



# 2020

## ANNUAL REPORT





**CHINA INVESTMENT CORPORATION**

ANNUAL REPORT 2020

# 01

## MESSAGE

Message from the Chairman & CEO 04

# 02

## ABOUT CIC

Overview 08

Corporate Governance 09

# 03

## OVERSEAS INVESTMENT

Investment Principles and Philosophies 22

Asset Allocation and Portfolio Construction 23

Investment Decision-Making 27

Overview of Investment Activities 30

Risk Management 41

# 04

## DOMESTIC EQUITY MANAGEMENT

Governance and Structure 46

Performance 47

# 05

## CORPORATE MANAGEMENT AND DEVELOPMENT

Human Resources 50

Global Outreach 54

Corporate Social Responsibility 56

Landmarks 61

# 06

## 2020 FINANCIALS

Basis of Presentation 64

Summary of Accounting 65

Financial Statements 67

A decorative graphic consisting of multiple concentric circles of varying radii, centered on the page. The circles are light gray and extend from the bottom left towards the top right, creating a sense of depth and focus.

# **CONTENTS**



## Responsibility

CIC is committed to fulfilling its mandate with a strong sense of conscientiousness.

## Mission

To diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance.

## Aspiration

Aspiring to excellence drives CIC forward and guarantees sustained and greater success.

# CORPORATE CULTURE AND CORE VALUES

## Vision

CIC aims to grow into a world-class and respected sovereign wealth fund.

## Synergy

Teamwork, guided by a common purpose and holistic thinking, is central to CIC's sustainable development.

## Core Values

Responsibility  
Synergy  
Professionalism  
Aspiration

## Professionalism

Professionalism and rigorous work ethics are fundamental to CIC's success.

# 01

## MESSAGE

---

CIC will continue to operate on an international, market-driven, and professional basis and build itself into a world-class sovereign wealth fund by further strengthening international investment collaboration.





## Message from the Chairman & CEO

The year 2020 was as eventful as it was extraordinary. The global spread of the COVID-19 pandemic prompted heightened volatility in international financial markets and plunged the world economy into its greatest recession since World War II. Undaunted by the unprecedented challenges, we remained consistent in our strategic focus and positioning as a long-term institutional investor, and forged ahead with a strategy that balanced pandemic response and business operations. As a result, we were able to post strong results in our overseas investment business despite severe headwinds. In parallel, our domestic equity management operations contributed positively to economic growth and social development. CIC thus closed out 2020 with all major goals and targets for the year successfully achieved.

In 2020, CIC's overseas investments posted a net return of 14.07% in USD terms. Our annualized cumulative 10-year net return reached 6.82%, beating our 10-year performance target by 128 bps. As at the end of 2020, the aggregate state-owned financial assets under the management of Central Huijin reached CNY 5.19 trillion, up 8.6% from the beginning of the year. CIC's total assets grew to USD 1.2 trillion, with net assets of USD 1.1 trillion.

### **In 2020, we kept our calm and rode out the turbulence in the international capital markets.**

In order to better navigate an extraordinarily challenging market environment, the company fully tapped into the Information Superhighway mechanism and strengthened linkages between research and investment operations, mounting a coordinated response at the portfolio, strategy, and project levels. We closely tracked market developments, performed rigorous stress tests on the total portfolio, dynamically optimized liquidity reserves, and made full use of our allocation toolkit to increase the total portfolio's resilience and quality. The company capitalized on opportunities created by market mispricing, continued to optimize its public market investment footprint, and refined its strategy construction and manager allocation. To take advantage of the window of opportunity for post-pandemic investments, CIC expanded its network of and commitments to high-quality general partners (GPs), exploited co-investment and co-sponsorship opportunities, and took a carefully

calibrated approach in managing its ongoing investments. Despite difficult market conditions, these steps drove our private market commitments to a recent year high.

In sum, the company's overseas investment business stayed strong in the face of the multifold stresses and challenges, and finished the year with solid results. We outperformed the market during periods of extreme volatility and achieved strong returns during market upswings.

### **We leveraged our comparative advantage to develop new modalities for outbound investments.**

The company remained international, market-driven, and professional throughout its efforts to overcome the adverse impacts of the COVID-19 pandemic and rising protectionism. We continued to find new ways to deploy capital overseas, and pushed ahead with new bilateral fund initiatives. The France-China Cooperation Fund, China-Italy Industrial Cooperation Fund, UK-China Cooperation Fund, and Japan-China Industrial Cooperation Fund completed their first rounds of financing and closed multiple deals. To promote sustainability, CIC established a sustainable investment policy framework and thematic investment strategy, integrating environmental, social, and governance (ESG) factors into the investment management process. We also focused on creating post-investment value by helping our investees connect with the Chinese market and share in the dividends of China's growth.

### **We further boosted our institutional investment capabilities.**

CIC strengthened its outbound investment partnerships in line with the principle of mutual benefit. We expanded the scope of these relationships and achieved deeper cooperation with our partners through enhanced management. Our investment decision-making and authorization mechanisms were further strengthened with the establishment of a Public Market Investment Committee and a Private Market Investment Committee. This reform has contributed to more robust project evaluation and improved quality and efficiency in investment decisioning. The company carried out investment effectiveness assessments, optimized its organizational structures for investment management, and strengthened manager accountability to bolster the productivity of investment teams. We also made further

improvements to investment performance assessment, stepped up efforts to train and hire talent, and revamped our human resources management system to better motivate employees and help them reach their full potential. In addition, CIC's operations were made more efficient with strengthened data governance and ongoing digital transformation.

**We provided strategic guidance and diligently exercised our fiduciary responsibilities over state-owned financial assets.**

Against the backdrop of the once-in-a-century COVID-19 pandemic, Central Huijin, as a shareholder, provided strategic guidance to the 17 state-owned financial institutions in its portfolio and assisted them in taking decisive measures to combat the pandemic and support business re-opening. These efforts helped safeguard economic and financial stability, in particular by expanding financial services for micro, small, and medium-sized enterprises, private enterprises, as well as those in hard-hit sectors. Leveraging the various equity management tools at its disposal, Central Huijin encouraged its portfolio companies to develop new medium- and long-term strategies, further enhance their corporate governance, optimize their business composition, accelerate digital transformation, and improve their risk management frameworks. Central Huijin's fiduciary capabilities were also enhanced: we further upskilled and expanded our roster of dispatched directors and bolstered our director support system to empower them to discharge their duties more effectively.

**We strictly adhered to our risk tolerance criteria and strengthened our risk management system.**

Facing unprecedented complexities, CIC maintained its lines of defense and increased the frequency and rigor with which total portfolio checks were performed. This involved thorough reviews and stress tests of existing investments and projects,

as well as risk screening and monitoring of priority areas such as liquidity and derivatives. Early warning and response mechanisms were bolstered, and dynamic management of the negative list was enhanced to prevent operational, legal, reputational, and liquidity risks. Based on a stock-taking of lessons learned in crisis-impacted markets, CIC revised its risk management stance, developed contingency plans, and performed business continuity drills, thereby ensuring the company's steady operation. In order to prevent material risk events, our risk classification and management system was updated to enhance synergies across our "three lines of defense" and ensure full horizontal and vertical coverage of all types of risks.

**We stood united in the fight against the pandemic, playing our part as a responsible sovereign wealth fund.**

CIC will always put the safety and well-being of our employees first. In line with this commitment, we swiftly responded to the COVID-19 outbreak by adopting prevention and control measures and developing contingency plans aimed at protecting our employees. We put in place flexible work arrangements, enabling our teams to work remotely, and spared no effort to ensure access to protective equipment—particularly for those on the ground and at the front lines of the pandemic. As a socially responsible company, CIC helped its portfolio companies curb the spread of the pandemic in China, and donated, as well as coordinated the provision of, medical supplies to numerous international partners. CIC thus played an active role in the global fight against the pandemic.

We also continued to step up our commitments on the poverty alleviation front, where we have helped lift a total of 380,000 people out of poverty through years of intensive work in Shibing County of Guizhou Province, Xunhua County of Qinghai Province, as well as Huining and Jingning Counties of Gansu Province. Finally, CIC attended the International

Forum of Sovereign Wealth Funds (IFSWF), the B20, and other international forums, playing an active role in advancing international exchange and cooperation.

***“Amid the growing shades of dusk stand sturdy pines,  
Calm and tranquil as restless clouds sweep past.”***

CIC will remain international, market-driven, and professional as it faces a rapidly changing post-pandemic international landscape that presents both new opportunities and challenges in the investment arena. Under the guidance of our Board of Directors, sustainability will become a more central focus of our management and operations, anchored in our long-term vision and strategy. While innovating our strategy implementation pathways to keep abreast of the times, the company will continue to build itself into a world-class sovereign wealth fund by further strengthening international investment collaboration and developing new modalities for outbound investment. We look forward to broadening our exchanges with our peers and to working together towards a more open, equitable, and transparent international investment environment that will enable us to grow together through professional, pragmatic, and sustainable investment partnerships.



Peng Chun  
Chairman & CEO



# 02

## ABOUT CIC

---

CIC was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance.



## Overview

| CIC was incorporated in

**2007**

Headquartered in Beijing, China Investment Corporation (CIC) was incorporated in September 2007 under the Company Law of China with registered capital of USD 200 billion, raised through government bond issuance of CNY 1.55 trillion. As at the end of 2020, CIC's total assets stood at USD 1.2 trillion.

| CIC's registered capital

**USD 200** billion

CIC was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance.

CIC has three subsidiaries: CIC International Co., Ltd. (CIC International), CIC Capital Corporation (CIC Capital), and Central Huijin Investment Ltd. (Central Huijin).

| By the end of 2020, the total assets of CIC had reached

**USD 1.2** trillion

CIC's overseas investment activities are undertaken by CIC International and CIC Capital, which were established in September 2011 and January 2015 respectively. CIC International conducts public equity and bond investments; hedge fund, multi-asset, and real estate investments; industry-wide private equity (including private credit) fund investments; co-investments; and minority investments as a financial investor. CIC Capital is mandated to make direct investments, fund investments, and co-investments in sectors including infrastructure, resources and energy, manufacturing, health care, and agriculture, and to manage bilateral and multilateral funds.

Central Huijin undertakes equity investments in key state-owned financial institutions in China. Without interfering in the day-to-day operations of its portfolio companies, Central Huijin exercises its rights and performs its obligations as a shareholder to the extent of its capital contribution.

**Strict firewalls separate the overseas investment activities of CIC International and CIC Capital and the domestic equity management operations of Central Huijin.**

## Corporate Governance

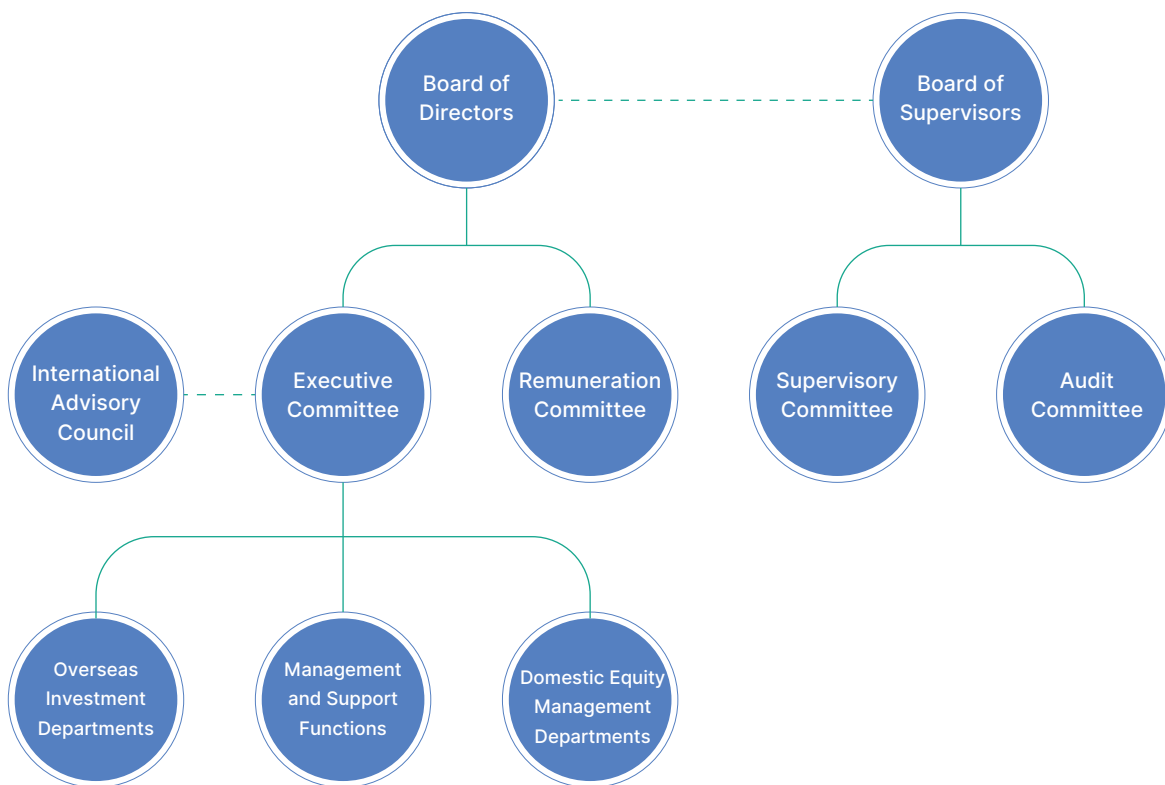
Strong corporate governance is critical for CIC’s operational effectiveness and the success of corporate goals. It also underpins the sustainable development of CIC as a company.

Pursuant to the Company Law of China and CIC’s Articles of Association, CIC has established a Board of Directors, a Board of Supervisors, and an Executive Committee, each with well-defined responsibilities and with effective checks and balances among the three.

CIC has continually refined its management practices for greater efficiency. In 2020, in line with the development of our business, the company further enhanced its organizational structure, systems, and processes.

In particular, improvements were made to our investment decision-making and authorization mechanisms and to our comprehensive risk management system, as part of our ongoing efforts to build world-class institutional investment capabilities.

### Organizational Chart



## Board of Directors

In accordance with the Company Law of China and CIC's Articles of Association, the Board of Directors is responsible for: establishing and overseeing the company's development strategies, operational policies, and investment plans; determining major matters to be reported on to shareholders; approving the annual budget and final accounts; appointing and removing senior executives; and approving the establishment of internal management bodies.

The Board of Directors comprises Executive Directors, Non-Executive Directors, Independent Directors, and Employee Directors. The Remuneration Committee and the Executive Committee are subsets of the Board of Directors.

In 2020, in response to the once-in-a-century COVID-19 pandemic and rarely seen levels of market volatility, the Board of Directors exercised strong leadership in providing strategic guidance. In line with the *China Investment Corporation Strategic Plan 2018-2022*, the Board of Directors adopted a carefully crafted annual business plan and budget, issued guidance on the development of key businesses and risk management, and made further efforts to enhance the company's modern enterprise management capabilities, thus guiding CIC towards high-quality development.



