

CORPORATE GOVERNANCE REPORT





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Corporate Governance Framework

The Construction Industry Council (CIC) firmly believes that good corporate governance is fundamental to ensuring proper management and smooth operation of the organisation in the interests of all stakeholders and the public. The CIC establishes the corporate governance framework with reference to the following:

- *Corporate Governance Code and Corporate Governance Report* issued by the Hong Kong Exchanges and Clearing Limited;
- *Corporate Governance for Public Bodies - A Basic Framework* published by the Hong Kong Institute of Certified Public Accountants; and
- *Good Governance and Internal Control in Public Organisations* issued by the Independent Commission Against Corruption.

In pursuit of its Vision and Mission, the CIC's corporate governance framework is supported by:



The Five Pillars

The Council, Statutory Boards and Industry Development Committees

Structure and Composition

The Council

The Chairman of CIC and its 24 Members are appointed by the Secretary for Development, generally for two years each term. They may serve the CIC continuously for up to six years. The composition of the Council is governed by Sections 9 to 12 and Schedule 2 of the Construction Industry Council Ordinance (Cap. 587) (CICO), as follows:

- not more than three public officers;
- not more than four persons who represent employers;
- not more than four persons who represent professionals or consultants;
- not more than five persons who represent contractors, subcontractors, materials suppliers or equipment suppliers;
- not more than two persons who represent training institutes, academic or research institutions;
- not more than three persons from trade unions representing construction workers; and
- not more than three persons the Secretary for Development thinks fit to be a Member.

Statutory Boards

Besides the Council, there are five Statutory Boards established under the CICO and the Construction Workers Registration Ordinance (Cap. 583) (CWRO), namely

1. Objections Board;
2. Construction Industry Training Board;
3. Construction Workers Registration Board;
4. Construction Workers Qualifications Board; and
5. Construction Workers Review Board.

Industry Development Committees

In overseeing the performance of the CIC, pursuant to Section 15 of the CICO, the Council has established a number of Boards and Committees to assist the CIC in

executing and managing its various core businesses and functions. Upon such division of responsibilities, the Council concentrates on strategic issues, direction planning, policy making, corporate governance and the long-term development of the industry. The five Industry Development Committees are:

1. Committee on Building Information Modelling;
2. Committee on Construction Business Development;
3. Committee on Construction Safety;
4. Committee on Environment; and
5. Committee on Productivity.

In addition to the Boards and Committees, subcommittees, task forces and working groups are also formed to assist the relevant Boards / Committees to focus on specific issues and carry out respective tasks for better performance of the CIC's functions.

Appointment

To ensure connectivity and to strengthen communication, the Chairpersons of Boards / Committees are, as far as possible, taken up by Council Members, while the subcommittees / task forces / working groups are chaired by the respective board / committee members, unless special expertise is

required from outside parties. Council Members may indicate their preference to join normally up to three committees.

The appointment mechanism of the five Industry Development Committees was revamped in 2018. Under the revamped mechanism, on selecting and appointing new members to the Committees, the CIC will invite the relevant construction industry-related bodies to nominate candidates in order of priority. The candidates' suitability will be assessed by their expertise, previous contributions to the industry and / or the CIC task forces, etc., their willingness to serve, and the needs of the CIC. The Council Chairman will discuss nominations with the individual Committee Chairpersons.

Via mirroring the Council and capping Committees' members to a maximum of 17, the revamp helps to improve the public perception of the Committees to be more representative of the industry, allowing an integration of views from representative sectors while forbidding monopolisation by particular institutions as members could only serve a maximum of four years. The new mechanism encourages members to advise from a macro, instead of a sectoral, perspective. They enable the CIC to benefit from a wide range of experience and a variety of independent perspectives. In addition to sufficient diversity, wider representation and better integration, it also exemplifies cross sector collaboration.

Composition of the Council



Composition of the Five Industry Development Committees

In the form of a "mini Council"



Modus Operandi of the Council

Apart from the regulatory requirements on meeting procedures of the Council and the Statutory Boards, the CIC Boards and Committees at large adopt the following key features on meeting procedures as a good practice of corporate governance:

