

# **UNIVERSITY ACCOUNTABILITY AGREEMENT 2022/23 – 2024/25 TRIENNium**

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## **1. BACKGROUND, CONTEXT AND PURPOSE**

1. The University Accountability Agreement (Agreement) is a formal agreement between The Hong Kong University of Science and Technology (HKUST) and the University Grants Committee (UGC) of Hong Kong. It serves to articulate the nature and substance of the relationship between HKUST and the UGC. Along with the dialogue, the Agreement forms a key element of the strategic framework underpinning this relationship.
2. This strategic dialogue is an important element in the action being taken by universities and by the UGC to strengthen the governance of publicly-funded higher education universities in Hong Kong and by such action to enhance their accountability. The Agreement reinforces the autonomous status of the universities by allowing them to articulate their individual missions, visions and strategic goals. The Agreement allows the UGC to be satisfied that the wider public interest is both recognised and met by HKUST, as well as providing assurance through high-level performance measures of a commitment to continuous quality improvement. For HKUST, the Agreement assures members of its governing body as well as its staff and students that the key elements are in place of the robust institutional governance which helps to guarantee HKUST's autonomy.
3. The Agreement reaffirms the funding to be provided to a university by the UGC, setting out those elements which collectively represent the single-line block grant from the UGC over the triennial funding period for the 2022/23 to 2024/25 triennium (2022-25 triennium). It also sets out any conditions attached to such funding, as well as being a reminder that all universities are required to follow the UGC Notes on Procedures (NoP) as well as other guidance and advice as promulgated and updated by the UGC from time to time.
4. HKUST is also required to submit its teaching, learning and related processes to regular quality audit through the aegis of the Quality Assurance Council (QAC) and to submit its research activity being assessed on a regular basis by the UGC. Specific outcomes and outputs from such periodic audit and assessment exercises are reflected as appropriate in the Agreement. The Agreement is not intended to replicate or replace such exercises.
5. By signing this Agreement, HKUST affirms that all funds received from the UGC will be used solely for the purposes for which they are intended. Such funds are provided in the expectation that HKUST will seek to achieve value for money and be economical, efficient and effective in its use of public funds.
6. The Agreement will be reviewed on an annual basis as part of the strategic dialogue between HKUST and the UGC. This annual review will consist of a check on progress towards targets and outcomes agreed over the timeframe of HKUST's strategic plan, which is aligned with the three-year span of the funding settlement from the UGC.
7. It is expected that the process of dialogue leading to the joint acceptance of the Agreement will mean that universities and the UGC will keep to its terms, both in spirit and in the letter. Where a university fails to do so without the prior agreement of the UGC, the UGC may decide on appropriate action having regard to the merits of individual cases to ensure that HKUST is made aware of the potential consequences of it continuing to act in such a way.



8. The Agreement is signed by both HKUST and the UGC as a public affirmation of the commitment of both parties to confirming and enhancing the global reputation of Hong Kong's higher education sector as a provider and enabler of teaching, research and related activity of the highest quality and of the greatest benefit to the people of Hong Kong.

## **2. HONG KONG FUNDING FRAMEWORK: KEY PRINCIPLES**

9. The UGC follows a triennial planning cycle for the allocation of recurrent grants to the eight UGC-funded universities. This is underpinned by the Planning Exercise, which allows the universities to examine their recent developments through reviewing existing programmes, introducing new ones and phasing out obsolete ones. The exercise involves two major components:

- i. obtain instructions from the Government on the overall policy direction and broad planning parameters for the triennium; and
- ii. on the basis of (i), consider the Planning Exercise Proposals (PEPs) submitted by the universities to make recommendations on the allocation of student numbers and recurrent grants to individual universities. The cycle usually starts two years before the commencement of each triennium.

10. For the 2022-25 triennium, HKUST acknowledges the four strategic directions which Government has invited the UGC and all universities to take into account in the Planning Exercise, namely –

- (a) Universities should think more strategically and for the longer term

Universities should think boldly and strategically in mapping out the strategies in a longer planning cycle, taking into account the potentials and needs of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) Development and the role that Hong Kong's higher education sector could play in this endeavour.

- (b) Consolidation in UGC-funded programmes among universities

A few universities are currently offering training programmes in some disciplines with surplus manpower, while there is ample supply of graduates from the self-financing post-secondary education sector and other non-local sources. The more apparent examples are Chinese medicine practitioners, teachers and social workers. The opportunity should be taken for the universities to consider some form of consolidation of these programmes at institutional level to enhance synergy and efficient use of resources.

- (c) Whole-person development

While recognising the significant efforts made by the universities on the academic front, the whole-person development of university students should also be accorded priority. As graduates are the future pillars of our society, it is pivotal that a strong sense of civic duty could be instilled into them through value education at university level. The education on the Constitution, the Basic Law and the National Security Law should also form part and parcel of students' university studies to nurture them as law-abiding responsible citizens.



(d) Research

The basic research capability among the UGC-funded universities is a forte in which Hong Kong has a leading edge in the region. Such forte should be maintained and further strengthened, as manifested in the Government's sizeable injection into research-related funding in recent years. At the same time, the knowledge transfer from basic to applied research with the creation of social impact should also be encouraged.

11. The UGC considers that competition drives excellence. To ensure the efficient use of the precious publicly-funded student places, the UGC adopts the Competitive Allocation Mechanism (CAM) under which each university is required to set aside a small portion of its non-manpower-planned (NMP) first-year-first-degree (FYFD) intake places for redistribution in the context of the Planning Exercise. Universities are invited to submit their PEPs to facilitate assessment by the UGC. This process of preparing their PEPs creates an opportunity for universities to critically reflect on their overall strategies, distinctive roles and portfolio of academic programmes against policy priorities and community needs. The PEPs submitted by the universities are subject to rigorous assessment by the UGC against the following seven assessment criteria –

- i. Institutional mission and strategy;
- ii. Meeting the needs of society over the next decade;
- iii. Quality of student experience of teaching and learning;
- iv. Research performance and research postgraduate experience;
- v. Knowledge transfer and wider engagement;
- vi. Enhanced internationalisation and engagement with the Mainland; and
- vii. Financial health, institutional social responsibilities and sustainability.