## Incumbent members:



### Peng Chun

Chairman and CEO

Mr. Peng Chun is Chairman and Chief Executive Officer of CIC. Immediately prior to this, he served as Chairman and Executive Director of Bank of Communications. Previously, he was Vice Chairman, Executive Director and President of Bank of Communications. Before that, he worked as Executive Vice President of CIC, and Executive Director and President of Central Huijin. He also held several positions with Bank of Communications, including Executive Director and Executive Vice President; Executive Vice President; Director and Assistant to the President; General Manager of Urumqi Branch, Nanning Branch and Guangzhou Branch.

Mr. Peng, born in 1962, holds a master's degree in economics from School of Finance of People's Bank of China and is accorded Senior Accountant.



### Ju Weimin

Vice Chairman, President and Chief Investment Officer

Mr. Ju Weimin is Vice Chairman, President, and Chief Investment Officer of CIC. Previously, he served as Executive Vice President of CIC and President of CIC Capital. Prior to joining CIC, he was Executive Director and Executive Vice President of CITIC. He also held other positions at CITIC, including Chief Financial Officer, Director General of Finance Department, Chairman of CITIC Resources Holdings Limited and CITIC Trust Co., Ltd., as well as board member of China CITIC Bank Corporation Ltd. and CITIC Securities. Mr. Ju used to serve as Chairman of China Trustee Association as well.

Mr. Ju, born in 1963, holds a master's degree in economics from Renmin University of China.



### Shen Rujun

Executive Director and Executive Vice President

Mr. Shen Rujun is Executive Director and Executive Vice President of CIC. Prior to this, he served as Executive Director and Executive Vice President of Bank of Communications. Previously, he held several positions with the Industrial and Commercial Bank of China (ICBC), including President of Shandong Branch, General Manager of Finance Accounting Department, Vice President of Beijing Branch, and Deputy General Manager of Planning and Finance Department.

Mr. Shen was born in 1964 and holds a Ph.D. in Management from Technology and Economics School of Hohai University and is accorded Senior Accountant.





## Ning Jizhe

Non-Executive Director

Mr. Ning Jizhe, Non-Executive Director of CIC, is Vice Chairman of the National Development and Reform Commission (Minister level) and Commissioner of the National Bureau of Statistics. Previously, he served as Deputy Director and then Director of Research Office of State Council, Deputy Head of the Academy of Macroeconomic Research at the National Development and Reform Commission, Deputy Head and then Head of Comprehensive Planning Department at the Western Region Development Office of State Council, and Deputy Director General of the Department of Development Planning at the State Development and Planning Commission.

Mr. Ning, born in 1956, holds a Ph.D. in economics from Renmin University of China.



## Zou Jiayi

Non-Executive Director

Ms. Zou Jiayi has been Non-Executive Director of CIC since her tenure as Vice Minister of Finance. Previously, she served as Vice Minister of Finance. Prior to that, she served as a member of the National Supervisory Commission and Vice Minister of Supervision. She also held several positions at the Ministry of Finance, including Assistant Minister of Finance, Director General of the International Economic Relations Department, Director General of the International Department, Head of the Foreign Financial and Economic Exchange Office, Executive Director for China at the World Bank, and Deputy Director General of the International Department.

Ms. Zou, born in 1963, holds a master's degree in economics from Chinese Academy of Social Sciences.



## Ren Hongbin

Non-Executive Director

Mr. Ren Hongbin, Non-Executive Director of CIC, is Vice Minister of Commerce. Previously, he held positions at Ministry of Commerce including Assistant Minister, Director General of the Department of Foreign Trade and Deputy Director General of National Mechanic and Electronic Import and Export Office, Director General of the Department of World Trade Organization (WTO) Affairs and Director General of China WTO Notification and Inquiry Center, Vice President of China Academy of International Trade and Economic Cooperation (Director General level), Commercial Counsellor (Deputy Director General level) in China's Embassy in Hungary, and Deputy Director General of the Department of European Affairs.

Mr. Ren, born in 1966, holds a master's degree in engineering from China University of Mining and Technology.



## Liu Guiping

Non-Executive Director

Mr. Liu Guiping, Non-Executive Director of CIC, is Deputy Governor of People's Bank of China. Previously, he served as Vice Chairman and President of China Construction Bank, Vice Mayor of Chongqing Municipal People's Government, and Executive Vice President of CIC. Prior to that, he held several positions during his career at Agriculture Bank of China, including Head of Retail Banking/Retail Products, President of Shanghai Branch, Vice President and President of Fujian Branch, and Vice President of Shenzhen Branch.

Mr. Liu was born in 1966 and holds a Ph.D. in economics and is accorded Senior Economist. He is an awardee of the State Council Expert Special Allowance.



## Lu Lei

Non-Executive Director

Mr. Lu Lei, Non-Executive Director of CIC, is Deputy Administrator of the State Administration of Foreign Exchange. Previously, he held several positions at the People's Bank of China including Director General of the Financial Stability Bureau and Director General of the Research Bureau. Prior to that, he served as Vice President and President of Guangdong University of Finance.

Mr. Lu, born in 1970, holds a Ph.D. in economics from School of Finance of People's Bank of China.



## Li Jiange

Independent Director

Mr. Li Jiange, Independent Director of CIC, is the Chairman of the Board of Trustees of Sun Yefang Foundation. He was Vice Chairman of Central Huijin, Chairman of ShenYin & WanGuo Securities co., Ltd., Chairman of China International Capital Corporation Limited (CICC), Vice Minister of Development Research Center (DRC) of the State Council, Vice Minister of the State Council Office for Restructuring the Economic System, Vice Chairman and then Executive Vice Chairman of China Securities Regulatory Commission, Chief of Staff of the Securities Commission of the State Council. He had also worked as Deputy Director General and then Director General of the Department of Policy and Regulation of the State Economic and Trade Commission, Deputy Director General of Policy Research Office of the State Planning Commission.

Mr. Li, born in 1949, holds a master's degree in economics from Chinese Academy of Social Sciences.



## Bai Chong'en

Independent Director

Mr. Bai, Independent Director of CIC, is Mansfield Freeman Chair Professor, Dean of the School of Economics and Management of Tsinghua University. He is also the Director of both the National Institute for Fiscal Studies of Tsinghua University and the Institute for State-Owned Enterprises of Tsinghua University. He used to serve as a member of the monetary policy committee of the People's Bank of China. Prior to that, he served as Adjunct Vice-President of Beijing State-Owned Assets Management Co., Ltd. and a non-resident Senior Fellow of the Brookings Institution.

Mr. Bai, born in 1963, holds a Ph.D. in economics from Harvard University.



## Fan Yong

Employee Director

Mr. Fan Yong, an Employee Director, is Head of Human Resources Department of CIC. Immediately prior to this, he served as Director of Human Resources Department, Deputy Head and Head of Institutional Integrity Department of CIC. In his earlier career, Mr. Fan served as Deputy General Manager of Human Resources Department of China Galaxy Securities Co., Ltd., Deputy General Manager of Investment Management Department, Deputy General Manager of Corporate Management Department, Deputy Director General of President's Office and Head of Human Resources Department of China Economic Development Trust & Investment Company, and Principal Staff of Fiscal and Financial Department at the State Planning Commission.

Mr. Fan, born in 1961, holds a bachelor's degree in economics from Zhongnan University of Economics and Law.

## Former Member (Term Completed in the Period June 2020-August 2021)

Zhu Hexin (Non-Executive Director from June 2019 to March 2021)

## Board of Supervisors

Pursuant to the Company Law of China, CIC's Articles of Association, and other relevant regulations, the Board of Supervisors is responsible for monitoring the business practices and professional ethics of the company's directors and executives. It is also responsible for conducting internal audits and monitoring the company's finances, with the objective of ensuring high quality financial management and reporting. Both the Supervisory Committee and the Audit Committee report to the Board of Supervisors.

Throughout 2020, the Board of Supervisors performed its duties with diligence. Members attended or observed meetings of both the Board of Directors and the Executive Committee, exercising oversight with respect to major decisions. The Board of Supervisors intensified its supervision of the company's risk management practices and conducted off-site inspections of major overseas investment projects. CIC's Board of Supervisors also stepped up its audit monitoring activities, carrying out a wide range of investment audits, internal audits, economic responsibility audits, and special purpose audits.

### Incumbent members:



**Hu Hao**

Chairman of Board of Supervisors

Mr. Hu Hao is Chairman of the Board of Supervisors of CIC. Prior to joining CIC, he was Executive Director and Senior Executive Vice President of the Industrial and Commercial Bank of China (ICBC). Previously, he held several positions with ICBC, including Board Secretary, General Manager of Corporate Strategy and Investor Relations Department, General Manager of the International Banking Department, General Manager of the Institutional Banking Department, Deputy General Manager of the Credit Management Department, Deputy General Manager of the Industrial and Commercial Credit Department.

Mr. Hu, born in 1962, holds a Ph.D. in economics from the Graduate School of the Chinese Academy of Social Sciences and is accorded Researcher.



**Qin Boyong**

Supervisor

Ms. Qin Boyong, Supervisor of CIC, is Deputy Auditor General of the National Audit Office of China. Immediately prior to this, she was Deputy Governor of Hebei Province. Previously, she served as Director General of Legislative Affairs Office and Deputy Director General of Department of Supervision of Hebei Province.

Ms. Qin, born in 1964, holds a master's degree of Law from Peking University.



**Xiao Yuanqi**

Supervisor

Mr. Xiao Yuanqi, Supervisor of CIC, is Vice Chairman of China Banking and Insurance Regulatory Commission (CBIRC). Previously, he took the roles of Chief Risk Officer and Spokesperson, and headed the General Office of the CBIRC. Prior to that, he held several positions at China Banking Regulatory Commission (CBRC), including Director General of Prudential Regulation Bureau, Director General of Banking Supervision Department I, Director General of Banking Supervision Department II, and Head of CBRC Chongqing Office.

Mr. Xiao, born in 1966, is a research fellow and holds an MBA degree from Cranfield University in the UK as well as a master's degree in economics from the Post-graduate School of the People's Bank of China (now the PBC School of Finance, Tsinghua University).



## Yan Qingmin

Supervisor

Mr. Yan Qingmin, Supervisor of CIC, is Vice Chairman of China Securities Regulatory Commission. Previously, he served as the Vice Mayor of Tianjin Municipality, Assistant Chairman and then Vice Chairman of China Banking Regulatory Commission (CBRC) while concurrently serving as the Director General of the General Office and Director General of CBRC Beijing Bureau. Previously he also held positions at CBRC including Director General of Shanghai Bureau, Director General of Human Resources Department, Director General and Deputy Director General of the Bank Supervision Department I (Director General level), and positions at the People's Bank of China including Head of the Supervision Team of the Agricultural Bank of China (Director General level) and Deputy Director of the Banking Supervision Department I.

Mr. Yan, born in 1961, holds a Ph.D. in economics from Renmin University of China and a Ph.D. in Management from Chongqing University.



## Cui Guangqing

Employee Supervisor

Mr. Cui Guangqing, an Employee Supervisor, is Head of the Investment Operations Department of CIC. Immediately prior to this, he served as Head of Supervisory Board Office/Internal Audit Department. Before joining CIC, he served at the National Audit Office, where he held various positions, including Director General of the Information and Postal Audit Office and Deputy Director General of the Department of Monetary Audit.

Mr. Cui, born in 1964, holds a Ph.D. in economics from Xi'an Jiaotong University.

## Former Member (Term Completed in the Period June 2020–August 2021)

**Yuan Ye** (Supervisor from June 2019 to March 2021)

**Wang Zhaoxing** (Supervisor from October 2016 to June 2021)

## Leadership Team and Executive Committee

Pursuant to its mandate from the Board of Directors, CIC's Executive Committee is responsible for implementing the resolutions of the Board; deciding on major operational matters including the establishment and improvement of basic policies and operation mechanisms; and overseeing personnel policies including performance evaluation, remuneration, and incentives. In 2020, faced with an extraordinarily challenging international landscape, the Executive Committee focused on enhancing management effectiveness and organizational performance. It diligently effectuated the instructions of the Board of Directors to strike a balance between pandemic control and business operations; to advance implementation of CIC's strategic plan; to drive reforms in the company's asset allocation and investment management systems; and to continue to develop new modalities for outbound investment. The Executive Committee also ensured prudent investing during the pandemic, strengthened risk management and internal control, and overhauled human resources systems and processes.

In January 2019, the Central Commission for Discipline Inspection and the National Supervisory Commission assigned a team of resident inspectors to CIC, to further augment the company's internal supervision system and support the company in implementing standardized and effective supervision functions.



## Leadership Team and Executive Committee



**Peng Chun** Chairman and CEO

**Ju Weimin** Vice Chairman, President and Chief Investment Officer

**Hu Hao** Chairman of the Board of Supervisors

**Shen Rujun** Executive Director and Executive Vice President

**Guo Xiangjun** Executive Vice President and Deputy Chief Investment Officer

**Qi Bin** Executive Vice President and Deputy Chief Investment Officer

**Pan Yuehan** Chief Inspector

**Zhao Haiying** Executive Vice President and Chief Strategy Officer

**Liu Haoling** Executive Vice President and Chief Risk Officer

**Bao Jianmin** Member of Executive Committee

**Liu Yanbin** Member of Executive Committee

**Xu Zhibin** Member of Executive Committee



**Former Member** (Term Completed in the Period June 2020-August 2021)

Liu Jun (Executive Vice President from November 2016 to June 2020)

Cai Zhiwei (Member of Executive Committee from December 2019 to December 2020)

## International Advisory Council

The International Advisory Council (IAC) was established in July 2009 with a mandate to advise CIC on its development strategy and investment business. The IAC also furnishes CIC's executives and staff with insights on geopolitical and macro-economic developments, international financial market conditions, and global investment trends.



▶ 2020 IAC Annual Meeting Held Online

CIC's IAC is an internal advisory body composed of distinguished international experts. It currently consists of 13 members from diverse backgrounds in government, business, and academia. Since its establishment over a decade ago, the IAC has evolved significantly. The council's operations now comprise a range of multi-level, multi-dimensional working mechanisms that are steered by the IAC's Annual Meeting and complemented by quarterly newsletters and mutual visits. IAC members are stewards of CIC's development, drawing on their respective expertise and resources to offer insights into geopolitical developments and investment risks and opportunities across regions and sectors. IAC members also serve as ambassadors for CIC at a variety of fora, helping to communicate the company's investment philosophy and build its brand.



True mettle was shown in trying times. Throughout the pandemic, CIC and its IAC members have rallied together to combat the crisis. In 2020, a number of online dialogues organized by the IAC Secretariat served to communicate positive messages about CIC's growth and efforts to combat the pandemic, maintain strong ties with IAC members, and highlight the values of care and compassion that unite the CIC family. The IAC's 2020 Annual Meeting was held virtually, for the first time, bringing together IAC members and CIC staff to discuss the opportunities of a changing world and strategies for relaunching growth. These discussions yielded invaluable guidance for CIC's post-pandemic development.

*“ Multilateralism remains the best option for a reshaped international order in the post-pandemic era, and strategic, long-term leadership is needed to revitalize the global economy and promote inclusive growth. ”*

— Remarks by IAC members at  
2020 IAC Annual Meeting



# 03

## OVERSEAS INVESTMENT

---

CIC follows the investment philosophies of holistic thinking, long horizon, and risk diversification based on its own characteristics and understanding of investment management.



