



State Financial Secretary's Office

THE STEWARDSHIP MANDATE

**PERFORMANCE
MANAGEMENT HANDBOOK FOR
Sarawak State-Owned Enterprises**



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Foreword by

The Premier of Sarawak



The Handbook represents a significant milestone in the State's continuous efforts to strengthen the governance, performance and sustainability of State-Owned Enterprises (SOEs). As Sarawak accelerates its development agenda under the Post-COVID Development Strategy 2030 (PCDS 2030), the role of SOEs has become increasingly strategic in driving economic growth, infrastructure development, energy transition, digitalisation and inclusive socio-economic progress.

This handbook establishes a clear, systematic and globally benchmarked performance management framework that reinforces accountability, transparency and results-driven leadership across Sarawak's SOEs. It reflects the State Government's commitment to professional governance, financial discipline and operational excellence, while recognising the unique public policy responsibilities entrusted to our SOEs.

The Handbook is not merely a procedural guide; it is a statement of intent. It signals

our determination to transform Sarawak's SOEs into high-performing, competitive, sustainable and financially self-reliant entities that deliver long-term value to the State and its people.

I call upon all Boards, Chief Executive Officers and management teams of Sarawak SOEs to fully embrace and implement this handbook with discipline, integrity and commitment. Through consistent application and strong leadership, Sarawak's SOEs will continue to serve as key pillars of our development journey and a source of pride for the State.

A large, stylized handwritten signature in black ink, belonging to the Premier of Sarawak.

**YAB Datuk Patinggi Tan Sri (Dr.) Abang Haji Abdul Rahman Zohari bin Tun
Datuk Abang Haji Openg
Premier of Sarawak**

Foreword by

The Deputy Premier of Sarawak



The governance of State-Owned Enterprises has a direct and lasting impact on Sarawak's economic strength, fiscal sustainability, and public confidence in our institutions. For this reason, Board effectiveness must be treated as a strategic priority, not an administrative afterthought.

The Handbook is a comprehensive and timely response to this imperative. It provides a clear, systematic, and practical framework for strengthening Board governance across Sarawak's SOEs, recognising that good governance is a key enabler of reform, transformation, and performance improvement.

What distinguishes this Handbook is its balanced approach. It combines global governance principles with practical operational guidance, while respecting the diverse mandates and contexts of Sarawak SOEs. It recognises that governance must be robust yet proportionate, disciplined yet adaptive, and principled yet pragmatic.

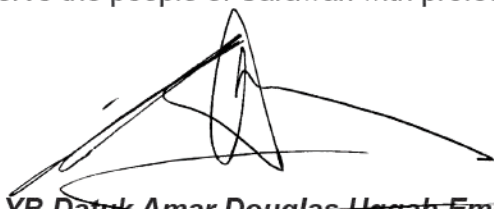
As Sarawak continues to pursue structural reforms and strategic investments

under PCDS 2030, SOE Boards are required to exercise higher levels of judgement, independence, and foresight. This Handbook equips Boards with the frameworks, tools, and clarity necessary to meet those expectations.

I encourage all Directors and senior leaders to internalise the spirit of this Handbook.

Governance effectiveness ultimately depends not on documents alone, but on the mindset, values, and conduct of those entrusted with leadership.

With strong Boards, Sarawak's SOEs will be better positioned to deliver value, manage risks, and serve the people of Sarawak with professionalism and integrity.



YB Datuk Amar Douglas Uggah Embas
Deputy Premier, Second Minister for Finance and New Economy, and
Minister for Infrastructure and Port Development.

Foreword by

The State Financial Secretary



The Handbook has been developed to strengthen performance oversight, financial discipline and governance accountability across Sarawak's State-Owned Enterprises. As the custodian of the State's financial and corporate interests, the State Financial Secretary's Office recognises the critical importance of a unified and credible performance management system.

This handbook establishes a clear performance architecture that integrates strategic planning, KPI development, quarterly and annual monitoring, leadership evaluation, reward mechanisms and data integrity requirements. It provides the necessary tools to ensure that SOEs operate in a transparent, results-oriented and financially sustainable manner.

The Handbook will support the State Government in monitoring SOE performance more effectively, identifying risks early, and ensuring alignment with State priorities under PCDS 2030. It also promotes consistency and comparability across the SOE ecosystem, enabling

informed decision-making at both enterprise and shareholder levels.

All Sarawak SOEs are expected to adopt and implement this handbook faithfully. Its success will depend on disciplined execution, accurate reporting and strong leadership commitment.

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'S' shape with a horizontal line crossing it.

YBhg. Dato Sri Dr. Wan Lizozman bin Wan Omar
State Financial Secretary
Sarawak

EXECUTIVE SUMMARY

The Handbook is a comprehensive performance management and accountability handbook designed to strengthen the governance, effectiveness and sustainability of Sarawak's State-Owned Enterprises (SOEs). It establishes a unified, systematic and globally benchmarked framework that aligns SOE performance with Sarawak's development priorities under the Post-COVID Development Strategy 2030 (PCDS 2030).

The Handbook adopts the structural rigour of the Trinidad & Tobago State Enterprise Performance Monitoring Manual and integrates the core principles of Malaysia's GLC Transformation Blue Book. These are further refined and contextualised using Sarawak-specific policies, regulatory requirements, and operational realities.

The Handbook provides a complete end-to-end performance management system, covering strategic planning, KPI formulation, performance cascading, quarterly and annual monitoring, leadership accountability, reward and sanction mechanisms, reporting integrity, governance roles, and continuous improvement.

Key objectives of the handbook include:

- Enhancing organisational performance and operational reliability
- Strengthening financial sustainability and self-reliance
- Improving governance integrity and accountability
- Embedding ESG and sustainability principles
- Supporting transformation, digitalisation and innovation
- Ensuring effective delivery of public policy obligations

The handbook applies to all Sarawak SOEs, including statutory bodies, state-owned corporations and government-linked companies. It provides clear guidance for Boards, CEOs, senior management and staff, and establishes consistent standards across the SOE ecosystem.

Through disciplined implementation, the Handbook will enable SOEs to become high-performing, competitive and resilient institutions that deliver long-term value to the State and its people.

1.0 INTRODUCTION

- 1.1 The Handbook is a comprehensive performance management and accountability handbook developed to modernise and strengthen the governance of State-Owned Enterprises (SOEs) in Sarawak.
- 1.2 The Handbook is the first fully modernised, enterprise-wide performance management handbook tailored specifically for Sarawak's governance, regulatory and developmental landscape which is benchmarked against international best practices.
- 1.3 SOEs in Sarawak are strategic instruments of the State. They manage essential services, implement development programmes, support industrial growth, enable energy transition, manage vital natural resources, expand digital connectivity, and promote inclusive socio-economic outcomes for every region of the State. As Sarawak advances its ambition under **PCDS 2030** to become a high-income, green, digital and competitive regional economy, SOEs must operate with the highest standards of professionalism, governance, financial discipline, and service excellence.
- 1.4 This handbook therefore provides a unified framework that:
 - 01 defines strategic performance expectations
 - 02 clarifies roles and responsibilities
 - 03 establishes performance indicators and measures
 - 04 strengthens business review cycles
 - 05 formalises leadership evaluation and accountability
 - 06 links performance to rewards
 - 07 institutionalises reporting integrity
 - 08 embeds governance and ESG considerations
 - 09 ensures alignment with Sarawak's long-term development agenda
- 1.5 The purpose of this Handbook is not simply to set rules, but to cultivate a high-performance culture that permeates every level of SOEs in Sarawak that is aligned with the Sarawak SOE's Transformation Roadmap 2030 towards Financially Self-Reliant and High Performance.

2.0 PURPOSE OF THE HANDBOOK

2.1 The purpose of the Handbook is threefolds.

FIRST

It aims to institutionalise clarity in the management of SOEs. The handbook establishes a common language for performance, governance, risk management, financial accountability, value creation, and service delivery. Without clarity of expectation and consistent processes, performance becomes fragmented, reactive, and dependent on personalities rather than systems.

SECOND

The handbook aims to produce consistency in reporting, monitoring, evaluating and rewarding performance across all SOEs. In the absence of a unified framework, different SOEs apply varying standards, making it impossible for the State to assess comparative performance, anticipate systemic risks, or drive coordinated improvement. By adopting a standardised, government-wide framework, Sarawak ensures that all SOEs operate according to shared benchmarks, methodologies, and reporting cycles.

THIRD

The handbook aims to build capability within SOEs. Performance management is not merely a measurement exercise but a leadership discipline. It requires strategic thinking, operational coordination, data systems, governance integrity, behavioural competencies, and effective communication. The Handbook strengthens these capabilities through clear processes, detailed narrative guidance, and structured performance management architecture.

2.2 The ultimate purpose is to strengthen SOEs as high-performing, sustainable, and financially sound institutions that contribute meaningfully to Sarawak's long-term prosperity.

3.0

ALIGNMENT WITH SARAWAK'S POLICY, LEGAL AND REGULATORY FRAMEWORK

- 3.1 The Handbook is fully aligned with the State's policy direction, including:
- Post-COVID Development Strategy (PCDS) 2030
 - State Ownership Policy (SOP)
 - Sarawak SOEs Code of Corporate Governance
 - Sarawak Energy Transition initiatives, including renewable energy, green hydrogen and carbon management
 - Digital Economy Blueprint, emphasising digitalisation of services and operations
 - Rural development strategies, ensuring equitable access and economic uplift
 - Sarawak's Public Sector Transformation Programme
 - Sarawak SOE Transformation & Reform Programme
 - Malaysia's Companies Act 2016, and state-level statutes governing SOEs
 - MACC Act (corruption prevention)
 - Malaysian Code on Corporate Governance (MCCG)
 - OECD Guidelines for Corporate Governance of SOEs
- 3.2 This ensures that the performance management framework is not merely theoretical but embedded within Sarawak's legal, regulatory and policy ecosystem.

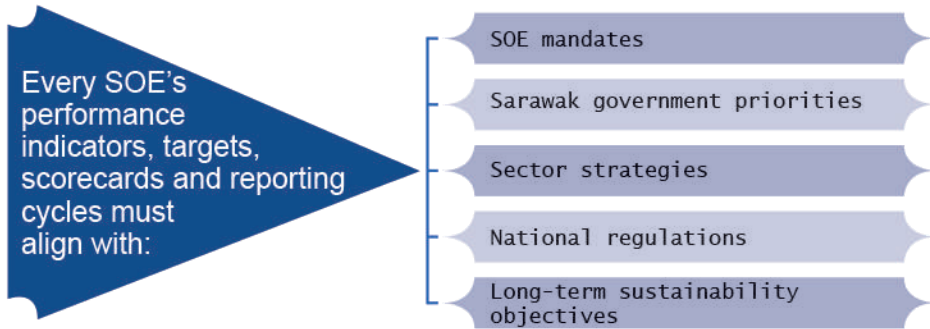
4.0

SCOPE AND APPLICATION

- 4.1 The Handbook applies to:
- Statutory Bodies
 - State-Owned Corporations
 - Government-Linked Companies (GLCs) owned or controlled by the State
 - State agencies performing commercial or quasi-commercial functions
 - SOEs with Public Policy Obligations (PPOs)
 - SOEs operating in regulated sectors such as energy, transport, water and telecommunications
- 4.2 It applies to all organisational levels, from Boards and CEOs to divisions, units and operational staff.

The performance management system in this handbook is guided by several principles that reinforce discipline and accountability:

5.1 Strategic Alignment



5.2 Transparency and Integrity

Performance data must be verified, auditable, transparent and free from manipulation.

5.3 Accountability and Consequence Management

Rewards and sanctions must be applied consistently based on actual performance.

5.4 Holistic and Balanced Measurement

Performance must reflect financial, operational, service quality, ESG, governance, risk, and transformation dimensions.

5.5 Reliability and Accuracy of Data

Data must represent actual conditions, supported by dedicated data governance and verification processes.

5.6 Continuous Improvement

Performance management must evolve continuously with new policies, technologies and sector opportunities.

6.0 STRUCTURE OF THE HANDBOOK

The Handbook is organised into the following major pillars:



1.0 INTRODUCTION TO THE GOVERNANCE FRAMEWORK

- 1.1 A robust governance framework is the foundation of effective performance management within Sarawak's State-Owned Enterprises. Governance provides the architecture through which authority is exercised, decisions are made, responsibilities are clarified, and accountability is enforced. Without a sound governance model, even the most sophisticated performance tools cannot function, as decisions become inconsistent, oversight weakens, and strategic execution loses coherence.
- 1.2 The governance framework in the Handbook ensures that Sarawak adopts a governance system that is both globally benchmarked and locally relevant.
- 1.3 Sarawak's SOEs operate in a diverse array of sectors—energy, water, transport, utilities, digital services, investment holding, real estate development, rural transformation, agriculture and food security, industrial parks, and infrastructure development. Each sector carries its own regulatory requirements, risk profiles, and operational challenges. A single, unified governance framework must therefore be flexible enough to address these differences while maintaining consistency of standards and processes across the entire SOE ecosystem.
- 1.4 This governance framework ensures that SOEs operate with professionalism, integrity, and alignment with Sarawak's policy goals, while upholding financial discipline and long-term sustainability.

2.0 LEGAL AND REGULATORY FOUNDATIONS IN SARAWAK

- 2.1 The governance of Sarawak's SOEs is anchored in a combination of federal and state laws, subsidiary regulations, government directives, and corporate governance guidelines. While each SOE may be established under its own enabling statute or incorporated under the Companies Act 2016, all SOEs are subject to a common set of governance expectations that ensure consistency and public accountability.
- 2.2 The Companies Act 2016 establishes directors' fiduciary duties, responsibilities for financial reporting, audit requirements and liabilities arising from mismanagement. Statutory bodies established under State Ordinances carry explicit legal mandates and oversight structures defined by the government. These legal foundations ensure that SOEs operate within a defined scope and observe principles of legality, transparency and stewardship of public assets.
- 2.3 Additionally, Public Authorities (Protection) Act and other state-level legislation govern responsibilities, liabilities, and protections applicable

to officers of State institutions. Beyond statutory obligations, SOEs must adhere to the Sarawak SOEs Code of Corporate Governance, which sets expectations for Board composition, independence, audit functions, transparency and ethical conduct.

- 2.4 In addition, Sarawak has its own directives, circulars, State Financial Regulations, and specific Cabinet instructions that govern the conduct of State enterprises. Together, these instruments create a multi-layered regulatory ecosystem requiring SOEs to balance commercial autonomy with public accountability. The governance framework in this Handbook aligns fully with this legal ecosystem.

3.0 ROLE OF THE STATE GOVERNMENT AS SHAREHOLDER

- 3.1 The State Government is the ultimate shareholder of Sarawak's SOEs. Its role is guided by the principles of responsible ownership, professional management, and non-interference in day-to-day operations. The State's responsibility is to set strategic directions, articulate policy outcomes, ensure financial sustainability, and safeguard public interest, without micromanaging operational decisions.
- 3.2 The Shareholder Ministry—typically the parent ministry responsible for an SOE—acts as the primary interface between the State Government and the enterprise. It ensures that the SOE's strategic objectives are aligned with the government's developmental priorities under PCDS 2030, sectoral masterplans, community impact assessments, digitalisation strategies, regional development needs and sustainability goals.
- 3.3 In this role, the State Government through State Financial Secretary's Office and Minister in charge focuses on high-level oversight: approving strategic plans, monitoring performance through quarterly and annual reviews, setting expectations for governance and financial discipline, and appointing competent board members and CEOs. It does not intervene in procurement, staffing, operational details, or internal management decisions. This separation preserves managerial autonomy, prevents political interference, and enhances organisational professionalism.

