as a substantial shareholder, with a total of 10.59% interest in Metech's shares as of June 2025.⁵⁰

Liu Changsheng: Questions regarding irregularities and credentials

Liu, who was initially a non-independent, non-executive director (NINED), took over the reins as non-executive chairman after Eng stepped down.⁵¹ Liu was also appointed as a director of Nolash Tech Pte Ltd,⁵² a subsidiary of Metech which supported its business.⁵³

Prior to joining Metech, Liu was at KTL Global Limited (KTL), a company listed on SGX's Mainboard, as its Executive Director (ED) from 10 December 2018 and CEO from 1 February 2020.⁵⁴ He resigned from both positions on 31 July 2021.⁵⁵

In August 2021, KTL received a report from its statutory auditors flagging potential financial reporting issues, relating to alleged irregularities in trade receivables involving its subsidiary Bluegas Pte. Ltd.⁵⁶ KTL had been placed on the SGX watchlist on 4 December 2019⁵⁷ and eventually delisted on 7 October 2024.⁵⁸

There were also disclosure inconsistencies relating to Liu's academic qualifications. In the SGX announcement regarding Liu's appointment as Non-Executive Chairman of Metech, it was disclosed that his educational qualifications included a doctoral degree (2001), a master's degree (1999), and an Executive Master of Business Administration (2011) from China's prestigious Double First-Class universities.^{59, 60} It also listed a bachelor's degree in international trade from Henan University of Science and Technology in 1998.⁶¹ However, his director profile in Metech's 2020 Annual Report listed only one academic qualification: a Diploma in International Trade from the Luoyang Institute of Technology, obtained in 2000.⁶²

Chay Yiowmin and Ricky Sim: Conflicts and other concerns

Metech engaged RHT Capital as its continuing sponsor on 23 December 2016.⁶³ As a continuing sponsor under the Catalist Rules, RHT Capital had the duty to advise Metech on compliance with listing requirements.⁶⁴ The continuing sponsor is required to implement "controls, procedures and other safeguards to maintain its independence and avoid conflicts of interest" under Catalist Rule 224(3)(g).⁶⁵

In 2019, Chay and Sim were elected to Metech's Board.⁶⁶ Both held roles in affiliates of RHT Capital, raising concerns of a conflict of interest. During Chay's stint as an independent director (ID) at Metech from 2019 to 2023, he was also a director of RHT Chestertons Valuation and Advisory Pte Ltd, a collaboration between RHT Wealth Holdings and real estate firm, Chestertons.⁶⁷ Similarly, during Sim's stint as an ID in Metech from 2015 to 2022,^{68, 69} he was also the non-executive chairman of RHT Chestertons.⁷⁰

Chay's tenure at another SGX-listed issuer Raffles Infrastructure Holdings Limited (RIH), where he was lead independent director (LID), also raised questions.⁷¹ In June 2019, RIH was placed on the SGX Watch-list

pursuant to SGX Listing rule 1311 for recording pre-tax losses for three consecutive financial years, and having an average daily market capitalisation of less than S\$40 million over six months.⁷² In June 2023, SGX had rejected RIH's application to seek a further extension to meet the requirements under the Listing Manual to exit the SGX Financial Criteria Watchlist.⁷³

At the time of his appointment as a director of Metech in 2019, Chay already had seven other directorships or major appointments, including at his own corporate advisory firm, Chay Corporate Advisory Pte Ltd.⁷⁴ This increased to 13 other directorships and major appointments in 2020, two of which were as a director of publicly-listed issuers.⁷⁵ Chay also appears on the SGX Directors' and Executive Officers' Watchlist for directors and executive officers who have been the subject of public enforcement actions by SGX, SGX Regco, or the Listings Disciplinary and Appeals Committees. This was in relation to his role at RIH.⁷⁶

Chng Hee Kok: A conviction and an unusual appointment

In December 2019, Chng was appointed as an ID of Metech and Chairman of its Remuneration Committee.⁷⁷ Chng was a former Member of Parliament,⁷⁸ former Governing Council member of the Singapore Institute of Directors (SID),⁷⁹ a Senior Accredited Director of SID,⁸⁰ and a director or former director of many listed issuers.⁸¹

In 2007, during his tenure as CEO of NTUC Club, Chng was fined S\$5,000 under Section 156 of the Companies Act for failing to disclose his beneficial interest in a firm transacting with NTUC-linked companies.⁸² He had also received a written warning under the Prevention of Corruption Act for providing false or misleading information during the investigation.⁸³ Metech's Board cited Chng's experience, business network and good attendance record as reasons for his appointment.⁸⁴ There was no indication from Chng's appointment announcement⁸⁵ or Metech's 2020 annual report⁸⁶ that the Board or Nominating Committee had adequately considered Chng's prior conviction.

SGX questioned Chng's ability to dedicate sufficient time and resources to Metech, given his directorships on eight other listed boards.⁸⁷ Metech responded that Chng had retired from his full-time employment and had no executive roles elsewhere.⁸⁸ It said that Chng had secured concurrence from the boards of the eight other companies, affirming that his role at Metech would not affect his commitment to those companies.⁸⁹

However, at Metech's AGM on 21 October 2022, shareholders voted against Chng's re-election⁹⁰ and he stepped down from the Board and all his committee roles at the company.⁹¹ Despite being voted out, on 9 November 2023, the company re-appointed Chng as the Independent Non-Executive Chairman of the Board.⁹² However, this time his stint was brief, ending with his abrupt resignation in June 2024 after just seven months.⁹³ Metech's Catalyst sponsor at the time, Novus Corporate Finance Pte Ltd (Novus), claimed that there were no material reasons behind his resignation.⁹⁴ However, both SGX and the Securities Investors Association of Singapore (SIAS) were not satisfied and requested Metech to provide further reasons for his early resignation.⁹⁵ ⁹⁶ Metech simply replied that Chng had stepped down to pursue other opportunities, and that his resignation would not affect company operations.⁹⁷, ⁹⁸

Diamonds in the rough

In 2021, Metech entered the lab-grown diamond industry through a joint venture with X Diamond Capital Pte Ltd (XDC), and said that this was aligned with its strategy to expand into sustainable businesses.⁹⁹ The joint venture entity Asian Eco Technology Pte Ltd (AET) was established between XDC and Asian Green Tech Pte Ltd (AGT), a wholly-owned subsidiary of Metech,¹⁰⁰ to manufacture synthetic diamonds using five Microwave Plasma Chemical Vapor Deposition (CVD) machines.¹⁰¹ Deng Yiming (Deng), the founder of XDC and a director of AET, was said to have many years of entrepreneurial and management experience in the semiconductor industry.¹⁰² However, he was soon the source of controversy.

Missing diamonds and overpriced machines

On 17 January 2023, AGT issued a written default notice to XDC, terminating the joint venture agreement for AET, due to multiple unresolved issues including the disappearance of diamonds and inflated pricing of machines sold to AET.¹⁰³

On 14 February 2023, Metech lodged a police report against Deng, alleging that diamond seeds and loose diamonds had gone missing under his watch.¹⁰⁴ A month later, AET filed a lawsuit against Deng based on the same allegations.¹⁰⁵ On 18 October 2023, the High Court of Singapore ruled in AET's favour, ordering Deng to pay AET S\$483,000 in damages for the missing diamonds seeds and loose diamonds.¹⁰⁶ A second suit against Deng followed just days after the first, with Metech alleging that Deng was responsible for selling it the five CVD machines at inflated prices.¹⁰⁷

Sudden settlement

On 13 December 2023, Metech announced an amicable out-of-court settlement with Deng, with both parties agreeing to withdraw all lawsuits.¹⁰⁸ Deng was still required to repay the S\$483,000 awarded by the Singapore High Court.¹⁰⁹ In a surprising move, both parties also agreed to collaborate on expanding the diamond business, with Deng or his affiliated company providing technical support, such as resuming mass diamond production using the five CVD machines.¹¹⁰

SGX queried how Metech intended to safeguard its interests in the joint venture and its partnership with Deng.¹¹¹ In response, Metech claimed it had revised its standard operating procedures, strengthened internal policies, and introduced a stricter approval matrix.¹¹² Additionally, Metech denied any pay-out to Deng or his associates, claiming they were merely providing technical support to drive revenue growth.¹¹³ These responses were meant to signal clear checks and balances were in place while working with Deng or any future partners,¹¹⁴ but they came after the damage was done. Metech's annual report recognised that these issues were the main reason behind revenue plummeting to a mere S\$29,000 for its 2023 Financial Period (an 18-month period ending 31 December 2023), a 99.4% decline from S\$5.2 million in its 2022 financial year.¹¹⁵

Diamonds are not forever

On 2 October 2025, Metech's subsidiary, AGT entered into an agreement with Wuhan Xilu Trading Co. Ltd., a company registered in China, for the sale and purchase of 80% of the issued and paid-up share capital of AET, for a total cash consideration of just S\$1.00.¹¹⁶ Metech stated that the rationale behind disposing of the shares was that since AET's incorporation, its lab-grown diamond business had been loss-making, due to challenging global tensions and market dynamics, and lacklustre results from earlier investments.¹¹⁷ As at 31 December 2024, AET had a negative book value and net tangible liabilities of approximately S\$4.97 million.¹¹⁸

Power struggles and financial troubles

The issues with Metech's Board and lab-grown diamond business marked only the beginning of a tumultuous period. From FY2020 to FY2024, Metech went through repeated leadership reshuffles, frequent attempts by shareholders to remove Board members, and poor financial performance.

A revolving door of leaders

In March 2020, Eng stepped down as CEO and the chairmanship passed to Liu, while remaining as an ED until June that year.¹¹⁹ That same month, Clement Tay (Tay), a senior business consultant with an engineering background, was appointed CEO and ED.¹²⁰ However, both Tay and Liu resigned from their positions just seven months after their appointments.^{121, 122}

In November 2020, Eng nominated his son-in-law Tan Siji McArthur (Tan) as a NINED to represent Eng's interest as a substantial shareholder in Metech.¹²³ That same month, Deputy CEO Samantha Hua Lei (Lei) was appointed as an ED, while Chay, was re-designated as Metech's independent non-executive chairman.¹²⁴

Amidst the reshuffle in the Board, revenue for FY2020 plunged from S\$86.5 million to S\$27.5 million, net assets shrank from S\$9.84 million to S\$3.69 million,¹²⁵ and the share price fell from S\$0.16 in September 2019 to S\$0.085 by June 2021.¹²⁶

Tan resigned in July 2022,¹²⁷ while Sim and Chng followed suit in October 2022.¹²⁸ In February 2022, Lei was promoted to CEO while still maintaining her role as an ED.¹²⁹

Shareholders taking aim

On 26 September 2022, three Metech substantial shareholders, Ng Cheng Huat, Ang Poh Guan (Ang) and Lim Hean Nereng called for an EGM to remove Chay from the Board and appoint Ng Cheng Huat as a NINED.¹³⁰ These resolutions were defeated in an EGM on 21 October 2022, by a margin of 5%.¹³¹ Just a month later, another substantial shareholder, Ng Eng Tiong, called for an EGM to remove Lei as CEO and director.¹³² However, these resolutions were declared invalid as only the Board, and not shareholders, have the power to remove a CEO. Moreover, removal of Lei as an ED without securing her replacement would have contravened section 152 of the Companies Act.¹³³

In November 2022, Ng Cheng Huat and Ang called for another EGM to remove Chay as director and appoint themselves to the Board.¹³⁴ The Board deemed it unnecessary as similar resolutions were already defeated earlier on 21 October 2022.¹³⁵ Nevertheless, Chay resigned from Metech's Board in January 2023 citing board renewal, following the appointment of Zhang Keke (Zhang), co-founder of a medical and scientific equipment business, as an ID.¹³⁶ Lei stepped down as an ED in March 2023,¹³⁷ and as CEO in May 2023.¹³⁸

Meanwhile, in February 2023, Ng Cheng Huat secured a spot on Metech's Board as independent non-executive Chairman, purporting to bring a wealth of experience in project management.^{139, 140} The following month, Long Zheng (Long), was appointed as an ID, based on his retail business experience and contacts, and Wang Zhuo (Wang) was appointed as an ED, based on his experience in the lab grown diamond industry.¹⁴¹ Following this reshuffle, Metech's share price dipped further to S\$0.06 in May 2023.¹⁴²

In September 2023, Lucy Yow, the head of wealth management at a multi-family office, was appointed as an ID. In November 2023, Chng re-joined Metech's Board as independent non-executive Chairman,¹⁴³ and Er Kwong Wah, a former civil servant with experience in engineering firms was appointed as an ID.¹⁴⁴ That same month, Zhang and Long ceased to be IDs, just 8 months following their appointments.^{145, 146}

More boardroom turmoil

Ignatius Hwang, a lawyer with experience in the energy and infrastructure industry, was appointed as an ID in May 2024, but his stint only lasted a month.^{147, 148} He was replaced by Ng Ooi Hooi, a former president of Keppel Land Limited, who was appointed as an ID in September 2024.¹⁴⁹ Wang ceased to be ED and CEO on 28 June 2024, and was replaced by Pang Wei Hao (Pang), a former CEO of Yalida Holding Sdn. Bhd., on 29 August 2024.¹⁵⁰

However, in an ironic turn, Ng Cheng Huat was removed from Metech's Board in May 2024, following a resolution passed at an EGM which was requisitioned by Zhang Yongbi, Eng, and Ang.¹⁵¹ Two months earlier, these shareholders had called for a review of his conduct and restricting his access to Metech's confidential information.¹⁵²

Ng Cheng Huat was alleged to be responsible for four detrimental events.¹⁵³ First, Metech had paid S\$1.8 million in remuneration for the former CEO and management despite having only S\$29,000 in revenue for that financial period. Second, machinery was purchased unnecessarily. Third, over S\$500,000 in legal fees were incurred by Metech in the proceedings regarding the lost diamonds and yet no monies were recovered. Fourth, Metech terminated a tenancy agreement worth approximately S\$1.3 million prematurely, possibly causing losses of up to S\$1.1 million.

Ng Cheng Huat refuted these allegations, asserting that other directors, including then-CEO Wang, made these decisions and that he had lost confidence in the ability of the Board to act in Metech's best interests.¹⁵⁴ On 28 May 2024, he also filed a suit in the Singapore High Court (SGHC) to invalidate the EGM that ousted him,¹⁵⁵ but the SGHC dismissed his suit and awarded the costs to Metech on 11 July 2024.¹⁵⁶

In Metech's annual report for FY2024, Metech's auditors, Moore Stephens LLP, flagged a "material uncertainty" over Metech's ability to continue as a going concern, citing continued losses over consecutive financial periods.¹⁵⁷ Shareholders raised the same concerns during Metech's AGM for FY2024, along with concerns about multiple disputes among directors and management changes.¹⁵⁸ On 31 December 2024, Metech's share price dipped even further to just S\$0.03.¹⁵⁹

Trouble from the top: Post-2020

Four individuals -: Wang, Ng Cheng Huat, Wu, and Er - were at the centre of Metech's repeated leadership reshuffles and mounting instability after 2020.

Wang Zhuo: Allegations of acting without authority

Wang's tenure as ED and CEO coincided with a period when Ng Cheng Huat was serving as the Chairman.¹⁶⁰ The tensions between the two reached a boiling point after Ng Cheng Huat's removal.

It was alleged by Ng Cheng Huat in his representations addressing his removal that it was Wang who was responsible for causing Metech to enter into the tenancy amounting to S\$1.3 million without an approved business plan.¹⁶¹ It was also alleged that Wang had attempted to enter into transactions involving Metech's consultant, Wu Yongqiang (Wu), and his affiliated parties without Board approval. Firstly, a joint venture agreement with Sunrising Oversea Trade Pte. Ltd. was entered into on 19 July 2023 which would require Metech to guarantee a loan. Secondly, a lease agreement dated 17 July 2023 was signed for a grain storage facility in Brazil, costing US\$400,000 annually, for which Wang tried to pay US\$200,000 upon signing the agreement.¹⁶² Additionally, during the EGM that removed him, Ng Cheng Huat stated that he had terminated a transaction entered by Wang, who allegedly acted on behalf of Metech to purchase a car from Wu, which would have resulted in losses as the car's ownership had passed multiple times.¹⁶³

In Wang's rebuttal on 4 May 2024 to Ng Cheng Huat's allegations, he countered that Wu was responsible for insisting on paying the US\$200,000 for leasing the grain storage facility, without board approval, and that Wang himself had stopped the transaction.¹⁶⁴ Wang did not dispute other claims made by Ng Cheng Huat but emphasised that all major business decisions went through the Board, the company's sponsor, and auditor.¹⁶⁵

Ng Cheng Huat: Shifting the blame?

In Wang's response to Ng Cheng Huat's representation, he stated that Ng Cheng Huat, as Chairman, had full knowledge of and control over salary and reimbursement matters, and had refused legitimate reimbursement requests from Wang and other employees because of his personal agenda.¹⁶⁶ Wang also alleged that Ng Cheng Huat appointed his preferred replacement candidate as Audit Committee Chair without Board approval and instructed Wang to remove Director Zhang Keke without providing any justification. He also

allegedly instructed the cancellation of a potential director's appointment, despite Metech's sponsor having already vetted the candidate.¹⁶⁷

Wang also responded to Ng Cheng Huat's allegations that he had entered transactions involving Wu without Board approval. He stated that in reality, it was Ng Cheng Huat who had a close relationship with Wu, with Ng having appointed Wu to his position in Metech and that both were previously involved in listed companies such as KTL.¹⁶⁸ Further, Wang brought up the fact that Ng Cheng Huat's son, Ng Fang Yao, was appointed by Wu as a director in Nutryfarm International Limited (Nutryfarm).^{169, 170}

According to Wang, Ng Cheng Huat "treated the Company like his family business", routinely interfering in operational matters regarding lab-grown diamonds despite not having the requisite knowledge.¹⁷¹ Wang cited how Ng Cheng Huat refused to support the upgrading of Metech's R&D capabilities, and refused Wang's choice for a technician in favour of a costlier technician with less knowledge and experience.¹⁷² Moreover, Wang alleged that Ng Cheng Huat terminated a top-performing sales staff without proper justification, and retracted his promise to the sales team that they would be entitled to commission from sales revenue.¹⁷³

Wang also said that Ng Cheng Huat failed to follow through on promises to secure financing for Metech, even immediately rejecting a proposal from former CEO Lei, who had identified an investor willing to inject S\$3 million into Metech.¹⁷⁴ Wang also cited Ng Cheng Huat's plan to sell Metech's diamond products to his friend at the Goh Loo Club, where Ng served as Second Vice-President, rather than securing an actual investment in Metech.¹⁷⁵

Wu Yongqiang: A problem dressed as a solution?

Adding to the saga was the emergence of Wu, who began his role as a consultant with Metech in September 2021.^{176, 177} Wu was a significant shareholder of Metech, holding approximately 15.68% of shares as of April 2022,¹⁷⁸ and had purchased a 20% stake in Metech's joint venture company, AET in the same month.¹⁷⁹

Wu had eighteen civil judgements against him in China arising from several commercial disputes.¹⁸⁰ According to the Nominating Committee of NutryFarm, where Wu was Executive Chairman,¹⁸¹ these cases were neither fraudulent nor dishonest in nature and were not due to misrepresentation, misconduct, or mismanagement.¹⁸² These disputes led to restrictions on Wu from engaging in high consumption spending under Chinese laws.¹⁸³

During an EGM on 11 May 2024, shareholders aired their grievances against Wu, citing the adverse news and records surrounding him,¹⁸⁴ and questioning why the board had continued to support Wu. The Board had acknowledged these concerns surrounding Wu when it terminated Wu's consultancy role in March 2024.¹⁸⁵

Er Kwong Wah: A chequered track record

Er was appointed on 9 November 2023 as an ID, Chairman of the Audit Committee, and a member of the Nominating Committee and Remuneration Committee.¹⁸⁶ Like Chng, Er is also a Senior Accredited Director of SID.¹⁸⁷

Er had been involved in several companies that faced regulatory issues. During Er's tenure as a non-executive director at China Environment Ltd, which was listed on SGX, the company failed to comply with AGM and filing requirements under the Companies Act.¹⁸⁸ However, the advisory letter issued by the Accounting and Corporate Regulatory Authority (ACRA) noted strong mitigating factors in his favour.¹⁸⁹

Er was also an ID of China Sky Chemical Fibre Co. Ltd. which was directed by SGX to engage a special auditor to investigate issues related to interested party transactions, high equipment maintenance costs, and the purchase of a piece of land.¹⁹⁰ The entire Board, including Er, was publicly reprimanded by SGX on 16 December

2011 and subsequently placed on the Directors' and Executive Officers' Watchlist for not complying with this directive.¹⁹¹ Er was removed from the Watchlist on 24 July 2018,¹⁹² with SGX not providing any disclosure or explanation for the removal.¹⁹³

Cao Shixuan: Man in the shadows

Amid Metech's deepening governance troubles, the emergence of Cao Shixuan added yet another layer to the company's unfolding power struggles.

Cao was a former ED and deputy CEO of ecoWise Holdings Limited,¹⁹⁴ a company that has been listed on the SGX Catalist board since 2015.¹⁹⁵ Er and Metech's company secretary, Lye Kar Choon (Lye), were also at ecoWise during Cao's tenure, with Er serving as Lead ID and Lye as Group Financial Controller and Company Secretary.¹⁹⁶

Cao's time at ecoWise was marked by controversy. He and ecoWise's CEO and executive chairman, Lee Thiam Seng (Lee), clashed over the release of ecoWise's financial results for the first half of FY2021. Lee claimed that he repeatedly requested information from the finance team led by Cao that would impact ecoWise's financial statements.¹⁹⁷ However, this information was not provided and Cao and Er proceeded to release the results, citing concerns over the deadline for releasing the results under the Catalist Rules. The conflict between Lee and Cao escalated when Lee changed the locks on ecoWise's server room to "preserve the assets, evidence... of the company" for investigating corporate governance issues, and suspended Cao from his role as deputy CEO.¹⁹⁸ These events caused ecoWise to halt its trading on 15 June 2021, which was subsequently converted into a trading suspension. EcoWise was directed by the SGX Regco to commission a special auditor to investigate Lee's concerns.¹⁹⁹ On 14 April 2022, Cao resigned from ecoWise, citing the repeated EGMs that were requisitioned to remove him from the Board.²⁰⁰

On 28 March 2024 the special audit revealed that ecoWise was potentially in breach of several listing rules. Firstly, it was not disclosed that Cao had handled transactions undertaken by ecoWise's unconsolidated subsidiaries in China as their legal representative or ED, with Cao not acceding to the auditor's request for more information.²⁰¹ The audit also confirmed Lee's concerns that key milestones regarding ecoWise's ongoing arbitration proceedings were not disclosed. Further, ecoWise was guilty of several key control lapses regarding payment processes.²⁰² Due to Cao's failure to cooperate with the auditors in clarifying these non-disclosures, he was placed on the Director's and Executive Officers' Watchlist.²⁰³

Cao's growing influence

According to Ng Cheng Huat, Cao approached him in the fourth quarter of 2023 with a proposal to revive Metech, by allowing Cao to take control and inject new business.²⁰⁴ Cao assumed the role of Metech's Board consultant, and as the General Manager of Metech's subsidiary in China, Zhongxin Minghua.²⁰⁵ His duties also included assisting Metech's then-CEO Wang Zhuo.²⁰⁶ Ng said that Cao also reintroduced the former ecoWise colleagues who sided with him in the controversy regarding ecoWise's release of financial statements. Based on his recommendations, Er was appointed as an ID and Lye as a Board adviser in November 2023.²⁰⁷ Chng was also reappointed to Metech's Board based on Cao's recommendation.²⁰⁸

While Ng Cheng Huat initially supported and endorsed Cao's suggestions, by February 2024, his trust in Cao had eroded as Cao started to attend Board meetings without being formally appointed to the Board.²⁰⁹ Cao responded that he had been invited by the Board multiple times since February 2024 to present business proposals, with no objections raised against his presence.²¹⁰

Ng Cheng Huat alleged that on 18 March 2024, a resolution was signed by Metech's directors excluding himself, to appoint Cao as a director, and to appoint Lye as Metech's group financial controller.²¹¹ On the

same day, then-CEO Wang submitted his resignation. Ng Cheng Huat further alleged that instead of consulting Metech's sponsor before proposing these resolutions, the other directors sought to pressure the sponsor into approving the changes.²¹² However, Cao's appointment to Metech's Board was complicated by SGX placing him on the Directors' and Executive Officers' Watchlist due to his involvement in ecoWise's breaches of listing rules.²¹³ Wang subsequently withdrew his resignation as Cao and Lye's appointments were not effected, with Wang stepping down later in June 2024.²¹⁴ In a response to SGX's queries, Metech said that Cao would be managing the operations of Metech whilst Metech searched for Wang's replacement as CEO.²¹⁵

In August 2024, Metech stated that Cao was no longer a Board consultant.²¹⁶

Opaque share deal

Ng Cheng Huat revealed that he had agreed to sell four million of his own shares in the company for S\$480,000 to Union Capital Properties, a company introduced by Cao, where Cao was the sole shareholder and director.²¹⁷ However, Cao then informed Ng Cheng Huat that the buyer would be switched to a different entity, Union Fubon (SG) Pte. Ltd. Ng Cheng Huat later discovered that Union Fubon was fully owned by Lei Dan San Investment, which itself was controlled by Zhang Gaopin, a former financial controller and human resources officer at ecoWise.²¹⁸ Ng Cheng Huat walked away from the deal, citing the sudden change to a buyer that he was not familiar with and the lack of transparency surrounding the entire process.²¹⁹

Loans with strings attached

By March 2024, Metech was facing severe financial challenges, reporting cash and bank balances of only S\$51,000 as of 31 December 2023.²²⁰ During the 14 March 2024 EGM, Ng Cheng Huat disclosed that the company lacked sufficient funds to pay its auditors.²²¹

Cao extended a S\$1 million interest-free loan to Metech on 25 March 2024.²²² However, the agreement came with the catch that Cao must remain employed by Metech for the loan maturity period of 12 months, failing which the loan agreement would lapse and all moneys would be payable immediately.²²³ Then-director Ng Cheng Huat revealed that neither he nor the Board had been consulted on the terms of the loan, and that he was concerned that the loan entrenched Metech's reliance on Cao.²²⁴ On 7 October 2024, Cao extended a second interest-free loan, this time for S\$3 million, under nearly identical terms.²²⁵

Debt capitalisation: A backdoor to power?

On 14 March 2025, Metech entered into a loan extension and debt capitalisation agreement with Cao. Under this agreement, the repayment deadline for S\$496,000 out of the initial S\$1 million loan would be extended by three months, and the remaining S\$504,000 would be converted into equity and repaid through the issuance of 18 million new shares at a conversion price of S\$0.028 per share.²²⁶ The purported rationale for this agreement was Metech's poor financial performance, along with a poor global economic outlook requiring Metech to take steps to strengthen its capital base by converting the capitalised loan into equity.²²⁷

SGX asked Metech to clarify the nature of Cao's role in relation to the loan and debt capitalisation agreement and whether he was "equivalent in substance, to an executive officer or director".²²⁸ On 20 March 2025, Metech assured SGX that Cao was performing neither the role of CEO nor director as he was not involved in payment approvals or Board decisions, and the agreement did not alter that position.²²⁹ Metech's sponsor, Novus, provided a similar assurance that Cao was not performing the role of an "executive officer" as defined by the Catalist rules.²³⁰ These reassurances were made despite Metech's earlier statements on 28 June 2024, that Cao was overseeing the management of the company in the interim period when then-CEO Wang stepped down.²³¹ The issuance and allotment of the 18,000,000 shares to Cao was completed on 2 April 2025.²³²

On 30 June 2025, Metech entered into a second debt capitalisation agreement with Cao, under which Metech would repay S\$296,000 by issuing 13,454,545 shares to Cao at the price of \$0.022 per share.²³³ Upon its completion, Cao would own 20.22% of the issued and paid-up share capital of Metech, making him Metech's single largest shareholder.²³⁴, ²³⁵ This agreement prompted similar queries from SGX. Metech responded that the second agreement would strengthen Metech's financial position, and that Cao "has demonstrated his commitment and confidence in the prospects" of Metech.²³⁶ In addition to repeating that Cao was not acting as an executive officer or director, Metech reported that Cao had no intention of joining Metech's Board or key management.²³⁷ On 27 August 2025, the issuance and allotment of the 13,454,545 shares to Cao was completed.²³⁸

SGX RegCo ultimately approved the listing and quotation of shares resulting from the debt capitalisation for both agreements,²³⁹, ²⁴⁰ officially making Cao the single largest shareholder of Metech. This was in spite of ongoing concerns about his growing influence and ambiguous position within Metech, questionable history at ecoWise, and role in triggering boardroom instability. Professor Mak Yuen Teen questioned whether SGX Regco had accepted the agreements with Cao too easily.²⁴¹, ²⁴²

Governance system at breaking point

On top of the power struggles that plagued Metech, the company had numerous other issues that raise further concerns about its corporate governance.

Sponsor changes

"A change in sponsor is a potential warning sign for Catalist companies, and multiple changes/ short relationships between a company and sponsor are more likely to indicate problems with the issuer."

– Professor Mak Yuen Teen²⁴³

There were changes in the continuing sponsor at Metech which raised questions about governance at Metech and the sponsor-based regime.

In June 2015, Stamford Corporate Services Pte Ltd was appointed as Metech's first continuing sponsor following its transfer to the Catalist board.²⁴⁴ Just a year and a half later, RHT Capital was appointed in place of Stamford.²⁴⁵ In July 2022, RHT Capital was replaced by Novus, with Metech stating that the change was due to "commercial reasons". In June 2024, Novus issued a notice of termination as Metech's sponsor and stated that its last day of service would be 5 September 2024.²⁴⁶ However, on 5 September 2024, it was announced that Metech had managed to renegotiate for Novus to enter into a new continuing sponsor agreement.²⁴⁷

Audit red flags

Metech has long-standing struggles with going concern risks and financial reporting credibility. From FY2008 to FY2011,²⁴⁸ during its days as Centillion, the company's financial statements were audited by KPMG. Although KPMG issued unqualified opinions, each report from FY2009 to FY2011 highlighted going concern risks due to significant net losses, net current liabilities, and debt covenant breaches by its U.S. subsidiary, Metech Recycling Inc.^{249, 250, 251}

Following the corporate restructuring and rebranding to Metech International Ltd in FY2012, the company appointed Moore Stephens LLP as its new auditor.²⁵² In FY2014, the auditor issued a qualified opinion, citing insufficient audit evidence regarding the carrying value of an investment in Tongji Environment Pte Ltd.²⁵³ In FY2023, the auditor issued a disclaimer of opinion for the 18-month financial period from 1 July 2022 to 31 December 2023.²⁵⁴ The disclaimer cited the auditors' inability to obtain sufficient evidence to support Metech's use of the going concern assumption, which was based on a projection of inherently uncertain future events. Metech's likelihood of remaining as a going concern was at risk given its loss of S\$11.52 million during FP2023,

a decrease in cash balance from S\$6.1 million as at 1 July 2022 to S\$51,000, and net liabilities of S\$468,000.²⁵⁵, ²⁵⁶ The last time Metech recorded a profit was in FY2017 and that was less than S\$1 million, a modest figure dwarfed by the cumulative losses over the years.²⁵⁷

Further, Metech reported material variances between its audited and unaudited results on two occasions. On 14 June 2024, Metech reported that for FP2023, total loss after income tax increased from S\$9.4 to S\$11.5 million, and loss per share increased from 4.51 to 5.66 cents, based on the audited results.²⁵⁸ Similar discrepancies occurred again for FY2024, causing total loss after income tax to increase from S\$1.74 million to S\$2.62 million, and loss per share to increase from 1.05 to 1.52 cents per share.²⁵⁹

Delayed AGMs

On 16 April 2024, Metech requested a 60-day extension from SGX to hold its AGM and issue its sustainability report to comply with Rules 701(1) and 711A of the Catalist Rules,²⁶⁰ citing major restructuring and resource-intensive events as reasons.²⁶¹ It said the delay was further compounded by auditor Moore Stephens, which needed more time to complete the audit fieldwork due to manpower constraints.²⁶² Metech had also submitted an application to ACRA for an extension of time to hold its AGM and file its annual return pursuant to sections 175(1)(a) and 197(1)(a) of the Companies Act.²⁶³ ACRA granted the request on 22 April 2024²⁶⁴ and SGX granted the request on 2 May 2024.²⁶⁵

On 10 April 2025 Metech once again sought a 60-day extension from SGX²⁶⁶ to hold its AGM, release its sustainability report, and issue its annual report.²⁶⁷ On the same day, Metech also submitted another request to ACRA for an extension of the time to hold its AGM and file its annual return.²⁶⁸ Metech attributed the delay to extensive changes in Board composition, substantial resources allocated to new business ventures, ongoing efforts to recruit key management personnel to form a new leadership team, and an overall restructuring.²⁶⁹ Meanwhile, it said that Moore Stephens was still grappling with manpower constraints and unable to complete the audit fieldwork within the required timeframe.²⁷⁰ Metech's request to ACRA was approved on 25 April 2025.²⁷¹ However, on 28 May 2025, Metech's request to SGX was rejected as there were "no extenuating reasons to grant the waivers", with the SGX stating that it "reserves the right to take any action for breaches of Catalist Rules" and urging Metech to hold its AGM and issue its FY2024 annual report.²⁷²

"Issuers should be required to make an announcement at the time when they apply for a waiver to delay the announcement of results or the holding of their AGM, with the reasons for the application. This is because such applications are often red flags that shareholders should watch out for."

– Professor Mak Yuen Teen²⁷³

Directors skipping classes

Another issue faced by Metech was its directors failing to complete the training required under the Catalist rules. Practice note 4D of the Catalist Rules requires directors with no prior directorship experience in SGX-listed issuers to undergo training on their roles and responsibilities within one year from the date of their appointment.²⁷⁴ On 20 August 2025, Metech reported that ED and CEO, Pang, and ID Ng Ooi Hooi, had not completed their mandatory training within the required time frame, citing work-related scheduling issues.²⁷⁵ Metech said that both directors would register for their remaining modules at the first available opportunity.²⁷⁶

New name, new beginnings?

On 15 August 2025, a special resolution was passed at an EGM convened by Metech to approve yet another change of name, this time to CMN Holdings Limited.²⁷⁷ On 29 August 2025, Metech stated that the company

was in the process of executing the name change and would make the necessary announcements in accordance with the Catalist rules as and when there were material developments.²⁷⁸ The new name, CMN, is an acronym for “Capital”, “Market” and “New Technologies”.²⁷⁹

Metech explained that the rationale for this name change was to reflect the company’s broad mission of leveraging capital markets to drive growth through market insights and global reach, with a focus on sectors such as clean and sustainable technologies, and health and wellness.²⁸⁰ The name change was thus intended to allow the public to better identify with the company going forward.²⁸¹ In Metech’s September 2025 monthly update, it announced that it was in the process of securing machinery for its food waste business, and was in discussions with Burpple Pte. Ltd. about potential collaboration opportunities.²⁸² Further, Metech updated that it was engaging suppliers from China for its health supplements business.²⁸³

End of the road?

Metech remains in a precarious state, riddled with internal division, financial fragility, and deep-rooted governance issues that continue to erode investor confidence. The company’s public reputation has not recovered from the string of controversies and its strategic direction remains unclear following the collapse of its lab-grown diamond venture. The most recent controversy, an interest-free but employment-conditional convertible loan from an individual on SGX Directors’ and Executive Officers’ Watchlist, raised further governance red flags.

Metech’s poor track record for corporate governance also raises questions about regulatory effectiveness and the Catalist regime. Allowing companies such as Metech to limp along with poor corporate governance, questionable leadership and financial difficulties may temporarily stave off a delisting. However, it arguably comes at the cost of weakening investor confidence and undermining the reputation of SGX. Professor Mak observed that such a regulatory approach is a case of “kicking the can down the road”.²⁸⁴

Discussion Questions

1. Identify and explain the key governance red flags at Metech based on the case study.
2. Critically evaluate the composition of Metech’s 2019 Board and the subsequent changes to the Board. What are the key concerns?
3. Metech appointed directors who have faced regulatory actions or engaged in questionable transactions. Why do you think the company did this?
4. Discuss the implications of Metech’s independent directors also serving as directors of entities related to the continuing sponsor.
5. Deng Yiming was appointed to a key operational role in the joint venture and was later sued for alleged misconduct. What does this reveal about Metech’s Board oversight and internal controls? Why might the Board have chosen to settle and resume collaboration with Deng. What governance concerns does this decision raise?
6. Cao Shixuan allegedly exerted significant influence at Metech through informal roles and conditional financing despite being placed on the SGX Watchlist for Directors and Executive Officers. What are the risks? What safeguards should be put in place? Could Cao be a shadow director? Explain.
7. Critically evaluate the effectiveness of regulators based on the case study. What do you think the regulators should have done?
8. Critically evaluate the sponsor-based regime for the Catalist board. Do you think such a regime should be retained? Explain. If you believe the sponsor-based regime should be modified or discontinued, what would you suggest?

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KTL GLOBAL: FROM CRADLE TO COLLAPSE*

Case overview

KTL Global (KTL), a company with roots going back over a century to its humble beginnings,¹ was incorporated in Singapore on 19 March 2007.² Over the years, KTL and its subsidiaries (the Group) diversified into multiple sectors, including the sale and distribution of fruits and vegetables, as well as the provision of technical, operational, procurement management services.³

Despite its promising start, KTL became embroiled in a series of scandals, including fraud allegations⁴ and public disputes between the Group's former chairman and a creditor.⁵ By the time of its collapse in 2024, the company had been reduced to just S\$650 in cash and bank balances while facing debts amounting to S\$2.21 million.⁶ Ultimately, KTL failed to make an exit offer to its shareholders and was delisted from the Singapore Exchange (SGX) on 7 October 2024.⁷

The objective of this case study is to facilitate a discussion of issues such as corporate governance of a family-controlled and managed company; board structure and composition; character and integrity of directors; interested person transactions; market misconduct; and regulatory effectiveness in Singapore.

Humble beginnings and rise

KTL traces its origins to a modest family-run provision shop known as Kim Teck Leong.⁸ In 1967, Tan Tock Han (Tan TH) joined the family business shortly after completing his secondary education. This marked the beginning of a transformative journey from a small local enterprise to a recognised player in the rigging and lifting industry.⁹

In 1973, Tan TH founded KTL Offshore Pte Ltd (KTL Offshore), where he served as Executive Chairman and founder.¹⁰ KTL was incorporated in Singapore on 19 March 2007 and in December 2007, the company was listed on the Mainboard of the SGX.¹¹

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In 2018, after more than four decades at the helm, Tan TH stepped down as Chairman.¹² He passed the leadership of the company to his two sons, Tan Kheng Kuan (Tan KK) and Wilson Tan Kheng Yeow (Tan KY), entrusting them to continue the company as a family legacy into the next generation. As at 17 May 2019, Tan KK, Tan TH and Tan KY had total direct and deemed interest of 53.54% in KTL.¹³

However, the family's stewardship of KTL would soon be tested by personal and legal challenges that began to surface in the following years.

Cracks in the legacy

Tan KY served as Chief Executive Officer (CEO) and Executive Director (ED) of KTL from its incorporation in March 2007 until November 2017.¹⁴ His resignation followed investigations by the Monetary Authority of Singapore (MAS) and official requests for him to surrender his passport in relation to possible offences under section 197 of the Securities and Futures Act (SFA).¹⁵

Between 2014 and 2015, Khua Kian Keong (Khua), the CEO of SGX-listed Vibrant Group and a long-time acquaintance of Tan KY, extended loans totalling up to S\$2.4 million to the Tan family in return for 15.5 million KTL shares.¹⁶ The loans were informal and not investments, where no interest was charged and no proper documentation was drawn up because Khua “treated [Tan KY] as a good friend” and “their friendship surpassed such black-and-white documentation”.¹⁷ When Tan KY did not pay him back, Khua approached Tan TH as he had extended the money on the basis that the Group needed funds.¹⁸ Over the next six years, Khua repeatedly attempted to recover the outstanding amount from both Tan KY and Tan TH, but was rejected as the Tan family cited reasons such as life being tough, business being poor or the shipping industry being bad.¹⁹ Though Khua was a rich man and the loss of S\$2.4 million neither angered him nor affected his livelihood, it became about “the principle for Khua and whether the Tan family had any sincerity in returning him the sum, as well as a matter of reputation within the circle of local Chinese businessmen”.²⁰

On 13 January 2021, Khua personally visited the premises of KTL Offshore to request a symbolic repayment of S\$100,000 from Tan TH, but the encounter turned confrontational when Tan TH did not accede to his demand.²¹ Tan TH alleged that while walking towards a staircase, he was pushed by Khua from behind with great force, resulting in a fall that caused facial fractures.²² Khua denied the accusation but was found guilty of voluntarily causing hurt and sentenced to 13 months' imprisonment on 24 July 2024.²³ Following the conviction, Tan TH expressed a willingness to absolve Khua of any further claims in respect of the incident and both parties discontinued all civil proceedings.²⁴

Allegations involving Tan Kheng Yeow and Triyards' dealings

A post by Julie O'Connor (O'Connor) on her blog “Banking on the Truth” published on 2 September 2022 (and updated 16 July 2025) raised a series of allegations involving Tan KY and corporate transactions linked to EZRA Holdings and its subsidiaries. Citing extracts from internal documents, emails and public disclosures, O'Connor alleged that a meeting was held on 17 August 2012 by the directors of EZRA Holdings and Strategic Marine to discuss the acquisition of Strategic Marine by Triyards, an EZRA Holdings subsidiary, in connection with Triyards' planned listing on the SGX.²⁵ However, according to O'Connor, the irrevocable option to purchase Strategic Marine was not granted to Triyards, but rather to Tan KY personally.²⁶ Furthermore, it was alleged that Tan KY signed option deeds for another entity targeted for acquisition by Triyards. These documents were reportedly witnessed by the soon-to-be CEO of Triyards, who at the time was serving as Chief Financial Officer (CFO) of EMAS Offshore, another EZRA Holdings subsidiary.²⁷ O'Connor also claimed that Tan KY used his Power of Attorney to change the name of Strategic Marine to Henderson Supply Base Pty, potentially obscuring the original ownership.²⁸

“I think any reasonable person would believe that the EMAS CFO knew Wilson Tan, and was aware that it was Triyards who was proposing to purchase Henderson Supply Base, not Wilson Tan.”

– Julie O'Connor, Author of “Banking on the Truth” blog²⁹

O'Connor contended that these option deeds were part of a wider scheme to commit fraud and manipulate Triyards' share price, alleging that Tan KY had pre-signed cancellation notices ready to be deployed as needed.³⁰ The option deed giving Tan KY the right to acquire Strategic Marine was reportedly dated 6 October 2012.³¹ Less than eight weeks later, KTL secured a S\$11.3 million order from two subsidiaries of EZRA Holdings - EMAS Offshore and Triyards Marine Services.³²

“Coincidence? Or was this his reward for playing his part in the scheme?”

– Julie O'Connor, Author of “Banking on the Truth” blog³³

On 14 October 2014, Triyards publicly announced the proposed acquisition of Strategic Marine, stating that no directors or controlling shareholders had any interest in this transaction.³⁴ However, a subsequent clarification was issued on 20 March 2015, disclosing that Lionel Lee (Lee), then Non-Executive Chairman of Triyards, held a beneficial interest in Geraldton Investments Limited, which in turn owned a 20% interest in Henderson Supply Base.³⁵ The Board stated that Lee's minority interest was not considered material to the acquisition.³⁶

The allegations made by O'Connor have not been tested or proven in any court of law.

Trading integrity for illusions?

On 1 August 2014, SGX introduced a continuing listing requirement mandating that all Mainboard-listed companies maintain a minimum trading price (MTP) of S\$0.20 per share.³⁷ At that time, KTL's share price closed at S\$0.11, placing it below the MTP.³⁸ In response, Tan KY admitted to conspiring with Tan Chun Yong (Tan CY), then trading representative of OCBC Securities Pte Ltd, to artificially create the appearance of active trading in KTL shares.³⁹ Their objective was to induce genuine market participants to buy KTL shares, thus inflating the share price and helping KTL to meet the MTP requirement.⁴⁰ At the time, Tan KY held a significant amount of KTL shares and participated in the conspiracy knowing it would increase his net worth.⁴¹

To facilitate this scheme, Tan KY arranged for funds to be transferred to Tang Boon Hai (Tang) to finance trades in KTL shares through 14 different trading accounts,⁴² although Tang was only authorised to operate one of them. The remaining accounts were held in the names of four other individuals.⁴³ Additionally, Tan KY allegedly deceived KTL Offshore, a subsidiary of KTL, into disbursing a total of S\$1,501,000.⁴⁴

“Mr Tang bought approximately 122.76 million KTL shares and sold approximately 120.67 million KTL shares. Of these, more than 70 million KTL shares were bought and sold between trading accounts controlled by Mr Tang.”

– Monetary Authority of Singapore⁴⁵

On 20 May 2015, Tang dishonestly received S\$999,980 into a trading account under Infinity Global Consultancy Pte Ltd, a company where he was the sole director and shareholder.⁴⁶ These funds were used, in part, to support false trading in KTL shares, even though Tang had reason to believe the funds were stolen property.⁴⁷

Following a referral by the SGX, the MAS and Commercial Affairs Department jointly conducted an investigation in 2017.⁴⁸ As a result, Tan KY surrendered his passport and resigned as CEO of KTL.⁴⁹ The company publicly stated that he stepped down for personal reasons and would continue as an adviser to the Group.⁵⁰ He was succeeded by his brother, Tan KK.⁵¹

On 28 August 2024, Tan KY was sentenced to eight months' imprisonment after pleading guilty to one charge under the SFA.⁵² As of August 2025, he continues to face two additional charges for cheating and dishonestly inducing the delivery of property.⁵³ Tang was sentenced to 30 months' imprisonment for his role in the false trading after pleading guilty to six charges under the SFA and one charge under the Penal Code.⁵⁴ Tan CY is still undergoing court proceedings and faces seven charges.⁵⁵ If convicted, he may face up to seven years' imprisonment and/or fines of up to S\$250,000 per charge under the SFA.⁵⁶

Board games

Over the years, KTL experienced frequent changes in its Board composition, with key positions being reshuffled regularly. In FY2020, the Board comprised five directors,⁵⁷ including four independent directors (IDs), as shown in Figure 1.

Name	Role	Experience
Chng Hee Kok	Non-Executive Chairman Lead Independent Director	<ul style="list-style-type: none"> Former member of parliament (MP) from 1984 – 2001 Experience in manufacturing, property development, hotel management, trading, entertainment, F&B Previous CEO of Yeo Hiap Seng Ltd, Scotts Holdings Limited, Hartawan Holdings Limited, HG Metals Manufacturing Limited, and LH Group Limited ID in Metech International Limited, Full Apex (Holdings) Limited, Luxking Group Holdings Limited, United Food holdings Limited, The Place Holdings Ltd, Blackgold Natural Resources Limited, Sandpiper Digital Payment AG Chairman and ID in Ellipsiz Ltd
Chin Teck Oon	Executive Director CEO	<ul style="list-style-type: none"> Businessman with 25 years of entrepreneurship and business management experiences Founded companies in Singapore and Malaysia specializing in precision engineering and agritech Founder and director of A-A Precision Wire Cut Pte Ltd and Tianci International Pte Ltd in Singapore, and Ice United Sdn Bhd, AA Home Star Sdn Bhd and Mersing Star Sdn Bhd in Malaysia
Chong Eng Wee	Independent Director	<ul style="list-style-type: none"> Qualified to practice law in Singapore, Hong Kong, New South Wales, Australia, and New Zealand Managing Director of Chevalier Law LCC Currently an independent non-executive director (INED) at three other Singapore Exchange Securities Trading Limited (SGX-ST) companies – Heatec Jietong Holdings Limited, GS Holdings Limited, and OEL (Holdings) Limited Company secretary for HK listed China Vanadium Titano-Magnetite Mining Company Limited and LHN Limited (dual listed on SGX-ST and HK Stock Exchange)
Andrew Chua Thiam Chwee	Independent Director	<ul style="list-style-type: none"> Extensive experience in banking and finance with over 32 years in international banks in functional areas of corporate banking and general management Previous Managing Director of Enterprise Banking at DBS Bank Ltd Currently an ID of GKE Corporation Limited and Lum Chang Holdings Limited Sits as a member and chairs many community-based committees

Name	Role	Experience
Teh Chong Seng	Independent Director	<ul style="list-style-type: none"> Over 35 years of experience in the securities and capital markets of Asia Pacific Previously held senior executive positions in regional securities firms, and investment firms Previously a Senior Vice President of Maybank Kim Eng Securities for over 30 years Currently a Non-Executive Director of Higashi & Sons K.K. and Chairman and ED of Adventus Holdings Limited

Figure 1: KTL's Board of Directors in FY2020⁵⁸

Source: KTL Global. (2020). Annual Report 2020.