## Investment Performance

CIC is a long-term institutional investor with a 10-year investment horizon that applies annualized rolling returns as its key performance metric.

In 2020, CIC's overseas portfolio posted a net annual return of 14.07%. As at December 31, 2020, CIC's annualized cumulative 10-year net return stood at 6.82%, and its annualized cumulative net return since inception stood at 6.71%. (All the above figures are calculated on a USD value basis).

Net annual return on CIC's overseas portfolio in 2020

**14.07%**

CIC's annualized cumulative 10-year net return

**6.82%**

CIC's annualized cumulative net return since inception

**6.71%**

## Investment Principles and Philosophies

CIC is committed to its role as a prudent, professional, and responsible investor operating globally with a solid reputation.

### ◆ Investment Principles

CIC invests on a **commercial basis**. Its objective is to seek maximum returns for its shareholder within acceptable risk tolerance limits.

CIC is a **financial investor** and does not seek control of the companies in its portfolio.

CIC is a **responsible investor** that strictly abides by the laws and regulations of China and of all recipient countries and regions and that conscientiously fulfils its corporate social responsibilities.

CIC pursues investments based on **in-depth research within an asset allocation framework**, ensuring a prudent and disciplined approach.

### ◆ Investment Philosophies

CIC takes a **holistic and disciplined approach** to strategy design and portfolio construction, analysis, and management to ensure portfolio integrity and stability.

As a **long-term investor**, CIC is well-positioned to withstand short-term market volatility and capture illiquidity premia.

CIC pursues **risk diversification** through risk factor allocation so as to reduce portfolio volatility and curb downside risks.

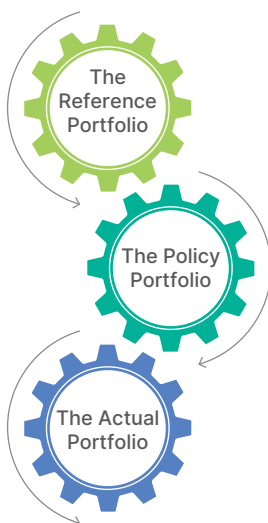


## Asset Allocation and Portfolio Construction

As a long-term institutional investor, CIC's asset allocation is guided by four basic principles:

- Ensuring compliance with the long-term return objectives and risk tolerance limits set by the Board of Directors;
- Maintaining alignment with CIC's investment principles and philosophies;
- Leveraging research analyses and making reference to the practices of other investment institutions;
- Seeking continuous improvement based on ongoing review of our experience.

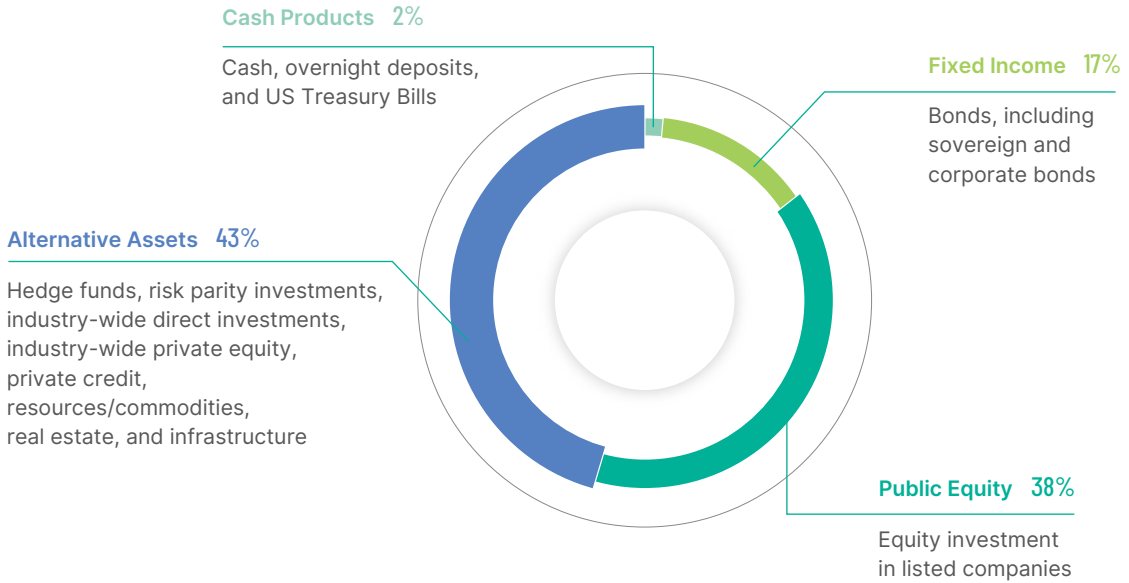
We adopt a sound asset allocation framework anchored by our Reference Portfolio, on the basis of which we construct our Three-year Policy Portfolio, Annual Policy Portfolio, and ultimately the Actual Portfolio. This Reference Portfolio framework has made CIC's asset allocation and total portfolio management more transparent and effective.



- Consists of public market equity and fixed-income indices;
- Anchors the long-term neutral risk target of the total portfolio;
- Serves as the benchmark for medium- to long-term relative performance.
- The Three-year Policy Portfolio includes reasonable allocations to other asset classes and has a better risk-return profile than the Reference Portfolio.
- The Annual Policy Portfolio takes into account the performance of our alternative investments and the short-term market outlook.
- Seeks to generate excess return via active strategies.

Currently, CIC's global portfolio consists of public equity, fixed income, alternative assets, and cash products.

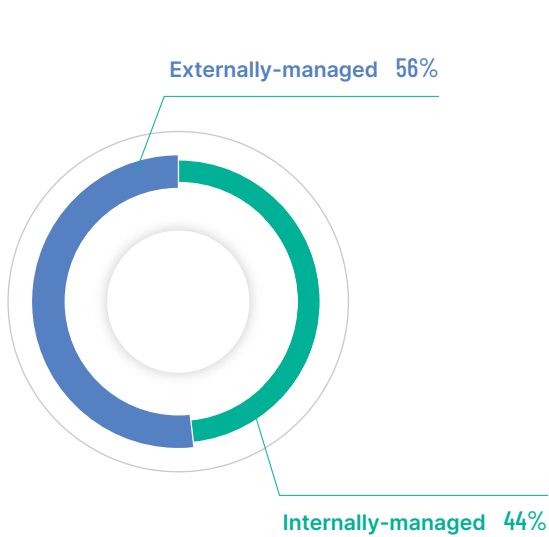
● **Global Investment Portfolio Distribution**<sup>1</sup> (as at December 31, 2020)



1. Excluding financing

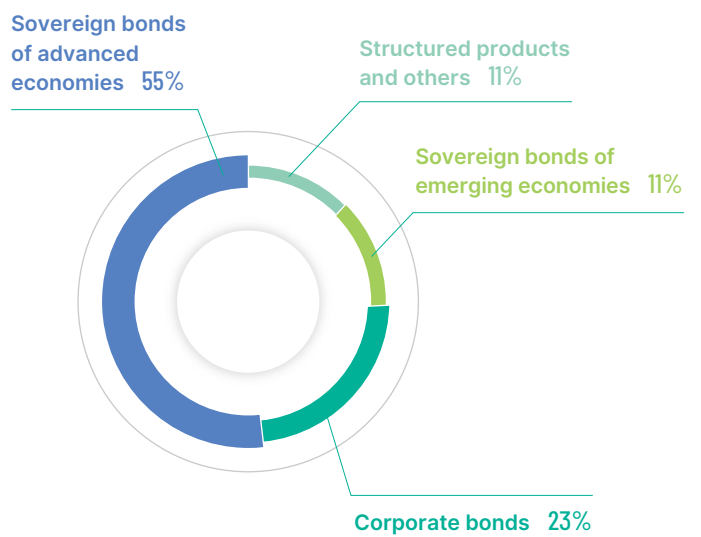
● **Internally-Managed Assets versus Externally-Managed Assets in the Global Investment Portfolio**

(as at December 31, 2020)



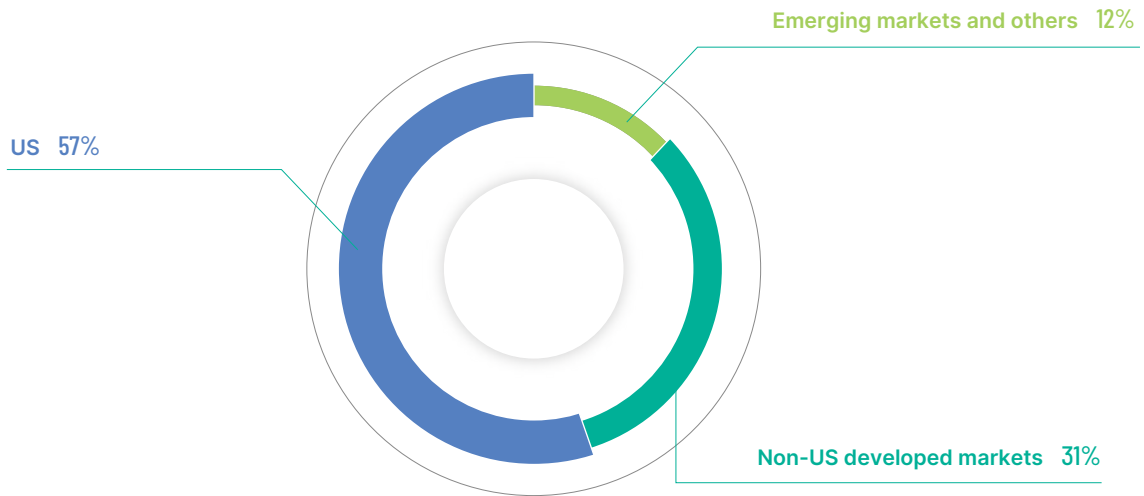
● **Distribution of the Global Investment Portfolio: Fixed Income**

(as at December 31, 2020)

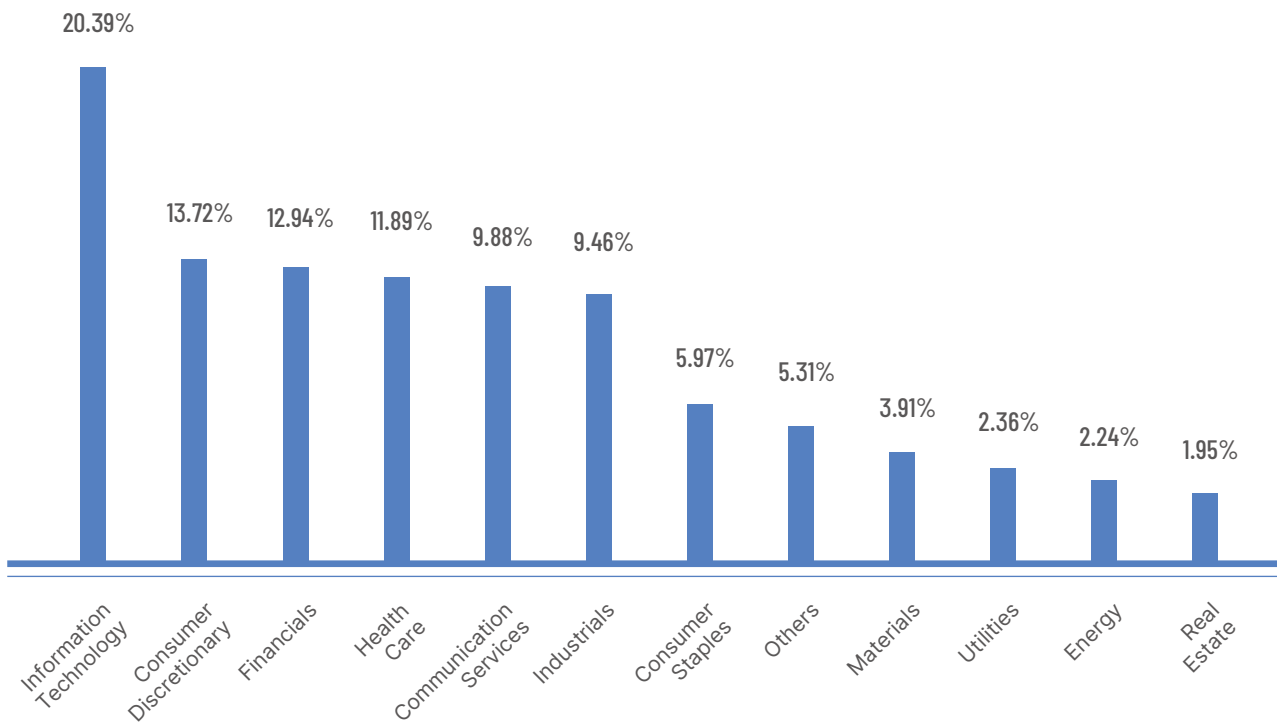


● **Distribution of the Global Investment Portfolio: Public Equity** (as at December 31, 2020)

◆ **By Geography**



◆ **By Industry**



### **Box 1: Building Stronger Allocation and Investment Capabilities and Optimizing our Sectoral and Geographical Footprint**

In 2020, CIC continued to seek out theme-based opportunities and further optimize its sectoral and geographical footprint in line with market dynamics.

#### **Sectors**

In public markets, CIC capitalized on opportunities in high-growth sectors and put into play our expertise as an institutional investor rooted in China. These positions performed well and made positive contributions to total portfolio return.

In private markets, CIC deployed capital in key sectors and, in order to boost investment effectiveness, put in place an internal coordination mechanism to ensure appropriate sharing of experience across investment teams.

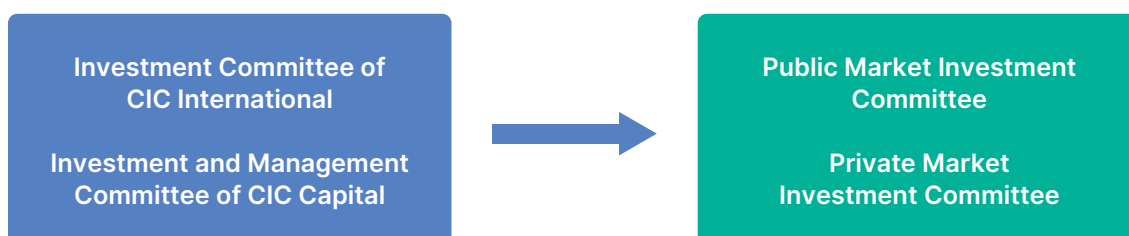
#### **Geographies**

CIC's geographical advantage consists in being rooted in China and close to the rest of Asia. We have noted increasing dispersion in sector performance across our investments, with return on assets becoming more attributable to sectoral factors. Leveraging our geographical advantage, we have been successful in generating sector-specific alpha in Asia. Going forward, CIC will continue to hone its regional allocation and investment capabilities, building on sector-specific research and our advantages as an institution.

## Investment Decision-Making

CIC adheres to a One CIC philosophy and maintains a unified, disciplined, and efficient investment decision-making framework. Decision-makers at all levels have clear divisions of responsibility with coherent interlinkages. Investment decisions are made with due consideration to both efficiency and compliance.

In early 2020, CIC revised its investment decision-making rules and set up the Asset Allocation and Investment Policy Committee. In early 2021, CIC made improvements to its investment decision-making system so as to further enhance its quality and efficiency and better ensure the overall coordination of its activities. The Investment Committee of CIC International and the Investment and Management Committee of CIC Capital, which had been under the Asset Allocation and Investment Policy Committee, were consolidated into two newly-established committees at the corporate level, namely the Public Market Investment Committee and the Private Market Investment Committee.