4.0 ROLE OF THE BOARD OF DIRECTORS

- 4.4 The Board of Directors is the principal accountability body within the governance structure. It bears ultimate responsibility for ensuring that the SOE fulfils its mandate, protects State assets, and upholds the highest standards of governance, sustainability and ethical conduct. The Board is accountable for the overall direction of the enterprise and must provide both strategic guidance and rigorous oversight of management performance.
- 4.5 The Board's responsibilities include approving strategic plans, ensuring alignment with State priorities, reviewing financial performance,

overseeing risk management, safeguarding governance integrity, monitoring compliance, and assessing the performance of the CEO and senior leadership. The Board must ensure that KPIs, scorecards, performance indicators, and targets are well designed, relevant, measurable, and aligned with policy priorities.

- 4.6 Boards must also maintain independence of judgement and be free from conflicts of interest. Board committees—especially Audit & Risk Committees and Remuneration Committees,—play a crucial role in providing specialised oversight. These committees strengthen transparency, ensure performance data integrity, and provide structured processes for evaluating the CEO, approving bonuses, and overseeing internal controls.
- 4.7 The Board is expected to challenge management constructively, test assumptions, probe variances, and insist on performance excellence. Effective Boards provide guidance without interfering in operations, ensuring balance between oversight and autonomy.

5.0 **ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)**

- 5.1 The CEO or General Manager in case of Statutory Body is responsible for the operational leadership of the SOE. The CEO must ensure that the organisation achieves its strategic objectives, meets KPI targets, upholds governance standards, manages risks, ensures financial sustainability, drives transformation programmes, and maintains compliance with regulations and policies.
- 5.2 The CEO must implement the strategies approved by the Board, manage organisational resources, and lead the workforce with integrity, professionalism and discipline. The CEO is also responsible for ensuring accurate and timely reporting to the Board and the Shareholder Ministry, including quarterly performance reports, annual performance summaries, financial updates, risk assessments, and transformation progress reports.
- 5.3 The CEO plays a critical role in shaping organisational culture. The performance management system's effectiveness depends heavily on the CEO's leadership, including setting expectations, cascading KPIs, conducting performance discussions, enforcing consequence management, and fostering a high-performance environment. A CEO who embraces performance culture can transform an entire organisation; one who neglects it can weaken even the best-designed system.

6.0 **ROLE OF SENIOR MANAGEMENT**

- 6.1 Senior management forms the leadership layer that translates strategy into action. They are responsible for driving divisional performance, ensuring operational reliability, managing teams, initiating corrective action, and embedding governance requirements in daily operations. Senior executives must ensure that divisional KPIs are aligned with corporate performance expectations and that they can be measured accurately.
- 6.2 Senior management must maintain strong coordination, avoiding silo behaviour and ensuring cross-departmental integration. They are expected to drive transformation programmes—digitalisation, data governance, ESG integration, operational optimisation, cost efficiency and stakeholder engagement.
- 6.3 Senior management must also support the CEO in preparing quarterly and annual performance reports, verifying data accuracy, identifying emerging risks, and proposing performance improvements. Their leadership directly affects employee morale, operational discipline, and overall performance outcomes.

7.0 **ROLE OF MIDDLE MANAGEMENT AND OPERATIONAL STAFF**

- 7.1 Middle managers operationalise performance expectations at the departmental and unit levels. They coordinate daily operations, supervise team activities, monitor progress, prepare operational data, solve problems, and ensure adherence to processes, governance rules and SOPs.
- 7.2 Middle managers are the “connective tissue” between strategy and frontline operations. Their ability to communicate expectations, analyse performance issues, and motivate their teams determines whether corporate KPIs translate into actual results. They play a crucial role in identifying performance bottlenecks, inefficiencies, risks, and customer issues.
- 7.3 Operational staff, meanwhile, form the foundation of service delivery, technical reliability, project implementation and customer satisfaction. Their day-to-day performance must be supported by clear role descriptions, competency development, continuous training, and aligned KPIs. Without an engaged and high-performing workforce, organisational transformation becomes impossible.

- 8.1 The governance principles underlying this Handbook are adapted specifically for Sarawak's conditions. Sarawak's SOEs carry statutory and commercial roles concurrently, operate in geographically diverse conditions, and carry responsibilities for both economic and social outcomes. Governance must therefore balance commercial autonomy with developmental obligations.
- 8.2 Some core principles include:

Autonomy with Accountability

SOEs enjoy autonomy in operational decisions but must adhere to strict performance and governance obligations set by the State.

Professionalism and Meritocracy

Boards and senior appointments must be based on competence, integrity and relevant expertise.

Transparency and Reporting Integrity

Quarterly reports, annual performance updates, and financial disclosures must be accurate, timely and verifiable.

Ethical Stewardship of Public Assets

SOEs must protect State-owned resources, prevent wastage, ensure prudence and avoid conflicts of interest.

Sustainability as a Governance Responsibility

ESG responsibilities should be embedded at Board and leadership levels.

Risk Management and Resilience

Risk governance must be integrated into performance reporting and decision-making.

- 8.3 These principles ensure that Sarawak's SOEs operate with world-class governance standards suitable for a rapidly evolving global environment.

1.0 INTRODUCTION

- 1.1 Strategic planning is the process through which a State-Owned Enterprise transforms its statutory mandate and the State's development priorities into clear objectives, achievable targets, operational plans, and measurable performance indicators. Effective strategic planning aligns organisational actions with higher-level State objectives under the Post-COVID Development Strategy (PCDS) 2030, while ensuring that the SOE remains financially sustainable, operationally disciplined, and responsive to stakeholders.
- 1.2 In Sarawak's context, strategic planning is especially critical because SOEs often carry dual roles:

Commercial responsibilities

which require financial discipline, efficiency, and competitiveness; and

Public policy obligations

which require developmental impact, inclusivity, and service accessibility.

- 1.3 Strategic planning must therefore balance commercial imperatives with social outcomes, ensuring that neither dimension undermines the other.

2.0 UNDERSTANDING THE SOE MANDATE

- 2.1 The mandate of an SOE defines the enterprise's core purpose. It may be expressed through legislation, Cabinet directives, shareholder expectations, State development plans, or founding documents. The mandate clarifies what the SOE exists to do, the scope of its activities, and the outcomes it must deliver for the State.

2.2 In Sarawak, mandates often include:

- 1** Building and maintaining essential infrastructure
- 2** Delivering public services such as transport, utilities and digital connectivity
- 3** Managing energy generation, renewable energy transition, and resource stewardship
- 4** Driving regional integration and rural development
- 5** Developing human capital through training, education or vocational services
- 6** Supporting industrial growth, investment attraction and economic diversification
- 7** Generating income or returns to support State finances
- 8** Protecting community interests and supporting local enterprises

- 2.3 A clear understanding of mandate is the starting point for any performance management system. Without clarity of mandate, KPIs become arbitrary, performance reviews become inconsistent, and expectations differ across leadership levels.

3.0 TRANSLATING MANDATE INTO STRATEGIC OUTCOMES

- 3.1 The mandate must be unpacked into strategic outcomes—long-term results that the SOE must achieve to be considered successful. Strategic outcomes represent the enterprise's intended contribution to the State and its stakeholders. They must be aligned with PCDS 2030's six sectors (Economic Prosperity, Social Inclusivity, Environmental Sustainability, Human Capital, Infrastructure, and Digital Transformation). For example:
- An energy SOE may translate its mandate into outcomes related to renewable energy integration, grid stability, carbon reduction and energy access.
 - A water utility may focus on water security, reliability, rural access and non-revenue water reduction.
 - A development agency may focus on project delivery, regional integration and economic uplift of rural regions.
 - A GLC involved in investments may target portfolio diversification, returns optimisation and fiscal contribution to the State.
- 3.2 Strategic outcomes must be clear, long-term, and directional. They do not yet specify performance indicators or targets, but they establish the core themes that eventual KPIs must measure.

4.0

ESTABLISHING STRATEGIC PILLARS

- 4.1 Strategic pillars are the major areas of focus that support the achievement of strategic outcomes. They function as the architecture of strategic planning and form the backbone of corporate scorecards.
- 4.2 Strategic pillars emerge through a rigorous review of mandate, environmental factors, and stakeholder needs. Typical strategic pillars for Sarawak's SOEs may include:
 - Financial sustainability
 - Operational excellence
 - Customer and stakeholder satisfaction
 - Sustainability and ESG
 - Digital transformation
 - Human capital and capability development
 - Governance, integrity and risk management
 - Public policy obligations and social impact
- 4.3 These pillars must reflect both the SOE's internal needs and external obligations. Boards must approve strategic pillars after a structured consultation process involving management, shareholders, regulators, auditors, and key stakeholders.

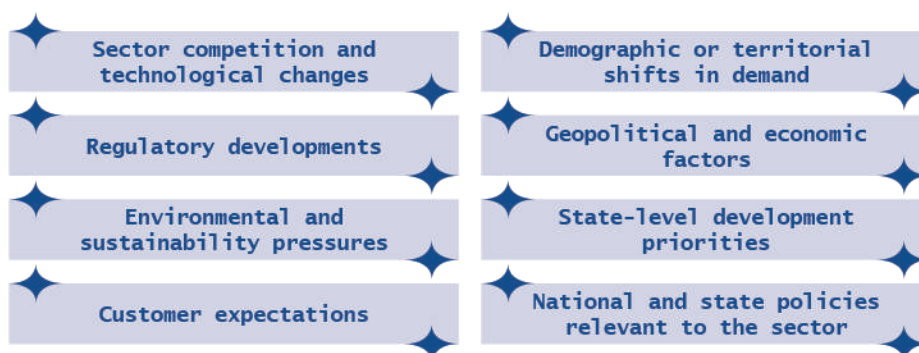
5.0

CONDUCTING THE STRATEGIC ANALYSIS PROCESS

- 5.1 Strategic planning requires a disciplined analysis of internal and external environments. This includes mandate assessment, sector scanning, regulatory analysis, financial review, operational diagnostics, and risk mapping. The SOE must evaluate:



5.2 This includes assessment of:



5.3 **Strategic Context Mapping is crucial** as it ensures that SOE strategies consider all relevant influences, risk exposures and opportunities.

6.0 ALIGNING STRATEGIC PLANS WITH PCDS 2030

6.1 Every SOE must explicitly align its corporate strategy with the Post-COVID Development Strategy (PCDS) 2030. This alignment is not optional. The State expects SOEs to actively contribute to the transformation agenda, which includes:

- Achieving high-income status
- Strengthening resilience and sustainability
- Expanding renewable energy and green growth
- Improving rural accessibility and territorial balance
- Advancing digital transformation
- Enhancing human capital
- Supporting diversification through high-value industries

6.2 The alignment process requires:

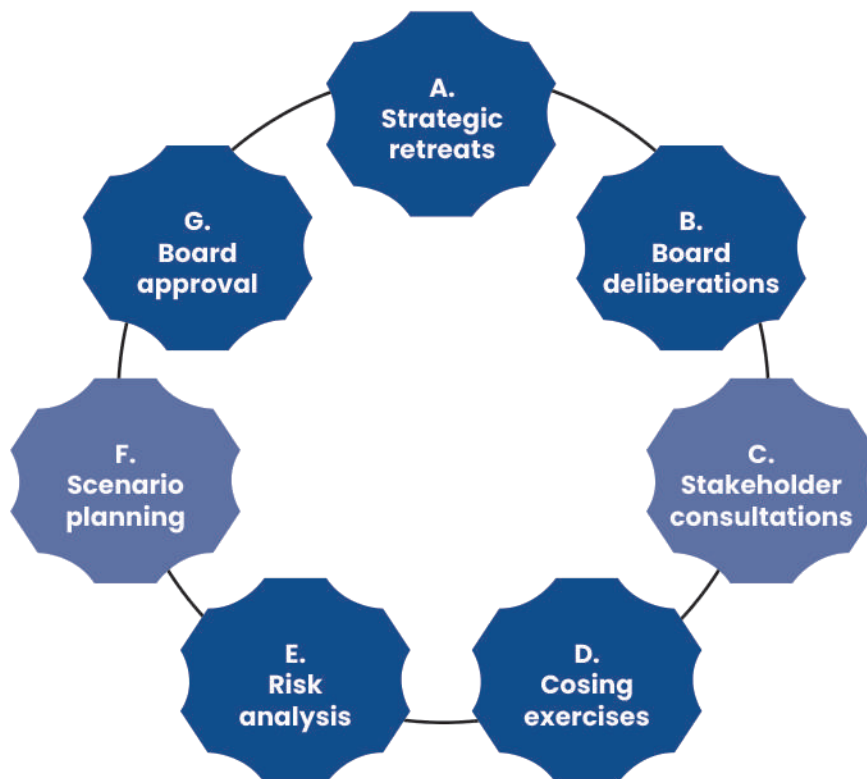
- identifying relevant PCDS pillars for the SOE;
- determining which performance indicators contribute to these pillars;
- integrating the indicators into strategic pillars;
- ensuring KPIs reflect measurable contributions to PCDS priorities.

6.3 For example, a rural development agency must align KPIs directly with rural infrastructure targets. An energy SOE must align KPIs with renewable capacity expansion and emissions reduction.

SOEs should prepare:

- **5-year Strategic Plan,**
- **rolling 3-year Corporate Plan,**
- **1-year Annual Operating or Business Plan or Annual Scorecards.**

7.1 These plans must align with the State's medium-term fiscal framework and sector priorities. The planning cycle includes:



7.2 Corporate plans should be submitted to the Shareholder Ministry for review and acknowledgment.

The Strategic Performance Map (SPM) provides a clear line of sight between the organisation's mandate and its desired impact. It illustrates how strategic priorities are translated into measurable results by linking mandate, outcomes, pillars, objectives and KPIs.

The Strategic Performance Map links
MANDATE ► OUTCOMES ► PILLARS ► OBJECTIVES ► KPIs.



**The SPM
Ensures
That:**

- i. every KPI is anchored to a clear strategic purpose and organisational priority,
- ii. performance measurement remains aligned with the organisation's mandate and strategic direction,
- iii. all SOE initiatives and activities contribute meaningfully towards the achievement of strategic outcomes, and
- iv. performance management is embedded as a systematic and institutionalised discipline rather than an ad hoc exercise.

Ultimately, the SPM serves as the foundational framework for the development of the corporate scorecard, enabling a coherent and measurable approach to organisational performance management.

9.0 PUBLIC POLICY OBLIGATIONS

- 9.1 Many Sarawak SOEs deliver public services or infrastructure that carry **Public Policy Obligations (PPOs)**. These obligations must be clearly identified, costed, measured, and incorporated into strategic planning. For example:
- discounted tariffs for rural areas,
 - maintaining non-profit services,
 - operating routes or services that are commercially unattractive,
 - conducting community development programmes.
- 9.2 PPO KPIs must be differentiated from commercial KPIs to ensure fairness in performance evaluation and bonus determination.

10.1 Sarawak's development aspirations are intrinsically linked to sustainable and responsible growth. In this context, SOEs are encouraged to integrate ESG considerations into their strategic planning frameworks, operational priorities, and performance indicators, where relevant to their respective mandates and core business activities.

10.2 Embedding ESG principles within strategic plans strengthens organisational resilience, enhances long-term value creation, and supports sustainable socio-economic development. Key areas of ESG integration may include:

1

Carbon reduction initiatives to support low-carbon development

2

Energy efficiency programmes aimed at optimising resource utilisation

3

Responsible waste management practices that minimise environmental impact

4

Community engagement initiatives that promote inclusive and shared prosperity

5

Occupational safety and health measures to ensure a safe and productive workforce

6

Ethical governance and regulatory compliance to uphold integrity and accountability

7

Transparency and reporting integrity to strengthen stakeholder confidence and public trust

10.3 The incorporation of ESG indicators should be aligned with Sarawak's environmental sustainability agenda, green growth policies, and broader long-term development priorities.

