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

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

**Mission**

**Vision**

**Core Values**

- **Responsibility**: CIC is committed to fulfilling its mandate with a strong sense of conscientiousness.

- **Synergy**: Teamwork, guided by a common purpose and holistic thinking, is central to CIC’s sustainable development.

- **Professionalism**: Professionalism and rigorous work ethics are fundamental to CIC’s success.

- **Aspiration**: Aspiring to excellence drives CIC forward and guarantees sustained and greater success.
CIC continues to enhance its corporate governance and investment capabilities, practice sustainable development philosophies, and seek win-win cooperation, in a bid to advance its standing as a responsible large institutional investor that operates on an international, market-oriented, and professional basis.
Message from the Chairman and CEO

2021 was a year of milestone significance and great challenge.

Global growth staged a recovery, with a staggering rally in global equity markets. This strong bounce back was, however, accompanied by rapidly rising inflation, elevated asset valuations, fast-moving style rotation, and heightened geopolitical risks, making for a complex and trying international investment environment. Anchored by our long-term investment philosophy, China Investment Corporation stayed the course, pursued progress while ensuring stability, and successfully achieved all main business targets set for the year.

In 2021, CIC’s overseas investments posted a net return of 14.27% in U.S. dollar terms, and the annualized cumulative 10-year net return reached 8.73%, beating our 10-year performance target by 296 bps. As of the end of 2021, the total state-owned financial assets under the management of Central Huijin reached CNY 5.58 trillion, up 7% from the beginning of the year. CIC’s total assets grew to USD 1.35 trillion, with net assets of USD 1.25 trillion.

We strove to further enhance corporate governance and build a solid foundation for the high-quality development of the company. CIC upgraded its corporate governance structure with adjustments to the sub-committees of the Board of Directors, and gave full play to the Board’s role of guidance and oversight over key matters. We reviewed our talent development system and updated policies for recruitment, management, training, mobility, and incentivization. We continued to advance data governance and digital transformation initiatives and made significant progress in standardizing operations management systems across the company. We fully marshalled our research resources and continued to build strong proprietary research capabilities. And we consistently applied a proactive problem-solving approach to identify and solve key issues in operations and management, to better position the company for the next stage of high-quality development.

We built stronger investment capabilities with increasingly granular approaches. We made steady progress in our overseas investment business with prudent formulation and disciplined implementation of asset allocation plans. We further enhanced the resilience and quality of the total portfolio by optimizing portfolio construction and our investment footprint. We continued to adopt a more granular approach to managing public market investments, making proactive adjustments to investment styles and managers. We further refined our processes around proprietary investments and optimized our overseas investment methodology. We stepped up our investments in private markets, optimized the structure of our private market investments, continued to expand our network of high-quality managers, and deepened our cooperation with external investment partners, taking our new private market commitments in 2021 to a record high. We achieved higher investment management effectiveness through deepened reform of management policies and systems for overseas investment, harmonization of decision-making procedures for private market investments, and the establishment of a “dedicated member of investment committee” system, as well as the adoption of a more fine-tuned investment performance assessment system.

We continued to improve the resilience and quality of state-owned financial capital with enhanced management approaches. By giving full play to the strategic supporting role of state-owned financial capital and mobilizing diverse financial resources in concert, we enhanced support for the real economy and contributed to economic and social development. Through corporate governance channels, we guided Central Huijin’s
portfolio companies to devise new development strategies, deepen reform of their institutional mechanisms, effectively replenish capital, optimize their business structure, actively explore new ways to serve small- and medium-sized enterprises, and drive momentum for high-quality development. Central Huijin played an instrumental role as a platform for resolving financial risk and maintaining market stability, bailing out distressed financial institutions on a market-oriented basis and in accordance with law. It guided Hengfeng Bank to improve its corporate governance and gained new know-how around the prevention and resolution of financial risks. It made innovations in the way its dispatched directors perform their duties and exercise their powers, pioneered an “active shareholder” toolkit, systematically built up its roster of dispatched directors, provided stronger support to them in the performance of their duties, and continuously improved the management of state-owned financial capital.