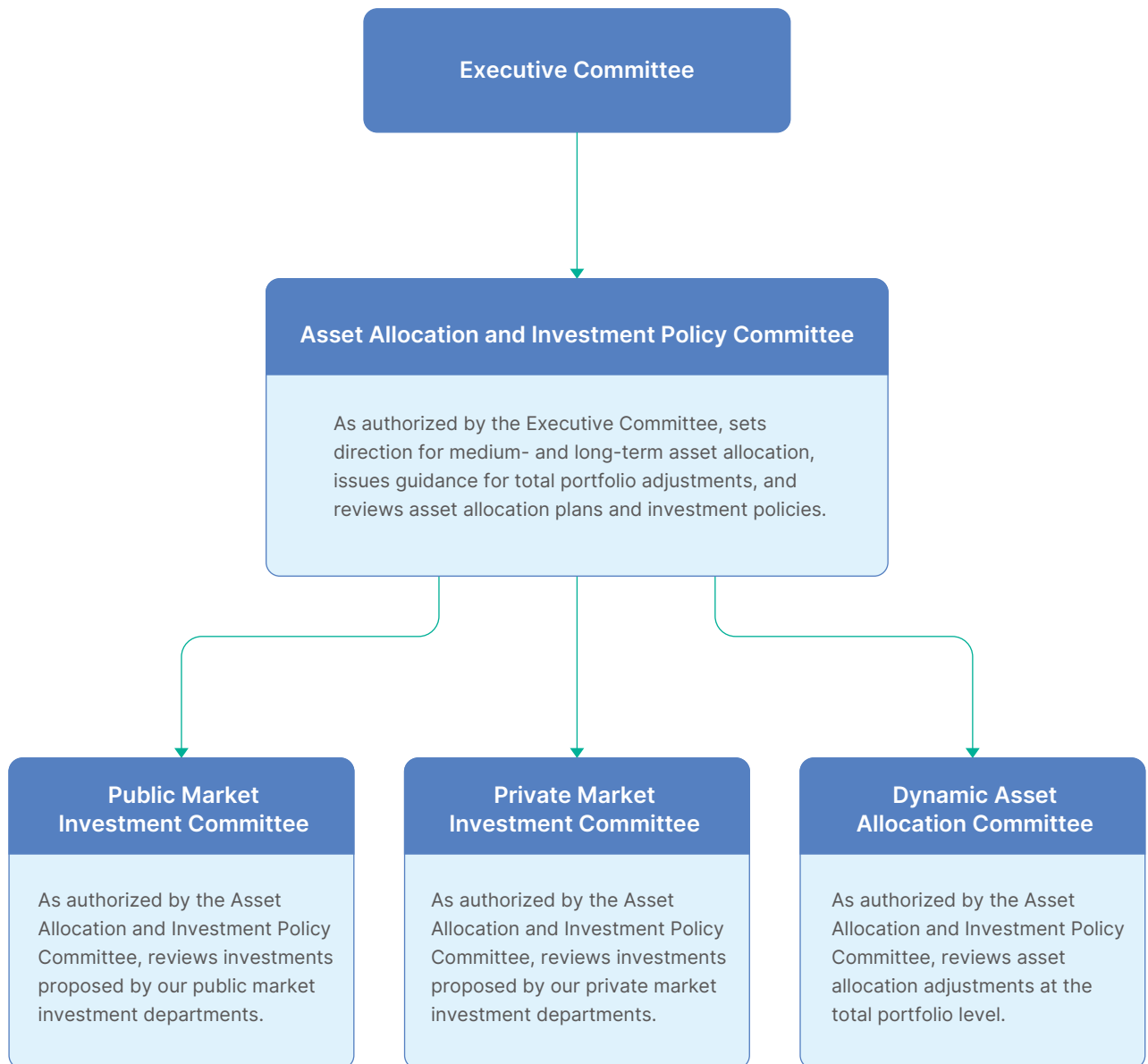


At present, investment decisions at different levels and for different asset classes are implemented by four committees: the Asset Allocation and Investment Policy Committee, the Public Market Investment Committee, the Private Market Investment Committee, and the Dynamic Asset Allocation Committee.

Pursuant to guidelines set by the Board of Directors and the Executive Committee, the Asset Allocation and Investment Policy Committee formulates investment strategies, policies, and performance and risk targets, and devises or revises investment management systems and procedures. The Public Market Investment Committee, the Private Market Investment Committee, and the Dynamic Asset Allocation Committee, as authorized by the Asset Allocation and Investment Policy Committee, convene to review investment proposals and take investment decisions within their respective purviews.



 Investment Decision-Making Chart



## Investment Departments

**The Department of Asset Allocation and Business Management** is responsible for coordinating CIC's overseas investments; researching and formulating investment strategies and policies; managing the Reference Portfolio, Policy Portfolios, and dynamic and tactical asset allocation; formulating and managing total portfolio rebalancing and liquidity policies; evaluating investment performance; etc.

**The Department of Public Equity** is responsible for in-house and external investments in global public equity, including proprietary quantitative investment and proprietary fundamental investment.

**The Department of Private Equity** is responsible for making private equity or equity-like investments in all industries other than resources, energy, agriculture, and infrastructure. It also makes investments in private credit.

**Investment Department I** is responsible for direct investment, fund investment, and co-investment in infrastructure, resources, and energy.

**CIC Janus Asset Management Company** is a wholly-owned subsidiary of CIC Capital that invests in agriculture and manages related bilateral funds and the China Global Agriculture Investment Fund.

**The Department of Investment Solutions** is responsible for portfolio management, exposures and liquidity management, equity index investment, and trading execution.

**The Department of Fixed Income and Absolute Return** is responsible for in-house and external investments in public market fixed income and absolute return strategies (including hedge funds and multi-asset strategies).

**The Department of Real Estate** is responsible for global private equity investment in real estate in the forms of direct investments, commingled funds, and co-investments; and for making real estate investments in public markets.

**Investment Department II** is responsible for direct investments in general sectors other than agriculture and those covered by Investment Department I, including manufacturing, health care, and TMT (technology, media, and telecom); and for managing related bilateral funds.

**CIC International (Hong Kong)** is responsible for the externally-managed global investment-grade corporate bond strategy portfolio; the Hong Kong equity strategy portfolio; the internally-managed Asian equity portfolio; a sub-strategy portfolio focused on special credit opportunities in Chinese enterprises; and the internally-managed emerging market local currency sovereign debt portfolio. It is also responsible for information collection and due diligence at a primary stage on pipeline private market projects, and for post-investment management in conjunction with Headquarters.

## Overview of Investment Activities

In 2020, the COVID-19 pandemic plunged the global economy into a severe recession, triggering sharp slumps in capital markets on a scale rarely seen. International capital markets were characterized by lower returns, higher volatility, and greater divergence across regions and sectors. During the same period, cross-border investments were subjected to tighter screening, presenting sovereign wealth funds with significant challenges in deploying their capital.

CIC continued to operate on an international, market-driven, and professional basis, taking sound, prudent investment decisions in line with its investment philosophies and risk tolerance limits. The company fully tapped into the Information Superhighway mechanism and strengthened linkages between research and investment operations in order to mount a coordinated response at the portfolio, strategy, and project levels.

To ensure the orderly operation of the total portfolio and reduce its volatility in this crisis-impacted market, CIC undertook in-depth analyses of the macroeconomic and market environments, continuously monitored its assets, and ran stress tests on the total portfolio. CIC devised contingency plans for proactive portfolio adjustment, dynamically optimized liquidity reserves, and made timely revisions to rebalancing policies. At the height of market volatility, the company remained consistent in its strategic focus and positioning as a long-term investor and ensured strict adherence to defined risk tolerances. This approach ensured investment and management effectiveness, and allowed for much valuable experience to be gained.

The pandemic has accelerated the ongoing technology revolution and the pace of industrial transformation. New technologies, industries, business formats, and models have rapidly emerged and flourished. To better position itself to capitalize on new opportunities in the post-pandemic era, CIC optimized its use of leverage across the total portfolio; revised its approach to currency exposure management; made improvements to its strategy composition, benchmarks, and financing portfolio; and launched an ESG investment policy framework. These steps have improved the construction and management of the total portfolio. CIC also closely tracked market trends to seize opportunities to exploit market mispricing, and continued to optimize its investment footprint in public markets while steadily stepping up investments in private markets.

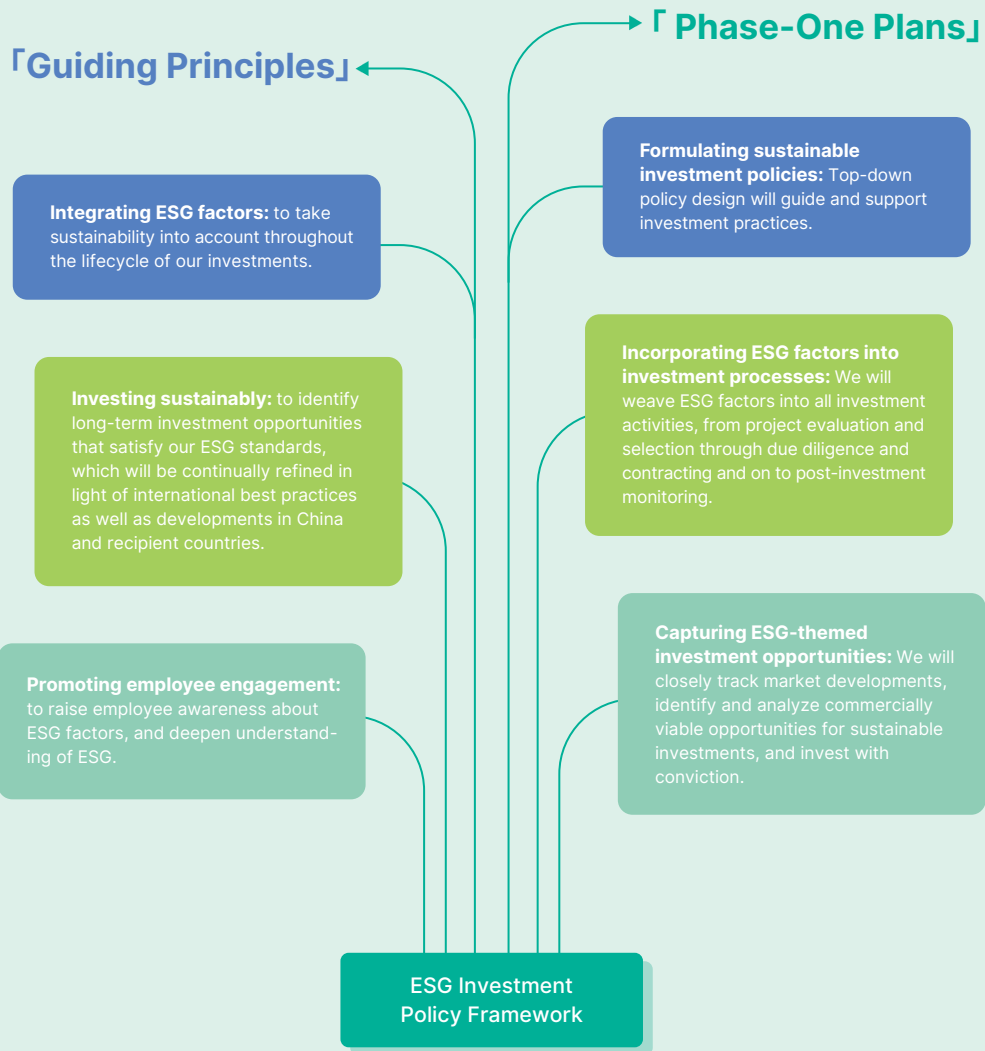
In 2020, CIC successfully achieved all main business targets set for the year and made significant progress in all its investment management activities. Going forward, CIC will continue to focus on enhancing its global allocation capabilities. Accordingly, the *China Investment Corporation Strategic Plan 2018-2022* will be implemented in a way that reflects the new context. Building on our unique strengths—our roots in China and our global presence—the company will accelerate innovation in its approach to overseas investment. In this way, CIC will make positive contributions to the efficient allocation of resources globally.



Special  
Feature

## Responsible Investing for Sustainable Development

*Giant mountains form from the accumulation of soil, colossal rivers form from the accumulation of water.* Since its establishment, CIC has consistently positioned itself as a responsible investor. We actively contribute to sustainable development, a more livable planet, and better quality of life. In 2020, following a review of peer experience and our own practices, the company formulated an ESG investment policy framework with guiding principles and phase-one plans for advancing sustainable investment.

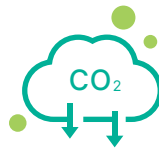


## Box 2: Strengthening Investee ESG Policies to Drive Sustainable Development

Logicor, a large portfolio of logistics assets in Europe, is a typical example of an investee company that CIC has worked with to improve its ESG policies.

Logicor manages an extensive network of over 600 properties across 17 countries in Europe. After completing its investment, CIC conducted granular post-investment management based on the complex market environment and Logicor's development strategy. CIC encouraged Logicor to develop stronger ESG policies, formulate an ESG development strategy, and publish regular ESG reports.

Adopting the long-term creation of financial, environmental, and social value as the guiding principle for its business operations, Logicor developed ESG policies at all levels. These include leveraging new technologies to boost resource utilization efficiency and curb energy use and greenhouse gas emissions; developing new projects in accordance with stringent green building certification standards; delivering on corporate social responsibility commitments; and contributing to community development and charitable activities.



## Public Market Investments: Improvements in Investment Composition and Efficiency

Against the backdrop of extreme volatility in global financial markets, CIC took proactive measures to respond to market conditions while continuing to deploy capital through a coordinated mix of proprietary and mandated investments. The company optimized its footprint in public markets, made orderly adjustments to its equity and fixed income portfolios, built up a strong sector-based research framework, and increased its exposure to technology and healthcare. CIC also refined its strategy construction and manager allocation while exploring new investment approaches and seizing opportunities derived from market mispricing. CIC's proprietary investment portfolio has been actively developed in line with the company's overall strategy, realizing competitive advantages and economies of scale. Our proprietary investment capabilities have continued to strengthen as a result of ongoing efforts to build our talent pipeline. We have also made significant headway in the development of digital information management systems for our public market investment activities.

**Public equity:** The company strengthened its top-down analytical framework to better identify disparities in market efficiency. Optimization of investment distribution and strategy composition coupled with efficiency improvements in capital deployment helped deliver sustainable, replicable, and scalable results. Intensive research on select investment themes helped to guide investments and fine-tune strategy construction within a unified style management approach. More robust analytical tools made it possible to examine portfolio characteristics under different scenarios, so as to achieve greater predictability of returns. Closer cooperation with external managers enabled more effective utilization of investment resources.

**Fixed income and absolute return:** As a key source of liquidity, the fixed income portfolio is an integral part of the total portfolio rebalancing toolkit. Precision adjustments to the fixed income portfolio were made to ensure compliance with total portfolio liquidity targets amid the changing market environment. Regular reviews of fixed income portfolio managers were carried out, examining their investment style, performance, and risk management capabilities. The company undertook opportunistic credit investments in public markets, while closely monitoring the hedge fund portfolio to proactively capture investment opportunities and adjust the portfolio as appropriate. Further optimizations were made to the proprietary and mandated portfolios under the risk-parity sub-strategy, and we actively conducted proprietary macro-factor investments.