- 11.1 Strategic planning must not exist as a standalone exercise. Instead, it should serve as the central foundation that drives the organisation's overall performance management framework. This includes the formulation of Key Performance Indicators (KPIs), target setting, corporate scorecards, quarterly performance reviews, Chief Executive Officer (CEO) evaluations, and the determination of reward and incentive eligibility.
- 11.2 To ensure organisational alignment and accountability:
- all KPIs should be established within the context of approved strategic priorities and objectives,
 - all performance assessments should be evaluated against the organisation's strategic direction and intended outcomes, and
 - all rewards and recognition mechanisms should reflect the extent to which performance contributes to strategic achievement and value creation.
- 11.3 This integrated approach strengthens organisational coherence, reinforces performance discipline, and ensures that all levels of the organisation remain focused on delivering purpose-driven and measurable outcomes.

1.0 INTRODUCTION

- 1.1 A corporate performance management system provides the formal mechanism through which State-Owned Enterprises in Sarawak transform strategic goals into measurable outcomes, evaluate organisational effectiveness, and ensure accountability in the use of public resources. It establishes a structured process for defining performance, monitoring results, identifying challenges, and implementing corrective actions. This system ensures that SOEs operate with discipline, transparency, and alignment with the State's overarching development agenda under PCDS 2030.
- 1.2 This handbook emphasises that performance management is not a reporting activity but a system of leadership, governance, and continuous assessment. This involves cascading KPIs and performance-linked rewards, and integrating data governance, sustainability reporting, risk management and transformation metrics. This ensures that Sarawak's system is both holistic and deeply anchored in international standards.
- 1.3 The performance management system is intended to be practical, rigorous and adaptable. It ensures that SOEs can operate with commercial discipline while fulfilling public policy obligations, maintaining operational reliability, and managing risks within an increasingly complex regulatory environment.

**2.0 CORE COMPONENTS OF THE PERFORMANCE
MANAGEMENT SYSTEM**

- 2.1 There are six (6) elements of a performance management system as follows:



- 2.2 The above elements form an interlocking framework that prevents performance drift, reinforces accountability, and ensures consistency across the SOE ecosystem.

- 3.1 Corporate scorecards translate the SOE's strategic pillars into measurable performance dimensions. They provide a structured view of organisational health and define the areas against which Boards, CEOs and Management are held accountable.
- 3.2 Corporate scorecards should be built around seven (7) primary dimensions, as follows:



- 3.3 Each dimension must contain clearly defined KPIs supported by reliable data sources. The corporate scorecard becomes binding once approved by the Board and acknowledged by the Shareholder Ministry. It becomes the principal reference for quarterly reviews, CEO evaluations, and bonus determination.
- 3.4 The use of scorecards ensures that performance is not reduced to financial metrics alone but reflects a balanced and comprehensive view of enterprise health.

- 4.1 Performance Indicators act as signals that reflect the organisation's progress in specific areas. They may be quantitative or qualitative, leading or lagging, output-based or outcome-based. SOEs must, however, focus on outcome-based KPIs that are aligned with Results-based Budgeting (RBB). SOEs are required to document all indicators through definition sheets.
- 4.2 A performance indicator must be defined with clarity of meaning, measurable criteria, data sources, computation methodology, reporting frequency and verification protocols. Ambiguous indicators are discouraged because they lead to inconsistent interpretation, weak accountability and unreliable reporting.

**Indicators
may
capture:**

- ♦ **financial movements such as operating margins or cost recovery**
- ♦ **operational reliability such as downtime, failure rates or service continuity**
- ♦ **customer responsiveness such as resolution times or satisfaction scores**
- ♦ **sustainability contributions such as emissions reductions or safety compliance**
- ♦ **PPO delivery such as rural connectivity, subsidised schemes or community inclusion**
- ♦ **transformation progress such as digitalisation milestones or organisational restructuring**

- 4.3 Each indicator serves a purpose within the broader framework of organisational accountability.

5.0 DEVELOPING KEY PERFORMANCE INDICATORS (KPIs)

- 5.1 KPIs represent the highest level of performance commitment. While indicators measure aspects of performance, KPIs define the most critical outcomes that drive organisational success and Board accountability. KPIs should differentiate between “important” and “mission-critical” measures.

KPIs must be directly linked to:	KPIs must be:
• strategic pillars • mandate interpretation • PCDS 2030 alignment • sectoral requirements • and State priorities	• verifiable • measurable • realistic yet challenging • stable over the performance cycle • supported by robust data systems

- 5.2 KPIs may include financial, operational, stakeholder, ESG, governance and transformation metrics. For PPO-driven SOEs, PPO KPIs must be established separately so that performance assessments do not penalise or distort the SOE’s delivery of public obligations.
- 5.3 KPIs become binding upon Board approval.

6.0 TARGET SETTING METHODOLOGY

- 6.1 Targets are specific performance thresholds that define the expected level of achievement for each KPI. Target-setting is not a political process nor a negotiation of convenience; it is a technical exercise grounded in:
- analysis of historical trends,
 - benchmarking against regional and international peers,
 - resource availability,
 - regulatory constraints,
 - operational realities, and
 - strategic ambition.

- 6.2 SOEs are required to include the rationale behind target levels, especially where performance gaps exist. Every target include:

**Every
Target
Include:**

- ♦ a justification narrative
- ♦ data supporting the target
- ♦ risk factors affecting achievement
- ♦ enablers required to support execution

- 6.3 Targets must not be routinely lowered to secure bonuses nor set artificially high as an excuse for underperformance. The Board must apply strict scrutiny, and the Shareholder Ministry may require justification for targets that appear misaligned with sector expectations or State priorities.

7.0 DATA GOVERNANCE AND PERFORMANCE INTEGRITY

- 7.1 **Data governance** is critical and must be managed systematically as this is part of the broader digitalisation agenda under PCDS 2030.
- 7.2 Performance data must be:
- Accurate,
 - Timely,
 - Complete,
 - Consistent,
 - Independently Verifiable, and
 - Securely Stored.
- 7.3 Every SOE should establish a data governance framework, which includes:
- data owners for each KPI,
 - documented data sources,
 - data processing protocols,
 - internal verification processes,
 - periodic data audits, and
 - clear approval workflows for performance submissions.
- 7.4 Without strong data governance, performance management collapses into subjectivity. Sarawak's standard requires all SOEs to demonstrate audit readiness for KPI-related data at any time.

- 8.1 Quarterly performance reviews constitute a critical component of the Corporate Performance Management System and serve as the primary mechanism for monitoring organisational progress, assessing implementation effectiveness, and ensuring accountability in the delivery of strategic objectives. To support effective oversight and informed decision-making, quarterly performance reports should comprehensively include:
- KPI performance dashboards and variance analysis,
 - explanatory narratives for significant performance deviations,
 - financial performance summaries and key financial indicators,
 - operational and project implementation updates,
 - enterprise risk assessments and mitigation measures,
 - Environmental, Social and Governance (ESG) performance updates,
 - organisational transformation and reform progress, and
 - corrective actions, intervention measures, and recovery strategies undertaken.
- 8.2 The CEO should present the quarterly performance report to the Board of Directors within thirty (30) days following the end of each quarter. Copies of the report should also be submitted to the respective Shareholder Ministry and the State Financial Secretary's Office through the eSOEs online monitoring system to facilitate continuous oversight and coordinated performance governance.
- 8.3 Quarterly performance reviews should not be treated merely as administrative or compliance submissions. Instead, they must function as analytical, evidence-based and action-oriented management tools that support strategic decision-making, strengthen organisational responsiveness and drive continuous performance improvement.

9.0

PERFORMANCE REVIEW MEETINGS

- 9.1 Performance review meetings, conducted quarterly, serve as the formal setting for structured evaluation and dialogue between the Board and management. These meetings assess results and ensure accountability by:
- requiring pre-meeting verification by Internal Audit or the Strategy Office,
 - mandating attendance by all relevant division heads,
 - requiring the CEO to explain material underperformance,
 - enforcing predefined escalation protocols for red-flag indicators,
 - documenting decisions, actions and follow-up timelines.
- 9.2 The Board must challenge assumptions, test explanations, and ensure corrective actions are meaningful. Performance review meetings must be substantive, not ceremonial.

10.0

ANNUAL PERFORMANCE EVALUATION

- 10.1 The annual performance evaluation integrates quarterly results into a holistic review. This evaluation feeds into:
- CEO performance assessments,
 - senior management reviews,
 - bonus determination,
 - strategic plan updates,
 - risk reassessment, and
 - overall organisational improvement.

The annual report must include

- ♦ audited financials,
- ♦ performance achievements,
- ♦ ESG disclosures,
- ♦ risk mitigation effectiveness,
- ♦ transformation outcomes, and
- ♦ future plans.

- 10.2 The Shareholder Ministry and SFSO receives the annual performance report for consolidation of sector performance and identification of systemic issues.

11.0

ESCALATION, INTERVENTION AND CORRECTIVE ACTION MECHANISMS

- 11.1 Any KPI that is red-rated must trigger immediate escalation to the CEO, followed by:
- root-cause analysis,
 - corrective action plan,
 - resource adjustment if required, and
 - timeline for recovery.
- 11.2 Where underperformance is severe or recurring,
- the issue must be escalated to the Board,
 - special board committees may review the matter,
 - external intervention may be considered, and
 - leadership performance consequences may follow.

“The objective is not punishment but restoration of performance.”

12.0

INTEGRATING RISK MANAGEMENT INTO PERFORMANCE

- 12.1 Sarawak mandates that risk governance be integrated into the performance system. Every quarterly and annual report must include risk assessments with:
- key risk indicators (KRIs),
 - risk score movement,
 - mitigation progress,
 - emerging risks, and
 - impacts on KPI achievement.
- 12.2 Risk management must not be a standalone function; it must be central to performance integrity.

13.0

PERFORMANCE DIALOGUE AND ORGANISATIONAL LEARNING

- 13.1 Performance dialogue is essential to building understanding across the organization which can be implemented as follows:
- structured conversations between CEO and senior management,
 - team-level sessions to review divisional performance,
 - cross-functional learning discussions,
 - documentation of lessons learned, and
 - institutionalisation of process improvements.
- 13.2 This transforms performance management into an organisational culture.

14.0

LINKING CORPORATE PERFORMANCE TO BUDGETING AND RESOURCE ALLOCATION

- 14.1 Performance results must influence resource allocation in the following manner:
- High-performing programmes receive stability or expansion funding,
 - Underperforming programmes undergo review,
 - New initiatives must justify expected performance contributions, and
 - Transformation programmes must have performance milestones tied to funding.
- 14.2 This ensures financial discipline and strategic coherence.

1.0 INTRODUCTION TO KPI CASCADING

- 1.1 KPI cascading is the structured process of translating corporate-level KPIs into divisional, departmental, and individual performance measures. The purpose of cascading is to ensure that strategic goals are understood, owned, and operationalised at every level of the organisation. While corporate KPIs represent the commitments made by the Board and CEO, cascading ensures that the work required to achieve these commitments is distributed appropriately across units and individuals.
- 1.2 KPI cascading ensures that all employees understand how their daily tasks contribute to broader organisational success. It also ensures that performance reviews can meaningfully evaluate individual contributions, not just corporate outcomes. This linkage is essential for developing a high-performance culture throughout the organisation.

WHY KPI CASCADING MATTERS



STRATEGIC ALIGNMENT
Ensures all units move toward shared objectives.



ACCOUNTABILITY
Clarifies ownership across the organisation.



TRANSPARENCY
Improves performance monitoring and reporting.



HIGH-PERFORMANCE CULTURE
Links employee contributions to organisational success.



GOVERNANCE & SUSTAINABILITY
Supports long-term strategic delivery and ESG priorities.

“What gets measured gets managed – but what gets aligned gets delivered.”

2.0 CORPORATE-TO-DIVISIONAL CASCADING

- 2.1 The first stage of cascading occurs between the corporate scorecard and the divisional scorecards. Each corporate KPI must be analysed to determine which divisional functions influence or contribute to its achievement. Divisional KPIs must reflect the unique responsibilities of each division while maintaining alignment with corporate priorities.
- 2.2 For example, if a corporate KPI concerns reducing non-revenue water, the engineering division may adopt KPIs on leak detection rates and pipe replacement schedules, while the operations division may track repair times and customer reporting accuracy. If a corporate KPI focuses on financial sustainability, the finance division may track cost efficiency and revenue assurance metrics, while the commercial division may measure sales performance and customer retention.
- 2.3 Divisional KPIs must not dilute or contradict corporate KPIs. Instead, they must support them with granularity, clarity and operational relevance. The Board holds the CEO accountable for ensuring that corporate KPIs are appropriately cascaded across divisions.

3.0 DIVISIONAL-TO-DEPARTMENTAL CASCADING

- 3.1 The next stage of cascading occurs at the departmental level. Each department must identify its specific contributions to divisional outcomes and formalise these into measurable departmental KPIs. These departmental KPIs must be well-defined, time-bound, and supported by reliable data systems.
- 3.2 Departments such as Human Resources, Finance, ICT, Procurement, Legal, Communications, and Internal Audit must also adopt KPIs aligned with governance and support functions. Even if these departments do not directly influence profit or revenue, they significantly impact organisational performance through operational support, compliance, talent management, and risk management.
- 3.3 All departments are required to document KPI ownership, data sources, expected outcomes, and risk factors. Department heads must also participate in quarterly performance reviews to ensure transparency and cross-functional accountability.

4.0 DEPARTMENTAL-TO-INDIVIDUAL CASCADING

- 4.1 The final stage of cascading occurs at the individual level, where employee performance agreements or individual scorecards incorporate KPIs derived from departmental plans. These individual KPIs must reflect the employee's role, responsibilities, job grade, and capacity to influence departmental outcomes.
- 4.2 Individual KPIs must be specific, measurable, and directly linked to organisational needs. They must not be generic or purely administrative. Where appropriate, individual KPIs may reflect behavioural expectations (e.g., teamwork, leadership, integrity), which are essential for shaping organisational culture.
- 4.3 Employees must be briefed on their KPIs at the beginning of each performance cycle, and discussions must be documented. Individual KPIs form the foundation for annual performance evaluations, performance improvement plans, and rewards under the compensation framework.

5.0 ENSURING ALIGNMENT THROUGHOUT THE ORGANISATION

- 5.1 Alignment means that the organisation moves in a single direction, guided by a shared understanding of priorities and expectations. Alignment requires:
- consistent communication from leadership,
 - shared ownership of corporate KPIs,
 - transparency in cascading,
 - coherence between strategic plans and performance expectations, and
 - discipline in reporting and review cycles.
- 5.2 When alignment is strong, the organisation becomes coordinated, efficient and focused. When alignment is weak, divisions operate in silos, performance reviews become inconsistent, and strategic goals fail to cascade into daily operations.
- 5.3 The Guidebook institutionalises alignment by requiring annual audits of the cascading process, random verification of individual KPIs, and structured calibration sessions to ensure consistency across units.

6.0 PERFORMANCE ARCHITECTURE AND FLOW OF ACCOUNTABILITY

- 6.1 Performance architecture is the structured arrangement of performance elements—from strategic goals to KPIs, cascading, reporting, review cycles, and reward mechanisms form.
- 6.2 The architecture begins with the SOE's mandate, which is then translated into strategic outcomes, which are grouped into strategic pillars. These pillars form the basis for corporate KPIs, which then cascade into divisional, departmental, and individual KPIs.

Supporting this are:

- data systems
- performance review processes
- escalation protocols
- CEO evaluations
- reward eligibility rules
- outcome reporting

- 6.3 Accountability flows through this architecture: individuals report to departments, departments report to divisions, divisions report to the CEO, the CEO reports to the Board, and the Board reports to the State Government as shareholder as well as Minister-in-Charge and SFSO.

- 6.4 This unified architecture prevents fragmentation, increases clarity, and ensures that everyone in the organisation understands their role in delivering performance.