12. The preliminary recommendation on allocation of student places is conveyed to the universities in the Preliminary Advisory Letter to facilitate the universities' preparation of student load matrices and cost estimates. Upon completion of Recurrent Grants Assessment, the UGC submits its recommendations on the allocation of student places and recurrent grants to the Government. With the approval from the Chief Executive-in-Council, universities are informed of their final funding allocation in the Allocation Letter from the UGC.

13. The UGC and the Government are committed to the principle of funding being allocated to the eight publicly-funded universities on a three-year basis, with that funding consisting of a single-line block grant to each university. This approach is an explicit recognition of their autonomous status. In the 2022-25 triennium, the Government has agreed to provide a total sum of recurrent grants of **HK\$7,510.5 million** to HKUST in the form of a block grant of which HKUST may redeploy the resources internally to various units and activities as your university sees fit. That notwithstanding, UGC's recommendations are premised on the proposals, initiatives and programme offering as committed in your university's PEP, whereas the approved student number targets form a key basis for the determination of recurrent grants. As such, the PEP of your university is contractual in nature. HKUST accepts that you have a duty to be openly accountable for the proper stewardship of funds, irrespective of their source, and of other resources at your disposal. In particular, HKUST should ensure the provision of approved publicly-funded programmes and student places, while effective and efficient internal control mechanisms should be in place for the compliance of relevant conditions on the use of public funding and requirements for reporting, audit and assurance as prescribed in the PEP, the Allocation Letter, the UGC's NoP as well as other guidance and advice from the UGC from time to time. Some specific conditions are



highlighted in the ensuing paragraphs.

#### Utilisation of Approved Student Number Targets

14. The UGC conducts regular enrolment and admission monitoring to ensure that the approved student number targets are delivered by HKUST, as well as to enable the introduction of appropriate remedial measures in the event of significant deviations.

15. The full utilisation of student places and intake places is an obligation in return for receiving public funding which must be accountable and therefore subject to scrutiny by the Government and the public. The UGC understands that enrolment management involves factors such as student admission, market demand and individual student decisions which are often beyond the control of the universities and thus allows some flexibility on under-utilisation and over-utilisation as prescribed in the NoP or other advice from the UGC. The enrolment and admission monitoring is conducted by the UGC on both annual and triennial basis to ensure effective and realistic enrolment management of the universities.

16. HKUST accepts that the UGC reserves the right to claw back funding from your university or deduct the corresponding amount from any other planned or committed funding allocation to your university, if the UGC is of the opinion that enrolment management by your university is unsatisfactory in terms of significant over-utilisation beyond the permissible ceiling or under-utilisation below the tolerable floor. Your university is responsible for undertaking all reasonable measures in response to unsatisfactory situation in order to safeguard the quality of teaching and learning as well as to ensure the efficient use of public funding. HKUST shall submit information on the enrolment situation through the annual submission of statistics in the Common Data Collection Format (CDCF) or at any suitable juncture.

#### Compatibility with “3-3-4” Academic Structure

17. HKUST acknowledges that Hong Kong adopts the “3-3-4” Academic Structure under which the normative study period for an undergraduate programme is four years, while certain programmes may have normative study periods of five years or longer to ensure that the graduates are equipped with the necessary skills and competences. While institutional autonomy remains the core value of the higher education sector which the UGC cherishes and respects, HKUST would ensure that the academic programmes offered are formulated in a manner fully consistent with the overarching framework of the “3-3-4” Academic Structure. Also, whole-person development has all along been considered as an integral component of quality undergraduate education under the “3-3-4” Academic Structure and a curtailed study period will result in loss in such opportunities. In all circumstances, a university should not introduce any undergraduate programmes allowing for the awarding of a degree with a normative study period of less than four years. The normative study period of double degree programmes should accordingly be no less than five years. Universities should tender appropriate advice to the students to encourage suitable balance between academic studies as well as participation in extra-curricular and co-curricular activities for fulfilling the mission of promoting whole-person development.



## Financial Governance

18. The public funding for all UGC-funded universities involves substantial amount of public resources. There is clear aspiration from the community that universities will assume full accountability for the use of funding and uphold the highest standard of financial governance. HKUST agrees to adhere to the latest requirements on financial governance as set out by the UGC vide the letters on various topical issues and issue of guidelines, including, but not limited to –

- i. Statement of Recommended Practice for the UGC-Funded universities (“the SORP”) – The SORP reflects both the accounting practices and disclosures as set out in the prevailing Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and those recommended in UGC’s Financial Affairs Working Group Report for use by the universities in the preparation of their financial statements and Annual Reports; and
- ii. Cost Allocation Guidelines for UGC-funded and non-UGC-funded Activities (“the Guidelines”) – The Guidelines provide a set of guidance for universities to ensure that there is no cross-subsidisation of UGC resources to non-UGC-funded activities. The Guidelines represent the basic features that each university should demonstrate in their cost allocation models, and serve as inputs to the design and implementation of their cost allocation mechanisms.

19. Specific details of the funding being provided by the UGC to HKUST are set out in Section Six of this Agreement.

## **3. INSTITUTIONAL MISSION AND VISION**

20. For the UGC, it is important that the strategies adopted by universities are effective in enabling an institution to advance its mission through enhancing its competitiveness, strengthening its ability to build its capacity, enabling collaboration and using the outcomes of exercises such as the 2020 Research Assessment Exercise (RAE) as a key element in its future development. As we gradually move on from the restrictions brought on from the COVID-19 Pandemic, it is also important for universities to focus on institutional development in response to the evolving landscape of higher education, especially the “new normal” shaped by the medium- and long-term socio-economic impacts of the pandemic.

### **Institutional Mission**

21. HKUST’s mission as agreed with its Council is to advance learning and knowledge through teaching and research, particularly in science, technology, engineering, management and business studies; and at the postgraduate level; and to assist in the economic and social development of Hong Kong.