1. The Council and the Executive Committee hold bi-monthly meetings, while Boards and Committees meet at least quarterly (except for the Objections Board, Construction Workers Qualifications Board and Construction Workers Review Board, which hold meetings as and when necessary).
2. The meeting schedule is set at the beginning of each year to allow Members to reserve time to attend.
3. Notice of Meeting is issued to Members at least 14 calendar days before the meeting. Members are provided with the Agenda and Papers at least seven calendar days before the meeting is convened.
4. The draft Agenda is prepared by the responsible Secretariat and approved by the Council Chairman / Board / Committee Chairperson.
5. The Executive Director and senior management attend the meetings to present the papers and provide further information and explanations on the issues where appropriate. However, they have no voting rights and may not influence the decision-making process. The management of the CIC, under the leadership of the Executive Director, will follow up on the execution of the strategic directions set by the Members and report progress from time to time.
6. Members are required to sign the attendance sheet at the meeting. Meeting attendance and proceedings are documented in the Minutes recorded by the relevant Secretariat.
7. The draft Minutes prepared by the responsible Secretariat should be ready around seven calendar days after the meeting. The Minutes and discussion points of each agenda item are circulated to Members no later than 21 calendar days after the meeting for comment. The Minutes are reviewed and confirmed in the subsequent meeting.
8. Minutes of the meetings (except those of the Executive Committee, Audit Committee, Objections Board and the closed-door sessions of meetings of the Council) are posted to the CIC website for the public's reference.
9. Members are required to declare conflicts of interests, if any, before the commencement of discussion of the related agenda item(s) in question. These declarations and the actions taken, such as a Member abstaining from participating in the discussion of the concerned item(s), will be recorded in the Minutes and kept in a register of the Corporate Secretariat.
10. Members have access to relevant expertise to help discharge their responsibilities upon obtaining proper approval where appropriate e.g. consultants will be invited to present and explain their recommendations in separate sessions before the Council meeting to allow more time for questions and detailed discussions.
11. The quorum required by the Council meetings and Statutory Boards meetings is specified in the CICO and CWRO respectively.

A "Starred Discussion Paper" system was introduced in 2018 to facilitate prompt handling of approval matters and efficient processing of discussion papers at meetings. For routine and straightforward matters presented in a Starred Discussion Paper, approval by Members is assumed, unless Members choose to raise comments and / or enquiries during meeting. Since the implementation of this system, meetings have been conducted in a smoother, more timely and effective manner.

Risk Management and Internal Controls

Risk management is integrated into the CIC's strategic planning process and its daily operations. With the growing complexity of operations and the increasing expectation of the industry on the CIC's services, the governance and

control measures of the CIC have been strengthened in the recent years, with the following Three Lines Model of risk management structure in place:



First Line

Operational management is responsible for maintaining effective internal controls on a day-to-day basis. Internal policies and procedures are established and documented in the CIC's operation manuals with regular reviews.

Second Line

Financial control, quality assurance, compliance and risk management functions are in place to ensure proper internal controls over daily operations (i.e. the First Line).

Third Line

The Internal Audit Department is responsible for reviewing the effectiveness of governance, risk management and internal controls in the first two Lines. To uphold and improve the governance standard, the Audit Committee was formed in 2018 to oversee the audit work and to provide suggestions to enhance the CIC's internal control system.

External Assurance Providers

External auditors and regulators outside of the CIC provide additional assurance to the CIC's stakeholders. For instance, the Hong Kong Council for Accreditation of Academic and Vocational Qualifications provides quality assurance to the Qualification Framework recognised programmes of the Hong Kong Institute of Construction.

The senior management of the CIC assess their respective strategic, compliance, financial and operational risks from a daily operational perspective. The Internal Audit Department consolidates the high risk areas and the corresponding mitigation measures for reporting to the Audit Committee which also serve as input to the Annual Internal Audit Plan.

The Project Management Handbook was published and the Project Committee composed of senior management of the CIC was formed in 2020. To ensure that projects can be timely completed with satisfied deliverables, project owners are required to outline potential project risks and related mitigation measures for approval by the Project Committee.

Management Controls

The CIC formulates its annual Major Work Plans and publishes the information in the form of bilingual booklets. The Major Work Plans consist of the initiatives, action plans, timeline and the expected deliverables of individual departments of the CIC. The senior management will review their work progress at regular intervals during the year, and assess the final output and performance of the responsible departments against the work plans at the end of the year. In the internal audit exercises, the performance of relevant departments will be reviewed with reference to the Major Work Plans. Moreover, to enhance transparency and openness, the booklets of Major Work Plans will be distributed to various government departments, stakeholder organisations, industry associations / unions and training institutions.

Mechanism of Complaints Handling

To maintain public accountability, the CIC welcomes feedback from internal and external stakeholders. Non-anonymous complaints showing dissatisfaction against the CIC or our staff members will be timely handled and investigated. Any non-compliance and inefficiency found in the provision of services will be followed up by the relevant management and further reported to the Audit Committee.