7.0 INTEGRATING TRANSFORMATION METRICS

- 7.1 Sarawak's SOEs are undergoing significant transformation—digitalisation, process modernisation, ESG implementation, restructuring, capability building, and energy transition under the framework of the SOEs Transformation Blueprint 2030. These transformations must be reflected in KPI frameworks, scorecards and performance reviews.

Transformation metrics measure progress in areas such as



- 7.2 Transformation KPIs must be distinguished from business-as-usual KPIs. Transformation KPIs typically capture medium- to long-term initiatives rather than routine operations. They require clarity in milestones, timelines, resource needs and expected outcomes. These metrics ensure that transformation efforts do not stagnate or lose momentum.
- 7.3 Boards are required to monitor transformation KPIs with the same seriousness as operational KPIs, as transformation is essential for long-term SOE resilience.

8.0 INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE METRICS

- 8.1 Environmental, Social and Governance (ESG) metrics have become central to performance management. Sarawak's green agenda, energy transition commitments, biodiversity priorities and environmental protection responsibilities make ESG KPIs essential, not optional.

ESG KPIs may include

- ♦ Carbon intensity levels
- ♦ Greenhouse gas reduction targets
- ♦ Renewable energy penetration
- ♦ Waste reduction and recycling
- ♦ Safety compliance records
- ♦ Community engagement programmes
- ♦ Environmental impact assessments

- 8.2 Sarawak's adaptation requires SOEs to incorporate ESG KPIs into corporate scorecards where applicable. ESG metrics must also be reflected in quarterly performance reviews, CEO evaluations, and bonus eligibility assessments.

9.0

BALANCING COMMERCIAL AND PUBLIC POLICY OBLIGATIONS

- 9.1 A unique feature of Sarawak's SOEs is that many operate with **dual mandates**—commercial objectives and Public Policy Obligations (PPOs). PPOs include rural service provision, subsidies, strategic infrastructure projects, and social support initiatives. Performance management must account for both as follows:

Commercial KPIs

measure profitability, efficiency, service quality and operational reliability.

PPO KPIs

measure public impact, community benefit, accessibility and equitable service distribution.

- 9.2 PPO KPIs must be measured rigorously, not informally. They must be costed, tracked and reported quarterly. Assessments must recognise that fulfilling PPOs may reduce commercial returns but increase societal value.
- 9.3 Performance-linked rewards must account for PPO achievements separately. This ensures fairness and prevents penalising SOEs for executing state-mandated obligations.

10.0 USING LEADING AND LAGGING INDICATORS

10.1 Effective performance management requires both leading and lagging indicators. Lagging indicators measure outcomes after the fact, while leading indicators predict future performance. Examples:

LAGGING

profitability, revenue, downtime, customer satisfaction scores.

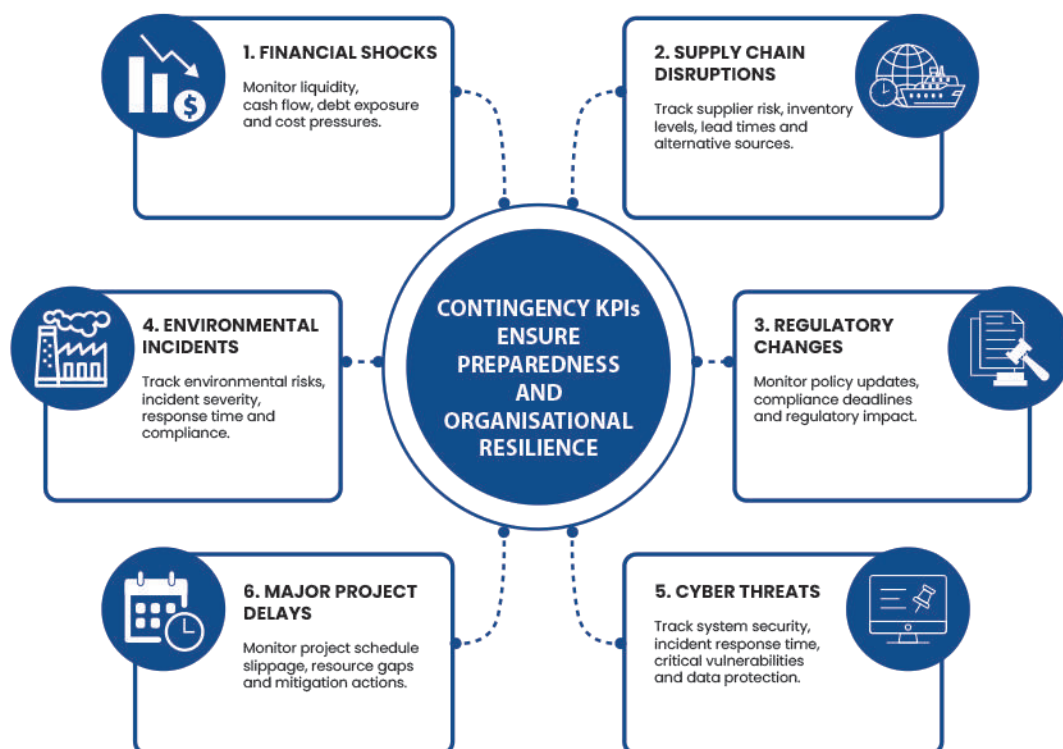
LEADING

pipeline of new customers, planned maintenance schedules, early risk indicators, digitalisation adoption rates.

10.2 Leading indicators enable proactive decisions, reducing the risk of late intervention. SOEs must blend both types into their corporate and divisional scorecards.

11.0 SCENARIO PLANNING AND CONTINGENCY KPIS

11.1 Scenario-based planning helps SOEs anticipate risks and define contingency KPIs to respond, recover and stay resilient.



By planning for different scenarios and tracking the right contingency KPis, SOEs strengthen resilience, protect value and ensure business continuity.

1.0 INTRODUCTION

- 1.1 Performance monitoring and reporting constitute the operational engine of the Handbook. Without disciplined monitoring, the KPIs, scorecards, targets and cascading systems established earlier cannot translate into accountability or results. Monitoring is not a passive activity; it is a structured, time-bound, evidence-driven process that enables SOEs to identify performance gaps early, understand emerging risks, and take timely corrective actions.
- 1.2 The Handbook requires SOEs to submit quarterly and annual performance reports using standard templates, supported by narrative analyses, data verifications and explanatory documentation through the eSOEs online system. This system ensures consistency across all SOEs, enabling the State to monitor enterprise-level, sector-level, and whole-of-government SOE performance.

MONITORING IN ACTION



2.0 PURPOSE OF THE PERFORMANCE MONITORING SYSTEM

- 2.1 The performance monitoring system serves several critical purposes.



04**PROMOTES LEARNING**

Well-designed reports contain root-cause analyses and reflection sections, which are crucial for improving processes, developing capabilities, and strengthening organisational culture.

05**ENSURES ALIGNMENT WITH STATE PRIORITIES**

Reports allow the Shareholder Ministry and SFSO to track aggregate progress, identify cross-cutting issues, and intervene where necessary, in support of PCDS 2030.

3.0 STRUCTURE OF QUARTERLY REPORTS

3.1 Quarterly reports are the backbone of the monitoring system. They must be submitted within 30 days after the close of each quarter.

3.2 Each quarterly report should include:

01**EXECUTIVE SUMMARY**

– summarising achievements, challenges and required decisions.

02**CORPORATE SCORECARD PERFORMANCE**

– showing KPI results against targets, including explanations for variances.

03**FINANCIAL PERFORMANCE**

– summarising revenue, expenditure, cash flow, capital expenditure and budget variance.

04**OPERATIONAL PERFORMANCE**

– reporting on reliability, efficiency, service quality and sector-specific metrics.

05**PPO PERFORMANCE (IF APPLICABLE)**

– providing detailed results for public policy obligations.

06**ESG AND SUSTAINABILITY**

– capturing environmental, safety, community-impact and governance indicators.

07**RISK MANAGEMENT UPDATE**

– showing key risk movements, mitigation actions and emerging risks.

08**STRATEGIC TRANSFORMATION AND DIGITALISATION**

– highlighting milestones and challenges.

09**CORRECTIVE ACTION PLAN**

– detailing actions, timelines and responsible officers.

10**SUPPORTING DOCUMENTATION**

– data sheets, verification statements, audit checks and technical annexes.

- 3.3 Quarterly reports must be narrative-driven, data-supported and decision-oriented. They are not administrative forms but leadership accountability instruments.

4.0 NARRATIVE EXPLANATIONS AND VARIANCE ANALYSES

- 4.1 Narrative explanations must communicate the story behind the numbers.

A proper narrative must explain:

- ♦ Whether the KPI was achieved or missed
- ♦ The reasons for variance
- ♦ Internal and external factors contributing to results
- ♦ Corrective measures undertaken
- ♦ Consequences of inaction if left unresolved
- ♦ Future performance outlook

- 4.2 Variance analysis must not be superficial. Explanations such as “target not met due to operational issues” are unacceptable. Instead, SOEs must engage in root-cause analysis, referencing data trends, process failures, staffing issues, technological shortcomings or environmental conditions.
- 4.3 Variance analyses must enable learning and improvement. They form the foundation for corrective action planning.

5.0 FINANCIAL PERFORMANCE REPORTING

- 5.1 Quarterly financial performance is essential due to SOEs' responsibility to safeguard public resources.

Reports Must Include:

- ♦ Year-to-date financial results
- ♦ Comparisons against approved budgets
- ♦ Variance explanations
- ♦ Revenue and cost drivers
- ♦ Liquidity position
- ♦ Debt service coverage
- ♦ Capital expenditure progress
- ♦ Long-term financial sustainability indicators

- 5.2 Financial reporting **must comply** with **Malaysian Financial Reporting Standards (MFRS)** and internal accounting policies.
- 5.3 If financial risks emerge—such as persistent deficits, rising debt, cost overruns or cash flow weaknesses—the issue must be escalated to the Board immediately.

- 6.1 Operational performance reporting reflects the SOE's capacity to deliver its core services—energy, water, transport, digital connectivity, infrastructure, development programmes, investment management and other essential services.

Reports must include:

- ♦ **Service reliability indicators**
- ♦ **Asset utilisation**
- ♦ **System failures and downtime**
- ♦ **Project milestones**
- ♦ **Productivity measures**
- ♦ **Quality assurance findings**
- ♦ **Customer complaints resolution**

- 6.2 Operational reporting must reflect the realities of Sarawak's geographical and infrastructural context, which includes rural connectivity challenges, weather impacts, dispersed populations and varying levels of demand.

- 6.3 Sarawak requires SOEs to adopt sector-specific operational KPIs:

Electricity	SAIDI, SAIFI, grid stability, renewable energy penetration.
Water	NRW levels, supply interruptions, coverage expansion.
Transport	on-time performance, fleet availability, safety compliance.
Telecom/Digital	coverage, service uptime, customer experience.
Development Agencies	project delivery timelines, cost variances.

- 6.4 Operational performance forms one of the most heavily weighted dimensions in KPI evaluation.

7.0

PUBLIC POLICY OBLIGATION (PPO) PERFORMANCE REPORTING

- 7.1 For SOEs entrusted with PPOs, quarterly reporting must cover:
- scope of obligations delivered,
 - financial cost of PPO delivery,
 - social impact achieved,
 - geographical coverage,
 - underserved communities reached,
 - quality of services provided,
 - implementation challenges and risks.
- 7.2 PPO reporting must be disaggregated by location, demographic, type of service, and cost category.

8.0

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) AND SUSTAINABILITY REPORTING

Quarterly ESG reporting includes

- ♦ Environmental compliance
- ♦ Emissions and energy use trends
- ♦ Safety incidents and corrective actions
- ♦ Occupational health metrics
- ♦ Community engagement outcomes
- ♦ Governance compliance
- ♦ Audit issues

Sarawak's green commitments—including renewable energy scaling, biodiversity protection, pollution prevention and carbon reduction—require ESG results to be treated with the same seriousness as financial performance.

"ESG Performance Equals Financial Performance."

9.0 RISK REPORTING AND EARLY WARNING INDICATORS

9.1 SOEs should report key risks each quarter, including:



9.2 Risk reporting must include risk scores, mitigation status, escalation needs and potential impact on KPIs.

10.0 TRANSFORMATION AND DIGITALISATION REPORTING

Transformation reporting includes:

- ♦ Digital system rollouts
- ♦ Automation progress
- ♦ Data governance improvements
- ♦ Competency development
- ♦ Organisational restructuring updates
- ♦ Maturity-level assessments

Sarawak requires transformation reporting because transformation is central to achieving PCDS 2030 goals.

11.0 CORRECTIVE ACTION PLANNING

- 11.1 Every quarterly report must include corrective action plans for under performance red- and amber-rated KPIs.

Corrective actions must specify:

- ♦ The issue
- ♦ Root causes
- ♦ Proposed solutions
- ♦ Responsible officers
- ♦ Required resources
- ♦ Timelines for completion

- 11.2 Corrective actions must be reviewed in the next quarter. Repeated failure to implement corrective actions triggers escalation to the Board or Shareholder Ministry or SFSO.

12.0 ANNUAL PERFORMANCE REPORT

- 12.1 The Annual Performance Report consolidates all quarterly results. It must include:



- 12.2 Annual reports serve as the authoritative record of SOE performance for the financial year.

13.0

ROLE OF THE SHAREHOLDER MINISTRY AND SFSO IN MONITORING



14.0

CONTINUOUS MONITORING AND AUTOMATED REPORTING SYSTEMS

Sarawak encourages SOEs to adopt digital reporting dashboards. Data must be integrated, real-time where possible, and automated to reduce human error. Digital dashboards enable the Ministry and Board to monitor performance continuously, not only during quarterly reporting windows.

1.0 INTRODUCTION

- 1.1 The Individual Performance Management System (IPMS) forms the bridge between corporate performance and human capital effectiveness. While corporate KPIs reflect an organisation's strategic commitments, the IPMS ensures that every individual employee—CEO, senior management, middle managers, and staff—contributes meaningfully to these commitments. This is where performance becomes personal, measurable, and actionable.
- 1.2 Individual performance management is treated as a mandatory organisational discipline, requiring structured performance agreements, documentation, review cycles, and consequence management. Performance must cascade down to every individual and that leadership accountability must be measured against both results and behaviours.



2.0

PURPOSE OF THE INDIVIDUAL PERFORMANCE MANAGEMENT SYSTEM

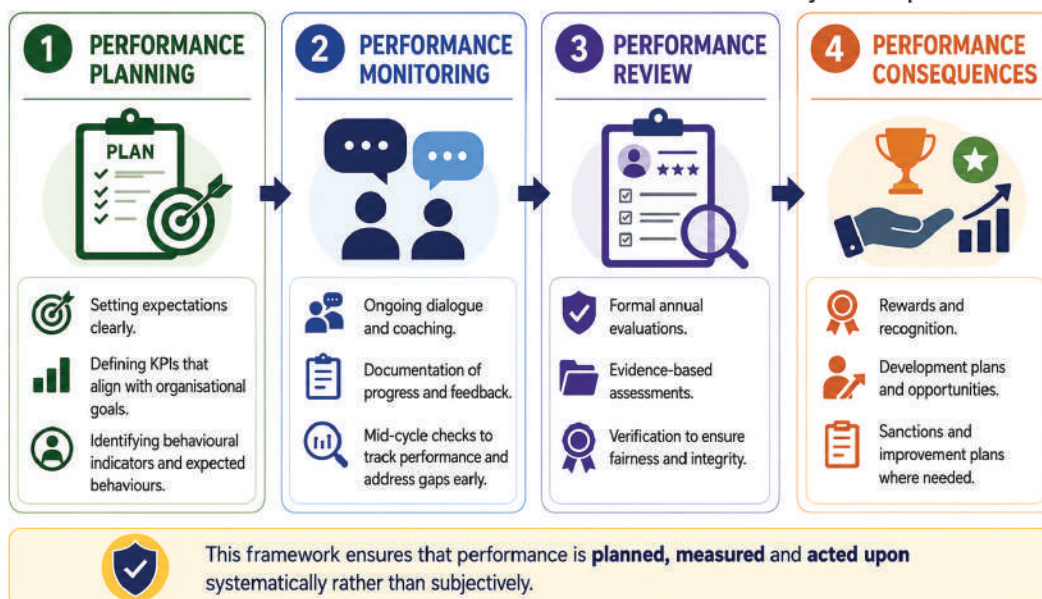
- 2.1 The primary purpose of the IPMS is to ensure that individuals at every level of the organisation understand their responsibilities, commit to measurable expectations, and demonstrate accountability through documented performance outcomes.
- 2.2 Beyond this, the IPMS aims to:



3.0

STRUCTURE OF THE IPMS IN SARAWAK SOES

- 3.1 The Handbook structures the IPMS around four major components:



4.0

PERFORMANCE PLANNING

- 4.1 Performance planning is the foundation of the IPMS. Every individual must have an annual Performance Agreement at the beginning of the cycle, normally within the first month of the financial year.