Here today, gone tomorrow

The Board underwent a near-complete overhaul from FY2019 to FY2020. In FY2019, the Board members comprised Tan KK as Non-Executive Director (NED); Liu Changsheng (Liu CS) as ED; Tso Sze Wai as ID; and Chong Eng Wee (Chong) as ID.⁵⁹ In FY2020, the Board members were Chng Hee Kok as NED and Lead Independent Director (LID); Chin Teck Koon as ED and CEO; Chua Thiam Chwee as ID; Teh Chong Seng as ID; and Chong as the only director re-elected from FY2019 as ID.⁶⁰

In 2018, Non-Independent Non-Executive Director (NINED) Cheong Hooi Kheng,⁶¹ the sister-in-law of KTL's executive chairman Tan Tock Han⁶² and a Board member since 31 October 2007, resigned as part of a management restructuring exercise.⁶³ Shortly after her appointment on 10 December 2018, ID Zhao Chengcheng (Zhao) retired on 18 January 2019,⁶⁴ serving just five weeks.⁶⁵ Although cited reasons for Zhao's departure were "personal", she remained a director of another company, Cheer-win International Holdings.⁶⁶ Her resignation caused KTL's AC to fall below the minimum requirement of three members.⁶⁷ Further compounding the Board turnover, Wong Fook Choy Sunny, another ID, retired on 28 June 2019, marking the fourth director to leave within 12 months.⁶⁸ Additionally, the Group witnessed several CEO resignations, with Tan KH stepping down in 2017⁶⁹ and Liu CS in 2021.⁷⁰

Key management roles saw similar disruption. CFO positions changed hands multiple times with Law Sai Leung resigning in 2015;⁷¹ followed by Ng Kok Peng in 2020;⁷² Wong Ming Chun in 2021;⁷³ and Zhou Ying in 2022.⁷⁴

Financial trouble

Following the 2008 Global Financial Crisis, KTL's share price saw a modest recovery until 2011 but then entered a significant and prolonged decline.⁷⁵ Although there were occasional spikes such as in 2015, these were attributed by the company to operational changes, including its relocation to Johor, Malaysia.⁷⁶ The move aimed to achieve operational cost efficiencies⁷⁷ and address high labour costs and manpower shortages.⁷⁸ During this period, Khua of Vibrant Group increased his stake in KTL,⁷⁹ even as investigation into Tan KY's alleged false trading conspiracy remained ongoing.⁸⁰

Despite attempts to revitalise operations after 2015, KTL was heavily impacted by volatile crude oil prices.⁸¹ It experienced substantial revenue declines of 42.2%⁸² in FY2016 and 26.4%⁸³ in FY2017. The downward trend continued until 9 February 2021, when the share price briefly spiked to 4.9 cents, representing an 88.5% increase from its previous close.⁸⁴

Concerns about KTL's financial viability grew, with doubts arising in 2017 about its ability to continue as a going concern.⁸⁵

Desperately seeking funds?

Facing mounting financial pressure, KTL turned to alternative funding. On 4 March 2019, KTL announced the issuance of S\$5,350,050 of five-year zero-coupon bonds to Zhong Jian Wu Lian (Beijing) Company Limited, with these bonds being convertible into new ordinary shares.⁸⁶

The bonds were sold at 95% of the principal amount and were convertible after the first year at a conversion price of S\$0.03963 per share, which was a 17.4% discount to the volume-weighted average price of S\$0.048 on 1 March 2019.⁸⁷ If fully converted, the new shares would represent almost 30% of KTL's enlarged share capital.⁸⁸ KTL allocated 80% of the proceeds towards the Group's growth and expansion, while the remaining 20% was earmarked for general working capital purposes.⁸⁹

Zhong Jian Wu Lian, an investment holding company incorporated in the PRC, was not reported to have any prior connections to KTL.⁹⁰ KTL stated that the bond issuance aimed to strengthen KTL's financial position, enabling it to capitalise on growth opportunities and build a strategic relationship between the two companies.⁹¹

Another watchlist

On 3 December 2019, pursuant to Rule 1311(1) of the SGX-ST Listing Manual, KTL was placed on the financial criteria watch-list effective 4 December 2019.⁹² The company was required to take active steps to restore its financial health and meet the requirements of Rule 1314(1) of the Listing Manual within 36 months, failing which SGX-ST could delist the company or suspend trading of shares with a view to delisting.⁹³

Rule 1311 of the Listing Rules states that a company would be placed on the watch-list if it records pre-tax losses for the three most recently completed consecutive financial years (based on audited full year consolidated accounts) and has an average daily market capitalisation below S\$40 million over the past six months.⁹⁴

Unusual trading activity

The sharp rebound in KTL's stock price on 9 February 2021 drew the attention of Singapore Exchange Regulation (SGX Regco), which issued a query to the company on the same day regarding the unusual trading activity.⁹⁵

KTL responded by stating that it was unaware of any undisclosed information about the company, its subsidiaries, or associated entities that could explain the sudden price movement.⁹⁶ The company reaffirmed its compliance with the SGX listing rules⁹⁷ and committed to making all necessary disclosures in line with the Corporate Disclosure Policy of the SGX-ST Listing Manual.⁹⁸

Following this response, there were no further queries or action from SGX Regco.⁹⁹

Trading halt

On 14 July 2021, KTL requested a trading halt,¹⁰⁰ which was subsequently lifted on 16 July 2021.¹⁰¹ Less than a month later, on 10 August 2021, the company requested a second trading halt,¹⁰² along with an extension until 17 August 2021, which was approved by SGX-ST.¹⁰³

On 17 August 2021, KTL voluntarily suspended trading of its shares.¹⁰⁴ The company stated that the suspension was to allow time to prepare and finalise an announcement relating to reports received by the AC from its statutory auditors.¹⁰⁵

Scrutiny from the shareholders' watchdog

Amidst ongoing challenges, KTL came under scrutiny from the Securities Investors Association (Singapore) (SIAS), the main advocate for retail shareholders in Singapore, which issued a series of questions to the company in September 2021.¹⁰⁶

SIAS questioned the suitability of Chin Teck Oon (Chin) to lead a listed company, raising concerns about his experience in risk management, internal controls and compliance.¹⁰⁷ These concerns were heightened by a flurry of corporate activities undertaken by KTL between June 2021 and August 2021, including the acquisition of Tianci Agritech, multiple convertible loan agreements, a proposed acquisition of Ebuy Pte. Ltd, a memorandum of understanding to acquire an industrial property, and several strategic cooperation agreements with other companies.¹⁰⁸

In response, KTL acknowledged that though Chin lacked prior experience in leading a listed company, he had been leading the management team in the interim period following the resignation of Liu CS as CEO.¹⁰⁹ KTL also cited his industry experience in the sale and distribution of vegetables and fresh produce, aligning with the company's strategic direction following its acquisition of Tianci Agritech.¹¹⁰

Multiple roles and controversies

As a former MP with almost two decades of experience and director or executive of various companies in different industries and stock exchanges, Chng Hee Kok (Chng) is no stranger to the Singapore corporate sector.¹¹¹ Chng was a member of the Governing Council of the Singapore Institute of Directors (SID) from 2002 to 2006.¹¹²

Chng was appointed LID and Non-Executive Chairman of KTL on 24 July 2020.¹¹³ He also held several other key roles within the company including Chairman of the Nominating Committee (NC), Member of the Audit Committee (AC), Member of the Remuneration Committee (RC) and Member of the Performance Share Scheme Committee (PSSC).¹¹⁴ At the time of his appointment, Chng also held multiple directorships concurrently. When he was appointed as Chairman of KTL, he was already on the boards of eight companies, such as United Food Holdings Limited, Metech International Limited and Full Apex (Holdings) Limited.¹¹⁵

SIAS raised concerns about Chng's ability to devote adequate time, energy and attention to KTL, following his re-election on 24 September 2021.¹¹⁶ KTL's response was that Chng was a retiree without principal commitments. Additionally, it explained that he possessed a wealth of experience as a director of several listed companies, and that he had good attendance and participation during Board meetings.¹¹⁷

SIAS also questioned Chng's dual designation as both LID and Independent Chairman.¹¹⁸ KTL replied that this was to further enhance independence of the Board for balanced views and opinions, though KTL might consider re-designating Chng at a later juncture.¹¹⁹ Subsequently, Chng was re-designated to Vice-Chairman of the Board and remained as LID.¹²⁰

When Chng was the CEO of the NTUC Club, and director in multiple companies owned by the NTUC Club,¹²¹ NTUC-related companies did business with another company that Chng had a personal stake in. However, Chng did not disclose his interest.¹²² He was convicted and fined S\$5,000 in August 2007 under section 156 of the Companies Act.¹²³ As Chng had furthermore provided statements that were deemed false or misleading during the recording of his statements, he was also issued a written warning under section 28(B)(b) of the Prevention of Corruption Act.¹²⁴

Figure 2 shows a list of the companies where Chng had held a directorship or executive position that have been embroiled in controversy.

Company	Issues	Chng's Role(s)
United Food Holdings Limited	<p>The company's external auditors, KPMG, issued a disclaimer of audit opinion on its financial statements for FY2020 and FY2021, citing unusual cash transactions.¹²⁵ KPMG also pointed out possible deficiencies in the group's internal controls and corporate governance.¹²⁶</p> <p>The company was placed on the SGX watchlist on 6 June 2019, had its shares suspended for trading since September 2021, and was eventually delisted on 14 August 2024.¹²⁷ This was due to its inability to address concerns highlighted by KPMG in their special audit report, as well as not meeting the criteria to exit the SGX watchlist.¹²⁸</p>	ID, RC Chairman and Member of the AC and NC ¹²⁹
Blackgold Natural Resources Limited	<p>On 15 June 2023, the company called for a trading suspension of its shares.¹³⁰ On 18 October 2023, an interim judicial manager was appointed and the company was officially under judicial management.¹³¹</p> <p>On 20 March 2025, SGX-RegCo publicly reprimanded three directors and the CFO of the company for breaching Catalist Rules.¹³² The company had failed to implement sufficient internal controls and risk management systems, as well as failing to disclose certain key business information.¹³³ Chng was not reprimanded.</p>	ID and Member of the AC, RC and NC ¹³⁴
Metech International Limited	<p>In 2022, SGX issued a "Trade with Caution" alert on the shares of Metech International, after noticing unusual fluctuations in share price.¹³⁵ It was noted that the fluctuations were caused by unusual movement in volume of shares because of share purchases.¹³⁶ It was later found that the same group of accounts were behind the buying and selling of Metech's shares, and individuals behind these accounts were suspected to be connected with each other.¹³⁷</p> <p>Wu Yongqiang (Wu), a controlling shareholder of Metech,¹³⁸ was also a director at KTL.</p>	Independent Non-Executive Chairman and Member of the AC, RC and NC ¹³⁹
Full Apex (Holdings) Limited	<p>The company was watch-listed with effect from 5 June 2017, then subsequently delisted on 14 September 2020.¹⁴⁰</p> <p>There was also an unfair prejudice petition against the Company, filed by the shareholders of Full Apex.¹⁴¹ It was alleged that the company's financial accounts have been adjusted, shareholder's inquiries and requests for information have been disregarded or left unanswered, and that a transaction involving the reorganisation and sale of particular assets was conducted below fair value.¹⁴²</p>	LID, Chairman of the AC and Member of the NC and RC ¹⁴³
Debao Property Development Ltd	<p>The company was publicly reprimanded by SGX-RegCo on 16 February 2022 for breaching listing rules.¹⁴⁴</p> <p>Eventually, on 3 March 2022, it was delisted from SGX as it failed to submit a proposal to resume the trading of its shares within the stipulated time.¹⁴⁵</p>	ID, Chairman of the AC and Member of the NC and RC ¹⁴⁶
Chaswood Resources Holdings Ltd	<p>The group's Malaysian subsidiaries faced legal proceedings in Malaysia due to outstanding rents owed and interests accrued.¹⁴⁷</p> <p>The company's trading of shares was also suspended on SGX on 18 June 2018.¹⁴⁸</p>	LID, Chairman of the AC and RC and Member of the NC ¹⁴⁹
Chemical Industries (Far East) Limited	<p>Co-founder of the company Lim Soo Peng was questioned by SIAS with regards to his 'post-retirement perks', which was a concern raised by minority shareholders.¹⁵⁰ Lim, albeit retired, had his own office and was chauffeured in his private car by an employee of the company.¹⁵¹ Several private companies linked to Lim were also registered at the company's premises, leading to more questioning as to whether he was using the premises of the company for his own private benefits.¹⁵²</p> <p>There was also significant family involvement in the company as Lim's three sons all hold key executive positions.¹⁵³</p>	Interim CEO ¹⁵⁴

Figure 2: List of Companies Associated with Chng Hee Kok Embroiled in Controversy

Chng was not accused of any wrongdoing or sanctioned in the above companies and continues to hold directorships across several listed companies. On 23 January 2024, he became a Senior Accredited Director of SID,¹⁵⁵ a designation described as “a symbol of unwavering commitment to excellence in corporate governance”.¹⁵⁶ This recognition drew public scrutiny from corporate governance advocates, including Professor Mak Yuen Teen (Professor Mak), who questioned the standards and criteria underpinning the accreditation.

“Unwavering commitment to excellence in CG? Does that include complying with standard CG practices like appointments going through NC? Does having a prior conviction or on the SGX watchlist for directors and executive officers meet this unwavering commitment?”

– Professor Mak, Corporate Governance Advocate¹⁵⁷

An even more controversial appointment

On 14 December 2021, Wu was appointed by KTL as a NINED and Chairman of the Board. Concurrently, he was also appointed as a member of all four key Board committees: the AC, RC, NC and PSSC.¹⁵⁸ The appointment followed the recommendation and evaluation of the NC, which considered Wu’s professional background and potential strategic value to the Group. Wu was said to be a businessman with broad experience across multiple industries including food, real estate and construction.¹⁵⁹ His extensive industry networks and cross-border business exposure within these industries could thus facilitate the sourcing of new business ventures.¹⁶⁰ The NC also felt that Wu had a proven history of establishing, managing and scaling businesses across diverse sectors in both Singapore and the People’s Republic of China (PRC), which would serve as a strategic asset in advancing business growth for KTL.¹⁶¹

Web of investments

Wu maintained an extensive portfolio in multiple business ventures and industries. In addition to his role at KTL, Wu was a substantial shareholder of Metech International Limited with a controlling stake of 15.68%¹⁶² and an investor at Libra Group.¹⁶³ Furthermore, Wu is the ninth largest shareholder of Rich Capital Holdings Limited with 194,410,000 shares representing a 2.65% equity stake.¹⁶⁴

Weifang drama

Prior to his appointment at KTL, Wu was a director and shareholder of Weifang Shengxing Property Co. Ltd (WFSX), a company incorporated in Shandong, PRC.¹⁶⁵ On 13 April 2015, the district courts in Weifang declared WFSX insolvent and bankrupt, following a liquidation application filed by multiple creditors.¹⁶⁶ In addition, it was disclosed that Wu faced unsatisfied judgements arising from civil suits in which he had acted as a personal guarantor for WFSX and other firms.¹⁶⁷

Despite these financial and legal issues, the NC of KTL assessed that the matters were commercial in nature, resulting primarily from business disputes and the failure of defendants to pay sums owing.¹⁶⁸ The NC concluded that these disputes were not unusual and thus would not hinder Wu’s capacity to carry out his responsibilities.¹⁶⁹

Saga of the 18 civil lawsuits

During Wu’s tenure at KTL, it was disclosed that he had been involved in 18 civil lawsuits in the PRC, with majority of these suits occurring between 2012 and 2014.¹⁷⁰ Despite the volume of litigation, KTL maintained that the lawsuits were commercial in nature, primarily arising from guarantees Wu had provided in his capacity as a legal representative or a director.¹⁷¹ According to the company, such legal disputes were not uncommon among entrepreneurs like Wu managing multiple business ventures.¹⁷²

“Wu has no criminal record in the PRC, in particular any conviction pertaining to dishonesty, fraud or other offence which may lead the NC to doubt Mr. Wu’s character or integrity and affect Mr. Wu’s suitability to be appointed as a director of the Company.”

– *Board of KTL*¹⁷³

Of the 18 civil suits, KTL noted that 12 outstanding cases were due to Wu’s intentional decisions to default on loans.¹⁷⁴ These cases were confirmed by Wu and PRC lawyers to be commercial in nature.¹⁷⁵ The remaining cases were similarly characterised by Wu as commercial disputes unrelated to dishonesty or fraud.¹⁷⁶ Wu also mentioned that he “genuinely believed” he was not at fault in the lawsuits.¹⁷⁷

In addressing concerns raised by the SGX about Wu’s suitability to serve as a director, KTL reiterated that these legal matters did not involve fraud, dishonesty, or misconduct.¹⁷⁸ It also emphasised that upon queries made by the PRC lawyers, there were no bankruptcy proceedings initiated against Wu in the PRC.¹⁷⁹ In view of the above, KTL concluded there was no reason or basis to question Wu’s character or integrity and suitability as a director.¹⁸⁰ While Wu was subjected to high consumption spending restrictions in the PRC to limit discretionary spending by individuals with unsatisfied judgments, the Board determined that these restrictions did not impair his capability or suitability to fulfil his appointments.¹⁸¹

Nutryfarm’s backing

Wu is also a substantial shareholder of Nutryfarm International (Nutryfarm), a company engaged in the distribution of durian and health food products, with a 13.97% stake since 30 June 2021.¹⁸²

About two weeks after his new appointment at KTL on 17 December 2021, Wu wrote to Nutryfarm expressing interest in being appointed as a NINED.¹⁸³ A few months later, on 4 March 2022, Wu proposed to be appointed as Executive Chairman.¹⁸⁴ This proposal was accepted and on 8 March 2022, Wu was appointed Nutryfarm’s Executive Chairman.¹⁸⁵

However, discrepancies in Wu’s age were noted in SGX filings. In an SGX Announcement dated 8 March 2022 regarding his Nutryfarm appointment, Wu was reported to be 45 years old.¹⁸⁶ Yet, in an SGX Announcement dated 14 December 2021, his age was reported as 43 years old for his KTL appointment.¹⁸⁷ Given that the period between both announcements was less than three months, this raised questions of inaccurate or inconsistent disclosure or reporting.

Following Wu’s appointment at Nutryfarm, SGX raised concerns about potential conflicts of interest.¹⁸⁸ In response, Nutryfarm clarified that no conflict of interest existed due to an absence of overlap between its business and KTL’s as KTL is a distributor of fresh vegetables and fruits while Nutryfarm focuses on durian and health food distribution.¹⁸⁹

SGX also questioned Wu’s suitability to serve as Nutryfarm’s Executive Chairman, citing his involvement in 18 civil suits in PRC.¹⁹⁰ Nutryfarm’s stance echoed that of KTL’s Board and NC. Nutryfarm asserted that the lawsuits were commercial in nature and found no evidence suggesting fraud or dishonesty.¹⁹¹ Thus, Nutryfarm supported Wu’s new appointment as Executive Chairman and deemed his character and integrity satisfactory.¹⁹²

“Based on further clarifications by the PRC Lawyers, the confirmations from Wu and his willingness to cooperate in the requests of the Board with respect to the relevant declarations and undertakings, the NC is satisfied with Wu’s character and integrity.”

– *Nutryfarm International Limited*¹⁹³

Despite this support, Wu’s tenure at Nutryfarm was short-lived. A few months after his appointment, on 21 September 2022, Wu stepped down from his position as Executive Chairman of Nutryfarm.¹⁹⁴ Subsequently,

on 16 June 2023, SGX issued public reprimands to seven former directors of Nutryfarm for breaches related to delayed disclosure of material information.¹⁹⁵ However, Wu was not among those reprimanded.¹⁹⁶

Exit and goodbye

On 27 June 2022, KTL announced that Wu had stepped down from his roles as NINED and Non-Executive Chairman, citing personal reasons.¹⁹⁷ In addition, Wu voluntarily ceased his involvement in other key committees of KTL.¹⁹⁸

Audit red flags

There were signs of trouble at KTL starting from as far back as FY2016, with a number of changes in auditors and auditors flagging concerns.

In the FY2015 Annual Report, Ernst & Young LLP issued an unqualified opinion, indicating no major issues with the financial statements.¹⁹⁹ However, by FY2016, the company switched auditors to Crowe Horwath First Trust LLP (Crowe Horwath).²⁰⁰ While Crowe Horwath also issued an unqualified opinion in the FY2016 Annual Report,²⁰¹ the tone shifted in the FY2017 Annual Report when Crowe Horwath “without qualifying” their opinion nonetheless flagged a material uncertainty regarding KTL’s ability to continue as a going concern.²⁰²

The concerns deepened in FY2018 when Crowe Horwath again issued an unmodified opinion, but included an Emphasis of Matter paragraph.²⁰³ In addition to ongoing doubts about KTL’s viability as a going concern, the auditors drew attention to an investigation by authorities into potential offences under the SFA involving the company’s directors.²⁰⁴

In FY2019, KTL appointed a new auditor, RT LLP (RT), which also issued an unmodified opinion with Emphasis of Matter.²⁰⁵ The report reiterated the material uncertainty surrounding the company’s going concern status and raised specific concerns about the profitability of its subsidiary, Bluegas Pte Ltd (Bluegas).²⁰⁶ The auditors questioned Bluegas’ ability to generate the high profits anticipated by the Group, casting further doubt on KTL’s financial projections.²⁰⁷

By the FY2020 Annual Report, the situation had further deteriorated. RT issued a disclaimer of opinion, stating that they had “not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements”.²⁰⁸ The disclaimer signposted glaring concerns in the financial reporting process of KTL and suggested the possibility of financial misstatements or fraud.

Questionable transactions

The audit concerns in KTL’s financial statements centred primarily around transactions in its subsidiary, Bluegas.²⁰⁹ These transactions raised significant red flags and ultimately contributed to the auditors issuing a disclaimer of opinion in the FY2020 Annual Report.

Firstly, there was a transaction with Lawrence Group Inc (Lawrence), with Lawrence claiming to have paid US\$700,000 to Bluegas for the purchase of surgical gloves.²¹⁰ However, Bluegas neither manufactures nor sells surgical gloves.²¹¹ Yet, Bluegas recorded the US\$700,000 payment and used it to offset outstanding balances owed by four PRC trade debtors. This is despite the fact that Lawrence was not based in the PRC and had no relation to those debtors. Lawrence later initiated legal proceedings against Bluegas to recover the funds.²¹²

Secondly, in relation to trade receivables, auditors were unable to verify the authenticity, existence and valuation of the four PRC trade debtors involved in Bluegas’ Branding, Operation, and Procurement (BOP)

business.²¹³ Allegedly, repayments from these debtors were made via multiple tranches through third-party remittance companies, but there was no supporting documentation showing the origin, purpose or allocation of these payments.²¹⁴ Due to the lack of audit evidence, the auditors stated they were “unable to satisfy [them]selves in respect of the existence; rights and obligations; accuracy valuation and allocation; and classification of trade receivables of S\$3,959,000 and allowance for doubtful debt of S\$3,959,000 ... and the occurrence of revenue of S\$1,961,000 ...”.²¹⁵

Further scrutiny arose from the involvement of Liu Xiao Qing (Liu), the CEO of Shenzhen Green Leopard Medical Technology as auditors were unable to verify Liu’s authority to act on behalf of trade debtors to sign the contracts.²¹⁶ This raised suspicions of potential related party ties and agreements necessitating greater investigation.²¹⁷ Additionally, Liu instructed Bluegas on which debtor accounts should be credited, with the auditors noting that instructions from an external party were unusual.²¹⁸ As a result of these concerns, the company fully impaired the outstanding trade receivables amounting to S\$5,956,630 in the financial statements.²¹⁹ The BOP business, which “constituted 100% of the Group’s business in continuing operation for FY2019 and FY2020”,²²⁰ was suspended in 2021.²²¹

The auditors also flagged other troubling issues. They could not determine the validity of the arrangement between KTL and the non-controlling interest of Bluegas, specifically around performance-based remuneration.²²² Additionally, as KTL was in a net liability position, it raised continued material uncertainty over its ability to operate as a going concern.²²³

Beyond the auditors, SIAS also expressed concern over the FY2020 Annual Report, pointing to a broader crisis in confidence. The SIAS questioned matters such as KTL’s current and future business plans, internal controls and corporate governance.²²⁴

Independent review

In response to growing concerns and queries raised, KTL announced the commencement of an independent review. On 14 August 2021, the company appointed Deloitte & Touche Advisory Services to conduct the review.²²⁵ Shortly after, on 17 August 2021, KTL voluntarily suspended trading of its shares, stating that the halt would remain in place until the independent review was completed.²²⁶

AGM on hold

In 2021, KTL faced significant delays in holding its Annual General Meeting (AGM) for the financial year ended 31 December 2020, largely due to audit complications and the Group’s negative equity position. The company first applied for an extension on 5 April 2021, citing audit complications.²²⁷ Approvals were granted by the Accounting and Corporate Regulatory Authority (ACRA) on 8 April 2021²²⁸ and by the SGX on 28 April 2021,²²⁹ giving KTL a 60-day extension from the 30 April deadline.²³⁰

However, as challenges persisted, KTL filed a second application on 8 June 2021 for a further 30-day extension, again due to audit matters and its financial position.²³¹ This allowed the Group to defer the AGM to 29 July 2021.²³² ACRA approved the application on 23 June 2021,²³³ followed by the SGX on 8 July 2021.²³⁴

Despite these extensions, the Group remained unable to finalise its reporting. On 14 July 2021, KTL submitted a third application for an additional 30-day extension to both hold the AGM and issue its FY2020 Annual Report.²³⁵ This had the effect of pushing the deadline to 28 August 2021.²³⁶ This was followed by a resubmission on 2 September 2021, seeking a 60-day extension instead, to defer the AGM until 29 September 2021.²³⁷ SGX granted the approval on 28 September 2021.²³⁸

Ultimately, the Group held its long-delayed AGM for FY2020 on 24 September 2021, nearly five months after the original deadline.²³⁹

Spilling the IPTs

On 22 March 2022, KTL proposed the ratification of interested person transactions (IPTs) in relation to the provision of legal services by Chevalier Law LLC.²⁴⁰ This move was necessary as Chong, an INED at KTL, was also the managing director and had a shareholder holding of over 30% equity in Chevalier Law.²⁴¹ Chong was thus an interested person under Chapter 9 of the Listing Manual rules according to SGX-ST.²⁴²

Chapter 9 of the Mainboard Rules of the SGX-ST defines an interested person to be (a) a director, chief executive officer, or controlling shareholder of the issuer or (b) an associate of any such director, chief executive officer, or controlling shareholder.²⁴³

KTL had engaged Chevalier Law LLC (Chevalier Law) for various legal services, incurring legal fees for various litigation and transactions.²⁴⁴ This included assisting with and advising on fundraising, defending claims initiated by Khua of Vibrant Group against KTL, advice on mergers and acquisition, and general advisory work.²⁴⁵

The Group's latest audited net tangible assets (NTA) stood at S\$394,000 as at 31 December 2020.²⁴⁶ The aggregate amount of all legal IPTs entered from 1 January 2021 until 22 March 2022 with Chevalier Law amounted to S\$255,000, equivalent to 64.72% of the Group's latest audited NTA.²⁴⁷ This figure includes S\$149,500 in legal IPTs previously disclosed on 14 February 2022.²⁴⁸

KTL had not obtained a general mandate for the legal IPTs from shareholders during FY2021.²⁴⁹ The oversight in failing to seek prior shareholders' approval for the legal IPTs was identified only after the release of the Group's 4Q results.²⁵⁰ Upon discovering this lapse, the Group ceased all transactions with Chevalier Law and initiated steps to convene an extraordinary general meeting to seek shareholder ratification for the IPTs.²⁵¹

Chapter 9 of the Listing Manual of the SGX-ST required companies to make an immediate announcement of any IPTs of values equal to or more than three percent of the Group's latest NTA or if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to three percent or more of the Group's NTA.²⁵² The Group must also obtain shareholder approval for any IPTs of a value equal to or more than (a) five percent of the Group's NTA, and (b) five percent of the Group's NTA when aggregated with other transactions entered with the same interested person during the same financial year.²⁵³

KTL's Board and AC acknowledged the failure to obtain the necessary shareholder approval for the legal IPTs.²⁵⁴ They defended this failure as an isolated event, and that the Board believed that there were no other matters warranting disclosure under SGX-ST rules not disclosed to the public.²⁵⁵ The Board submitted there was no prejudice to shareholders in this decision as the legal IPTs were undertaken in the best interest of KTL and its shareholders.²⁵⁶

Public questioning

SGX-ST raised concerns about potential breaches of corporate governance due to conflicts of interest in relation to the IPTs.²⁵⁷ Specifically, it inquired about whether any of the legal services were provided by Chong since KTL announced that he "provide[d] a sense of continuity to the company and offers guidance and legal advice when necessary".²⁵⁸

In response, KTL clarified that although Chevalier Law was engaged, the legal services provided under the IPTs were not rendered by Chong himself but by other directors or lawyers within the firm. KTL emphasised that the quoted statement referred to ad hoc legal advice Chong had provided to the company's management team and were unrelated to the IPTs or services changeable by Chevalier Law.²⁵⁹ KTL highlighted that the advice given was pertaining to the Group's daily operations or general compliance with laws and regulation.²⁶⁰

The ratification of IPTs sparked criticism from members of the public. Corporate governance advocate Professor Mak publicly raised concerns regarding possible conflicts of interest, questioning how Chong could reasonably separate his dual roles as both a legal adviser and a director of KTL.²⁶¹ Professor Mak further cast doubt on the true independence of Chong given KTL's extensive use of legal services provided by Chevalier Law.²⁶²

IPT loan agreement

On 1 March 2022, KTL entered into a loan agreement with Wu to support KTL's growth and business operations. Under the agreement, Wu committed to provide an unsecured loan of up to S\$10,000,000, with an interest rate of five percent per annum over a five-year term.²⁶³

The loan qualifies as an IPT because of Wu's relationship with a substantial shareholder of KTL, Zhang Xuemei (Zhang), who holds approximately 12.75% of KTL's total issued share capital.²⁶⁴ Wu, being Zhang's spouse, is considered an interested person under Chapter 9 of the SGX-ST Listing Manual.²⁶⁵

Despite the potential conflict of interest, KTL's Board and the AC deemed the loan to be of a commercial nature, citing the company's ongoing share suspension which had limited its ability to secure financing elsewhere.²⁶⁶ Accordingly, KTL reasoned that the IPT did not adversely affect the interests of KTL or its minority shareholders.²⁶⁷

End of the wild ride

There were no significant updates provided to the market about the independent review for nearly three years. KTL's shares had remained suspended since 17 August 2021. Then, on 15 May 2024, the SGX-ST announced its intention to delist KTL, effectively closing the chapter on a long-standing governance saga.²⁶⁸ The delisting followed its failure to meet the requirements of the SGX listing rules, despite having previously been granted an extension to exit the watch list.²⁶⁹

According to KTL's most recent management accounts in 2023, the company exhibited serious signs of financial distress. The company was unable to hire accounting professionals to manage and report its financials.²⁷⁰ As of 30 June 2024, KTL had only an estimated amount of S\$650 in its cash and bank balances.²⁷¹ With no ongoing business operations across the Group and its subsidiaries, KTL was not in a financial position to undergo voluntary liquidation.²⁷²

Due to its financial state, KTL was unable to make an exit offer to shareholders.²⁷³ Although the company approached its controlling shareholder regarding a possible offer, the controlling shareholder declined to extend any exit offer.²⁷⁴

The company stated that should any winding-up developments arise, the Board would provide further updates.²⁷⁵ However, in a final blow to shareholders, it told shareholders that they would have to bear the cost of obtaining physical share certificates, as KTL lacked the funds to issue them.²⁷⁶

With that, KTL came to an ignoble end, undoubtedly putting another blot on the reputation of SGX.

Another Blow

Even after KTL's delisting, issues linked to its past management continued to emerge. On 18 November 2025, former CEO and director Tan KY was convicted of criminal breach of trust (CBT) involving almost S\$1 million and sentenced to two years and eight months' imprisonment. According to the Singapore Police

Force, the offence dated back to 2015 and involved diverting S\$999,980 from KTL Offshore (KTLO) under the pretext of purchasing machinery for a joint venture entity.²⁷⁷

The funds had been transferred from KTLO to KTL Offshore Hong Kong (KTL HK), but Tan instead used them to finance trades in KTL shares, creating a false appearance of active market interest. This mirrored the behaviour for which he had already been convicted in January 2024 of false trading, receiving an eight-month jail term.²⁷⁸

Tan held a substantial number of KTL shares and knew that an inflated share price would raise his personal net worth. The false trading was carried out at a time when KTL was under pressure to meet SGX's minimum trading price requirement.²⁷⁹

Although Tan initially claimed trial in the CBT case, he pleaded guilty midway through proceedings. A second CBT charge involving S\$500,000 was taken into consideration for sentencing. He was formally convicted on 20 June 2025.²⁸⁰

Discussion Questions

1. Discuss the key events and corporate governance issues which contributed to the collapse and eventual delisting of KTL on SGX. Identify the red flags that could have alerted investors to the problems at KTL.
2. Critically evaluate the structure and composition of KTL's Board and the various changes. Why do you think there are so many changes in the Board and management?
3. SGX listing rules state that the "character and integrity" of directors, management, founding shareholders and controlling shareholders are a relevant factor to be taken into consideration for a listing applicant. It also states this also to issuers on a continuing basis. Based on the KTL case, do you think this is the case? Why do you think SGX did not do more in the KTL case to enforce this requirement?
4. Critically evaluate the appropriateness of the decision-making process of KTL's Board. Comment specifically about the Board's decisions relating to the interested person transactions and the appointment of controversial individuals as directors .
5. Identify potential breaches in listing rules, laws and regulations in the KTL case. What actions do you think regulators should have taken and which regulators do you think are responsible for taking such actions?
6. Evaluate the effectiveness of SGX Regco as a regulator in maintaining and enforcing corporate governance standards, based on the KTL case. How do you think this may impact investor confidence?
7. In light of the KTL case, discuss possible measures that should be implemented by regulators to strengthen corporate governance.

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(DISI)NTEGRATOR: NETWORK FAILURE*

Case overview

Ntegrator Holdings Ltd (Ntegrator) was a Singapore-based telecommunications and network infrastructure provider that started operations in 2002 and was listed on the Singapore Exchange (SGX) Catalist board in 2005. Beginning with the ousting of its Board at the 2021 Annual General Meeting (AGM), the company encountered a prolonged period of governance instability arising from the appointment of directors with backgrounds that raised serious corporate governance concerns.

Ntegrator was further challenged by myriad obstacles, including multiple changes in its external auditors within a short period of time, botched name changes in a bid to diversify its business, imposition of independent reviews by SGX, statutory demands from its continuing sponsor and executives, and police raids of its headquarters. It eventually underwent compulsory liquidation in 2025 after being issued a winding up order.

The objective of this case study is to facilitate a discussion of issues such as factors contributing to corporate governance problems in companies; director independence; board interlocks; character and integrity of directors; related party transactions; executive remuneration; the role of sponsors on the Catalist Board; changes in auditors; and regulatory effectiveness.

Inception and rise of Ntegrator

Ntegrator Holdings Ltd (Ntegrator) was an integration specialist for network infrastructure and voice communication systems and its core business activities include the design, installation and implementation of data, video, fibre optics, wireless and cellular network infrastructure, as well as voice communication systems.¹ It was incorporated in Singapore on 24 July 1999 under the name of Kenbience International Pte Ltd, which remained dormant before commencing operations in April 2002.² On 28 December 2004, its name was changed

* This case study was originally prepared by Tan Yu Kai Lionel, Singhal Manan, Siu Wei Lun and Zhang Zhiyuan. It has been edited by Andrea Aw Zhi Yi, under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

to Ntegrator International Pte Ltd (Ntegrator International) and on 15 September 2005, it took its name of Ntegrator.³ In 2005, the company was listed on the SGX Catalist (formerly known as SESDAQ).⁴

Ntegrator had operations in Singapore, Malaysia, Philippines and Thailand through its subsidiaries. Its customers included major telecommunication operators such as M1 in Singapore, Viettel in Vietnam and the Ministry of Defence in Myanmar. In 2015, the company secured contracts worth S\$14.5 million from repeat customers such as the supply of 12-Volt 155-Ampere hour batteries to Viettel Global Investment Joint Stock Company, the upgrade of M1's carrier ethernet network infrastructure, and the installation of fibre-optic cables for Sino Huawei Technologies in Singapore.⁵ In 2018, it continued its momentum by winning four contracts totaling S\$17.2 million, which included a US\$2.0 million (S\$2.7 million) project in Myanmar for the Ministry of Defence.⁶

An upward trajectory?

By June 2021, Ntegrator's order book had reached S\$65.9 million, supported by a S\$4.0 million underground pipeline construction project in Changi, Singapore.⁷ To further expand its regional footprint, Ntegrator incorporated a subsidiary in the Philippines, NTEG Data Ecommerce Corp., on 12 July 2021.⁸ The subsidiary was established with a capital subscription of ₱ 9,999,980 (~S\$266,000), meeting the minimum foreign direct investment requirements in the Philippines.⁹ This move demonstrated the company's commitment to strengthening its presence in Southeast Asia and exploring new opportunities in the region.

Ntegrator followed a policy of non-disclosure regarding the identities of its key customers in its public disclosures, including financial reports and corporate communications.¹⁰ The practice is said to align with prevailing industry standards, particularly in sectors such as telecommunications and government-related services, where commercial sensitivity and contractual obligations may limit the ability to disclose client-specific information. In accordance with this policy, Ntegrator consistently referenced its customer base by segment rather than by name. For example, it disclosed that the company's operations focused on serving telecom and government-linked clients across the ASEAN region, without specifying individual customer identities.¹¹

The interim financial statements for the six-month period ended 31 December 2023 reported that approximately S\$7.56 million, or 12.1% of total revenue, was generated from a single external customer.¹² Despite the material contribution, the identity of the customer remained undisclosed. Revenue attributable to this client was labelled "project sales, project management, and maintenance services segment".¹³ Furthermore, the 2022 Annual Report disclosed a 203.1% increase in group revenue, primarily driven by the retail and Internet marketing segments.¹⁴ Despite the substantial growth, no specific clients were named.

A puzzling diversification

On 21 April 2022, Ntegrator completed the acquisition of a 55% stake in Golden Ultra.¹⁵ Golden Ultra, a private company incorporated in the British Virgin Islands on 2 July 2021, focused on designing, manufacturing, marketing, distributing, trading and selling watches through retail stores and online platforms.¹⁶ The company said that this acquisition was part of its strategy to diversify its revenue streams by venturing into high-margin sectors such as e-commerce and luxury retail while maintaining its core expertise in telecommunications infrastructure. However, the acquisition of Golden Ultra was classified as an "interested person transaction" (IPT) because Christian Kwok-Leun Yau Heilesen (Heilesen) was a director and controlling shareholder of the company whilst wholly owning the target Golden Ultra.¹⁷ Further, it required independent shareholders' approval under Chapter 9 of the SGX Catalist Rules because its value exceeded 5% of Ntegrator's latest audited net tangible assets (NTA).¹⁸

In May 2022, Ntegrator's shareholders approved a name change to Watches.com and its diversification.¹⁹ In March 2023, Watches.com changed its name back to Ntegrator,²⁰ after less than a year.²¹ A shareholder inquired if there was a reason why the company had reverted to its previous name, but no substantive reason was offered by the Board, although it confirmed that the company was still in the business of dealing in watches.²²

Board short circuit

Ntegrator's trajectory took a major turn for the worse during the 2021 AGM held on 28 April 2021, where several ordinary resolutions to re-elect existing directors were voted down by shareholders. All five directors were voted out by a new substantial shareholder, Mission Well Limited (Mission Well), which had emerged just days before the meeting.²³ The five directors ousted were Executive Chairman (EC) Han Meng Siew (Han); company founder and Managing Director (MD) Jimmy Chang Joo Whut (Chang); and independent directors (IDs) Charles George St John Reed, Lai Chun Loong and Lee Keen Whye (Lee). Further, the resolution to pay S\$165,600 in directors' fees was also voted down.

At the time of the AGM, Mission Well held just over 10% of the shares, but Ntegrator's shareholding was extremely fragmented.²⁴ The single largest shareholder, Michael Koh Kow Tee, held a 5.38% stake; the MD who founded the company, Chang, held 2.37%; one of the IDs, Lee, held 1.78%; and EC Han held 1.07%.

After sweeping the Board clean, an Extraordinary General Meeting (EGM) was held on 21 May 2021 to appoint five new directors: Heilesen as executive director (ED); Jacob Leung Kwok Kuen (Leung KK) as non-executive chairman; Stanley Leung Yu Tung (Leung YT) and Eunice Veon Koh Pei Lee as IDs; and Zhou Jia Lin (Zhou) as non-independent non-executive director (NINED).²⁵

According to Ntegrator, the emergence of Mission Well as a substantial shareholder was a surprise. In response to queries from SGX, the company said that notifications sent by Mission Well on 21 April 2021 and 22 April 2021 were not redirected to the right inbox owing to technical problems.²⁶ Thus, Ntegrator belatedly found out from emails retrieved from server backups that Mission Well had increased its stake from 4.96% to 6.09% on 19 April 2021 and further increased it to 8.51% on 20 April 2021. On 3 May 2021, Mission Well had paid 1.7 cents each for another 1,000,000 shares, bringing its total stake to nearly 159.8 million shares or 15% equity.

Although legally appointed, the backgrounds of the new directors attracted controversy because they had affiliations with companies that were significant shareholders in Ntegrator. All five individuals held similar positions on the Board of another SGX-listed company, Incredible Holdings Ltd (Incredible).²⁷ Heilesen, via Mission Well, had firm control over Incredible, which used to be named Vashion Group Limited (Vashion),²⁸ with a 59.14% stake. This raised questions about potential conflicts of interest and board independence.

Main power source

Heilesen, a Danish national, was Mission Well's sole shareholder and director. At the time of his appointment at Ntegrator, he was also serving as the ED of Incredible,²⁹ another SGX-listed company engaged in distributing equipment and consumables for the electronics industry.³⁰

Heilesen's prior work experience included being the founder and CEO of Funmobile Pte Ltd (Funmobile) from 2003 to 2011, a Hong Kong-based mobile entertainment company creating games, ringtones and wallpapers for mobile phones.³¹ From 2012 to 2019, Heilesen was also the ED of Primeworth (M) Sdn Bhd, a Malaysian company manufacturing plastic products.³²

Heilesen has left behind a trail of controversies in companies he has been involved with.

Tussle with a giant

In 2009, Microsoft Corporation (Microsoft) sued Funmobile for allegedly using phishing techniques to flood Microsoft Live Messenger users with spam messages.³³ The lawsuit accused Funmobile of sending out thousands of spam instant messages over four months and was filed in King County Superior Court in Seattle. Microsoft sought a court injunction to stop the spam, as well as monetary damages.

According to court filings, Funmobile had sent out instant messages that included links to phishing sites controlled by the company. Victims who clicked on a link would sometimes see a website asking them to enter their e-mail and password to participate in a “harmless community site which is offering users a platform to meet each other for free”.³⁴ If the victim entered his credentials, Funmobile would then harvest all of his friend’s addresses and then spam them. The breed of spam was particularly effective because it looked like it was sent from a friend.

Ultimately, Microsoft reached a settlement with Funmobile and under the terms of the agreement, Funmobile would refrain from “spimming” customers or contacts of Windows Live Messenger and would make a cash payment to Microsoft.³⁵

Small-cap power surges

From around 2011 to 2014, Heilesen emerged as a substantial shareholder in several Malaysian small-cap tech firms.³⁶ His significant investments were typically followed by sharp and rapid surges in share prices, which then collapsed in steep declines just as abruptly as his rapid divestments.

In August 2011, Heilesen acquired just over 12 million shares or a 6.85% stake in DVM Technology Bhd (DVM). He and his associate, Raymond Yip Wai Man (Yip), collectively held 15% equity in the company. Together, they sought an EGM and removed several directors in what was seen as a boardroom tussle. Within three weeks, however, Heilesen and Yip sold out of DVM. The share price, which was 25 sen at the time, its highest in five years, subsequently plunged to 13.5 sen, fuelled by talk of a proxy fight. By mid-August, the two ceased to be substantial shareholders in the company.³⁷

A month later, in September 2011, Heilesen surfaced in GPRO Technologies Bhd (GPRO). Again, the share price surged and Heilesen was appointed EC. Heilesen accumulated 15.29% in GPRO by mid-September, but he was in the company for only eight months. GPRO’s share price shot up, from eight sen on 9 September 2011 to 24.5 sen on 1 November 2011. However, by 15 November 2011, the stock was back to trading below 10 sen.³⁸

In March 2012, Heilesen continued this “company hopping” to Cybertowers Bhd (Cybertowers). He surfaced in Cybertowers with 7.41 million shares or 7.41% equity interest. The stock, which was trading at about 30 sen, gained more than 500%, until he ceased to be a substantial shareholder on 20 July 2012. Heilesen sold his entire holding of 8.3 million shares or 8.3% equity interest in Cybertowers less than five months after he emerged as a substantial shareholder.³⁹

In July 2013, Heilesen then surfaced as a substantial shareholder in Industronics Bhd (ITRONIC) with a 6.39% equity interest. He exited after a few days, but some of his associates, such as Yip, remained.⁴⁰

Power pay

During Heilesen’s tenure as ED at Incredible, he received S\$1 million in bonuses, on top of a salary of S\$300,000 and housing allowance of S\$255,000 in FY2021.^{41, 42} Incredible had reported a loss of S\$6.32 million and a 24% decline in net assets that year. The RC claimed that Heilesen’s remuneration was fair, based on his efforts and contributions to the commercial aspects of the company, for the expansion and diversification of its business. The retail shareholder body, Securities Investors Association (Singapore) (SIAS), criticised the remuneration as being misaligned with the basic principle that remuneration must be commensurate with performance.⁴³

SIAS sent questions to the company before its FY2021 AGM raising concerns about the IDs' oversight of management, the safeguarding of shareholders' interests and the role of the sponsor. Incredible chose not to respond to the questions raised.⁴⁴

Ancillary power supply

In addition to Heilesen, other directors connected to Ntegrator also raised eyebrows.

Power trip

Leung KK was appointed as Independent Non-Executive Chairman.⁴⁵ He was also appointed as a member of the Audit Committee (AC), Chairman of the Nomination Committee (NC) and Chairman of the Remuneration Committee (RC).⁴⁶ At the time of his appointment, Leung KK served as director on eight other Boards, including Incredible

In October 2019, Bursa Securities Malaysia publicly reprimanded and fined Leung KK RM200,000 for breaching paragraph 8.23(2)(a)(i) of Bursa Malaysia's Main Market Listing Rules during his tenure as director at ITRONIC.⁴⁷ The case involved a series of advances totalling S\$2.5 million made to Vashion between 2014 and 2016 under a conditional deposit agreement. Leung KK, along with three other directors, were found to have failed to ensure that the transactions were fair and reasonable to ITRONIC and not detrimental to its shareholders.⁴⁸ Leung KK had not settled the fine as of the date of his appointment to Ntegrator's Board, and the matter remained unresolved.⁴⁹ The regulatory action also led to his resignation from Echo International Holdings Group Ltd, a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong, on 31 March 2020 after Leung KK applied for a suspension from all his duties on 31 December 2019.⁵⁰

Leung KK also faced a tax claim from the Inland Revenue Department of Hong Kong in 2009.⁵¹ The case was closed on 13 August 2009 after settlement.