Ethical Culture

A high level of integrity is essential to the organisation's continued success and long-term advancement. The CIC is strongly committed to the principles of fairness, honesty, integrity and impartiality in conducting its business and discharging its functions.

Code of Conduct for Staff

For CIC staff, the Code of Conduct (the Code) is in place to set out the basic standard of conduct and other relevant policies which all staff are expected to understand and observe in the daily discharge of their duties. The Code, which is reviewed periodically to ensure compliance with the Prevention of Bribery Ordinance (Cap. 201) and the best practices promulgated by the Independent Commission Against Corruption (ICAC), covers the areas of acceptance of advantages, conflicts of interests, use of organisation's assets and resources, confidentiality of information, outside work, workplace behaviour, etc. All new employees are required to sign their acknowledgement of the Code. In addition, the CIC management staff are required to declare in writing annually their compliance with this Code.

Compliance Training for Staff

The CIC is fully committed to the principles of honesty, integrity and fair play and attaches much importance to protecting a person's right to privacy in relation to personal data. We provide an equal opportunity environment when delivering services to the general public. To keep our staff updated on the latest development of the relevant ordinances and to refresh their knowledge in these aspects on a regular basis, training sessions are arranged for our staff. Individual representatives from the ICAC, Equal Opportunity Commission and the Privacy Commissioner for Personal Data are invited to conduct these training sessions.

- Introduction to the Anti-Bribery Ordinance of Hong Kong*
- Introduction to the Anti-Discrimination Laws of Hong Kong*
- Introduction to the Personal Data (Privacy) Ordinance

(* Mandatory for management staff)

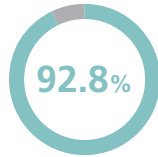
Summary of Work Done in 2020

Council

5

Meetings

Average attendance rate:



(Council Meeting No. 001/20 was cancelled due to COVID-19.)



Considered **142** papers



Significant matters considered / resolved:



Organisation Structure and Business Processes

It illustrates the functions and operations of the CIC with clearly defined roles and responsibilities as well as reporting structure.

1. Establishment of the Project Committee
2. Revamp of the Committee on Construction Procurement to become the Committee on Construction Business Development
3. Appointment of Chairperson to the Construction Industry Sports and Volunteering Programme Committee
4. Appointment of Members to the Construction Industry Training Board and the Construction Workers Registration Board
5. Revision of the Standard Guideline on Relative Weightings for Technical and Fee Assessment

The Five Pillars:



Standard of Behaviour

It states the expectations on staff's behaviour. Compliance with the CIC Code of Conduct, Prevention of Bribery Ordinance and Code of Conduct for Personnel in the construction industry is expected.

1. Before the commencement of each Council Meeting, the Chairman will remind Council Members to declare any conflicts of interests, if necessary, during the course of meeting.



Risk Management and Controls

It aims at analysing factors which may hinder the CIC from achieving its vision and mission. There is internal audit, statutory audit as well as budgeting and financial management to direct the appropriate behaviour. A dedicated risk management mechanism is established to lay down a defined way to assess risks.

1. Establishment of the Policies and Procedures on Levy Prosecution
2. Appointment of an external consultant to provide audit services for the CIC
3. Uplifting of the Tender Approval Thresholds
4. Implementation of a mechanism for Budget Virement
5. Report on audit observations by the Audit Committee
6. Establishment of the Task Force on Anti-epidemic Fund for Construction Sector



Reporting and Communications

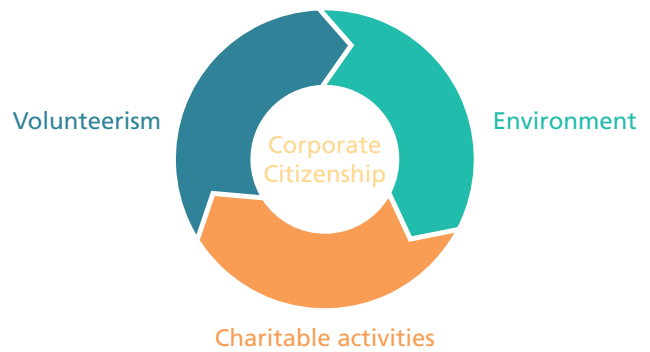
This pillar delineates the external and internal reporting requirements to ensure a timely disclosure of information for management decisions and compliance with regulatory requirements.