Performance agreements must specify

- ♦ **Role expectations**
- ♦ **Key tasks**
- ♦ **KPIs aligned with departmental and divisional plans**
- ♦ **Behavioural competencies**
- ♦ **Targets**
- ♦ **Professional development goals.**

- 4.2 Performance Agreements are mandatory for all employees, not only management. This requirement ensures universal accountability and encourages alignment across the organisation.
- 4.3 All KPIs must be traceable to the corporate scorecard or transformation agenda. No individual KPI may exist without justification.

5.0

CEO PERFORMANCE AGREEMENT

- 5.1 The CEO (or GM for a statutory body) Performance Agreement is the most important individual performance document in the organisation. It defines the terms of accountability between the CEO and the Board. The CEO's KPIs must be drawn directly from the corporate scorecard and supplemented with leadership and governance metrics.

**The CEO's/
GM's
Performance
Agreement
must reflect:**

1. Financial sustainability goals
2. Operational reliability
3. Delivery of corporate KPIs
4. Transformation and digitalisation milestones
5. ESG responsibilities (where applicable)
6. Stakeholder and customer value creation
7. Governance compliance
8. Risk management effectiveness
9. Development of senior leadership

- 5.2 Because the CEO's performance influences the entire organisation, this agreement must be reviewed and approved by the Board and acknowledged by the Shareholder Ministry and SFSO.
- 5.3 The CEO's KPIs must also be auditable, and performance ratings must be evidence-based. No discretionary adjustments may be made without proper justification and Board endorsement.

6.0 SENIOR MANAGEMENT PERFORMANCE AGREEMENTS

- 6.1 Senior management, which includes heads of divisions or departments, must have performance agreements that reflect their role in executing corporate strategies and driving operational performance.

KPIs must incorporate

- ◆ **Divisional performance metrics**
- ◆ **Financial and operational contributions**
- ◆ **Risk mitigation responsibilities**
- ◆ **Compliance with SOPs**
- ◆ **Leadership and team development**
- ◆ **Execution of transformation initiatives**

- 6.2 Senior management plays a critical role in cascading corporate priorities. They must demonstrate the capacity to translate strategy into operational execution. Their performance agreements should reflect this leadership mandate.

7.0 MIDDLE MANAGEMENT PERFORMANCE AGREEMENTS

- 7.1 Middle managers operationalise performance. Their KPIs must reflect operational reliability, process discipline, productivity, customer interactions, and compliance with workflows. Unlike senior management, who focus on broader outcomes, middle managers must commit to KPIs that measure:

01 day-to-day operational success

04 resolution of operational bottlenecks

02 procedural compliance

05 adherence to governance and safety protocols

03 coordination across units

06 effective supervision of staff

- 7.2 Middle managers are crucial in embedding performance culture. Their agreements must therefore emphasise teamwork, communication, process improvement and leadership.

8.0 STAFF-LEVEL PERFORMANCE AGREEMENTS

- 8.1 All employees must have annual performance agreements. Staff KPIs must be realistic, achievable, and focused on daily responsibilities. They may include:



- 8.2 The purpose is not to overburden staff with complex KPIs but to give clarity and purpose to their work.

9.0 BEHAVIOURAL COMPETENCIES AND VALUES ALIGNMENT

- 9.1 Performance is not only about numbers. The Handbook requires all performance agreements to include **behavioural competencies**, such as:

- teamwork,
- integrity,
- adaptability,
- leadership,
- problem solving,
- communication,
- and innovation.

- 9.2 Behavioural competencies reflect Sarawak's emphasis on **ethical governance, high-performance culture, and public trust**.

10.0 PERFORMANCE MONITORING (ONGOING)

10.1 Performance monitoring ensures that performance becomes a continuous process rather than an annual event. Monitoring includes:

- 01 documenting performance issues and achievements
- 02 conducting coaching sessions
- 03 verifying data accuracy
- 04 cross-checking KPI contributions
- 05 identifying performance risks
- 06 recording evidence of achievement
- 07 and ensuring readiness for annual evaluation

10.2 Managers must engage in regular conversations with employees, not only at year-end. These conversations must be documented. Monitoring is strengthened through digital tools and dashboard-level updates, which reduce errors and improve transparency.

11.0 MID-YEAR PERFORMANCE REVIEW

11.1 Mid-year reviews assess performance progress, validate KPI relevance, identify challenges, and adjust plans where necessary. Adjustments may only be made under exceptional circumstances such as:



Mid-year reviews must also include discussions on **behavioural performance** and **development needs**.

12.0 ANNUAL PERFORMANCE EVALUATION

12.1 The annual performance evaluation is the formal assessment of individual performance. It must incorporate:

- 1  Achievement of KPIs
- 2  Quality of results
- 3  Behavioural competencies
- 4  Documented performance evidence
- 5  Alignment with organisational goals

12.2 Annual evaluations must be conducted using standard templates with clear scoring mechanisms as follows:



Evaluations must be supported by evidence—documents, reports, dashboard results, audit confirmations, or verifiable data.

13.0 CALIBRATION AND FAIRNESS

13.1 Calibration ensures fairness and consistency across the organisation. After managers complete evaluations, calibration committees must review performance ratings to ensure:

- 01** Consistency across departments
- 02** Removal of bias
- 03** Alignment with organisational performance
- 04** Fairness in reward allocation

13.2 Calibration sessions must include HR, senior management, and internal audit where necessary. The purpose is not to manipulate results, but to ensure uniform standards.

14.0 PERFORMANCE CONSEQUENCES

14.1 Performance consequences ensure that results matter and that behaviours have impact. Consequences include:



14.2 This handbook adopts a modern consequence management approach based on fairness, transparency and evidence.

15.0 PERFORMANCE IMPROVEMENT PLANS (PIPs)

15.1 Employees rated below expectations must be placed on Performance Improvement Plans. PIPs must specify:



15.2 Failure to improve after PIPs may lead to reassignments, demotions or terminations in compliance with labour laws.

16.0 DOCUMENTATION AND RECORD KEEPING

16.1 The IPMS requires extensive documentation to ensure traceability, fairness and auditability. Documentation includes performance agreements, monitoring notes, evidence of achievements, mid-year reviews, calibration notes and final evaluation reports.

16.2 Documentation protects both the employee and the organisation.

17.0

INTEGRATION WITH TALENT MANAGEMENT AND SUCCESSION PLANNING



Promotion decisions must rely primarily on merit and verified performance outcomes.

18.0

PERFORMANCE CULTURE

- 18.1 Ultimately, the IPMS aims to create a culture where performance is not imposed but embraced. This requires leadership consistency, clear expectations, transparent processes, and fair recognition.
- 18.2 Performance culture is a strategic asset, strengthening organisational resilience and enabling SOEs to contribute meaningfully to State development.

PART VIII PERFORMANCE INCENTIVES, REWARDS AND SANCTIONS

1.0 INTRODUCTION

A performance management system achieves its full potential only when it is supported by a robust framework that links results to consequences. Incentives and sanctions shape behaviour, influence organisational culture, and reinforce accountability. They signal the State Government's expectations that performance excellence must be rewarded, while poor performance or misconduct must be addressed decisively and fairly. This system is designed to be fair, transparent, merit-based and consistent across all Sarawak SOEs. It protects public trust, incentivises high performance, and prevents arbitrary, subjective or politically motivated decisions.

2.0 PURPOSE OF THE PERFORMANCE INCENTIVE SYSTEM

- 2.1 The purpose of the incentive system is not simply to reward employees but to:

	1	Strengthen organisational performance by recognising excellence
	2	Promote accountability at all levels
	3	Attract and retain talent with competitive and fair compensation
	4	Encourage alignment with strategic goals and PCDS 2030,
	5	Reinforce behaviours consistent with the values of the Sarawak government
	6	Ensure the SOE operates with financial prudence and integrity
	7	Establish consequences for misconduct or persistent underperformance.

- 2.2 The incentive system must reinforce—not distort—SOE mandates and public accountability.

Sarawak's reward system is built on several foundational principles.

	1. MERITOCRACY	Rewards must be based strictly on verified performance results, not personal preference or external pressures
	2. TRANSPARENCY	Criteria for reward eligibility, bonus computation and performance ratings must be clearly communicated and documented
	3. ALIGNMENT	Rewards must reinforce strategic objectives, corporate KPIs, transformation priorities and State policy goals
	4. SUSTAINABILITY	Incentive schemes must be financially prudent and aligned with long-term SOE sustainability
	5. GOVERNANCE INTEGRITY	Rewards may not be issued in cases involving financial irregularities, misconduct, fraud, safety breaches, governance failures or audit disputes
	6. SEPARATION OF ROLES	Boards approve the CEO's, senior management & staff rewards
	These principles ensure trust, consistency and fairness.	

4.0 TYPES OF PERFORMANCE REWARDS

SOEs may use several forms of rewards depending on their sector, financial capacity and organisational design.

Annual Performance Bonuses	Merit Increments
✓ The most common reward, based on: • achievement of corporate KPIs, • divisional results, • individual performance ratings, • overall SOE financial health. ✓ Bonuses must be calculated using transparent formulas.	Salary adjustments based on superior performance.
Recognition Awards	Spot Awards
Non-monetary acknowledgements such as letters of commendation, public recognition, certificates or plaques.	Immediate rewards for exceptional contributions, innovations or crisis response actions. All rewards must comply with State-approved remuneration policies and SOE financial capacities.

5.0 STRUCTURE OF THE ANNUAL PERFORMANCE BONUS

5.1 The bonus consists of three main components:

Corporate Performance Score

reflecting organisation-wide achievement of KPIs.

Division/Department Performance Score

reflecting unit-level contributions.

Individual Performance Score

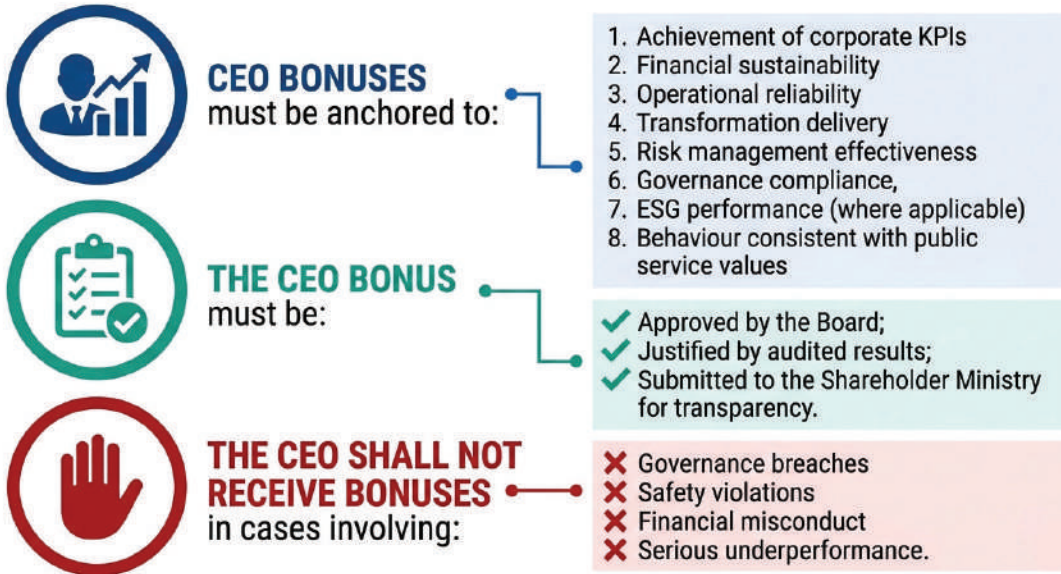
reflecting the employee's personal achievements and behaviours.

5.2 The corporate score has the highest weight for CEOs and senior management, while the individual score carries greater weight for middle managers and staff.

5.3 Boards must approve annual bonus frameworks every year, and the Shareholder Ministry must be notified.

6.0

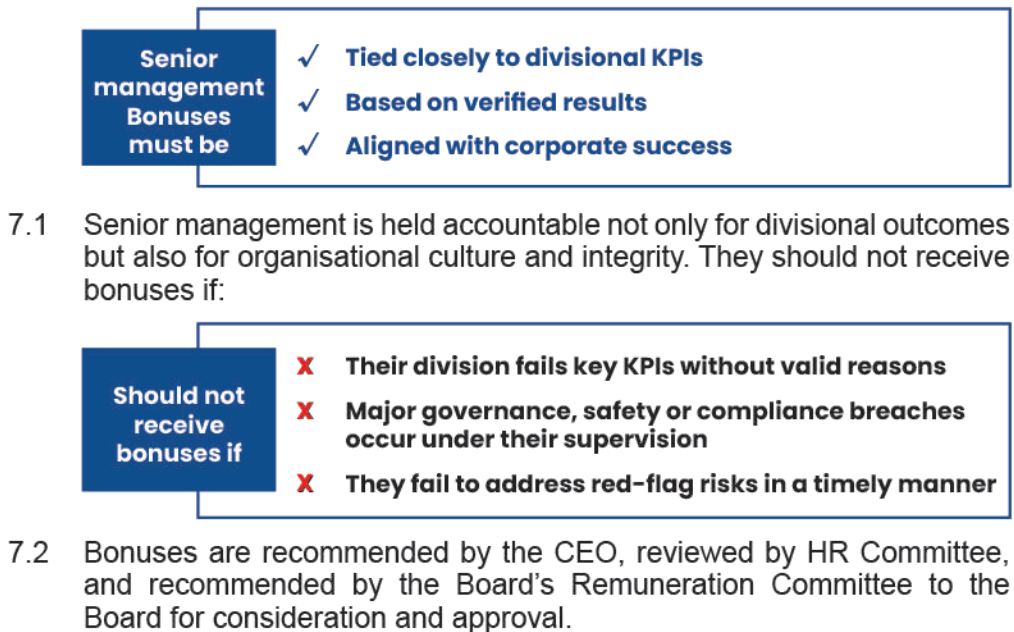
CHIEF EXECUTIVE OFFICER (CEO) BONUS DETERMINATION



This protects public trust and prevents misuse of public funds.

7.0

SENIOR MANAGEMENT BONUS DETERMINATION



8.0

MIDDLE MANAGEMENT AND STAFF BONUS DETERMINATION

Middle managers and staff bonuses must reflect

- ✓ Individual KPI achievements;
- ✓ Behavioural competencies;
- ✓ Teamwork; and
- ✓ Reliability.

- 8.1 Their bonuses must be transparent and based on documented performance evaluations. Managers must not manipulate ratings to favour or penalise individuals. All performance ratings must undergo calibration to prevent rating inflation or bias.