We strengthened our comprehensive risk management system and guarded against material risk events. We upgraded the company’s risk management governance structure with the establishment of a new Risk Management Committee under the Board of Directors and a new Comprehensive Risk Management Committee under the Executive Committee. CIC’s comprehensive risk management system features clearly delineated roles and responsibilities across the risk management committees, their sub-committees, and all relevant departments constituting our “three lines of defense”. This operating mechanism is well coordinated, provides for effective checks and balances, and ensures “wall-to-wall and floor-to-ceiling” risk coverage. In our overseas investment business, we made prudent adjustments to risk budget targets for the total portfolio and harmonized risk management practices at all levels, while working toward incorporating climate change factors into the risk management framework and strengthening the integrated overseas investment risk management mechanism. In our management of state-owned financial capital, we stepped up risk monitoring of Central Huijin’s portfolio companies, guided them to carry out risk checks in key areas, and proactively addressed and resolved existing risks to achieve stable and healthy development.

We actively practiced social responsibility and contributed to global sustainable development. We put forward a roadmap for carbon neutrality in our operations and carbon reduction across our total portfolio, outlining CIC’s plans for contributing to China’s carbon peak and neutrality goals over the next five years and beyond. We adopted a Sustainable Investment Policy, established an integrated ESG and climate transition portfolio, and actively sought out investment opportunities in green and low-carbon technologies, energy transition, and other related themes. We actively explored the potential of a global green partnership alliance with other sovereign wealth funds and asset managers. We also made proactive efforts to reduce resource consumption and minimize waste, taking a multi-pronged approach to reducing our carbon footprint and contributing to a more livable planet. We continued to commit the same level of assistance to Shiling County in Guizhou Province, Xinhua County in Qinghai Province, and Jingning County and Huining County in Gansu Province to help consolidate their hard-won achievements in eradicating poverty. We are now stepping up our efforts and adopting a wider range of measures to help these four counties embark on a new journey of rural revitalization.

We promoted exchanges and cooperation in the international investment arena and delivered on our commitment to service as a responsible sovereign wealth fund. To overcome the adverse impact of the COVID-19 pandemic, we adopted new approaches to international engagement and actively participated in international cooperation mechanisms, dialogues, and exchanges, promoting a more open, fair, and transparent international investment environment. CIC is a founding member of the International Forum of Sovereign Wealth Funds (IFSWF). In 2021, CIC was elected to the new Board of Directors of the Forum, becoming the only member institution that has served continuously on the IFSWF Board since the Forum’s establishment. For many years, CIC has practiced and advocated the Santiago Principles for sovereign wealth funds and has been promoting the open and inclusive development of the Forum. CIC has consistently sought to strengthen exchanges and cooperation among global sovereign wealth funds to promote the healthy development of sovereign wealth funds worldwide, and has played its due role in contributing to global economic recovery and financial stability.

Today’s world is one of transformation and turbulence. As an in-depth participant in international financial markets, we keenly felt the shared yearning of the international community and of the peoples of all countries for world peace and security, and their aspiration for common development and prosperity across the globe. As China’s sovereign wealth fund, we are committed to an international, market-oriented, and professional investment approach, to strengthening international partnerships, to building a global network for investment collaboration, and to actively practicing social responsibility as befits a large international institutional investor.

At this time of turmoil and transition in an evolving world, we earnestly call on all parties to practice genuine multilateralism, to safeguard and promote economic globalization, to facilitate the free, open, and orderly flow of international capital and investment, and to join hands to maintain stability in the international economic and financial system and drive the steady recovery and sustainable development of the world economy.

“Firmly rooted yet flexible, the bamboo bends but does not break even when buffeted by gales from east, west, north, and south.” The year 2022 marks CIC’s 15th anniversary as well as the final year of the China Investment Corporation Strategic Plan 2018-2022. We are sincerely grateful to our shareholder, former directors and supervisors, and all our partners for their support and guidance to CIC over the past 15 years, and to our employees for their diligent efforts. Standing at this new starting point, we will stay true to our purpose and hold fast to our mission. We will continuously enhance our corporate governance and investment capabilities. We will actively put into practice sustainable development concepts, remain committed to win-win cooperation, and maintain our determination and courage to move forward on the path of building CIC into an international, market-oriented, professional, and responsible large institutional investor.
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

Headquartered in Beijing, China Investment Corporation (CIC) was incorporated in September 2007 under the Company Law of China with a registered capital of USD 200 billion, raised through government bond issuance of CNY 1.55 trillion. As of the end of 2021, CIC’s total assets had exceeded USD 1.35 trillion.