1. Introduction of the Construction Industry Environmental, Social and Governance (ESG) Reporting Service
2. Launch of the Technically Competent Persons Registration Scheme (TCPRS) and establishment of the Management Committee on TCPRS
3. Strengthening of the steering role of the Council and provision of a communication platform



Corporate Citizenship

Corporate citizenship is embedded to demonstrate the CIC's commitment to contribute to build a caring society. There are three main areas, namely environment, charitable activities and volunteerism.



1. Launch of the Construction Industry Caring Campaign - Fight against Novel Coronavirus
2. Providing administrative and operational support to the Government's Anti-epidemic Fund (AEF 1.0, 1.5 and 2.0) for Construction Sector

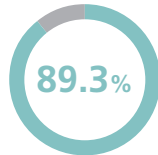


3. Launch of the CIC Relief Fund
4. Extension of the waiver of Construction Workers Registration Fees
5. Provision of free and voluntary COVID-19 testing services for construction sites
6. Promotion of low carbon living and sustainability

Construction Industry Training Board

6
Meetings

Average
attendance
rate:



Considered **76** papers



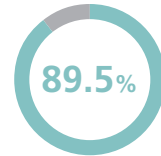
Five examples of significant
matters considered / resolved:

1. Setting the training quota for programmes of the Hong Kong Institute of Construction, "Collaborative Training Schemes" and the "CIC Approved Technical Talents Training Programmes"
2. Confirming the development of Electrical and Mechanical Programmes and providing trade test and courses for Electrical Workers for Grade A Electrical Work
3. Adjusting the arrangements of Full-time Courses in response to COVID-19
4. Launching the CIC Relief Fund - Multi-skills Training Scheme for Registered Workers
5. Organising the 1st Hong Kong Construction Skills Competition

Construction Workers Registration Board

3
Meetings

Average
attendance
rate:



(One meeting was cancelled due to
COVID-19.)



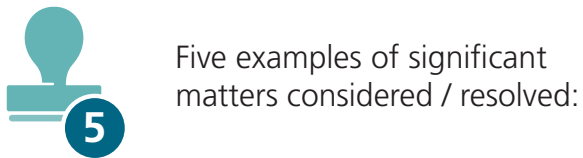
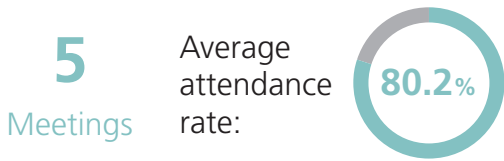
Considered **23** papers



Five examples of significant
matters considered / resolved:

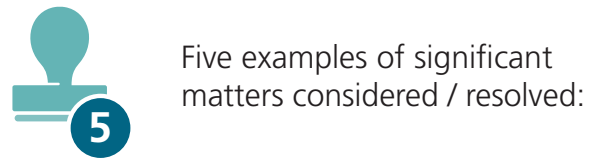
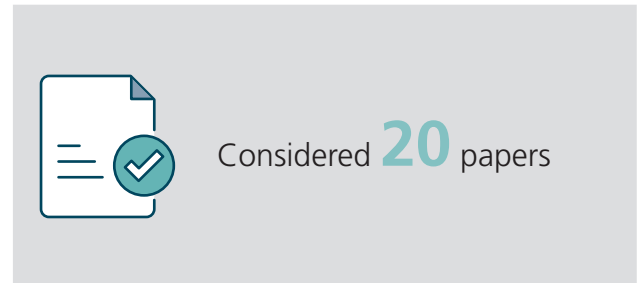
1. Promulgating monthly pay for some construction workers
2. Launching the Construction Industry UnionPay Dual Currency Credit Card
3. Upgrading the CIC Service Centre (Nam Cheong) to strengthen support for construction workers
4. Supporting extension of the waiver of Construction Workers Registration Fees
5. Launching the inaugural Construction Workers Professional Development Scheme

Committee on Building Information Modelling



1. Launching the new scheme for “Certification of BIM Coordinators and Accreditation of BIM Coordinator Courses”
2. Holding the “Celebration of BIM Achievement 2020”
3. Organising the CIC BIM Competition 2020
4. Issuing five new / updated BIM Standards and BIM-related publications
5. Completing the consultancy study on “3D and BIM Data Use Case Requirements of the Construction Industry for the Development of Digital Hong Kong”