9.0

ELIGIBILITY CRITERIA FOR BONUSES

- 9.1 Eligibility rules ensure fairness and protect governance integrity. Employees are **NOT ELIGIBLE** for bonuses if they have:

- X** Been found guilty of misconduct,
- X** Unresolved disciplinary cases,
- X** Serious safety breaches,
- X** Poor attendance or absenteeism issues,
- X** Fraud involvement,
- X** Audit non-compliance,
- X** Conflict of interest violations, and
- X** Falsified performance data.

- 9.2 SOEs may impose stricter conditions depending on sector risks.

10.0

GOVERNANCE AND VERIFICATION OF PERFORMANCE REWARDS

- 10.1 Rewards must be issued with verification in the following manner:

- ✓ HR verification of performance documentation
- ✓ Finance verification of affordability
- ✓ Board Remuneration Committee approval
- ✓ Shareholder transparency
- ✓ Documentation of the final reward decision

- 10.2 Rewards must be supported by evidence. No decision may be based on personal discretion or undocumented justification.

11.0 NON-MONETARY RECOGNITION SYSTEMS

- 11.1 Non-monetary recognition—letters of praise, certificates, commendations, leadership acknowledgements—plays an important role in shaping culture. Employees value recognition, and it strengthens morale, engagement and retention.

Recognition systems must be

- ✓ **Structured**
- ✓ **Documented**
- ✓ **Fair**
- ✓ **Inclusive across job levels**

- 11.2 SOEs are encouraged to formalise recognition programmes that promote innovation, customer service excellence and teamwork.

12.0 SANCTIONS FOR POOR PERFORMANCE OR MISCONDUCT

- 12.1 To maintain integrity, the Guidebook requires sanctions for poor performance and misconduct. Sanctions may include:

01 reduced bonuses

04 disciplinary warnings

02 withheld bonuses

05 demotions

03 corrective action plans

06 termination in severe cases

- 12.2 Sanctions must be based on evidence, documented performance issues, and compliance with Statutory Bodies (Conduct and Discipline) Ordinance, 2004 and labour law.
- 12.3 The purpose is corrective, not punitive. Sanctions are intended to protect the organisation and uphold public trust.

13.0

PERFORMANCE IMPROVEMENT PLANS (ADVANCED APPLICATION)

13.1 For employees requiring improvement, a structured Performance Improvement Plan (PIP) must be implemented. PIPs must specify:

- 01 problem areas
- 02 expected outcomes
- 03 resources required
- 04 timelines
- 05 consequences of non-achievement

13.2 PIPs provide fair opportunity for improvement while protecting organisational performance standards.

14.0

ALIGNMENT OF REWARDS WITH SECTOR-SPECIFIC REALITIES

14.1 Certain SOEs operate under technical, safety-critical or community-sensitive environments. For these sectors, reward systems must reflect:

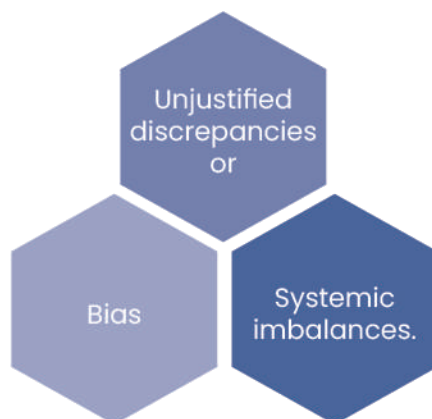
- 01 operational risk levels
- 02 public safety obligations
- 03 technical shortage areas
- 04 geographical placement challenges

14.2 SOEs may adopt differentiated pay structures or incentives to attract and retain specialised talent in sectors such as energy, water, transport, digital infrastructure and engineering.

15.0

ENSURING FAIRNESS AND EQUITY ACROSS THE ORGANISATION

- 15.1 Reward systems must ensure fairness across gender, ethnicity, geography, job level and divisions. Periodic audits of reward patterns should be conducted to identify:



- 15.2 Fairness is essential to building trust in the reward system.

16.0

COMMUNICATION OF REWARD DECISIONS

Communication of reward decisions must be professional, transparent and respectful. Employees must understand the basis of their reward or non-reward. Clear communication strengthens the credibility of the system.

17.0

INTEGRATION OF REWARDS INTO ORGANISATIONAL CULTURE

The reward system must reinforce a culture of accountability, excellence, innovation and ethical behaviour. When rewards are linked consistently to actual performance, the organisation internalises performance culture as a norm rather than as an imposed requirement.

1.0 INTRODUCTION

- 1.1 In any performance management system, the credibility of reported results is paramount. Without trustworthy reporting and reliable data, decisions become flawed, accountability weakens, and public trust erodes. Performance management must therefore rest on a foundation of integrity, transparency, and verifiable evidence. This section establishes the reporting, data governance, and verification requirements necessary to ensure that all performance information provided by Sarawak's State-Owned Enterprises is accurate, credible, and consistent.
- 1.2 The requirements in this section apply to all SOEs, regardless of size, sector, or legal form. All data used for performance reporting must be ready for audit at any time. This ensures not only transparency but also organisational discipline and a culture of factual accuracy.

2.0 PURPOSE OF THE REPORTING AND VERIFICATION SYSTEM

- 2.1 The purpose of the reporting and verification system is twofold.

FIRST

It ensures consistency, comparability, and reliability of performance information across all SOEs in Sarawak. Because SOEs operate diverse businesses, a standardised reporting framework is essential to prevent misinterpretation and ensure that the Shareholder Ministry and SOE Boards have credible data for decision-making.

SECOND

The system ensures that every performance report—quarterly or annual—is supported by documentary evidence. This prevents manipulation, protects against governance breaches, and enables early detection of performance risks. Data verification reinforces accountability culture within the organisation.

THIRD

Ultimately, the reporting and verification system protects the public interest by ensuring that all information concerning State enterprises is accurate, traceable, and compliant with governance requirements.

3.0 REPORTING STANDARDS AND TEMPLATES

3.1 Sarawak SOEs must adopt standard reporting templates approved by the Shareholder Ministry and SFSO.

3.2 Templates include structured sections for:

- 1 Corporate scorecard results
- 2 KPI definition sheets
- 3 Target justification
- 4 Financial performance summaries
- 5 Operational dashboards
- 6 ESG metrics and narratives
- 7 Risk assessments
- 8 Transformation progress
- 9 Public policy obligation (PPO) outputs
- 10 Narrative explanations and root-cause analyses
- 11 Corrective action plans

3.3 Templates ensure clarity, reduce ambiguity, and promote comparability

3.4 Reports must be written in clear, professional language and must reflect an accurate portrayal of organisational performance. Editing or deleting data without justification is strictly prohibited.

4.0 DATA GOVERNANCE FRAMEWORK

4.1 Effective reporting requires strong data governance. Data governance refers to the system of rules, roles, processes and tools used to manage performance-related data throughout its lifecycle—from collection and processing to verification and reporting.

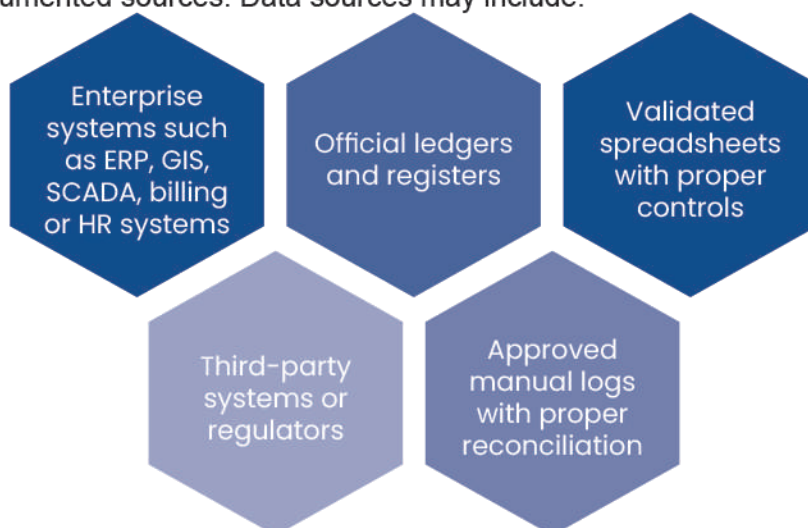
4.2 Sarawak's data governance framework requires each SOE to establish:

- **Data Owners**
individuals accountable for specific KPIs.
- **Data Custodians**
personnel responsible for data collection and quality control.
- **Data Stewards**
responsible for defining data standards and ensuring compliance.
- **Data Quality Rules**
the accuracy, completeness, timeliness and consistency of data.
- **Data Verification Protocols**
steps for ensuring validity before submission.
- **Data Security Measures**
ensuring data confidentiality and integrity.
- **Data Traceability**
maintaining audit trails from source to report.

4.3 These requirements ensure that data is not only accurate but also managed systematically.

5.0 DATA COLLECTION AND SOURCE VALIDATION

5.1 All performance data must be collected from authoritative, approved and documented sources. Data sources may include:



- 5.2 Data sources must be documented in KPI definition sheets. The CEO and senior management must ensure that data sources are reliable and that processes for data collection are robust.
- 5.3 Source validation ensures that all reported figures truly represent operational or financial reality.

6.0 DATA PROCESSING AND VERIFICATION

- 6.1 Before being included in quarterly or annual reports, data must undergo:
 - logical checks,
 - consistency checks,
 - accuracy checks,
 - reconciliation with supporting systems,
 - and review by Data Owners and Internal Audit.
- 6.2 If data anomalies, errors or inconsistencies are found, they must be corrected before submission. If corrections cannot be made in time, explanations must be included in the report.
- 6.3 This verification process ensures that performance results withstand scrutiny.

7.0 INTERNAL VERIFICATION MECHANISMS

- 7.1 Trinidad's manual requires internal verification by the enterprise's internal audit or corporate planning unit. This framework requires a combined verification approach that includes:

✓ Internal Audit	✓ integrity and completeness of information
✓ Strategy/Corporate Planning Unit	✓ Strategy verifies alignment with KPIs and definitions
✓ Finance Division	✓ Finance verifies financial accuracy
✓ ICT/Data Governance Unit	✓ ICT verifies system consistency
✓ Risk and Compliance Management Function	✓ Risk Management verifies risk alignment
✓ Compliance Unit	✓ Compliance verifies regulatory adherence
✓ Each unit verifies different aspects	
✓ Internal Audit verifies	

- 7.2 Internal verification must be documented. No report may be submitted to the Board without internal verification.

8.0

BOARD-LEVEL PERFORMANCE VERIFICATION

- 8.1 The Board has an oversight role in verifying performance reports. The Board's Remuneration Committee, Audit Committee and Risk Committee must review data to ensure that performance reports reflect reality.
- 8.2 The CEO must present detailed analyses to the Board. Where results are unclear or inconsistent, the Board must demand clarification or additional evidence.
- 8.3 The Board should not approve bonuses if KPI data or financial results lack verification or if material discrepancies remain unresolved.

9.0

SHAREHOLDER MINISTRY VERIFICATION ROLE

- 9.1 The Shareholder Ministry and SFSO ensures whole-of-government consistency. It reviews quarterly and annual reports submitted by SOEs and may request:
 - clarifications,
 - additional documentation,
 - explanations for variances,
 - or revised submissions.
- 9.2 The Ministry and SFSO may conduct verification inspections or request independent reviews if reporting anomalies are detected. This ensures that the State Government receives accurate information to support policy, funding and governance decisions.

10.0

EXTERNAL VERIFICATION AND AUDIT

- 10.1 External auditors review annual financial statements and may audit performance information where required by legislation, Board directive or shareholder request.
- 10.2 External audits enhance credibility and ensure alignment with international best practices.

11.0 ESG REPORTING AND VERIFICATION REQUIREMENTS

11.1 ESG reporting requires special verification due to its complexity, diversity of data sources, and growing importance in sustainability governance.

SOEs MUST

- ✓ document ESG data sources
- ✓ apply recognised sustainability reporting standards
- ✓ conduct internal verification of safety, emissions, waste and social impact data
- ✓ maintain evidence of compliance with environmental regulations

11.2 ESG verification ensures that sustainability claims are factual, not promotional.

12.0 RISK REPORTING VERIFICATION

12.1 Risk reports must be verified by the Risk Management Unit and validated by Internal Audit. Risk scores, mitigation progress, escalation needs and risk events must be supported by evidence.

12.2 False or understated risk information constitutes a governance breach.

13.0 COMPLIANCE WITH REPORTING DEADLINES

Quarterly reports

Submitted within **30 days** of quarter-end

Annual reports

Submitted within **90 days** of financial year-end.

13.1 Late submissions without valid justification constitute a performance breach and may result in:

- Board escalation,
- Shareholder warnings,
- lower performance ratings,

13.2 Timeliness reflects leadership discipline.

14.0 DIGITALISATION OF REPORTING

- 14.1 Sarawak SOEs must progressively adopt digital reporting dashboards internally as well as using the eSoEs online system under SFSO. Digital systems ensure:

- ✓ **real-time data updates,**
- ✓ **reduced manual errors,**
- ✓ **improved accountability,**
- ✓ **automated variance analyses, and**
- ✓ **better oversight by Boards and Ministries.**

- 14.2 Digital dashboards also support predictive analytics, allowing Boards to identify risks early and respond more effectively.

15.0 REPORTING INTEGRITY AND ETHICAL CONDUCT

- 15.1 All performance reporting must be guided by ethical standards. Employees must:

- ✕ **report data accurately,**
- ✕ **avoid intentional misrepresentation,**
- ✕ **uphold confidentiality,**
- ✕ **disclose conflicts of interest, and**
- ✕ **adhere to governance protocols.**

- 15.2 Misreporting or manipulation of performance results constitutes a serious offence that can lead to disciplinary action, termination or legal consequences.

- 15.3 This reinforces the public trust expected of Sarawak's State-Owned Enterprises.

16.0 ARCHIVING, DOCUMENTATION AND DATA TRACEABILITY

Each SOE must maintain:

- ✓ performance data archives
- ✓ KPI histories
- ✓ definitions and changes
- ✓ underlying evidence
- ✓ audit trails
- ✓ approval records

Traceability ensures accountability across time, leadership changes and organisational transitions.

17.0 INTEGRATION OF REPORTING WITH TRANSFORMATION AND STRATEGY

Performance reporting must link directly to:

- ✓ strategic planning
- ✓ transformation initiatives
- ✓ risk mitigation
- ✓ ESG commitments (where applicable)
- ✓ financial sustainability
- ✓ and operational improvements

Reporting is not a standalone task; it is the foundation of continuous transformation.

18.0 ACCOUNTABILITY FOR REPORTING INTEGRITY

18.1 Ultimately, accountability for reporting integrity lies with:

- the CEO (for overall performance reporting),
- senior management (for functional reporting),
- middle management (for operational reporting),
- data owners (for KPI-level accuracy),
- and the Board (for oversight).

18.2 Reporting integrity is a shared responsibility, grounded in professionalism and duty to the State.

1.0 INTRODUCTION

- 1.1 Clear delineation of roles and responsibilities is a prerequisite for good governance in State-Owned Enterprises. Ambiguity of roles leads to confusion, duplication of efforts, weak oversight, and diminished accountability. Effective performance management requires a coherent governance structure in which the State as shareholder, the Board of Directors, the Chief Executive Officer, senior management and staff execute their distinct responsibilities with professionalism and discipline.
- 1.2 The Handbook adopts the sophisticated accountability mapping based on global best practices, which establishes formal separation between shareholder oversight, Board governance and management execution. This separation preserves operational autonomy, reduces political interference, and reinforces performance accountability. At the same time, this handbook's insistence on leadership responsibility, KPI-linked accountability and escalation mechanisms enriches this section, ensuring that Sarawak SOEs operate with world-class governance standards.
- 1.3 In the Sarawak context, this governance framework is crucial because SOEs operate across sectors that are essential to public welfare and economic growth. Strong governance protects public assets, maintains service reliability, sustains financial health and ensures alignment with PCDS 2030. The following sections outline a detailed assignment of responsibilities that Sarawak SOEs must follow without exception.