### **Institutional Vision**

22. HKUST’s vision as agreed with its Council is to be a leading University with significant international impact and strong local commitment, with more specific aspirations as follows:



- **Global** – To be a world-class university at the cutting edge internationally in all targeted fields of pursuit;
- **National** – To contribute to the economic and social development of the nation as a leading University in China; and
- **Local** – To play a key role, in partnership with government, business, and industry, in the development of Hong Kong as a knowledge-based society.

### Strategic Priorities and Actions

23. As stated in the University's PEP for the 2022-25 triennium, the University's initiatives and actions responding to challenges are underpinned by the Twin Pillars of Talent and Knowledge, and the Three-Pronged Approach to Education, Research (Basic and Applied), and Translational Activities (Knowledge Transfer / Societal Contribution), that were adopted from the PEP for the 2019-2022 triennium:

- The recruitment, development and support of Talent as well as the creation and application of Knowledge form the *Twin Pillars* that support key actions to continue achieving HKUST's five strategic objectives. The core competency of universities is all about people. By virtue of attracting and bringing together the best and brightest minds, HKUST will be best placed to strive for academic excellence; and
- A *three-pronged approach* is adopted to integrate our priorities and actions across disciplines and domains as a matter of our academic ideals. In addition to education and research endeavours, the *three-pronged approach* applies to our academic personnel management, research organisations and policies (e.g. the School Budget Model), and to curricular and pedagogical developments.

The PEP 2022-25 cum 2025-28, Strategic Plan (SP) 2021-28 and UAA, together with RAE and QAC Audit outcomes, form an integrated planning process. High-level strategic priorities and directions by HKUST over the timeframe of the SP from 2021-28 are set out in following paragraphs.

24. Under three Signature Themes of the Future, the SP 2021-2028 is aimed at addressing the Future of Living: Sustainable Conduct; the Future of Work: Intelligent Industrialisation; and the Future of People: Human Capital. These three broad dimensions are the challenges facing Hong Kong and the world. They are aligned with, and help determine and address, institutional priorities and initiatives refined from our five strategic clustered areas outlined in the latter part of this section.

25. The Future of Living: Sustainable Conduct, both locally and globally, is a paramount topic of forever impact. At HKUST, in addition to commitments of cutting down energy, water and waste, there is a self-expectation that we should make strong contributions to address the issues based on science and technology, as well as policy, human behavior and psychology. The "Sustainable Smart Campus as a Living Lab" (SSC) initiative, with substantial commitments of the University's resources, has been gaining momentum. Members will be encouraged to further scale up the SSC endeavors for more comprehensive experimentation.

26. HKUST has created impressive marks in the Future of Work: Intelligent Industrialisation including but not limited to robotics, big data, FinTech, renewable energy and new materials. There are highly recognised enterprises related to personal drones, autonomous water vehicles and cars, electronics, biomedical technologies and innovative financial services



which were founded by our alumni and faculty. Riding on these achievements, we will also develop energetic frameworks to support these endeavors with a goal of advancing and supporting human capital from birth to the end.

27. In this connection, through the SP, the University prioritises transferable skills and competencies such as critical thinking and entrepreneurial spirit for the Future of People: Human Capital due to the paramount need for physical and mental health, whole-person development and well-rounded individuals who are responsible, empathetic, and value diversity and social inclusion. We adhere to a global and humanity-oriented approach in advancing humanity through the development of an international community and nurturing of individuals. A primary focus is the implementation of the dual support approach of cross-disciplinary programs together with disciplinary-oriented efforts in order to achieve the goal of nurturing curiosity-driven and mission-encouraged endeavors.

28. The dual support approach can be achieved through a system-wide framework, fundamentally outside our current discipline-focused structures, in order to encourage and develop new and emerging frontiers without compromising our support for the established disciplinary pursuits whose intrinsic merits remain undiminished. As a result, with evolving scope and integration of our research and educational endeavors, the University will lead efforts to a broadened range of activities including curiosity-driven investigations on topics in any discipline as well as mission-encouraged, multifaceted responses in systematic ways to identified challenges of great magnitude.

29. Another focus is the refreshed efforts in broadening our offerings by nurturing whole-person development and embracing diversity through development of arts, culture and sports. One major platform of such is the multi-purpose Shaw Auditorium newly opened in November 2021 as a new frontier of the University life in enriching students' creativity and artistic quality. Students can open up their minds through cultural performances and thought-provoking activities while connecting with interdisciplinary fields and engaging in innovation through technology-inspired programs, as well as given the chance to take part in practice-based workshops and internships by shadowing professionals.

30. HKUST continues celebrating diversity and recognising the different talents like sports. The Student Athletes Admissions Scheme offers scholarships and other supports to nurture sports talent from admission to graduation. Buttressed by a range of recently built sports facilities on the unique campus seafront, students at large can also pick up different sports of their interest including water sports by enrolling in classes and participating in competitions. HKUST and Beijing-HK University Alliance plans to hold the 1st International Dragon Boat Competition in April 2022.

31. The University has also introduced the "Unified HKUST, Complementary Campuses" framework establishing complementary academic structures without duplicating degree programs between our Clear Water Bay (CWB) and Guangzhou (GZ) campuses, and promoting collaboration and integration between campuses including facilities and services, professional standards, and policies and mechanisms. Adopting such a framework, system-wide office functionalities will serve both campuses.



32. Against such a backdrop, the sharpened and updated strategic directions of the University are summarised as follows:

**Objective 1 - A University of talents.**

We aim to provide productive and encouraging nurturing ground for talents of different backgrounds, interests and aspirations enabling all to achieve their full potential. As we continue to promote the three-pronged framework by covering synergistically education, research, and entrepreneurial spirit for knowledge transfer and societal contributions, supported by both campuses with complementary approaches, talents will be effectively and competitively recruited and retained, and they will be able to find their own spaces to follow their passions, develop and thrive over a full range of possibilities offered by HKUST as a whole.

