

New scorecard for public-listed SMEs

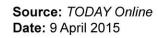


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BY ANGELA TENG - APRIL 9

SINGAPORE — A new scorecard to evaluate the governance of public-listed small and medium enterprises (SMEs) was unveiled today (April 8), an initiative that observers felt would benefit not just SMEs but retail investors as well.

The Governance Evaluation for Mid and Small Caps (GEMS) is a collaboration between the Securities Investors Association of Singapore (SIAS), and the Singapore Association of The Institute of Chartered Secretaries and Administrators (SAICSA), and advised by corporate governance expert Mak Yuen Teen. Data analytics firm Handshake is also a partner.





The corporate governance rating guide covers SMEs listed on the mainboard or Catalist board with market capitalisation of less than S\$500 million - such firms currently make up about 80 per cent of companies listed on the Singapore bourse. It evaluates the companies across six areas: Ownership, board and management, remuneration and interested person transaction risks, quality of financial reporting and internal control, shareholder rights and communications, and regulatory risks.

Companies are assessed over a three-year period, based on data compiled from the companies' annual reports and announcements published on the Singapore Exchange (SGX). Factors that are taken into consideration include, for example, whether a company has been warned by the SGX, or whether its largest substantial shareholder has sold more than 20 per cent of his stake in the past three years.

Mr David Gerald, President and CEO of SIAS. said: "Retail investors in particular should pay attention to this methodology, as besides company disclosures, this new initiative also measures behaviour of the people in the board of directors and the conduct of the company for three years."

Associate Professor Mak, who is from National University of Singapore Business School, added: "We hope that GEMS will inspire greater confidence among investors in some of our exemplary SMEs and encourage other SMEs to improve their governance."

SGX said it welcomed the initiative. "We believe that effective corporate governance is the cornerstone of long-term sustainable performance," said Ms June Sim, Head of Listings Compliance at SGX.

Mr Eric Tan, an executive council member with the Association of Small and Medium Enterprises, said the scorecard would promote transparency. "The three-year assessment (period) is also fair... SMEs do not have as much resources (as bigger companies) and feel pressured if their performance is measured on an annual basis."

The inaugural GEMS scorecard, which assessed companies from 2011 to last year, saw SMEs such as Breadtalk Group, Rotary Engineering, FJ Benjamin Holdings and Banyan Tree Holdings emerging with the highest ratings. For a start, only the list of SMEs with scores in the top 10 per cent is published. In 2017, the scores of all public-listed SMEs will be made public.