2.0 ROLE OF THE STATE GOVERNMENT AS SHAREHOLDER**1. ROLE OF THE STATE GOVERNMENT AS SHAREHOLDER**

- 2.1 The State Government serves as the ultimate owner of Sarawak's SOEs. It does not manage the day-to-day operations of these enterprises, nor does it dictate operational decisions. Instead, its role is to provide strategic direction, set performance expectations, safeguard public assets, and oversee governance compliance.
- 2.2 In exercising its shareholder rights, the Government of Sarawak is guided by the principle of responsible state ownership through the State Ownership Policy. It establishes policy priorities, approves the formation or restructuring of SOEs, and articulates expectations regarding performance, sustainability and transformation. The shareholder role must be conducted in a structured, transparent and documented manner to avoid ambiguity.

- 2.3 The Government, through designated ministries and agencies, ensures that SOEs are aligned with State objectives under PCDS 2030 and Sarawak 13th Malaysia Plan, including economic growth, energy transition, infrastructure expansion, digitalisation, regional integration and sustainable development. The shareholder also monitors SOEs' compliance with state and federal laws, regulatory requirements, and governance standards.
- 2.4 The shareholder must avoid interfering in operational matters. Interference weakens accountability and disrupts organisational discipline. Instead, the shareholder must focus on strategic guidance and oversight, allowing the Board and management to perform their distinct responsibilities professionally.

3.0 ROLE OF THE SHAREHOLDER MINISTRY AND SFSO

- 3.1 The Shareholder Ministry represents the State Government in its dealings with the SOE. It functions as the primary supervisory and performance oversight authority.



- 3.2 The Ministry must be equipped with technical capability to interpret performance data, analyse operational risks and provide meaningful oversight. While the Ministry may raise concerns, request clarifications or recommend corrective measures, it must not dictate operational solutions or direct internal management decisions.
- 3.3 Sarawak's approach emphasises professionalised shareholder engagement rather than bureaucratic control.

- 4.1 The Board plays a central role in SOE governance. It is the governing authority responsible for providing strategic guidance and oversight while ensuring that the enterprise remains aligned with its mandate, achieves its KPIs and operates in accordance with legal, ethical and governance standards.



- 4.2 The Board of Directors are expected to operate with professionalism, independence, skill diversity and integrity.

5.0 BOARD COMMITTEES

- 5.1 Sarawak SOEs **must establish Board Committees** to enhance governance effectiveness. While the specific committees may vary depending on the SOE's size and complexity, **three (3) core committees are mandatory**:

1 Audit and Risk Committee	Responsible for overseeing financial integrity, internal controls, risk management, compliance, and audit functions. It reviews financial reports, monitors risk exposure, ensures regulatory compliance, and strengthens governance accountability across the SOE.
2 Remuneration & Nomination Committee	Responsible for CEO and senior management compensation, bonus eligibility, and performance-linked rewards. It reviews performance evaluations, ensures alignment with reward frameworks, and verifies compliance with bonus eligibility conditions.
3 Tender and Finance Committee	Responsible for overseeing procurement, tender evaluations, financial management, and expenditure control. It ensures transparency, value for money, compliance with procurement policies, and prudent financial decision-making aligned with organisational objectives.

- 5.2 Board Committees strengthen accountability, reduce governance risks and enhance decision-making quality.

6.0 ROLE OF THE CHAIRPERSON

- 6.1 The Chairperson leads the Board and ensures that it functions effectively. The Chairperson must:

**The
Chairperson
MUST:**

- ✓ **Lead Board meetings professionally,**
- ✓ **Facilitate constructive discussion,**
- ✓ **Ensure full participation by Board members,**
- ✓ **Manage conflicts of interest,**
- ✓ **Uphold governance standards, and**
- ✓ **Maintain a clear separation from operational management.**

- 6.2 The Chairperson is the Board's central point of leadership but must not assume the CEO's role.
- 6.3 The Chairperson represents the Board in engagements with the Shareholder Ministry and SFSO and plays a key role in the CEO evaluation process.

7.0 ROLE OF INDIVIDUAL BOARD MEMBERS

- 7.1 Board members must uphold fiduciary duties, exercise independent judgment and prioritise the interests of the SOE and the State. They must:

- ✓ **attend meetings consistently,**
- ✓ **review documents thoroughly,**
- ✓ **challenge management decisions when necessary,**
- ✓ **uphold ethical conduct, and**
- ✓ **avoid conflicts of interest.**

- 7.2 Board members must also continuously update their understanding of governance standards, sector developments and risks.
- 7.3 Periodic competency training for Board members, including performance oversight, risk assessment and governance compliance is strongly encouraged.

8.0 ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)

- 8.1 The CEO or GM in the case of statutory body is responsible for the operational leadership of the enterprise. The CEO must translate Board-approved strategies into action, manage resources, ensure operational reliability, uphold financial discipline, implement KPIs and cascade performance expectations throughout the organisation.

- | | |
|---------------------------|---|
| CEO / GM
MUST: | <ul style="list-style-type: none">✓ Lead strategic planning,✓ Enforce governance protocols,✓ Oversee risk management,✓ Ensure accurate performance reporting,✓ Develop organisational capability,✓ Manage transformation initiatives,✓ Engage stakeholders, and✓ Uphold Sarawak's public service values. |
|---------------------------|---|

- 8.2 The CEO is the primary driver of organisational culture. Performance failures often reflect leadership deficiencies; conversely, strong performance is usually the result of effective leadership.
- 8.3 The CEO must provide quarterly performance updates to the Board and ensure that reports are accurate, verifiable and timely.

9.0 ROLE OF SENIOR MANAGEMENT

9.1 Senior management is responsible for operational execution. They must:

Senior Management MUST:

- ✓ **manage divisions effectively,**
- ✓ **ensure KPI achievement,**
- ✓ **implement Board-approved strategies,**
- ✓ **monitor operational risks,**
- ✓ **resolve performance bottlenecks,**
- ✓ **drive digitalisation and transformation, and**
- ✓ **cascade KPIs to middle managers.**

9.2 Senior managers are accountable for divisional results and must support the CEO in preparing reports, responding to Board queries, and ensuring organisational alignment.

9.3 Senior management must display leadership, integrity, technical competence and a commitment to public service values.

10.0 ROLE OF MIDDLE MANAGEMENT

10.1 Middle managers operationalise strategies into daily activities.

Middle Management MUST:

- ✓ **supervise staff**
- ✓ **ensure adherence to processes**
- ✓ **maintain operational discipline**
- ✓ **monitor KPIs**
- ✓ **handle service-quality issues**
- ✓ **address operational disruptions**
- ✓ **ensure timely reporting**

10.2 Middle managers connect strategic decisions with frontline delivery. Their effectiveness directly influences service reliability and workforce morale.

10.3 Middle-management capability building should be emphasized due to the technical demands in sectors such as utilities, digital services, energy and transport.

11.0 ROLE OF OPERATIONAL STAFF

- 11.1 Operational staff form the foundation of service delivery. They operate systems, serve customers, manage assets, implement projects, and ensure compliance with safety and operational standards.

Operational staff MUST:

- ✓ follow SOPs
- ✓ maintain safety compliance
- ✓ record accurate data
- ✓ report operational issues promptly
- ✓ participate in performance discussions
- ✓ uphold professionalism

- 11.2 Their performance must be recognised because strong frontline execution is essential to organisational success.

12.0 ROLE OF INTERNAL AUDIT

- 12.1 Internal Audit is the custodian of assurance and governance integrity. It ensures that processes, data, systems and controls function correctly.

Internal Audit MUST:

- ✓ verify KPI data,
- ✓ assess internal controls,
- ✓ review governance compliance,
- ✓ report findings to the Board, and
- ✓ support performance monitoring and reward verification.

- 12.2 Internal Audit must be independent and objective. It cannot be influenced by management in performing its duties.

13.0 ROLE OF RISK MANAGEMENT FUNCTION

- 13.1 The Risk Management function monitors enterprise risks, supports mitigation strategies, and ensures that risks are reported accurately.

**Internal
Audit MUST:**

- ✓ **maintain the risk register**
- ✓ **support divisional risk assessments**
- ✓ **integrate risks into KPI reviews**
- ✓ **advise management and the Board on emerging threats.**

13.2 Risk management must be embedded in quarterly performance reporting.

14.0 ROLE OF THE HUMAN RESOURCE FUNCTION

14.1 Human Resource (HR) plays a critical role in linking people to performance.

**Human
Resource
(HR) MUST:**

- ✓ **manage the IPMS**
- ✓ **facilitate KPI cascading**
- ✓ **coordinate performance reviews**
- ✓ **support calibration**
- ✓ **administer rewards**
- ✓ **manage succession planning**
- ✓ **ensure fairness in evaluations**

14.2 HR must act as guardian of process integrity.

15.0 MAINTAINING ROLE SEPARATION AND PREVENTING INTERFERENCE

15.1 This handbook requires strict separation of roles to prevent conflicts and preserve accountability:

- The shareholder sets policy and oversees high-level performance.
- The Board governs.
- The CEO manages.
- Management executes.
- Staff deliver services.

15.2 No level may encroach on the responsibilities of another although there could be certain overlap especially between management and support staff depending on organizational requirement. This preserves professionalism, accountability and operational stability.

1.0 INTRODUCTION

- 1.1 Performance management is not a static system. It is a dynamic discipline that must evolve continuously in response to changes in the organisation, the operating environment, technological advancements, regulatory conditions, and the expectations of the shareholder. A good performance system is never complete; it learns, adapts, improves and strengthens over time.
- 1.2 Continuous improvement ensures that the performance management system remains relevant, robust and fit for purpose. Without continuous learning and upgrading, organisations risk falling behind, weakening performance discipline, and losing strategic competitiveness.

**2.0 PURPOSE OF CONTINUOUS IMPROVEMENT IN
PERFORMANCE SYSTEMS**

- 2.1 The purpose of continuous improvement is to ensure that SOEs do not become complacent or rigid. A static system is vulnerable to performance deterioration, declining relevance and systemic weaknesses. Continuous improvement strengthens organisational adaptability and fosters resilience.

**A system of
continuous
improvement
enables:**

- ✓ **Regular refinement of KPIs and targets**
- ✓ **Adjustment of performance frameworks to new realities**
- ✓ **Updating of processes in response to audits or risk assessments**
- ✓ **Improvement of data quality and reporting cycles**
- ✓ **Upgrading of tools and digital systems**
- ✓ **Capability development of staff**
- ✓ **Greater strategic agility**

- 2.2 Continuous improvement nurtures a culture where learning becomes part of performance itself—where both success and failure serve as lessons for future progress.

3.0 REVIEW AND UPDATING OF KPI FRAMEWORKS

- 3.1 KPI frameworks must not remain unchanged year after year. They must evolve as the organisation's priorities, strategies, operating environment and stakeholder expectations evolve.
- 3.2 The Guidebook requires SOEs to conduct structured KPI reviews every year, typically during the strategic planning cycle.

KPI review activities must include:

- ✓ re-evaluation of KPI relevance to current strategy
- ✓ removal of obsolete or redundant measures
- ✓ addition of new KPIs reflective of emerging priorities
- ✓ refinement of definitions and data methods
- ✓ review of PPO KPIs as public service obligations evolve
- ✓ integration of new ESG requirements (where applicable)
- ✓ incorporation of transformation metrics

- 3.3 KPI reviews must be approved by the Board and documented as part of the yearly corporate planning process.

4.0 STRENGTHENING DATA QUALITY AND REPORTING INTEGRITY OVER TIME

- 4.1 Data quality improves gradually through leadership commitment, process refinement, capacity building, and digitalisation. SOEs must consistently evaluate their data systems and introduce improvements where needed.

Common improvements include:

- ✓ Automating data collection processes
- ✓ Improving data validation tools
- ✓ Strengthening system integration
- ✓ Upgrading enterprise resource systems
- ✓ Increasing data literacy among staff
- ✓ Establishing formal data governance committees
- ✓ Conducting periodic data audits

- 4.2 Progressive strengthening of data systems is important so that the performance reporting ecosystem becomes increasingly robust and reliable.

5.0

DEVELOPING ORGANISATIONAL COMPETENCY IN PERFORMANCE MANAGEMENT

- 5.1 Performance management requires technical competence. Employees must understand KPIs, scorecards, cascading, variance analysis, data verification, risk integration, and reporting formats. Without competency, the system becomes mechanical and ineffective.
- 5.2 Sarawak SOEs must adopt a structured competency development programme that includes:
 - training in KPI development and measurement;
 - coaching on performance dialogue and performance reviews;
 - workshops on data governance and digital dashboards;
 - sector-specific performance management training (e.g. utilities, telecommunications, transport, development agencies);
 - leadership training focused on accountability, culture and integrity.
- 5.3 Competency development must be continuous and mandatory for personnel involved in performance functions.

6.0

LEADERSHIP DEVELOPMENT AND SUCCESSION STRENGTHENING

- 6.1 Leadership is the most important determinant of performance culture. No performance system can succeed if leadership is weak, inconsistent or misaligned with organisational values. Therefore, leadership development is a core component of system evolution.
- 6.2 Sarawak SOEs must develop leadership pipelines through:
 - leadership development programmes;
 - coaching and mentoring;
 - on-the-job rotation opportunities;
 - exposure to transformation projects;
 - executive training in governance and strategy;
 - competency assessments;
 - succession planning systems;
 - and talent identification mechanisms.
- 6.3 Succession planning must not be ad hoc. It must be formal, documented, and aligned with long-term organisational needs.

7.0

EMBEDDING DIGITAL CAPABILITIES IN PERFORMANCE MANAGEMENT

- 7.1 Digitalisation is central to modern performance systems. As Sarawak advances under the Digital Economy Blueprint, SOEs must embed digital tools into performance management processes.

Digital capabilities include:

- ✓ **real-time dashboards**
- ✓ **automated KPI calculations**
- ✓ **integration with IoT or SCADA systems for operational KPIs**
- ✓ **mobile reporting tools**
- ✓ **digital workflow approvals**
- ✓ **predictive analytics for risk and performance trends**
- ✓ **artificial intelligence tools for forecasting**
- ✓ **cloud-based data storage for accessibility and security**

- 7.2 Digital tools enhance accuracy, efficiency, transparency and responsiveness. They also reduce the administrative burden on staff.

8.0

STRENGTHENING RISK CULTURE OVER TIME

- 8.1 Performance and risk are inseparable. Risk culture strengthens over time as organisations become more aware of emerging threats, more disciplined in mitigation, and more transparent in reporting.

Sarawak SOEs must inculcate risk culture through:

- ✓ **Training in risk awareness**
- ✓ **Integration of risk indicators into kpi systems**
- ✓ **Escalation protocols for red-flag risks**
- ✓ **Board oversight of risk trends**
- ✓ **Scenario planning**
- ✓ **Enterprise risk management frameworks**
- ✓ **Regular risk assessments**
- ✓ **The use of early warning indicators.**

- 8.2 A strong risk culture prevents failures and strengthens performance resilience.

9.1 Governance maturity evolves through continuous enhancement of:

- 01 Board competency
- 02 committee effectiveness
- 03 internal audit capability
- 04 risk governance
- 05 compliance systems
- 06 integrity and ethics frameworks

9.2 Sarawak SOEs must periodically assess governance maturity using recognised diagnostic tools such as:

- 01 governance scorecards
- 02 Board competency assessments
- 03 compliance audits
- 04 governance maturity indices

9.3 Improvements must be planned and implemented systematically.

10.0 STRENGTHENING ORGANISATIONAL CULTURE

- 10.1 Culture determines how people behave when no one is supervising them. A strong performance culture is essential for long-term organisational sustainability.