Committee on Construction Business Development

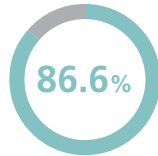


1. Revamping the Committee on Construction Procurement
2. Forming the Task Force on Greater Bay Area and compiling the Greater Bay Area Business Directory
3. Overseeing the consultancy study on “MiC & DfMA Procurement”
4. Completing the final report on Reasonable Construction Periods
5. Proposing the follow-up work plan on “Review Report on Quality Site Supervision Practices of the Hong Kong Construction Industry”

Committee on Construction Safety

4
Meetings

Average
attendance
rate:



Considered **30** papers



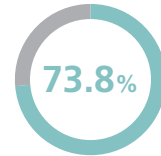
Five examples of significant
matters considered / resolved:

1. Forming the Task Force on Design for Safety
2. Holding the "Life First" Campaign
3. Organising the Construction Safety Week 2020 with the main focus on "Lifting Operation Safety"
4. Developing the Safety Mobile Apps
5. Rolling out four new training courses, including "A12 Course on Construction Materials Rigger", "A12S Silver Card Course on Construction Materials Rigger and Signalman", "Lifting Safety Supervisor Course (3-day course)" and "Certificate in Soil Nail Drilling Safety Training Course"

Committee on Environment

4
Meetings

Average
attendance
rate:



Considered **16** papers



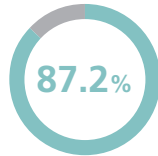
Five examples of significant
matters considered / resolved:

1. Developing the CIC Sustainable Construction Certification Scheme for Green Finance
2. Enhancing the CIC Carbon Assessment Tool
3. Organising the CIC Sustainable Construction Award 2020
4. Launching the Sustainable Construction E-platform
5. Working with Hong Kong Green Building Council to publish *Hong Kong Report 2020* and co-organise World Sustainable Built Environment Conference 2020 Hong Kong Session

Committee on Productivity

4 Meetings

Average attendance rate:



Considered 12 papers



Five examples of significant matters considered / resolved:

1. Commencing the consultancy study on "Driving DfMA Adoption to Enhance Productivity for E&M Works in Hong Kong Building Projects" and preparing for the "DfMA MiMEP Tradeshow 2021"
2. Commencing the consultancy study on "Establishing a Certification Scheme for Construction Robots"
3. Commencing the research study on "Application of Maturity Method for Determination of Early-age Concrete Strength in Hong Kong Construction Industry" and forming an expert group to steer the research study
4. Completing the research study on "Development of an Appraisal Framework for Assessing the DfMA Content for Buildings in Hong Kong"
5. Organising the International Symposium on "Unlocking Innovation in Construction through 5G Technology"

Audit Committee

5 Meetings

Attendance rate:



Considered 23 papers



Five examples of significant matters considered / resolved:

1. Reviewing internal audit results and providing recommendations in the areas of project management, payment control, apprenticeship management, the Construction Innovation and Technology Fund operations, Modular Integrated Construction Department and Building Information Modelling Department
2. Reviewing the Phase 1 audit on the Hong Kong Institute of Construction
3. Assessing the identified operational inefficiencies and internal control deficiencies arising from the substantiated complaints against the CIC
4. Reviewing and endorsing the audited annual financial statements
5. Engaging an external consultant to provide professional internal audit services for the CIC

Meeting Attendance

Council Members' Attendance in Various Meetings in 2020

	Council ¹	Com-EXE	Com-BIM	Com-CBD	Com-CSY	Com-ENV	Com-PRO	Com-RSC	Com-AUD
Chairman									
1. Mr. CHAN Ka-kui	5/5	6/6							
Members									
2. Ir CHAN Chi-chiu	5/5			4/4				4/4	
3. Mr. CHAN Kim-kwong	5/5			3/4	4/4				
4. Mr. CHAN Pat-kan	2/5				4/4				
5. Prof. CHUNG Kwok-fai	5/5		3/5				3/4		
6. Mr. FU Chin-shing, Ivan	5/5	5/6	4/5			4/4	2/4		
7. Ar. FUNG Yin-suen, Ada	5/5	6/6	5/5						
8. Sr HO Kwok-kwan, Thomas	5/5			3/3 ⁵		3/3 ⁵		2/2 ⁶	
9. Sr LAM Kin-wing, Eddie	5/5						3/4		
10. Ir LAM Sai-hung	5/5	6/6 ²	5/5 ⁴	4/4 ⁴	4/4 ⁴	3/4 ⁴	4/4 ⁴		
11. Ms. LEE Sau-king, Amy	5/5				4/4				
12. Ir LEUNG Wing-kee, Ricky	5/5			4/4				4/4	
13. Mr. LI Tat-wai	5/5				3/3 ⁵		2/3 ⁵		
14. Ir Prof. LO Hong-kam	4/5				3/4	3/4			
15. Ir MO Kon-fei, Kenneth	5/5	6/6			4/4		4/4	4/4	
16. Ir PAN Shujie	4/5					3/4	4/4		
17. Ir Dr. PANG Yat-bond, Derrick	5/5	6/6			4/4				
18. Ir POON Lock-kee, Rocky	5/5	5/5 ³		4/4			4/4		
19. Mr. WONG Hin-wing, Simon	5/5			4/4					5/5
20. Ir WONG Kin-wai, Ken	5/5						3/4		
21. Ms. WONG Yeuk-lan, Eliza	4/5			4/4					5/5
22. Ms. YEUNG Kwong-yim, Connie	3/5			4/4 ⁴	4/4 ⁴	3/4 ⁴	4/4 ⁴		
23. Ir YU Sai-yen	5/5	6/6			3/4				
24. Ir YU Shek-man, Ringo	5/5	6/6					4/4		
25. Mr. YU Tak-cheung	4/5					3/4			