## Private Market Investments: Logging Record-High Commitments While Maintaining High Quality

CIC has worked diligently to overcome the challenges of COVID-19. We reviewed all existing investments and re-assessed those still in progress. By capitalizing on market corrections, closely monitoring allocation targets, and placing equal weight on quality and scale, CIC steadily ramped up its private market investments. In 2020, the company not only achieved positive growth against headwinds in private market investments, but also registered a new record high in total commitments and made breakthroughs in several sectors and regions. In addition, CIC expanded its network of and commitments to high-quality general partners (GPs), strengthened its relationships with external managers, and developed new cooperative investment structures.

### Box 3: Building a Global Partner Network

CIC prides itself on its global network of partners. Our partners help us build mutual trust with governments and commercial institutions in recipient destinations and deepen our understanding of relevant sectors and regions.

In 2020, CIC further upgraded its approach to managing investment partnerships. Specifically, we established an Investment Partnership Management Committee, comprehensively reviewed our GP network in terms of coverage and commitments, and profiled and categorized our GPs. We also took steps toward full coverage of high-quality GPs and expanded our pool of top-tier GPs. Furthermore, CIC developed new modes of cooperation with GPs and strengthened coordination among different investment teams.

Going forward, CIC will further enhance its approach to managing investment partnerships, continue to develop the integrated management pilot program, increase the breadth and depth of its partnerships with high-quality GPs, and steadily expand its global GP network.

**Private equity and private credit:** Despite the market downturn and resulting portfolio volatility, CIC made timely allocations to high-quality funds, added more top-tier GPs, and expanded its pool of GPs. While fine-tuning our fund investments, we proactively mined co-investment opportunities to capitalize on market volatility. We also made further inroads in the secondary market, building on our maturing industry-wide private equity portfolio. We took advantage of post-pandemic investment opportunities by allocating to opportunistic and distressed credit assets, and ramped up our investment in technology-focused private equity funds.

#### Box 4: Private Credit Investments

Private credit refers to a range of debt instruments that are transacted in private markets, encompassing fund investment, co-investment, and direct investment. Private credit offers investors a steady income stream and customized terms that protect against downside risks. In some cases, it can also be structured with equity kickers to offer potential upside. Private credit generally offers investors attractive risk-adjusted returns and portfolio risk diversification benefits. Examples include strategies focused on senior secured loans or asset-based securities, mezzanine or other subordinated debt, securitized products, structured equity, preferred shares, and other yield enhancement opportunities, as well as opportunistic investments that capitalize on situations of distress or market dislocation to deliver asset appreciation and capture potential upside.

In early 2020, global capital markets were plunged into turmoil by the COVID-19 pandemic, resulting in declines not seen in decades. CIC monitored the market closely and responded quickly based on sound analysis. It re-upped with existing GPs and engaged new fund managers with solid track records to better construct its portfolios and deploy more capital. In this way, CIC was able to capture new investment opportunities in the aftermath of the pandemic.

**Real estate:** Real estate continued to serve as a defensive asset class and shield against inflation. CIC further built up its portfolio of core assets in line with our analysis of industry trends and market cycles. We took stock of the pandemic's impact on different real estate business models in terms of short-term trends and the post-pandemic outlook. CIC adopted a more granular approach to portfolio management and developed multidimensional analytical models to better monitor portfolio performance. In terms of strategy, CIC sought to capitalize on investment opportunities arising out of the pandemic, with a focus on sub-sectors that align with long-term trends, show pan-cyclical resilience, and cushion against volatility.



**Infrastructure:** CIC achieved high effectiveness in both post-investment management and new investments thanks to our close tracking of market dynamics. We assessed the performance of different categories of infrastructure projects during the pandemic by analyzing yield and quality, liquidity, and key indicators, as well as conducting stress tests. Based on this assessment, we took proactive steps to manage projects disproportionately impacted by the pandemic. CIC also carried out in-depth sectoral research, fine-tuned its strategy, and rebalanced its allocations across sectors and regions to diversify portfolio risk. In particular, we scaled up our investments in the Asia Pacific region, as well as in the digital infrastructure, power, renewable energy, and public utilities sectors.

**Energy and resources:** CIC closely monitored its assets, stepped up post-investment management, and took precautions against risks. In a low oil-price environment, we maintained appropriate exposure to commodities through investments in funds; sought investment opportunities arising from energy transition and environmental trends; increased our exposure to renewable energy; and recruited high-caliber managers with relevant industry expertise.

### Box 5: Investment Opportunities in Energy Transition

The International Energy Agency (IEA) forecasts that by 2040, the world's energy consumption mix will have undergone a major transition, with a significant increase in the share of renewables. This megatrend will drive two major developments: decarbonization and electrification.



Decarbonization

The share of coal in the global energy mix is set to decline rapidly, with the share of natural gas as a transitional energy source remaining stable. In the near term, Asian countries will experience a strong rise in natural gas demand as a result of coal-to-gas policies implemented to reduce carbon emissions.



Electrification

The share of electricity in energy consumption is expected to grow steadily as electric vehicles and new energy sources, such as solar and wind, continue to gain traction. During the pandemic, a record of 44% of electricity in Europe was generated from renewable sources. Numerous investment opportunities will arise in the upgrading and retrofitting of existing power grids, transmission and distribution companies, and other utilities that will be required to address the intermittency of renewable electricity, as well as in integrated energy services that combine renewables, storage, and traditional power supply.

CIC has positioned itself well to capture opportunities in the energy transition by pursuing investment and partnership initiatives congruent with the theme of clean and green energy.

**Industry-wide investments:** CIC continued to deepen its presence in sectors such as TMT (technology, media, and telecom), healthcare, consumer services, and high-end manufacturing, with a focus on sub-sectors including supply chains, innovative pharmaceuticals, and software. We created value by connecting portfolio companies with opportunities in China. We also applied strict controls on portfolio risks, monitored financial and operational risks in portfolio companies, and stepped up our communication with and management of existing funds and portfolio companies. These measures enabled us to identify potential risks and put contingency plans in place.

### Box 6: Deepening Value Creation in the Chinese Market for Win-Win Outcomes

China has a vast market and complete, end-to-end value chains in a number of key industries. By leveraging its global expertise and in-depth knowledge of the Chinese market, CIC proactively empowers investee companies to connect to the Chinese market and regional supply chains through commercial and market-driven approaches in conjunction with our partners. These efforts have boosted the profitability of investee companies, improved investment returns for CIC and its partners, and strengthened trust among all parties.

In the post-pandemic era, CIC will continue to leverage its strengths and expertise to foster synergy between global institutions and Chinese enterprises, with a view to deepening value creation in the Chinese market and forging win-win relationships among CIC, its partners, and investee companies.

**Agriculture:** CIC has actively built long-term partnerships with top-tier industry investment platforms at home and abroad, and has comprehensively strengthened its investment capacities and resource synergies through a variety of agile investment approaches. Based on a multidimensional review of our agrifood portfolio, the company has deployed a whole-value-chain investment strategy. On this basis, we have actively sought out potential investment opportunities and partners in key areas, leveraging a research-driven approach.

**New multilateral and bilateral funds:** Four new bilateral funds—the France-China Cooperation Fund, UK-China Cooperation Fund, Japan-China Industrial Cooperation Fund, and China-Italy Industrial Cooperation Fund—have been rolled out in succession and have made strong progress in closing deals in priority sectors. CIC's efforts to connect our portfolio companies with the Chinese market and industry partners have realized significant value-creation milestones.

### Box 7: Leveraging our Professional Platform to Develop New Modalities for Outbound Investment

Drawing on its experience of managing bilateral funds, CIC is actively developing new modalities for outbound investment.

In 2020, CIC launched the China-Italy Industrial Cooperation Fund in partnership with Investindustrial and UniCredit. Underpinned by commercial, market-driven operations and international professional management, this fund is mandated to invest in quality companies in Italy and certain other countries in Europe spanning sectors such as advanced manufacturing, business services, consumer goods and services, and healthcare, with a view to creating win-win outcomes by helping investee companies better harness their strengths and expand their international presence.

Although 2020 was overshadowed by COVID-19, the China-Italy Industrial Cooperation Fund successfully completed its first close at EUR 600 million and made multiple investments. Going forward, CIC will perform sound post-investment management by capitalizing on its unique advantage to help portfolio companies grow in the Chinese market. We will also work with our Italian partners to build a wider investment ecosystem leveraging our business network, and will organize investment summits to facilitate connections. The China-Italy Industrial Cooperation Fund will help boost China-Italy cross-border investment, economic exchanges, and win-win business cooperation.

## Overseas Offices: Extending our Footprint Across the Globe and Deepening our International Partnerships

**CIC International (Hong Kong)** managed its public market portfolios in accordance with investment disciplines and prudently managed portfolio risks against market challenges. It also took advantage of its presence in Hong Kong to monitor closely market dynamics in the region and across the globe and to engage in active exchanges and interactions with peer institutions. With a focus on the Guangdong-Hong Kong-Macau Greater Bay Area and growing reach to the Asia Pacific, CIC International (Hong Kong) explores private market investments and synergizes with headquarters departments in deal sourcing and post-investment management.

### Box 8: Leveraging Resource Allocation to Empower Greater Bay Area Development

The economic integration of the Guangdong-Hong Kong-Macau Greater Bay Area is entering a new stage. This process is being driven by the development of key science and technology innovation platforms and of modern, smart, and green infrastructure; by improved regional/spatial planning and higher levels of urbanization; and by strategic efforts to foster innovation and global resource allocation capacity.

Leveraging the geographical advantage of CIC International (Hong Kong), CIC has actively contributed to the development of the Greater Bay Area and to regional cooperation across the Pan-Pearl River Delta through its ongoing engagement in Guangdong-Hong Kong-Macao cooperative projects and development of key partnership platforms.

In 2020, CIC took stock of priority industries, sectoral trends, and policy developments in the Greater Bay Area to identify investment opportunities in telecom, new energy, 5G and Internet applications, infrastructure, and other key sectors. We fully leveraged our extensive resources—private equity fund partners, our bilateral funds, and investee companies—to empower value creation in the region. In addition, the company closely monitored opportunities in Southeast Asian countries arising from the growth of the Greater Bay Area.

**The Representative Office in New York** is well-positioned to leverage the resources and network of this international financial center to deepen our research on the regional economy, policies, financial markets, and regulatory development. Our New York office has built business partnerships to help source deal opportunities and enhance business cooperation. In addition, our New York office provides valuable local support for our investments across the Americas by engaging in substantive portfolio management in collaboration with our investment teams at headquarters. Our New York office took on more tasks to help manage our investments when business travel was restricted due to COVID-19. It played an important role in maintaining local business relationships and communications.

## Investment Support and Management

**Investment Support:** First, CIC closely tracked global financial markets and, in line with our research-driven investment philosophy, systematically evaluated the macro landscape and peer dynamics in different sectors. This exercise informed forward-looking analyses of investment opportunities.

Second, the company monitored, identified, and resolved operational risks in a timely manner to ensure operational stability. Our array of investment data was enriched with increasing granularity to provide timely and accurate data support for investment decision-making, post-investment monitoring, and risk management. Our investment operation system was further enriched to provide a broader and deeper set of support services. Diligent investment accounting and enhanced investment reporting systems contributed to heightened management precision.

Third, CIC further refined its financial management system to strengthen financial risk management and effectuate financial supervision. The company achieved higher budget implementation efficiency through more robust expense management and cost control. We ensured external financing effectiveness with further improvements in the company's debt issuance mechanisms. Financial analytics and reporting were also strengthened, contributing to improved financial management and support for investment.

Fourth, CIC pushed ahead with its across-the-board integration of technology into its investment business, driving business innovation with agile digital platforms including our Big Data Platform, CIC Mobile Platform, and CIC Ecosystem. Digital tools for investment performance assessment and for evaluation of external managers enabled more granular management of our investment business. Our strength in technology also underpinned our ability to combat COVID-19, supporting work from home and ensuring business continuity.

Fifth, CIC provided comprehensive legal and compliance support for investment and operational activities. We closely monitored and studied regulatory and legal developments in different jurisdictions so as to assess potential impact on our business. We carried out continuous compliance monitoring of our investment activities, in order to ensure the timely detection, assessment, prevention, and control of legal and compliance risks.

Sixth, CIC continued to enhance its corporate governance, with supervision of the performance of duties by directors and senior executives and of the company's accounting system and finances. We adopt a risk-driven and issue-driven approach to supervising and inspecting our overseas investment projects, performing audits on investment activities, internal control, economic responsibility, and audits for special purposes.

**Post-Investment Management:** CIC diligently implemented its post-investment policies and disciplines. To ensure the smooth operation of existing projects, we stepped up post-investment monitoring across all portfolios, enhanced our multidimensional portfolio analysis framework, and closely tracked key positions. Management functions were consolidated to provide integrated support for investment teams based on asset class and investment approach. Investment and management functions were further separated, with a higher level of resources allocated to support more specialized post-investment management. CIC performed in-depth evaluations of investment effectiveness, and took a coordinated, programmatic approach to managing its proprietary and mandated investments and active and passive investments. This helped us leverage economies of scale and strong team expertise. The company also adapted to the post-COVID new normal by capitalizing on the geographical advantage of our overseas branches in post-investment management.

---

## Risk Management

Stability depends on preparedness. In 2020, CIC upgraded its risk management system to better ensure its robust and effective operation. With significant enhancements to its top-down design and overall architecture, we have in place an even stronger foundation for preventing and mitigating major risks. In this upgrade, key priorities included identifying and addressing the root causes of risks; innovating risk controls and relevant tools; analyzing extreme risk scenarios and putting in place business continuity plans; and safeguarding the health and stability of our outbound investments.