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 is mandated to make overseas investments and equity investments in financial institutions in China through its three subsidiaries, CIC International Co., Ltd. (CIC International), CIC Capital Corporation (CIC Capital), and Central Huijin Investment Ltd. (Central Huijin).

CIC’s overseas investment activities, undertaken by CIC International and CIC Capital, include public equity and bond investments; hedge fund and multi-asset investments; industry-wide private equity and private credit investments; direct investments and fund investments in sectors such as real estate, infrastructure, resources and commodities, and agriculture; and managing bilateral and multilateral funds.

Central Huijin undertakes equity investments in 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.

CIC’s registered capital

USD 200 billion

As of the end of 2021, CIC’s total assets had exceeded

USD 1.35 trillion

Corporate Governance

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

CIC has continually refined its management practices for greater efficiency. In 2021, in line with the development of our business, the company made further improvements to its organizational structure, systems, and processes.

In particular, investment decision-making and authorization mechanisms were enhanced and the comprehensive risk management system was optimized as part of a continuous bid to build institutional investment capabilities.

Organizational Chart
Members of the Board of Directors

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 the School of Finance of People’s Bank of China and the title of 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, born in 1964, holds a Ph.D. in management from Technology and Economics School of Hohai University and the title of Senior Accountant.

LIN Nianxiu | Non-Executive Director

Mr. LIN Nianxiu, Non-Executive Director of CIC, is Vice Chairman of National Development and Reform Commission. Previously, he served as Vice Chairman of the Guangxi Zhuang autonomous region. Prior to that, he was Deputy Head of the National Energy Steering Group Office. He also held several positions at the State Council, including Secretary of the General Office (Secretary-General level) and Head of the General Division (Secretary-General level) at the State Council Informatization Office. Before that, he served as Assistant Inspector (Deputy Secretary-General level) of the General Office at the State Development and Planning Commission.

Mr. LIN, born in 1963, holds a master’s degree in economics from Jilin University.

XU Hongcai | Non-Executive Director

Mr. XU Hongcai, Non-Executive Director of CIC, is Vice Minister of Finance. Previously, he served as Assistant Minister of Finance. Prior to that, he was Deputy Director General and then Director General of the Budget Department at the Ministry of Finance.

Mr. XU, born in 1963, holds a bachelor’s degree in economics from Jiangxi University of Finance and Economics.

RENV Hongbin | Non-Executive Director

Mr. REN Hongbin, Non-Executive Director of CIC, is Chairman of the China Council for the Promotion of International Trade. He has served as Non-Executive Director of CIC since he was Assistant Minister of Commerce. Previously, he held positions at Ministry of Commerce including Vice Minister of Commerce, Assistant Minister of Commerce, 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 Executive Vice Major of Tianjin. He has served as Non-Executive Director of CIC since he was Deputy Governor of People’s Bank of China. Previously, he served as Deputy Governor of People’s Bank of China, Vice Chairman and President of China Construction Bank, Vice Mayor of Chongqing, and Executive Vice President of CIC. Prior to that, he held several positions during his career at Agricultural 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, born in 1966, holds a Ph.D. in economics and the title of 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 Chairman of the Board of Trustees of Sun Yefang Foundation. He was Vice Chairman of Central Huijin, Chairman of ShenYin & WanGu 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, and Head of General Office 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, and Deputy Director General of Policy Reform and Laws and Regulation Department and Deputy Director General of Policy Research Office at 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

Professor 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.

Professor BAI, born in 1963, holds a Ph.D. in economics from Harvard University.

ZHANG Geping | Employee Director

Mr. ZHANG Geping, an Employee Director, is Head of Human Resources Department of CIC. Immediately prior to this, he held several positions at CIC, including Secretary of the Board of Directors, Deputy Head and then Head of the Administrative Office/Office of the Board of Directors/Office of the Board of Supervisors, and Head of the General Affairs Department. In his earlier career, Mr. ZHANG served as Secretary of the Discipline Inspection Commission at China Jianyin Investment Limited.

Mr. ZHANG, born in 1967, holds a Ph.D. in economics from Renmin University of China.