More power issues

On 10 September 2021, Chay Yiowmin (Chay) was appointed to the Ntegrator Board as Lead INED and Chairman of the AC and Risk Committee, as well as a member of both the NC and RC.⁵² He was subsequently re-designated as the Independent Non-Executive Chairman based on the recommendation of the NC.⁵³

Chay was an Assurance Partner at Moore Stephens LLP (Moore Stephens) from January 2009 to May 2012 and is current CEO of Chay Corporate Advisory Pte Ltd. Moore Stephens was one of the auditors of Ntegrator in 2021.⁵⁴ He has Bachelor of Accountancy and Master of Business degrees from Nanyang Technological University, as well as a Master of Business Administration from the University of Birmingham. Chay is also a Fellow of the Institute of Singapore Chartered Accountants and has served on the Boards of multiple listed entities.⁵⁵ He has been the subject of regulatory actions and investigations.

At the time of appointment to Ntegrator's Board, Chay declared that when he was the Independent Non-Executive Chairman of Metech International Limited (Metech), the Board was issued a private warning by Singapore Exchange Regulation (SGX RegCo) on 5 June 2020.⁵⁶ This was in relation to a Notice of Compliance (NOC) issued by SGX RegCo to Metech in late December 2019, instructing the company to reconvene an EGM.⁵⁷ Metech had failed to disclose that a former director, Simon Eng, had previously received a public reprimand from SGX in 2015, which was information required to be disclosed for directors seeking re-election under SGX rules.

Chay is also on the SGX RegCo Directors' and Executive Officers' Watchlist (Watchlist), a list setting out the names of directors and executive officers who have been the subject of public enforcement actions by SGX, SGX RegCo, Listings Disciplinary Committee or Listings Appeals Committee, or who in SGX's opinion did not

extend necessary cooperation.⁵⁸ Chay's inclusion on the Watchlist was in relation to his prior directorship at Raffles Infrastructure Holdings Limited, where he served as LID and Chairman of the AC.⁵⁹

On 27 October 2023, Chay resigned from Raffles Infrastructure Holdings Limited in view of the requisition by shareholders to remove him as a director of the company.⁶⁰ He disclosed that he felt "hindered in exercising his duties to the shareholders and his obligations to the relevant authorities", though he confirmed that there were no concerns or disagreements with the Board or management over matters involving the company.⁶¹

Auditor musical chairs

On 17 November 2021, Nexia TS Public Accounting Corporation (Nexia) gave notice to resign as auditor of Ntegrator, marking the end of Nexia's 14-year tenure as its auditor.⁶² At the AGM held earlier on 28 April 2021, Nexia had been re-appointed as auditor to hold office until the conclusion of the next AGM.⁶³ However, Ntegrator then appointed Moore Stephens on 15 December 2021 as the new auditor to hold office for the financial year ending 31 December 2021.⁶⁴

The Board rationalised the change of auditors as part of ongoing efforts to enhance corporate governance and manage business costs and expenses amidst a challenging business climate.⁶⁵ It said it believed that the change would allow the company to benefit from fresh perspectives and views of another professional audit firm, particularly with respect to internal controls and financial compliance.

Slightly over a year later, on 8 February 2023, Watches.com Limited (Watches.com) (which was previously Ntegrator in May 2022 before changing its name back to Ntegrator in March 2023) announced another proposed change of auditors. Moore Stephens,⁶⁶ which had only served as auditors since the financial year ended 31 December 2021 and which was last reappointed at the AGM on 13 May 2022,⁶⁷ was to be replaced by RT LLP (RT). In an EGM held on 3 March 2023, RT was appointed as the new auditors.⁶⁸

The rationale given for the change from Moore Stephens to RT was to offer fresh perspectives and contribute to enhanced audit value given Ntegrator's recent growth and acquisitions, as well as managing business costs and expenses.⁶⁹ The Board, after reviewing RT's fee proposal, determined that its proposed professional fees were reasonable and competitive.

The Singapore Exchange Securities Trading Limited (SGX-ST) queried the company on 10 February 2023 pursuant to SGX Guidance Note on Change of Auditors. Paragraph 4 states that "for companies looking to change auditors for cost issues, please disclose in the circular the quantum of fees saved and whether there is any change in the quality and scope of the audit". In response, the Board mentioned that Moore Stephens had explained that due to growth in the company in FY2022, additional resources would be required for the FY2022 audit, which could lead to a substantial increase in audit fees.⁷⁰ However, no formal fee proposal was sent by Moore Stephens for the Board to quantify fee savings. Instead, the Board accepted the fee proposal from RT for the FY2022 audit of the same Singapore-incorporated subsidiaries previously audited by Moore Stephens in FY2021. RT's quoted fee was approximately S\$9,000 (or 8%) higher than the prior year's audit fee.⁷¹ The Board was of the view that there might be potential cost efficiencies compared to the potential substantial increase in audit fees indicated by Moore Stephens.

New auditors under the spotlight

RT is headquartered in Singapore, providing audit and assurance, business advisory and corporate services.⁷² On 29 November 2018, the Audit Oversight Board (AOB) of Securities Commission Malaysia withdrew recognition for RT and its partner, Su Chun Keat, for failing to comply with a regulatory notice.⁷³ The withdrawal of recognition by AOB means that the auditor or audit firm can no longer audit public interest entities in Malaysia, such as listed companies, banks and insurance firms.⁷⁴ RT was required to submit audit working

papers for a client, a public-listed company and its subsidiaries, within a prescribed timeframe, but had failed to do so despite the notice.⁷⁵ The AOB's action was taken under Section 31Q of the Securities Commission Malaysia Act 1993.

On 27 April 2023, Shanghai Turbo Enterprises Limited (STE) announced that SGX had approved its application for an extension of time to publish the FY2022 annual report.⁷⁶ The company said that the delay was partially attributed to “limited manpower resources” with the company’s auditors, which was RT at that point in time.⁷⁷ The was shortly after RT took on the role as auditor for Watches.com on 3 March 2023. Professor Mak Yuen Teen (Professor Mak), a corporate governance advocate, questioned in a LinkedIn post why RT had decided to accept the auditor’s role at Ntegrator when STE had claimed that RT had limited manpower resources to complete STE’s audit on time.⁷⁸ RT did not publicly confirm or deny whether the reason given by STE of “limited manpower resources” on RT’s part was factually accurate.

Earlier, in January 2017, RT was appointed as auditors of YuuZoo Corporation (YuuZoo), a Singapore-based digital media and e-commerce company.⁷⁹ It had replaced Moore Stephens LLP which in turn had replaced BDO LLP, the auditors for its first annual financial statements following its listing in September 2014.^{80, 81, 82} Su Chun Keat, the RT partner who was later barred from audits in Malaysia by the AOB in November 2018, was the engagement partner for YuuZoo’s audit. RT issued an unqualified audit opinion on YuuZoo’s financial statements for FY2016, with two emphasis-of-matter paragraphs indicating material uncertainties.⁸³ Not long after, YuuZoo was embroiled in regulatory and compliance difficulties.

On 19 March 2018, the SGX suspended trading in YuuZoo shares after RT failed to obtain appropriate evidence to support the veracity and reasonableness of two items in its consolidated financial statements.⁸⁴ The company said it was unable to compile necessary audit documentation for RT in time to support year-end reporting.⁸⁵ RT, in turn, was unable to complete the audit within the regulatory deadline.⁸⁶

In October 2018, during YuuZoo’s AGM, 97.87% of the shares voted against RT’s reappointment as auditors.⁸⁷ A month later, RT LLP formally resigned as the company’s auditor.⁸⁸ YuuZoo’s shares have remained suspended while regulators have pursued action against certain directors and management of the company.⁸⁹

Disharmony with sponsors

Under Catalist Rule 226(1)(b), sponsors are expected to “investigate and consider the suitability of each director and proposed director of the issuer and consider the efficacy of the Board as a whole for the company’s needs”. Under Catalist Rule 226(2)(d), sponsors are also to advise the issuer on the suitability of directors arising from proposed changes.

Asian Corporate Advisors Pte Ltd (ACA) was appointed Ntegrator’s continuing sponsor starting from August 2009, after SGX launched Catalist in December 2007. ACA raised concerns about the suitability of the newly appointed directors after the May 2021 EGM.⁹⁰ Specifically, for Leung KK, ACA pointed out his public reprimand by Bursa Malaysia.⁹¹ Despite concurring with the ACA, the appointments went ahead. The Board recommended that Leung KK ought to demonstrate how he is still able to discharge his fiduciary duties and obligations in view of the public reprimand, for the NC to consider.

On 15 July 2021, Ntegrator replaced ACA with PrimePartners Corporate Finance Private Limited (PPCF) as its new continuing sponsor, citing commercial reasons with no further elaboration.⁹²

On 6 August 2021, the lawyers for ACA served a letter of statutory demand on Ntegrator pursuant to section 125(2)(a) of the Insolvency, Restructuring and Dissolution Act 2018 (IRDA) for alleged fees owing by the company for professional services amounting to S\$177,432.06.⁹³ On 27 August 2021, Ntegrator placed the outstanding fees into an escrow account, emphasising that the payment was not an admission by the company of any liability in relation to the letter of statutory demand.⁹⁴ Ntegrator further submitted that unless an amicable

settlement was reached between the parties, any payment that may be made out of the escrow account would be subject to the Singapore courts' determination of the merits of ACA's claims. Eventually, on 30 December 2022, the company entered into a settlement agreement with ACA, resolving all claims originating from legal action brought by ACA against Ntegrator.⁹⁵

Falling from cloud nine

On 27 June 2022, Incredible and Watches.com were served with notices of compliance (NOCs) by the SGX RegCo over a series of transactions involving joint investments and cross-shareholdings.⁹⁶ Provenance Capital Private Limited was appointed as independent reviewer to examine a series of corporate actions undertaken by both companies.⁹⁷

On 18 October 2021, Incredible had entered into an agreement with Heilesen to acquire 42% of Golden Ultra, which was wholly owned by Heilesen, for S\$14.6 million.⁹⁸ Prior to this, on 12 October 2021, Watches.com had also entered into an agreement with Heilesen to acquire 55% of Golden Ultra for S\$14.4 million.⁹⁹ The purchase consideration was paid via the issuance of promissory notes by both companies to Heilesen, who held the remaining 3% interest in Golden Ultra.¹⁰⁰

To SGX Regco, the rationale for the series of transactions and how they would help Incredible and Watches.com was unclear, and it noted that it had issued both companies numerous queries over the past year. Further, the two companies had substantially similar members in the ACs and NCs. Both companies were led by Heilesen as ED, as well as Board members Leung KK, Leung YT and Zhou.¹⁰¹

The independent review, completed on 10 November 2023, found that the companies had paid significant amounts for acquisitions of target companies with weak financials, often without support from independent financial advisers or valuations.¹⁰² Key terms, such as the distribution of substantial dividends to vendors reducing the NTA of the targets to zero or negative, were not disclosed to valuers, potentially leading to overstated valuations.¹⁰³ In the case of Golden Ultra, terms were omitted from the sale and purchase agreement and not disclosed until the later stages.¹⁰⁴ To finance the acquisitions, the companies issued promissory notes totaling at least S\$48.3 million and proposed fund-raising exercises that were not in the best interests of the companies or their minority shareholders, risking significant dilution. Disclosures to shareholders regarding the impact of acquisitions on NTA were misleading as the consideration paid far exceeded the NTA of the target.¹⁰⁵ The review also highlighted a lack of robust deliberation and due diligence by the directors before seeking shareholder approval for these transactions. Independent financial advisers had raised concerns about the commercial terms and valuations, yet the directors still recommended that shareholders vote in favor without adequate discussion of the merits.

As a result, the ACs of Incredible and Ntegrator (formerly Watches.com and Ntegrator International) were directed to review and enhance internal controls as recommended by the independent reviewer.¹⁰⁶ Both companies were prohibited from proceeding with any further transactions or corporate actions until all findings were satisfactorily addressed. SGX RegCo also indicated it would investigate potential breaches of listing rules and refer any contraventions of the Companies Act and Securities and Futures Act to the relevant authorities.¹⁰⁷

Police raid

CKLY Trading Limited (CTL), a subsidiary of Watches.com and indirect associate of Incredible, came under investigations by the Hong Kong Customs and Excise Department (Customs) for alleged offences in relation to false trade descriptions and forged trademarks.¹⁰⁸

On 31 August 2022, officers entered CTL's premises in Tsim Sha Tsui, Hong Kong, and seized about 500 watches amounting to a book value of some \$30,000 on suspicion of the watches being counterfeit.¹⁰⁹ Heilesen, the ED of Watches.com and director of CTL, together with a CTL sales employee, had to go to the Customs

headquarters to assist with investigations and were subsequently released on bail after paying bail amounts of HK\$20,000 and HK\$10,000 respectively.¹¹⁰ While Heilesen had to report to police officers on the matter three months after his bail, the companies emphasised that he was not formally charged nor was he the subject of any judgment or ruling. It said that it was CTL's firm belief that the watches seized were genuine.

When the news broke, shares of Watches.com tumbled 0.2 cent or 12.5% to 1.4 cents. Incredible Holdings' shares were unchanged at 0.2 cent.¹¹¹ Both companies called for a trading halt on 2 September 2022.

On 8 September 2022, Watches.com provided an update which stated that the watches were those from Michael Kors and Armani, and the 500 watches involved were reported by Customs to have an estimated market value of HK\$600,000 (S\$107,477).¹¹² The company said that the earlier figure of S\$30,000 was derived from the book value of the watches.¹¹³ Incredible and Watches.com also said that invoices and supporting documents in relation to the purchase of the seized watches have been provided to the Hong Kong legal team to prepare a case to get back the watches and to dismiss the investigation.¹¹⁴

Beginning of the end

Between April 2023 and January 2025, Ntegrator descended into a full-blown financial and governance crisis. What began as a short-term cash flow solution eventually unraveled into a series of allegations involving unauthorised payments, fiduciary breaches, and internal dysfunction.

Internal loans and unauthorised payments

On 18 April 2023, Ntegrator entered into a S\$150,000 "temporary bridging loan agreement" with its financial controller, Sw Chan Kit (Sw), at an interest rate of 20% per annum, repayable within 4 months.¹¹⁵ The funds were disbursed the following day to address working capital needs.¹¹⁶

On 10 November 2023, Sw, allegedly acting without authorisation, transferred S\$220,000 from Ntegrator Private Limited (NPL), a wholly-owned subsidiary of Ntegrator, into his personal account.¹¹⁷ The transaction was discovered on 3 August 2024, prompting an explanation to be sought on 8 August¹¹⁸ and a police report to be lodged on 19 August.¹¹⁹ Sw claimed the amount was a separate temporary loan he had provided to NPL to alleviate its cash flow difficulties, and not repayment of the April loan. NHL, however, insisted that the S\$220,000 ought to offset the outstanding balance of the prior loan, denying any further repayment obligation.¹²⁰

Statutory demands

In July 2024, Ntegrator was served with three statutory demands from former senior executives.

On 19 July 2024, Sw issued a demand for S\$106,859.66 relating to outstanding loans; and a demand for S\$231,936.87 for unpaid salary leave encashment, a previously approved bonus, and unreimbursed expenses covering January to July 2024.¹²¹ A week later, former ED Han demanded S\$240,578.23 for unpaid salary from January to June 2024 and additional expense claims.¹²² Each demand required settlement within three weeks, failing which winding-up proceedings could be initiated under the IRDA.¹²³

Ntegrator disputed the validity of the statutory demands and under the direction of ED Tam Ki Ying, launched internal investigations into the actions of Sw and Han.¹²⁴ This sequence of events exposed significant financial strain and internal weaknesses. The statutory demands drew regulatory scrutiny, prompting SGX to issue queries regarding the financial position and internal controls of the company.¹²⁵

In late July 2024, Sw and Han exited their formal roles. Han ceased to be ED on 29 July 2024¹²⁶ and Sw stepped down as financial controller on 31 July.¹²⁷ On 1 August 2024, Ntegrator proposed a repayment plan to Sw, offering S\$10,000 per month beginning 30 August.¹²⁸ However, there is no disclosure of whether the plan was implemented.

Grasping at straws

In a bid to stay afloat, Ntegrator filed a series of applications relating to extension of time for convening its AGM and originating claims against alleged recalcitrant executives. However, these applications were rejected.

Extension of time

On 29 August 2024, Ntegrator sought an extension of time to comply with Rules 705(1), 707(1), 707(2), and 711A of the SGX-ST Listing Manual Section B for the financial year ended 30 June 2024.¹²⁹ Rule 705(1) states an issuer must announce financial statements for the full financial year not later than 60 days after the relevant financial period; Rule 707(1) indicates an issuer must hold its AGM within four months from the end of its financial year; Rule 707(2) is in relation to the issuance of an issuer's annual report to shareholders and the SGX at least 14 days before the date of its AGM; and Rule 711A states an issuer must issue a sustainability report for its financial year no later than 4 months after the end of the financial year.

The company cited several reasons for the delay, including significant changes in management and Board that caused an abbreviated handover period and insufficient transfer of duties to new appointees.¹³⁰ The new management required additional time for a comprehensive internal review and the implementation of governance measures to ensure the accuracy and alignment of financial reporting with new strategic directions.¹³¹ These challenges delayed the results announcement, which in turn affected the preparation of the annual report and scheduling of the AGM. The company's auditors, RT, were also said to need more time to complete the audit and prepare its opinion letter. Ntegrator applied to the Accounting and Corporate Regulatory Authority (ACRA) for a 60-day extension, proposing to hold the AGM for the financial year ended 30 June 2024 by 30 December 2024 and file the annual returns by 29 January 2025.¹³²

On 10 September 2024, SGX RegCo rejected the extension application, citing no extenuating reasons to justify the request.¹³³ SGX RegCo also reserved the right to take action for breaches of the Catalist Rules and instructed the Board to immediately announce the company's unaudited financial results for the period ended 30 June 2024, issue its annual report and sustainability report, and hold its AGM for FY2024 within the prescribed deadlines. On 13 September 2024, ACRA rejected its extension for the AGM to be held at a later date.¹³⁴

Fighting back

Ntegrator launched an internal investigation on the conduct of Sw and Han starting 6 August 2024.¹³⁵ The investigations alleged that Sw and Han were repeatedly absent from work without authorisation with no records of their attendance, email activity, or meeting participation during significant periods of their employment.¹³⁶

On 13 December 2024, Ntegrator filed an originating claim against Sw, Han, and former MD Chang for alleged breaches of fiduciary duties.¹³⁷ However, the High Court rejected the claims, finding that the allegations lacked credibility, were speculative and unsupported by evidence.¹³⁸ The company was unable to produce any Board minutes, email correspondence, or internal memos documenting the reporting or escalation of these absences, raising questions about whether the Board exercised any meaningful oversight at all. The S\$220,000 transfer from NPL to Sw was also not construed as repayment of loan and was found to be a separate loan that Sw had provided to NPL.¹³⁹

Failed attempt at scheme of arrangement

In HC/OA 1310/2024, Ntegrator made an application under section 64 of the IRDA and admitted that in the event the application was not granted, the likely alternative would be placing the company in liquidation.¹⁴⁰ The application was for a scheme of arrangement between Ntegrator and its creditors in the form of a moratorium

such that no order or resolution may be made or passed for the winding up of the company.¹⁴¹ This was done with the aim of facilitating reorganisation of the liabilities and business of the company.¹⁴²

Subsequently, Ntegrator's application was rejected on the basis that there was no reasonable prospect of the proposed scheme of arrangement working and being acceptable to the general run of creditors.¹⁴³

Collapse of house of cards

Having failed to respond to the statutory demands issued against it, Ntegrator was presumed insolvent by operation of section 125(2)(a) of the IRDA.¹⁴⁴ There was no attempt by the company to demonstrate otherwise. Additionally, Ntegrator had failed to file audited financial statements since FY2022 and convene an AGM by the end of October 2024 as it was required to do so.¹⁴⁵ United Overseas Bank, a major creditor owed S\$1.5 million under a corporate guarantee, supported Sw's winding-up application against Ntegrator.¹⁴⁶

On 28 January 2025, a judge of the Singapore High Court Hri Kumar Nair ordered Ntegrator to be wound up, and appointed Baker Tilly Consultancy (Singapore) Private Limited as the liquidator.¹⁴⁷ On 3 February 2025, Ntegrator announced that interim judicial managers from KordaMentha Private Limited had been appointed to oversee NPL.¹⁴⁸ Following the liquidation process, Ntegrator was officially delisted from the SGX Catalist board, with the delisting effective 25 June 2025.¹⁴⁹

The house of cards that was Ntegrator had finally collapsed.

Discussion Questions

1. Discuss the major corporate governance issues at Ntegrator and the factors that contributed to these issues.
2. The ability of shareholders to remove directors and appoint new directors is an important shareholder right and an important check and balance. However, in Ntegrator's case, the changes to the Board through Mission Well exercising this right appear to have harmed the company. What recommendations do you have to ensure that this right is exercised responsibly?
3. Critically evaluate whether the directors who were appointed after the removal of the directors at Ntegrator's April 2021 AGM were independent and "fit and proper". What are the concerns about the board interlocks between Ntegrator and Incredible Holdings?
4. Two common risks of companies with controlling shareholders are interested/related party transactions and excessive remuneration? Use the Ntegrator case to explain the risks. What measures do you think can be adopted by regulators to mitigate these risks?
5. Critically evaluate Ntegrator's decision to diversify away from its core business. What are the risks of such diversification? What are the responsibilities of the Board in diversification decisions?
6. Critically evaluate the effectiveness of the sponsor-based model used for the Catalist Board, using the Ntegrator case as an example. Should this model be discarded or modified, and if modified, in what ways? Explain.
7. Analyse the company's reasons for its changes in auditors. Were the explanations sufficient and justifiable? What are potential risks associated with frequent auditor changes?
8. Critically evaluate the effectiveness of regulators based on the Ntegrator case.

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LIGHTNING FAST MOBILE HEALTH NETWORK*

Case overview

In April 2024, Mobile Health Network Solutions (MHNS) successfully listed on the Nasdaq Stock Market (Nasdaq) in the United States (US), becoming the first pure-play telehealth company in the Asia Pacific to list on a major US stock exchange. MHNS was ranked #41 in the Financial Times 2024 listing amongst 500 High-Growth Asia-Pacific Companies.

MaNaDr is the main platform through which MHNS has been offering its teleconsultation services. This platform had grown its network to more than 500 clinics and 700 doctors in Singapore. However, on 20 December 2024, Singapore's Ministry of Health (MOH) revoked the licence of MaNaDr Clinic Pte Ltd (MaNaDr Clinic), a subsidiary of MHNS which operates the MaNaDr platform, for provision of outpatient services. This followed MOH investigations which had flagged potential issues with the teleconsultation services offered by MaNaDr.

The objective of this case study is to facilitate a discussion of issues such as balancing ethics and profit for healthcare companies; listing of healthcare businesses; board composition; board responsibilities; risk management; regulation of listed healthcare businesses in Singapore; and the regulatory framework for foreign private issuers in the US.

The beginning

Mobile Health Network Solutions (MHNS) is a Singapore-based company that specialises in telehealth services. It was founded and incorporated on 28 July 2016 under the laws of the Cayman Islands by co-founders Dr. Siaw Tung Yeng (STY) and Dr. Rachel Teoh Pui Pui (RTPP).¹ The company's major shareholders include STY and RTPP, who hold 50.9% and 13.8% of the voting rights respectively;² its Chief Financial Officer (CFO), Peng Chee Yong (PCY); principal shareholders, Ng Jet Wei (NJW) and Siaw Tun Mine (STM); and several institutional investors, including Citadel Securities GP LLC, UBS Securities LLC, Renaissance Technologies LLC, Millennium Management LLC and UBS Group AG.³

* This case study was originally prepared by Jolynn Hong Min En, Lee Xin Jie, Ng Min En Esther, Ng Min Hui Daphne, and Ranielle Goh Pei Leng. It has been edited by Rachel Tang Kai Xuan under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

The company operates in two segments – the provision of telemedicine and other services, and the sale of medicine and medical devices.⁴ It offers its telemedicine services through the MaNaDr platform,⁵ which provides services for patients to conveniently access medical services through teleconsultations and health screenings. MaNaDr Clinic charges relatively low consultation fees, with prices starting from S\$8.20 for one minute of video call and five chat messages.⁶ Additional charges would apply for longer video calls or more messages.

In the sale of medicine and medical devices segment, MHNS offers healthcare products via its e-commerce platform, and also engages in wholesale distribution of pharmaceutical products to clinics.⁷

Singapore roots, Nasdaq ambitions

MHNS is listed on the Nasdaq Capital Market,⁸ one of the three market tiers under Nasdaq. To achieve this listing, the company had to meet specific financial, liquidity, and corporate governance standards required by the exchange. To be approved for a primary listing, MHNS had to satisfy the baseline criteria of having at least one million unrestricted publicly-held shares, a minimum of 300 shareholders holding unrestricted securities valued at a minimum of US\$2,500, and at least three active and registered market makers.⁹

In addition to the baseline criteria, MHNS must meet either the Equity Standard, the Market Value Standard, or the Total Revenue Standard. Based on MHNS's IPO structure, the company likely qualified under the Equity Standard, which requires it to have stockholders' equity of at least US\$5 million, unrestricted publicly-held shares with a market value of at least US\$15 million, a minimum bid price of US\$4 per share, and at least two years of operating history.¹⁰

Foreign private issuer

MHNS is classified as a foreign private issuer for its listing in the US. A foreign private issuer is a company incorporated outside the US that meets specific criteria set by the US Securities and Exchange Commission (SEC). A company that qualifies as a foreign private issuer receives special treatment under US securities laws. To be a foreign private issuer, the company must be incorporated outside the US and have 50% or less of its voting securities held directly or indirectly by US residents. If more than 50% of the voting securities are held by US residents, the company must satisfy the following conditions to be considered a foreign private issuer. First, the majority of the directors or executives must not be US citizens or residents. Second, the company cannot have more than 50% of its assets located in the US. Lastly, the company's business must be primarily administered outside the US.¹¹

As a foreign private issuer, MHNS is permitted to follow the corporate governance requirements of its country of incorporation, the Cayman Islands, instead of Nasdaq's US governance rules, subject to certain exceptions.¹² As a result, MHNS benefits from a range of exemptions that apply to US domestic public companies, providing MHNS with greater flexibility in its regulatory and reporting obligations.

MHNS is exempt from complying with the US proxy solicitation rules which govern how companies seek shareholder votes, consents or authorisations in respect of securities registered under the Exchange Act. Furthermore, its directors, officers, and major shareholders are exempted from Section 16 of the Exchange Act, which requires insiders to report their holdings and transactions in company securities and short-swing profits. In addition, unlike US domestic public companies, MHNS is not required to file quarterly reports (Form 10-Q) and current event-driven reports (Form 8-K) in the event of an occurrence of a specified significant event.¹³

Nonetheless, these flexibilities are coupled with disclosure and compliance requirements aimed at protecting investors. MHNS is still bound by several key Nasdaq requirements, such as Rule 5625 (Notification of Noncompliance), Rule 5605(c)(3) (Maintenance of Audit Committee Standards), and Rule 5605(c)(2)(A)(ii) (Ensuring the Independence of Audit Committees).¹⁴

MHNS is also required to obtain a certification from independent legal counsel verifying that the company's governance practices are compliant with its home country laws. Such compliance must be ensured prior to listing.¹⁵ To ensure compliance, MHNS is required to explain in detail any governance rules of Nasdaq that it has chosen to ignore and the rationale for using alternative mechanisms in its annual reports (Form 20-F)¹⁶ or registration statements (Form F-1)¹⁷ at listing. Alternatively, the company must provide this information in English on its website.¹⁸

MHNS conducted its IPO on Nasdaq instead of the Singapore Exchange as the US is seen to provide better liquidity in the stock market and offers a wider range of institutional and retail investors.¹⁹ This was part of its strategy to enter a market that recognises and invests in advanced technology digital frameworks while simultaneously bolstering its foothold internationally by drawing in tech-healthcare transformation savvy investors.²⁰ The company filed its Form F-1 dated 22 February 2024 with the SEC, which disclosed its plans to offer 2.25 million Class A Ordinary Shares priced between US\$4.00 and US\$5.00 in its IPO.²¹ The SEC declared the offering effective on 27 March 2024 and the shares began trading on the Nasdaq Capital Market under the symbol "MNDR" on 10 April 2024.²²

Home rules

In 2020, the Healthcare Services Act (HCSA) was enacted to regulate Singapore's healthcare services. It replaced the Private Hospitals and Medical Clinics Act (PHMCA) and introduced a new framework to regulate emerging models of care.²³ MHNS's MaNaDr Clinic meets the definition of "remote provision" in relation to a licensable healthcare service under Section 2 of the HCSA.²⁴ As such, it is subject to a number of rules under the HCSA, which requires, inter alia, the proper maintenance of records (Section 27(1) HCSA) and the provision of healthcare services in accordance with the rules of professional conduct and ethics (Section 39(1)(b) HCSA).²⁵

Leaks in the system

In January 2020, WizCase, an internet cybersecurity leader, discovered that approximately 842,000 patient records from MHNS were exposed in a public-facing server and improperly configured Amazon AWS S3 buckets. Following WizCase's email correspondence with MHNS, the leak was closed. MHNS stated that the leaked server included primarily test data. However, WizCase researchers discovered data that appeared to be genuine when validating the entries.²⁶

Section A6 of the Singapore Medical Council's Ethical Code and Ethical Guidelines (ECEG) requires telemedicine providers to, among other obligations, take reasonable care to ensure confidentiality of medical information shared through technology and simultaneously ensure compliance with any applicable existing legislation and regulations governing personal data.²⁷ As such, MHNS is required to adhere to Singapore's Personal Data Protection Act (PDPA),²⁸ which governs the collection, use, disclosure, and protection of personal data in Singapore. Under Section 24 of the PDPA, organisations are obliged to make reasonable security arrangements to prevent the unauthorised access of personal data in their possession. This obligation to comply with the PDPA is recognised by MHNS, which discloses a data protection policy in accordance with the PDPA on its website.²⁹

However, no further action appears to have been taken against MHNS for the leak.

Full shutdown of MaNaDr Clinic

"It's not the fact of telemedicine that is necessarily wrong, it's whether correct clinical care has been provided through this modality, and that sometimes requires inpatient consultation."

– Dr Janil Puthucheary, Senior Minister of State for
Digital Development and Information³⁰

On 16 August 2024, MaNaDr Clinic was directed by the Ministry of Health (MOH) of Singapore to suspend its outpatient medical services through teleconsultations after an investigation flagged potential issues.³¹ MOH investigations revealed that there was a significant number of patients who had undergone very short teleconsultations, as well as cases where multiple medical certificates (MCs) were issued to the same patients over a short period of time. In a sampled month, more than 100,000 teleconsultations involved video calls with patients that lasted one minute or less in duration, with the shortest consultation recorded as lasting only one second. Additionally, more than 1,500 patients were issued with MCs on five or more occasions in one sampled month, with the highest record being 19 MCs issued to a single patient. Corresponding case notes for the short teleconsultations also did not appear to be commensurate with the duration of teleconsultation, with some being very detailed, while others were very brief.³²

MOH implemented stricter regulations on the issuance of MCs on 14 October 2024. Under the new regulations, all MCs must include the name and medical registration number of the issuing practitioner, ensuring traceability and accountability.³³ Non-compliance may result in enforcement actions such as censure in writing, financial penalty, modification of licence conditions, or suspension of the licence.³⁴

On 24 October 2024, MOH issued a notice to MaNaDr Clinic, stating its intention to revoke the clinic's licence to provide all outpatient medical services, as MOH was of the view that MaNaDr Clinic was unable to continue providing outpatient medical services in a clinically and ethically appropriate manner.³⁵ MaNaDr Clinic was barred from physical consultations at the clinic's permanent premises and at temporary premises such as patients' residences, as well as remote teleconsultations through the clinic's online platform. The licence was officially revoked by MOH under the HCSA on 20 December 2024.³⁶ MaNaDr's physical clinic, initially located at Beach Road City Gate, was closed after the clinic's licence was revoked.³⁷ MOH clarified that other clinics and service providers using the MaNaDr platform to provide teleconsultation services could still continue using the platform, but would be audited and monitored by MOH to ensure compliance with the ECEG and relevant regulatory requirements.³⁸

Doctors in the spotlight

MOH also referred 41 doctors to the Singapore Medical Council (SMC) for suspected professional misconduct due to short teleconsultations, repeated issuance of MCs to the same patient over a short period of time, as well as questionable and poor documentation of cases. Thirteen of the 41 doctors had breached their terms of service by undertaking outside employment and conducting secondary clinical activities at MaNaDr Clinic without authorisation while being on active duty in public healthcare institutions or MOH Holdings. Five have since left the public healthcare sector, while seven out of the eight others have been dismissed. The remaining doctor was subjected to disciplinary action due to the lower severity of his actions.³⁹

MOH said that it would review whether STY had discharged his duties as Principal Officer and Clinical Governance Officer of MaNaDr Clinic satisfactorily. It would also assess his suitability to continue performing such roles at three other licensed outpatient medical service providers.⁴⁰ As Principal Officer and Clinical Governance Officer, STY would have been responsible for the management of the clinic's day-to-day operations and the provision of clinical governance and technical oversight over the clinic's services.⁴¹

MOH observed that "the prevalence of such inappropriate practices suggests a lack of effective internal oversight, controls and governance to ensure that outpatient medical services are consistently provided in a clinically and ethically appropriate manner by all its doctors."⁴²

The founder of Pinnacle Family Clinic, Dr. Mok Boon Rui, noted that patients tend to cut short consultations if there are additional charges for each extra minute spent on a call. Lower prices may also have provided an incentive for doctors to prioritise volume over appropriate clinical practice.⁴³

Stock price trajectory

On 15 August 2024, the day before MOH announced that MaNaDr was under investigation, the stock had closed at US\$0.92. On 24 October 2024, the day MOH issued a notice of intended revocation of licence to MaNaDr Clinic, its share price dropped to US\$0.4340.⁴⁴

In September 2024, the company disclosed that it had received a notice from the Listings Qualifications Department of The Nasdaq Stock Market, indicating that the company's Class A ordinary shares had failed to meet the minimum bid price per share of US\$1 for a prolonged period of 30 consecutive business days, which is required under Nasdaq Listing Rule 5550(a)(2).⁴⁵ Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the company is given a compliance period of 180 calendar days to regain compliance with the minimum bid price rule. On 20 December 2024, the day MOH revoked its licence, its share price closed at US\$0.283.⁴⁶

MHNS held its first ever Extraordinary General Meeting (EGM) on 3 February 2025 to seek shareholder approval for amendments to the company's Memorandum and Articles of Association, including provisions for a potential share consolidation.⁴⁷ The proposed consolidation involved combining every eight existing Class A and Class B Ordinary Shares into one share of each class from 28 February 2025, provided that the closing bid price was not equal to or more than US\$1.00 per share for a minimum of ten consecutive business days before 27 February 2025. The share consolidation was approved at the EGM.⁴⁸

On 10 March 2025, MHNS carried out a 1-for-8 reverse stock split in an effort to ensure compliance with Nasdaq's minimum bid price rule.⁴⁹ Its share price closed at US\$2.10 the following day.⁵⁰

Board of directors

The MHNS Board comprises five directors, including two Executive Directors (EDs) and three Independent Non-Executive Directors (INEDs).

STY, a co-founder of MHNS, has been Co-Chief Executive Officer (Co-CEO) and Director since the company's inception in 2016. He was a recipient of the Public Service Medal (2023) in Singapore. He concurrently serves on the Singapore Medical Council (SMC) Disciplinary Tribunal and the National Telemedicine Advisory Committee (NTAC), both of which oversee the regulatory frameworks that govern telehealth in Singapore. He graduated from the National University of Singapore with a Bachelor of Medicine, Bachelor of Surgery degree in 1991 and a Master of Medicine degree in 1995. He was also awarded a fellowship at the College of Family Physicians in 2000.⁵¹

RTPP, the other co-founder and Director of MHNS, was appointed as Co-CEO and Chief Operating Officer (COO) in 2019. She was also appointed as Chair of the Board. She concurrently serves as the director of EC Family Clinic and the director of Punggol Ripples Family Clinic in Singapore. RTPP graduated with a Bachelor of Medicine and Bachelor of Surgery degree (MBBS) from the National University of Singapore in 2002, a Postgraduate Diploma in Practical Dermatology from Cardiff University, UK in 2010, a Postgraduate Diploma in Family Medicine from the National University of Singapore in 2011, and a Postgraduate Diploma in Aesthetic Medicine from the American Academy of Aesthetic Medicine in 2016.⁵²

The three INEDs chair and serve on all the key board committees, including the Audit Committee (AC), the Nominating Committee (NC), and the Compensation Committee (CC). Their professional backgrounds include experience in finance, investment, accounting, and digital health, with current and past affiliations across both public and private sector organisations. MHNS did not appoint a Lead Independent Director (LID).

Ho Hin Yip (HHY) was appointed as an INED in August 2024.⁵³ He serves as the Chairman of the AC and a member of the CC and NC. He is the Managing Director of JRK Certified Public Accountants Ltd., a Hong Kong-based accounting firm, and also the Financial Controller and Joint Company Secretary of China Shenshan Orchard Holdings Co. Ltd., a Singapore-listed agritech company.⁵⁴

China Shenshan Orchard Holdings Co. Ltd. has been involved in legal proceedings in Taiwan with the Securities and Futures Investors Protection Center (SFIPC) concerning alleged non-compliance with undertakings to repurchase Taiwan Depository Receipts (TDRs) following the company's delisting from the Taiwan Stock Exchange (TWSE), and inaccuracy in a 2021 shareholder circular. The claim is valued at approximately S\$13.9 million and underwent retrial after a previous default judgment was overturned.⁵⁵ After four hearings, the Commercial Court informed that there would be a change in the presiding judge and suggested that China Shenshan Orchard Holdings Co. Ltd and SFIPC enter into mediation proceedings. Three mediation proceedings were held between 20 December 2024 and 22 August 2025. No conclusive outcomes were reached through the mediation proceedings.⁵⁶

HHY has also served as a director of several Hong Kong-listed companies, including China Ever Grand Financial Leasing Group Co., Limited; Jiyi Holdings Limited; Hope Life International Holdings Limited; and Xinhua News Media Holdings Limited. He is also a practising member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants.⁵⁷

Tan Kim Han Raymond (TKHR) was also appointed as an INED in August 2024. He serves as Chair of the NC and a member of the AC and CC. A Singapore Chartered Accountant and Certified Internal Auditor, TKHR is said to have led investment transactions totaling over US\$3 billion and held board positions across Nasdaq and KOSDAQ-listed companies.⁵⁸ He previously served as the CFO, Chief Risk Officer (CRO), and CEO of CMIG International Holding Pte. Ltd., where he also held roles as director and board secretary. He was formerly a director and Chairman of the Finance Committee at Sirius International Insurance Group. He is also a council member of the Singapore Road Safety Council, and a director of Soleil Investment Pte. Ltd., Life Bridge Partners Pte. Ltd., and UES Waste Management Pte. Ltd. He also serves as a director for several affiliated entities, including UES Envirotech Philippines, Inc., UE Newater (Vietnam) Limited, BEWGI-UE Newater Pte. Ltd., BEWGI-H2O Pte. Ltd., and UESH-BEWGI Eng Pte. Ltd.⁵⁹

Gabe Rijpma (GR), the third INED, was appointed in August 2024. He is the Chair of the CC and a member of both the AC and NC. He is currently the CEO and a director of Aceso Health, a company that provides digital platform solutions for the healthcare industry aimed at improving the experience of care for patients and providers. He formerly held various roles at Microsoft across Australia, the US and Singapore, with his most recent position being Senior Director of Health & Social Services for Asia, where he led the expansion of Microsoft's healthcare business in the region. He is a fellow of the Australasian Institute of Digital Health and a founding fellow of Health Informatics New Zealand.⁶⁰

Risk management and clinical governance

According to MHNS, it has comprehensive internal control procedures and quality assurance systems to minimise medical risks. Its in-house medical team is subject to monthly evaluations and training, and a three-tier quality control system is in place for teleconsultations:⁶¹

Tier One: All doctors on-duty conduct reviews of and grade consultation cases through the doctor's dashboard.

Tier Two: Medical directors will conduct reviews of consultation cases of low grades or those with issues and provide comments on and select a number of samples for review.

Tier Three: Quality Control Training Department and the expert committee make determinations on the consultation cases with issues and select a number of samples for review.

Should any issues arise, the company's quality control personnel will report to its Quality Control Training Department within 24 hours. The three-tier quality control system is overseen by an expert committee which comprises five licensed doctors who are said to be highly regarded authorities in their respective fields.⁶²

MHNS requires its external doctors to adhere strictly to the work scope and quality requirements specified in their agreements. Its external doctors are obligated to indemnify the company for any losses resulting from any violations of their obligations in their agreements. MHNS conducts detailed checks on each doctor's credentials and background before they are granted access to the company's user base. In addition, MHNS has an evaluation system that imposes penalties, such as fee reductions and termination of services, on external doctors who provide unsatisfactory service.⁶³

What lies ahead for MHNS?

On 2 April 2025, MHNS announced that it had implemented a number of new safeguards after the revocation of its licence. These included a minimum threshold of one minute for its teleconsultation services, mandated audio recordings for all teleconsultations, and a tightened onboarding process for clinics and doctors using its platform.⁶⁴

In addition, it introduced the use of an Artificial Intelligence (AI) powered note-taker to transcribe doctor-patient interactions and consolidate prescribed treatment plans and medical records, so as to enable healthcare providers to "focus more on patient care".⁶⁵ In addition, it announced its intention to roll out an AI-powered tool that would assess patient notes, suggest questions for doctors to ask during consultations, and recommend alternative treatments.⁶⁶

In response to queries regarding the company's failure to detect the questionable practices at the clinic, STY stated that the subsidiary that runs its clinic operations "is independent and manages itself".⁶⁷ RTPP also stated that she was responsible for the day-to-day operations of the holding company and did not "run the clinic".⁶⁸

On 9 April 2025, MOH issued a press release in response to the claims made by MHNS. MOH emphasised that licensees are responsible for ensuring compliance with regulatory requirements, regardless of the licensee's corporate structure. In addition, it highlighted that the "duration of the teleconsultation should be commensurate with the patient profile and presenting medical conditions",⁶⁹ as required under the ECEG. As such, it was not necessarily the case that as long as a teleconsultation exceeded a minute, it would be considered adequate. Additionally, MOH highlighted the need for proper regulation on the use of AI in clinical settings, underlining the importance of compliance with HCSA in respect of patients' safety and welfare.⁷⁰

That same month, MHNS announced its intention to acquire Lifepack, an Indonesian telehealth provider, for up to US\$7.2 million.⁷¹ The consideration for the acquisition was to be satisfied through the issuance of up to 875,000 Class A Ordinary Shares at an issue price of US\$8 per share and a non-refundable cash payment of US\$200,000.

In May 2025, MHNS reported that it had signed a Memorandum of Understanding (MOU) with Oral Link Pte Ltd (Oral Link) and a boutique dental clinic, Elite Dental Group Singapore (Elite Dental), for the provision of a new tele-dentistry service that would enable patients to perform AI-enhanced dental scans at home and provide expert-reviewed reports within 24 hours. The report would highlight potential concerns, from cavities and gum issues to early warning signs of more serious conditions. MHNS stated that the service would launch in Singapore in the summer of 2025, with plans for expansion in Malaysia, Indonesia, and the Philippines by mid-2026.⁷²

In June 2025, the company launched its Share Repurchase Program, which would enable it to re-purchase up to 214,000 Class A Ordinary Shares via privately negotiated transactions, block trades, or other legally permissible means. Co-CEO STY stated that this reflected "the Board's confidence in [the company's] long-term growth prospects".⁷³

In July 2025, the company announced the launch of an At-the-Market (ATM) equity offering to raise up to US\$300 million. The proceeds from the offering would be allocated to the development of advanced large language models for medical case assessment, expansion of AI-driven teleconsultation services, and the acquisition and build-out of pharmacy delivery infrastructure.⁷⁴ In addition, it introduced the use of its proprietary AI tool, AI Checker, an automated system that would provide doctors with immediate feedback on any omissions or errors in their notes from telehealth patient consultations.⁷⁵

The stock closed at US\$0.8030 On 8 September 2025.⁷⁶ Whether MHNS can regain trust and credibility, or if regulatory issues will continue to dominate the narrative, remains to be seen.

Discussion questions

1. What are the key issues in Mobile Health Network Solutions (MHNS), with regard to the balance between ethics and profits, as well as corporate governance practices?
2. Should healthcare businesses such as MHNS be allowed to list? What are the pros and cons? What safeguards would you recommend for listed healthcare businesses?
3. Critically evaluate the board composition at MHNS and how this might have affected effective clinical oversight. Should the Board of MHNS be held responsible for the lapses at MHNS? What changes, if any, would you recommend to the board composition and to improve board oversight?
4. What mechanisms could MHNS have considered putting in place to prevent the alleged misconduct by MaNaDr Clinic?
5. What risk management policies and practices do you think a company such as MHNS should have in place?
6. Why do you think MHNS decided to list in the US? What steps do you think the Singaporean authorities and Singapore Exchange should take to encourage more Singaporean-based businesses to list here instead of overseas?
7. Critically evaluate the regulatory framework for foreign private issuers in the US. Compare with the requirements for domestic issuers in the US. What are the key regulatory and governance risks that may apply specifically to foreign private issuers?
8. What are the regulations that apply to a company like MHNS – a telemedicine service provider listed in the US and operating in both US and Singapore? What are the potential gaps and how should they be addressed?

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WITHERING COUNTRY GARDEN

Case overview

In August 2023, Country Garden Holdings Company Ltd (Country Garden) came under scrutiny after nearly defaulting on its offshore bond coupon payment. Although the bond was eventually repaid within the 30-day grace period, the company continued to struggle as the rest of its debts started to accrue. The once-resilient Country Garden, which had previously been hailed as China's "Model Property Developer" after weathering a regulatory crackdown by the Chinese Government on unsustainable debt, lost that status in October 2023 following the company's first official default. In a bid to stabilise its finances and prevent further defaults, the company proposed a multi-billion yuan restructuring plan in early 2025. However, its challenges deepened when one of its creditors, Ever Credit Limited, filed a winding-up petition in Hong Kong over an unpaid US\$205 million loan, highlighting the legal and financial pressures that continue to cloud the company's future amidst wider turmoil in China's real estate sector.

The objective of this case study is to facilitate discussion of issues such as corporate governance of family-controlled businesses; board composition and responsibilities; remuneration policies; risk taking, oversight and management; share buybacks; and corporate governance in China.