### Objective and Approach

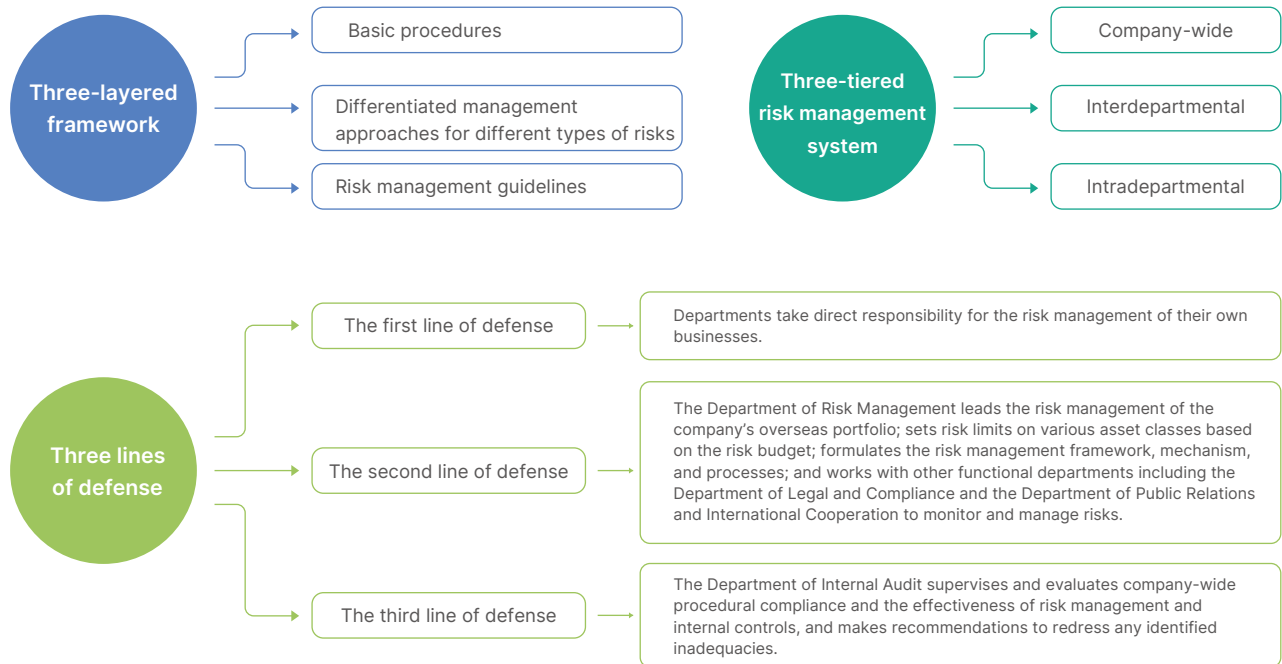
The objective of risk management is to ensure that investments and operations are governed by effective policies, mechanisms, systems, and processes to maximize shareholder returns within acceptable risk tolerance limits.

Risk management is a company-wide effort involving every business line, department, and individual. It is embedded throughout the investment lifecycle and at all levels, from the total portfolio level through different asset classes and on to specific investment strategies and sub-strategies.

### System and Mechanism

CIC has in place a comprehensive risk classification and management system. Driven by the Executive Committee, Risk Management Committee, and other relevant departments, this system serves to manage all kinds of risks, including market, credit, operational, liquidity, strategy, legal, reputational, and locality-specific risks.

In line with policies set by the Board of Directors and the Executive Committee, the Risk Management Committee oversees CIC's risk management strategies and approaches. Two sub-committees have been established under the Risk Management Committee: the Internal Control and Operational Risk Management Committee and the Valuation Committee.



## Management of Multiple Types of Risks

In 2020, CIC further bolstered its integrated risk management system covering macro, meso, and micro risks; formulated new guidelines on total portfolio concentration risks; revised rules on investment risk alerting and risk classification; made organizational adjustments in its risk management function; and stressed the comprehensive, consistent, and strategic nature of risk management.

In view of the material risk impacts brought about by the pandemic, CIC activated crisis management plans. These included setting in motion a breaking incident tracking mechanism, bolstering the company's early warning system, increasing alert frequency and specificity, and accelerating response times. An inferential analytics framework was developed to facilitate forward-looking risk analyses and identification of mitigation measures.

To ensure preparedness against extreme events, the company strengthened its business continuity and contingency plans. Dynamic management of the negative list enabled more rigorous monitoring of critical risk factors. At the project level, we ensured robust ex-ante risk identification and assessment, intensive ex-post risk monitoring, and systematic review and management of project risks. Risk management tools were updated to ensure accurate and timely valuation of existing assets.

### Market Risk Management

We continued to strengthen our comprehensive risk monitoring system, which covers macro-, market-, and portfolio-level risks. We also conducted forensic analysis of our exposures to traditional asset classes and alternative assets including multi-asset funds, hedge funds, private equity, real estate, infrastructure, resources, and commodities. Enhanced risk warning by asset class enabled more effective and targeted risk management in our private market investments.

### Credit Risk Management

CIC regularly issues *Sovereign Credit Risk Report* with analysis and early warning on potential locality-specific credit risks. The company revised its *Guidelines on the Management of Counterparty Credit Risks*, and fine-tuned its differentiated approach for managing various kinds of counterparty risks. We closely monitored changes in the credit risk of our invested assets.

### Internal Control and Operational Risk Management

CIC revised its *Basic Principles of Internal Control* to strengthen the governance structure, clarify key requirements, and establish a robust appraisal mechanism. Priorities included enhancing our internal control system in key business areas and bolstering mechanisms for detecting and averting different types of risks. We closely monitored major external risks, deployed countermeasures against contingencies, and conducted business continuity drills for extreme scenario preparedness.

### Reputational and Compliance Risk Management

CIC strictly abides by the laws and regulations of all its investment destinations, respects local community concerns, and ensures information disclosure as required by law. In early 2021, the company put in place *Measures for Managing Reputational Risks* along with supporting guidelines. Thanks to its careful management of these risks, CIC has earned widespread recognition as a responsible corporate citizen and respected partner.



## Box 9: Innovations and Developments in Risk Management

In 2020, CIC closely tracked the evolving global investment environment and risk trends, maintaining constant vigilance. We continued to update our risk management models and tools to make them more rigorous, comprehensive, and practicable, and developed next-generation risk indicators. Specific initiatives included:

### Risk management systems

CIC introduced downside risk monitoring and forward-looking risk analysis in both its conventional and crisis risk management systems, with special emphasis on risk budgeting and early warning. Indicators developed to monitor the probability of systemic market risks proved effective in providing early warnings during periods of market turbulence, accurately depicting heightened levels of market volatility and vulnerability.

In view of the sudden onset of the pandemic and its uniqueness, we developed an analytical framework for projecting future market risk scenarios. Specifically, we analyzed potential pathways for four types of risk events: pandemic, market, economic, and political risks. Taking into account the probability of these events and their potential impact on the portfolio, risk mitigation measures were identified to address vulnerabilities in the company's total portfolio and in portfolios at each tier.

CIC also moved forward with its strategy to increase its exposure to alternative investments. We issued research-based risk monitoring reports specifically targeting private alternative portfolios, with a focus on priority areas and major risks. A framework of quantitative classification criteria was also elaborated for private equity co-investments with GPs. Stress-testing tools were used more intensively to manage risk in alternative asset classes including private equity, real estate, infrastructure, and natural resource commodities. We also conducted a systematic investigation of the risk-return profile of the hedge fund and private credit distressed opportunity sub-strategies in different market environments. These steps enabled the company to strike an effective balance between managing risks and capturing investment opportunities in times of market volatility, and further enhanced our institutional investment capabilities.

### Performance evaluation

CIC developed more granular qualitative risk assessment criteria and applied them in targeted evaluations of investment team performance in relation to risk identification, risk monitoring, and post-investment management. Following a review of the delineation between asset allocation and investment management responsibilities, we made improvements to our algorithm for the quantitative assessment of asset allocation performance. This brought asset allocation and investment management responsibilities into better alignment and enhanced overall portfolio performance.

In addition, the company developed a risk-based asset classification system with clear focal priorities to enhance the efficiency of post-investment management. A mechanism for ongoing review of post-investment management activities was established to strengthen process monitoring and enable the timely identification and rectification of weaknesses. We also continued to update our valuation management system with a view to greater standardization and transparency.

# 04

## DOMESTIC EQUITY MANAGEMENT

---

Pursuant to its mandate from its shareholder, Central Huijin undertakes equity investment in key state-owned financial institutions in China and exercises its rights and performs its obligations as a shareholder to the extent of its capital contribution, with a view to preserving and enhancing the value of state-owned financial assets.



## Governance and Structure

### Governance Structure of Central Huijin

Central Huijin is a wholly-owned subsidiary of CIC incorporated as a state-owned company under the Company Law of China. Pursuant to the mandate from its shareholder, Central Huijin undertakes equity investment in key state-owned financial institutions in China. Central Huijin exercises its rights and performs its obligations as a shareholder to the extent of its capital contribution, with the objective of preserving and enhancing the value of state-owned financial assets. The company does not engage in any other commercial activities and does not intervene in the daily management of the institutions in its portfolio.

Central Huijin's Board of Directors and Board of Supervisors are appointed by the company's shareholder and exercise decision-making powers and supervisory powers respectively. The company's president is responsible for managing day-to-day operations and for implementing resolutions of the Board of Directors.

### Equity Management Functions

The company's current structure comprises Equity Management Department I, Equity Management Department II, Comprehensive Management Department, Capital Operations Department/Central Huijin Asset Management Company, and various business support functions.

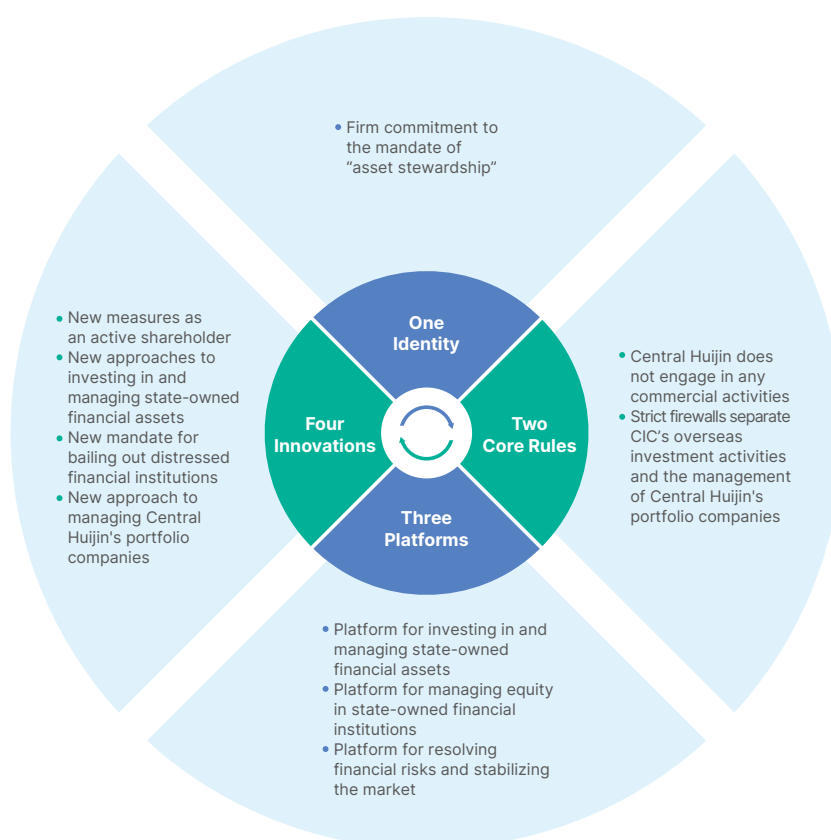
**Equity Management Department I** manages the company's equity holdings in China Development Bank (CDB), Industrial and Commercial Bank of China Limited (ICBC), Agricultural Bank of China Limited (ABC), Bank of China Limited (BOC), China Construction Bank Corporation (CCB), China Everbright Group Limited, China Export & Credit Insurance Corporation, and Hengfeng Bank Co., Ltd.

**Equity Management Department II** manages the company's equity holdings in China Reinsurance (Group) Corporation, China Jiayin Investment Limited, China Galaxy Financial Holding Co., Ltd., China Galaxy Securities Co., Ltd., Shenwan Hongyuan Group Co., Ltd., Shenwan Hongyuan Securities Co., Ltd., New China Life Insurance Company Limited, China International Capital Corporation Limited, and China Securities Co., Ltd, etc.

**The Comprehensive Management Department** is responsible for corporate affairs, strategy, legal affairs and compliance, and for supporting our dispatched directors.

**The Capital Operations Department/Central Huijin Asset Management Company** is responsible for special asset management, bailouts of distressed financial institutions, and other tasks.

## Developments and Innovations in the Huijin Model



## Performance

As at the end of 2020, Central Huijin directly held equity interests in 17 financial institutions (including banks, securities companies, insurance companies, and others).

### Portfolio Companies of Central Huijin

(as at December 31, 2020)

Financial Institutions	Equity holdings	Financial Institutions	Equity holdings
China Development Bank	34.68%	New China Life Insurance Company Co., Ltd.	31.34%
Industrial and Commercial Bank of China Limited	34.71%	China Jianyin Investment Limited	100.00%
Agricultural Bank of China Limited	40.03%	China Galaxy Financial Holding Company Limited	69.07%
Bank of China Limited	64.02%	Shenwan Hongyuan Group Co., Ltd	20.05%
China Construction Bank Corporation	57.11%	China International Capital Corporation Limited	40.11%
China Everbright Group Limited	63.16%	China Securities Co., Ltd.	30.76%
Hengfeng Bank Co., Ltd	53.95%	China Galaxy Asset Management Co., Ltd.	13.30%
China Export & Credit Insurance Corporation	73.63%	Guotai Jun'an Investment Management Co., Ltd.	14.54%
China Reinsurance (Group) Corporation	71.56%		

**Driving excellence with diligence and forethought.** In 2020, Central Huijin introduced innovations to its management of state-owned financial assets and further refined the Huijin Model in line with the company's mandate for the new era. In particular, Central Huijin: strengthened its strategic guidance to state-owned financial institutions and diversified its equity management toolkit; improved corporate governance at its portfolio companies by enhancing the quality and effectiveness of their boards of directors and other governance bodies; invested in its own organizational development and formed a new Board of Directors and a new Board of Supervisors; effected changes to the company's organizational structure; upskilled its roster of dispatched directors; took stock of lessons learned in the implementation of the Huijin Model with a view to improving China's management of state-owned financial assets; and actively supported the reform and transformation of its investee companies, accelerating their progress towards high-quality sustainable operations.

In parallel to these initiatives, Central Huijin maintained strong lines of defense through diligent risk prevention and mitigation. It exhorted its portfolio companies to bolster risk management and put in place contingency plans. These initiatives ensured that the risk profiles of the company's portfolio companies remained largely stable and manageable throughout 2020, with no material risk events.

### Box 10: Special Committees of Dispatched Directors

To further strengthen the Huijin Model, in December 2018 Central Huijin established three specialized committees for its dispatched directors: the Special Committee on Strategy and Technology, the Special Committee on Corporate Governance, and the Special Committee on Risk and Internal Control. These committees serve as cross-institutional platforms for members to share experience and consult on common issues related to their performance of duties as dispatched directors. They constitute an innovative approach to capacity building that is well-suited to the current environment.

Since their inception, these three Special Committees have organized 28 activities, ranging from expert lectures, seminars, and experience-sharings through on-site visits and question-and-answer sessions. These activities featured topical themes, innovative formats, and dynamic interaction. These sessions proved instrumental in terms of helping dispatched directors gain deeper knowledge of relevant specialized topics and enabling more diverse opportunities for internal and external exchanges.

Going forward, Central Huijin will continue to build up the Special Committees framework as the new bedrock of the dispatched directors program.

# 05

## CORPORATE MANAGEMENT AND DEVELOPMENT

---

CIC aims to grow into a respected world-class sovereign wealth fund empowered by a strong talent base, extensive networks of partners, and deep commitment to corporate social responsibility.



---

## Human Resources

Alpha is driven by a solid talent base. Talent development is therefore critical to the attainment of CIC's vision.

Talent is central to CIC's core competitiveness. We remain committed to merit-based selection and have continued to innovate and enhance our human resources management system. We have developed proactive human resource policies that are open, inclusive, and conducive to fostering productivity, entrepreneurship, and a sense of mission. The company continues to build its talent advantage with well-structured, high-caliber teams that can ensure the company's sustainable development.