Former members
(coming into office from July 2021 to August 2022)

NING Jizhe (Non-Executive Director from June 2019 to August 2022)
ZOU Jiayi (Non-Executive Director from June 2019 to August 2022)
FAN Yong (Employee Director from January 2016 to August 2022)
Board of Supervisors

Pursuant to the Company Law, CIC’s Articles of Association, and other relevant regulations, the Board of Supervisors is responsible for monitoring the directors’ and executives’ business practices and professional ethics. It is also responsible for conducting internal audits and monitoring the company’s finance to improve the quality of the company’s financial information and financial management. The Supervisory Committee and the Audit Committee report to the Board of Supervisors.

Throughout 2021, the Board of Supervisors performed its duties with diligence. Board members attended or observed meetings of the Board of Directors and the Executive Committee and exercised oversight with respect to major decisions. Focusing on key priorities, the Board of Supervisors bolstered its oversight of the performance of duties, finance, and internal risk controls, significantly strengthened its working mechanisms, and stepped up guidance to the boards of supervisors of Central Huijin’s portfolio companies. These measures further elevated supervision quality and effectiveness.

Members of the Board of Supervisors

HU Hao | Chairman of Board of Supervisors

Mr. HU Hao served as Chairman of the Board of Supervisors of CIC from February 2020 to August 2022. 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 the title of 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 in 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 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 is Supervisor of CIC. Previously, he served as Vice Chairman of China Securities Regulatory Commission, Vice Mayor of Tianjin, 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. Before that 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 and the title of Senior Auditor.

Leadership Team and Executive Committee

Pursuant to its mandate from the Board of Directors, the Executive Committee is responsible for implementing Board resolutions, and for studying and taking decisions on major operational matters including the establishment and improvement of basic policies, systems, and working mechanisms, as well as performance evaluation, remuneration and incentive programmes.

Throughout 2021, the Executive Committee faithfully carried out the decisions of the Board of Directors, carefully navigating the turbulence in global financial markets and a tightening international investment landscape, and successfully balancing the company’s response to the pandemic and its business operations. It pushed ahead with implementing the company’s strategic plans, revamping CIC’s asset allocation framework and investment management policies, developing new modalities for outbound investments, bolstering risk management and internal controls, and updating human resources systems and processes to position the company for next-level growth.

CIC has a team of resident inspectors from the Central Commission for Discipline Inspection and the National Supervisory Commission to further augment the company’s internal supervision framework and support the ongoing modernization of CIC’s corporate governance system and capabilities.
Leadership Team and Executive Committee

Note: Mr. HU Hao served as Chairman of the Board of Supervisors from February 2020 to August 2022.
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. IAC also equips our executives and staff with insights on geopolitical and macro-economic issues, international financial market conditions, and global investment trends.

CIC’s International Advisory Council (IAC) is an advisory body composed of distinguished international experts. It currently comprises 12 members from diverse backgrounds in government, business, and academia. More than a decade into its development, the council now operates a range of multi-level, multi-dimensional working mechanisms that are steered by the IAC Annual Meeting and underpinned by quarterly newsletters and mutual visits. IAC members draw on their respective expertise and resources to offer insights into geopolitical developments and investment risks and opportunities across regions and sectors.

In 2021, the IAC Secretariat effectively leveraged the expertise of council members, sharing their invaluable insights and viewpoints across the organization. The Secretariat also arranged for council members to attend high-level financial events that CIC helped organize, including the 2021 Financial Street Forum, and shared their contributions through the company’s official social media accounts.

The 2021 International Advisory Council Meeting – which took place in a hybrid format – was held under the theme of Responsible Investing and the Way Forward. It afforded an invaluable opportunity to exchange views with council members on how best to navigate challenges and seize opportunities in the current environment, so as to position the company for long-term growth.

“Multilateralism should play a key role in international relations in the post-pandemic era, and the international community needs to work more closely together to address global challenges.”

“With sustainable development and ESG investing becoming a new megatrend, it is imperative to address challenges to attaining sustainable development goals and to ensure access to financing for small- and medium-sized businesses and start-ups.”

Remarks by IAC members at the 2021 IAC Annual Meeting
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

In 2021, CIC’s overseas portfolio posted a net annual return of 14.27%. As at December 31, 2021, CIC’s annualized cumulative 10-year net return stood at 8.73%, and its annualized cumulative net return since inception stood at 7.22%. All the above figures are calculated on a USD value basis.