Sarawak SOEs must cultivate a culture that values:

- ✓ **Accountability**
- ✓ **Integrity**
- ✓ **Professionalism**
- ✓ **Innovation**
- ✓ **Collaboration**
- ✓ **Service excellence**
- ✓ **Continuous learning**

- 10.2 Culture-building requires consistent leadership behaviour, employee recognition, fairness in evaluations, ethical role modelling, and reinforcement of values.

11.0 INTEGRATING ESG AS A LONG-TERM CULTURAL COMMITMENT

- 11.1 Sarawak is committed to environmental sustainability, social welfare and governance excellence. ESG is not merely a trend—it is an essential component of future competitiveness. SOEs must adopt ESG not as a compliance obligation but as a long-term cultural commitment.

Continuous ESG improvement includes:

- ✓ **Improving environmental performance over time**
- ✓ **Deepening social responsibility programmes**
- ✓ **Enhancing workplace safety**
- ✓ **Strengthening governance integrity**
- ✓ **Adopting transparent reporting standards**
- ✓ **Aligning with global best practices**

“ESG maturity must increase progressively.”

12.0 INSTITUTIONALISING ORGANISATIONAL LEARNING

- 12.1 Institutions learn through reflection, review and documentation. Sarawak SOEs must institutionalise organisational learning through:
- after-action reviews;
 - post-mortem analyses of projects;
 - knowledge-sharing platforms;
 - documentation of lessons learned;
 - cross-departmental learning sessions;
- 12.2 benchmarking against leading national and international organisations
- 12.3 Learning should be formally integrated into annual strategic reviews.

13.0 EXTERNAL BENCHMARKING AND ADAPTATION

- 13.1 Benchmarking exposes SOEs to global best practices, enables comparison with high-performing peers, and accelerates innovation.

Sarawak SOEs should benchmark themselves against:

- ✓ **Regional utilities,**
- ✓ **International infrastructure providers,**
- ✓ **Best-in-class digital companies,**
- ✓ **High-performing development agencies,**
- ✓ **Globally recognised ESG leaders.**

- 13.2 Benchmarking must be systematic, evidence-based and linked to performance improvement initiatives.

14.0

PERIODIC REVIEW OF THE PERFORMANCE MANAGEMENT SYSTEM

14.1 The performance management system itself must be reviewed periodically to ensure it remains relevant and effective.

Reviews must evaluate:

- ✓ KPI relevance and quality
- ✓ Reporting efficiency
- ✓ Governance effectiveness
- ✓ Employee engagement
- ✓ Alignment with emerging strategic priorities
- ✓ Digitalisation maturity
- ✓ Risk and ESG integration
- ✓ Transformation progress

14.2 Findings must be documented and lead to improvements.

15.0

ENSURING SUSTAINABILITY OF REFORMS

15.1 The effectiveness of performance management reforms depends on leadership consistency, institutionalisation of processes and alignment with organisational structures.

Reviews must evaluate:

- ✓ Embedded into SOPs
- ✓ Supported by training
- ✓ Integrated into digital systems
- ✓ Reinforced through governance oversight
- ✓ Protected from political changes
- ✓ Sustained across leadership transitions
- ✓ Aligned with long-term State strategies

15.2 Sustainable reforms require deep cultural adoption, not only formal documentation.

SYSTEM EVOLUTION AND ADAPTATION TO FUTURE CHALLENGES

16.1 The future landscape of SOEs will be shaped by:

- | | |
|----------------------------------|---------------------------------------|
| ♦ Energy transition | ♦ Demographic shifts |
| ♦ Green technologies | ♦ Global competition |
| ♦ Artificial intelligence | ♦ Rising customer expectations |
| ♦ Cybersecurity threats | ♦ Financial volatility |

16.2 Sarawak SOEs must evolve continuously to adapt to these challenges.

16.3 The performance management system must remain flexible, allowing periodic introduction of new KPIs, new performance dimensions, updated governance requirements and emerging transformation initiatives.

EMBEDDING CONTINUOUS IMPROVEMENT INTO THE DNA OF SOES

17.1 Continuous improvement must become an instinctive organisational habit. When employees and leaders embrace the idea that “we must always refine and elevate our performance,” the organisation becomes self-correcting, resilient and future-ready.

The Guidebook mandates that continuous improvement be embedded into:

- ✓ **Corporate culture**
- ✓ **Leadership behaviours**
- ✓ **Training programmes**
- ✓ **Performance reviews**
- ✓ **Risk management**
- ✓ **Digitalisation strategies**
- ✓ **Governance systems**
- ✓ **ESG commitments**

17.2 When continuous improvement becomes part of the organisation's identity, excellence becomes sustainable and transformation becomes permanent.

1.0 INTRODUCTION

- 1.1 The Handbook represents a bold, comprehensive and forward-looking step toward transforming the State-Owned Enterprise landscape into a high-performing, competitive, sustainable and financially resilient ecosystem. This handbook unifies global best practices, Malaysian governance requirements, and Sarawak's contextual realities into a single performance management system that is clear, systematic and actionable.
- 1.2 The conclusion to this Handbook reinforces the strategic intention behind the entire framework: to institutionalise performance excellence across all SOEs, ensure operational reliability, enhance financial sustainability, embed governance integrity, strengthen accountability, and support the State's economic and societal priorities under PCDS 2030.
- 1.3 The transformation of Sarawak's SOEs cannot be achieved by policies and frameworks alone. It requires leadership commitment, organisational discipline, cultural change and persistent focus on long-term goals. This concluding chapter underscores the essential mindsets, institutional behaviours and policy directions needed to sustain the reform agenda.

**2.0 THE STRATEGIC ROLE OF SOES IN SARAWAK'S
DEVELOPMENT AGENDA**

- 2.1 Sarawak's SOEs play a unique role in the State's socio-economic architecture. They are not only commercial entities but also instruments of public policy, territorial inclusion and community development. They drive investments, build infrastructure, expand access to services, develop industries, generate employment and support the prosperity of the State.
- 2.2 The Handbook ensures that SOEs are governed professionally and perform to high standards while still delivering public policy obligations. This dual mandate is the hallmark of modern SOEs in advanced economies, and Sarawak now joins this league by adopting global governance norms combined with contextual adaptation.
- 2.3 As Sarawak advances toward a high-income, inclusive and sustainable economy under PCDS 2030, the SOE ecosystem must evolve to become more agile, innovative, financially disciplined and results-oriented. The performance management system articulated in this guidebook is the cornerstone of that evolution.

3.0

EMBEDDING PERFORMANCE CULTURE AS A STRATEGIC ASSET

- 3.1 A high-performance SOE ecosystem requires more than KPI frameworks and reporting cycles. It requires an organisational culture that values discipline, accountability, continuous learning and excellence. Performance culture must become part of the DNA of every SOE.

Embedding this culture requires:

- ✓ **Strong and consistent leadership**
- ✓ **Clarity of expectations at every level**
- ✓ **Transparent communication**
- ✓ **Fair and merit-based rewards**
- ✓ **Consequences for misconduct**
- ✓ **Recognition of excellence**
- ✓ **Reinforcement of ethical values**

- 3.2 When culture aligns with strategy, transformation becomes faster, more sustainable and more widely embraced.

4.0

LEADERSHIP AS THE CATALYST FOR TRANSFORMATION

- 4.1 Leadership drives or destroys performance—there is no middle ground.
- 4.2 Boards must lead with integrity, independence, and foresight. CEOs must translate strategy into meaningful results. Senior management must drive execution, manage risks and develop talent. Middle managers must ensure operational reliability and uphold discipline. Frontline employees must deliver services with professionalism and pride.

Effective leadership requires:

- ✓ **Clarity of purpose**
- ✓ **Commitment to public accountability**
- ✓ **Mastery of performance systems**
- ✓ **Courage to implement reforms**
- ✓ **Willingness to make difficult decisions**
- ✓ **Dedication to continuous improvement**

- 4.3 The Handbook places leadership accountability at the core of the performance system because transformation begins at the top.

5.0 GOVERNANCE INTEGRITY AS THE FOUNDATION OF TRUST

- 5.1 Governance integrity ensures that SOEs operate in the interest of the State and the public. Without strong governance, performance results lose credibility, public trust erodes, and State assets are put at risk.

Governance Integrity Requires:

- ✓ Adherence to legal and regulatory frameworks
- ✓ Transparency in reporting
- ✓ Responsible decision-making
- ✓ Independent board oversight
- ✓ Effective audit and risk management
- ✓ Management of conflicts of interest
- ✓ Compliance with ethical standards
- ✓ Leadership that models integrity

- 5.2 Sarawak's commitment to governance excellence differentiates its SOEs from many jurisdictions where governance failures undermine public value.

6.0 STRENGTHENING FINANCIAL SUSTAINABILITY AND OPERATIONAL EXCELLENCE

- 6.1 SOEs must be financially resilient to support long-term strategic development. Sustainable financial performance ensures that enterprises are not overly dependent on State support and can invest in operational upgrades, digitalisation, human capital and infrastructure growth.

Financial Sustainability Is Achieved Through

- ✓ Revenue optimisation
- ✓ Cost efficiency
- ✓ Prudent investment strategies
- ✓ Effective financial controls
- ✓ Risk mitigation
- ✓ Disciplined decision-making

- 6.2 Operational excellence ensures that essential services—energy, water, transport, digital connectivity, infrastructure and development programmes—are delivered reliably, safely and efficiently.
- 6.3 Sarawak's SOEs must operate with the same professionalism and execution quality as top-tier global enterprises.

7.0 SUSTAINABILITY AND ESG AS LONG-TERM IMPERATIVES

- 7.1 Sustainability and ESG performance are no longer optional—they are strategic necessities. Sarawak's SOEs operate in sectors that have significant environmental and social impact: energy, utilities, infrastructure, transport, real estate, and natural resources.

ESG Excellence Requires:

- ✓ **Reduction of carbon footprint**
- ✓ **Environmental stewardship**
- ✓ **Inclusive social development**
- ✓ **Strong governance transparency**
- ✓ **Responsible supply chains**
- ✓ **Adherence to safety and labour standards**

- 7.2 Embedding ESG into performance systems ensures long-term competitiveness, societal trust and alignment with global standards.

8.0 TECHNOLOGY, INNOVATION AND DIGITAL TRANSFORMATION

- 8.1 Digitalisation and innovation are central drivers of SOE competitiveness. Sarawak's digital transformation agenda—underlined by the Digital Economy Blueprint—requires SOEs to adopt modern technologies, automate workflows, enhance data analytics and modernise service delivery.

Digital Transformation Strengthens:

- ✓ **Data accuracy**
- ✓ **Predictive capability**
- ✓ **Operational automation**
- ✓ **Risk detection**
- ✓ **Service quality**
- ✓ **Workforce productivity**
- ✓ **Customer experience**

- 8.2 Innovation must become a perpetual organisational habit, not an occasional initiative.

9.0 BUILDING STRONG HUMAN CAPITAL

- 9.1 Human capital is the single most important determinant of organisational success. Sarawak's SOEs must invest in:

Sarawak's SOEs Must Invest In:

- ✓ Continuous training
- ✓ Competency development
- ✓ Technical upskilling
- ✓ Leadership development
- ✓ Career progression frameworks
- ✓ Mentoring and coaching
- ✓ Succession planning

- 9.2 As skilled, motivated and future-ready workforce enables high performance, innovation and resilience.

10.0 INSTITUTIONALISING ACCOUNTABILITY ACROSS ALL LEVELS

- 10.1 Accountability is the central thread that connects every part of the Guidebook. It is not limited to the CEO or Board; it extends to every level of the organisation.

Accountability Means:

- ✓ Owning results
- ✓ Accepting responsibility for decisions
- ✓ Fulfilling commitments
- ✓ Learning from mistakes
- ✓ And delivering value consistently

- 10.2 The Handbook establishes clear accountability mechanisms through:

- | | |
|--|------------------------------|
| i. Cascading KPIs | iv. Board oversight |
| ii. Internal and external verification | v. Annual evaluations |
| iii. Quarterly reporting | vi. Shareholder monitoring |
| | vii. Bonus eligibility rules |

- 10.3 These mechanisms ensure that accountability is not arbitrary but systemic.

11.1 The environment in which SOEs operate is dynamic and evolving. Challenges such as climate change, technological disruption, shifting customer expectations, geopolitical tensions and economic fluctuations require SOEs to remain agile and responsive.

11.2 Organisational learning is essential.

**Learning
Must Come
From:**

- ✓ **Performance reviews**
- ✓ **Audit findings**
- ✓ **Customer feedback**
- ✓ **Operational incidents**
- ✓ **Transformation projects**
- ✓ **Benchmarking**
- ✓ **Strategic reflection**

11.3 An adaptive organisation remains resilient even under uncertain conditions.

12.1 Sarawak's ambition to build a high-performing SOE ecosystem requires whole-of-government collaboration. Ministries, agencies, regulators, development bodies and SOEs must work in synergy to support:

- regulatory consistency,
- policy alignment,
- data sharing,
- coordinated strategy development, and
- integrated transformation programmes.

12.2 The Shareholder Ministry and SFSO plays the central coordinating role, but transformation requires collective commitment.

13.0

SUSTAINING THE SARAWAK SOE TRANSFORMATION JOURNEY

- 13.1 Transformation is not a one-time project; it is a continuous journey. The Handbook provides the foundation—performance systems, governance frameworks, accountability mechanisms and leadership expectations—but success depends on consistent implementation.

Sustaining Transformation Requires:

- ✓ **Steady leadership**
- ✓ **Commitment to discipline**
- ✓ **Institutional memory**
- ✓ **Talent continuity**
- ✓ **Alignment with PCDS 2030**
- ✓ **Ongoing refinement of frameworks**

- 13.2 With consistent application, Sarawak's SOEs will evolve into world-class institutions capable of delivering long-term value to the State and its people.

14.0

FINAL WORDS: BECOMING HIGH-PERFORMING, COMPETITIVE & SELF-RELIANT

- 14.1 The Handbook represents a clear commitment to elevate the performance of State-Owned Enterprises through a system that is:

- comprehensive,
- rigorous,
- globally benchmarked,
- deeply contextualised to Sarawak,
- and aligned with the State's long-term vision.

- 14.2 If implemented faithfully, this framework will ensure that Sarawak's SOEs:

- become high-performing organisations,
- compete at national and regional standards,
- sustain financial independence,
- uphold governance integrity,
- embrace sustainability and innovation,
- deliver strategic value to the State,
- and support the prosperity of all Sarawakians.

- 14.3 The future of Sarawak's development depends significantly on the strength and performance of its SOEs.
- 14.4 This handbook provides the blueprint—now the responsibility lies with leadership, management and staff to bring it to life.

ABBREVIATION

AI	Artificial Intelligence
AOB	Any Other Business
API	Application Programming Interface
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
COO	Chief Operating Officer
ESG	Environmental, Social and Governance
ERP	Enterprise Resource Planning
GLC	Government-Linked Company
HR	Human Resource
HRMIS	Human Resource Management Information System
ICT	Information and Communications Technology
IPMS	Individual Performance Management System
ISO	International Organization for Standardization
KPI	Key Performance Indicator
KRI	Key Risk Indicator
MCCG	Malaysian Code on Corporate Governance
MFRS	Malaysian Financial Reporting Standards
MOU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
PCDS 2030	Post-COVID Development Strategy 2030
PI	Performance Indicator
PIP	Performance Improvement Plan
PPO	Public Policy Obligation
QPR	Quarterly Performance Review
SCADA	Supervisory Control and Data Acquisition
SEPM	State Enterprise Performance Monitoring Manual
SFS	State Financial Secretary
SOP	Standard Operating Procedure
SOE	State-Owned Enterprise
SWOT	Strengths, Weaknesses, Opportunities and Threats
YAB	Yang Amat Berhormat
YB	Yang Berhormat

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