**Objective 2 - An international leader in education and research.**

Our goal is to be a true leader with focus on setting trends in promoting and supporting frontier knowledge and breakthrough research, contributing to solving societal challenges. With recent experiences learned in various aspects of online, active, student-centric learning, we will continue to improve our educational framework including delivery to enhance teaching and learning experience. Active enquiry-based learning to be implemented at our GZ campus will also strengthen pedagogical development towards student-centric model focusing on collaborative, active, and team learning. Our UG Common Core curriculum has been revamped by enriching cross-disciplinary elements with increased exposure to diverse perspectives, and opportunities for teamwork on topical real-world problems.

**Objective 3 - Incorporating innovation and entrepreneurship in our spirit.**

Treating both our campuses as living lab, we will provide developmental opportunities constructing a smart and sustainable pathway into our academic and administrative operations, conducive for all members in response to emerging issues. We also actively leverage and look into available resources and collaboration opportunities to strengthen and extend our knowledge transfer efforts in Hong Kong and beyond. We will empower our knowledge transfer units to better coordinate resources and link faculty, students and alumni, together with research institutes and industries to broaden research and knowledge transfer endeavors from HKUST system-wide perspective, and provide quicker responses and solutions to emerging needs.

**Objective 4 - An exemplar of best-in-class standards, practices, and operations.**

We continue to strive for a first-rate administrative support system excelling in efficiency and effectiveness with best-in-class standards in our day-to-day work. As we are living in an era of uncertainty, addressing and monitoring sustainability would be the key to all of our operations. We will think of creative ways to sustain and support our long-term goals and priorities; enhance business processes, systems and programs to improve efficiency; solicit members' support and participation; address related staffing establishment matters; and benefit and integrate both campuses as appropriate.

**Objective 5 - A champion of diversity.**



Meeting the University's strategic priorities will require extensive collaborations among members across the University. Embracing a spectrum of talents and a diversity of views is essential as we face the urgent challenges of a rapidly changing world. By diversity, we will trace and respond to prejudices and biases, develop framework to ensure an open and supportive campus-wide culture with special emphasis to address the challenges posed by disability, gender, sexual orientation, race, religion or socio-economic background. We will further promote the spirit of diversity and inclusiveness in its most genuine spirit through nurturing an open, cohesive and collaborative culture across all levels that promotes inclusiveness, collegiality and respect.

As to the actions planned, please refer to HKUST's submission of PEP 2022-2025 to the UGC.

#### **4. ACTIVITY DOMAINS AND PERFORMANCE MEASURES**

33. A regular review of universities' performance is an important element of sound governance. It allows a university to derive leverage from its strengths, while highlighting other areas where action on issues requiring attention might be taken to its longer-term advantage. It also allows a university to demonstrate in its key areas of activity that it has taken note of those elements which are important in the future development of higher education in Hong Kong. For the UGC, these elements are in particular important:

- Quality of student experience of teaching and learning
- Research performance and research postgraduate experience
- Knowledge transfer and wider engagement
- Enhanced internationalisation and engagement with the Mainland
- Financial health, institutional social responsibilities and sustainability

34. The higher education sector is a major asset for Hong Kong, benefitting from a major investment of public funds each year. Measuring the overall performance of the sector provides a measure of sector-wide performance for public information, as well as strengthening both the public profile and reputation of the sector and its overall value to the community. Measurement of performance helps ensure public confidence in universities through enhancing their accountability. Measurement also allows the higher education sector to demonstrate that individual institutions are committed to continuous quality improvement in their individual circumstances, as well as high standards of governance and educational practice.

35. As far as is practicable, data for the performance measures is derived from existing institutional returns to the UGC, whether through CDCF returns or other statistical returns, or from audited sources such as a university's annual financial statements. Where other sources are used, these sources are acknowledged in the introduction to each performance measure. HKUST also acknowledges that performance measures will be adopted for the assessment of their PEPs and inform the allocation of student numbers.

36. The UGC acknowledges in its NoP (Chapter 6 on Data Collection and Returns) that, "it requires information about the activities of the UGC-funded universities for a variety of purposes, including assessment of recurrent and capital funding requirements, monitoring progress, advising on academic developments generally, monitoring progress and expenditure on RGC-funded research projects, reporting to the Government, the Legislature and the public. The data so collected also enables many ad hoc questions to be answered without further enquiry of the institutions".



## **4.1 Quality of Student Experience of Teaching and Learning**

37. The core components of the performance measures in this activity domain are intended to demonstrate that a university has effective strategies in place to deliver improvements in teaching quality, to enhance the effectiveness of the learning environment and to maximise student learning outcomes, particularly in relation to learning gain leading to appropriate employment or further study. Performance measures on student service learning and internship activities are also covered in this domain as they are significant form of experiential learning for real-life application of learning outcomes and whole-person development. In addition, with dedicated funding for universities to step up support for students with special educational needs in the 2022-25 triennium, a university should report on the satisfaction of such students to facilitate ongoing monitoring. The data for (1) and (4) under the sector-wide performance measures below are derived from a standard question in student surveys.

### **Sector-wide Performance Measures**

- 1) (a) Undergraduate satisfaction with the quality and value gained from their teaching and learning experience  
(b) Undergraduate satisfaction with their overall learning environment
- 2) Undergraduate employment success rate
- 3) Learning experience outside the classroom –  
(a) Service learning activities; and  
(b) Internships experience
- 4) Satisfaction of students with special educational needs

### **Institution-specific Key Performance Indicators**

- 1) Language improvement based on English proficiency assessment criteria
- 2) Proportion of courses with active learning components
- 3) Number of students engaged in career education initiatives

## **4.2 Research Performance and Research Postgraduate Experience**

38. Performance measures in this domain are intended to illustrate that a university has strategies in place appropriate to its mission to encourage research and scholarly activities and which seek to improve the quality and volume of research outputs. The measures take account of factors such as research impact, and measures in place to ensure positive learning experience and outcomes for research postgraduate students, including equipping them for careers appropriate to their specialism. The data for (3) under the sector-wide performance measures below are derived from a standard question in research postgraduate student survey.