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<th>Metric</th>
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<td>Net annual return on CIC’s overseas portfolio in 2021</td>
<td>14.27%</td>
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</tr>
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<td>7.22%</td>
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## Investment Principles and Philosophies

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

- **Investment Principles**
  - CIC invests on a commercial basis. Its objective is to seek maximum returns for its shareholder within acceptable risk tolerance levels.
  - CIC is a financial investor and does not seek control of the companies in its portfolio.

- **Investment Philosophies**
  - CIC is a responsible investor, abiding by the laws and regulations of China and of recipient countries or regions and conscientiously fulfilling its corporate social responsibilities.
  - CIC pursues investments based on in-depth research within an asset allocation framework to ensure a prudent and disciplined approach in both decision-making and investment activities.

### A Holistic and Disciplined Approach

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

### A Long-Term Investor

As a long-term investor, CIC is well positioned to withstand short-term market volatilities and capture illiquidity premiums.

### Risk Diversification

CIC continues to pursue risk diversification by spreading allocation across asset classes and sectors in a bid to reduce portfolio volatility and curb downside risks.
Asset Allocation and Portfolio Construction

CIC’s total portfolio allocation framework has evolved over time in line with our characteristics as an institutional investor and our investment philosophy. It draws upon academic and industry research, as well as the experiences and best practices of leading international investment institutions, and stipulates clearly defined roles and responsibilities.

The Reference Portfolio–Policy Portfolio–Actual Portfolio Framework: the company has adopted a portfolio construction framework that consists of a reference portfolio, policy portfolio, and the actual portfolio. Under this framework, total portfolio returns are determined by reference portfolio selection, policy portfolio construction, and actual portfolio management.

- Anchors the target risk level of the total portfolio; and
- Consists of global equity and fixed-income indices.

- Introduces additional asset classes and serves as a medium- to long-term neutral portfolio for improved returns and risk diversification;
- Manages intra-asset allocation to optimize the investment footprint across geographies, sectors, industries, themes, and risk attributes; and
- Further enhances the risk-return profile through dynamic allocation adjustments.

- Ensures the effective implementation of the policy portfolio by managing total portfolio exposure; and
- Generates alpha via active management by the investment team.

Box 1: Total Portfolio Allocation Management Framework

An increasing number of global institutional investors are adopting a total portfolio management strategy, with dedicated teams that take a holistic approach across the total portfolio to asset and currency exposure management, portfolio rebalancing, tail-risk hedging, and liquidity management.

CIC is committed to a total portfolio management philosophy that ensures the integrity, discipline, and robustness of the total portfolio.

Amidst the turbulent market environment, CIC remained consistent in its positioning as a long-term institutional investor that practices strategy-driven allocation and allocation-driven investment. The company strengthened its top-down asset allocation and holistic business management system while further expanding its asset allocation toolkit. The quality and resilience of the total portfolio have continued to improve as a result of better synergy across investment policies, asset allocation, and performance evaluation. These initiatives have contributed to strong results in our overseas investment business. Specifically, CIC has:

- Developed Total Portfolio Investment Guidelines and asset class-specific investment guidelines to provide additional clarity on our allocation framework, investment objectives in different asset classes, and the logic underlying our strategy construction;
- Strengthened holistic planning of the total portfolio, while optimizing portfolio construction and the investment footprint to adapt to the post-pandemic landscape;
- Fine-tuned its investment and research framework for dynamic allocation and optimized the tail-risk hedging portfolio and its operating model; and
- Improved investment performance review mechanisms to better leverage their role in providing feedback and guidance.
Overall, CIC adopts a sound asset allocation framework to build a balanced, robust investment portfolio spanning the asset classes of public equity, fixed income, alternative assets, cash products, etc.

Global Investment Portfolio Distribution* (as at December 31, 2021)

- 35.4% Public Equity (Equity investment in listed companies)
- 15.4% Fixed Income (Bonds, including sovereign and corporate bonds)
- 47.0% Alternative Assets (Hedge funds, risk parity investments, industry-wide private equity, private credit, real estate, infrastructure, and resources/commodities)
- 2.2% Cash Products and Others (Cash, overnight deposits, US Treasury Bills, etc.)

