



A Lagoon Pool villa at Banyan Tree Lang Co holiday resort in Vietnam. Banyan Tree Holdings is one of the companies in the top 10 per cent in terms of governance, according to the Governance Evaluation for Mid and Small Caps, or Gems. PHOTO: BANYAN TREE LANG CO

THE TOP 10 PER CENT

THE Singapore Association of the Institute of Chartered Secretaries and Administrators (Saicsa) and the Securities Investors Association (Singapore) (Sias) have posted a list of companies ranked in the top 10 per cent in terms of governance on their websites. The websites are: www.saicsa.org.sg/english and sias.org.sg/

They also include the methods used for the Governance Evaluation for Mid and Small Caps (Gems) research.

The adviser for the project, Associate Professor Mak Yuen Teen, will also post the information on his website: governanceforstakeholders.com/

Companies in the top 10 per cent include:

- Hiap Seng Engineering
- Qian Hu Corporation
- Old Chang Kee
- Hotel Royal
- SBS Transit
- Singapura Finance
- Chew's Group
- Isetan (Singapore)
- Banyan Tree Holdings
- Penguin International

By PHYLLIS HO

HESITANT to invest in local listed small and medium-sized enterprises (SMEs) as they are not exactly household names?

A new corporate governance rating is now available to guide your investment decisions and perhaps prompt you to make a move.

Launched yesterday, the Governance Evaluation for Mid and Small Caps (Gems) covers 428 companies, or about 82 per cent of companies listed on the Singapore Exchange. All have a market value of \$500 million or less each.

It is a collaboration between the Securities Investors Association (Singapore) (Sias) and the Singapore Association of the Institute of Chartered Secretaries and Administrators (Saicsa).

The project's adviser is Associate Professor Mak Yuen Teen of the National University of Singapore. Handshakes, an innovative data analytics platform for the capital markets, is a project partner.

Prof Mak said existing corporate governance ratings and score-

Seek out Gems among smaller listed companies

New corporate governance scorecard aims to help investors make better-informed decisions

cards generally rely too much on disclosures by companies.

Gems is different in that it focuses on observable, quantifiable and verifiable metrics that reflect actual corporate behaviour.

Handshakes provides the technical expertise to collate and evaluate the relevant data.

He added that current ratings

do not sufficiently highlight the factors important to SMEs, such as succession risk.

Gems is one of the first rating systems to assess these companies using six weighted categories relevant to small and medium-sized capitalisations, he said.

These categories include board and management, shareholder

rights and communication, as well as regulatory risk.

They are enhanced by "bonus" and "penalty" items not found in the main index, such as board independence and unusual trading respectively. Gems also evaluates companies over a three-year period, rather than on an annual basis, to ensure that practices

are sustained.

Mr Lawrence Kwan, chairman of Saicsa's corporate governance advocacy and research task force, said in a statement: "The common aim (behind establishing Gems) is to see that SME companies strive to exceed their current corporate governance standards beyond mere compliance with the letter of the law."

However, concerns were raised about a possible increase in compliance costs for SMEs that come under evaluation.

Handshakes founding director Daryl Neo said that while an SME's profit and loss statement may be affected, it will gain from a more attractive equity statement, and a boost to the company's value.

Sias president and chief executive David Gerald said Gems will allow investors to make more informed decisions and invest more in viable, well-governed firms.

He said: "Many are staying away from investing... and the market is suffering from liquidity. We need to show how company officials are walking the talk."

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