Rise to greatness

Founded in 1992 by Yang Guoqiang, Country Garden Holdings Company Ltd (Country Garden) rapidly rose to become China's top real estate development company, with businesses across property development, construction, property investments and hotel operations.¹ By the early 2000s, it had made a name for itself through the acquisition of vast amounts of land at reduced prices from the local government, signalling its founder's strong political ties.² On 20 April 2007, Country Garden was listed on the Hong Kong Exchanges and Clearing Limited (HKEX) with a market capitalisation exceeding HK\$10 billion.³

* The case study was originally prepared by Annette Lai Cheong, Chloe Soh Zhen Ying, Lee Sujin, Ryan Lu Zhengting and Siao Yu Xuan. It has been edited by Tan Yuxuan, under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

Much of Country Garden's remarkable growth occurred between 2016 and 2018, during which its market capitalisation increased sharply from US\$8.64 billion in January 2016 to US\$46.76 billion in January 2018.⁴ Over the first six months of 2016, Country Garden's land acquisition rates reached a historic high of 40.9%, and its total contracted sales amounted to CN¥125.1 (US\$17.5 billion).⁵⁶ It had acquired around 43.9 million square metres of attributable gross floor area for about CN¥72.8 billion (US\$10.2 billion), which was 14% more than its full-year land acquisitions in 2015.⁷ Country Garden's growth continued, surpassing China Evergrande Group in 2017 to become the nation's largest developer by contracted sales.⁸ This growth was further fuelled by a strategic expansion into Tier Three and Tier Four cities, also known as the lower-tier cities. By the end of 2018, these lower-tier cities made up 62% to 79% of Country Garden's total land bank by size⁹ and Country Garden saw a surge in its core profits by 33% to CN¥34.6 billion (US\$4.8 billion) on the back of a 67% or CN¥379.1 billion (US\$53.1 billion) increase in revenue.¹⁰

Country Garden's success at that time was also a key contributor to the rise of China's real estate market as the world's largest, with primary residential sales of CN¥12.6 trillion (US\$1,764 billion) in 2018.¹¹ To date, Country Garden has developed over 3,000 projects and converted more than 1,400 rural towns into cities.¹²

The "456" model

Country Garden's rapid expansion had been attributed to its '456' project development model which defined three key targets: '4' months from land acquisition to launch; '5' months to collect payments from buyers; and '6' months to recover all investment costs.¹³ As of March 2018, the company's average time from land acquisition to project launch was a mere 5.2 months, well ahead of other players in the industry.¹⁴

Speed at the expense of substance?

Speed had been a pivotal contributor to Country Garden's financial success. Leaked work memos from Country Garden's President had shown repeated prompts to speed up construction - an internal timeline for design plans to be produced overnight after an award of a site; threats of daily fines of CN¥20,000 (US\$2,800); the offering of cash incentives of up to CN¥400,000 (US\$56,000) for speedy performance; and dismissals of managers whose projects were delayed beyond 21 days and 40 days respectively.¹⁵

The company's promise of market-leading timelines soon created a new set of difficulties for itself, ones which it would later struggle to overcome. Firstly, the '456' model is highly dependent on property sales. In a downturn market with a dip in sales, the model will encounter serious cash flow issues as recovery of investment slows.¹⁶ Furthermore, the shortened construction timelines from the typical 18 to 24 months¹⁷ placed immense pressure on its employees, often at the expense of workplace safety and build quality.¹⁸

Dismissals or deaths

In mid-2018, a series of worksite accidents involving the collapse of construction sites resulted in several injuries and fatalities, forcing the company to halt all of its then 2,220 projects in China to conduct week-long security checks.¹⁹ According to an investigation report published by the Shanghai Government, one of these accidents was partially caused by the company "blindly working in haste to catch up with the schedule" and "failing to satisfy work safety conditions".²⁰ Public confidence in Country Garden's projects took a big hit and the developer's shares tumbled by 7.4% over the next trading day. As the share price continued to plummet, falling by 17% in the following week, the company's market value declined by an estimated US\$6 billion.²¹

Five stars home or five stars hell?

Amidst the mad rush to complete homes, some homeowners had been left disappointed when they stepped into Country Garden's supposed "5-star homes".²² These homeowners turned to social media platforms such as

XiaoHongShu to express their dissatisfaction and warn others against purchasing Country Garden's units. These complaints included improper installation of windows and door frames, poor workmanship, and water leaks which resulted in spoilt flooring and wall damage. There were also reports of leaking pipes in close proximity to electrical wiring which created a safety hazard.²³ Homeowners also found collapsed ceilings²⁴ and shattered glass²⁵ after one to two years of occupancy.

Expensive expansion

"The pressure to deliver, together with the plunging home sales, especially in the lower-tier cities, has exacerbated Country Garden's cash flow problems."

– Edward Chan, Director of Corporate Ratings at S&P Global Ratings.²⁶

Lower-tier cities, high stakes

From 2020, housing prices in lower-tier cities plummeted while those in higher-tier cities, Tier One and Two cities, continued to climb.²⁷ Further, lower-tier cities were facing negative population growth as their people migrated to higher-tier cities. Falling prices and lower demand meant that developers, especially Country Garden, were creating an excess supply of homes with diminishing returns.²⁸ This resulted in an imbalance on the property market within lower-tier cities, thus creating a housing market bubble.²⁹

With a majority of Country Garden's 3,121 projects in China located in lower-tier cities, the developer suffered a net loss of CN¥6.1 billion (US\$854 million) in 2022.³⁰ Chairperson Yang Huiyan announced a reduction in the company's presence in smaller cities to pivot from this devastating loss.³¹ Country Garden additionally restarted bidding for land in April 2023, targeting higher-tier cities instead. It subsequently acquired six plots worth CN¥5.8 billion (US\$812 million).³²

"But the adjustment is too little, too late," said Lawrence Lu, senior director and analytical manager of S&P Global Rating's China properties and conglomerates team, noting the company lacked sufficient cash flow to buy land amid plunging contracted sales.³³ In 2023, Country Garden continued to struggle, with sales falling by 81% and a CN¥48.9 billion (US\$6.8 billion) loss in the first half.³⁴ As of 23 August 2023, Country Garden had an estimated one million unfinished homes, adding pressure to its financial battle.³⁵

A forest without trees

Beyond Mainland China, Country Garden also had overseas projects. One prominent project is the Forest City in Johor Bahru, Malaysia. Located in the Iskandar Special Economic Zone, Forest City started its construction in 2015 and was to be built over 25 to 30 years with a US\$100 billion investment.³⁶ This project was launched under China's Belt and Road Initiative with Malaysia, with Country Garden having a 60% share ownership and the remaining 40% held by Esplanade Danga 88, a Malaysian corporation under the Johor Bahru Government.³⁷ Marketed as the future for homes, the development was meant to exemplify futuristic features of real estate development, consisting of residential homes and commercial spaces, a five-star hotel, an international school, and tourism components such as two 18-hole golf courses, water parks, and beaches.³⁸

As the project progressed, however, worries set in as it saw low occupancy rates and a lack of operating businesses.³⁹ By August 2023, only 9,000 of the 28,000 completed units had been occupied.⁴⁰ Home buyers and business tenants who moved in were disappointed as they faced a quiet town. Beaches were met with non-operating beach bars, signages of "no swimming" and warnings of crocodiles in the area.⁴¹ Events were organised in an effort to increase tourist foot traffic, but ultimately failed to generate revenue for the businesses. Tourists who visited beaches did not spend money on businesses within the vicinity and chose to instead bring their own food and supplies.⁴² Forest City earned the title of a ghost town.

Some argued that the low occupancy rates had to do with Country Garden's own decisions to target the Chinese population in Malaysia – signages around the city were mainly in Mandarin,⁴³ schools that opened in the vicinity offered Mandarin courses, and the property was priced out of the affordable range for local Malaysians to afford. For example, a two-bedroom apartment in Forest City started at around RM800,000, which is attractive to overseas buyers, but not to the locals.⁴⁴ As a result, by 2019, 80% of the property owners in Forest City were Chinese nationals.⁴⁵

In light of Country Garden's recent problems, homeowners are worried that a liquidation of Country Garden may impact the value of houses and the completion of the project.⁴⁶ This prompted the Johor Government to grant Forest City a special zone status, and with that, special financing and incentives to further entice the sales of Forest City.⁴⁷ However, Country Garden's continued involvement in the future of Forest City still depends on the outcome of the challenges faced by its parent, Country Garden Group.

Stormy weather

The COVID-19 outbreak at the start of 2020 caused a temporary suspension of all in-person sales nationwide, which meant that all property sales had to be done online.⁴⁸ Construction site work was shut down, and quarantine measures significantly dampened housing transactions. Country Garden suffered short-term volatility in construction and sales due to the outbreak.⁴⁹ However, it believed this would only cause short-term ramifications for the economy,⁵⁰ and Country Garden expected the Chinese Government to take measures to cushion the impact⁵¹ and continue developing a long-term model for the sustainable development of the property market.⁵² It also believed that consumer sentiment would slowly get better, and the demand for housing would recover.⁵³ Country Garden expected that urbanisation would continue, creating opportunities for property development.⁵⁴

Seeing (three) red (lines)

The decisive action by the Chinese Government came in the form of a countrywide property crackdown. August 2020 saw the implementation of the “Three Red Lines” policy,⁵⁵ which was an attempt by the Chinese Government to reduce risk in the financial sector, reduce developers' leverage, and make homes more affordable for citizens.⁵⁶ Under this policy, companies must comply with three stringent debt and cash-flow requirements to achieve an allowable debt growth of 15% in the following year.⁵⁷ These requirements were as follows:

1. Liability to asset ratio of less than 70%;
2. Net gearing ratio (debt-equity divided by shareholders' equity) of less than 100%; and
3. Cash to short-term borrowing ratio of at least one.⁵⁸

Breaches of any of these criteria would cause a decrease in a developer's allowable debt growth to 0 to 10% depending on the extent of its non-compliance.

While many of its peers, including major developers such as Evergrande Group and Sunac China Holdings, struggled to comply with the new requirements,⁵⁹ Country Garden fell within the 6.3% of real estate developers able to pass all three tests.^{60, 61}

Staying afloat in a sinking market

Whilst standing strong in the face of the “Three Red Lines” policy, Country Garden suffered a drop in sales from the loss of consumer confidence in the property industry as a whole.

Millions of households in China watched their nest egg, primarily made up of real estate, quickly lose value following the COVID-19 lockdowns.⁶² Unemployment rates in urban areas of China rose by 0.4% year-on-year, reaching 5.5% in 2022, and exemplifying the additional millions of individuals who quit or lost their jobs

during this time compared to previous years.⁶³ China also reported that the property slump and strict COVID restrictions in Q4 2022 had led to one of the worst levels of economic growth the country had seen in half a century.⁶⁴ This downturn was called the “steepest and longest slump” since the 1990s, when private home ownership in China began. As a result, increasingly cash-strapped Chinese developers began experiencing a flood of over 140 defaults on bonds in 2022, totalling US\$50 billion in issuance amount, mortgage boycotts, and declining sales nationwide.⁶⁵

Nonetheless, Country Garden managed to fare better through the housing market crisis than its peers, avoiding bond defaults and maintaining its spot as China’s top developer in 2022.⁶⁶ However, even then, Country Garden suffered a 17.8% decrease in property sales, from CN¥507.5 billion (US\$71.1 billion) in 2021 to CN¥417.3 billion (US\$58.4 billion) in 2022.⁶⁷

A credit lifeline...for a sinking ship

Near the end of 2022, the Chinese Government proposed a new policy, injecting lines of credit worth over US\$162 billion from state banks into a list of whitelisted real estate companies to boost their liquidity.⁶⁸ The policy was intended to provide developers with enough “breathing room” to complete their pre-sold projects, and at the same time reassuring suppliers, workers and homebuyers amidst the real estate crisis.⁶⁹ Country Garden was one of these beneficiaries, receiving a US\$7 billion line of credit from the Postal Savings Bank of China and access to a portion of new loans totalling US\$91 billion from the Industrial and Commercial Bank of China.⁷⁰ When this news was announced, Country Garden’s shares skyrocketed by 24%⁷¹ and it was able to raise around US\$500 million through a rights issue.⁷²

However, the government’s attempt to restore the real estate market largely failed. Due to weakened developer and homebuyer confidence, as well as tight liquidity circumstances for many major private developers, the land market had been cooling down again since the first half of 2023.⁷³ Annual housing sales fell by 6.5% in 2023, with the worst being a 17.1% year-on-year decrease in December.⁷⁴ This resulted in a devastating blow to Country Garden’s balance sheet, with a 35% year-on-year fall in property sales across the first seven months of 2023.⁷⁵

Country Garden’s presales, a key indicator of future revenue, slumped by 69% or US\$1.29 billion from the previous year.⁷⁶ After a decline of presales for the ninth consecutive month in December 2023, market confidence in the developer tanked. Presales fell by 69% year-on-year in 2023, but the housing crisis worsened, particularly in the second half of 2023, when Country Garden’s year-on-year presales dropped to 74%. For the six months ending 30 June 2023, Country Gardens’ property development investment also decreased by 7.9% year-on-year and property sales fell by 5.3% year-on-year.⁷⁷

Country Garden admitted that it had been under mounting pressure as it faced the continued property slump, consistently weak consumer confidence, and challenges in procuring financing. Though the company was able to report a year-on-year increase of 39.4% in revenue, its gross and net profit was strained by additional provisions for impairment of projects and delivering low-margin projects throughout the year. It reported a net loss of CN¥48.9 billion (US\$6.8 billion) attributable to the owners of the company for six months ending 30 June 2023, compared to a net profit of CN¥612 million (US\$85.7 million) for the six months ending 30 June 2022.

A private problem

As a result of the turmoil, Country Garden and other privately-owned developers became less active in the land market in 2023 than in previous years. The market was instead dominated by state-owned and state-backed enterprises, with a 56% participation in the first eight months of 2023 compared to 37% in 2022.⁷⁸

State-owned and state-backed enterprises have an advantage over privately-owned developers due to their affiliations with the national and municipal governments. Lenders generally have more confidence in the

former and are more willing to support new debt for them as they are likely to be more financially stable than privately-owned companies.⁷⁹ As state-owned and state-backed developers captured larger shares of the land market, the China Index Academy foresaw that privately-owned developers would face more difficulty in acquiring future land.⁸⁰

Although authorities continued to implement measures such as lowering interest rates on existing mortgages by up to 20 basis points in an attempt to revive the property market and overall economy,⁸¹ loosening restrictions on home purchases, and – in Nanjing and Fuzhou – removing certain homebuying restrictions for non-residents, economists questioned their sufficiency, calling for more aggressive measures to ensure a “real” recovery of the property market.⁸²

Over-leveraged and under-prepared

“The fact that (Country Garden) is struggling to address an interest payment, rather than a full bond principal repayment, perhaps underscores its very tight liquidity.”

– *CreditSight analyst Nicholas Chen*⁸³

In the years leading up to 2022, Country Garden appeared financially stable, easily passing the “Three Red Lines” standards and maintaining its top developer status. It maintained a relatively stable current ratio and quick ratio throughout the years, averaging 1.19 and 1.18 respectively.^{84, 85} However, trouble came in 2023 as Country Garden started struggling to meet its debt obligations and eventually defaulted in September of the same year.⁸⁶

Country Garden’s cash flow statements from financial years 2016 to 2022 revealed that it had been able to generate positive cash flows from its financing activities up until 2018, before it reported a net negative financing cash flow in 2020 that continued into 2022. It had been using financing from banks and other borrowings, totalling over CN¥100 billion (US\$14 billion) per annum from 2018⁸⁷ to 2021⁸⁸, which it later had trouble repaying.⁸⁹

Further, based on the changes in net cash and cash equivalents over the same period, Country Garden had been forking out nearly one-third of its cash reserves for its operating, investing, and financing activities for the financial year of 2020. While there were signs of recovery in 2021 and 2022, it was not able to generate net positive cash flows or break-even on its cash flows.

In its 2023 interim results for the six months ending 30 June 2023, Country Garden acknowledged its failure to plan ahead, citing shortcomings in the preparation for a profound and persistent downward market trend. Additionally, it admitted that it had failed to fully understand the potential risks associated with its “disproportionately large investment” in lower-tier cities and its inadequate speed of reducing its net gearing ratio.⁹⁰ As a result, Country Garden found itself in the “most severe difficulty” it had faced since 1992. At this juncture, the developer was also warned of potential defaults and cross-defaults on borrowings should its financial performance continue to deteriorate further, to the point that it can no longer fulfill the financial covenants of its borrowings.

Troubles mount

The first warning sign of a default was a near-miss on a US dollar bond initially due 6 August 2023.⁹¹ Fortunately, Country Garden had a 30-day grace period that it took full advantage of, making the full payment merely hours ahead of the grace period deadline on 6 September 2023.

A month later, a similar situation happened again with another US dollar bond worth HKD470 million⁹² (US\$60.1 million)⁹³. Country Garden published a statement a few days prior to the second bond’s 30-day grace period deadline, disclosing that it “will not be able to meet all of its overseas debt repayment obligations”. As

expected, Country Garden failed to make the US\$15 million coupon payment and allowed its grace period to lapse on 18 October 2023.⁹⁴ This officially marked Country Garden's first default. At that time, the developer's corporate family rating on Moody's was downgraded from B1 to Caa1,⁹⁵ which is at the lowest of its scale, which indicated the inflated risk of default that Country Garden held on nearly US\$11 billion worth of outstanding offshore bonds⁹⁶.

A second near-miss occurred in December 2023 when a put option from a CN¥800 million (US\$112 million) security threatened a potential default on early repayment of the local Yuan bond.⁹⁷ Holders of this security were given a put option that allowed investors to demand repayment before maturity in 2024, but most holders were swayed to forgo this option after a meeting with the Shenzhen Stock Exchange.⁹⁸ The put option subsequently expired on 13 December 2023. In the spirit of proactiveness, the onshore unit of Country Garden, Country Garden Real Estate Group, still initiated to repay the CN¥800 million (US\$112 million) security on 14 December 2023 in full and ahead of the maturity date originally slated in 2024.⁹⁹ This act provided a sense of relief amongst investors after news of near misses and defaults, and the share price increased by 9.1%.

Risk mis-management?

According to the 2019 Annual Report of Country Garden, oversight of the risk management and internal controls was the responsibility of the Board of Directors.¹⁰⁰ The Risk Management and Internal Audit Department were responsible for ensuring that the risk management and internal controls were in place and functioning properly.¹⁰¹ Additionally, the system was also appraised by independent consultants¹⁰².

The risk management framework of Country Garden comprised eight elements or interdependent integrated elements,¹⁰³ including objective setting, event identification, risk assessment, risk response, control activities, information and communications, and monitoring to ensure constant enhancement of Country Garden's risk management and internal controls.¹⁰⁴ The goals of the risk management framework include evaluating and determining the types and levels of risks that Country Garden was willing to accept in order to achieve strategic objectives; ensuring operational effectiveness and efficiency; guaranteeing the accuracy of financial reporting; and confirming compliance with applicable laws and regulations.¹⁰⁵

Country Garden's internal risk management bodies were comprised of the Risk Management Internal Committee ("RMIC"), Risk Management Execution Body ("RMEB"), and the Risk Management Monitoring Body ("RMMB").¹⁰⁶ The RMIC was responsible for supporting the Audit Committee to handle Country Garden's risk management issues, including the effectiveness of risk management strategies. The RMEB was responsible for the discharge of risk management at both the group headquarters level and the subsidiary level, while the RMMB was tasked with analysing the risk management work.

According to the company's 2019 Sustainability Report, the risk management framework was structured along the lines of "decision-execution-supervision" from the group level to the business processes.¹⁰⁷ The risk management and internal control systems were built on the foundation of the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisation of the Treadway Commission ("COSO").¹⁰⁸

Country Garden further adopted a whistleblower policy that enabled employees, partners and customers to make reports to its Centre of Risk Management, Audit and Discipline Inspect, or directly to its Audit Committee.¹⁰⁹ Hotlines, email, and postal addresses were provided as channels for whistleblowing.¹¹⁰ Whistleblowers were recommended to provide contact information to further communication and investigation efforts confidentially, though they may still choose to report anonymously.¹¹¹ Whistleblowers who made "genuine and appropriate reports" were assured of fair treatment, stringent confidentiality, and protection against unfair workplace treatment.¹¹² The Group also reserved the right to act against anyone who retaliated against whistleblowers, and also reserved the right to act against any false reports that were made with malicious intent.¹¹³

The Supervision Department was responsible for receiving these reports, conducting a review, investigating, and following up.¹¹⁴ Whenever cases were verified and investigations were completed, the investigation results were announced within the Group.¹¹⁵ If there existed sufficient evidence of possible criminal offences, the Group reported the matter to the relevant authorities and cooperated as required.¹¹⁶

Inside the boardroom

The Board of Directors of Country Garden in 2019 comprised 13 members and operated through several key committees, including the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee, ESG Committee, Executive Committee, and Finance Committee.¹¹⁷ In conformity with the Hong Kong listing requirements, the Audit Committee (AC) and Remuneration Committee (RC) are chaired by independent non-executive directors (INEDs) while the other committees are chaired by executive directors (EDs).

At the heart of Country Garden's governance structure were key roles occupied by family members, notably Yang Guoqiang (also known as Yeung Kwok Keung) as Chairperson and his daughter, Yang Huiyan, as Co-Chairperson since 2018.¹¹⁸

Yang Guoqiang's role extended far beyond the title of Chairperson, also serving as the chair for the Nomination Committee (NC), the Corporate Governance Committee, the ESG Committee, and the Executive Committee.¹¹⁹ Yang Huiyan had served on the board since 2006. She became Vice-Chairperson in 2012 and Co-Chairperson in 2018. In March 2023, Yang Huiyan formally succeeded her father as Chairperson following his resignation from the board, and likewise assumed leadership of the key committees he had previously chaired.¹²⁰

With 52.68% of its voting shares held by Chairperson Yang Huiyan as of December 2019, she held considerable control over strategic decision-making within the company.¹²¹ In addition to her role at Country Garden, Yang Huiyan also served as the Chair of Bright Scholar Education Holdings, a New York-listed education firm. Meanwhile, Yang Guoqiang retained a role as the company's Special Advisor following his resignation from the Board, continuing to wield influence over its strategic direction.¹²²

Among the other EDs was Mo Bin, who had served as President and ED since 2010. He brought extensive experience having served at China Construction's Fifth Engineering Division and sat on all board committees, including Audit and Remuneration.¹²³

Another key executive was Wu Bijun, who served as Chief Financial Officer (CFO) and ED since 2017. She has a background as an auditor and was a member of the Finance and ESG Committees.¹²⁴

The sole non-independent non-executive director (NINED) during this period was Chen Chong (Chen), the husband of Yang Huiyan.¹²⁵ While he had no direct involvement in the company's day-to-day operations, Chen occupied influential positions outside the company, including as a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, and as President of Guoqiang Public Welfare Foundation of Guangdong Province.¹²⁶

There were five INEDs on the Board in 2019, namely Lai Ming Joseph (Lai), Tong Wui Tung (Tong), Huang Hongyan (Huang), Shek Lai Him, Abraham (Shek), and To Yau Kwok (To), with Huang being the sole female INED. The INEDs have expertise spanning real estate, law, finance, and governance. All five INEDs were based in Hong Kong or Mainland China.

Lai, who served from November 2006 until March 2024, held several other directorships, including Jollmark Holdings Limited, Nan Fung Group Holdings Limited, and at Guangzhou R&F Properties Co. Ltd., which he relinquished in May 2017.¹²⁷ At Country Garden, he was Chairman of the AC and a member of the NC and RC.¹²⁸

Tong, a legal professional who joined in November 2006, brought expertise in corporate governance and legal matters. He served as Chairman of the RC and was a member of both the AC and NC.¹²⁹

Huang, who joined in November 2012, had extensive experience in accounting and senior financial roles. She was a member of the AC, NC, and RC.¹³⁰

Shek is a barrister by training and a former member of Hong Kong's Legislative Council, and joined as an INED in 2018. He was a member of the AC and RC.¹³¹

To was appointed in May 2019 and had a background in property development and investment. Unlike the other INEDs, his committee participation was limited. He served as a member of the AC during his tenure and retired from the Board in October 2024.¹³²

Board changes

Since 2019, the board of Country Garden has undergone a gradual yet significant transformation, shaped by leadership succession within the founding family and the financial pressures confronting the company. In addition to Yang Guoqiang stepping down and handing over the reins to his daughter, several long-serving INEDs resigned. Huang was first to go, departing in May 2023.¹³³ On 15 March 2024, Lai, Shek and Tong all resigned simultaneously.¹³⁴ In November 2024, To became the last of the five INEDs who sat on the board in 2019 to resign.

These resignations coincided with the appointment of three new male INEDs: Dr Han Qinchun (Dr Han), Wang Zhijian (Wang), and Tuo Tuo (Tuo). All three new INEDs are Chinese nationals with professional experience in Mainland China and Hong Kong.

Dr. Han, a 67-year-old academic and financier, was trained as an urban planner and holds a PhD in urban economics and management. He has held senior roles in China's property and financial sectors. He became a member of the AC, RC, and ESG Committee (ESGC).¹³⁵

Wang, aged 46, pursued a career in accounting and finance prior to joining Country Garden's board. He was appointed as Chairman of the AC. Wang was also appointed as a member of the RC, NC and ESGC.¹³⁶

Tuo, a Chinese corporate lawyer with a background in governance and compliance, assumed the chairmanship of the RC upon Tong's resignation. He also became a member of the AC, NC and ESGC. Tuo has previously served as an INED in several listed companies.¹³⁷

Changes also extended to the EDs. Yang Zhicheng, nephew of the founder, resigned as an ED in December 2023 following a reallocation of duties, while Song Jun also stepped down in late 2023.¹³⁸ In November 2024, Su Baiyuan also resigned as ED.¹³⁹

Following the departures and new appointments, as of May 2025, the board comprised nine directors: five EDs (including three Yang family members), one NINED (Chen), and three INEDs (Dr. Han, Wang, and Tuo).¹⁴⁰

Remuneration: cut or no?

Remuneration packages for EDs of Country Garden were established based on remuneration packages at similar companies, business needs, general economic conditions, personal experiences, level of responsibilities, job scope, time commitment, years of service, and personal potential.¹⁴¹ Non-executive directors' packages were determined by their workload and in comparison to organisations of similar size.

The remuneration package for EDs was made up of base salary, discretionary bonuses, share-based compensation, other benefits, and contributions to the retirement benefit scheme.¹⁴² Bonuses and share-based compensation were linked to the financial performance of the group and their individual performance.¹⁴³ Under

the profit-sharing incentive scheme, some senior management and employees were granted a partial cash bonus and the remaining in shares.

Cutting pay to save the withering gardens

As news about Country Garden's default in 2023 broke, all eyes turned to the Board and senior management for the rest of the company's debt obligations. Country Garden reduced the annual salary of its Chairperson, President, and two other directors. President Mo Bin took a 96% pay cut from his annual salary of CN¥3 million (US\$420,000) while ED Yang Ziyang took a pay cut from her previous salary of CN¥2 million (US\$280,000).¹⁴⁴ Yang Huiyan, the Chairperson, and her husband, Chen, a NINED, also took pay cuts. All four personnel started drawing an annual salary of CN¥120,000 (US\$16,800) from 2023.¹⁴⁵ These directors also rescinded their executive perks such as the use of company cars, meals at the office cafeteria, and company-reimbursed medical check-ups.¹⁴⁶

Was there really a pay cut?

In July 2023, Yang Huiyan transferred 55% of her stake in Country Garden Service Holdings Ltd (CGS) to a charity family foundation founded by her sister just weeks earlier.¹⁴⁷ Analysts found it to be an odd move and the timing unusual.¹⁴⁸ A few days later, CGS announced that it brought forward its dividend and special dividend payment. Yang Huiyan would get about US\$28 million in dividends, and the family foundation would take an estimated US\$35 million.¹⁴⁹

CGS later clarified that the payout plan was approved in May 2023, and it was brought forward due to its abundance of cash. The early payments were also aimed at reassuring the public about the stability of the firm. However, eyebrows were raised when Yang Huiyan and her family foundation continued receiving dividends from CGS in 2024. They are estimated to have received CN¥160.2 million (US\$22.4 million) and CN¥198.7 million (US\$27.8 million) respectively, while Country Garden was navigating through its financial distress.¹⁵⁰

Buying back shares

"The company is also likely to increase its reliance on secured debt because of the deterioration in its credit quality. As a result, the expected recovery rate for senior unsecured claims at the holding company will be lower."

– Credit ratings agency Moody's¹⁵¹

Share buybacks were extensively used by Country Garden. The company spent an average of HK\$537.76 million (US\$68.9 million) per listing year on share buybacks, ranking eighth amongst companies listed on the HKEX.¹⁵²

Around the time in 2023 that Country Garden started showing signs of potential default, the developer had planned a US\$300 million primary share placement to help repay its debt.¹⁵³ However, this was scrapped at the last minute on 1 August 2023, with Country Garden citing "internal considerations" even though the sale was fully covered.¹⁵⁴ Instead, it announced a buyback of 10% of total issued shares, worth HK\$2.8 billion (US\$358 million) to boost its share price and investor confidence.¹⁵⁵ This quickly resulted in its share value spiking by 21% the following day.¹⁵⁶

Following Moody's downgrade of Country Garden's corporate family rating from B1 to Caa1 in August 2023,¹⁵⁷ Fitch Ratings downgraded Country Garden Services Holdings Company Limited's (CGS) Long-Term Issuer Default Rating from 'BBB-' to 'BB+' and placed it on Rating Watch Negative (RWN).¹⁵⁸ The downgrade in credit ratings may have hampered Country Garden's ability to borrow funds and deterred potential investors.¹⁵⁹

What's next for Country Garden?

Country Garden failed to make payment for a Yuan-denominated coupon worth CN¥96 million (US\$13.4 million) due on 12 March 2024 and instead struck an agreement with creditors in April 2025 to restructure eight of its bonds, which amounted to CN¥12.4 billion (US\$1.7 billion).¹⁶⁰ Two of the bonds which required a 10% payment on the principal in March were extended to September, while the remaining bonds were granted a grace period of 60 trading days for both principal and interest repayment.¹⁶¹

At the start of 2024, a petition to wind up Country Garden was filed by Ever Credit Limited, a unit of Hong Kong-listed Kingboard Holdings, for failure to make repayment of US\$205 million.¹⁶² However, the petition hearing was adjourned until 26 May 2025,¹⁶³ and later again to 11 June 2025,¹⁶⁴ and again to 11 August 2025 to allow Country Garden time to develop its restructuring proposal and continue negotiations with creditors.¹⁶⁵

As Country Garden continues to navigate through complex restructuring efforts and legal challenges, its future remains uncertain. Country Garden's financial performance showed some signs of improvement in 2024, with a reported loss attributable to shareholders of CN¥32.8 billion (US\$4.59 billion) in 2024, compared to CN¥178 billion (US\$25 billion) in 2023.¹⁶⁶ While property market conditions are likely to remain difficult in the short term,¹⁶⁷ that is not Country Garden's greatest challenge. As the wind-up petition proceedings continue, the company must keep working on its restructuring plans and secure broader creditor support.¹⁶⁸ The outcome of these efforts will not only determine Country Garden's future but may also provide insights into the broader recovery prospects for China's troubled property sector.

Discussion questions

1. What were the factors that contributed to Country Garden's financial distress? What steps could Country Garden have taken to mitigate the risk of financial distress?
2. How did the company's overleveraged status impact its stakeholders?
3. Critically evaluate the sustainability of the "456" Business Model of Country Garden. To what extent is the board responsible for maintaining and adapting the business model?
4. Did the competitive nature of the Chinese property market pressure Country Garden to make risky decisions? In your opinion, was it a risky move by Country Garden to venture into Tier Three and Tier Four cities? To what extent did the growth into Tier Three and Tier Four cities contribute to Country Garden's financial situation?
5. "Risk management is neither static nor restricted to the company". Critically examine this statement in the context of Country Garden and explain what lessons this provides.
6. Critically assess how Country Garden's ownership and control structure may have influenced its corporate governance practices. To what extent did concentrated ownership and family control contribute to the company's challenges?
7. Critically evaluate the composition of the board of directors in 2019 and the subsequent changes to the Board. How might Yang Guoqiang's continued involvement as a special advisor and other board-related factors have affected the board's effectiveness and oversight?
8. Assess the remuneration policies for the executive directors. How can remuneration policies influence corporate culture and risks for a company? Critically evaluate the pay cuts implemented in 2023.
9. How might Country Garden's decision to conduct share buybacks and make dividend payouts have contributed to Country Garden's failures? Analyse whether this was in the best interest of the company.

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QANTAS: ICARUS DOWN UNDER*

Case overview

Qantas Airways Limited (Qantas), the largest airline in Australia and Oceania, has been faced with a string of scandals in recent years. With the onset of Covid-19 in late 2019 and the global lockdowns that followed, airlines all over the world struggled financially. Qantas was no exception and faced unprecedented losses from 2020 to 2022 during the pandemic. This led the company's management team, headed by Alan Joyce, to make drastic business decisions that resulted in several court cases being brought against the company in 2023. These scandals caused considerable backlash amongst shareholders and the public, leading to a shareholder rebellion during the company's 2023 Annual General Meeting (AGM). In October 2023, a one-year Board review began, which culminated in a report containing 32 recommendations on issues spanning across governance, risk management, remuneration and stakeholder management.

The objective of this case study is to facilitate the discussion of issues such as board structure and composition; board-CEO relationship; remuneration policies and packages; role of institutional investors; shareholder versus stakeholder interests; relationships with stakeholders; class actions; and sustainability issues for airlines.

Roo-te to success

Queensland and Northern Territory Aerial Services Ltd (Qantas) was formed in Queensland, Australia, on 16 November 1920. Founded with a vision to connect Australia to the world, Qantas mainly operated joy-flights and charter work in its initial years. In 1934, it merged with Imperial Airways to form Qantas Empire Airways Ltd, delivering mail between Singapore and Australia as part of the Empire Air Mail service. After World War Two, Qantas struggled with a crippled fleet and limited capital. This led the federal government to take full ownership, upgrading its fleet and opening new global routes to countries like the United Kingdom, South Africa, Japan, and more.

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The airline continued to grow and merged with Australian Airlines in 1993. In 1995, it was listed on the Australian Stock Exchange (ASX) as the largest airline in Australia.¹ In 2001, Qantas acquired Impulse Airlines, an Australian domestic carrier, and eventually launched a low-cost domestic airline Jetstar Airways in 2004. Together, Qantas and Jetstar had a 61.7% domestic market share in 2023.²

As of October 2025, Qantas was the 40th largest publicly traded company listed on the ASX, with a market capitalisation of about AU\$16.93 billion.³ It is also the largest listed airline company on ASX, with New Zealand's flag carrier, Air New Zealand, lagging far behind in second place.

Under the Qantas Sale Act 1992, Qantas' Constitution states that the maximum shareholding foreign persons are permitted to hold in Qantas is 49%.⁴ Although it fluctuated over the years, the foreign ownership level was at 24.37% as of 1 December 2022. As at October 2025, institutional investors own 33.4% of the company, with the top 5 largest institutional investors being State Street Global Advisors, Inc. (7.52%), BlackRock, Inc. (5.57%), Pandal Group Limited (4.92%), The Vanguard Group, Inc. (4.21%) and Norges Bank Investment Management (1.65%).⁵ It does not have a controlling shareholder and many institutional investors hold smaller stakes.⁶

The Joy of flying

Alan Joyce (Joyce), the Chief Executive Officer (CEO) and Managing Director of Qantas Group from 2008 to 2023, was a high-flyer in the aviation industry even before joining Qantas. He served as the Chairman of the International Air Transport Association and was the founding CEO of Jetstar, leading the establishment of its operations in Australia and Asia. In 2015, he was honoured as the "Airline CEO of the Year" by CAPA Centre for Aviation.⁷

Flying partnerships

During his tenure at Qantas, Joyce formed many strategic partnerships, with the Emirates partnership being a key example of his strategic acumen. Leveraging on Emirates' Dubai hub for broader access to Europe, Africa, and the Middle East, the alliance allowed Qantas to expand its global route network cost-effectively, providing customers with more options without the associated capital expenditure of expanding its fleet or opening new routes independently.⁸ The alliance also included a benefit-sharing model, which optimised operations of both companies through shared resources and joint marketing efforts, reducing costs and increasing revenue for both airlines while providing better experiences for passengers.⁹

However, the Qantas and Emirates cooperation agreement came under review by the Australian Competition and Consumer Commission (ACCC) in 2023. The ACCC was concerned about anti-competitive effects of the agreement, specifically on routes between Australia and New Zealand, where the airlines may have the incentive to reduce capacity and raise airfare prices. During that time, Emirates reintroduced its A380 service on the Sydney to Christchurch route, further highlighting the scope of their cooperation and potential for anti-competition.

Since the alliance brought about many benefits such as increased connectivity and more robust loyalty programs which were perceived to outweigh the potential costs,¹⁰ interim authorisation of their partnership was granted while ACCC continued to assess their application for extension until March 2028.¹¹ This was conditional on both airlines providing ACCC with data on their revenue and costs over the Sydney-Christchurch route for it to evaluate market dynamics.¹²

Bouncing back from Covid-19

During the height of the Covid-19 pandemic when countries around the world imposed strict travel restrictions, Qantas' operations were disrupted, resulting in billions of dollars of losses from 2020 to 2022.

After the easing of Covid-19 measures, Joyce guided Qantas with a comprehensive three-year recovery plan addressing issues such as equity raising, manpower adjustments and organisational restructuring, claiming that they “have some of the best prospects of recovery”.¹³

Recognising the need for enhanced operational resilience after the Covid-19 struggles, Joyce directed an investment of AU\$200 million in FY2023 to improve the airline’s reliability. This included rostering additional crew and training new recruits, as well as adopting a more conservative approach to scheduling. For example, increasing reserve flight capacity to 20% allowed Qantas to minimise flight delays and cancellations.¹⁴ Additionally, after a two-year freeze in employee salaries due to the Covid-19 pandemic, Joyce approved a pay raise for approximately 20,000 employees in 2022.¹⁵

These measures helped business to pick up, with carried passengers nearly returning to pre-Covid levels. Eventually, Qantas was able to make record profits in 2023 as demand for travel and freight surged after the extended lockdowns.¹⁶ Key events and initiatives during Joyce’s 15-year tenure are shown in Figure 1.

Timeline of Key Events under Alan Joyce’s 15-Year leadership	
Date	Event
Nov-2008	Alan Joyce was appointed as Qantas chief executive.
Apr-2009	Joyce cut 1,750 jobs in response to the global financial crisis.
Nov-2010	The airline grounded its Airbus A380 fleet temporarily after an engine issue.
Jun-2011	Major restructuring announced, triggering the first industrial action by trade unions in 45 years.
Dec-2013	Qantas called for government support, warning of investor losses.
Aug-2014	Qantas reported a historic \$2.8 billion loss for the year but also unveiled a ‘transformation plan’ to recover.
Oct-2016	Qantas achieved record profits and resumed dividends to shareholders for the first time since 2009.
May-2019	Joyce has his contract extended for another three years.
Jun-2020	In response to Covid-19, Qantas cut 8,500 jobs, grounded most aircraft, and retired its Boeing 747 fleet.
May-2022	Joyce announced a significant Airbus plane order for the world’s longest direct commercial flight from Sydney to London starting in 2025.
Aug-2022	To make amends for increased delays, cancellations, and service issues, Qantas offered vouchers and other compensation to frequent flyers.
Feb-2023	Qantas achieved a record half-year profit, buoyed by strong demand and high ticket prices.

Figure 1: Timeline of key events under Alan Joyce’s 15-year leadership¹⁷

Source: Praveen Menon. (2023, May 2). Reuters

Throughout his tenure at Qantas, Joyce implemented many comprehensive cost strategies, such as workforce restructuring through negotiations with unions to alter work practices, wage freezes, and, in some instances, job cuts or outsourcing. These reduced labour costs, one of the airlines’ major expenses.¹⁸ Many shareholders saw Joyce as an excellent manager and were disappointed when his departure was announced.¹⁹

Improving financials, diminishing trust

In August 2023, Qantas reported a record AU\$2.47 billion full-year underlying profit, a significant increase from the AU\$1.86 billion loss in the previous year.²⁰

Despite the financial recovery, public sentiment of Qantas continued to worsen following the Covid-19 pandemic. The fact that Qantas was not under any obligation to repay the AU\$2.7 billion it received in government aid arguably contributed to it.²¹

Additionally, numerous operational issues continued to surface as flights resumed. For example, passengers experienced difficulties with flight credits, call centre delays, lost baggage, and increased cancellations. Joyce attributed these issues to passengers “not being match fit”.²² It was also revealed that Joyce received an AU\$10 million share bonus in 2023 even as Qantas faced legal challenges from workers, customers and regulators.²³

Sky high prices

Many consumers were unhappy with rapidly rising air fares.²⁴ Although Qantas used the rising cost of fuel to justify price increases,²⁵ there were serious allegations about price gouging and unfair competition.²⁶

In Australia, the ACCC is responsible for protecting and promoting competition in markets, investigating anti-competitive behaviour that may be illegal, and enforcing the Competition and Consumer Act 2010 (CCA).

Price gouging, while perceived to be unfair, remains legal in Australia.²⁷ This is on the basis that businesses generally have the power to decide on their own prices, which may be influenced by market conditions and input costs. However, it is illegal for businesses to make false claims about the reason for price increases or behave in a way that harms competition, such as colluding with other businesses to fix prices.²⁸

Against the backdrop of high inflation in Australia, with abnormal corporate profits found to be a major contributing factor,²⁹ there have been calls for Australia’s antitrust laws to be strengthened. Professor Allan Fels, the former Chairman of the ACCC who previously accused Qantas of price gouging practices, has opined that divestiture powers should be introduced to break up firms that have abused their market power.³⁰

High-flying affair

In July 2023, the Australian government made a controversial decision to reject an application from Qatar Airways (Qatar) to double flights to Australia,³¹ despite many aviation and travel industry groups backing Qatar’s bid to increase international flight capacity and add more seat supply into the market to bring down air fares.³² Matt Raos, Qatar’s senior vice-president of global sales, was “surprised and shocked by the decision of the Australian government” and was “even more (surprised) that the government gave (them) no reason for rejecting (their) application.”³³ Virgin Australia CEO, Jayne Hrdlicka, said that she was not consulted on the issues, and that the ruling lacked any “coherent logic” and was contrary to national interest.³⁴ Meanwhile, Qantas urged the government to stand its ground on the rejection while refusing to disclose the nature of its communications with the government before the original rejection.³⁵

Senator Bridget McKenzie (McKenzie) of the coalition accused the federal government of having a “cosy, personal and political relationship” with Qantas.³⁶ The Australian Senate also questioned Qantas’ support for the Yes23 campaign leading up to the Voice to Parliament referendum supporting indigenous representation in Parliament. Qantas has been a key supporter of PM Albanese’s campaign, painting the Yes23 logo on some planes and giving free flights to key campaigners. However, McKenzie believed that this was a “quid pro quo” in exchange for the government’s rejection of Qatar’s request for more flights into Australia. In response, Qantas reiterated its “commitment to indigenous reconciliation” and flatly rejected such links to the Qatar decision.³⁷

Qantas’ relationship with the government came under further scrutiny after PM Anthony Albanese’s son, university student Nathan Albanese, was seen being granted access to Qantas’ Chairman’s Lounge. Joyce had previously described the Chairman’s Lounge as “probably the most exclusive club in the country”, with the

membership list including the country's top CEOs, A-list celebrities and politicians.³⁸ After Nathan Albanese's controversial addition to the Lounge, many politicians were forced to reveal their memberships. It turned out that five of seven commissioners of the ACCC, as well as every current Federal Court judge, were members of the Chairman's Lounge.³⁹

Legal headwinds

Qantas also faced legal battles from accusations of unethical behaviour towards consumers. In 2023, the ACCC alleged that 8,000 flights between May and July 2022 were sold on the Qantas website even after the flights had been cancelled.⁴⁰ Following the slew of complaints around flight delays and lost luggage made against the company, the ACCC also reported that Qantas was the company with the highest number of complaints.⁴¹

On 21 August 2023, Echo Law filed a class action against Qantas in the Federal Court, based on several allegations regarding Qantas' handling of flight cancellations. It was alleged that Qantas violated its contractual obligations by failing to provide refunds promptly or by offering customers travel credits in lieu of cash refunds for cancelled flights. The holding of a significant amount of cash that was supposed to be refunded allowed Qantas to benefit unfairly at the expense of its customers.

Allegations were also made against Qantas that it engaged in 'unconscionable conduct' and breached the Australian Consumer Law (ACL) by misleading customers and deceiving them about their rights with regards to cancelled flights.

The class action not only sought to reimburse customers the difference between the value of credits issued and a cash refund but also recover an award for interest and consequential losses. For example, the compensation for "loss of use of money" recognises the impact on customers who were deprived of a significant sum of money for an extended period of time.⁴²

Shortly after the class action led by Echo Law, the ACCC launched a lawsuit against Qantas on 31 August 2023, accusing it of misleading consumers⁴³ and selling tickets for thousands of flights which had already been cancelled⁴⁴ during the period of travel restrictions between May and July 2022.

The airline's legal troubles were exacerbated on 12 October 2023 when Piper Alderman, which had previously brought a class action lawsuit against Qantas in the Federal Court on behalf of passengers who were given one or more "flight credits" after their flights were cancelled,⁴⁵ declared that it was ready to file own lawsuit in the upcoming two weeks.⁴⁶

Piper Alderman and Echo Law were prompted by the Federal Court to collaborate on the legal proceedings. By that time, they had reached an agreement to jointly manage the case on behalf of the group members.⁴⁷

Qantas' compliance with consumer protection laws and regulations is being scrutinised in the class action lawsuits against the airline. In particular, they contest the adherence of Qantas to the provisions of the ACL concerning consumer rights, refunds, and cancellations.¹²² The class actions brought up concerns regarding Qantas's decision to offer travel credits rather than cash refunds, as well as the transparency of the company's procedures.

According to Echo Law's lawsuit, Qantas received "unjust enrichment" and violated its contracts by giving out travel credits totalling AU\$1.2 billion for cancelled flights.⁴⁸ Qantas might face significant financial obligations if the class action leads to decisions in the claimants' favour as customers whose tickets were cancelled due to the Covid-19 pandemic may be entitled to a full refund. Further penalties might be required to compensate for Qantas' deceptive conduct or breaches of consumer rights.

The Aussie wave of class actions

The Qantas case illustrates the potential for class actions against companies over issues such as financial mismanagement, unethical behaviour, and mishandling of stakeholders.⁴⁹ The number of class action filings in Australia has steadily increased over the past decade, with a general increasing trend of class action activity over the short to medium term.⁵⁰

Typically, an individual may have little or no legal redress if large corporations conduct wrongdoing that leads to injury or loss. However, class action lawsuits are filed when a group of people who have faced the same type of harm files a claim in court.⁵¹

Over the last 20 years, Australia has emerged as the country outside of the United States (US) where a corporation is most likely to be subject to significant class action litigation,⁵² with well over 130 representative proceedings pending before the courts, second only to the US.⁵³ In response, legislation has been changed to add more checks and balances to the pursuit of class actions.⁵⁴

Refund runaway

As of 26 June 2023, Qantas Group reported that it had issued approximately AU\$2 billion in Covid-era flight credits to both Qantas and Jetstar customers. Of those credits, about AU\$400 million remained unclaimed by domestic Qantas customers and were scheduled to expire at the end of the year.⁵⁵ Additionally, “[a]bout 80% of customers who have Covid credits have the option of a refund if they prefer.”⁵⁶ Qantas also claimed that it has clarified with eligible customers that they were entitled to a refund for their cancelled flights, rejecting allegations of how it handled cancelled flights during the pandemic.⁵⁷

In response to ACCC’s legal action, Qantas announced on 31 August 2023 that the expiration dates for AU\$570 million worth of COVID travel credits issued up to 30 September 2021, which were initially set to expire at the end of 2023, would be removed.⁵⁸ This allowed Jetstar customers to use their Covid voucher “for travel indefinitely”. While Qantas customers would not be able to make a booking with the credits after 31 December 2023 due to system limitations, customers could ask for a cash refund at “any point in the future”.⁵⁹ In an attempt to encourage the usage of these credits and regain customer trust, Qantas also offered double Frequent Flyer Points for flights booked with Covid-19 credits between 4 September 2023 to 31 December 2023.⁶⁰

This decision by Qantas to reimburse all passengers who paid for their own tickets is a reversal of its initial decision to retain unclaimed refunds and flight credits at the end of the year.⁶¹ Qantas’s representative, Ruth Higgins SC, stated that “Qantas is keen to refund its customers” and that “[c]onsumers can come to Qantas and get the refund directly... We want our consumers to get their money back”.⁶² During a court hearing in August, she also disclosed that AU\$700 million had already been reimbursed, leaving AU\$517 million unpaid.⁶³

Good timing?