### A Talent Magnet

Recruitment is a key priority for CIC. The company has established a variety of programs for hiring talent at different levels and through different channels, so as to attract and onboard high-caliber professionals who can drive the company's growth.

CIC maintains a large database of international investment professionals, categorized by professional specialty and seniority. This resource enables the accurate identification and recruitment not only of highly qualified mid- and high-level investment professionals with mentorship and leadership capabilities but also of senior business leaders and solid generalists equipped with both management and professional skills. As of June 2021, CIC's international investment team accounted for 28.1% of the company's total workforce, with 80% of its members possessing overseas study or work experience.

In 2020, CIC launched a targeted recruitment campaign for experienced mid- and high-level investment professionals with highly sought-after skillsets. We also conducted campus recruiting to attract talented new graduates, and implemented a rotational development program for management trainees designed to broaden their horizons, enhance alignment with company culture, and support their professional development.

In recent years, CIC has also developed new programs for grooming and promoting young professionals. These include formal arrangements to broaden their experience through hands-on exposure at the grassroots level, where they can hone their problem-solving skills in a real-world context. This approach has helped to foster seasoned, competent, resilient professionals who are well-positioned to grow and succeed.

In November 2020, CIC established a postdoctoral research program with the approval of the National Postdoctoral Administration Committee. The program seeks to attract and develop first-class financial researchers, and to serve as a talent pipeline for the company. As such, it will further diversify the company's talent development model and promote greater synergy across education, research, and business.

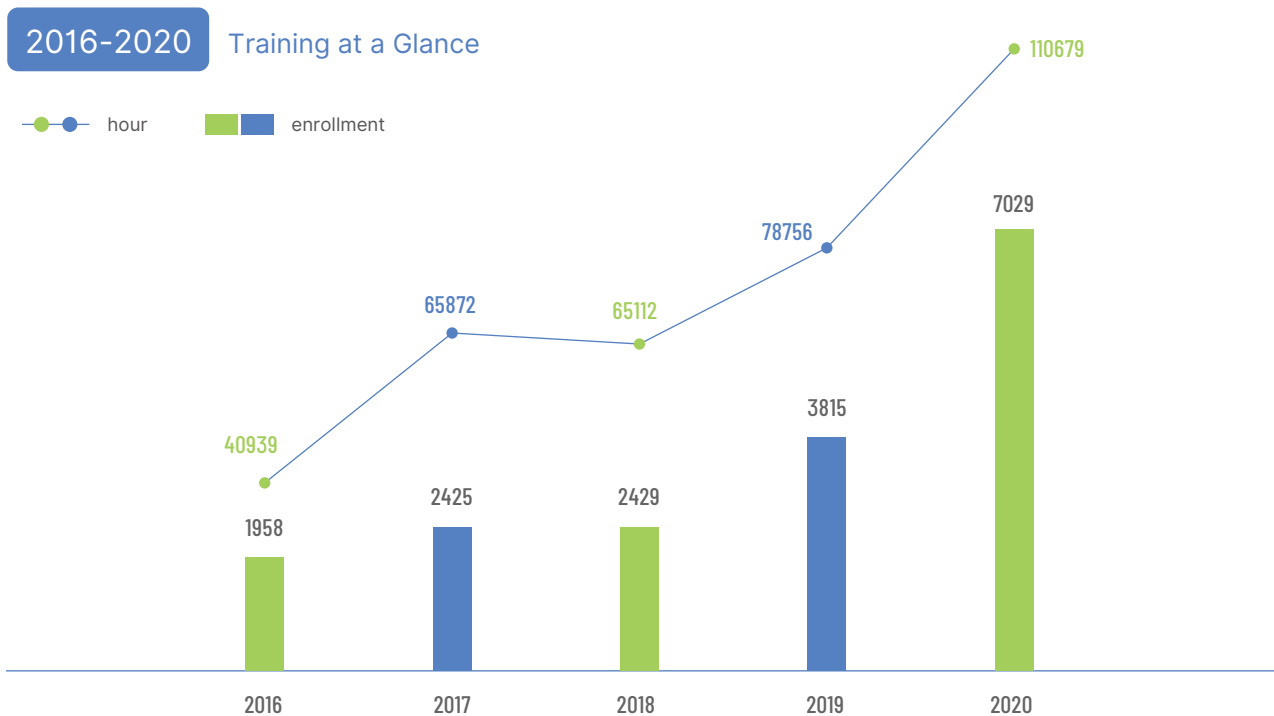
## A Talent Incubator

A craftsman who aims to produce his finest work must first sharpen his tools. It is for this reason that CIC attaches great importance to the training and professional development of its employees. The company is committed to providing both an enabling policy environment and a sound training system, to create fertile ground for talent development.

The company's training and education systems continue to be strengthened and refined to meet the requirements of institutional reform and capacity development. Training covers professional skills, management skills, and fundamental skills, and is delivered through lectures, online courses, interactive workshops, exchanges, and study programs.

External training partners include Chinese and foreign universities, professional organizations and industry associations. In-house trainers and proprietary curricula support the generation and sharing of internal knowledge, and experience.

In 2020, against the backdrop of the pandemic, CIC developed new training models and organized 20 training programs, delivering a total of 110,679 hours of instruction to 7,029 participants of CIC and Central Huijin's portfolio companies. Online training accounts for approximately 76% of all training hours.

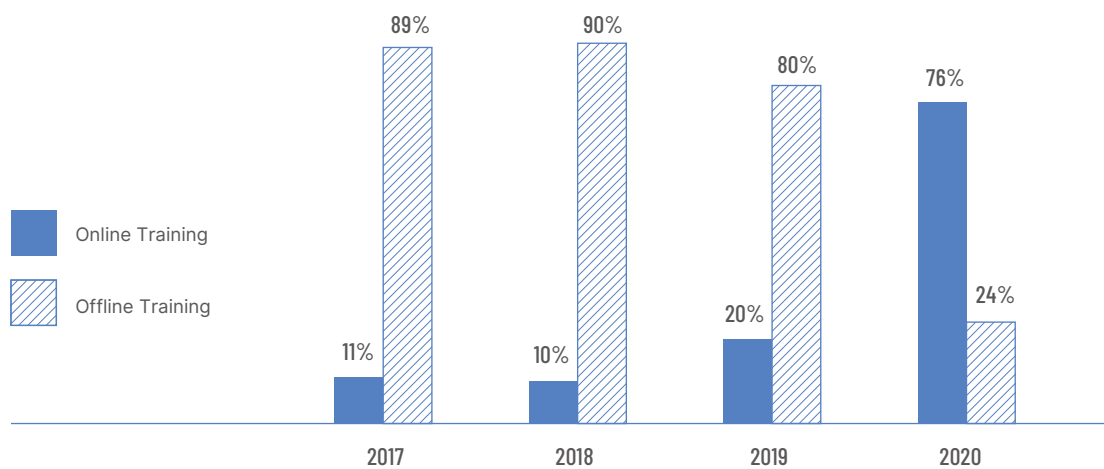




### Box 11: Launch of the CIC Classroom Platform

In 2020, CIC's training initiatives witnessed a sharp increase in enrollment numbers and total hours of instruction delivered, amid soaring demand for online courses.

#### Online Training versus Offline Training from 2017 to 2020



In 2020-2021, CIC developed a proprietary online training platform called CIC Classroom. This platform boasts three distinctive features:

A wide selection of curated high-quality learning resources from China and overseas, with over 400 courses available at the time of launch spanning subjects from financial investment and management skills through general skills, history, and culture, offering trainees a one-stop experience.

Effective targeting, with individualized course and task recommendations generated based on job role and specialism, contributing to enhanced training coverage, relevance, and effectiveness with a combination of online and offline elements.

Data-driven management, leveraging big data to analyze employee participation and other metrics and thereby enable more granular and evidence-based provision and tracking of training.

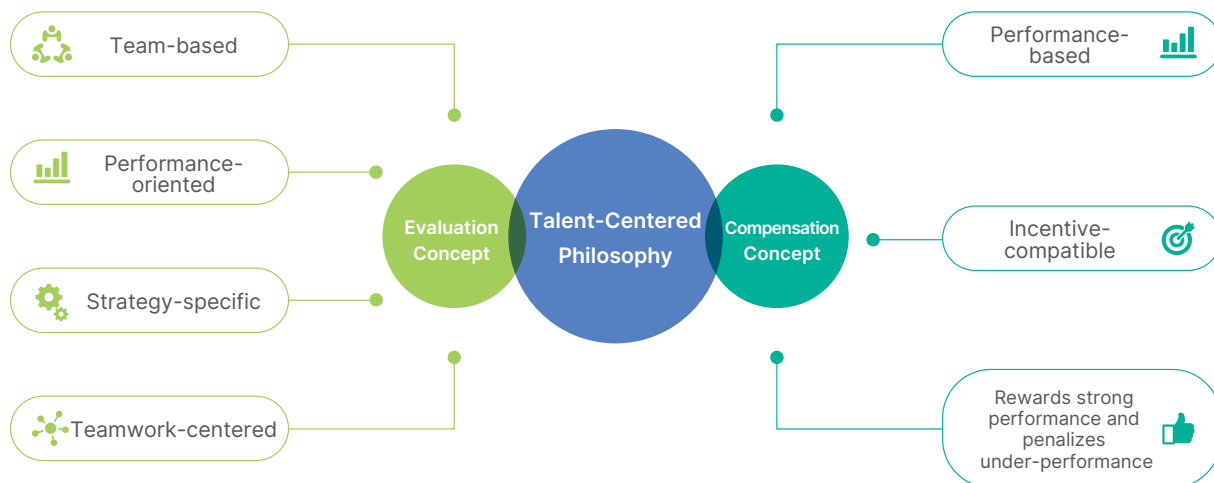
## Talent Retention

To better motivate its talent pool, CIC has revamped its human resource management policies with an emphasis on career development planning. CIC's new career management system is founded on the principles of strategic alignment, differentiated advancement pathways, commensurate authority and accountability, and leanness and efficiency. This new system provides for well-defined career paths, improved job rotation and promotion mechanisms, and sound human resources planning, while reinforcing the principle of merit-based selection.

At CIC, performance appraisal is team-based, performance-oriented, strategy-specific, and teamwork-centered. CIC adopts a lifecycle approach to performance evaluation that is anchored in the company's strategy and annual business plan. Our robust performance management program supports individual and corporate success through target-setting, coaching and feedback, review and assessment, and follow-up of evaluation results.

CIC's performance-based and incentive-compatible remuneration policy rewards strong performance and penalizes underperformance. Performance has been given greater weight in compensation so as to incentivize key business personnel, front office investment staff, and teams that outperform. A greater proportion of incentives has been allocated to departments, with improved internal distribution mechanisms to better motivate teams.

Human talent is the bedrock underpinning our corporate success and vitality. CIC will stay true to its talent-centered philosophy and continue to refine its talent management and career development systems, empowering its people to jointly shape the future.



---

## Global Outreach

CIC's approach to international engagement is shaped by its Chinese roots and global perspective.

Since 2020, CIC has introduced fresh new approaches to global outreach that have helped to expand and enrich its international partnerships. These have included leveraging online conferencing solutions to ensure continuity in our communication with partners and maintain alignment with the international community in our common efforts to overcome challenges.

**Creating positive impact through dialogue.** CIC is committed to promoting global economic governance reforms through its participation in multilateral dialogue mechanisms. In 2020, CIC took part in B20 Saudi Arabia, International Chamber of Commerce (ICC) meetings, and other multilateral events. At all these fora, CIC advocated on behalf of China's business community for multilateralism, an open global economy, and the free, open, and orderly international flow of capital and investments. CIC called on all parties to join hands to combat the global spread of COVID-19, and played a positive role in marshalling international action to contain the pandemic and revitalize the global economy.

**Building an international network of partners.** CIC has diligently implemented the *Santiago Principles* for the governance of sovereign wealth funds and continues to play a leading role in the International Forum of Sovereign Wealth Funds (IFSWF). In 2020, Mr. Peng Chun, CIC's Chairman & CEO, attended the Forum's annual meeting and called on sovereign wealth funds to orchestrate a united response to the present challenges, showcasing CIC's sense of international responsibility as China's sovereign wealth fund. CIC also stepped up engagement with the international business community through its participation in events held by forum groups, industry associations, and think tanks such as the Institute of International Finance, Bo'ao Forum for Asia, Institutional Investors Roundtable, and China Center for International Economic Exchanges, as well as China-UK, China-France, and other bilateral government and business dialogues. In 2020, as a sovereign wealth fund that cares, CIC sent out over 90 greeting letters to overseas partners and international friends to strengthen bonds of friendship and foster communication.



### Box 12: Promoting Mutual Respect and Understanding among IFSWF Members

In 2020, the COVID-19 pandemic wreaked havoc on the global economy and capital markets, presenting sovereign wealth funds with severe challenges. Against this backdrop, IFSWF members formed a united front, working together to honor their solemn commitment to the *Santiago Principles* and mount a proactive response to extreme market volatility, actively fulfilling their crucial role as long-term institutional investors. The Forum continued to expand its outreach through a series of events and publications coordinated by the IFSWF Secretariat, including dozens of online seminars on matters of interest to members, several authoritative research papers jointly authored by IFSWF members, and the Forum's annual meeting, which was held online for the first time. IFSWF members engaged in in-depth discussions covering a wide range of issues, including the impact of the COVID-19 pandemic on the global economy and investment environment; institutional resilience; portfolio diversification; opportunities presented by scientific and technological advances; emerging market investment strategies for long-term institutional investors; and the platform role of sovereign wealth funds.

As a co-drafter of the *Santiago Principles* and a founding member of the Forum, CIC is committed to building common ground with other IFSWF members and to safeguarding the legitimate business interests and voice of sovereign wealth funds. As a longstanding board member, CIC has played a leading role in strategic decision-making and has promoted the open and inclusive development of the Forum, defending the equal status of all members. Through our participation on the IFSWF Advisory Committee, we have also facilitated strategic research and policy consultations in support of board members. CIC is an active participant in IFSWF-organized exchanges and seminars, where we have shared our best practices as a sovereign wealth fund to widespread acclaim.



**New media channels for greater transparency.** As part of its efforts to garner understanding and recognition from the international community, CIC has consistently maintained a high level of transparency, making proactive and timely disclosures on our corporate governance, investment strategies and philosophy, major investment projects, changes to our executive leadership team, investment performance, and other key aspects of our business via a wide range of platforms including our website, annual report, spokesperson, press releases, and our official account on WeChat. Our disclosure practices have won widespread acclaim from our partners and the international community. In 2020, we continued to explore new and innovative channels for promoting our investment philosophy and sharing our expertise, publishing an increasingly diverse range of content in different formats and making it even easier for the media and members of the public to access authoritative information on the company.

As we look ahead towards a post-pandemic world, CIC will continue to adopt a prudent, professional, transparent, and pragmatic approach in maintaining and developing its relationships with national governments, commercial partners, investment peers, industry experts, and the media. With our track record and our actions, we will foster a favorable image of China's sovereign wealth fund as an international, market-driven, and professional institutional investor.