### **Sector-wide Performance Measures**

- 1) Value of total research income
- 2) Average time-to-completion, graduation rate and employability of research postgraduates



- 3) Research postgraduate satisfaction with their overall experience

39. The Agreement for the 2019/20 to 2021/22 triennium contains a sector-wide performance measure on the percentage of research activities judged to be world leading or internationally excellent as assessed in the latest RAE. As there is no plan for another round of RAE within the 2022-25 triennium, the performance measure will be temporarily excluded from the 2022-25 triennium.

### **Institution-specific Key Performance Indicators**

- 1) Success rate of competitive grants
- 2) Number of institutional publication citations in a year
- 3) Research postgraduate student experience based on end-of-program survey results

### **4.3 Knowledge Transfer and Wider Engagement**

40. The UGC acknowledges that universities have, with regard to institutional needs, developed for various forms of knowledge transfer activities a unique data system, with a wide range of definitions for terms, calculation of quantitative indicators and interpretations for statistics. Given the diversity of knowledge transfer activities within the UGC-funded sector, we adopt a multi-pronged approach to measure universities' efforts and achievements in cultivating knowledge transfer culture and talents among students, engaging in knowledge transfer and in wider engagement with the community, defined as, "the systems and processes by which the knowledge, expertise and intellectually linked assets of universities are constructively applied beyond higher education for the wider benefit of the economy and society, through two-way engagement with business, the public sector (including the school sector), cultural and community partners", with innovative, profitable, economic or social improvements being part of that benefit.

41. Knowledge transfer and wider engagement includes activities such as consultancies, collaborative research (with industrial, commercial or other non-higher education partners such as NGOs), contract research (undertaken for industrial, commercial or other non-higher education partners such as NGOs and creative or cultural organisations), continuing professional development (CPD), licensing, start-ups, spin-outs and public engagement. Such activities can broadly be categorised as: (i) the provision of research and business services (consultancy; collaborative research; contract research; and CPD); (ii) innovation (licensing); and (iii) public engagement (networking and public events; projects with a social or community benefit). For start-ups, quantitative data in terms of number or profits may not be truly reflective of their success as they have different forms of establishment and financial cycles. The universities are encouraged to provide a qualitative assessment on this aspect by highlighting recent development and notable cases in their annual progress reports.

### **Sector-wide Performance Measures**

- 1) Total income from knowledge transfer via the provision of research and business services (i.e. collaborative research, contract research, consultancies, CPD)
- 2) Income generating from intellectual property as defined in CDCF
- 3) Expenditure on public engagement activities (e.g. public lectures, performance arts, exhibitions and others as defined in CDCF)
- 4) Student engagement in start-ups and entrepreneurship



### **Institution-specific Key Performance Indicators**

- 1) Technology transfer and commercialisation by number of
  - (a) patents filed
  - (b) patents granted and
  - (c) patents used
- 2) Entrepreneurship –
  - (a) number of start-up and spin-off companies funded or incubated by HKUST programs
  - (b) number of entries in HKUST-supported competitions
- 3) Other societal contribution: number, participant size and diversity of community engagement projects, social service events, art related functions

### **4.4 Enhanced Internationalisation and Engagement with the Mainland**

42. Sector-wide performance measures in this domain are designed to illustrate the impact of a university's development of a holistic approach to the growing importance of internationalisation to the higher education sector in Hong Kong. Such an approach might include the research collaboration with non-local institutions, the recruitment of non-local students, exchange programmes involving Hong Kong students spending part of their course in an overseas or Mainland institution and vice versa, recruitment of non-local staff, participation of staff in conferences / exchanges held outside Hong Kong, engagement with Mainland China, exposure in the GBA, as well as the extent to which the student curriculum itself has embraced and embodied international perspectives.

### **Sector-wide Performance Measures**

- 1) Non-local students (in each of: undergraduate; taught postgraduate; research postgraduate) as percentage of total student numbers
- 2) Non-local students (in each of: undergraduate; taught postgraduate; research postgraduate) broken down by regions (Asia, Europe, North America, South America, Oceania, Africa and others) and study levels
- 3) (a) Percentage of undergraduate students with non-local university-approved formal or experiential learning experience  
(b) Percentage of undergraduate students with university-approved formal or experiential learning experience in the GBA
- 4) Active research collaboration with non-local institutions

For active research collaboration with non-local institutions, it is recognised that the quantitative information to be presented may not fully reflect the qualitative understanding of university performance, such as the depth and scope of the collaborations, as well as their impact on the university's internationalisation. Universities are encouraged to supplement such information in their UAA annual reports to highlight major collaborative projects with significant achievements and potential impact.

### **Institution-specific Key Performance Indicators**

- 1) Percentage of faculty members with non-local university awarded Doctor of Philosophy degrees
- 2) Formal joint offering of courses / programs with non-local educational organisations



- 3) Substantial global study experience
- 4) Global presence

#### **4.5 Financial Health, Institutional Social Responsibilities and Sustainability**

43. While universities enjoy the autonomy to allocate fund and resources, they are expected to deliver the pivotal role as publicly-funded institutions to meet the societal needs and to nurture the future generations. Measures in this activity domain are, therefore, designed to illustrate the strength of a university's governance structures and their capacity to ensure the financial sustainability in the longer term. The elements forming the measures are drawn from the findings of the "Governance in UGC-funded Higher Education Institutions in Hong Kong" (Governance Report) published by the UGC in 2016, as well as from worldwide good practice in the wider sphere of commerce and government. Specific measures and indicators of enhanced governance in HKUST are detailed in the following Section Five on Governance and Institutional Management. The utilisation of student places is also a key indicator of universities' fulfilment of their accountability for public funding. On the other hand, as academic institutions, universities have transcendental roles to play in championing social responsibility and overall sustainability for the betterment of the world for our future generations. With the growing importance in environment, social and governance challenges, this domain also covers environmental and social responsibilities of the universities as a key aspect of institutional performance. For the 2022-25 triennium, the financial support for students with financial needs using non-UGC funding and the admission of students on the basis of non-academic talents to UGC-funded undergraduate programmes are introduced as new performance measures to represent universities' efforts in living up with their social responsibility.