CEO Joyce’s share trades also came under scrutiny. He had offloaded \$17 million worth of shares on 1 June 2023, just five weeks before ACCC’s public announcement of its legal action against Qantas for their sale of tickets for the cancelled “phantom flights”.⁶⁴

In September 2023, ASIC asked ACCC on the timeline and involvement of Qantas’ directors in ACCC’s investigation into the “phantom flights”,⁶⁵ to determine if Joyce had access to inside information prior to his sale of shares.⁶⁶ However, Joyce has not been formally investigated or charged for insider trading.

Paying the price

Qantas’ share price fell 18.9% from AU\$6.19 to AU\$5.02 between 21 August 2023 and 12 October 2023.⁶⁷

On 8 October 2024, the Court ruled that Qantas did breach the ACL and ordered it to pay \$100 million in penalties for “Continued Sale Conduct” and “Delayed Notification Conduct”.⁶⁸ This was in addition to the \$20 million court-enforceable undertaking Qantas had earlier agreed to pay as customer compensation to members of the public in May 2024, on top of any refunds or credits previously issued to affected customers.⁶⁹

Workers have rights too

“It is poor practice to reward management for short-term thinking and cost cutting that has placed enormous stress on customer service staff and diminished the travel experiences of thousands of Australians,”

– *Emeline Gaske, Assistant national secretary of the Australian Services Union*⁷⁰

In 2011, Qantas found itself in a significant industrial conflict with three different unions: Transport Workers’ Union of Australia (TWU), the Australian International Pilots Association (AIPA), and Australian Licensed Aircraft Engineers Association (ALAEA). The conflict revolved around enterprise bargaining agreements, and included issues related to pay, outsourcing, and job security.⁷¹

Joyce accused the unions of “trashing our strategy and our brand (Qantas)... deliberately destabilising the company”.⁷² He made the unprecedented decision on 29 October 2011 to ground Qantas’s entire worldwide fleet and announced a lock out of staff involved.⁷³ This meant that employees were not required to return to work and would not be paid, which severely escalated the conflict.

The grounding action impacted 70,000 travellers worldwide. This forced the Australian government to intervene, as Qantas was critical in connecting Australia domestically and internationally.⁷⁴ Fair Work Australia (FWA), later renamed to Fair Work Commission (FWC) in 2013,⁷⁵ which is responsible for regulating industrial relations in Australia, intervened at the request of the federal government.

The night following the grounding, FWC ordered the termination of all industrial actions by both Qantas and the unions, moving the dispute into a period of negotiation under FWC’s supervision. However, as negotiations failed to resolve the dispute within the 21-day deadline, it was a binding arbitration by FWC that finally ended the significant and long-standing industrial dispute in 2013.

FWC largely ruled in favour of Qantas, rejecting the unions’ job security claims, siding with Qantas on its right to manage the business and maintain operational flexibility.⁷⁶

The airline grounding was polarising. While Qantas received significant backlash from both employees and their unions, it also received a measure of support from others who believed Joyce’s actions ultimately benefited the company and its customers.⁷⁷

Headed to a stall

Another controversial incident between Qantas and labour unions occurred during the global aviation shutdown triggered by the pandemic in 2020. Joyce announced the company’s decision to sack 1,700 baggage handlers and outsource their jobs to third-party contractors at 10 Australian airports, which led to significant psychological distress for many workers who turned to medication to cope⁷⁸ and a legal battle between Qantas and the TWU.⁷⁹

In July 2021, the Federal Court ruled that Qantas’s decision to outsource these jobs was partly motivated by the desire to avoid industrial action, thus breaching Australia’s Fair Work Act.⁸⁰

One of the objectives of the Fair Work Act is to protect the workplace rights of people working in Australia. While the Act does not prohibit the dismissal of employees or the restructuring of operations that are

undertaken for commercial reasons, the Act prohibits adverse actions, such as the termination of employees from their jobs in a “harsh, unjust, or unreasonable manner”.⁸¹ One such prohibited reason is to deprive employees of the opportunity to exercise their workplace rights.⁸² The High Court held that in the Qantas case, such protections extend beyond employees with current workplace rights, to those with future workplace rights, even if the right did not exist at the time in which the adverse action took place. As such, Qantas’ termination of employees deprived them of their right to “protected industrial action” and the “negotiation for an enterprise agreement”. Thus, the High Court agreed with the Federal Court that Qantas’ termination of ground staff was illegal.⁸³

Qantas challenged the ruling and tried to defend its actions, justifying the employee terminations as a commercial decision aimed at reducing its cost base to enhance its chances of survival amid the severe disruptions to the aviation industry. However, the High Court dismissed the appeal in September 2023 as the airline could not prove the decision was not made to avoid industrial action.⁸⁴ Thus, Qantas faced legal action in the High Court.⁸⁵

The TWU called for significant compensation and penalties, against what it termed Joyce’s “spiteful management style” that had damaged Qantas’ reputation for years. The TWU also called for a complete overhaul of the Qantas Board, which included replacing Chairman Richard Goyder (Goyder) and including a worker representative.⁸⁶ Joyce and Qantas expressed regret for the personal impact that the outsourcing decision had on affected employees.⁸⁷ This apology was part of Qantas’s acknowledgment and acceptance of the High Court’s decision. However, Joyce did not directly address TWU’s accusations or their calls for accountability from him and the Board.

In December 2024, an agreement was reached for Qantas to allocate a \$120 million fund to compensate 1,820 affected employees for both economic and non-economic losses.⁸⁸ Separately, the TWU pushed for Qantas to pay the maximum fine of \$121 million for its breach of the Fair Work Act. In August 2025, the Federal Court finalised a \$90 million penalty for Qantas, with \$50 million allocated to TWU, encouraging unions to continue looking into cases of possible violations of the Fair Work Act.⁸⁹

Cabin trouble

In 2023, Qantas’ physical assets also came under scrutiny after a report surfaced detailing Qantas’ increasingly ageing fleet with an average age of 15.7 years, which was the highest among many major international airlines.⁹⁰ Previous management had invested in aircraft to maintain an average fleet age of 10 years due to the improved fuel efficiency, extended range and higher reliability of newer aircraft.⁹¹

An unnamed senior staff in Qantas claimed that this started before the Covid-19 pandemic and is a “financial mess” that the next CEO will have to fix, as rejuvenating the fleet within six years would require a substantial investment estimated to exceed AU\$20 billion.⁹²

Fuelling change

Qantas also faces scrutiny on the environmental sustainability of its operations.

The airline industry, responsible for 1.9% of global greenhouse gas emissions and 2.5% of CO₂ emissions,⁹³ is confronted with the challenge of achieving environmental sustainability and the goal of net-zero emissions by 2050.⁹⁴ Qantas launched ambitious initiatives aimed at reducing its environmental impact, with a target to decrease net Scope 1 and 2 emissions by 25% by 2030 (compared to 2019 levels) and meet the net zero goal by 2050.⁹⁵ Integral to these efforts are investments in fuel-efficient aircraft and the exploration of sustainable aviation fuel (SAF), despite the current supply of SAF being insufficient to replace a significant portion of the industry’s fuel consumption.⁹⁶

In addition to these efforts, Qantas looked to carbon offsetting as a means to further mitigate its environmental footprint. However, this approach is controversial, with significant concerns regarding the effectiveness, certification authenticity, and transparency of offset projects, raising questions about their true impact on emissions reduction.⁹⁷ Recent critiques highlight that 80% of government-certified credits in Australia are ineffective and do not contribute to actual emission reductions.⁹⁸

Qantas' leadership

After Joyce left on 5 September 2023 – two months before his originally scheduled departure⁹⁹ – the Qantas Board had an equal gender split with four women and four men, with members' ages ranging from 53 to 70. Dr Nora Scheinkestel was later appointed to the Board in March 2024.¹⁰⁰ Except for CEO Vanessa Hudson (Hudson), who replaced Joyce, all the board members were Independent, Non-Executive Directors (NEDs). The board members come from a variety of sectors and backgrounds, including finance, marketing, digital transformation and legal.¹⁰¹

Board Chairman Goyder, who also chaired the Nominations Committee (NC), has significant experience in senior executive roles. He was formerly CEO of Wesfarmers Limited. Belinda Hutchinson, Chairman of the Audit Committee (AC), has extensive experience in the financial sector, and was Chairman of the Future Generation Global Investment Company and Chancellor of the University of Sydney. Doug Parker, a member of the Remuneration Committee (RC) and Safety, Health, Environment and Security Committee (SEHSC), was a former CEO of American Airlines. Todd Sampson, former Executive Chair of Leo Burnett Group, brings expertise in marketing and digital transformation. He was a member of the RC and AC. Dr. Heather Smith, also a NED of ASX Limited and Challenger Limited, was a former Secretary of the Department of Industry, Innovation and Science. She was a member of the RC and AC. The Chairman of the SEHSC and member of the NC, Antony Tyler, was also an NED of Bombardier Inc, BOC Aviation Limited and Trans Maldivian Airways Limited. He was a former Director-General and Chief Executive of the International Air Transport Association, and former CEO of Cathay Pacific Airways. Dr Nora Scheinkestel, who has a law degree, was also an NED of Brambles, Westpac Banking Corporation and Origin Energy. She chaired the RC and is a member of the NC.¹⁰²

Several Board members had FAICD designations obtained from the Australian Institute of Company Directors (AICD).¹⁰³

“Members of the Qantas board seem to be ‘cut from the same cloth’, with plenty of airline and ‘Ad Man’ experience to boot and a good dose of political connectedness to give the required weight in Canberra.”

– *Raph Goldsworthy, Managing Director of ‘Better Boards’*¹⁰⁴

According to Qantas' annual reports from 2018 through to 2022, the board size has been reduced from eleven to eight, due to more long-serving directors retiring than new directors being appointed. Five of the seven non-executive Board members joined only after May 2023.¹⁰⁵

In 2023, Michael L'Estrange retired from the Board after seven years of service. Dr. Heather Smith, experienced in the government and public sector, and Doug Parker, the former CEO of American Airlines, were appointed as new directors.¹⁰⁶

In February 2024, Jacqueline Hey (Hey) and Maxine Brenner (Brenner) retired after over a decade of service, and Dr. Nora Scheinkestel joined on 1 March 2024. Before the 2024 AGM, it was announced that John Mullen would take over Goyder's role as Chairman, ending Goyder's seven-year tenure.¹⁰⁷

Dion Weisler was appointed as an INED in March 2025, subject to shareholders' approval at the 2025 AGM to be held on 7 November 2025.¹⁰⁸ Mullen felt that Weisler will add “immense value to Qantas as (they) accelerate

(their) investment in digital improvements across (their) business while navigating the risks and opportunities posed by AI, cyber threats and increasing global connectivity.¹⁰⁹ Meanwhile, Todd Sampson retired on 30 July 2025 after over 10 years of service.¹¹⁰

Chairman Goyder under the spotlight

Former Qantas Board Chairman Goyder had been under scrutiny over the governance, ethical and legal issues during Joyce's tenure.

When Qantas was heavily criticised for flight disruptions in 2022, Goyder passionately supported Joyce and Qantas' actions in various public appearances.¹¹¹ Columnists felt that Goyder put his reputation on the line to defend Joyce, after he called Joyce "the best CEO in Australia by a length of a straight" and said that "Alan (Joyce) has a heart".¹¹²

Governance experts and investor advocates called for Goyder's immediate resignation after Joyce's exit from the company. They argued that his departure was necessary for the airline to recover from its reputational and customer service issues.¹¹³

This unrest was intensified by Goyder's "over-boarding" issue, due to the multiple boards that Goyder was serving on. Besides being the Chairman of Qantas, Goyder was also the Chairman for West Australian Symphony Orchestra, Chairman for Australian Football League, Chairman at JDRF Australia, Chairman at The Council of Scotch College and Chairman for Channel 7 Telethon Trust.¹¹⁴

Critics argue that Goyder's multiple roles at other companies, especially significant organisations such as Woodside and the AFL,¹¹⁵ may detract from his ability to provide effective oversight at Qantas.¹¹⁶ Corporate governance experts, major shareholders and workers' unions voiced concerns over the board's effectiveness, transparency, and accountability, particularly in its handling of strategic decisions and crisis management during Joyce's tenure and the Covid-19 pandemic.

"The Joyce regime has been toppled, but the airline cannot achieve the reset necessary for its survival under the same board that resided over the largest case of illegal sackings in Australian corporate history. Richard Goyder cannot make it through another day as chair."

– Michael Kaine, *The Transport Workers' Union national secretary*¹¹⁷

A new chapter for Qantas?

Another hotly discussed individual was Hudson, who first joined Qantas in 1994 as an internal audit supervisor and was appointed as executive manager of product and services in 2005, a role that placed her at the forefront of enhancing Qantas's offerings. She was appointed as Chief Financial Officer (CFO) in 2019 and eventually took over Joyce's role of CEO in November 2023.¹¹⁸ She is the first female CEO at Qantas.¹¹⁹

Hudson had steered the airline's financial strategy amid the crisis. Under her leadership, Qantas secured AU\$628 million of debt funding against Qantas's aircraft fleet and led a AU\$1.3 billion capital raising.¹²⁰

Despite her strong performance, Hudson faces significant challenges succeeding Joyce as Qantas' CEO, including the cost of revitalising one of Australia's oldest fleets.¹²¹ She will also need to address broader long-term strategic issues, including enhancing service levels to restore customer trust,¹²² boosting the workforce's morale,¹²³ and maintaining Qantas' edge amidst intensifying global competition.¹²⁴

Some have expressed concerns as to whether her leadership style will be influenced by Joyce.

“It is important to remember that Ms Hudson was a protégé of Mr Joyce and may simply want to continue business as usual, in the Joyce way”

– Helen Bird, corporate governance expert from
the Swinburne University of Technology¹²⁵

Ripple Effects from Qantas to Telstra

Qantas’ governance issues spilled over to affect board members’ roles in other companies, notably Brenner’s position on Telstra’s board. In 2023, proxy advisory firm Institutional Shareholder Services (ISS) recommended voting against Brenner’s re-election to Telstra’s board due to perceived “material failures” in oversight at Qantas.¹²⁶

However, these concerns were not shared by all proxy groups. For example, despite ISS’ concerns about Brenner’s role at Woolworths, citing potential problematic pay practices at the company, other proxy groups and the Australian Shareholders Association (ASA) supported Brenner’s re-election.

Telstra’s AGM also saw retiring Chairman John Mullen (Mullen) being succeeded by Craig Dunn in 2023.¹²⁷ When Mullen was later appointed to the Qantas Board in 2024, he expressed that it was an “extraordinary privilege” and that he was “conscious of the time commitment... and will be adjusting (his) other professional obligations to ensure that (he) can be fully focused on this exciting challenge”.¹²⁸

Turbulence at the AGM

Despite Qantas’ recovering financial performance after the Covid-19 pandemic, things came to a head at Qantas’ AGM held in November 2023.¹²⁹ In stark contrast to the 2022 AGM when only 50 stakeholders attended due to Covid restrictions, the 2023 AGM was filled with stakeholders demanding justification for arguably the company’s worst year yet, riddled with scandals and rapidly declining public sentiment.¹³⁰

One of the main items on the agenda for the 2023 AGM was the remuneration report and the executive pay plan, which proposed to award more than AU\$14.4 million in bonuses to Joyce.¹³¹

Prior to the meeting, proxy advisers had called out Qantas’ remuneration plan, claiming that it had not appropriately reduced the incentive payout despite the recent reputational damage. The pressure for clawback of remuneration of executives had begun earlier in September 2023 when the Australian Competition and Consumer Commission (ACCC) declared legal action against Qantas.

The proxy advisers also recommended voting against the re-election of one of the INEDs, Todd Sampson, stating that he has a higher degree of responsibility due to his marketing and brand management background.¹³²

An overwhelming 82.89% of shares voted against Qantas’ remuneration report. This was over three times the 25% threshold needed, and the first time the company had received a so-called strike.¹³³ This was also a complete reversal compared to the 2022 AGM, where shareholders supported an executive pay package with an AU\$4 million incentive for Joyce, with 90.1% voting in favour of the incentive, and 90.6% for the remuneration report.¹³⁴

This was the biggest shareholder revolt in Australia since the 88 percent vote against the National Australia Bank’s remuneration report after the Royal Commission into banking misconduct in 2019.¹³⁵ Under Australian law, if a similar strike is repeated in the second year, shareholders have the right to hold another vote on whether to remove the board.¹³⁶

Shareholders also raised questions about Qantas' burgeoning internal issues and controversies and how the Board handled the legal issues. During the meeting, then chairman Goyder acknowledged this dissatisfaction as a "substantial loss of trust" in the airline, and pledged efforts to restore confidence amid challenging times marked by legal disputes, stock price drops, and rising fuel costs.¹³⁷ It was under this immense pressure and criticism that he announced his decision to resign before the AGM in 2024.¹³⁸

First-class remuneration

The remuneration of an Executive Director (ED) in Qantas consists of fixed and variable components. The fixed element includes "base pay", which is paid in cash. The variable elements comprise those under the Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP).¹³⁹ STIP is given out in the form of cash and shares, and is dependent on the director's role, performance and the STIP Scorecard outcome for the year. Meanwhile, under the LTIP, the director is given share awards with vesting rights that vary according to Qantas' three-year Total Shareholder Return (TSR) performance relative to peer groups.

In FY2022, the Board implemented the Recovery and Retention Plan (RRP) in place of STIP to pursue specific performance targets for post-pandemic success. Similar to the LTIP, the RRP rewards EDs with vesting rights in the event the performance conditions are achieved.

In contrast, the remuneration package for Non-Executive Directors (NEDs) comprises short-term employee and post-employment benefits. Under the former, NEDs are paid a base fee (in the form of cash) and non-cash benefits, while the latter consists of superannuation and travel benefits. NEDs may also choose to sacrifice and convert their base fee to share rights, in order to meet or exceed the Minimum Shareholding Guideline imposed by the company, under the NED Fee Sacrifice Share Acquisition Plan.¹⁴⁰

Qantas executives have generally enjoyed pay raises across the years,¹⁴¹ even through the pandemic when the company suffered huge losses.¹⁴² During years with no increase in total remuneration, their base pay still increased while non-cash and post-employment benefits were reduced.¹⁴³ A summary of Joyce's remuneration packages from FY2020 to FY2023 is shown in Figure 2.

AU\$	YE 30 June 2023	YE 30 June 2022	YE 30 June 2021	YE 30 June 2020
Base Pay (Cash)	2,145,000	2,146,000	1,778,000	1,606,000
Short-Term Incentive Plan (STIP)/ Recovery and Retention Plan (RRP)	4,327,000	-	-	-
Long-Term Incentive Plan (LTIP)	14,815,000	-	-	-
Other Benefits	156,000	126,000	201,000	138,000
Total	21,443,000	2,272,000	1,979,000	1,744,000

Figure 2: Alan Joyce's remuneration packages from FY2020 to FY2023¹⁴⁴

Source: Qantas Group. (2023). 2023 and 2021 annual report.

Joyce was awarded a total remuneration of AU\$21,443,000 in FY2023. This was almost a 900% increase compared to 2020 and approximately 300 times more than an average employee's salary.¹⁴⁵ The hefty remuneration package largely consisted of share-based incentives accumulated from the previous years that he cashed out. Joyce, who had brought forward his retirement by two months,¹⁴⁶ was also entitled to receive an additional AU\$2.7 million bonus.¹⁴⁷

However, amidst the ongoing customer dissatisfaction and legal crisis, the Board adjusted the Customer Target outcome from two percent to zero percent for FY2023.¹⁴⁸ This resulted in a \$900,000 reduction in Joyce's STIP outcome and a 100% forfeiture of all his shares under the 2021-2023 LTIP (valued at \$8.36 million),

based on the forfeiture provisions.¹⁴⁹ Meanwhile, other Qantas executives saw a 33% decrease in STIP-assessed outcomes¹⁵⁰. Including Joyce's reduction, this resulted in a cumulative decrease of \$4.1 million in the 2022/23 STIP for the current and former Members of the Group Management Committee.¹⁵¹

Former Chairman Goyder was awarded close to a 14% increase in fees, earning AU\$750,000,¹⁵² up from AU\$658,000 received in FY2022.¹⁵³ Eighty percent of his remuneration was paid in cash, while the other 20% are non-cash benefits such as the ability to travel on twelve short-haul and four long-haul flights every year.¹⁵⁴ These privileges were also applicable to his spouse and children under the age of twenty-six.¹⁵⁵ Goyder, who is set to retire in late 2024,¹⁵⁶ will still be able to go on six short-haul and two long-haul flights alongside his family members, for every year served as Chairman of Qantas.¹⁵⁷

Brenner and Hey - both of whom have served on Qantas' board for the past decade - saw their remuneration grow by 44% and 20%, earning AU\$404,000 and AU\$316,000 respectively in FY2023.¹⁵⁸ Likewise, NEDs and their family members also received travel benefits of nine short-haul and three long-haul flights per year.¹⁵⁹ Upon retirement from their roles, the directors and their nominated beneficiaries were entitled to three short-haul and one long-haul flight for every year of service.¹⁶⁰

Other directors, namely Hutchinson, Sampson and Tyler, also had their total fees increase by 20%, 16% and 9% respectively.¹⁶¹

The grounded Joeys

On the other hand, Qantas employees were not as fortunate. Non-executive personnel were only entitled to a one-off AU\$5,000 boost and 1,000 vesting rights under the RRP (worth AU\$4,500 as of 24 June 2022) provided conditions were met.¹⁶²

Critics raised concerns over the highly disproportionate remuneration between executives and employees while the company faced financial and legal turmoil.¹⁶³ Unions also slammed the employee cash bonus as a 'bribe' to placate the public and ease rising tension with their employees.¹⁶⁴

Guarding against further turbulence

In response to the strong opposition and backlash surrounding unfair treatment to customers, the Board amended the STIP Scorecard for FY2024. The evaluation categories were re-weighted to emphasise the company's renewed focus on customer satisfaction (increasing from 20% in FY2023 to 40% in FY2024).¹⁶⁵ The Board also introduced a new 'Reputation' metric in its LTIP, which will be equally weighted with the other two current TSR measures,¹⁶⁶ to restore trust amongst the public. The changes in STIP scorecard components are shown in Figure 3.

STIP Scorecard Category	FY2024 onwards	FY2023
Group Financial	40%	50%
Transformation and Growth	-	10%
Customer	40%	20%
Workplace and Operational Safety	15%	15%
Climate	5%	5%
Total	100%	100%

Figure 3: Comparison of STIP Scorecard weightages in FY2023 and FY2024 onwards¹⁶⁷

Source: Qantas Group. (2023). 2023 annual report

The 2024 remuneration report received more than 75% votes in favour,¹⁶⁸ which spared the Board the prospect of a spill meeting.

Shareholders' say on pay

"Say-on-Pay" legislation confers shareholders with the right to vote on the remuneration of the Board and its key executives. Such legislation aims to improve transparency, and ensure that remuneration is tied more closely to performance and align the management with the interests of shareholders.¹⁶⁹ The first "say on pay" legislation was introduced in the United Kingdom, in response to shareholder concerns about rising board and executive compensation levels,¹⁷⁰ and is seen to be particularly beneficial for countries where corporations mostly have dispersed ownership structures.¹⁷¹ Similar legislation has since been adopted in a number of European countries, the United States and Australia, although the features of the legislation may take on different forms.

In 2005, "Say-on-Pay" legislation was introduced in Australia and took the form of a non-binding vote by shareholders on listed companies' remuneration reports.¹⁷² In assessing the pros and cons of the non-binding vote, the Australian Parliament recognised that some boards were unresponsive to the negative shareholder votes as there was no imposed penalty for non-responsiveness. However, there were also concerns that enforcing a binding vote would affect the ability of Australian companies to attract top executives.¹⁷³

Australia eventually settled on a compromise, amending the Corporations Act to introduce the "Two-Strike Rule" on 1 July 2011.¹⁷⁴ Under the rule, listed companies should present a remuneration report at every AGM for the shareholders to vote on. The report should contain information on the company's remuneration policies for the board and key executives, and how it relates to company performance. If at least 25% of shareholders vote against the remuneration report for two consecutive years, this will trigger a vote on a "spill meeting". If a majority of shareholders vote for a "spill meeting", it must take place within 90 days through an Extraordinary General Meeting, at which all directors, except for the Managing Director, will be required to stand for re-election.¹⁷⁵

Apart from the Two-Strike Rule that is unique to the Australian legislation, there are other powers conferred to shareholders within the Corporations Act, including the approval (or otherwise) of the aggregate remuneration of directors and high termination payments exceeding the annual salary for a director.¹⁷⁶

Epilogue

Although it has been two years since Joyce's departure and the Board overhaul, Qantas continues to struggle to rebuild public trust and improve its reputation.

In 2025, Qantas was victim of a cyberattack that resulted in the leak of the personal data of six million customers.¹⁷⁷ This resulted in a 15% pay reduction for current CEO Hudson and its top executives.¹⁷⁸ The latest report released by ACCC in 2025 revealed that Qantas had a flight cancellation rate of 3.5% in June 2025, which was the highest amongst the Australian domestic flight carriers.¹⁷⁹ This was also above the industry average of 2.4% in the same month and the long-term industry average of 2.2%.¹⁸⁰ Internationally, it also shut down Singapore-based budget carrier Jetstar Asia due to increasing costs and intensifying competition and laid off close to 500 employees.¹⁸¹

Moving forward, the Qantas Board and its executives will have to make critical decisions and ensure proper governance to regain its reputation and return to its former glory as the beloved 'Flying Kangaroo'.

Discussion questions

1. Critically evaluate the corporate governance of Qantas. What are the key red flags?
2. Critically evaluate the board structure of Qantas after the departure of Alan Joyce and the subsequent changes. To what extent were inadequacies in the board responsible for the scandals faced by Qantas?
3. How should a Board manage its relationship with the CEO? Critically evaluate how the Qantas Board managed this relationship.
4. Should Vanessa Hudson have been appointed CEO after the departure of Alan Joyce? Under what circumstances should a Board consider appointing an external candidate as CEO rather than an internal candidate?
5. Critically evaluate Qantas's remuneration policy for its senior executives, particularly Alan Joyce's. How might executive remuneration influence the culture of a company and to what extent did executive remuneration impact the culture of Qantas? Explain.
6. Evaluate the role of institutional investors in ensuring good corporate governance. Should these investors share part of the blame for the problems at Qantas? Explain.
7. Discuss the difference between the shareholder model and stakeholder model of corporate governance. How should a Board balance the interests of shareholders and stakeholders? In Qantas case, should the Board have done more to ensure that the interests of stakeholders such as customers and employees are adequately considered in board decision-making? If so, how should the Board have done so?
8. What are the pros and cons of allowing class actions to hold companies and boards accountable? Does your country allow class actions and if so, how do they compare with Australia? If not, do you think your country should allow class actions? Explain.
9. What are the key sustainability issues faced by airlines such as Qantas? How should they ensure proper oversight and implementation of sustainability policies?

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MINERAL RESOURCES: BENEATH THE ORE

*Case Overview

Mineral Resources Limited (MinRes), listed on the Australian Securities Exchange (ASX), found itself embroiled in scandal after an internal investigation into founder and Managing Director Chris Ellison uncovered a series of serious ethical and corporate governance breaches, including financial misconduct, tax evasion, misuse of company resources, and failure to disclose conflicts of interest. The investigation followed a media exposé in *The Australian Financial Review*. The revelations drew widespread public and regulatory scrutiny.

The objective of this case study is to facilitate discussion of issues such as companies led by dominant founder-CEOs, the tension between ethics and competence of business leaders; board composition; conflict of interest; risk management; role of the media; and role of regulators.

Meet Mineral Resources

Mineral Resources Limited (MinRes) is an Australian mining company listed on the Australian Securities Exchange (ASX), best known for its iron ore and lithium operations. Founded in 1993, it is headquartered in Perth, Western Australia, and its vision is to be a global leader in innovative resource project design,¹ and operation.²

MinRes's stated values are unity, agility, integrity, courage and care, and it claims to be committed to a high level of corporate governance that encourages a culture that values safety, ethical behaviour, integrity and respect. Its corporate governance framework aims to provide the structure for effective oversight and accountability, with an integrated approach of incorporating stakeholder perspectives in its management and long-term decision-making processes³⁴

* This case study was originally prepared by Jessica Chong En Ci, Megan Gay Jia Ying, Zhang Xi Karen and Zhang Xiaohan. It has been edited by Andrea Aw Zhi Yi under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

Rags to riches

Chris Ellison (Ellison), the founder of MinRes, was born in 1957 to a humble family in Dunedin, the South Island of New Zealand.⁵ Growing up, Ellison took on several odd jobs, from office cleaner and milker to farm worker.⁶

“I didn’t really have a dream on what I wanted to do with my life. I kind of knew what I didn’t want to do. I wanted to get out of that situation I was in.”

– Chris Ellison, Managing Director of MinRes⁷

In 1972, upon turning 15, Ellison left Otago Boys’ High School⁸ and started working in a cattle station.⁹ He said he loved it but could never see that he had a future. He wanted to own a farm but knew he would never earn enough money doing what he was doing.^{10 11}

Ellison made his way to Australia in search of better opportunities. While working at a power station in Darwin, Ellison learnt how to drive a crane and eventually obtained his crane driver’s ticket. He later landed his first job as a crane driver for the mines in the Pilbara region.¹² Thinking that he was able to do a better job than the companies he was working for, Ellison moved to Karratha, Western Australia, and started his very first company, Karratha Rigging, at the end of 1978.¹³ The business did well initially, but shortly after buying a new 25-tonne crane, the company struggled to find jobs for it.^{14 15}

In 1982, Ellison got a big break when the company won a contract to work on the construction of the North-West Shelf venture, a massive gas operation.¹⁶ Through running the supply base, such as hiring in and rehiring out cranes to different parties, Ellison managed to make AU\$550,000 monthly, making his business profitable again. Later that year, Walter Wright Industries acquired Karratha Rigging and Ellison became its youngest Board member at the age of 25.¹⁷ He was subsequently made the general manager of Walter Wright Industries’ Western Australia and Northern Territory regions.¹⁸

In 1986, Ellison founded another company, Genco Ltd. After two years of considerable growth, he sold the company to Monadelphous Group in return for shares and options.¹⁹ In September 1988, Monadelphous Group went into receivership and Ellison was appointed Managing Director (MD).²⁰ Over the next 13 months, Ellison successfully brought the group out of receivership and got it relisted on the ASX in late 1989.²¹

Over the next decade, Ellison incorporated three other companies: First, PIHA Pty Ltd (PIHA) was established in 1992 with its main business of building pipelines and site infrastructure for mining projects. In 1995, Crushing Services International (CSI) was founded to provide contract crushing for miners. Process Minerals International (PMI) was then set up after Ellison bought the rights to low-grade “reject” manganese ores mined from the Woodie Woodie tenements.²²

In 2006, the merger of the three companies formed MinRes, which floated on the ASX at AU\$0.90 per share.²³ With MinRes’s shares reaching a record high of AU\$29.50 in 2020, Ellison joined Australia’s billionaire club.²⁴ MinRes’ share price continued to rise and eventually hit an all-time high of AU\$96.67 in January 2023.²⁵

Iron fist

In August 2023, a whistleblower complaint outed Ellison as an alleged bully and claimed that he behaved questionably during one of his executive meetings.²⁶ The whistleblower said Ellison ordered a senior lawyer to stand in front of everyone in the boardroom and say “I am a f---ing idiot”. Following which, he targeted another female executive and announced that “she just needs a good f--k”.²⁷

During MinRes’ FY24 financial results presentation, Ellison mentioned he had a strict no work-from-home policy as he believed that the mining industry could not afford to continue the flexible working arrangements made more prevalent due to the COVID-19 pandemic.²⁸ He added that the company was investing in many

amenities at its headquarters, such as a restaurant, a gym and even a crèche, as he didn't want any of his employees leaving the office building.²⁹

"I want to hold them captive all day long."

– *Chris Ellison, Managing Director of MinRes*³⁰

Ironically, at the same presentation to the shareholders, Ellison shared his concerns for the mental health of the MinRes workforce and stated that the issue of mental health holds equal importance as safety or physical health.³¹

"Another thing that we've done as a business that I'm really, really proud of, making sure that our people are creating safe and supportive environments is absolutely our main priority, because we can't work if we don't know that they're working safe."

– *Chris Ellison, Managing Director of MinRes*³²

Niel Chenoweth, senior writer at the Australian Financial Review (AFR) wrote: "But it's this so-called safe place – the culture of the AU\$6.7 billion company that Ellison has created – which is at the centre of MinRes's governance crisis. And it's Ellison's own character which is facing scrutiny. It is how the company that he built deals with people that in the end brought him undone."³³

Leadership turns rogue

In the 1990s, RSM Bird Cameron in Perth was the auditor PIHA, CSI and PMI. One of the members of the global RSM Network, Nelson Wheeler (Wheeler) in Hong Kong, introduced Ellison to the offshore tax scheme. Wheeler's corporate secretarial business traded as Asialink Services (HK) Ltd (Asialink). Asialink set up a series of companies domiciled in the British Virgin Islands (BVI) for Ellison and other MinRes executives, with nominee directors and shareholders. The BVI was chosen as it was known for the zero-tax rate it applies to companies domiciled there.³⁴

The first two BVI companies, International Mining Supplier Limited (IMSL) and International Equipment Rentals, were operating by 2000. Both had bank accounts in Hong Kong and held hundreds of thousands of dollars for Ellison. On 27 May 2003, Wheeler set up a third BVI company, Far East Equipment Holdings Limited (FEEHL). FEEHL was owned by a nominee company on behalf of a trust set up for five MinRes executives, including Ellison. Ellison took 51% of the FEEHL earnings, while the other four executives held shares ranging from five percent up to 21%. Just six weeks after FEEHL was set up, CSI transferred AU\$150,000 to the company on 2 July 2003. FEEHL immediately sent AU\$139,000 to one of the other BVI companies, IMSL, which in turn passed AU\$5000 to the third BVI company, International Equipment Rentals.³⁵

The offshore scheme

From May 2003 to 2009, MinRes staff bought machinery both for mining clients and the group's own use, but paperwork later showed that the equipment was purchased by FEEHL. FEEHL would sell crushers, ball mills, batching plants and other equipment to MinRes for multiples of the original cost. MinRes then used the inflated purchase price to claim depreciation in its tax returns.³⁶

While FEEHL operations wound down after 2009, the unreported profits continued to be accessed until 2014 by the five executives through "children accounts" set up in a Hong Kong bank general account. In the three years after MinRes floated in July 2006, documents prepared by the Australian Taxation Office (ATO) showed that the secret company banked AU\$6.6 million in profits from the scheme.³⁷ During that period, the payments to FEEHL became a secret drag on the company's earnings.

James McClements (McClements), independent non-executive Chairman of MinRes who sat on the Audit Committee, initially dismissed suggestions that shareholders were out of pocket, linking the group's payments to FEEHL to sales contracts made before MinRes' Initial Public Offering (IPO) in July 2006.³⁸ However, ATO documents clearly showed that after the IPO, FEEHL continued to acquire machinery which was resold to MinRes. In another example, a MinRes subsidiary bought a used crusher in 2004 for AU\$250,000, but the paperwork showed that it was later acquired by FEEHL. FEEHL then sold the crusher to MinRes in 2008 for AU\$2 million for a project that was not in existence at the time of the IPO.³⁹

These secret profits allegedly funded Ellison's private expenses. IMSL set up multiple Visa Gold credit cards, one of which was for Ellison. His Visa credit card statements showed that he spent a few hundred thousand dollars on shoes, private school fees, diamonds, and ski trips to New Zealand. None of these could be traced back to Ellison as taxable income as they were all offshore profits. The tax office concluded that the scheme cleared nearly AU\$1.69 million of profits in the 2004 financial year, but that did not account for the millions of dollars that were transferred to IMSL, which funded the Visa gold credit card, and another AU\$1.5 million which was transferred to another trustee company that Ellison controlled.⁴⁰

Personal benefits, corporate funding

Ellison also bought a 35-metre catamaran, Anya, from Tim Roberts (Roberts), his billionaire friend and also a former MinRes director. Machinery at bargain prices was sold to Ellison and Roberts for use on an alpine estate they owned in New Zealand.⁴¹ The cooks, cleaners, skipper, crew and even the barista who worked on the boat were employees of MinRes paid for by shareholders. Anya consumed millions of dollars of diesel fuel over the years.⁴² Ellison also directed employees to manage his personal finances and used corporate funds to procure goods and services for his private use. Former MinRes contracts manager, Steven Pigozzo, alleged that Ellison directed him to work on the AU\$6 million refurbishment of his house and tasks related to Anya.⁴³ Additionally, Yenna Ong, MinRes' Head of International Trade and Strategy, was also Ellison's personal accountant. She resigned after directors confronted her about the conflict of interest.⁴⁴

MinRes shareholders thus missed out on millions in profits.⁴⁵ None of the above was disclosed to shareholders and the MinRes Board was only alerted to the conflicts of interest by way of a complaint filed in 2022.⁴⁶

A secret deal with the ATO

The windfall profits were shared amongst Ellison and four other senior executives. Some of the executives feared that details of the Hong Kong bank accounts, which had been set up for them to access the FEEHL profits, were about to be exposed. In December 2019, worried that details of the BVI companies might be brought to light, Ellison approached a well-known Sydney tax accountant, Christopher Batten (Batten).⁴⁷ Batten then met with the ATO to discuss a voluntary disclosure by five taxpayers of undisclosed offshore income.⁴⁸

Ellison and the four executives who shared in the profits from FEEHL began discussions with the ATO to confess their multi-million-dollar scheme. They conditioned their voluntary disclosure to the ATO on a 80% discount on penalties, and assurances that the ATO would not refer the matter to other regulators, including the Australian Securities and Investments Commission (ASIC), the Australian Federal Police and the office of the Director of Public Prosecutions.⁴⁹ The ATO wrote back that the commissioner would agree not to refer the disclosure subject to conditions such as the absence of any current criminal investigation, and the five executives disclosing "approximately \$10 million in income from Hong Kong previously not disclosed by five individuals resulting from transfer pricing concerning mining equipment; the excess depreciation claims of companies in relation to the mining equipment acquired from Hong Kong; and a finding of evasion resulting in amended notices of assessment for the years 2005-200?"⁵⁰

Inflated leases

Ellison and other senior executives charged up to 70% above market rates for industrial properties leased to MinRes since 2006 according to independent valuations commissioned in 2020.⁵¹ The valuations by Knight Frank raised questions about aggressive rent increases which resulted in MinRes paying AU\$31.6 million to lease Ellison's properties.⁵² MinRes also paid rent to entities associated with Ellison amounting to AU\$32 million between 2006 and 2023.⁵³

Family ties and free rides

The daughter of Ellison, Kristy-Lee Craker (Craker), earned millions of dollars in undisclosed fees after her company was given preferential treatment to help ship iron ore exports. Port records showed that Ship Agency Services ("SAS"), founded by Craker in 2011, made as much as AU\$10 million from MinRes shipping. MinRes chartered an additional 1000 ships during the period of SAS's operations and the industry standard ship rates for bulk carriers in Australian ports ranged between AU\$5,500 and AU\$10,000 per engagement.⁵⁴ Furthermore, SAS was operating rent-free from 2012 to 2023 under "rent relief" from offices MinRes was leasing at inflated leasing rates.⁵⁵

Related-party property transaction

Company funds were further depleted through related-party transactions worth tens of millions of dollars.⁵⁶ Despite their magnitude, these were never disclosed to shareholders and were merely mentioned in passing in the company's annual report (AR) three years later.⁵⁷ The AFR revealed that MinRes paid AU\$45 million for a 49.04% stake in the Bullsbrook industrial park, buying out Goldman Sachs' Austreo Property Ventures. The other 51% of the trust was held by Northern Gateway Investments, a corporate vehicle with majority owned by Ellison and his wife.⁵⁸

The Resource Development Group Takeover Controversy

In August 2025, administrators recommended that MinRes take over Resource Development Group (RDG), a collapsed garnet miner run by Ellison's brother, Andrew Ellison, who was the MD.⁵⁹ MinRes was the biggest creditor to RDG and its largest shareholder with a 64.3% stake.⁶⁰ Approval of the proposal would make MinRes RDG's sole owner. In RDG's AR for FY ended 30 June 2024, Andrew Ellison had said that "the Company continued to grow during the period and experienced its best year insofar as revenue generation since 2015".⁶¹

The deal would render minority investors' holdings in RDG worthless in return for MinRes forgiving AU\$146 million of loans it advanced, as well as AU\$14.5 million to pay administrators to keep RDG afloat.⁶² MinRes was accused of running roughshod over RDG minority shareholders by rushing through the takeover without allowing sufficient time for other potential buyers to emerge.

"RDG minority shareholders are not being treated fairly in this transaction."

– Jarrod Marshall, minority shareholder of Resource Development Group⁶³

RDG was incorporated in Perth, Australia, in 2011 and listed on ASX.⁶⁴ According to its Corporate Governance Statement as at 31 October 2024, it did not comply with a number of the recommendations in the Corporate Governance Principles and Recommendations 4th Edition published by the ASX Corporate Governance Council.⁶⁵ It did not have a diversity policy. There were no INEDs on its Board; no audit committee, nomination committee; remuneration committee and risk committee; and no internal audit function.⁶⁶ The three directors on its Board were Andrew MD Ellison; Mark Wilson (Wilson), MinRes' Chief Financial Officer (CFO) and company secretary, who was non-executive chairman; and Mike Grey, a non-executive director.⁶⁷

Safety negligence on Onslow iron ore project

Truck drivers on a haul road between MinRes' flagship iron ore mine and its export facility were pressured to work longer than allowed and falsify.⁶⁸ In the span of two weeks, eight trucks crashed, including two jumbo road trains.

A former employee filed a complaint reporting this incident to Western Australia's workplace safety watchdog. Using photographic and written documentation to support, the former employee said drivers were being asked to work 12-hour shifts to meet targets. The complaint alleged that workers who objected faced "punitive actions, such as threats of termination or being forced to return to Perth and sudden, disruptive shift changes used as a form of punishment".⁶⁹

Additionally, MinRes allegedly refused to spend AU\$230 million to resurface this critical Onslow iron ore road for improved safety.⁷⁰

Insider advantage in Kali Metals

Kali Metals is a Perth-based lithium company with prospective ground in Western Australia, NSW and Victoria. At the end of 2023, the company tapped investors in the private markets to build an IPO book for its AU\$15 million raise. Although MinRes was prevented from taking part, Ellison managed to acquire a 4.8% personal stake via his Wabelo private investment vehicle. Three senior MinRes executives who reported to Ellison personally also bought shares in Kali Metals. Ellison's business partner Roberts and Ellison's mother-in-law, Jennifer Robinson, also held stakes in the company.⁷¹

Kali Metals' IPO was massively oversubscribed and closed in less than 20 minutes.⁷² Within hours of trading, MinRes bought up Kali Metals shares, more than tripling the value of the stock which allowed Ellison and those close to him to make a fortune when selling out.⁷³ Due to aggressive buying by MinRes, the share price of Kali Metals subsequently spiked by more than 200% in January 2024.⁷⁴

Within three days, the market capitalisation of Kali Metals jumped from AU\$36 million to AU\$112 million. The share price was forced higher as MinRes hoovered up Kali stock, first at an average price of 42.5¢, a 70% premium to the IPO price, then at 55.7¢, splashing AU\$9.4 million in total for a 14 per cent stake.⁷⁵

ASX disclosures showed that MinRes bought AU\$14.3 million shares, or almost 10% of Kali Metals, accounting for most of the share trading on the first day.⁷⁶ Share registers revealed that MinRes Chief Financial Officer (CFO) and company secretary, Wilson, bought 600,000 shares in Kali Metals using a private investment company that shielded his identity. It also revealed that MinRes lithium chief, Joshua Thurlow, bought 400,000 shares in his own name while MinRes Director of Internal Trade and Strategy, Yenna Ong, bought 200,000 shares. This adds to governance concerns as restrictions on share trading were in place prior to Kali Metals' listing on the ASX.⁷⁷

After the gold rush, Kali's share price slumped hard, and Kali Metals fell to a market capitalisation of AU\$6 million.⁷⁸

From scoop to scrutiny

The media was pivotal in uncovering Ellison's tax evasion story through investigative journalism, evoking sustained public scrutiny.

On 18 October 2024, Neil Chenoweth (Chenoweth) of the AFR broke news on the tax evasion scheme that Ellison and four other Mineral Resources executives had secretly negotiated with the ATO.⁷⁹ Chenoweth raised questions about the readiness of the ATO, which was already under scrutiny over its settlement with PwC over the firm's misuse of confidential government tax information to cut generous

deals with powerful players rather than expose questionable conduct.⁸⁰ MinRes allegedly had a history of using suppression orders to conceal sensitive dealings, but Chenoweth was able to obtain concrete documentation through anonymous whistleblowers and leaked tax documents outlining the mechanics of the offshore structure.⁸¹ This made it impossible for Ellison to dismiss the tax accusations as being private and inconclusive.

The AFR reporting put MinRes under the spotlight and forced MinRes to publicly acknowledge the scandal. McClements issued a statement to confirm that the scheme had occurred, that the Board knew about it and that an external law firm had been engaged to investigate it.⁸² Sustained public scrutiny prompted an internal investigation revealing systemic governance failures over a two-year probe.⁸³

The boardroom

As of November 2025, there were nine directors on the Board of MinRes. Other than Ellison, all the other directors were independent non-executive directors (INEDs).

The directors on the Board have a range of skills, has good gender diversity with 56% female directors, and good balance in tenure with 56% of board members having joined over the past three years.⁸⁴

The Board has a skills matrix which sets out the skills which the Board considers necessary to address business and governance issues. Each skill area is supported by a designated number of directors who possess the relevant expertise. Some examples of different skill areas are mining and resources, senior leadership, and capital projects, with seven, eight and six directors considered as highly experienced in these areas respectively.⁸⁵

Following the public revelations of the issues involving Ellison, who had been MD since 2006, is set to step down.⁸⁶ However, instead of being fired immediately, he was given 18 months to leave.⁸⁷ Despite his promise to step down, there is widespread speculation that Ellison wishes to keep a grip on the company, in light of MinRes apparently reviewing its plans for his departure.⁸⁸ The company said he has been responsible for the development and implementation of the company's strategic, business and financial objectives in line with its purpose, vision and values, as well as providing strong leadership and effective management.⁸⁹

Independent non-executive chairman, McClements, stepped down on 1 July 2025.^{90, 91} He was previously the company's lead independent director, before being appointed as Chairman on 2 March 2022.⁹² McClements was also Chair of the Nomination Committee and Chair of the Remuneration and People Committee.⁹³

Xi Xi was appointed to the Board on 11 September 2017. Besides MinRes, she also serves on the Board of listed company Zeta Resources Ltd. She has more than 20 years of experience in the global natural resources sector, having served as a director of Sailing Capital. MinRes said she is valued for her experience in the oil and gas and mining sectors, as well as her previous leadership of mineral exploration teams.⁹⁴

Susan Corlett (Corlett) was appointed on 4 January 2021 to the Board. She also serves as NED of ASX-listed Iluka Resources and Aurelia Metals. Her expertise is in geology, with prior experience as a geologist and a background in mining operations and mineral exploration.⁹⁵

Zimi Meka (Meka) joined the Board on 17 May 2022. He also serves as INED of C3 Metals. He has 40 years of experience in the design, construction and operation of minerals processing plants and infrastructure, both in Australia and internationally.⁹⁶

Colleen Hayward was appointed on 1 January 2023. She has no other current directorships and is an Emeritus Professor in the School of Education at Edith Cowan University in Australia. She was recognised as a Murdoch University's Distinguished Alumni for her work in the areas of equity and social justice is notable.⁹⁷

Justin Langer (Langer) joined the Board on 1 January 2023. He holds no other current directorships and is known for being a former world-class cricketer and coach of the Australian men's national cricket team. MinRes cited his focus on developing a strong internal culture, and his dedication to discipline, partnership and mateship in building successful and resilient teams.⁹⁸

Denise McComish was appointed on 1 December 2023. She also holds directorships in three other listed companies - Gold Road Resources Ltd, Macmahon Holdings Ltd and Webjet Ltd. She also serves on the Boards of two other non-listed companies, Synergy and Beyond Blue. She was a former partner of KPMG for 30 years, specialising in audit and advisory services. McComish held several key leadership roles including as a member of the KPMG Australia Board and as National Mining Leader, and chairs the Audit and Risk Committee (ARC) of MinRes.⁹⁹

Jacqueline McGill was the most recent appointment, joining on 31 January 2024. She also holds listed directorships in New Hope Corporation Ltd, Gold Fields Ltd and 29Metals Ltd. She has more than 30 years of strategic and operational experience in large-scale operations in the mining and resources sectors, including iron ore, gold, coal and uranium, having held leadership roles across operations, business development, technology and project management.¹⁰⁰

Roles and responsibilities

The roles and responsibilities of the Board based on the company's Corporate Governance Report¹⁰¹ are as follows:

1. Strategic oversight: approving material investments, capital and operating expenditures, resource allocations, capital management, acquisitions, divestitures, funding activities, and dividends.
2. People and remuneration: appointing or removing the MD or company secretary, ratifying the appointment or removal of the CFO and other senior executives, assessing the performance and monitoring succession plans for the executive leadership team and the Board, approving the company's remuneration policies and the issue of securities in relation to executive and employee share plans.
3. Risk assessment and management: monitoring changes in the market and considering capabilities of the company in managing any ensuing potential risks, approving and monitoring systems of risk management and internal controls, and overseeing workplace health and safety issues.
4. Sustainability: considering social, ethical and environmental impact, approving policies and material public sustainability-related targets, and establishing and monitoring progress of measurable diversity and sustainability related objectives.
5. Reporting and audit: approving financial statements and annual reporting suite, ensuring accurate reporting of the company's financial position and performance, and approving the appointment and termination of the company's external auditor.
6. Stakeholder management: reporting to stakeholders and the investment community on the performance and state of the company, ensuring the company is compliant with reporting and disclosure obligations.

