

SINGAPORE

New governance benchmark for Singapore-listed SMEs

By Wong Siew Ying

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The Governance Evaluation for Mid and Small Caps (GEMS) covers companies with market capitalisation below S\$500 million, and offers more targeted indicators for these smaller companies.

PHOTOS VIDEOS



CAPTION

SINGAPORE: A new rating benchmark has been launched to better assess governance of listed small and medium-sized enterprises (SMEs) in Singapore.

The Governance Evaluation for Mid and Small Caps (GEMS) covers companies with market capitalisation under S\$500 million that are listed on the Singapore Exchange (SGX). They currently account for about 82 per cent of listed companies.

GEMS is a collaboration between the Securities Investors Association (Singapore) (SIAS) and the Singapore Association of The Institute of Chartered Secretaries and Administrators (SAICSA), together with governance expert associate professor Mak Yuen Teen. Data analytics platform Handshakes is also a partner to the project.

The new rating seeks to address the limitations of existing governance indices and includes criteria that are more relevant to SMEs.

GEMS did not release individual scores but said the top 10 per cent of SMEs ranged from familiar names such as BreadTalk, Banyan Tree and SBS Transit to less heard of firms like CH Offshore, Cosmosteel and Japan Food Holdings.

ENCOURAGING GOVERNANCE AMONG SMES

Under GEMS, corporate governance practices are evaluated over three years instead of annually. It also focuses on factors such as stability of ownership and succession risk, regulatory risk, as well as dividend payments and policy.

Associate Professor Mak said: "Given the dominance of SMEs among the listed issuers in Singapore, this is an important initiative. We hope that GEMS will inspire greater confidence amongst investors in some of our exemplary SMEs and encourage other SMEs to improve their governance. To the best of our knowledge, this is the first such attempt internationally to have a governance rating specifically targeted at SMEs."

SIAS says many retail investors are invested in these companies, and the initiative will enable investors to make more informed decisions about the companies they invest in and identify well run companies.

Mr David Gerald, president and CEO of SIAS, said: "Past experience shows that corporate governance failures occur mainly amongst SMEs. With this research and rating, it will no doubt be of tremendous value to all investors."

SAICSA added that GEMS could help to raise the profile of company secretaries and for them to be recognised as professionals carrying expertise in corporate governance matters.

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