*Financing excluded

Internally-Managed Assets versus Externally-Managed Assets in the Global Investment Portfolio (as at December 31, 2021)

- 38.32% Internally-managed assets
- 61.68% Externally-managed assets

Distribution of the Global Investment Portfolio: Public Equity (by geography; as at December 31, 2021)

- 61.48% US
- 25.39% Non-US developed markets
- 13.13% Emerging markets and others

Distribution of the Global Investment Portfolio: Fixed Income (as at December 31, 2021)

- 51.63% Sovereign bonds of advanced economies
- 9.14% Sovereign bonds of emerging economies
- 23.90% Corporate bonds
- 15.33% Structured products and others

Distribution of the Global Investment Portfolio: Public Equity (by industry; as at December 31, 2021)

- 22.76% Information technology
- 13.89% Financials
- 12.81% Consumer discretionary
- 12.54% Healthcare
- 9.68% Industrials
- 9.40% Telecommunication services
- 5.86% Consumer staples
- 4.04% Raw materials
- 2.69% Energy
- 2.27% Real estate
- 2.03% Utilities
- 2.01% Others
CIC adheres to a “One CIC” philosophy and seeks to continuously optimize its decision-making standards and processes as well as its management tools. We have developed a sound, disciplined, and efficient investment decision-making framework that gives due consideration to quality, efficiency, and compliance. This decision-making framework underpins our ability to make well-structured, professional, and effective overseas investments.

In 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 investment activities. Organized under the Asset Allocation and Investment Policy Committee, the Public Market Investment Committee and the Private Market Investment Committee both adopt differentiated investment authorization procedures based on the nature of the deal under consideration and the relevant investment partners.

In addition, the company has developed new guidelines to optimize the decision-making system and the delegation of decision-making authority. The revamped approach adopts uniform rules, processes, and templates to ensure that investment functions at all levels have clear divisions of responsibility with coherent interlinkages, thereby heightening decision-making efficiency. All investment activities are functioning smoothly under the new system.

In parallel, CIC has also established a “dedicated member of investment committee” mechanism to support high-quality decision-making. The first group of dedicated members have already taken up their duties. They participate in the entire investment decision-making process, leveraging their expertise and experience to provide independent perspectives and professional suggestions.
Investment Activities

In 2021, global growth staged a recovery, with a staggering rally in global equity markets. This strong bounce back was, however, accompanied by rapidly rising inflation, elevated asset valuations, fast-moving style rotation, and divergent performance across regions and sectors. Elevated geopolitical risks and global supply chain disruptions made for a complex and volatile international investment arena.

Undaunted by these severe external challenges, CIC remained consistent in its strategic focus and pushed forward with its drive for innovation. Guided by our five-year strategic plan and consistent with our “One CIC” philosophy, we further optimized our overseas investment framework and division of responsibilities, with differentiated approaches for public and private market investments. This enabled us to move steadily ahead with our investment activities. Specifically, the company (a) introduced improvements to asset allocation and portfolio construction, while bolstering dynamic allocation management to enhance the quality and resilience of the total portfolio; (b) improved its management of public market investments with enhanced institutional investment capabilities; (c) made headway in private markets leveraging our global network of partners; and (d) developed new modalities for outbound investments and further enhanced post-investment management.

In 2021, CIC successfully achieved all main business targets set for the year. The overseas investment portfolio posted a double-digit return, and the annualized cumulative 10-year net return rose to a new all-time high.

The year 2022 marks CIC’s 15th anniversary as well as the final year of the China Investment Corporation Strategic Plan 2018-2022. As we reflect on our journey to date and prepare to embark on a new chapter, CIC remains committed to being international, market-oriented, and professional, now and in the future, and to continuing to hone our institutional investment capabilities so as to better capture new market opportunities. Going forward, the company will promote sustainable investment in line with China’s 2030/2060 climate targets, develop new modalities for outbound investment, and take our overseas investment business to the next level.

Special Feature: Responsibility-Based Value Creation, Sustainability-Driven Development

Since its inception, CIC has positioned itself as a responsible investor committed to generating financial returns while actively practicing sustainable investment for the benefit of the planet.

