On **21 January 2026**, the Singapore High Court (General Division) in ***Prashant Mudgal v SAP Asia Pte Ltd*** **[2026] SGHC 15** confirmed that employment contracts in Singapore include an **implied term of mutual trust and confidence**. In simple terms, this means an employer must not act (without good reason) in a way that **seriously damages the working relationship**.

This is an important decision because there had been **renewed uncertainty** after the Appellate Division's comments in ***Dong Wei v Shell Eastern Trading (Pte) Ltd*** **[2022] 1 SLR 1318**, which suggested the law might not be fully settled.

A. What Is This Implied Term, and How Is It Different from "Good Faith"?

The implied term of mutual trust and confidence

Think of this as a **basic "relationship rule"** built into every employment contract (unless clearly excluded by contract terms). It requires that.

- the employer must not behave in a way that is **likely to destroy or seriously damage** trust and confidence; and
- the employer must have **reasonable grounds** for what it did.

It is not about whether the employee *subjectively* feels being mistreated. The court looks at the situation **objectively** and asks: *Would this conduct seriously undermine the employment relationship? Was there a proper reason for it?*

How it differs from a broader "duty of good faith"

A broad duty of "good faith" is often understood as requiring parties to be **fair, honest, reasonable, cooperative**, and sometimes even to put the relationship ahead of self-interest. That is **much wider** and can be hard to define.

Singapore courts have generally been cautious about importing a sweeping "good faith" requirement into contracts. The implied term of mutual trust and confidence is **narrower and more workable**: it focuses on **serious** conduct that undermines the employment relationship, rather than policing everyday decisions or requiring general "fairness" in everything.

B. Brief History: How Singapore Law Got Here (and the "Bump" in *Dong Wei)*

A long line of Singapore cases accepted and developed the concept

For years, Singapore High Court decisions have recognised (and applied) the idea that employment relationships carry an implied obligation not to behave in a way that wrecks trust and confidence. A key local anchor is ***Cheah Peng Hock v Luzhou Bio-Chem Technology Ltd* [2013] 2 SLR 577**, which endorsed the implied term and treated it as part of Singapore employment law (subject to contract wording and context).

Over time, the courts have used the implied term to deal with **serious employer misconduct**. For example, where processes are run in a way that is fundamentally unfair, humiliating, or clearly pre-judged.

The "bump": Appellate Division comments in Dong Wei (2022)

In 2022, the Appellate Division in *Dong Wei* made observations (not the main basis of the decision) that the existence of this implied term had not been definitively settled at the highest level in Singapore.

Even though those remarks were not binding, those remarks caused understandable debate because they raised the possibility that the implied term might not be fully "entrenched" in Singapore law.

C. *Prashant Mudgal* Sets the Trajectory Back and Strengthens the Case Law

(I) The High Court reaffirmed the implied term exists

In *Prashant Mudgal*, the Court did not treat *Dong Wei* as wiping the slate clean. Instead, it carefully reviewed the earlier Singapore authorities and confirmed that the implied term of mutual trust and confidence **does exist** in Singapore employment contracts. Justice Dedar Singh Gill J embarked on a detailed analysis of the past case authorities and ultimately found that he was *in good and abundant company in taking the position that the implied term exists under Singapore Law"*.

This is significant because although this issue is still undecided by the Court of Appeal, this decision restores confidence that the implied duty exists in Singapore employment law.

If any employers, HR teams or in-house counsel had started to take comfort from the obiter remarks in *Dong Wei* and assumed the duty might be fading or "not really part of Singapore law", *Prashant Mudgal* pours cold water on that view.

(II) The Court also drew a firm boundary: it rejected a broad "anti-arbitrariness" restriction on termination.

The claimant tried to argue for an implied rule that an employer must not run a termination process in a way that is "arbitrary" or "in bad faith". The Court rejected this attempt to create a general "fairness" control over an employer's contractual right to terminate by notice/payment in lieu.

So the Court's message is balanced:

- **Yes**, there is a real implied term protecting the employment relationship from serious employer misconduct.
- **No**, that does not mean every termination decision can be attacked as "unfair" simply because it feels harsh.

(III) **Why SAP lost on the facts: the problem was the *way* the employer acted**

The Court found SAP breached the implied term because it did not just manage performance firmly—it imposed what the Court called **"a farce of the PIP"** instead of simply using the contractual termination clause. The Court's criticism focused on the **genuine purpose** of the process: it was not treated as a real improvement plan.

Even so, the employee ultimately received only **nominal damages of $1,000**, largely because he could not prove recoverable loss—an important practical reminder that breach does not automatically translate into large damages.

D. What Are the Implications for Businesses and HR Departments?

This decision matters most in the "grey zone" where many disputes arise: **investigations, performance management, PIPs, internal communications, and managed exits**.

(I) **PIPs must be genuine (or don't run them)**

If a PIP is used, it should be a **real chance to improve**, not a box-ticking exercise.

HR practical steps:

- Set clear expectations and measurable targets.
- Provide real support (coaching, resources, check-ins).
- Keep contemporaneous records showing the plan is genuinely aimed at improvement.
- Avoid internal emails that suggest the outcome is pre-decided ("endgame is to remove him", "we just need a paper trail", etc.). Those documents often become the story in court.

(II) **Investigations and disciplinary processes must not look "pre-judged"**

The implied term is most often triggered when an employer's process looks like a **foregone conclusion**.

Practical steps:

- Separate fact-finding from decision-making where possible.
- Make allegations/issues clear early and don't keep shifting them.
- Give the employee a real chance to respond, and show you considered the response.
- Document why key steps were taken (suspension, scope, findings, outcomes).

(III) **Communication style matters more than many organisations think**

The Court is not saying managers cannot criticise performance or be firm. But tone and method can turn "firm management" into "relationship-destroying conduct".

Practical steps:

- Avoid humiliating conduct (especially in front of colleagues).
- Keep feedback professional and specific; avoid personal attacks.
- Align internal and external messaging (don't call it "support" while internally describing it as "removal").

(IV) **Termination by notice remains available—but don't try to disguise it**

Mudgal supports the idea that if an employer wants to end employment under a clear notice clause, it generally can. But the employer should be careful not to run a misleading process that creates unnecessary risk.

Practical approach:

- If the organisation has decided on an exit, consider whether a PIP is truly appropriate.
- If the organisation chooses a PIP, treat it as genuine and run it properly.
- Ensure decision-making is consistent with contract terms and internal policies.

(V) **Expect more employees to plead this implied term**

Because the High Court has now clearly reaffirmed the implied term, employees (and their lawyers) are more likely to use it to challenge the employer's **conduct leading up to termination**, especially in PIP and investigation settings.

That does not mean employers cannot manage firmly it means employers should manage **cleanly.**

Further information

If you wish to stay updated on regulatory developments and how these may affect you or your business, please get in touch with the following persons:

Mato Kotwani	**Peter Doraisamy**	**Elizabeth Wong**
Partner	Group Managing Partner	Associate
mkotwani@pdlegal.com.sg	pdoraisamy@pdlegal.com.sg	ewong@pdlegal.com.sg