#### **Sector-wide Performance Measures**

- 1) (a) Subventions from UGC as a percentage of total income  
 (b) Current ratio (i.e. current assets / current liabilities)  
 (c) Coverage of university's expenditure by reserves and cash & cash equivalents (defined by Hong Kong Financial Reporting Standards):  
 (i) Reserves / monthly expenditure = number of months that expenditure can be supported by reserves;  
 (ii) Liquid reserves / monthly expenditure = number of months that expenditure can be supported by liquid reserves; and  
 (iii) Cash & cash equivalents / monthly expenditure = number of months that expenditure can be supported by cash & cash equivalents
- 2) Overall student places utilisation rate
- 3) Scholarship and financial aid for students with financial needs funded by non-government funding
- 4) Number of students admitted to UGC-funded programmes at undergraduate level (in respect of the academic year covered in the report) on the basis of non-academic talents through direct admission schemes

#### **Institution-specific Key Performance Indicators**

- 1) Environmental responsibility  
 (a) net energy consumption per gross floor area of campus facilities  
 (b) total annual waste to the landfill (in tons)



- 2) Social Responsibility
  - (a) number of student volunteer service hours
  - (b) number of faculty staff engaged as members of external advisory bodies including professional, industry, government, statutory or non-statutory bodies
- 3) Dollar value of uncommitted UGC and non-UGC reserves

## 5. GOVERNANCE AND INSTITUTIONAL MANAGEMENT

44. Effective governance and institutional management is based on a clear understanding of the respective roles of the governing body, of the senate or academic board and of the senior management in an institution. Mutual respect for these differing roles is a keystone of a well-run university. To quote the UGC's Governance Report, "The governing body is responsible for oversight of the institution's activities, determining its future direction and fostering an environment in which the institutional mission is achieved and the potential of all learners is maximised". The president and the executive team are responsible for the management of the institution, both internally and externally, such that its mission is achieved and it benefits from teaching, learning and research of the highest quality. In short, the senior executive should not seek to determine those matters which are properly the concern of the governing body. Equally, the governing body should not become involved in the day-to-day executive management of the institution.

45. In many institutions worldwide, codes of good conduct or practice explicitly recognise this difference between the roles but also their mutual dependence, as well as the need to respect such difference. By highlighting the importance of all involved institutional governance and management recognising their respective responsibilities, this Agreement seeks to reinforce the importance of differing roles being respected, either through a formal code of good practice or through explicit recognition by all concerned.

46. The UGC and the eight universities have worked together since the UGC published its Governance Report in March 2016. Action has been taken to implement recommendations in each of the following key areas in order to strengthen institutional governance and management:

- Recruitment, induction and continuing professional development of university council members
- Institutional strategy
- Management of risk
- Delegation of authority
- Periodic review of governance arrangements

47. HKUST has continued to respond to the recommendations by taking the following actions:

### 5.1 Recruitment, Induction and Continuing Professional Development of University Council Members

#### Recruitment –

48. Under Council's leadership and with the advice of its Task Force on Review of Council Effectiveness, which was set up in 2015, a Skills Template was developed in early 2017 for Council and Council Committees Members to indicate their professional expertise / skills,



experience and areas of interest in order to facilitate Council's consideration of the membership line-up of Council and its Committees. The Council has also a process to review annually the memberships of its Committees, taking reference from the Skills Template, Members' attendance and performance at meetings, amongst other information, to facilitate healthy turnover of members and effective governance. Council would also co-opt external members with professional expertise in view of Committees' needs from time to time.

### Induction –

49. The process of induction is crucial to enable Members to discharge their duties in an informed manner during their tenure on Council and Council Committees.

50. HKUST's induction process aims to enhance Members' understanding of their roles as Council Members; the framework within which the Council operates; the nature of the University, the Council and the higher education sector, locally and internationally; Council's relationships with stakeholders of HKUST; and how HKUST interacts locally with key agencies such as the UGC and EDB, etc.

51. To facilitate new Members' fulfilment of their roles to serve on Council and / or Council Committees, HKUST is committed to a formalised induction process for new Council and Committee Members, upon their first appointment. The structured induction program includes:

- the UGC induction on sector-wide issues;
- orientation conducted by senior management of HKUST;
- briefing on Council's operations and procedures by the Council Secretary; and
- induction conducted by Secretaries of Council Committees.

### *UGC's Sector-wide Briefing Session*

52. All Members of Council and its Committees would be invited to UGC's Sector-wide Briefing Sessions to get to know more about the higher education sector and other issues that are common to all local institutions.

### *Orientation Visit to HKUST*

53. The visit aims to familiarise new Members with the higher education landscape and the structure, organisation and strategic objectives, as well as upcoming opportunities and challenges of the University. It seeks to provide an opportunity for new Council Members to engage with Members of the senior management and key offices. A tour to the university campus would be arranged so that new Members would be apprised of the latest physical development of the University and the facilities related to its recent development.

### *Briefing by Council Secretary on Council's Operation*

54. New Members would be introduced by the Council Secretary the mandates of HKUST, as well as the rules, procedures of meetings and related guidelines such as the "*Guidelines and Code of Practice for Council Members*" for their execution of duties more effectively as public servants. Members would be explained some essential topics related to Council's operations such as declaration of interest and confidentiality of Council's discussions.



### *Induction at Council Committees*

55. Non-executive Council Members are normally expected to participate in at least two Council Committees, based on their expertise and interests. To equip Members with the necessary knowledge and skills to serve on the respective Council Committees, they would be inducted by the Committee Secretary upon joining the Committee, and be apprised of the functions of the Committees and key issues to be reviewed, etc.

56. Members' participation in different induction sessions would be properly recorded.

### **Continuing Professional Development of University Council Members –**

57. Professional development would enable Council and Committee Members to discharge their duties in a more informed manner. To further enhance Members' knowledge in various operations of the University, Members have been invited to participate in university-wide or other activities throughout their terms of offices.