The world has reached consensus on the need to fight climate change, and commitments to peaking carbon emissions and achieving carbon neutrality are now being put into action globally. CIC actively supports these policy imperatives. In 2021, building on experience gained in recent years, we adopted an enhanced top-down approach to sustainable investment leveraging our proximity to the China market, our unique ability to connect to the world, and our influence as a sovereign wealth fund.

Box 2: Advancing High-Quality Sustainable Investment

In 2021 and 2022 respectively, CIC adopted its Sustainable Investment Policy and its Guidelines on Attaining Carbon Peak and Carbon Neutrality Goals and Practicing Sustainable Investing, for the purpose of coordinated planning for sustainable investment. Taking into account global market developments, the experiences of our partners, and CIC’s own investment profile, the company has devised a roadmap for carbon neutrality in its own operations and carbon reductions across the total portfolio. This roadmap will serve as the overarching framework for CIC’s implementation of carbon peak and carbon neutrality goals in the coming five years and beyond, and provides a systematic plan for high-quality sustainable investment.

- **Research and Development**
  Our ongoing research and development initiatives focus on supporting CIC’s business priorities. In the sustainable investment context, these include building carbon accounting and evaluation capabilities with a focus on priority sectors, and setting up a knowledge-sharing platform to share information across the organization.

- **Investment allocation**
  Climate factors will be considered as part of strategic allocation decisions. To facilitate this, evaluation guidelines are being developed for different asset classes. We aim to improve the quality and performance of both existing carbon assets and new ones. The company will also study and invest in new climate-related opportunities.

- **Risk management**
  Climate risk management will be incorporated into overall risk management as a priority.

- **International cooperation**
  CIC will play an active part in international green finance governance, through enhanced engagement with international organizations. We are actively exploring the potential of a global green partnership alliance with other sovereign wealth funds and asset managers.
In 2021, CIC undertook topical research aligned with the company’s business development priorities to inform its action plans for carbon peaking, carbon neutrality, and sustainable investing.

In public markets, CIC launched a sustainable investment strategy and worked on building a climate action portfolio with a focus on green growth and decarbonization opportunities. To this end, we leveraged a combination of mandated and proprietary investments, working closely with ESG managers while continuing to build up our internal ESG investment and research capabilities. We also actively explored investment opportunities in green bonds. In private markets, CIC prioritized sustainable investing and sought out deals in the fields of climate change and energy transition. We helped investee companies adopt a range of measures to cut their emissions, and guided our own teams to apply sustainability concepts in investment operations through enhanced internal training and exchanges with outside partners.

Box 3: Investing in Green Development

As a responsible institutional investor, CIC has always sought to empower green growth with its investments. On the public markets front, the company has launched a sustainable investment strategy that allocates capital both to ESG-embedded products and to climate-enabling products focused on green growth and decarbonization. Seeking opportunities in both climate mitigation and adaption, the company is investing to facilitate better energy efficiency, emission reductions, and climate protection across a wide range of areas including green energy, agritech, and water treatment.

At CIC, we stress the importance of continuously improving our proprietary investment capabilities, leveraging our internal research capabilities. In respect of ESG, we carried out a topical research program culminating in a series of reports on ESG investment theory and practice. By drawing on academic theories and research findings, we are continuously fine-tuning our investment practices and developing an investment approach that accurately conveys the company’s ESG philosophy.

The company has also made further improvements to the way it manages its sustainable investment strategy by embedding ESG factors throughout the entire investment process, from decision-making through post-investment evaluation. We express our views on ESG through investments, and monitor the results of ESG exposures through attribution analysis.

Public Market Investments: Enhancing Institutional Investment Capabilities with Improved Management Precision

Against the backdrop of evolving dynamics in global equity and bond markets, CIC continued to strengthen its ability to identify market trends and mitigate investment risks, while taking a more granular approach to managing its public market investments. The company further enhanced its top-down management of public equity and debt investments, which enabled us to optimize our public market footprint. To enhance the performance of externally managed investments, CIC continued to build up its roster of external managers and made further improvements to its external manager evaluation system. In parallel, the company continued to build stronger capabilities for proprietary investments in public markets, leveraging research to capture additional sources of alpha and to achieve more granular portfolio management and stronger resilience. CIC also continued to build up its passive investment capabilities, further developing its in-house capacities for sectoral, geographical, and custom index investing. In its public equity and debt investments, the company continued to practice systematic planning and to maintain a carefully designed footprint through holistic, top-down management, supported by fine-tuned operational mechanisms.