Risk management

MinRes also stated that it has an extensive risk management system in place to respond to risks in accordance with regulatory obligations and shareholder expectations. The Enterprise Risk Management Framework involves a cycle of setting the company's risk appetite, identifying risks, evaluating and mitigating risks, monitoring and reporting, and periodic review and continuous improvement. The risk management framework is said to be aligned with ISO31000, the International Standard for risk management.¹⁰²

Internal audit?

Internal audit plays an important role in corporate governance as it is the third line of defence against material risks.¹⁰³ KPMG is MinRes' outsourced internal audit (IA) provider. However, this information was not disclosed in any of MinRes' published ARs since KPMG was appointed in 2022. Given MinRes' scale and operations, there is the question of whether an outsourced IA is industry-leading best practice.¹⁰⁴

“Under the Global Internal Audit Standards the practice of outsourcing internal audit has not officially been accepted and will not be the case until the latest version of standards comes into effect in January 2025”

– Trish Hyde, Chief Executive of the Institute of Internal Auditors, Australia¹⁰⁵

Under the new standards, an outsourced internal audit function must be headed by a chief audit executive (CAE), who must be disclosed in the accounts. A MinRes spokesman confirms that the company currently does not have a CAE.¹⁰⁶

There is also the question as to whether there are conflicts of interest in the KPMG appointment, given that its major INED overseeing risk governance, McComish, worked for KPMG for 30 years until 2019. As ARC Chair and with a new role as the Chair of the Ethics and Governance Committee at MinRes, this may result in a former KPMG employee interrogating the work done by KPMG.¹⁰⁷

“It is clear the company's risk management policies, systems and processes were not sufficiently robust to protect shareholder interests from the self-interest of the CEO.”

– Tony Boyd, Contributor of Australian Financial Review¹⁰⁸

The watchdog bites

In October 2024, after the issues surrounding Ellison hit the headlines of AFR, ASIC started a preliminary probe, which involves determining if the directors of MinRes had breached their duties.¹⁰⁹ At around the same time, MinRes' Board confirmed the various allegations against Ellison and other executives, including the tax evasion scheme using BVI corporate vehicles, undisclosed rent and real estate deals, and aggressive manipulation of the share price of Kali Metals.¹¹⁰ Prior to this, Ellison had avoided all questions raised by the media and shareholders since allegations against him came to light.¹¹¹

In January 2025, a Section 19 notice was issued by ASIC informing Ellison and MinRes that they were under formal investigation by ASIC.¹¹² Ellison would be compelled to show up for an interview with the ASIC's investigators. Wilson was also issued a Section 19 in relation to the scandal.¹¹³

Paying the price

The misuse of company resources and failure to disclose personal income triggered a wide-ranging fallout for Ellison and others.

Poorer billionaire

Ellison faced serious professional, financial, and reputational consequences. One of the most immediate and visible consequences was financial. Prior to any action by the company, Ellison had already entered into a private settlement with the ATO. In 2021, he voluntarily disclosed income earned from FEEHL. This income had not been declared at the time it was earned. In May 2023, he paid the ATO approximately AU\$3.94 million, covering

unpaid taxes, interest, and administrative penalties.¹¹⁴ While the ATO agreed not to disclose the total amount originally owed and did not initiate any legal or regulatory proceedings, the incident still raised serious concerns over transparency and accountability.¹¹⁵ The ATO also did not issue any amended tax assessments to MinRes in relation to depreciation claims on assets purchased from FEEHL, and neither Ellison nor MinRes repaid any such claims as part of this private settlement.¹¹⁶

What raised further concern was that Ellison failed to inform the company of his settlement with the ATO until November 2023, several months after the payment had been made.¹¹⁷ In response, the Board conducted its own investigation. Following the conclusion of the investigation which confirmed misconduct on Ellison's part, the Board imposed a fine of AU\$8.8 million on him, citing issues related to the misuse of company resources for personal benefit and failure to disclose significant financial interests and tax matters. He would also forfeit his salary, FY25 long-term incentive (LTI) and short-term incentive (STI) grants valued at AU\$3.1 million based on 1 November 2024 share price, and all outstanding LTI and STIs with potential value of AU\$6.5 million (LTI AU\$5.8 million and STI AU\$0.7 million).¹¹⁸

The directors also decided that Ellison would have to repay AU\$3.79 million that MinRes paid to BVI company FEEHL, donate AU\$5 million to a charity over five years, and forfeit AU\$6.5 million in long-term incentives that proxy advisers say had been unlikely to vest.¹¹⁹ As of February 2025, the AU\$3.79 million had been repaid. In total, at the direction of the Board, the company announced a range of penalties totaling up to AU\$18.4M.¹²⁰

Beyond the internal company penalties, Ellison publicly admitted on 21 October 2024 that he had failed to disclose income generated by overseas entities in which he was a beneficiary. He described this failure as a “poor decision and a serious lapse of judgment.”¹²¹ Although legal proceedings were avoided, the situation caused lasting reputational damage and cast a shadow over the company's leadership and governance standards.¹²²

As a direct result of the scandal and its financial implications, Ellison lost his billionaire status.¹²³ Previously featured on rich lists as one of Australia's wealthiest persons, the fines, tax settlements, and fall in MinRes' share price significantly impacted Ellison's personal fortune.¹²⁴

To mitigate ongoing reputational damage to MinRes and begin a transition to new leadership, Ellison was to step down as the MD within 12 to 18 months. This move was part of a broader corporate renewal strategy intended to reassure investors, regulators, and the public.¹²⁵

“I hate what I've done.”

– *Chris Ellison, Managing Director of MinRes*¹²⁶

Publicly, Ellison took full responsibility for his actions. During the company's Annual General Meeting (AGM), he apologised and acknowledged the serious harm caused to the company's reputation.¹²⁷ Nevertheless, it did not stop Ellison from missing out on shareholder meetings in favour of travelling in France with his wife.¹²⁸ Ellison's planned leave without an exact return date was lambasted by the media.

Falling off the chair

Board chairman McClements likewise faced growing scrutiny and pressure in the aftermath of the company's governance crisis. As the controversy surrounding Ellison unfolded, shareholders and governance observers began to question McClements' oversight and effectiveness in his leadership role.

The Australian Shareholders' Association (ASA) was particularly vocal in expressing concerns over McClements' failure to intervene earlier in matters that later caused reputational damage to the company. In

a public commentary, the ASA stated “we shall ask why the chairman failed to take action earlier with respect to a number of matters dealt.” This criticism reflected a broader concern about the Board’s responsiveness and the extent to which McClements, as chairman, fulfilled his responsibility to hold executive leadership accountable.¹²⁹

“We also note that the chairman is a UK resident which presumably detracts from day-to-day contact with MinRes activities.”

– *Australian Shareholders’ Association*¹⁰⁴

Further raising questions about his leadership, the ASA also pointed to McClements’ residential status, noting that he lives in the United Kingdom. They argued that this likely limited his day-to-day contact with the company and may have reduced his visibility over operational and governance issues as they developed. The implication is that his physical distance from the company’s Australian operations may have contributed to a lack of timely intervention.¹³⁰

In addition to concerns about his lack of timely action, McClements had also come under scrutiny for potential conflicts of interest tied to his external business affiliations. His private equity firm, Resource Capital Funds, owns Global Advanced Metals, a company that is expected to become a significant shareholder in Wildcat Resources (Wildcat). MinRes likewise holds an 18.8% stake in Wildcat, making it the company’s largest shareholder.¹³¹ These overlapping interests raised questions about potential conflict.

In response to the growing pressure, and as part of a broader package of governance reforms being implemented at MinRes, McClements announced that he would step down from his role as chairman.¹³²

To stabilise the situation and help restore the company’s damaged reputation before stepping down, McClements also took steps to initiate a series of corporate governance reforms. Among these measures was the establishment of an independent Ethics & Governance Committee designed to enhance oversight, enforce accountability, and ensure compliance with ethical standards across the organisation.¹³³

Mineral Resources suffers

The fallout from the governance scandal involving Ellison and broader leadership oversight issues also had significant repercussions for MinRes. One of the most immediate and visible consequences was a sharp fall in the company’s share price. After the public revelations of Ellison’s tax settlement and the internal governance findings, its shares dropped by 10.1%.¹³⁴

Beyond market performance, the scandal inflicted serious reputational damage on MinRes. The company, once seen as one of Australia’s leading integrated mining and services firms, has been thrust into the spotlight for ethical lapses at the highest levels of management. Media coverage of Ellison’s failure to disclose overseas income, his use of company resources for personal benefit, and the Board’s subsequent disciplinary actions triggered widespread public and shareholder criticism.¹³⁵

The reputational blow also extended to legal risk. A class action lawsuit was filed in the Supreme Court of Victoria against both MinRes and Ellison. The claim alleges that MinRes breached its disclosure obligations in relation to serious governance failures that directly impacted shareholder value. In response, the company stated that the proceedings relate to matters it has already “comprehensively addressed” and that it intends to strongly defend the claim.¹³⁶

MinRes has introduced governance reforms and is undergoing a leadership transition. While these measures aim to rebuild stakeholder confidence, the company is likely to face ongoing reputational and legal challenges.

Remuneration Practices

MinRes detailed its remuneration strategy and framework in its 2024 Remuneration Report, aiming to attract, retain, and motivate high-calibre executives while aligning their interests with shareholders. The company's remuneration structure comprises both fixed and variable components, each serving distinct purposes.

1. Fixed remuneration includes a base salary and superannuation contributions, reflecting the executive's role, responsibilities, and experience. This component is reviewed annually to ensure competitiveness within the industry and relevance to the company's size and complexity.
2. Variable remuneration consists of short-term and long-term incentives designed to reward performance and promote sustained company growth.

STIs are performance-based rewards linked to annual objectives such as financial targets, safety records and project milestones. Achievement of these goals determines the STI payouts, fostering a focus on immediate operational excellence.

LTIs are designed to align executive rewards with long-term shareholder value creation. They typically involve equity-based compensation, such as performance rights or options, vesting over multiple years contingent upon meeting criteria like total shareholder return and earnings per share growth.

The remuneration framework is overseen by the company's Remuneration Committee, which ensures that remuneration practices are fair, competitive, and aligned with the company's strategic objectives. The committee also seeks to maintain compliance with regulatory standards and shareholder expectations.¹³⁷

First strike

The governance scandal involving MinRes and Ellison triggered backlash over executive remuneration, culminating in a major shareholder revolt at the company's 2024 AGM. When put to a vote at the AGM, shareholders rejected the remuneration report, with more than 65.6 million votes cast against, compared to 21.3 million in favour.¹³⁸

In the lead-up to the AGM, a group representing Australia's AU\$3.9 trillion pension industry formally recommended that its members vote against the company's executive remuneration plan. This recommendation reflected concerns not only about the misconduct by Ellison, but also about the company's broader governance failures and the Board's handling of them.¹³⁹

The 'no' vote against the FY24 Remuneration Report constituted what is known as a "first strike" under Australia's corporate law.¹⁴⁰ The consequences of a first strike are significant. Under Australia's corporate legislation, the "two-strikes rule" is a mechanism designed to hold company boards accountable for executive remuneration practices. A first strike occurs when 25% or more of shareholders vote against a company's remuneration report at its AGM. If a second consecutive strike occurs, that is when 25% or more of shareholders again vote against the remuneration report at the following year's AGM, a spill resolution must be put to shareholders. If this resolution passes by a simple majority, it requires all directors, excluding the MD, to stand for re-election at a subsequent meeting, effectively opening the door to a board overhaul.¹⁴¹ The rule is intended to ensure that boards remain responsive to shareholder concerns, particularly in cases involving excessive or poorly justified executive pay.

While some shareholders expressed continued support for Ellison during the AGM, many voiced frustrations over the Board's decision not to proactively disclose the governance issues to investors before they became public through media reports.¹⁴² This lack of transparency further fuelled concerns about Board accountability and contributed to the strong opposition to the pay package.¹⁴³

Business as usual?

FY25 eschewed significant governance shortcomings and internal and external challenges impacting balance sheet strength and value in view of the ‘no’ vote cast against the adoption of the Remuneration Report.¹⁴⁴ Key concerns centered on issues regarding corporate governance, transparency and accountability. Most pertinently, the concerns related to:¹⁴⁵

- late and insufficient exercise of Board discretion with respect to remuneration, following the uncovering of governance concerns; and
- insufficient transparency on STI targets and outcomes.

The Board took into consideration that the ‘no’ vote for the Remuneration Report in the previous three years was 6% or less and decided that no significant changes would be made to the amounts or structure of remuneration for key management personnel in FY25.¹⁴⁶ It was of the view that its attention would be best focused on addressing corporate governance concerns raised by investors and put to voice in the substantial ‘no’ vote received on the FY24 Remuneration Report.

When it rains, it storms

Once a market darling, MinRes found itself mired in crisis and scandal. The company’s woes were compounded by a sharp erosion of investor confidence, largely driven by the corporate governance crisis.¹⁴⁷ As scrutiny from the corporate regulator intensifies, questions around succession, oversight, and internal controls only grew louder.

Shareholders responded with their feet. Shares of MinRes, which once traded near AU\$80 in May 2024 more than halved in value, shedding over AU\$8 billion in market capitalisation.¹⁴⁸ The slide steepened in the following months. In April 2025, the stock plunged another 13% in a bruising session, closing at just AU\$14, down from AU\$96 at the start of 2023, leaving the company valued at a mere AU\$2.8 billion.¹⁴⁹

“MinRes equity is valued at less than fast-food restaurant chain Guzman y Gomez.”

– Mark Di Stefano, Columnist of Australian Financial Review¹⁵⁰

Compounding these pressures is the brutal downturn in commodity prices, which has struck at the heart of the operating model of MinRes. The price slump, combined with operational setbacks, contributed to the company’s accelerating financial distress. The debt of MinRes also reached critical levels. Total borrowings ballooned to AU\$5.8 billion, more than double its equity value, with its US bonds trading below par.¹⁵¹

“The board and I are clearly in lockstep on our focus to create value for shareholders. I’ve put the past behind me... and I’ve told you operationally where I’m taking it.”

– Chris Ellison, Managing Director of MinRes¹⁵²

Chair rejuvenation

On 1 July 2025, Malcolm Bunday (Bunday) took over as independent non-executive chairman from McClements with a remit to implement a sweeping governance clean-up and oversee the appointment of Ellison’s successor.¹⁵³ He was also appointed as chairman of the Nomination Committee and Remuneration and People Committee, and as a member of the Audit and Risk Committee and Ethics and Governance Committee.¹⁵⁴

Before joining MinRes, Bunday was a packaging industry expert who served as MD and chief executive at billionaire Raphael Geminder’s Pact Group.¹⁵⁵ He remains deputy chairman of Sydney-based building materials company Brickworks. Bunday began his career at Deloitte and worked his way up to partner, departing after 16

years.¹⁵⁶ He worked for Graeme Hart, New Zealand's richest man, at Rank Group, and has been an adviser at international private equity firm Oaktree Capital Management.

Alongside his annual remuneration of AU\$750,000 in cash and shares, Bunday is in line for 780,000 stock options that vest at between AU\$30 and AU\$40 a share. Bunday's stock options are unusual given that he is an independent non-executive director. Corporate governance codes often recommend that stock-based pay be typically reserved for executives, and that non-executives should be paid in cash to remove any focus on short-term share price gains.¹⁵⁷ In the FY2025 AR, INED Meka, noted that Bunday's pay reflected challenges the company was facing and that shareholders representing 11% of the register had backed his remuneration.¹⁵⁸

Bunday's arrival had a calming effect on the tumult afflicting MinRes.¹⁵⁹

Out with the old Board, in with the new

On 16 April 2025, two Board members, Corlett and McGill, resigned abruptly.¹⁶⁰ Both had served on the three-member Ethics and Governance Committee established to examine Ellison's conduct. Soon after, McComish abruptly resigned from her role as well. Corlett and McGill were believed to be among Ellison's most vocal internal critics.¹⁶¹ The resignations sent MinRes' shares tumbling another 9%, deepening already heavy losses.¹⁶² Langer then tendered his resignation effective 6 August 2025.¹⁶³ One of Ellison's key boardroom backers, Meka, flagged his exit at the conclusion of the company's AGM to be held on 20 November 2025.¹⁶⁴

Following the departures of the INEDs, MinRes appointed 4 new INEDs: Lawrie Tremaine (Tremaine) and Ross Carroll (Carroll) on 7 July 2025; Susan Ferrier (Ferrier) on 10 October 2025; and Colin Moorhead (Moorhead) on 10 October 2025.¹⁶⁵

Tremaine is an accomplished finance executive with more than 35 years' experience in financial and commercial leadership across the mining, mineral processing, manufacturing and energy sectors in Australia and internationally.¹⁶⁶ He was CFO at Origin Energy from 2017 to 2024 and played a key role strengthening its balance sheet.

Carroll has more than 25 years' leadership experience in sectors spanning mining and mining services, oil and gas, construction and contracting in Australia and overseas.¹⁶⁷ He was CEO of Commerce Resources from 2024 to 2025. Prior to this, Carroll was CFO at MMG Limited

Ferrier brought more than 30 years of global experience in human resources leadership, cultural transformation and governance across finance and professional services.¹⁶⁸ Between 2019 and 2023, she was group executive for People and Culture at National Australia Bank.

Moorhead is a mining executive and geologist with over 35 years of experience across the mining sector.¹⁶⁹ He was Executive Chair and MD of Xanadu Mines, a copper and gold explorer with projects in Mongolia.

Rebounding from debt

Under the leadership of Bunday, MinRes is seeking to reduce its debt.

Selling assets and projects

Drowning in governance problems and staring at an AU\$896 million annual loss, MinRes is considering further asset sales to ease pressure on its debt-laden balance sheet.¹⁷⁰ As lithium prices regained strength, it called in bankers to explore options for its lithium portfolio.¹⁷¹ It sold its idle Yilgarn iron ore projects for a low cost and offloaded clean-up expenses, keeping rights to gold and lithium deposits.¹⁷² MinRes assessed that the operations were not financially viable and wrote down the value of Yilgarn from AU\$90 million to zero.¹⁷³ The company said the decision was influenced by a combination of factors, including the limited remaining life

of the operating mines, and the significant capital cost and time required to develop new resources to ensure continuity of supply. MinRes also sold its AU\$1.1 billion stake in its haul road in the Pilbara and its Western Australian gas holdings for AU\$800 million.¹⁷⁴

Shares in MinRes recovered from recent lows, reaching AU\$40.96, which was roughly half the AU\$80 they hit in May 2024, but well above the AU\$14 trough reached in its history.

Refinancing bonds

MinRes also refinanced AU\$1.06 billion of bonds that were due to mature in early 2027, to be replaced by new notes due in 2031 at a lower interest rate of 7%.¹⁷⁵

Sale agreement for Resource Development Group

In July 2025, MinRes decided to let RDG fall into administration after announcing it would no longer be funding RDG.¹⁷⁶ RDG collapsed, with less than AU\$6 million in cash and cashflow-negative. On 23 September 2025, MinRes executed a sale agreement for RDG assets including the Lucky Bay garnet mine.¹⁷⁷ This followed creditor approval of MinRes' proposed Deed of Company Arrangement on 1 September 2025.¹⁷⁸ MinRes said that it would assess options to best realise value from the assets for the company's shareholders. All decisions relating to RDG and the acquisition had been undertaken by the MinRes Board, with Ellison and MinRes nominees on the RDG Board not involved in deliberations.¹⁷⁹

Secretary refresh

Bundey stepped up his efforts to improve MinRes' tarnished corporate governance by appointing a new joint company secretary. Sarah Standish (Standish) took over as joint company secretary from Wilson effective 6 October 2025.¹⁸⁰

Standish has 20 years' experience in leading legal, governance, risk and compliance functions at ASX-listed and international companies involved in the mining and energy sectors.¹⁸¹ She was previously general counsel and company secretary at De Grey Mining and worked for eight years as general counsel at Imdex. Nevertheless, Wilson continues in his role as CFO of MinRes.

What next?

MinRes stands at a defining crossroads. An era built on bold expansion is coming to an end. Under the stewardship of Bundey, the task ahead is not merely operational recovery, but cultural renewal. Though the company's balance sheet could be healed by way of asset sales and bond refinancing, reputation, once lost, is far harder to regain. To rise from the wreckage, MinRes must rebuild investor trust through transparency, disciplined capital management, and strict avoidance of conflicts of interest. For Bundey and what remains of Ellison's board, the next act will indeed be critical, and perhaps a last chance.

Discussion Questions

1. What are the pros and cons of a company with a dominant founder? In Mineral Resources' case, how did it impact its corporate culture and corporate governance? How can a company mitigate the risks of a dominant founder, such as those seen at Mineral Resources?
2. Do you think Chris Ellison is equipped with the skills to be the CEO of Mineral Resources? What are the qualities necessary for a good CEO? How should a Board deal with a CEO who is helping the company deliver good performance but has ethical issues? With the planned departure of Chris Ellison, what is the potential impact on Mineral Resources?

3. Critically evaluate the corporate culture of Mineral Resources. What are some indicators of problems in its corporate culture? To what extent did Chris Ellison contribute to it? What are other contributing factors? How can a board set and monitor corporate culture?
4. Identify key weaknesses in Mineral Resources' corporate governance structure that led to the tax evasion and other scandals. To what extent is the Board responsible? What could the Board have done differently?
5. Comment on the Board's response to the scandal, given that they had prior information about it before the media exposed it. Do you think they handled it effectively? What could the Board have done to better navigate the situation?
6. Critically evaluate the structure and composition of Mineral Resources. To what extent did it contribute to any lapses in oversight? Why might a board that have adopted good practices relating to structure and composition still be ineffective?
7. Critically evaluate the remuneration policy for executives at Mineral Resources. How effective do you think the "two strikes" rule in Australia in ensuring that companies like Mineral Resources adhere to ethical and responsible remuneration practices?
8. Do you think the remuneration for the new independent chairman of Mineral Resources, Malcolm Bunday, involving the grants of stock options, is appropriate? What are the risks? How could he be fairly remunerated for his efforts without the use of stock options? Are there other issues relating to remuneration governance following his appointment that may raise questions about this remuneration? Explain.
9. Critically evaluate the corporate governance issues relating to Resource Development Group, including its relationship between Mineral Resources, collapse and subsequent takeover by Mineral Resources.
10. Summarise the issues raised in the IPO of Kali Metals and the subsequent purchase of its shares by Mineral Resources. Do you think there are legal breaches? Explain. If this were to have happened in your market, what specific regulations could have been broken?
11. What is the role of the media in terms of upholding corporate governance standards? If this case were to happen in Singapore, do you think it would have been exposed? Explain.
12. Critically evaluate the effectiveness of the Australian regulators in light of the Mineral Resources scandal. What are good indicators of regulatory effectiveness? Using these indicators, do you think the capital market regulators in your market are effective? Explain.

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TESLA'S CORPORATE GOVERNANCE ODYSSEY*

Case overview

Elon Musk (Musk) had served as Chief Executive Officer (CEO) and Chairman of Tesla since 2008. In September 2018, the United States (US) Securities and Exchange Commission (SEC) charged him with misleading investors based on tweets on the social media platform X (then known as Twitter) early the previous month. Musk and the SEC reached a settlement which required him to step down as Chairman for three years. Both Musk and Tesla had to each pay US\$20 million in penalties. Musk resigned as Chairman but remained as CEO of the company.

That same year, Musk was sued by a Pennsylvanian resident, Richard Tornetta (Tornetta). Tornetta claimed that Musk's US\$56 billion remuneration was unfair, as insufficient disclosure had been made to Tesla's shareholders. In January 2024, the Delaware Court of Chancery ruled in favour of Tornetta - voiding Musk's remuneration package and ordering a new plan to be submitted. Later that year, Musk publicly endorsed then-US presidential candidate, Donald Trump (Trump) on X, sparking the beginning of his relationship with the second Trump administration. However, the rapid and public deterioration of this relationship in 2025 led to a 14.2% drop in Tesla's share price.¹

The objective of this case study is to facilitate a discussion of issues such as a dominant CEO; CEOs wearing multiple hats; board structure and composition; independence of directors; compensation policies for directors and CEOs; shareholder activism; and the US legal system and corporate governance framework.

Roadster revolution

Tesla, named after the inventor and electrical engineer Nikola Tesla, was founded in June 2003 by American entrepreneurs Martin Eberhard (Eberhard) and Marc Tarpenning (Tarpenning).² Its initial plan was to develop an electric sports car before subsequently shifting into a more accessible market.³ Eberhard and Tarpenning were Tesla's CEO and Chief Financial Officer (CFO) respectively.⁴

* This case study was originally prepared by Chew Cheng Kai, Chin Yi Xuan Caresse, Choi Hoechang, Lei Xin, and Steffany Lim. It has been edited by Rachel Tang Kai Xuan under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

In 2004, Elon Musk (Musk) invested US\$6.35 million in Tesla's Series A funding round and became the largest shareholder in the company.⁵ He was appointed as Tesla's Chairman while Eberhard remained as CEO.⁶ As the Chairman, Musk took on an active role at the carmaker and helped develop Tesla's first sports car, the Tesla Roadster.⁷

In 2006, Tesla hosted a launch party in celebration of its mass-produced car, the Roadster, which was slated to be completed by the middle of 2007.⁸ However, the displays were all destroyed before any test drives as the prototypes were unsafe to ride in.⁹ There had been a problem with the transmission in the components of the Roadster that had yet to be resolved. This ultimately led to a delay in production.¹⁰

Musk grew increasingly frustrated with Eberhard's leadership during a period when Tesla was grappling with financial difficulties.¹¹ He lost confidence in Eberhard due to Eberhard's inexperience, poor management abilities and lack of budget control.¹² In August 2007, Musk held a board meeting in the absence of Eberhard and fired him from the position of CEO. Eberhard was also ousted from the Board.¹³ Following Eberhard's departure, Zeev Drori (Drori), an external CEO, was appointed. However, it became apparent that his leadership alone could not resolve Tesla's challenges and restore investor confidence in Tesla.¹⁴ In October 2008, Musk took over the position of CEO while also holding the role of Chairman.¹⁵

During the Global Economic Crisis of 2008, Tesla struggled to survive and faced significant financial difficulties. At its lowest point, Tesla saw a loss of US\$31.5 million in sales and the company was down to its last US\$9 million in cash.¹⁶ In May 2009, it was announced that Daimler AG (DDAIF) would acquire 10% of the company's stock for a sum of US\$50 million.¹⁷ The Department of Energy also extended a US\$465 million loan to Tesla in June that year.¹⁸

Tesla went public in 2010 and opened on the NASDAQ stock market at US\$17 a share, raising US\$226 million in its Initial Public Offering (IPO).¹⁹ In 2017, Tesla Motors changed its name to Tesla, Inc., reflecting its expansion beyond the sale of automobiles.²⁰ Between 2018 and 2022, Tesla produced approximately 2,450 Roadsters.²¹

Tesla has three major groups of shareholders: institutional investors, retail investors, and Musk. As of 11 October 2025, institutional investors held 47.91% of Tesla's shares.²² As of 29 September 2025, Musk was the largest shareholder of Tesla with 15.8% of its shares, followed by institutional investor Vanguard Group Inc. holding 7.56%, and BlackRock Inc. with 6.19%.²³

Sun shines on SolarCity

On 1 August 2016, Tesla announced its acquisition of SolarCity, a solar panel producer, for US\$2.6 billion in Tesla shares.²⁴ SolarCity shareholders would receive 0.110 Tesla common shares for every share held, representing a 3.4% premium to SolarCity's last closing price prior to the acquisition.²⁵

SolarCity was founded by Musk's cousins, Peter Rive and Lyndon Rive.²⁶ Musk was the chairman of SolarCity and its largest shareholder, with approximately 21.9% of SolarCity's common shares.²⁷ In addition, five other Tesla directors at that time – Brad Buss (Buss), Kimbal Musk, Antonio Gracias (Gracias), Ira Ehrenpreis (Ehrenpreis), and Stephen Jurvetson (Jurvetson) – all held shares in SolarCity or companies owned by Musk.²⁸

In the fall of 2016, Tesla shareholders filed actions to challenge the acquisition.²⁹ The claimants argued that Tesla had overpaid for SolarCity as it was insolvent at the time of acquisition. In 2022, the trial court held that while Musk was involved in the deal process to a greater degree than he should have, the Tesla Board operated independently of Musk as there were several instances where it did not give in to his requests. In addition, SolarCity was still a valuable company in 2016 despite its cash flow challenges as there were potential cost synergies with Tesla.³⁰ In 2023, the trial court's finding was upheld in a subsequent appeal to the Delaware Supreme Court.³¹

Tesla's Board in 2018

"The board of directors is not meant to be a cheering committee."

-William Klepper, a professor at Columbia Business School and an expert on corporate governance issues³²

In July 2018, Tesla's Board consisted of one Executive Director (ED), one Non-Independent Non-Executive Director (NINED), and seven Independent Non-Executive Directors (INEDs).

Musk was appointed as Chairman of the Board in 2004 and has served as CEO from 2008. He has also served as CEO, Chief Technology Officer (CTO) and Chairman of SpaceX, his privately-owned rocket company. He also served as Chairman of SolarCity until its acquisition by Tesla in 2016. Musk holds a Bachelor of Arts degree in physics from the University of Pennsylvania and a Bachelor of Science degree in business from the Wharton School of the University of Pennsylvania.³³

Kimbal Musk, Musk's brother, was appointed as a NINED in 2004. He is a co-founder and the CEO of The Kitchen, a restaurant group. He was also a co-founder of Zip2 Corporation and serves as a director of the Anschutz Health and Wellness Center. He is also a director of SpaceX and Chipotle Mexican Grill, Inc. He holds a Bachelor of Commerce in Business from Queen's University and is a graduate of The French Culinary Institute in New York City.³⁴

At least five out of Tesla's eight INEDs have strong personal ties to either Musk or his other companies.

Lead Independent Director (ID) Gracias was appointed to the Tesla Board in 2007. He is a member of the Audit Committee (AC), Compensation Committee (CC), and Nominating and Governance Committee (NC). He is also a director of SpaceX. Besides their business connections, Musk and Gracias frequently socialise, meeting as often as monthly.³⁵ Gracias is also the founder and CEO of Valor Equity Partners, which was one of Tesla's first institutional investors in 2005.³⁶ He was also a director of SolarCity until the company was acquired by Tesla in 2016. He holds a joint Bachelor of Science and Master of Science degree in international finance and economics from the Georgetown University School of Foreign Service and a Juris Doctor degree from the University of Chicago Law School.³⁷

Jurvetson joined Tesla as an INED in 2009 and was appointed as a member of the AC. Jurvetson was an early investor in both SpaceX and Tesla. He concurrently served as a SpaceX director. Prior to his appointment at Tesla, Jurvetson was a Managing Director (MD) of Draper Fisher Jurvetson, a venture capital firm. He holds Bachelor of Science and Master of Science degrees in electrical engineering from Stanford University and a Master of Business Administration degree from the Stanford Business School.³⁸

Ehrenpreis joined Tesla as an INED in 2007 and was appointed as Chair of the CC and NC. He is also a SpaceX investor. He is a managing partner of venture capital firm DBL Partners. He holds a Bachelor of Arts degree from the University of California, Los Angeles, and a Juris Doctor and Master of Business Administration degree from Stanford University.³⁹

Buss was appointed as an INED and a member of the AC, NC, and CC in 2009. He served as Chief Financial Officer (CFO) in SolarCity prior to its acquisition by Tesla in 2016. He holds a Bachelor of Arts degree in economics from McMaster University and an honours degree in business administration, majoring in finance and accounting, from the University of Windsor.⁴⁰

James Murdoch (Murdoch) joined Tesla as an INED in 2017 and was appointed as a member of the AC. It has been alleged that he is a "longtime personal friend" of Musk.⁴¹ Prior to his appointment at Tesla, he held a number of senior positions at Twenty-First Century Fox, Inc., including as its CEO, Co-Chief Operating Officer (COO), Deputy COO, and Chairman.⁴²

Robyn Denholm (Denholm) was appointed as an INED in 2014. She also serves as the Chair of the AC and a member of the CC and NC. Denholm was recruited to Tesla's Board by Buss, whom she knew professionally from a CFO roundtable. Buss disclosed the opportunity at Tesla to her, who expressed interest, leading to her appointment to the Board.⁴³ Prior to her appointment at Tesla, she served as CFO and COO at Telstra and Juniper Networks, and held senior roles in Toyota Australia, Sun Microsystems, and Arthur Andersen. She is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand, and holds a Bachelor's degree in Economics, a Master's degree in Commerce and a Doctor of Business Administration (honoris causa).⁴⁴

Linda Johnson Rice (Rice) was appointed as an INED in 2017. She concurrently serves as Chairman and CEO of Johnson Publishing Company, and serves on the boards of EBONY Media Holdings, Omnicom Group, and GrubHub Inc. She previously served as CEO of EBONY Media Operations. She holds a Bachelor of Arts degree in Journalism from the University of Southern California's Annenberg School of Communication and a Master of Business Administration degree from Northwestern University's Kellogg School of Management.⁴⁵

In 2018, two major firms specialising in corporate governance advised Tesla shareholders to shake up the company's board, citing troubling conflicts of interest.⁴⁶

A tweet with consequences

"Am considering taking Tesla private at \$420. Funding secured."

– Musk⁴⁷

On 7 August 2018, Musk tweeted that he could take Tesla private at US\$420 per share, and that funding for the transaction had been secured. This caused the stock price to jump by more than 6% that day. However, Musk had not discussed specific deal terms with any potential financing partners and was aware that the potential transaction was not certain. On 27 September 2018, the SEC charged Musk for violating antifraud provisions of the federal securities laws, and sought a permanent injunction, disgorgement, civil penalties, and a bar prohibiting him from serving as an officer or director of a public company.⁴⁸

On 29 September 2018, the SEC announced that Musk and Tesla had agreed to settle the charges. The settlement required Musk to step down as Tesla's Chairman and prohibited him from being re-elected Chairman for three years.⁴⁹ It also required Tesla to appoint two new Independent Directors (IDs) to the Board and establish a new committee of IDs to put in place more controls and procedures to oversee Musk's Twitter communications.⁵⁰ In addition, Tesla and Musk were each ordered to pay US\$20 million in penalties.⁵¹

Subsequently, Musk stepped down as Chairman but remained as an ED. Denholm was appointed as Chair of the Board in November 2018.⁵² In December 2018, the company appointed two new INEDs – Oracle founder Larry Ellison (Ellison), and Walgreens' Human Resources (HR) Chief Kathleen Wilson-Thompson (Wilson-Thompson).⁵³

In accordance with the SEC settlement, Tesla created a Disclosure Controls Committee (DCC) in December 2018 to oversee the controls and processes governing public statements relating to the company.⁵⁴ Denholm was appointed as Chair of the DCC, while Buss, Jurvetson, and Murdoch were appointed as members.⁵⁵

Between August 2018 and September 2018, nine lawsuits were filed by shareholders against Tesla and Musk, alleging that Musk's tweet about taking Tesla private had led to volatility in the market, which caused them billions in losses. The lawsuits were consolidated into a single class-action lawsuit. In February 2023, a California jury ruled in favour of Musk.⁵⁶ In November 2024, the US Court of Appeals for the Ninth Circuit affirmed the verdict.⁵⁷

Compensation

“The arrangement [was] a potential win-win for both shareholders and Musk, as the objectives are aligned to a shareholder-friendly combination of aggressive market capitali[s]ation objectives as well as a series of operational targets.”

– Efraim Levy, CFRA analyst ⁵⁸

In 2018, Tesla created a ten-year performance award for Musk to make Tesla “one of the most valuable companies in the world”.⁵⁹ This was modelled after the success of Musk’s 2012 performance award, with Tesla’s market capitalisation increasing more than 17 times within five years of the award’s announcement.⁶⁰

The performance award was created by the Board, excluding Musk and his brother Kimbal Musk, after discussion with compensation consultant Compensia, Inc.⁶¹ The award was presented at a special shareholders’ meeting in late March 2018. Apart from Musk and his brother, anyone who owned shares in Tesla as of 7 February 2018 was entitled to vote at the meeting and the award could only become effective if a majority of shareholders voted in favour of it.⁶²

The award granted Musk 12 tranches of stock options, with each tranche equivalent to 1% of Tesla’s outstanding shares as of 21 January 2018.⁶³ Each of these tranches vested only if a pair of market capitalisation and operational milestones were both met, and Musk remained as either CEO or served as both Executive Chairman and Chief Product Officer.

The first market capitalisation milestone required Tesla’s then current market capitalisation to double to US\$100 billion from approximately US\$57.4 billion.⁶⁴ Thereafter, the market capitalisation had to see continuous US\$50 billion increments until it reached US\$650 billion for the award to be fully vested.⁶⁵

Additionally, there were 16 operational milestones to meet: half of them focused on increasing revenue from US\$20 billion up to US\$175 billion, and the other half on increasing adjusted EBITDA from US\$1.5 billion to US\$14 billion.⁶⁶

Throughout the 10 years, Musk received no guaranteed compensation. His only compensation was through the at-risk performance award under which he could potentially vest shares of up to US\$55.8 billion five years after Tesla’s market capitalisation reached US\$650 billion.⁶⁷ If none of the 12 tranches were achieved, Musk would not receive any compensation.

Musk went on to hit all 12 milestones, and the 12% of outstanding Tesla shares was now worth US\$51 billion after accounting for the cost to exercise them.⁶⁸ According to Equilar, an executive pay research firm, this was around six times higher than the combined pay of the 200 highest-paid executives in 2021.⁶⁹ The unprecedented size of the pay package called into question the nature of the package and how it had been approved by Tesla’s shareholders.

Money talks, boards listen

“The pay is so compelling that the director is going to be motivated to do whatever is reasonably possible to keep that gravy train rolling”

– Marc Goldstein, head of US research at ISS Governance⁷⁰

In 2018, the independent directors on the Tesla Board amassed US\$60,942,883 in total compensation, primarily consisting of option awards. LID Gracias received over US\$13 million in compensation, while IDs Ehrenpreis and Murdoch received over US\$9 million. Wilson-Thompson received over US\$8 million, while Denholm, Buss and KM received over US\$6 million.⁷¹

In comparison, research conducted by Steven Hall, a compensation consultant, revealed that the average director remuneration stood at slightly above US\$300,000 in 2020 across major corporations.⁷² Notably, at the upper end, John L. Hennessy, who served as the chairman of Alphabet, the parent company of Google, received compensation totalling US\$620,000 in 2021.⁷³

Tornetta v. Musk

In 2018, Musk was sued by a resident of Pennsylvania named Richard Tornetta (Tornetta).⁷⁴ Tornetta was a retail investor who held only nine shares in Tesla.⁷⁵ Tornetta claimed that Tesla's directors had breached their fiduciary duties and failed to act in the best interests of the company when negotiating Musk's US\$56 billion remuneration plan.⁷⁶ In January 2024, the Delaware Court of Chancery ruled in favour of Tornetta, voiding Musk's remuneration package and ordering a new plan to be submitted.⁷⁷

Under the business judgement rule, directors are presumed to act honestly and in good faith. However, the law in Delaware acknowledges that there are inherent risks when a corporation enters a contract with its own majority shareholder.⁷⁸ As a result, the court had to assess the "entire fairness" of the transaction.⁷⁹ This required an analysis of both the amount of Musk's compensation plan and the process of approving EM's compensation plan.⁸⁰

Whether the Board or Tornetta bore the burden of proving the fairness of the transaction was dependent on whether the shareholder vote was fully informed.⁸¹ Tornetta successfully argued that the shareholder vote was not fully informed as the Board had failed to disclose the CC's potential conflicts of interest with Musk and had omitted material information about the process of approving Musk's compensation plan.⁸²

The directors who unanimously endorsed the compensation plan included Ehrenpreis, Chair of the CC, who was responsible for negotiating the pay package. At the time, Ehrenpreis had known both the Musk brothers for over 15 years. He also acknowledged that their personal and professional relationships had a "significant influence on his professional career".⁸³ Between 2011 and 2015, Ehrenpreis received 865,790 Tesla options, which earned him over US\$200 million after exercising a fraction in 2021.⁸⁴

Murdoch was not part of the CC but also voted on the pay package. Murdoch shared that he initially encountered Musk in the late 1990s. However, they did not continue communicating until around 2006 or 2007 when they reconnected, primarily sparked by Murdoch's purchase of a Tesla Roadster. Subsequently, their relationship became closer, and they have since shared numerous vacations with their families, visiting destinations such as Israel, Mexico, and the Bahamas together. During one of these trips, Gracias and Musk invited Murdoch to join the Board. Murdoch heads a private investment firm that invested around US\$50 million into SpaceX between 2019 and 2020. Additionally, Murdoch made personal investments totalling about US\$20 million in SpaceX in 2019.⁸⁵

Denholm, a member of the CC, was also involved in voting on the pay package. Denholm's interactions with Musk seem to have been solely through her board membership. However, her primary source of wealth stems from her compensation as a director at Tesla. Between 2014 and 2017, Denholm received approximately US\$17 million in compensation, which she recognised as substantial for her financial well-being during that period.⁸⁶

The trial revealed that Musk wielded significant control over the approval of his compensation package due to his personal relationships with the Board members. Furthermore, his pervasive influence over managerial decisions compromised the Board's independence. As such, the court held that "the description of the Compensation Committee members as "independent" was decidedly untrue" and that inadequate disclosure had been made.⁸⁷ The burden of proof for proving the entire fairness of the transaction thus fell on the Board.⁸⁸

Musk's compensation package was the largest ever recorded. Not only was it 250 times larger than median peer compensation plans, it was also 33 times larger than the next largest plan.⁸⁹ The presiding judge, Delaware Chancellor Kathaleen McCormick (McCormick), commented that the sheer scale of this plan was

“unfathomable”.⁹⁰ While the Board claimed that the compensation was crucial in retaining Musk as he was the key to Tesla's growth, it failed to provide a sufficiently persuasive reason to explain why the US\$56 billion package was necessary to retain Musk as he had clearly stated that he had no intention of leaving Tesla.⁹¹

With regard to the process of approving the compensation plan, McCormick noted that there was little evidence of any negotiations, and that both the CC and the Board had failed to act in the best interests of the company when negotiating the compensation plan. Instead of negotiating against Musk, the CC “worked alongside him, almost as an advisory body”.⁹² Musk dictated the “framework and financial terms, which remained fundamentally unchanged” throughout the board's approval process.⁹³ He was essentially “negotiating against [himself]” in the back-and-forth over his compensation package without refute from the Board despite the concerning size of the grant.⁹⁴

As such, the court held that the Board had failed to discharge its fiduciary duties and act in the best interests of the company when negotiating with Musk.⁹⁵

Shareholder derivative complaint

In 2020, the Police and Fire Retirement System of the City of Detroit filed a shareholder derivative complaint on behalf of Tesla against its directors for breach of fiduciary duty and unjust enrichment.⁹⁶ The plaintiff challenged the stock options that were granted to Tesla directors from June 2017 and argued that the directors had awarded themselves unfair and excessive compensation.⁹⁷ The stock option compensation amounted to over US\$11 million from 2017 to 2020 and was alleged to have exceeded norms for a corporate board.⁹⁸

In 2023, the directors agreed to settle the lawsuit to “eliminate the risk of litigation to themselves and to the company”.⁹⁹ The settlement required the directors to return US\$735 million in compensation to Tesla in the form of cash, unrestricted common shares of Tesla's stock and unexercised options.¹⁰⁰ The settlement is one of the largest derivative case settlements in the Delaware Court of Chancery, a major place for shareholder litigation. As part of the settlement, the directors also agreed to not receive any compensation for the years 2021, 2022 and 2023 and that the Board would change the way it determined compensation.¹⁰¹

New state, new playbook

“Never incorporate your company in the state of Delaware.”

– Musk¹⁰²

In the US, federal law applies nationwide and governs areas such as securities regulation and taxation. Laws that regulate corporate governance and shareholder rights are generally determined by the state in which the company is incorporated.¹⁰³

Under the Comity Clause in the US Constitution, states are required to treat corporations formed in other states equally. As such, companies formed outside a particular state cannot be barred from doing business in that state. Companies are thus free to incorporate in states with favourable laws for corporate governance and register to do business in other states.¹⁰⁴

Why Delaware?

Delaware has established itself as the epicentre of corporate litigation with more than 1.8 million businesses incorporated in Delaware to benefit from the services of the Delaware Court of Chancery – including Tesla.¹⁰⁵

Dating back to its origins in 1792, the Delaware court has accumulated centuries' worth of precedents to guide decisions regarding corporate disputes in America.¹⁰⁶ Furthermore, court decisions are made by

judges rather than jurors.¹⁰⁷ These factors make decisions by the court more predictable than other courts in the US.¹⁰⁸ While other states may also incorporate Delaware precedents into their rulings, Delaware has the additional advantage of having judges who are highly sophisticated in corporate law.¹⁰⁹ The distinctive features of the Delaware Court of Chancery are clear advantages that make it most suitable for corporate disputes.¹¹⁰ However, recent changes to Delaware's legal landscape introduced increasing uncertainty for corporations.