Notes

- Council Meeting No. 001/20 was cancelled due to COVID-19.
- Two meetings were attended by a representative.
- Term commenced on 1 February 2020.
- All meetings were attended by representative(s).
- Term commenced on 24 April 2020.
- Term commenced on 16 July 2020.

Construction Industry Training Board Members' Meeting Attendance in 2020

Chairperson	Attendance
1. Ir YU Sai-yen	6/6
Members	Attendance
2. Mr. CHAN Kim-kwong	6/6
3. Mr. CHAN Pat-kan	3/3 ¹
4. Sr CHAU Bing-che, Henry	6/6
5. Ir CHAU Siu-hei, Francis	6/6 ²
6. Ms. CHENG Sau-kuen	3/3 ¹
7. Ir Dr. CHI Wuh-jian, Joseph	1/3 ¹
8. Mr. CHOW Luen-kiu	2/3 ¹
9. Sr FOK Ching-yin, Amelia	3/3 ¹
10. Mr. HUANG Yongquan	3/3 ³
11. Sr LAM Kin-wing, Eddie	6/6
12. Mr. LAM Oi-ki, Peter	5/6
13. Mr. LAU Wing-sum	2/3 ³
14. Ir LUK Wai-lam, William	3/3 ³
15. Mr. WAN Chi-ping, Fenton	6/6
16. Ar. WONG Chiu-lung, Dennis	5/6
17. Ir WONG Hon-ping, Edmond	2/3 ¹
18. Sr WONG Kin-wai, Staw	3/3 ³
19. Mr. WONG Ping	2/3 ³
20. Dr. YAN Ting-kwan, Daniel	2/3 ³

Notes

1. Term ended on 30 June 2020.
2. Three meetings were attended by representatives.
3. Term commenced on 1 July 2020.

Construction Workers Registration Board Members' Meeting Attendance in 2020

Chairperson	Attendance
1. Ir MO Kon-fei, Kenneth	3/3
Members	Attendance
2. Ir AU-YEUNG Hoi-pang	2/2 ¹
3. Mr. CHAN Ka-lai	3/3
4. Ir Dr. CHAN Ka-lung, Raymond	3/3
5. Prof. CHAN Kwok-hong, Raymond	2/3
6. Mr. CHAN Kwok-yin, Andrew	2/3
7. Mr. CHAN Pat-kan	3/3
8. Mr. CHAN Shut-ho, Franki	3/3
9. Ir CHAU Siu-hei, Francis	3/3 ²
10. Ms. CHAN Yuen-ming, Mary	1/1 ¹
11. Sr DY Wai-fung, Peter	1/3
12. Mr. KWOK Tung-keung, Simon	3/3
13. Ir LEUNG Wai-ho, Alfred	3/3
14. Ir LIU Sing-pang, Simon	3/3
15. Mr. LOK Kwei-sang, Tandy	3/3
16. Ir Prof. PAN Wei	2/3
17. Ir POON Kwok-ying, Raymond	3/3 ³
18. Mr. TSANG Ting-fat	3/3
19. Mr. WONG Ping	2/3
20. Ar. YU Franklin	3/3

Notes

1. Due to the change of posting, Ms. CHAN Yuen-ming, Mary succeeded Ir AU-YEUNG Hoi-pang in November 2020.
2. All meetings were attended by representatives.
3. One meeting was attended by a representative.