- (i) Meetings / Committee work
  - Meetings of the HKUST Court
  - Task Groups on specific university issues (as Chairman or Members)
  - Advisory Committees of Schools / Units, if applicable
  - Meetings with other stakeholders' groups including faculty and students
  - Briefing sessions on selected topics such as those related to specific University's policies and proposals to be submitted to Council.
- (ii) Council and other Ceremonial Events
  - University Congregation
  - Honorary Doctorates Conferment Ceremony
  - Honorary Fellowships Presentation Ceremony
  - Named Professorships Conferment Ceremony and other university functions.
- (iii) Seminars and visits
  - Talks / sharing sessions delivered by faculty members on specific topics such as on scientific discovery and innovative technologies. Members may also be invited to be guest speakers / join experience-sharing sessions with other University members from time to time.
- (iv) Council Members are also expected to keep abreast of HKUST's latest developments, through participation in meetings other than Council Meetings or activities (sometimes via online platform). They would also receive latest news from the University through daily event alerts and newsletters.

## **5.2 Institutional Strategy**

58. Council has, according to the UGC's Governance Report, a vital role in steering the direction of the institution in formulating its Strategic Plan, with the support of the Management. Members of HKUST Council have been offering their advice to the Management on various strategic issues on different occasions, such as the University Retreats and other consultation sessions apart from meetings, to facilitate the formulation of the University Strategic Plan and related initiatives.



59. The Council has active exchange and would receive progress reports on the Management's implementation of the related strategic initiatives from time to time. Through such a reporting mechanism, the Council and its Committees monitor the progress made by the Management against different strategic objectives, and would make adjustments based on operational needs. As part of the annual review report of the University Accountability Agreement (UAA), the Management's performance would also be assessed through the sector-wide Performance Measures and Key Performance Indicators of the University. During the processes, Council Members would offer their advice to the Management to refine the University's strategic objectives as necessary. In parallel, Council oversees the development of the University in various fronts to ensure continuous advancement in teaching, learning and research. The formulation of strategic initiatives, as well as the oversight of their implementation, are part of Council fiduciary responsibilities to ensure good governance of the University. Given an array of capital projects in the pipeline, Council for example has developed a "Large Capital Project Governance Framework" to ensure that the design, functionality, finance, construction and management of various capital projects have all gone through due process. The newly opened multi-purpose auditorium, and capital projects like the student hostels, and other research, teaching and learning facilities would all be reviewed by Council from time to time, to ensure good governance.

### **5.3 Management of Risk**

60. A Strategic Risk Management Framework is in place. The framework and associated risk management process ensure a proper overview of Strategic Risks by the Council. The risk management process includes the identification, assessment, mitigation and monitoring of Strategic Risks. The risks are classified as financial risks, reputational risks and operational risks. A Risk Register with risk description, risk impact, overall risk rating (i.e. the sum of risk ratings assessed by impact, likelihood and velocity), root causes, mitigating action plans and source(s) of assurance for risk mitigation is completed for each Strategic Risk. The Management, with the support from the Internal Audit Office, runs the risk management process to identify and / or update the Strategic Risks and track implementation status of the mitigating plans at least annually. A summary report on the risk management process and supporting Risk Registers would be submitted to the Council, via the Standing Committee of Council. The Audit Committee of the Council reviews effectiveness of the risk management process periodically.

61. The risk management process has been embedded in HKUST's regular planning cycle. Summary of the identified Strategic Risks and relevant mitigating actions will be incorporated into HKUST's Annual Report, in response to the Recommendation and the reporting requirement under the UGC Statement of Recommended Practice for the UGC-funded Institutions.

62. In recent years, the University faces a risk landscape amplified by the ever-changing and complex external environment. Nonetheless, management continues to uphold and promote a University-wide culture that embraces diversity among others and will use open and direct communication to cultivate a collaborative and sustainable environment in which all University members thrive.



63. Although the surrounding environment is still evolving, the risk and impact in association with societal environment have been gauged over time which is temporarily in decreasing trend since the outbreak of COVID- 19 pandemic. Also, the University recognises that the external environment continues to pose challenges on the attractiveness of the University for recruiting potential faculty and students as well as achieving academic and research excellence. To respond, in full consultation with the Council as appropriate, the University Management has further strengthened and implemented mitigating measures as evidenced by platforms facilitating stakeholder engagements, proactive faculty recruitment, promotion of diversity and new budget framework with the objective to achieve financial sustainability for UGC activity expenditures in the longer term. Last but not least, the upside with regards to overall competitiveness and reputation in academic excellence, innovation, knowledge transfer and entrepreneurship in association with the new The Hong Kong University of Science and Technology (Guangzhou) (HKUST(GZ)) campus is promising and will be fully synergistic and complementary to the Clear Water Bay campus without duplication of degree programs.

64. Going forward, the University Management with the support of the Internal Audit Office (IAO), will continue to monitor the risk profile - reputational, financial and operational risks - facing the University, and seek Council's steer and guidance for reviewing the risk registers to identify and assess existing and emerging risks that could affect the University's ability to achieve its objectives and provide assurance on risk mitigation.

#### **5.4 Delegation of Authority**

65. In anticipation of the release of the UGC's Governance Report and as part of Council's efforts to continue review its effectiveness in University governance, a Task Force on Review of Council Effectiveness was established by Council in 2015 to help review a number of governance issues, which covered the delegation of authority by Council to its Committees and the Management. The authorities delegated to relevant parties, based on the University Ordinance, University Statutes, related guidelines and policies, have been clearly defined and presented in the form of a scope of responsibilities table for Council / and Committees. Besides, Committees are asked to review their Terms of Reference from time to time, at least once every year, to ensure that their roles and functions are effectively exercised. Committees review proposals both related to the specific operations and major projects of the University before their submission to Council for approval.

#### **5.5 Periodic Review of Governance Arrangements**

66. Apart from the annual review of the Terms of Reference and memberships of its Committees, the Council will review and enhance other governance processes at times.