Traditionally, Delaware jurisprudence mainly assessed financial factors in determining directors' independence. While personal friendships and external business relationships could influence independence, the relationship had to be proven to be of a "bias-producing nature".¹¹¹

However, from 2016 onwards, Delaware courts began to see a shift in attitude. In 2016, the Delaware Supreme Court found that a director was not independent as he co-owned a private airplane with the company's controlling stockholder. In 2018, the Delaware Court of Chancery held that a director was not independent because he had been invited by the company's co-chairman to join the ownership group for a professional basketball team. Subsequently, in 2019, the Delaware Supreme Court held that Delaware law "cannot ignore the social nature of humans or that they are motivated by things other than money, such as love, friendship, and collegiality".¹¹²

In addition, it is highly unusual for the Delaware Court of Chancery to overturn a decision made by the Board of Directors. Traditionally, the Delaware Court of Chancery has followed the business judgement rule, which provides that judges should respect the good faith decisions of the board of directors.¹¹³ This principle stands on the fundamental assumption that the directors have exercised proper due diligence and made informed decisions.¹¹⁴ As such, *Tornetta v. Musk* is significant as it expressly discredits the Tesla Board and its capacity to act according to proper corporate governance, and also suggests that the Delaware Court is aggressively policing big businesses in the interest of the small investors.¹¹⁵

Texas takeover

After the *Tornetta* court ruling, Musk publicly commented on X to "never incorporate your company in Delaware".¹¹⁶ He then immediately conducted an online poll, asking his followers whether he should relocate Tesla's place of incorporation to Texas.¹¹⁷ With an overwhelming majority voting in favour of relocation, Musk quickly followed up with an announcement that he would hold a shareholder vote to consider Tesla's reincorporation in Texas, although he did not reveal whether he had consulted with the Board prior to his announcement.¹¹⁸

On 16 April 2024, the Tesla Board announced its proposal to redomesticate Tesla from Delaware to Texas in its 2024 Annual Stockholders' Meeting (ASM) notice.¹¹⁹ The Board provided two main reasons for the proposal. Firstly, Tesla's corporate headquarters and principal manufacturing facility, Gigafactory Texas, were already located in Texas.¹²⁰ Secondly, the Board was of the view that Texas offered more legal certainty as it "has a more code-based corporate governance regime",¹²¹ while Delaware relies on "broad, flexible standards that are applied to individual cases in a highly-specific way".¹²² On 13 June 2024, Tesla held its 2024 ASM, where 63% of its shareholders¹²³ voted in favour of the Board's proposal to redomesticate Tesla from Delaware to Texas.¹²⁴

In February 2025, Texas introduced Senate Bill 29 (SB 29), which sought to fortify Texas' position as a business-friendly state. The bill was passed on 14 May 2025. Under SB 29, Texas formally codified the business judgement rule, enshrining the principle that courts should generally defer to good faith business decisions made by directors and officers.¹²⁵ The new Section 21.419 of the Texas Business Organizations Code (TBOC) provides a statutory presumption that directors and officers are acting "in good faith; on an informed basis; in furtherance of the interests of the corporation; and in obedience to the law and the corporation's governing documents".¹²⁶

SB 29 also introduces the concept of advisory opinions. Under the new Section 21.4161 of the TBOC, companies seeking to establish committees of independent directors can petition a court to hold an evidentiary hearing to determine whether directors are independent and disinterested.¹²⁷ Commentators have suggested that this is likely to reduce litigation risk and increase deal certainty.¹²⁸

In addition, SB 29 permits corporations to restrict derivative lawsuits to shareholders holding a minimum stake of up to 3% of outstanding shares under Section 21.552 of the TBOC.¹²⁹ Under Section 21.561 of the TBOC, it also bars the recovery of attorneys' fees in lawsuits that only result in additional or amended disclosures made to the shareholders, regardless of materiality.¹³⁰ Furthermore, it narrows the scope of inspection demands.¹³¹ Under the amended Section 21.218 of the TBOC, e-mails, text messages, or similar electronic communications are excluded from records demands unless they "effectuate an action by the corporation".¹³² Commentators have suggested that these changes are likely to reduce derivative lawsuits by minority shareholders.¹³³

Tesla's tech troubles

"I just knew that putting [Tesla's self-driving] software out in the streets would not be safe...
You can't predict what the car's going to do."

– *Former Tesla Autopilot engineer*¹³⁴

On 22 April 2019, Musk proclaimed at Tesla's first Autonomy Investor Day, a day for demonstrating Tesla's autonomous driving technology,¹³⁵ that he felt "very confident predicting autonomous robotaxis for Tesla" by 2020.¹³⁶ Thereafter, Tesla's stock price skyrocketed, and Musk became the world's richest person. Musk stated that he believed that the full self-driving technology would make the "difference between Tesla being worth a lot of money and being worth basically zero."¹³⁷

Just three days later, a Tesla Model S operating on Autopilot mode crashed into a parked vehicle, resulting in one fatality and one serious injury (the First Crash).¹³⁸ On 24 August 2019, a Tesla Model 3 operating on Autopilot mode rear-ended a vehicle on a freeway, killing a 15-year old passenger (the Second Crash).¹³⁹ On 29 December 2019, a speeding driver in a Tesla vehicle operating on Autopilot mode crashed into a car, resulting in two fatalities (the Third Crash).¹⁴⁰

On 23 April 2021, a lawsuit was filed by the victims of the First Crash against Tesla. The claimants alleged that the Autopilot system had failed to detect obstacles, which led to the crash. Tesla argued that the accident was not caused by weaknesses in the Autopilot system, but by the driver, who had bent down to pick up his phone instead of focusing on the road.¹⁴¹ Similar lawsuits were also filed by the victims of the Second Crash and Third Crash.¹⁴²

On 19 March 2023, The Washington Post published an investigative report on the development of Tesla's autonomous driving technology.¹⁴³ Through interviews with dozens of former employees, the report revealed that Musk had pushed for rapid development while imposing cost-cutting measures to bring down the cost of the technology. Despite concerns raised by Tesla engineers, Musk believed that the car radar sensors, which were created to detect obstacles at a far distance, were unnecessary as the cars were already equipped with eight cameras capable of performing similar functions.¹⁴⁴ However, problems could arise as the cars were now completely reliant on the cameras and were less accurate if they were obscured by raindrops or bright sunlight.¹⁴⁵

As soon as Tesla started removing radars from their cars in 2021, Tesla vehicles running on Autopilot or Full Self-Driving saw an increase in errors, such as stopping for imaginary obstacles, misidentifying street signs, and phantom braking.¹⁴⁶ In 2022, over 750 Tesla drivers reported to the National Highway Traffic Safety Administration (NHTSA) that their cars had randomly braked while they were driving.¹⁴⁷

In 2025, Tesla was found liable for the First Crash by a Florida jury and was ordered to pay the victims of the First Crash US\$242.5 million in compensatory and punitive damages.¹⁴⁸ Tesla filed to appeal the verdict on 29

August 2025,¹⁴⁹ but proceeded to settle the lawsuits over the Second Crash and Third Crash.¹⁵⁰ As of September 2025, the outcome of the appeal remains pending.

Promise of privacy

“Let’s say that a Tesla customer had something in their garage that was distinctive, you know, people would post those kinds of things.”

– *Tesla’s former employee*¹⁵¹

One of Tesla’s car features which raised concerns regarding user privacy was the cameras inside the vehicles to facilitate safe driving.¹⁵² The cameras are equipped with technology capable of tracking down the origin of the recordings.¹⁵³ These recordings also capture the location of the user.¹⁵⁴ Furthermore, the internal cameras can only be disabled by a professional and disabling them may lead to a reduction in the value of the car.¹⁵⁵ Tesla has disputed that the purpose of these additional functions is solely to train vehicles to recognise any potential obstacles, such as other vehicles or pedestrians.¹⁵⁶

On 6 April 2023, a Reuters report revealed that between 2019 and 2022, Tesla employees had shared “highly invasive videos and images” from users’ cars.¹⁵⁷ Some of the recordings included embarrassing moments of users, accidents and daily views captured by the camera.¹⁵⁸ Employees then edited these images “by embellishing them with amusing captions or commentary”.¹⁵⁹

On 7 April 2023, a class-action lawsuit was filed against Tesla for alleged breaches of California’s constitutional right to privacy.¹⁶⁰ The case was dismissed in October 2023, after a judge ruled that the case should be resolved through arbitration.¹⁶¹

Tesla takes a backseat

Musk has many other business interests and activities besides Tesla.

SpaceX

“Musk believes he has a moral obligation to direct his wealth towards [colonising Mars], and Musk views his compensation from Tesla as a means of bankrolling that mission.”

– *Kathleen St. J. McCormick, Delaware Chancery Court Chief Judge*¹⁶²

Apart from Tesla, Musk is involved in the management of a large number of companies. He invested heavily in SpaceX, an astronautics start-up he founded and was CEO of, in pursuit of his ambition to go to Mars. In a largely contentious move, he vowed to use the options vested from his Tesla performance package to fund Mars colonisation.¹⁶³ In a post he made on Twitter in 2018, he declared his need to “establish a self-sustaining city on Mars to ensure continuation of life (of all species) in case Earth gets hit by a meteor like the dinosaurs or WW3 happens & we destroy ourselves”.¹⁶⁴

In 2002, SpaceX was established with the objective of reducing the cost and increasing the accessibility of space travel.¹⁶⁵ Musk, in his dual capacity as CEO and principal designer of SpaceX, exerted significant influence over the company’s rocket technology, resulting in the creation of revolutionary spacecrafts including the Falcon 9 and Falcon Heavy, among others.¹⁶⁶

The company established itself as the inaugural private entity to effectively deploy and re-enter a spacecraft from Earth orbit, as well as the first to successfully launch a crewed spacecraft and alight it aboard the International Space Station (ISS).¹⁶⁷ These accomplishments symbolise noteworthy junctures in the chronicles of space exploration and have firmly established SpaceX as a frontrunner in the aerospace sector.

Twitter

In 2017, a user's comment piqued Musk's interest regarding the acquisition of Twitter.¹⁶⁸ When asked if he would ever acquire Twitter, Musk replied with “how much is it?”, hinting that he was not against the idea of doing so.¹⁶⁹ His tweets on Twitter then shifted from Tesla and memes to “critiques about Twitter's algorithm, bot accounts, and how it's affected public discourse”.¹⁷⁰ After continuously buying Twitter shares, he proposed the plan of buying Twitter for US\$44 billion by selling his existing Tesla shares to gain financial backing.¹⁷¹

However, there were many issues surrounding Musk's takeover such as how to deal with fake accounts and bots since Twitter withheld information about it. In July 2022, Musk sought to terminate the agreement. In response, Twitter filed a lawsuit against Musk, and Musk filed a countersuit in return.¹⁷² These tit-for-tat lawsuits would have continued if not for a whistleblower leaking information “on [Twitter]'s negligence in dealing with fake accounts and bots”.¹⁷³ Nevertheless, Musk eventually went through with the plan of buying Twitter.¹⁷⁴

In 2022, Musk sold a large portion of his Tesla shares to finance his purchase of Twitter, which he renamed X on 23 July 2023. This left him with about 13% ownership in Tesla.¹⁷⁵ He subsequently dissolved the board and appointed himself CEO of Twitter.¹⁷⁶

While acting as Twitter CEO, Musk cut more than three-quarters of the staff at the company and replaced them with employees from Tesla and SpaceX. On 5 June 2023, he stepped down as CEO at Twitter and Linda Yaccarino took over.¹⁷⁷ On 17 July 2023, Senator Elizabeth Warren wrote to the SEC Chair Gary Gensler to request an investigation into Tesla's management of Musk's conflicts of interest as the CEO of both Tesla and Twitter. She highlighted that Musk's action in transferring more than 50 Tesla employees to Twitter was a “possible misappropriation of Tesla resources” and could constitute “possible violations of state and federal labour law”.¹⁷⁸ In addition, she pointed out that there were “inevitable conflicts of interest”¹⁷⁹ as Twitter generates advertising revenue from other automobile companies which are in direct competition with Tesla.

After Musk's acquisition, Twitter's content moderation team saw a sharp decrease in size “from a few hundred employees to just 15 people”.¹⁸⁰ Beyond the organisational structure of Twitter, the user experience has declined with an increase in “racist, antisemitic, and hate speech” on the platform.¹⁸¹

Other ventures

Apart from Twitter and SpaceX, Musk has also founded several other startups such as Neuralink, a neurotechnology company, and The Boring Company, an infrastructure and tunnel construction company.¹⁸²

Guardians of governance

“Musk is from Mars, independent directors are from Venus.”

– Russell Baker, ESG Correspondent at Investment Magazine¹⁸³

In a shareholder letter to the Board in 2023, 17 investors holding a combined US\$1.5 billion worth of Tesla shares expressed apprehension that the Board was “failing to adequately represent the interests of Tesla's shareholders.”¹⁸⁴

In particular, the investors emphasised the need for responsibility within the Board to intervene when a CEO becomes distracted or overly focused on other ventures. They stated that “as of April 3, 2023, Tesla had lost US\$ 582.4 billion in market capitalization since Mr. Musk first disclosed his stake in Twitter on April 4, 2022.”¹⁸⁵

The investors attributed their loss of confidence to the Board's failure to ensure that Musk effectively addressed the company's numerous challenges. They highlighted the importance of having a full-time CEO and a vigilant Board to navigate the competitive industry of electric vehicle sales.¹⁸⁶ In addition, they expressed

concerns that the Board had not provided adequate oversight over other critical aspects of corporate strategy, such as human rights and labour rights, which exposed Tesla to significant legal, operational, and reputational risks. They called upon the Board to devise a plan to overhaul its composition, including the departure of directors who have personal ties to Musk.¹⁸⁷

Shaking up Tesla's Board

On 19 April 2019, Tesla announced its intention to “streamline”¹⁸⁸ corporate oversight to allow the Board to “operate more nimbly and efficiently”.¹⁸⁹ It announced that Buss and Rice would not stand for re-election at the 2019 ASM, and that Jurvetson and Gracias would leave the Board in 2020 and 2021 respectively.¹⁹⁰

In April 2020, Tesla appointed a new INED, Hiromichi Mizuno (Mizuno) to the Board and the AC. Mizuno formerly served as Executive Managing Director and Chief Investment Officer of Japan's Government Pension Investment Fund, the largest pension fund in the world, and has expertise in international policy.¹⁹¹

In September 2022, Tesla appointed a new INED, Joe Gebbia (Gebbia) to the Board. Prior to his appointment at Tesla, Gebbia co-founded Airbnb.¹⁹²

In 2023, Tesla announced that Mizuno would not stand for re-election at the 2023 ASM and nominated a new INED, JB Straubel (Straubel) to take his place. Straubel was Tesla's co-founder and former CTO before he left the company in 2019 to launch Redwood Materials, a battery recycling company. Despite a proxy adviser's claim that he had not been away from the company long enough to be deemed independent,¹⁹³ Straubel was successfully appointed as INED at the 2023 ASM, with approximately 84% of shareholders voting in favour of his appointment.¹⁹⁴

By 2024, the median tenure of the Board was eight years, with 37.5% of the Board having a tenure of between 11 to 20 years.¹⁹⁵

In the US, term limit requirements and mandatory retirement policies continue to be rare as companies prioritise the flexibility to retain valuable board members despite their lengthy tenure.¹⁹⁶ As of July 2022, only 6% of S&P 500 companies and 4% of Russell 3000 companies disclosed a mandatory retirement policy based on tenure.¹⁹⁷

In Tesla's Corporate Governance Guidelines, it is stated that “directors are re-elected every three years and the Board does not believe it should establish term limits because directors who have developed increasing insight into Tesla and its operations over time provide an increasing contribution to the Board as a whole”.¹⁹⁸

Self-driving forward

Despite Musk's promise in 2019 that Tesla would launch robotaxis in 2020, Tesla has yet to fully launch an autonomous robotaxi service as of September 2025. Tesla began a limited rollout of 12 robotaxis on 23 June 2025, in a single neighbourhood in Austin, Texas.¹⁹⁹ However, the service was restricted to a select group of individuals, and a Tesla safety monitor was present in the front passenger seat.²⁰⁰

In contrast, Alphabet's Waymo has been testing self-driving cars without a safety driver since 2017. As of September 2025, Waymo operates fully driverless services in Phoenix, San Francisco, Los Angeles, Austin, and Atlanta.²⁰¹ Compared to Tesla vehicles, which rely entirely on cameras and machine learning,²⁰² Waymo vehicles use cameras alongside radar and Light Detection and Ranging (LiDAR) sensors.²⁰³ Musk had previously rejected the use of LiDAR sensors as he found them “expensive and unnecessary”.²⁰⁴

Tesla's robotaxi launch was also met with obstacles as users reported instances where the vehicles drove erratically, such as stopping abruptly, speeding, and swerving into the wrong lane. One day after the launch, the NHTSA announced that it had contacted Tesla to gather additional information regarding the incidents.²⁰⁵

Trumping Tesla's priorities

On 13 July 2024, Musk posted on X that he “fully endorse[d] President Trump”, marking the beginning of his relationship with the second Trump administration.²⁰⁶ Over the months leading to the US Presidential Election on 5 November 2024, Musk donated an estimated US\$277 million to back Trump and other Republican candidates.²⁰⁷ He also made a number of posts on X which promoted the Republican party and disparaged the Democratic party and its candidates.²⁰⁸

On 6 November 2024, Trump was elected as the 47th president of the US.²⁰⁹ Tesla's share price closed at US\$288.53 that day – a 14.8% increase compared to the previous day.²¹⁰ Analysts speculated that Trump's win would pave the road for the approval of self-driving vehicles, at a time when Tesla's existing driver assist features – Autopilot and Full Self-Driving – were facing probes from federal safety regulators.²¹¹

On 12 November 2024, Trump announced the appointment of Musk and former Republican presidential candidate Vivek Ramaswamy to lead the newly created Department of Government Efficiency (DOGE).²¹² DOGE is an external advisory body created to advise and guide the White House to “dismantle government bureaucracy, slash excess regulations, cut wasteful expenditures, and restructure federal agencies”.²¹³ Tesla's share price continued to rise, peaking at US\$479.86 on 17 December 2024.²¹⁴ In February 2025, Gebbia, an INED at Tesla, officially joined DOGE as Chief Design Officer.²¹⁵

Under Musk's leadership, DOGE moved to cut over 80% of US Agency for International Development (USAID) programmes and fire thousands of federal government employees.²¹⁶ During this period, Tesla's customer loyalty saw an “unprecedented”²¹⁷ decline from an industry-leading 73% in June 2024 to 49.9% in March 2025, which was below the industry average.²¹⁸ Tesla's share price decreased for 13 consecutive weeks, from US\$426.50 on 13 January 2025 to US\$241.37 on 14 April 2025.²¹⁹ Analysts attributed the fall in share price to the “brand impact” of Musk's political involvement²²⁰ as well as a steep decline in sales in Europe and China. In January 2025, Tesla sales had fallen by 45% in Europe compared to January 2024.²²¹

In March 2025, protests were held at Tesla facilities such as showrooms and charging stations across the US in response to Musk's political involvement in the Trump administration.²²² On 11 March 2025, Trump hosted a Tesla showcase on the White House South Lawn. During the livestreamed event, Trump said that he intended to purchase a Tesla vehicle and praised the design of the Cybertruck. The move appeared to signal support for Tesla during a period of declining stock value and public backlash. However, ethics experts raised concerns that the event blurred lines of proper conduct by elected officials and suggested that “the president's endorsement [wa]s up for sale”.²²³

In April 2025, Tesla's Europe sales fell 52.6% compared to the same month in 2024. The company was overtaken by 10 competitors, including Volkswagen, BMW, Renault, and BYD.²²⁴ On 8 April 2025, Tesla's share price reached a low of US\$221.86.²²⁵ A major Tesla investor, Ross Gerber, suggested that Musk's absence from Tesla during his tenure at DOGE could have led to “decision paralysis” among Tesla executives.²²⁶

In May 2025, the relationship between Musk and Trump took a turn for the worse. That month, Trump introduced the One Big Beautiful Bill Act (OBBBA), which was estimated to add US\$3.3 trillion to federal deficits over the next 10 years. In addition, the OBBBA eliminated federal tax incentives for electric vehicles, which had previously provided US\$7,500 and US\$4,000 in federal tax credits for new and used vehicles respectively.²²⁷ On 28 May 2025, Musk formally stepped down from his role at DOGE and told investors that he would be “allocating far more of [his] time to Tesla”.²²⁸ The next day, he expressed his disappointment in the OBBBA as it “undermines the work that the DOGE team is doing”.²²⁹

The bill was passed on 3 June 2025. That same day, Musk criticised the OBBBA as being “massive, outrageous, pork-filled” and “a disgusting abomination” in a post on X.²³⁰ Over the next few days, Musk made dozens of posts on X, among which he suggested creating a new political party,²³¹ claimed that Trump was “in” the Jeffrey Epstein

files,²³² and threatened to decommission the SpaceX Dragon spacecraft – the only spacecraft that provides the US access to the International Space Station.²³³ In response, Trump posted on X that Musk “just went CRAZY”²³⁴ after he asked him to leave the administration and “took away his EV Mandate”,²³⁵ and threatened to “terminate Elon’s Governmental Subsidies and Contracts”²³⁶ and “put DOGE on Elon”.²³⁷ On 5 June 2025, Tesla’s stock plunged by 14%, closing at US\$284.70.²³⁸

In July 2025, Tesla reported a 23% drop in adjusted net income compared to a year ago, with a 16% drop in automotive revenue, Tesla’s core business.²³⁹ The drop in sales has been attributed to Musk’s political activities as well as increased competition from Chinese EV manufacturer, BYD.²⁴⁰ BYD’s main selling point is its price competitiveness. BYD’s cars are priced between US\$13,200 and US\$46,700, while Tesla’s cheapest model is priced at approximately US\$50,000.²⁴¹ BYD’s vehicle performance is also better than Tesla’s in terms of acceleration.²⁴²

In an interview with Bloomberg Talks, Board Chair Denholm stated that Musk’s involvement in external ventures was beneficial to Tesla, “both from a resource perspective, but also from a motivation perspective”,²⁴³ and that Musk’s political actions in a personal capacity were “up to him”.²⁴⁴ SEC filings later showed that shortly after Musk’s endorsement of Trump, Denholm had sold nearly US\$200 million worth of Tesla stock over the subsequent six months in accordance with a prearranged trading plan. This brought Denholm’s total proceeds from Tesla stock sales to over half a billion dollars since she was appointed as Board Chair in 2018.²⁴⁵

Trillion dollar motivation

“I am uncomfortable growing Tesla to be a leader in AI & robotics without having ~25% voting control. Enough to be influential, but not so much that I can’t be overturned. Unless that is the case, I would prefer to build products outside of Tesla.”

– Musk, in a post on X²⁴⁶

On 5 September 2025, Tesla filed its 2025 Proxy Statement, in which the Board proposed a 2025 CEO Performance Award.²⁴⁷ The award would grant Musk 12% of Tesla’s outstanding shares as of 29 August 2025, which would be distributed in 12 tranches, contingent on Tesla achieving 12 market capitalisation and 12 operational milestones. The total market capitalisation required for all 12 tranches to fully vest is US\$8.5 trillion. Key operational milestones include the delivery of 20 million Tesla vehicles, attainment of 10 million Full Self-Driving subscriptions, and the commercial operation of 1 million robotaxis. It also requires Musk to remain in continuous service until the end of the applicable vesting period in order for the shares to vest.²⁴⁸ The value of the shares is expected to reach approximately US\$1 trillion if the projected performance milestones are achieved.²⁴⁹

The Board explained that “retaining and incentivis[ing] Elon is fundamental to Tesla achieving these goals and becoming the most valuable company in history”.²⁵⁰ It explained that it had chosen not to benchmark the 2025 CEO Performance Award against peer CEO pay packages due to the success of the 2018 CEO Performance Award, its understanding of Musk’s motivations, and the uniquely demanding goals Musk was expected to achieve.²⁵¹ Ross Gerber, the CEO of an investment firm and an early investor in Tesla, opined that the pay package was designed to satisfy Musk’s desire for more control in Tesla.²⁵²

On 15 September 2025, Musk disclosed in a regulatory filing that he had purchased over 2.5 million Tesla shares worth approximately US\$1 billion, bringing his shareholding in Tesla to 12.8%.²⁵³ On that day, Tesla’s share price rose by 3.6% to US\$410.26, erasing the losses that Tesla had accumulated earlier in 2025.²⁵⁴

On 2 October 2025, the Comptroller of the City of New York, on behalf of the New York City Employees’ Retirement System, the New York City Teachers’ Retirement System, and the New York City Board of Education Retirement System, submitted a letter to Tesla shareholders to the SEC, urging shareholders to vote against the reelection of Ehrenpreis, Gebbia, and Wilson-Thompson, and to vote against the 2025 CEO Performance Award.²⁵⁵ It highlighted the lack of board independence in Tesla and the “extraordinary level of director

compensation” received by the Board.²⁵⁶ In particular, it highlighted the compensation received by Denholm during her 11-year tenure on the Tesla Board, which totalled US\$682 million in cash and stock.²⁵⁷ In addition, it asserted that the operational and financial targets set out in the 2025 CEO Performance Award were “much less demanding than they appear[ed]”.²⁵⁸ The letter pointed out that the 20 million vehicle delivery goal already included the approximately 7.5 million vehicles sold to date. As such, Tesla would only need to deliver an average of 1.2 million vehicles per year to meet the goal, a number lower than its annual deliveries in 2022, 2023, and 2024.²⁵⁹ It also pointed out that the goal of achieving 10 million active FSD subscriptions also included all past subscribers, and that Tesla had changed the definition of FSD to not require full unsupervised self-driving capability.²⁶⁰ In addition, it criticised the milestone of delivering one million bots as vague, as it included robots manufactured “on behalf of the company”,²⁶¹ suggesting that Tesla could still achieve the milestone by marketing robots developed by other companies, even if it failed to develop a commercially successful robot.²⁶²

Institutional Shareholder Services, a proxy advisor, also recommended shareholders to vote against the 2025 CEO Performance Award, citing “unmitigated concerns surrounding the special award’s magnitude and design”.²⁶³ In an earnings call with investors on 22 October 2025, Musk reiterated that he did not “feel comfortable building a robot army [at Tesla] and... then being ousted because of some asinine recommendations from [Institutional Shareholder Services] and Glass Lewis, who have no freaking clue”.²⁶⁴

In a letter to Tesla shareholders dated 27 October 2025, Denholm warned that if Tesla “fail[s] to foster an environment that motivates Elon to achieve great things through an equitable pay-for-performance plan, [Tesla] run[s] the risk that he gives up his executive position”.²⁶⁵ She highlighted that Musk would only be rewarded if he attained the market capitalisation and operational milestones,²⁶⁶ and that despite his other pursuits, Musk had “proven... his ability to stretch his capacity beyond normal limits and remain successful at Tesla”.²⁶⁷

At Tesla’s Annual Stockholders’ Meeting held on 6 November 2025, Musk’s pay package was approved by 75% of votes cast, excluding the 15% of the shares already owned by Musk.²⁶⁸

In a period of declining sales, intensifying competition, and heightened regulatory scrutiny, the need for focused leadership at Tesla is more important than ever. Whether a trillion-dollar pay package for the world’s richest person can enable the company to achieve its ambitious goals remains to be seen.

Discussion questions

1. As a major shareholder and CEO of Tesla, Elon Musk undeniably has an overpowering position in decision-making processes. What are some potential issues that could occur as a result of the non-segregation of Musk’s roles? How does the board of directors come into play for check and balance?
2. Musk held CEO positions in multiple companies such as SpaceX and Twitter. What are the key governance concerns? What are the benefits? Overall, do you think that this is good for Tesla? Explain.
3. Critically evaluate the board structure and composition of Tesla’s Board in 2018 and the subsequent changes.
4. In light of the criticisms and legal scrutiny faced by Tesla’s Board, evaluate the effectiveness of the board in upholding principles of corporate governance (particularly regarding independence and fiduciary responsibilities). Analyse the role of the Compensation Committee in negotiating Musk’s compensation package and discuss its implications on board independence.
5. Evaluate the potential issues that may arise from the director compensation arrangements at Tesla, particularly the potential implications that might arise from directors receiving significant compensation, particularly in stock options. Do you think the quantum and form of director compensation affected the independence of the directors? What governance mechanisms can be implemented to ensure directors prioritise the interests of shareholders above their financial gain? Explain.

6. Do you agree with the ruling of *Tornetta v Musk*? Was it reasonable to void Musk's compensation plan? Evaluate your answer while keeping in mind the unique context of Delaware Court of Chancery.
7. Evaluate Musk's 2018 CEO performance award. Did the unique circumstances surrounding Musk and Tesla (i.e., competition from other companies, Musk's roles in other companies) warrant Musk's US\$56 billion payout? Were the shareholders' interests taken into consideration sufficiently? Explain.
8. Evaluate Musk's 2025 trillion-dollar performance award. Does the fact that the Board and shareholders supported it suggest that the award is appropriate? Explain.
9. Discuss the corporate culture at Tesla and Musk's leadership style with reference to the case. Do you think these factors led to the issues mentioned in the case study and if so, how?
10. Compare and contrast the legal system and approach to the regulation of corporate governance in the US compared to your home country. What are the pros and cons of the US system and approach compared to that in your home country?

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NESTLÉ: SPILLING THE BEANS*

Case overview

Nestlé is one of the largest food and beverage companies in the world. The company's extensive array of products has established it as a globally recognised household name. Despite its prominent market presence and extensive product portfolio, the company has encountered substantial scrutiny and backlash regarding alleged shortcomings in its strategy in the face of sustainability challenges. It has also recently lurched into a leadership crisis after firing its CEO just one year following his appointment, over an undisclosed relationship with a direct report.

The objective of this case study is to facilitate a discussion of issues such as board structure and composition; termination of a CEO over conduct issues; integration of sustainability into Nestlé's governance structure, remuneration policy, risk management framework and business strategy; the effectiveness of Nestlé's sustainability initiatives; and the corporate governance systems in Switzerland.

Planting the seed

Nestlé S.A. (Nestlé) was founded in 1866 by Henri Nestlé in Vevey, Switzerland.¹ In its adolescence, Nestlé produced a nutritious and easily digestible infant food formula as a substitute for breast milk, which helped to reduce infant mortality.² Over the years, Nestlé has expanded its product portfolio to include a wide variety of food and beverage products, including chocolate, coffee, pet care, and more. Nestlé's growth has been characterised by both organic expansion and acquisitions of numerous other brands and companies worldwide.

Today, Nestlé is a publicly traded company listed on the SIX Swiss Exchange, with American Depositary Receipts (ADRs) traded on the Over-the-Counter (OTC) market in the United States.³ As of 27 July 2025, its market capitalisation is US\$250.95 billion, making it the world's 50th most valuable company.⁴ Nestlé's shares are widely owned with no controlling shareholder. Its largest shareholders are institutional investors, those with the most significant holdings being The Vanguard Group, Inc. (3.75%), UBS Asset Management Switzerland

* This case study was originally prepared by Cheong Wen Qi Valerie, Chua Charlene, Christopher Tang Yu Han, Law Shao Hong, Petrus Chew En Han and Tang Shaojun, Samuel. It has been edited by Andrea Aw Zhi Yi, under the supervision of Professor Mak Yuen Teen, with additional content added. The case was developed from published sources solely for class discussion and is not intended to serve as illustrations of effective or ineffective management or governance. The interpretations and perspectives in this case are not necessarily those of the organisations named in the case, or any of their directors or employees.

AG (3.70%), Norges Bank Investment Management (3.01%) and Capital Research & Management Co. (World Investors) (2.02%).⁵ Over the past 10 years, Nestlé S.A. has an annualised return of 5.39%, underperforming in comparison to the S&P 500's annualized return of 11.49%.⁶

Corporate structure

Nestlé's corporate structure is designed to efficiently manage its extensive operations and is aligned with the company's mission of "enhancing quality of life and contributing to a healthier future." The core components include the Board of Directors, Strategic Business Units (SBUs), Geographic Zones and Support Functions. The Board acts as the top governing body, overseeing and guiding the company's strategic direction and ensuring that it operates in the best interest of its shareholders.

Nestlé's product offerings are structured into seven SBUs, each specialising in specific product categories.⁷ This segmentation allows for focused product development and marketing whilst facilitating collaboration between various SBUs and the overarching corporate brand to ensure consistency and alignment across products and brands.⁸ Additionally, to adapt to regional variations and to better serve local markets, Nestlé divides its strategic operations into various geographic zones.⁹ These zones comprise of: North America, Latin America, Asia, Oceania and Africa, Europe, and Greater China. These zones allow Nestlé to undertake strategies tailored to the specific needs of consumers, driving sustainable growth in the respective areas.

Board of directors

The Chairman of the Board is Paul Bulcke, who assumed the role after serving as Nestlé's CEO from April 2008 to 31 December 2016. Bulcke has held various leadership roles within the company, notably as Managing Director of Nestlé Portugal, Czech and Slovak Republic, and Nestlé Germany, as well as the Executive Vice President responsible for Zone Americas. Until August 2024, the CEO was Ulf Mark Schneider, a seasoned executive with Hainel Group, who had previously served as the CEO of Fresenius Group.¹⁰ He was replaced as CEO by company veteran Laurent Freixe effective 1 September 2024 due to underperformance.^{11,12} Freixe is French and had joined the company in France in 1986, becoming the Head of the Nutrition Division of Nestlé France in 1999.¹³ In 2003, he was appointed CEO of Nestlé Hungary and in 2007 CEO of the Nestlé Iberian Region. In November 2008, Freixe joined the Nestlé S.A. Executive Board as Executive Vice President for Zone Europe and in 2014 was appointed CEO of Zone Americas. In January 2022, he was appointed Executive Vice President and CEO Zone Latin America.

The Board of Directors (BOD) has 14 members, all of whom are independent non-executive directors (INEDs), with the exception of Freixe and Bulcke.¹⁴ The Board Committees of Nestlé comprise of the Chair's and Corporate Governance Committee, Compensation Committee, Nomination Committee, Sustainability Committee, and Audit Committee. The directors are between 58 and 71 years old, with five of them being female. There is a range of ethnic backgrounds, including Swiss, Zimbabwean, Chinese, Dutch and Malaysian. Educational backgrounds ranged from Business, Administration, Law, Medicine and Neuroscience, and Engineering. The directors also hold key positions in other companies across different industries such as in Retail, Finance, Oil & Gas as well as in Technology. One of the board members passed on in 2025 and, as of 25 July 2025, no new director has been elected in her place.¹⁵

Nestlé has appointed a Lead Independent Director, Pablo Isla, who is also Vice Chairman of the BOD, Chairman of the Nomination Committee, and a member of the Chair's and Corporate Governance Committee and the Compensation Committee.¹⁶

Nestlé's Board Diversity Policy supports diverse backgrounds, experiences and competencies, which enables for subsequent succession planning. Their Board Diversity states that "the working guidelines used for the selection of new Board members state that the Board of Directors should always be well-balanced, including with respect to Swiss and non-Swiss nationals, the members' individual experiences, expertise, competencies and personal attributes. This ensures an appropriate cognitive diversity and supports the continuous succession planning for the Board as a whole and for its various Committees".¹⁷

Nestlé's governance model has the CEO as a member of the BOD. According to the company, this is to allow for alignment on critical responsibilities and appropriate check and balances between the chairman of the Board and the CEO.¹⁸

Competencies of the board of directors

Nestlé's directors possess expertise in a variety of areas, ranging from Financial/M&A, Technology and International Business to Retail/Brand/Marketing and FMCG.¹⁹

Additionally, the BOD consists of directors with experiences in sustainability and non-governmental organisations (NGOs). Three directors have relevant experiences in both governmental and non-governmental organisations, and six are stated to be experienced in sustainability. For example, Lindiwe Majele Sibanda, elected to the Board in 2021, holds a Master's in Agriculture/Grassland Science, in addition to a PhD in Agriculture/Animal Physiology. Her professional background includes the position of director and chairwoman of the African Research Universities Alliance Centre of Excellence in Sustainable Food Systems.²⁰

Figure 1 shows Nestlé's board diversity grid which includes year of appointment, nationality and background of each director.

	Year added to Board	Nationality	Public company CEO / CFO	Int'l business	FMCG	Retail / Brand / Marketing	Financial / M&A	Technology	Gov't / NGO	Sustainability
Paul Bulcke	2008	Belgian / Swiss	✓	✓	✓	✓	✓			
Laurent Freixe	2025	French	✓	✓	✓	✓				
Pablo Isla	2018	Spanish	✓	✓	✓	✓	✓	✓	✓	
Renato Fassin	2015	Swiss	✓	✓		✓	✓			
Hanne Jimenez de Mora †	2020	Swiss		✓						✓
Dick Boer	2019	Dutch	✓	✓	✓	✓	✓			✓
Patrick Aebischer	2015	Swiss		✓				✓		
Dinesh Paliwal	2019	American / Indian	✓	✓		✓		✓		✓
Lindiwe Majele Sibanda	2021	Zimbabwean							✓	✓
Chris Leong	2022	Malaysian		✓		✓				✓
Luca Maestri	2022	Italian / American	✓	✓			✓	✓		
Rainer Blair	2023	American	✓	✓		✓		✓		
Marie-Gabrielle Ineichen-Fleisch	2023	Swiss		✓					✓	
Geraldine Matchett	2024	Swiss / British / French	✓	✓	✓		✓			✓

Figure 1: Nestlé's board diversity grid²¹

Source: Nestlé S.A. (n.d.). Board of Directors.

Executive board

The Executive Board members handle the day-to-day management of Nestlé. Laurent Freixe, Nestlé's CEO, chairs the Executive Board and delegates to its members individually the powers necessary for carrying out their responsibilities, within the limits fixed in the Executive Board Regulations.²² Each Executive Board member holds different responsibilities for various parts of Nestlé's business.²³

Remuneration

In line with the non-executive role of the BOD (apart from the CEO), and the executive duties of members of the Executive Board, Nestlé sets remuneration principles that differ accordingly for each board.

Remuneration of executive board members

Nestlé's remuneration for Executive Board members is based on the principles of pay for performance, an alignment with company strategy and shareholder interests, and to be internationally competitive through selected benchmarks.²⁴ Remuneration comprises a mix of a fixed annual salary, as well as a variable Short-Term Bonus (STB) and Long-Term Incentive (LTI).²⁵

The STB is, at the Executive Board member's election (apart from the CEO, who must receive 50% of his remuneration in shares), paid in cash and/or Nestlé S.A. shares subject to a three-year blocking period.²⁶ The STB is intended to reward members for their achievement of annual collective and individual objectives with the STB payout determined by the degree of achievement of these objectives.²⁷ The STB payable is based on a "bonus target", a percentage of the annual salary of the Executive Board member. For the CEO, the target bonus is 150% of annual salary; while it is 100% of Executive Vice Presidents (including the CFO) and 80% for Deputy Executive Vice Presidents.²⁸

LTIs are share-based remuneration with vesting periods of at least three years. These periods are determined by the Board of Directors or Compensation Committee.²⁹ They are intended to award sustained business success, shareholder value creation, and to retain senior management members.³⁰

From 2018 onwards, the level at which these shares vest is linked to three Key Performance Indicators (KPIs), measuring performance relative to past performance and peers: Nestlé's Earnings per Share (EPS) growth, relative Total Shareholder Return (TSR) performance (against the STOXX Global 1800 Food & Beverage Gross Return Index), and its Return on Invested Capital (ROIC).³¹ Prior to 2018, ROIC was not included as one of the measures but it was introduced to promote the efficient use of capital and responsible mergers and acquisitions.³² As with the STB, this incentive is based on a percentage of the board member's annual salary. For the CEO, the target LTI is 150% of annual base salary while for the Executive Vice Presidents and Deputy Executive Vice Presidents, it is 100%.

Nestlé started incorporating ESG-related KPIs into the remuneration of Executive Board members from 2021.

Remuneration of non-executive directors

Nestlé's remuneration for its Non-Executive Directors (NEDs) is set to 'attract and retain highly qualified individuals' to serve on the Board of Directors.³³ Board members receive remuneration based on the time and effort required to fulfil their responsibilities, with no remuneration being performance-based to promote independence.³⁴ Remuneration is principally benchmarked against six large companies on the Swiss Market Index.³⁵

Each NED receives a fixed Board membership fee and expense allowance, with additional fees for each committee they are a member of. Committee chairs receive a higher fee.³⁶ The remuneration is half cash, and half Nestlé S.A. shares subject to a three-year blocking period, to “ensure the Board’s focus on the long-term success of the company”.³⁷

Integrating sustainability into the business

Since its inception, Nestlé’s business has adopted the approach of creating long-term sustainable value for its consumers, customers, employees, shareholders, and society.³⁸ In 2006, Nestlé became the first organisation to adopt the approach of Creating Shared Value (CSV), a core principle that encourages business to simultaneously create economic and social value by addressing social issues that they are uniquely capable of tackling.³⁹ To reaffirm its commitment to CSV, Nestlé publishes its Creating Shared Value and Sustainability Report.⁴⁰ The report provides an overview of Nestlé’s progress towards its sustainability targets, explains its integration of sustainability into its business operations, and reviews the impacts of its strategies. This is published alongside Nestlé’s Climate Risk and Impact Report which highlights its progress towards minimising the company’s impact on the environment and society.⁴¹

Creating shared value

The concept of CSV was first introduced in 2006 by Harvard’s Michael Porter and Mark Kramer,⁴² and further expanded upon in 2011.⁴³ In their articles, Kramer and Porter posit that the competitiveness of a company and the well-being of society around it are interdependent, arguing that corporate policies and strategic operations that enhance the profitability of a company can simultaneously contribute to the economic prosperity of the company’s surrounding communities and environment.⁴⁴ Differing from Corporate Social Responsibility, CSV goes beyond to focus on the creation of economic value through the creation of social value.⁴⁵

Under the leadership of Chief Executive Officer (CEO) Peter Brabeck-Letmathe, Nestlé adopted the CSV approach to operating its business in 2006.⁴⁶ Working alongside Porter and Kramer, Nestlé analysed its entire value chain and identified three core areas with the greatest potential for simultaneous economic and social value creation – nutrition, water and rural development.⁴⁷ Subsequently, Nestlé put together a framework that served as a guide for driving profitability whilst creating value for society.⁴⁸

At Nestlé, CSV manifested in the form of various policies and initiatives, one of which being the “Nescafe Plan”.⁴⁹ Introduced in 2010, the “Nescafe Plan” was a 10-year initiative aimed at improving the livelihoods of coffee farmers and reducing environmental damage whilst optimising its coffee supply chain.⁵⁰ By the end of the decade, Nestlé had successfully achieved a majority of its targets, including reducing greenhouse gas emissions by 46% and reducing water consumption by 53%. Additionally, Nestlé offered more than 900,000 training programs for farmers and successfully contributed to the growth of farmers’ income. At the same time, it was able to enhance its own operations by improving the quality and quantity of its supply chain.⁵¹ In line with its principle of continuous improvement, Nestlé introduced the Nescafe Plan 2030 to build on the work done over the last decade.⁵²

Assessing materiality

Materiality assessment is fundamental to the integration of sustainability into operations. It allows for the identification of pertinent risks to the business and the creation of strategies that address key issues.

Nestlé conducts its materiality assessment minimally every two years and adopts a five step assessment process.⁵³ First, Nestlé selects on broad range of material topics based the Sustainability Accounting Standards Board’s publications. Next, Nestlé utilises artificial intelligence to understand the broader external context surrounding the various material topics. After external context has been established, Nestlé works

with an independent third party to conduct deeper research into the various topics as well as interviews with internal and external stakeholders. External stakeholders include suppliers, investors, customers, NGOs, and business associations while internal stakeholders include Executive Board members, functional heads, and market heads. Once all this information has been gathered, Nestlé analyses the information quantitatively and qualitatively before finally assessing the impacts of the identified key risks using its materiality matrix.⁵⁴

Nestlé's materiality matrix assesses key risks and material issues using two criteria: (i) impact of Nestlé on people and the environment, and (ii) importance and impact on Nestlé's business success.⁵⁵ Based on the impacts on the two criteria, Nestlé groups key material topics into different categories ranging from negligible to major.⁵⁶

Figure 2 shows Nestlé's materiality matrix for the year 2023.

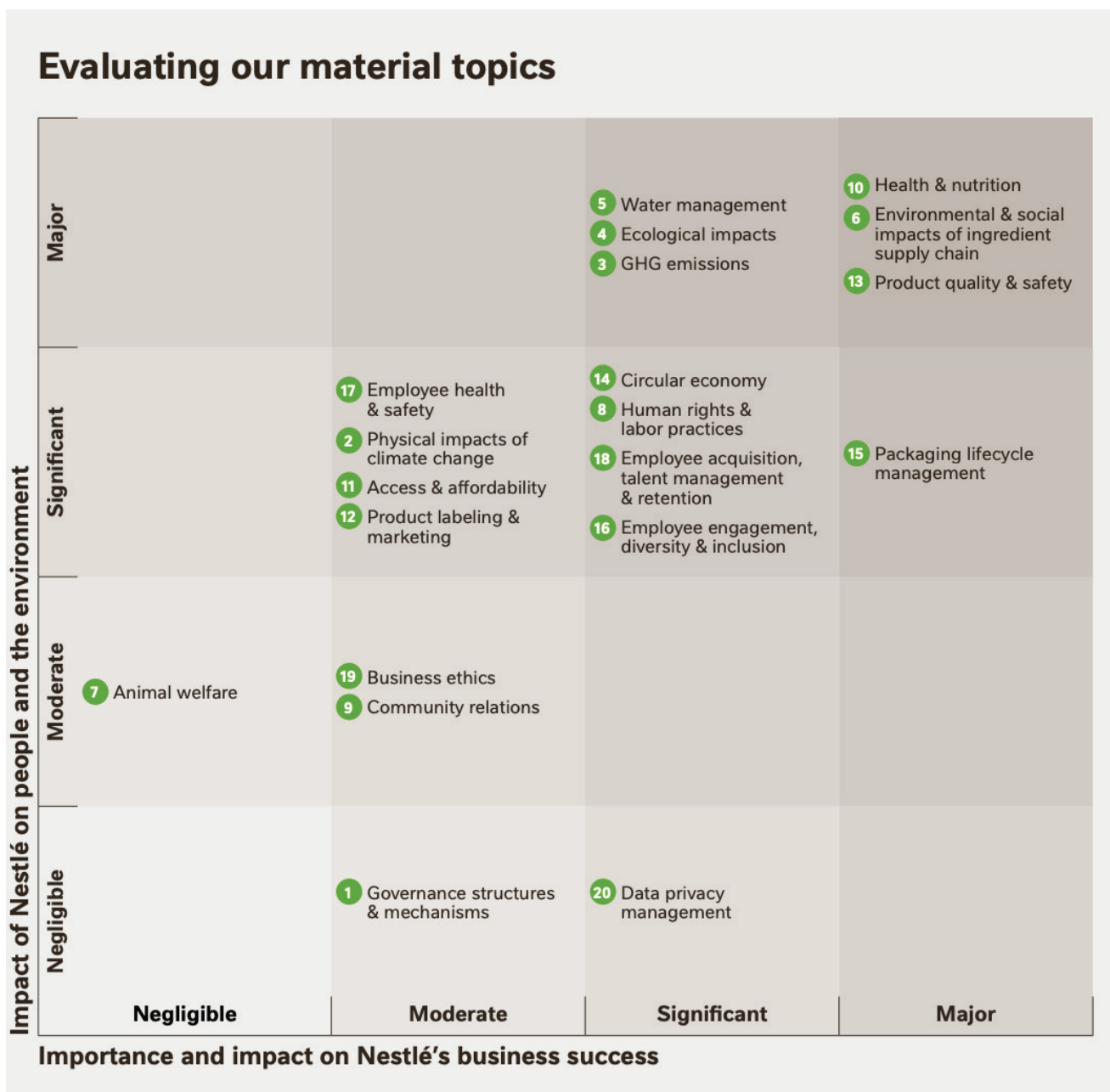


Figure 2: Nestlé's materiality matrix for the year 2023⁵⁷

Source: Nestlé S.A. (n.d.). *Creating Shared Value and Sustainability Report 2023*.

Responsible sourcing

In line with Nestlé's goal of creating value across its entire supply chain, in 2018, Nestlé revamped its Responsible Sourcing Guideline with the more comprehensive Responsible Sourcing Standard,⁵⁸ with the objective of ensuring sustainable long-term supply. The Standard is founded on the following five Principles:⁵⁹

1. Nestlé staff sources with care and respect for the people, planet and oceans where material and services are produced.
2. Tier One Suppliers apply good labour standards in recruiting, compensating, and caring about their workforce. Preserving natural resources and conducting business in an ethical and collaborative way is ensured.
3. Intermediaries operate with the same principles of value, transparency and respect as their suppliers and clients, nurturing traceability and preserving information.
4. Origins, farmers and fishers, continuously improve their ways of working in:
 - Optimizing yield through conservation agriculture, preservation of soil biome and rationalisation of agrochemical inputs.
 - Caring and respecting the workforce, animals, land, water and forests that they work with.
5. Supply Chain Tiers work in compliance with applicable regulations, continuously monitor, disclose, and improve against the Standard.