---

## Corporate Social Responsibility

As a sovereign wealth fund that has maintained a strong presence in global markets for over a decade, CIC actively practices corporate social responsibility. We are committed to reducing poverty, assisting with international relief efforts during the COVID-19 pandemic, exploring green investment opportunities, and promoting sustainable development.

### A Steadfast Commitment to Poverty Alleviation

Since 2011, CIC and Central Huijin's portfolio companies (including China Re, China Jiayin Investment, China Galaxy Financial Holding, China Galaxy Securities, Shenwan Hongyuan, New China Life Insurance, and CICC) have supported poverty alleviation programs in four of China's poorest regions: Shibing County in Guizhou Province, Xunhua County in Qinghai Province, and Huining and Jingning Counties in Gansu Province. Together, we have invested over CNY 700 million in poverty alleviation programs in these four counties; provided training to over 30,000 grassroots officials and technical personnel; purchased and facilitated sales of agricultural products worth CNY 129 million; and helped lift 380,000 people out of poverty.

Total investment in poverty alleviation programs

**¥700<sup>+</sup>**  
million

Grassroots officials and technical personnel trained

**30<sup>+</sup>**  
thousand

Purchased and facilitated sales of agricultural products worth

**¥129<sup>+</sup>**  
million

People lifted out of poverty

**380**  
thousand



**Improving livelihoods:** We have facilitated the improvement of living conditions and basic infrastructure in Shibing County; the construction of seven 30,000-ton reservoirs in Huining County; the retrofitting of drinking water systems in Jingning and Huining Counties; and the provision of medical care to impoverished households in Xunhua County.

- ▶ Reservoir constructed by CIC and Central Huijin's portfolio companies in Huining County.

**Financial innovation:** We introduced the first-ever insurance policy aimed at preventing relapse into poverty; insurance coverage for COVID-19; an "insurance + futures" program covering 42,000 rural residents; assistance for local enterprises to list on China's stock market; and schemes to support the sale of local products on popular e-commerce platforms, including through livestreaming.

- ▶ A center to support e-commerce sales of local products in Huining County funded by CIC and Central Huijin's portfolio companies.



**Supporting local specialty industries:** In Xunhua County, our poverty alleviation initiatives included issuing loans to promote the modernization of the local noodle industry; in Jingning County, establishing an industry fund and planting a new ecological forest; in Shibing County, supporting the cultivation of konjac (a type of root vegetable) on over 600 hectares of agricultural land; and in Huining County, helping poor residents develop local specialty industries.

- ▶ Mushroom farm in Jingning County funded by CIC and Central Huijin's portfolio companies.

**Empowering disadvantaged children through education:** In Shibing County, we established a full-coverage education support system for disadvantaged children. In Xunhua County, we invested in education programs, student grants, and the improvement of local educational facilities. In Huining and Jingning Counties, we facilitated the introduction of a number of schemes for disadvantaged children, including the China Blossom program for preschool children and the Foster China program for school-age children.

- ▶ An education program for disadvantaged children funded by CIC and Central Huijin's portfolio companies.



From 2021 onwards, the focus of CIC's poverty alleviation strategy will shift to providing ongoing support for the livelihoods of families living in relative poverty. We will marshal resources in concert with Central Huijin's portfolio companies to develop effective long-term mechanisms for eradicating relative poverty. In this way, we will consolidate the hard-won achievements made in poverty alleviation and rural development to date, and empower the next chapter in the economic revitalization of Shibing, Xunhua, Huining, and Jingning Counties.

### Box 13: Providing Financial Support for Jingning County's Apple Industry

Nestled in the Liupan mountain range, an impoverished region of Gansu Province, Jingning County is famous for its high-quality apples, which are large, crisp, and sweet, and provide the local rural population with over 70% of its disposable income. Local producers, however, are vulnerable to volatility in apple prices. Unpredictable market downswings can squeeze profits severely and put farmers in the position of having produced more without seeing any increase in their income.

In August 2018, the Jingning Apple Futures Delivery Warehouse was established, thanks to the efforts of CIC's resident poverty alleviation coordinator Du Xiaoguang, as one of the first two such facilities in all of Gansu province. Leveraging this, Jingning County became one of the first counties nationwide to be included in an "insurance + futures" pilot scheme for apple producers. One year later, the scheme was expanded to cover the entire Jingning region, and has served to reduce risks significantly for local apple farmers. On December 31, 2019, a local apple company was listed on NEEQ, China's "New Third Board". Thus, financial support for poverty alleviation transformed the bright red apples of a region long mired in poverty into "golden apples" harkening the arrival of the next chapter in the journey to prosperity.

Jingning was also one of the first counties to be selected for inclusion in the Dalian Commodity Exchange's "insurance + futures" program for the hog industry. With this, the county has been recognized nationwide as a showcase for the power of the "financial innovation + industry development + targeted poverty alleviation" model.



► Apple futures delivery warehouse in Jingning County funded by CIC and Central Huijin's portfolio companies.

## COVID-19: United Against a Common Threat

COVID-19 is a global challenge that has impacted societies all around the world. Since the outbreak of the pandemic, CIC has delivered on its responsibilities as a sovereign wealth fund and actively supported domestic and international efforts to combat the virus.

In 2020, CIC took effective actions and mobilized financial resources to ramp up support for the real economy and social exigencies in hard-hit areas and to buttress pandemic relief efforts, including through cash donations, the provision of medical supplies, and extension of insurance coverage.

Donations by CIC and Central Huijin's portfolio companies, as well as our employees

**CNY 80<sup>+</sup>** million

Over the course of 2020, CIC and Central Huijin's portfolio companies, as well as our employees, donated a total of over CNY 80 million. Many of our employees also personally served as volunteers supporting pandemic relief efforts. These contributions demonstrate the CIC family's ardent sense of mission, humanitarianism, and commitment to assisting fellow citizens in times of need.

Following the global spread of COVID-19, CIC actively coordinated the provision of essential medical supplies to numerous overseas partners; organized information sessions for overseas hospitals with leading Chinese experts who shared their experience in COVID-19 prevention and treatment; and took concrete action to spur global cooperation in the fight against the pandemic.



▶ 50 tons of disinfectant delivered to a hospital on the front line of the pandemic.



▶ Our volunteers supporting pandemic relief efforts.



▶ Shipment of PPE for front-line workers combatting the COVID-19 pandemic.





### Box 14: Promoting Cross-Border Cooperation in the Fight Against COVID-19

In early 2020, Romania declared a state of emergency in the wake of the rapid spread of COVID-19. Regina Maria, one of the country's largest healthcare networks, requested assistance from CIC in the hope of learning from the experiences of Chinese doctors in COVID-19 prevention and treatment. CIC made swift arrangements for Regina Maria to participate in several video conferences, including a meeting with a Chinese medical team, a briefing by renowned Chinese pulmonologist Dr. Zhong Nanshan for leading Chinese and European experts, and a video conference between China's National Health Commission and the World Health Organization titled "International Briefing Session on China's Experience in the Prevention and Treatment of COVID-19". Through these interactions facilitated by CIC, Chinese experts provided detailed answers on protection measures for front-line medical workers, the diagnosis and treatment of COVID-19, and other issues. This sharing of experiences significantly bolstered the confidence of our Romanian partners in their efforts to combat COVID-19.

In the midst of this global pandemic, CIC aims to leverage our resources to maximum advantage to boost international cooperation and contribute to the fight against COVID-19.



- ▶ Regina Maria participating in a virtual meeting with a Chinese medical team.



- ▶ Regina Maria taking part in a briefing by renowned Chinese pulmonologist Dr. Zhong Nanshan for leading Chinese and European experts.



## Landmarks

### 2007

**September**

CIC was established in Beijing, China, and set up its Board of Directors, Board of Supervisors and Executive Committee. Mr. Lou Jiwei served as Chairman and CEO.

### 2008

**January**

CIC set up the Investment Committee and the Risk Management Committee.

**September**

CIC launched its official website.

**October**

The Chinese government endorsed the Santiago Principles.

### 2009

**July**

CIC inaugurated the International Advisory Council.

CIC released its first annual report.

### 2010

**November**

CIC International (Hong Kong) was incorporated.

### 2011

**January**

The Board of Directors extended the investment horizon to 10 years.

CIC established the Representative Office in Toronto.

**May**

CIC hosted the 3<sup>rd</sup> annual meeting of the International Forum of Sovereign Wealth Funds.

**September**

CIC International was established.

### 2012

**July**

CIC launched the CIC Culture Consensus.

### 2014

**January**

CIC launched the Risk and Performance Analysis System (the Fengye System).

### 2013

**July**

Mr. Ding Xuedong took office as Chairman and CEO.

**2015****January**

CIC Capital was established.

**November**

Central Huijin Asset Management Ltd. was incorporated.

**December**

The Representative Office in New York was established and the Representative Office in Toronto was closed.

**2017****December**

CIC successfully exceeded its 10-year investment performance target set by the Board of Directors.

**2018****December**

The *China Investment Corporation Strategic Plan 2018-2022* was approved by CIC's shareholder.

**2016****January**

CIC adopted the Reference Portfolio framework for asset allocation.

**2019****April**

Mr. Peng Chun took office as Chairman and CEO.

**2020****February**

CIC set up the Asset Allocation and Investment Policy Committee.

**2021****January**

CIC optimized its investment decision-making system and investment decision authorization plans.

# 06

## 2020 FINANCIALS

---

The independent auditor has prepared the consolidated financial statements of CIC, and issued an unqualified opinion.



## Basis of Presentation

The consolidated financial statements of CIC have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. These accounting standards have substantially converged with the International Financial Reporting Standards. The independent auditor has issued an unqualified opinion for the CIC's consolidated financial statements which represent a true and fair view of the company's financial position, operating results, and cash flows for the year that ended on December 31, 2020.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the preparing of CIC's financial statements. These judgments, assumptions, and estimates are mainly applied to financial asset valuation and income tax recognition.

CIC's accounting period runs from January 1 to December 31. The reporting and functional currency of CIC, CIC International and CIC Capital is USD. The reporting and functional currency of Central Huijin is RMB.

Central Huijin does not consolidate any financial statements on its long-term equity investees. It accounts for its long-term equity investments mainly using the equity method.



---

## Summary of Accounting

### Classification of Financial Instruments

CIC financial assets are classified into financial assets at fair value through profit or loss (FVTPL) and available-for-sale (AFS) financial investments, loans, and receivables. CIC financial liabilities are classified into one of two categories: financial liabilities at FVTPL and other financial liabilities. Financial assets and liabilities at FVTPL include trading financial assets and liabilities and those initially designated as financial assets and liabilities at FVTPL. AFS financial investments are any nonderivative financial assets designated by the Company on initial recognition as available for sale. Loans and receivables refer to nonderivative financial assets on an active market that are unquoted and with fixed or determinable recovery cost. Other financial liabilities are financial liabilities other than those that are designated initially at FVTPL. Other financial liabilities mainly include bonds payable and investments payable.

### Measurement of Financial Instruments

Financial instruments are initially measured at fair value. Subsequently, loans and receivables are measured at amortized cost by using the effective interest method. Other financial instruments are measured at fair value, and the future trade expense will not be deducted.

For financial instruments at FVTPL, gains or losses from a change in fair value are recognized in profit or loss. Changes in the fair value of AFS financial investments are recognized directly in equity through other comprehensive income, except for impairment losses and foreign exchange gains or losses, which are recognized directly in profit or loss. The cumulative gain or loss that was recorded in equity is transferred to profit or loss if an AFS financial investment is derecognized. For financial assets and liabilities measured at amortized cost, the gains or losses on derecognition or arising from impairment are recognized in profit or loss.

Fair value is the rational and unbiased estimate during an accounting day of an asset's price or the cost of repaying a debt. As for financial instruments for which there is an active market, the quoted prices in the active market are used to determine the fair value. For financial instruments that do not have a quoted market price in an active market, the fair value is determined through the use of valuation techniques. The valuation techniques include the market-driven method, the return-based method, and the cost-based method. In the application of the valuation techniques, observable inputs—data that can be directly obtained from the market, which can reflect the estimated prices of assets and liabilities of market participants—should be chosen over unobservable ones, except when the observable inputs cannot be obtained. The Company periodically evaluates its valuation techniques to ensure their reasonableness.

## Measurement of Income Tax

Income tax is measured through the balance sheet approach. It includes current and deferred taxes. Current tax refers to taxes payable for transactions and items during the past fiscal year measured in accordance with applicable tax rules. Deferred tax assets and deferred tax liabilities occur as recognition of the difference between tax value and book value at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.



# Financial Statements

## Consolidated Balance Sheet

As at December 31, 2020

(Amount in millions of US dollars)

	2020	2019
<b>Assets</b>		
Cash and deposits	18,437	10,454
Financial assets at fair value through profit or loss	330,229	285,708
Receivables and prepayments	6,412	3,197
Available-for-sale investments	59	55
Long-term equity investments	795,783	685,764
Deferred tax assets	19	-
Other assets	71,368	60,537
<b>Total assets</b>	<b>1,222,307</b>	<b>1,045,715</b>
<b>Liabilities</b>		
Bank borrowing	4,270	16,919
Financial liabilities at fair value through profit or loss	824	563
Bonds payable	73,902	60,661
Deferred tax liabilities	10,935	7,714
Other liabilities	18,650	12,924
<b>Total liabilities</b>	<b>108,581</b>	<b>98,781</b>
<b>Owner's equity</b>		
Owner's capital	200,000	200,000
Capital reserves and others	913,726	746,934
<b>Total owner's equity</b>	<b>1,113,726</b>	<b>946,934</b>
<b>Total liabilities and owner's equity</b>	<b>1,222,307</b>	<b>1,045,715</b>



## Consolidated Income Statement

For the year ended December 31, 2020

(Amount in millions of US dollars)

	2020	2019
<b>Investment income</b>		
Interest income	4,052	4,575
Dividend income	2,645	3,526
Net realized gains on investments	9,392	10,708
Unrealized gains (losses) from changes in fair value of investments	28,142	28,931
Investment income from long-term equity investments	72,158	73,618
Foreign exchange gains (losses)	472	(86)
Other income	81	102
<b>Total investment income</b>	<b>116,942</b>	<b>121,374</b>
<b>Expenses</b>		
Investment expense	(332)	(308)
General and administrative expense	(198)	(199)
Finance expense	(2,993)	(2,855)
Total expense	(3,523)	(3,362)
<b>Operating income</b>	<b>113,419</b>	<b>118,012</b>
Others, net	(13)	(14)
<b>Income before taxes</b>	<b>113,406</b>	<b>117,998</b>
Income taxes	(5,327)	(7,685)
<b>Net income</b>	<b>108,079</b>	<b>110,313</b>

Annual Report 2020



Wechat Account





[www.china-inv.cn](http://www.china-inv.cn)

---

China Investment Corporation  
New Poly Plaza, No.1 Chaoyangmen Beidajie, Dongcheng  
District, Beijing, China. 100010  
Tel + 86 (10) 8409 6277

---

CIC International (Hong Kong) Co., Limited  
25F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong  
Tel + 852 3550 7000  
Fax + 852 2104 6995

---

CIC Representative Office in New York  
350 Park Avenue, 27<sup>th</sup> Floor New York, NY 10022, USA  
Tel + 1 212 230 3100  
Fax + 1 212 230 3205