67. As part of its continued effort to promote good governance for example, the Council has updated the "*Guidelines and Code of Practice for Council Members*", based on the previously approved *Guidelines for Council Members*, and with reference to international practice on university governance, latest development of the higher education sector, relevant guidelines of other public bodies and sister institutions, the *Sample Code of Conduct for Members of Public Bodies* published by the Independent Commission Against Corruption of Hong Kong, as well as the recommendations of the UGC's Governance Report. The document provides a broad overview on University's governance and how Members should fulfill their responsibilities through proper conduct of Council businesses as public servants, with key issues under the regulatory framework including those on prevention of bribery, confidentiality of discussions, and declaration of personal interests when transacting Council businesses, etc.



duly highlighted.

68. Being aware of the merits in providing whole-person development to the future generations, Council is instrumental in monitoring the governance of the newly opened multi-purpose auditorium, which is a new landmark on the University campus. The new facility would definitely enrich the art and cultural experience of HKUST students and other Members of the community and help promote HKUST's reputation further. Being the supreme governing body of the University, Council also has a duty to ensure the University's fulfilment of all its legal obligations including those related to campus safety.

69. Council is heedful to the fact that regional cooperation between Hong Kong's universities and their Mainland counterparts with new campuses in the GBA will shape the new landscape of higher education in the next few years. The establishment and opening of HKUST(GZ) would be timely for HKUST to capitalise on its solid foundation and grab the collaboration opportunities brought about by the Country's GBA blueprint. The Council has been monitoring the establishment of HKUST(GZ) from the very first day, from design and construction of the campus to the regulatory framework and related governance matters in the long run. Under the "Unified HKUST – Complementary Campuses" framework, HKUST(GZ) is expected to achieve a governance standard comparable to the existing operations. The Council acknowledges the need to put in place a robust governance system for regional cooperation initiatives.

70. On this front, the Council has exercised its governing role of HKUST(GZ) through the review of major agreements, Charter of the HKUST(GZ), the setting up of a Task Force on HKUST(GZ) and a new Committee on HKUST(GZ), with the intention that all issues which require prompt attention and decisions of the Council would be taken care of in good time. Besides, the Management is expected to report its progress of work with specific issues highlighted for Council's attention from time to time. For good governance, Council has also developed a *Governance Framework for HKUST(GZ)*, which seeks to have major governance matters categorised according to the statutory and contractual obligations of the parties concerned. With that, the roles and responsibilities of different parties and authorities involved in governing HKUST(GZ) would be clearly defined, and duly reviewed and monitored. It is relevant to note that half of the representatives on the Governing Board, the supreme governing body of HKUST(GZ), were appointed by Council of HKUST. Through their representation and reporting to the Council, the Council would be apprised of the latest development of HKUST(GZ) and hence act accordingly, for the best interest of the University.

## **6. UGC FUNDING ALLOCATION TO THE HONG KONG UNIVERSITY OF SCIENCE AND TECHNOLOGY**

71. The amount of the block grant to the UGC-funded sector as a whole comprises three elements, with the Teaching Portion accounting for about 78%, the Research Portion accounting for about 20%, and the Professional Activity Portion accounting for about 2% when both the "existing pot of money" and the "new pot of money" for the first year of undergraduate studies under the "3-3-4" Academic Structure are taken together. As set out in the Provisional Allocation Letter on the recurrent grants for the 2022-25 Triennium, the recurrent grants to be provided to HKUST in the form of block grants during the 2022-25 triennium will be **HK\$7,510.5 million**. This figure is indicative, which may be adjusted when actual competition results on the allocation of the research postgraduate student places and RGC projects are available. The determination of the amount of the block grant to HKUST is made on the basis of the student number targets approved by the Government as follows –



### Approved Student Number Targets<sup>@</sup> (in fte terms) for the 2022-25 Triennium

	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
Sub-degree	-	-	-
Undergraduate	8 476	8 514	8 545
- FYFD (intake places)	2 065	2 065	2 065
- Senior Year (intake places)	158	158	158
Taught Postgraduate	-	-	-
Research Postgraduate <sup>#</sup>	119	119	119

<sup>@</sup> Approved Student Number Targets are student places unless specified.

<sup>#</sup> Provisional Figures of the allocation of 600 student places within the total number of 5 595 under the Planning Exercise for the 2022-25 triennium. They are subject to the result of a comprehensive review on the allocation of research postgraduate places being carried out by the UGC.

### Other UGC funding

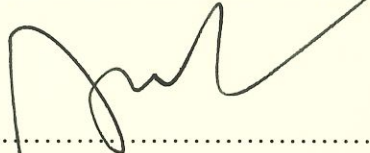
72. There are circumstances where the formula-based funding model cannot address all the various needs of the universities. As such, the UGC has made provision for specific requirements in each planning cycle, such as the funding to be allocated for Areas of Excellence Scheme, Earmarked Research Grants and the Teaching Development and Language Enhancement Grant, which should only be used for the specified purposes and in accordance with the arrangements as promulgated by the UGC.



## 7. FORMAL AGREEMENT

73. This University Accountability Agreement represents an agreement between The HongKong University of Science and Technology and the University Grants Committee.

Signed for and on behalf of The Hong Kong University of Science and Technology by



.....  
Mr Andrew Liao Cheung-sing  
Council Chairman  
The Hong Kong University of Science and Technology

27 April 2022

.....  
Date

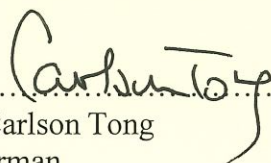


.....  
Professor Wei Shyy  
President  
The Hong Kong University of Science and Technology

28 April 2022

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Date

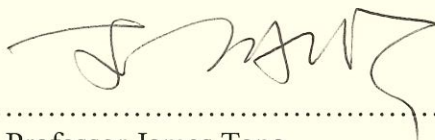
Signed for and on behalf of the University Grants Committee by



.....  
Mr Carlson Tong  
Chairman  
University Grants Committee

22 April 2022

.....  
Date



.....  
Professor James Tang  
Secretary-General  
University Grants Committee

22 April 2022

.....  
Date