Understanding the diversity of roles across its supply chain, Nestlé set out key roles and responsibilities for each of the relevant parties, namely Nestlé's sourcing teams, first-tier suppliers and all affiliates, intermediaries, and origin service providers.⁶⁰ Within each section, Nestlé classifies every requirement into two categories: Urgent or Important. Urgent requirements must be implemented within six months after being found to be unfulfilled, while Important requirements must be implemented within 36 months after being found to be unfulfilled.⁶¹ Taking the long-term view, Nestlé encourages continuous improvements in operations even if requirements are fulfilled.⁶²

In order to ensure compliance with the Standard, all parties, upon Nestlé's request, must show their internal programs in place that demonstrate continuous improvement or fulfilment of the requirements stated in the Standard. If no program exists, Nestlé provides a framework to assist with compliance. Furthermore, believing in the importance of accountability, Nestlé has implemented a whistle-blower hotline for the reporting of any violations of regulations, laws, and the Standard.⁶³

Regenerative agriculture

Regenerative agriculture is a way of farming that focuses on improving soil health and soil fertility whilst protecting biodiversity.⁶⁴ Acknowledging the importance of making a change and sticking to the principles of CSV, Nestlé has embarked on a journey to increase its dependency on regenerative agriculture, committing US\$1.1 billion⁶⁵ to the development of regenerative agriculture by 2025.⁶⁶ Nestlé introduced the Regenerative Agriculture Framework in 2022 to serve as a guide to help Nestlé achieve its goals of sourcing 20% of its key ingredients from regenerative agriculture methods by 2025, and 30% by 2030.⁶⁷ Its implementation strategy is guided by the following six Principles:⁶⁸

1. Pragmatic and adjusted to local conditions.
2. Results-focused, driven by measurable outcomes.
3. Beneficial to farmers.
4. Collaborative and science-based.

5. Carried out at landscape level wherever relevant.
6. Tailored to smallholder needs.

Nestlé has identified four resources that are fundamental to all agricultural systems: soil, water, livestock, and biodiversity, as the focus of its restoration efforts.⁶⁹ Given the central role farmers play in the transition towards regenerative agriculture, Nestlé is committed to working alongside farmers and other key stakeholders. In order to identify the areas in which farmers can begin implementing regenerative agriculture, Nestlé has developed reference farms with local partners to validate the potential impacts and benefits of the new practices implemented, understand key drivers and barriers to expanding these practices, and demonstrate the feasibility of regenerative agriculture for other farms.⁷⁰

However, attempting to revolutionise the agricultural industry does come with its challenges. One of the key issues facing Nestlé is the absence of standardised metrics and indicators for measuring progress over time. The differing environments across various farms impacts the comparability of data.⁷¹

Nonetheless, Nestlé continues to lead the charge in implementing regenerative agriculture, setting ambitious goals as it pursues the path of creating shared value. In 2024, Nestlé surpassed its 2025 goal of sourcing 20% of its coffee from regenerative agriculture practices, reaching 32% and resulting in up to 40% lower carbon dioxide emissions per kilogram of coffee.⁷²

“Regenerative food systems are not aspirational, they are pragmatic. They benefit the entire supply chain, the whole of the company, and all of global society”

– Paul Hawken, Founder, Project Regeneration and Author, *Regeneration, Ending the Climate Crisis in One Generation*, and special advisor to Nestlé⁷³

Road to Net Zero

Recognising the threat climate change poses to society, Nestlé introduced its Net Zero Roadmap. Through various commitments and initiatives set out in its Roadmap, Nestlé aims to reduce its greenhouse gas emissions across the entire supply chain without hindering the growth of its own business.⁷⁴ Using its 2018 absolute greenhouse gas emissions as a baseline, in the near-term, Nestlé aims to reduce its absolute greenhouse gas emissions by 20% by 2025 and 50% by 2030. By the end of 2024, Nestlé achieved a 20.38% net reduction of GHG versus the 2018 baseline.⁷⁵ Looking beyond this, through the implementation of sustainable practices across product life cycles, Nestlé is committed to achieving net zero carbon emissions by 2050.⁷⁶

With scope 3 emissions accounting for 95% of Nestlé’s total emissions, Nestlé is intent on addressing this by focusing its efforts on reducing emissions across raw material sourcing, product manufacturing and packaging, logistics, and employee commuting.⁷⁷ One of Nestlé’s key strategies is increasing its use of renewable energy during the manufacturing process. It aims to achieve 100% use of renewable energy by 2025 through power purchase agreements, green tariffs, renewable energy certificates and on-site production.⁷⁸ Furthermore, Nestlé intends on working with energy suppliers to explore the use of thermal energy generated from biogas and biomass.⁷⁹ Nestlé believes its renewable energy initiatives will have the knock-on effect of increasing overall market demand for renewable energy, resulting in a broad-based increase in renewable energy infrastructure investments.⁸⁰ Another key strategy underpinning its Roadmap is innovating its product portfolio.⁸¹ Recognising the increasing demand amongst consumers for environmentally friendly products,⁸² Nestlé aims to incorporate plant-based ingredients into its recipes.⁸³ This will allow Nestlé to reduce its carbon footprint whilst continuing to provide healthy and nutritional products to its customers.

Building on its emission reduction efforts, Nestlé is aiming to remove 13 million tonnes of carbon dioxide equivalent (CO₂e) from the atmosphere by 2030.⁸⁴ It aims to achieve this target through the implementation of

on-farm initiatives, such as using local composts made from organic waste, adopting sustainable agriculture practices, and increasing the use of organic fertilisers.⁸⁵ In addition to on-farm efforts, Nestlé strives to collaborate with local partners to circumvent the loss of high-carbon stock and high-conservation land as well as invest in reforestation efforts.⁸⁶ On 17 July 2025, it was announced that Nestlé, Barry Callebaut, and re.green launched projects in Brazil to plant 11 million trees across 8,000 ha, generating roughly 880,000 carbon credits, as part of Nestlé's 200 million-tree by 2030 goal.⁸⁷

As one of the largest companies in the global food and beverage industry, Nestlé is committed to using its market-leading position to promote the adoption of sustainable practices and policies. As a member of several trade associations, Nestlé actively advocates for the reduction of GHG emission across global, regional and local levels.⁸⁸

Prioritising and protecting people

Creating value is deeply interwoven with Nestlé's operations. It strongly believes that long-term success can only be achieved if it is able to effect positive change for all stakeholders, one of which being people. As a champion of human rights, Nestlé adopts the approach of going "beyond 'doing no harm' to having a positive impact".⁸⁹ Nestlé's commitments to creating value for people can be broadly categorised into three objectives: (i) uplifting the marginalised, (ii) protecting basic rights, and (iii) creating opportunities for the youth.⁹⁰

Firstly, Nestlé seeks to create value for the marginalised by raising their standard of living. Through its Income Accelerator Program, Nestlé aims to double the baseline income of its cocoa farmers by offering training programs and incentive schemes that encourage the diversification and growth of income.⁹¹ Furthermore, Nestlé is clamping down on child labour whilst providing access to education.⁹² In 2012, Nestlé was the first company in the world to introduce a Child Labour Monitoring and Remediation System (CLMRS) to address child labour risks.⁹³ Through its partnership with the Jacobs Foundation, Nestlé has established 131 bridging classes in West Africa to support children that lacked access to education as a result of child labour.⁹⁴

Secondly, Nestlé aims to protect basic human rights. Nestlé is committed to providing access to clean water in communities across the globe. Through partnerships and projects with various international NGOs such as the IFRC, Nestlé has successfully provided 1.4 million people with access to water, sanitation and hygiene.⁹⁵ Additionally, Nestlé is tackling the prevalence of forced labour in the supply chain. Together with Issara Institute, Nestlé has partnered with recruitment agencies, grassroot organisations, and the government in Thailand to ensure responsible and ethical recruitment practices are adopted throughout its seafood supply chain.⁹⁶ Moreover, through its Forest Positive strategy, Nestlé is focused on securing land rights for the indigenous people and local communities.⁹⁷

Finally, Nestlé is committed to creating opportunities for the youth through the upskilling of young people internally, in its supply chains, and across society. Through the YOUTh Initiative, Nestlé aims to increase the accessibility to job opportunities for 10 million young people by 2030.⁹⁸ Additionally, Nestlé collaborates with external organisations such as International Labour Organization and the Global Apprenticeship Network to impart the young with the relevant skills needed to succeed in the working world.⁹⁹

Sustainability governance

Figure 3 shows Nestlé's sustainability governance structure, which includes a dedicated Board Sustainability Committee (SC).¹⁰⁰

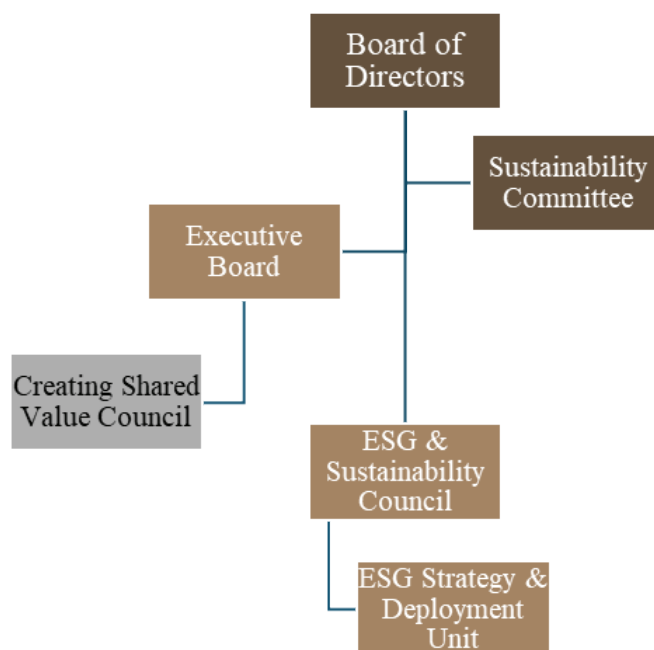


Figure 3: Committees involved in sustainability governance¹⁰¹

Key: ● Board level ● Executive level ● External advisory

Source: Nestlé S.A. (n.d.). Sustainability Governance.

Responsibilities for sustainability

Nestlé's BOD oversees strategy and organisation for sustainability. The Board's responsibilities include establishing and implementing statutory and internal disclosure rules on ESG issues, especially in areas where ESG risks significantly impact Nestlé.¹⁰²

According to the Sustainability Committee Charter, the main objective of SC is to evaluate Nestlé's sustainability measures and how its long-term sustainability strategy can create shared value.¹⁰³ The committee plays an important role in assessing the company's plans and strategies related to climate change, plastics and packaging, water management and responsible sourcing. Other matters handled by the committee include analysing new trends in ESG and sustainability, as well as regularly reviewing important stakeholders and their material interests in Nestlé.¹⁰⁴

Nestlé's sustainability committee members comprised of Hanne Jimenez de Mora, Dick Boer, Lindiwe Majele Sibanda and Chris Leong.¹⁰⁵ Hanne Jimenez de Mora served as Chair of Nestlé's sustainability committee. Elected in 2020, she was the Co-founder and Chairperson of *a-connect*, a Swiss-based management consultancy. She passed on in 2025 and no new chair has been elected yet as at 25 July 2025. Dick Boer, a Board member elected in 2019, is the former President and CEO of Ahold Delhaize, a Dutch multinational retail company. Lindiwe Majele Sibanda, elected as a Board member in 2021, is a professor at the University of Pretoria and serves as Director and Chairwoman of African Research Universities Alliance Center of Excellence in Sustainable Food Systems. Chris Leong, who was elected to the Board in 2022, is Chief Marketing Officer and a member of the Executive Committee at *Schneider Electric*.

The Executive Board oversees the overall execution of Nestlé's sustainability strategy. It handles mandatory disclosure obligations, and delegates responsibilities to the ESG & Sustainability Council.¹⁰⁶

The ESG and Sustainability Council focuses on five workstreams: 2050 Net Zero, Sustainable Packaging, Water, Sustainable Sourcing and Communications and Advocacy. Nine of Nestlé's Executive Board Members make up the members of this council.¹⁰⁷

The Creating Shared Value Council is an External Advisory Board to assist senior management on sustainability. Its purpose is to ensure that Nestlé's long-term sustainability business strategies are well developed and create positive social and economic impacts. These members possess skills in corporate social responsibility, sustainability, strategy and nutrition.¹⁰⁸

The ESG Strategy & Development Unit supports Nestlé's sustainability strategy by coordinating sustainability activities. Besides overseeing internal ESG data and external disclosures, the unit provides advice to the ESG and Sustainability Council.¹⁰⁹

Risk management

Nestlé's key areas of risk include operational, strategic, compliance and reputational risk. It has identified climate change as a material risk.¹¹⁰

Nestlé uses the Enterprise Risk Management (ERM) Framework, which seeks to identify, assess and manage risks to reduce any possible impacts. Several processes support the ERM Framework:

1. Top-down assessment to gain an understanding of important risks
2. Bottom-up assessment
3. Materiality assessment to engage with external stakeholders and determine the severity of stakeholder concern and possible impacts on the business¹¹¹

As part of the ERM Framework, Nestlé runs a yearly assessment of climate change risks as well as an evaluation of plans and strategies to manage these risks. According to its 2022 Annual Review, the assessment found that physical risks of varying temperatures and extreme weather could affect the quality and accessibility of important resources. This means that yields will be lower and more unpredictable. To overcome this, Nestlé has in place nature-based solutions to better cope with food production. In particular, the Nescafé Plan 2030 targets regenerative agriculture, decreasing emissions of GHG and bettering livelihoods of farmers.¹¹²

Integration of sustainability into risk management

Nestlé ensures ESG topics are considered in its ERM process. It adopts an integrated and holistic approach by managing sustainability and its associated risks together with the materiality assessment process. This allows a complete range of sustainability issues to be implemented into the risk and opportunities considered across Nestlé.¹¹³

For instance, risks corresponding to environmental and social impacts of the supply chain, including human rights risks, are overseen at management level. When necessary, cases associated with Nestlé's risk assessment processes will be brought up to the Executive Board for further action to be taken.¹¹⁴

ESG metrics and targets

Nestlé's history of sustainability reporting began with its adoption of CSV, with the very first CSV report being published for the year 2007.¹¹⁵ Even then, Nestlé stressed its emphasis on the creation of value in the long term, publishing CSV performance indicators to showcase its progress on sustainability targets. These indicators cover a diverse range of sustainability topics, broadly on the four categories of Manufacturing and environmental footprint, Nestlé's people, Agriculture and rural development, and Products and consumers.¹¹⁶

In recent years, Nestlé has put even greater emphasis on ESG. In 2021, in addition to its CSV report which is independently assured by professional services firm Bureau Veritas, Nestlé engaged Ernst & Young (EY) to provide assurance on select KPIs "of high strategic importance" to Nestlé.¹¹⁷ Nestlé states that the engagement of EY was to strengthen confidence in the data it provides, and in the expectation of greater regulations regarding

sustainability reporting it would face.¹¹⁸ In 2022, a tenth KPI, the “Percentage of ingredients sourced through regenerative agriculture”, was added to these select measures (nine measures were selected in 2021).¹¹⁹ At the end of 2023, 15.2% of Nestlé’s raw materials were sourced from farmers adopting regenerative agriculture practices.¹²⁰

ESG factors in remuneration policies (STB)

In 2020, the annual objectives which determined the payout of the STB received by Executive Board members were entirely composed of Group, and Business and Functional objectives.¹²¹ The year 2021 marked the inclusion of ESG-related KPIs into the remuneration of Nestlé’s Executive Board members,¹²² when these objectives were adjusted to account for 85% of the STB, with the remaining 15% accounted for under the achievement of ESG objectives set yearly by Nestlé’s Compensation Committee.¹²³ However, Nestlé did not disclose the exact ESG measures which form these ESG objectives, mentioning that they were just “selected performance measures” from their ESG agenda.¹²⁴

In 2022, five performance measures from Nestlé’s 10 select ESG KPIs were explicitly mentioned to be considered.¹²⁵

In 2023, the following were the selected ESG KPIs of high importance to Nestlé:¹²⁶

1. GHG emissions reductions and removals (Scope one, Scope two, Scope three)
2. percentage of net reduction of GHG emissions versus 2018 baseline
3. energy consumption of factories
4. water use reduction in factories
5. quality of effluents treated internally and discharged to the environment; percentage of key ingredients responsibly sourced
6. percentage of primary supply chains for meat, palm oil, pulp and paper, soy, sugar, cocoa and coffee assessed as deforestation-free
7. percentage of key ingredients sourced from farmers adopting regenerative agricultural practices
8. percentage of cocoa volume sourced from all countries, covered by Child Labor Monitoring and Remediation System (CLMRS) or other dedicated due diligence systems, with mass balance included
9. percentage of plastic packaging designed for recycling
10. percentage of virgin plastic reduction
11. total weight of packaging
12. Nutritional Value Transparency – Health Star Rating (HSR)
13. total number of servings of products with micronutrient fortification
14. number of servings of affordable nutrition with micronutrient fortification
15. number of young people around the world who access economic opportunities since 2017
16. percentage of management positions held by women
17. total weight of waste generated in tonnes, and a breakdown of this total by composition of the waste
18. recordable injury rate per million hours worked
19. total recordable fatalities
20. total irreversible injuries
21. Speak Up
22. percentage of FSSC Certified Manufacturing & R&D units that produce food and pet food for human and pets (cats and dogs) consumption

23. number of countries with audits on the Nestlé Policy on WHO Code and detected instances of non-compliances with the Nestlé Policy on WHO Code
24. number of employees
25. average hours of technical or vocational training provided to workers in the company's operations

Of the 25 selected ESG KPIs above, the following accounted for 15% of Executive Board members' STB in 2023:¹²⁷

1. affordable nutrition with micronutrients
2. reduction of greenhouse gas emissions
3. plastic packaging designed for recycling
4. reduction of water use in factories
5. management positions held by women

ESG factors in remuneration policies (LTI)

For the LTI, the three KPIs of EPS growth, TSR and ROIC had remained the only measures determining the payout of the incentive in 2021 and 2022, similar to 2020.^{128, 129, 130} In 2023, Nestlé introduced an ESG-related KPI Reduction of GHG emissions as a fourth performance metric in the LTI, making up 20% of the grant value.¹³¹

Figure 4 shows information related to variable remuneration of Nestlé's Executive Board members in 2022. As at July 2025, the figures remain unchanged.

Executive Board Member	STB Target	LTI Target
CEO, CFO	85% (2020: 100%): Performance against annual Nestlé Group Objectives 15% (2020: 0%): Annual ESG Objectives	50%: Growth of EPS 30%: TSR difference 20%: ROIC improvement
Other members of the Executive Board	50% / 60%: Functional / Business 35% / 25% (2020: 50% / 40%): Group performance 15%: Annual ESG Objectives	To be added for 2023: an ESG related KPI for 20% of the target.
Possible Range of Payouts	0% - 130% of Target	0% - 200% of Target
Method of Payout	Any mix of Cash and Nestlé S.A Shares (blocked for three years; CEO must receive at least 50% in shares)	Shares (received after three-year vesting period, then blocked for a further two years)

Figure 4: Information on variable remuneration of Nestlé's Executive Board members in 2022 compared to 2020^{132,133}

Source: Nestlé S.A. (n.d.). Compensation Report 2022.

Nestlé's B Corp journey

One possible avenue for companies to show consumers their commitment to ESG is through B Corp Certification – an accreditation granted only to “leaders in the global movement for an inclusive, equitable, and regenerative economy”.¹³⁴ Having its numerous business units achieve this coveted title appears to have

been on Nestlé's agenda, with notable subsidiaries under the corporation beginning to bear the accreditation in 2022.

Though Nestlé itself remains uncertified, two businesses bearing the Nestlé name are: Nestlé Health Science US, a medical nutrition company, and Nespresso, Nestlé's portioned coffee maker. Both companies earned their certifications in 2022.^{135,136,137}

Several other brands held by Nestlé are also B Corps. At the time of writing, Nestlé Health Science US had amassed a portfolio of at least seven certified B Corps.¹³⁸ Meanwhile in 2020, Purina PetCare, another Nestlé subsidiary, had also acquired natural pet food brand Lily's Kitchen, which has been certified since 2015.^{139, 140} In its CSV report for 2022, while an exact number of B Corps under the company is unpublished, Nestlé states that with its certification efforts, an approximate 10% of its global sales are B-Corp certified.¹⁴¹

Nespresso: business for good?

Of the recent B Corp developments at Nestlé, the certification of Nespresso proved to be the most controversial, to the extent of some questioning the legitimacy of the B Corp Certification itself. Following Nespresso's certification in April 2022, some 33 B Corps, with the help of certification watchdog Fair World Project, put forward an open letter to B Lab, voicing their concerns about the integrity of the standard being put "at risk".¹⁴²

"There's a long history of certifications getting co-opted by corporations as they reach the mainstream. We've seen it with fair trade certification as well as with organics. Unfortunately, Nespresso's certification suggests that B Corp Certification is heading that way as well."

– Dana Geffner, Executive Director, Fair World Project¹⁴³

Despite reported human rights violations such as child labour, wage theft and the abuse of factory workers occurring on Nespresso's farms, it scored 84.3 in its B Impact Assessment, above the minimum score of 80 required to be certified.¹⁴⁴

In their letter, the aforementioned B Corps outlined their various concerns: worries that businesses will do the bare minimum to achieve the certification, and particularly, while large corporations should also be able to achieve the certification, if the certification of such corporations may 'dilute' the integrity of the B Corp movement.¹⁴⁵ This was especially so with a corporation like Nespresso, which the letter's authors believed to be "greenwashing" themselves as a B Corp, given their "abysmal track record on human rights".¹⁴⁶

The letter also details several possible improvements B Lab could make to its certification assessment to remain relevant and maintain its integrity - particularly monitoring the scores achieved by companies in their B Corp assessments (B Impact Assessments) over time and requiring demonstrated improvement for companies to be re-certified.¹⁴⁷ At the time the letter was issued, companies must be recertified every three years to maintain their B Corp Certification Improvements to their ESG practices are "encouraged" but maintaining the minimum score of 80 is sufficient.¹⁴⁸

In response, B Lab, the issuer of B Corp Certification, directly engaged with the signatories of the letter, but did not revoke the certification of Nespresso. The company had fulfilled all the requirements to receive the accreditation over a three-year process.¹⁴⁹

What is B Corp certification?

The certification comes from B Lab, an organisation founded in 2006, with its ethos of "[there being] no Planet B", aiming to lead businesses away from the notion of shareholder primacy toward a new, stakeholder-driven model.¹⁵⁰ With this, B Lab hopes to create a global economy where business is a "force for good", creating benefit for not just shareholders, but for all stakeholders.¹⁵¹

In awarding its certification, B Lab scrutinises “a company’s entire social and environmental impact”, requiring the prospective awardee to fulfil the following three criteria:¹⁵²

1. **Achieving high social and environmental performance:** through achieving an assessment score of 80 and above in B Lab’s “B Impact Assessment”.
2. **Legal commitment:** by changing the corporate governance structure of the company to be accountable to all stakeholders, with the precise actions to be taken depending on the legal jurisdiction of the company. For instance, for companies incorporated under the Companies Act in Singapore, this would be achieved through amending the company’s Constitution.¹⁵³
3. **Exhibit transparency:** by allowing the company’s performance against B Lab’s standards to be publicly available on B Lab’s website.

Beyond these three criteria, B Lab prescribes different pathways to certification with guides. These generally depend on company size. For instance, a Small Enterprise generating less than US\$5 million in annual revenue and having less than 50 full-time employees would undergo differing requirements than a Large Enterprise generating more than US\$1 billion in annual revenue or operating in multiple countries.¹⁵⁴ A Large Enterprise would be subject to additional, and more stringent, requirements – such was for Nespresso.^{155, 156}

Moreover, after achieving B Corp Certification, maintaining certification requires the company to be reappraised every three years, or even after significant changes in company ownership, such as if it undergoes an Initial Public Offering.¹⁵⁷

Achieving B Corp Certification has become a goal for many companies in recent years, with the number of businesses seeking to be certified “[continuing] to accelerate”.¹⁵⁸ From the first B Corps being certified in June 2007, as of July 2022, more than 220,000 companies have measured their ESG performance using B Impact Assessment. There are 9,742 B Corps in the world as of July 2025.^{159, 160}

An even better B Corp?

Perhaps in response to the controversial B Corp Certification of Nespresso, B Lab went on to emphasise the importance of evolving the standards for B Corp Certification.¹⁶¹ As of September 2022, the first draft of the updated standards were unveiled in a public consultation, leading to further development and a second consultation that was slated to occur in January 2024.¹⁶² The new standard was then to be rolled out in phases starting in 2025. B Corps with a recertification date in 2025 may proceed with current recertification process using the old system as long as they submit by 30 June 2025.¹⁶³ Meanwhile, B Corps with recertification dates between 1 January and 31 December 2026 will transition to the new standards and receive a 12-month extension to their recertification due date.¹⁶⁴ B Lab shared two key changes for B Corp Certification:¹⁶⁵

1. **Performance requirements according to company context:** the updated standards tailor ESG performance requirements in B Impact Assessment toward the specific context of each company.
2. **Continuous improvement:** beyond maintaining the minimum score of 80 in B Impact Assessment to be re-certified, companies must now “prove continuous improvement” by sharing progress on specific goals.

Under the old system, companies were required to score 80 points on the B Impact Assessment. However, under the new model, there are no points and instead, firms must meet a set of “Year 0” sub-requirements to achieve certification, then progress to additional requirements in Year 3 and Year 5.¹⁶⁶ This entails that ongoing improvements are mandatory and businesses are to focus on multi-year roadmaps for continuous measurable progress rather than ticking boxes for a one-off score.

Additionally, all B Corp assessments will now be handled externally to meet EU greenwashing regulations.¹⁶⁷ This shift from the old system means increased rigour and credibility wherein companies must now meet standards across seven non-negotiable impact topics rather than choose high-scoring areas to offset weaker ones.

Criticisms of the new model

The new B Corp model has been met with pushback and criticisms. Academics and ethical consumer action organisations have argued that it makes it relatively easy to manipulate internal reporting procedures or misrepresent findings.

Firstly, there were concerns over greenwashing and credibility erosion. Critics accused B Lab of lowering standards to accommodate multinationals with questionable supply chain or environmental practices.¹⁶⁸ It was argued that the new model puts the choice of sustainable goals in the hands of businesses as companies could theoretically prioritise what is easier to implement versus what is better for the environment, which could then mislead consumers in some cases since they might be persuaded by the B Corp stamp of approval to buy products that would not have met their personal ethical standards.¹⁶⁹ In response, B Lab UK executive director Chris Turner told the BBC that companies must re-certify every three years by completing the B Impact Assessment and verification process from scratch.¹⁷⁰

Secondly, detractors of the new model lambast the uneven threshold burden favouring large firms. Although larger companies must answer more rigorous questions, B Lab's structure may still favour those with bigger budgets and resources, making compliance onerous for smaller firms. Small-brand leaders warn that without additional support, smaller mission-driven companies may be pushed out of the movement due to complexity and resource constraints.¹⁷¹ In defence, B Lab responded that the standards are continually evolving to include more rigorous performance requirements and they are applied to all B Corps regardless of size, geography, or industry.¹⁷²

Lastly, critics maintain that B Lab's process still depends heavily on company-provided data, which may weaken credibility, especially when not backed by robust third-party verifications.¹⁷³ Nevertheless, B Lab added that it takes steps to "verify the self-reported data through publicly available records".¹⁷⁴

Nestlé unwrapped

Nestlé has faced a number of accusations over the years that have raised questions about its sustainability credentials.

Infant formula controversy

In the 1970s, Nestlé was accused of aggressively marketing infant formula in developing countries, often to mothers who lacked access to clean water required for safe preparation. This practice was linked to infant illness and death and led to the boycott of Nestlé products by various advocacy groups.

Despite this scandal and the subsequent boycott, a recent report by the Changing Markets Foundation (CMF) has shed light on Nestlé's misleading marketing tactics for infant milk formulas, which persist in several countries.¹⁷⁵

The report reveals that Nestlé has marketed its infant milk formulas in a way that suggests they are "closest to," "inspired by," and "following the example of" human breast milk. This marketing strategy directly contradicts the guidelines set forth by the UN's World Health Organisation (WHO), which prohibits such comparisons. Such a contradiction calls into question Nestlé's commitment to responsible marketing and adherence to global health standards.

CMF also conducted a study which analysed over 70 Nestlé baby milk products across 40 countries. This unearthed another concerning issue – Nestlé often disregards its own nutritional advice in its advertising. The examples are numerous and alarming. In South Africa, Nestlé used sucrose in infant milk formulas while promoting its Brazilian and Hong Kong formulas as sucrose-free “for baby’s good health.” This inconsistency raises concerns about the transparency and reliability of the information provided by the company.

In Hong Kong, Nestlé promoted its baby milk powders as healthier because they were free from vanilla flavourings, even as it continued to sell other vanilla-flavoured formulas elsewhere in the territory.¹⁷⁶ Such practices not only mislead consumers but also potentially put the health of vulnerable infants at risk.

Nusa Urbancic, campaign director for CMF said that these marketing tactics are unethical, especially when it comes to the health of vulnerable babies. The report suggests that Nestlé’s approach may prioritise marketing strategies over the well-being of infants.¹⁷⁷

In April 2024, there was accusation that Nestlé’s baby cereals and formulas sold in low and middle-income countries contained significantly more added sugar than those sold in Europe and other high-income regions.¹⁷⁸ This alleged “double standard” raised serious concerns about infant nutrition and equity. In response, Nestlé clarified that it does not practise double standards when it comes to nutrition in baby foods in different parts of the world and maintains high standards in every country.¹⁷⁹

Child labour in West Africa

In the heart of West Africa, amidst the enchanting aroma of cocoa wafting through the air, a concealed reality prevails - child labour persistently undermines the prospect of progress. Nestlé, among other major chocolate companies, is implicated in this troubling phenomenon. In 2021, Nestlé faced legal action from eight former child slaves who accused the company of “aiding and abetting the illegal enslavement of thousands of children on cocoa farms in their supply chains.” This lawsuit, part of a class action involving Cargill, Barry Callebaut, Mars, Olam, Hershey, and Mondelez, alleges the allowance of forced labour on their Ivory Coast cocoa plantations.¹⁸⁰

Unfortunately, child labour did not seem to be the top priority in the chocolate industry. In 2001, big companies in this industry, including Nestlé, signed a deal called the Harkin-Engel Protocol, pledging to end “the worst forms of child labour” in their cocoa suppliers in four years.¹⁸¹ In 2005, they missed the deadline to end child labour in their cocoa supply chain, and proceeded to miss deadlines in 2008 and 2010.¹⁸² The chocolate industry then scaled back its “goal” to reducing child labour only by 70% in 2020. However, by 2020, the amount of child labour had allegedly increased.¹⁸³

In 2009, Nestlé released its Cocoa Plan, a comprehensive initiative aligned with the principle of Creating Shared Value. This strategy sought to assist farmers in overcoming challenges by focusing on three pillars – better farming, better lives and better cocoa.¹⁸⁴ CLMRS, which was later implemented in 2012, was then included in this plan too.

The Cocoa plan and CLMRS made good progress, according to Nestlé’s Progress Report in 2019 - the number of children leaving child labour had increased to 2459 in 2019. The initial figure was not mentioned, and hence it is impossible for sceptics to deduce the actual extent of effect from Nestlé’s strategies. However, the percentage of children involved in child labour within cocoa-producing regions of Ivory Coast and Ghana reportedly rose from 31% in 2008/09 to 45% in 2018/19. The rates of engagement in hazardous work also allegedly rose from 30% to 43% in the same period.¹⁸⁵

Nestlé’s touted progress in its various programs may seem substantial, yet without the necessary context, these numbers may be misleading. There is a need to discern the method and extent of child identification. The remediation program’s Step 2 outlines the identification process as “spotting or self-declaration of a child

engaged in hazardous activities”.¹⁸⁶ This method of relying on personnel traveling from farm to farm is inefficient, and self-declaration is unlikely due to children’s unawareness or fear of implicating their families. Consequently, Nestlé’s actual identification of children is likely relatively low compared to the true number. The lack of detailed information in the Cocoa Plan was noted by an investigative report from the Watson Institute at Brown University, highlighting the challenge of criticising Nestlé for insufficient action.¹⁸⁷ Moreover, the Cocoa Plan covers only 25% of Nestlé’s cocoa, signalling that the majority of its cocoa farms are not under the Cocoa Plan.¹⁸⁸ Nestlé’s information suggests some action but the true extent remains undisclosed.

There is evidently a discernible gap between Nestlé’s publicised actions and tangible outcomes. This conclusion is further strengthened by the confidential records from a World Cocoa Foundation (WCF) strategy session, attended by representatives from Nestlé, Hershey’s, Mars, and other major players. They revealed a focus on promoting the industry’s “achievements” in addressing child labour and slavery, rather than genuinely putting an end to these practices¹⁸⁹.

In 2023, Nestlé’s revised its strategy and launched the *Salient Issue Action Plan: Child Labor and Access to Education*. This serves to strengthen the current and past efforts by Nestlé. What sets this action plan apart from its predecessors is Nestlé’s deliberate utilisation of each department’s strengths and capacities to delineate specific focus areas for the upcoming years, in collaboration with external partners and stakeholders. Notably, Nestlé emphasises the dynamic nature of these action plans, intending them to adapt to evolving stakeholder expectations and operational contexts. Additionally, the implementation includes a feedback mechanism through email.

While Nestlé’s Salient Issue Action Plan represents a significant step in the right direction, ongoing scrutiny and an emphasis on transparency and long-term impact will be necessary to ensure that their efforts result in meaningful change and a reduction in child labour within its supply chains.

Sustainability rhetoric or reality?

“Greenwashing” refers to the practice of making exaggerated or misleading claims about a company’s environmental efforts to present an eco-friendlier image than is warranted. Nestlé’s sustainability commitments, particularly its 2018 pledge to ensure all packaging is recyclable or reusable by 2025,¹⁹⁰ has sparked concerns about the sincerity of its environmental efforts.

In 2022, environmental group Greenpeace called the announcement “greenwashing”. Some of the countries where Nestlé sells its products do not have recycling systems available. Offering recyclable packaging is a hollow gesture if the systems for collecting and processing recyclables are absent, rendering the pledge ineffective in such countries for reducing waste pollution. Coalition spokesperson Antidia Citores also mentioned that “Recycling is not a catch-all solution, but far from it”.¹⁹¹ The priority needs to be shifted to reduction in plastic use.

In 2021, Nestlé was involved in a partnership where multinationals burn more plastic waste in cement kilns. The supposed win-win situation aimed to keep plastics out of oceans and landfills while moving away from burning coal for energy, a major contributor to global warming. Burning plastic has been found to affect air quality and public health negatively.¹⁹² Nevertheless, when questioned about the environmental and health consequences of burning plastic in cement kilns, Nestlé refused to respond.¹⁹³

“As the world drowns in plastics and countries like China close their doors to foreign waste, incineration will increasingly be pushed as an ‘easy’ alternative. But waste does not just disappear in a puff of smoke. The more waste and plastics are sent to be burnt, the more our environment and health will suffer in parallel.”

– Tatiana Lujan, ClientEarth Plastics lawyer¹⁹⁴

Consequently, sceptics like Greenpeace campaigner Jefferson Chua pointed out that Nestlé's actions suggest a disregard for people's well-being.¹⁹⁵ Nestlé is accused of continuing to shift the burden of pollution onto communities, all while reaping significant profits from a business model that is far from eco-friendly. Chua called on Nestlé to "stop faking it", and take genuine, meaningful steps to reduce its plastic production instead.¹⁹⁶

Nestlé was awarded the negative award "Golden Vulture" by Germany's environmental group in 2024, naming it as committing the year's most audacious environmental lie.¹⁹⁷ The group called out increasing packaging size despite reduced volume in products, and questioned the actual gains in reuse rate of Nestlé.¹⁹⁸

Swiss corporate governance

Switzerland's system of democracy enables all Swiss citizens above eighteen years old to vote on shaping the nation's governance.¹⁹⁹ This allows citizens to express their opinion on decisions taken by the Swiss Parliament and to propose amendments to the Federal Constitution. Swiss electorates are frequently called on approximately four times a year to vote on an average of 15 such issues and this is done via two main instruments, initiatives and referendums.

The following is an explanation on the different instrument types that form the core of Switzerland's direct democracy: popular initiative, optional referendum and mandatory referendum.²⁰⁰ Under popular initiative, citizens are allowed to propose an amendment or addition to the Constitution and there is a requirement of signatures of 100,000 voters who support the proposal being collected within 18 months. Under optional referendum, citizens are allowed to demand that approved bills are put to a nationwide vote and there is a requirement of 50,000 valid signatures to be collected within 100 days of publication of the new legislation. Under mandatory referendum, all constitutional amendments approved by Parliament are to be subject to a mandatory referendum.

2013 Swiss executive pay initiative

Switzerland's tradition of direct democracy led to the establishment of a law that allow shareholders considerable say in executive pay and corporate governance. In March 2013, a vote took place with the aim of controlling executive pay of publicly listed companies and to increase shareholders' say in corporate governance.²⁰¹ It passed with a 67.9% majority, mandating the federal government to implement the provisions within one year. This marks one of the highest approval rates ever recorded for a popular initiative.

The Federal Constitution of 18 April 1999 was then amended with a new addition of Art. 95 paragraph 3. The key provision being "Each year, the Annual General Meeting votes the total remuneration (both monetary and in kind) of the Board, the Executive Board and the Advisory Board."

The initiative marked a defining chapter in Swiss governance where the new changes to the Federal Constitution require that the annual shareholder meeting of corporate entities now determine the total compensation to be paid to the Board of Directors, the management executives, and the Board of Advisors. Furthermore, the bylaws of a company must regulate loans, pensions, and remuneration in the form of stocks or profit sharing.²⁰²

Governance and election process

Switzerland's Ordinance against Excessive Compensation (OaEC) regulatory framework ensures that listed companies comply with the corporate governance standards. Its objective is to ensure fairness in electoral processes and monitor executive compensation, by encouraging shareholder activism in decision-making.²⁰³

The OaEC sets a maximum term in office for Board members and management. Members on the Board are required to go through a re-election every year and staggered Boards are prohibited, meaning that all directors

on the Board are up for re-election at the same time instead of only portions of them. The prohibition of having staggered Boards empowers shareholders to better express their dissatisfaction with certain Board members which allows for a smoother and easier process of getting them removed from the Board..

“Golden parachutes” - an arrangement in the employment contract which pays certain benefits to the employee upon termination - and “golden hellos” - a sign-on bonus - are banned by the OaEC.

Shareholders are provided with a great deal of authority when it comes to key corporate governance decisions. Such authority includes individually electing each director (instead of voting for the entire Board together), and electing the chairman of the Board as well as members of the compensation committee. This was previously an authority only available to the Board.

Diversity

Switzerland was ranked the fourth lowest of the nineteen European countries based on the Gender Diversity Index with a score of 0.43 in 2021. This score was 0.16 points below the European average and 0.29 points below the leading country, Norway.

Since then, Switzerland has done much to actively address diversity in its Boards, firstly by including more women. In 2020, Switzerland’s National Council approved a legal amendment for publicly listed companies with more than 250 employees. It mandated a gender quota for Boards and for the executive committees to comprise of minimally 30% women and 20% women respectively.

As of 2023, women held 24% of positions on the Executive Boards of the 20 largest companies in the Swiss Market Index (SMI), compared to 19% in 2021. This was the largest increase of any European country over 12 months.²⁰⁴ The number has since increased in 2025 to 28% of board seats at the top 50 listed Swiss companies being held by women.²⁰⁵

To further enhance the visibility of Women on Boards and promote Board diversity, Switzerland holds the Women’s Board Award annually, to recognise competent female board chair candidates for election committees and other relevant stakeholders, to prove that there is a large pool of female candidates qualified to take chair responsibility.²⁰⁶

Studies show that the Management Boards of Switzerland’s top companies are prioritising diversity in the form of including more foreigners. Foreigners now occupy 73% of executive Board positions in the 20 largest companies in the SMI and 55% of the largest mid-cap companies.²⁰⁷ In contrast, amongst the 40 largest companies in the German Stock Index, foreign managers only comprise 37.5% of all managers.

A sour brew?

On 2 September 2025, Nestlé fired Freixe after just one year into the job following investigations into an undisclosed romantic relationship with a direct subordinate that breached Nestlé’s Code of Business Conduct.²⁰⁸ Freixe was not dismissed for having a relationship with a junior colleague, but for failing to report it as the company implements mandatory conflict of interest declaration campaigns for matters that could harm both the employee’s and Nestlé’s reputation.²⁰⁹

The investigation followed an anonymous tip-off on Nestlé’s internal whistleblowing platform, Speak Up.²¹⁰ Freixe made the matter worse by denying the existence of the relationship to the BOD, which was later confirmed by a second probe. Speak Up can be accessed through Nestlé’s corporate websites, QR codes, web forms and a dedicated phone line, and is independently operated by a third party.²¹¹ Every complaint made through Speak Up must be acknowledged within five working days. First, a regional compliance officer assesses the complaint and investigates the incident. Depending on sensitivity, the matter can be escalated and handed over to group compliance at Nestlé headquarters. It generally takes about 90 days to conclude an investigation.

The investigation was overseen by Bulcke and Isla, with the support of Swiss lawyers Baer & Karrer.²¹² “This was a necessary decision. Nestlé’s values and governance are strong foundations of our company,” commented Bulcke. Freixe would receive no exit package following his departure.

The dismissal marked the ousting of its second CEO in a year, throwing Nestlé into a leadership crisis. Freixe was replaced by Nespresso CEO Philipp Navratil.²¹³ As at 4 September 2025, Navratil has not been elected to the BOD. Shares of Nestlé were down 1% following Freixe’s sudden dismissal.²¹⁴

Navratil has a long career with Nestlé since he joined the company in 2001 as an internal auditor.²¹⁵ He was appointed as the Country Manager for Nestlé Honduras in 2009. In 2013, Navratil assumed leadership of the coffee and beverage business in Mexico, where he played a pivotal role in strengthening the Nescafé brand. From 2020, Navratil joined Nestlé’s Coffee Strategic Business Unit, before rising to lead Nespresso as CEO in 2024.

With a CEO fired over his conduct, resulting in two changes in CEO in a year, and questions over the authenticity of its sustainability commitment, Nestlé may face more challenging times ahead.

Discussion questions

1. Critically evaluate Nestlé’s board structure and composition.
2. Nestlé recently fired its CEO Laurent Freixe just one year after he was appointed, over a breach of the company’s Code of Business Conduct. If Freixe was a highly successful CEO, do you think Nestlé should still have fired him, even if this may put the company into a leadership crisis? Explain.
3. Critically evaluate Nestlé’s whistleblowing platform and how Nestlé handled the investigation and dismissal of Freixe. What are the attributes of a good whistleblowing policy and effective investigation of whistleblowing complaints?
4. For a company like Nestlé, what are likely to be the most important sustainability factors?
5. How should a company undertake and present its materiality assessment of sustainability factors? Assess Nestlé’s process of conducting and presenting its materiality assessment. Do you think it is adequate in identifying key material topics and for stakeholders to understand the importance of different factors? Explain.
6. Explain how Nestlé has integrated sustainability into its business operations, governance structure and risk management framework.
7. Nestlé has incorporated ESG factors into both its short and long-term variable remuneration for its Executive Board members. Evaluate the effectiveness of Nestlé’s integration of ESG factors into its executive remuneration. What further actions can Nestlé take to improve its incorporation of ESG factors into remuneration?
8. While B Corp Certification claims to let consumers immediately know the high ESG standards of the company behind a product, the standard has not been without controversy, such as in the case of Nespresso. To what extent do you think certifications from external organisations like B Lab’s B Corp Certification add value to a corporation’s ESG proposition? Explain.
9. In the last decade alone, Nestlé has faced several accusations of greenwashing. To what extent do you agree with these accusations?
10. In light of the controversies surrounding Nestlé, do you think consumers have a role in driving change through their purchasing decisions? How can consumer activism and awareness contribute to holding corporations accountable for their social and environmental practices?
11. Compare the Swiss system of corporate governance, including its binding “say on pay”, with your country. What are the pros and cons of the Swiss system? Are there practices you would recommend for your country? Explain.

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Professor Mak Yuen Teen is the founding director of the Centre for Investor Protection. He is Professor (Practice) of Accounting at the NUS Business School and a former Vice Dean of the School, where he founded the first corporate governance centre in Singapore at NUS. Professor Mak holds first class honours, master and PhD degrees in accounting and finance. He is a member of the Institute of Singapore Chartered Accountants (ISCA).

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Professor Mak has served on three of the four corporate governance committees set up by the Singapore authorities to develop and revise the code of corporate governance for listed companies, including the first committee in 2000 and the most recent committee under the Monetary Authority of Singapore (MAS) which released the 2018 Singapore Code. He is currently serving a third three-year term on the Corporate Governance Advisory Committee under MAS aimed at continually raising corporate governance standards for listed companies in Singapore.

Professor Mak co-founded and is the chairman of GDINSTITUTE Ltd, a new not-for-profit organisation focused on governance and directorship in Singapore and the region. He is also a co-founder and director of Corporate Monitor Limited, a not-for-profit company set up to enhance investor protection and education in Singapore. He serves as a member of the Advisory Council of the Vietnam Independent Directors Association and as a member of the International Advisory Board of the Hawkamah Institute of Governance in Dubai.

Professor Mak previously served as chairman and deputy chairman of two large not-for-profit organisations in Singapore and chairman of the nominations committee of a large Singapore not-for-profit healthcare organisation. He also served as a member of the audit advisory committee of two UN funds based in NY over a period of 12 years. He was a former council member of the Singapore Institute of Directors.

Professor Mak is actively involved in conducting training on corporate governance for directors and regulators in the region, and speaks regularly in international conferences. He is the advisor of the Board Masterclass programme introduced by ISCA and SAC Capital, which has been accepted the Singapore Exchange as an alternative for fulfilling the mandatory training requirements for first-time directors of companies listed in Singapore.

He has written many op-ed pieces on corporate governance for the media and professional organisations, and has been quoted in the media in Singapore and internationally, including The Business Times, BBC News, Bloomberg, Financial Times, Asian Wall Street Journal, Reuters, Nikkei Asia and others.

His academic work has been published in international journals such as Journal of Accounting and Public Policy, Journal of Corporate Finance, Journal of Business Finance and Accounting, and Accounting Horizons. He is a member of the editorial board of the Journal of Accounting and Public Policy.

Professor Mak edited 11 volumes of Asia-Pacific and global case studies published by CPA Australia between 2012 and 2022 and a special financial services edition, and several volumes translated into Chinese and Vietnamese have been produced. In all, he has written or edited more than 300 case studies related to corporate governance.

Professor Mak developed the first corporate governance rating for Singapore companies and the first Singapore governance rating for REITs and business trusts. He was nominated by MAS as the Singapore expert in the development of the ASEAN CG Scorecard.

He has also produced numerous reports on corporate governance. In 2007, his report on improving the implementation of corporate governance practices in Singapore, commissioned by MAS and the Singapore Exchange, was launched by the Minister of Finance at the OECD Asian Corporate Governance Roundtable held in Singapore.

Professor Mak is one of only two individuals in Singapore to have been given the Corporate Governance Excellence Award by the Securities Investors Association (Singapore) for his contributions to improving corporate governance in Singapore. The Singapore Institute of Directors has also recognised him as a CG Pioneer. He also received the corporate governance excellence award from the Minority Shareholders Watchdog Group in Malaysia for his contributions to corporate governance in the region.

He is a strong corporate governance advocate and comments regularly on current corporate governance issues on LinkedIn and on his personal website, Governance for Stakeholders, which he started in 2013.

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