Public equities: CIC strengthened its top-down analytical framework to account for dominant macro factors in the market this year, and made proactive portfolio adjustments to optimize its investment footprint and strategy. Return predictability was improved with enhanced analytical tools, more granular strategy composition, close monitoring of portfolio characteristics, and uniform management of style preferences. The company also stepped up its research into relevant investment themes to capitalize on future investment trends, and dedicated more resources to developing a sustainable investment framework and implementation approach that suits CIC’s institutional profile.

Fixed income and absolute return: The fixed income portfolio is an integral part of the total portfolio rebalancing and liquidity toolkit, ensuring the total portfolio’s liquidity by expanding external funding channels. CIC strengthened its macro-policy research and further enhanced its proprietary and mandated global fixed-income investments. We closely monitored developments in the hedge fund industry, appointing new managers and making portfolio adjustments as appropriate. The company took stock of the characteristics, investment objectives, and portfolio construction of its multi-asset risk allocation strategy, optimized the portfolio based on our market views, and moved steadily ahead with its proprietary macro factor investments.
Private Market Investments:
Steady Advances in Quality and Scale

In 2021, CIC continued to increase its capital allocation to alternative investments, further expanding its private market footprint. Thanks to ongoing improvements to investment structure, the company’s private market investments made strong progress in terms of scale, quality, and coherence. New private market commitments continued to grow by double digits. As a result, the company achieved new all-time highs in both the number and value of its private investments. CIC continued to strengthen its partnerships with industry-leading general partners (GPs), expanding its network of GPs and advancing selection of new strategy funds. The company established sustainable investing as a key investment theme and explored an energy transition strategy to exploit relevant opportunities. We continued to build a more robust institutional set-up for private market investments, to better support the rapid growth of our private market investment business.

Box 4: Pursuing Alternative Investments through our Ever-Growing Global Network of Partners

In our external partnerships, CIC has always been committed to the principles of equality, mutual respect, and mutual benefit.

Over the last 15 years, CIC has developed a strong network of high-quality investment partners around the world. Close cooperation with our partners remains the key to ensuring the high quality of our overseas investment business.

In 2021, our new private market commitments hit a new all-time high. As at the end of 2021, alternative assets accounted for 47% of the total portfolio, up from 38.1% in 2017.

Private equity and private credit: CIC continued to optimize its fund portfolio, leveraging in-depth analysis of structural changes underway in private markets and their likely evolution in the post-pandemic era. The company strengthened its partnerships with existing GPs and added new top-tier GPs to its pool. We expanded our strategic partnership network, added leading GPs, and re-upped with existing GPs. The company actively invested in continuation funds in the secondary market, and took innovative steps to build long-term positions in quality assets. We continue to build partnerships and expand co-investments in sectors of focus including TMT (technology, media, and telecom), healthcare, consumer services, high-end manufacturing, fintech, and financial services. In parallel, we are seeking new investment opportunities in themes such as climate change, new energy, and software. CIC helps GP portfolio companies to connect to China’s market and Chinese businesses, so as to create value and share the accruing benefits with our partners.

Real estate: Real estate continued to serve as a defensive asset class and shield against inflation. CIC continued to build up its portfolio of core real estate assets in line with our analysis of industry trends and asset cycles. Heeding the long-term post-pandemic outlook, we focused on real estate opportunities around technology innovations, demographic trends, and ESG. In terms of investment strategy, CIC, together with our partners, sought to exploit opportunities arising out of pandemic-induced volatility while tilting toward defensive sectors that align with long-term trends, show pan-cyclical resilience, and can cushion against volatility.

Infrastructure: CIC’s post-investment management and new investments alike were highly effective due to our strong insight into market dynamics. In particular, our close monitoring of key investments allowed us to maintain strong performance despite the lingering effects of the pandemic and rising inflationary pressures. In-depth sectoral research enabled us to fine-tune our investment strategy and rebalance our allocations across sectors and regions to diversify risk. In particular, we scaled up our exposure to the Asia Pacific region, as well as to the digital infrastructure, power, renewable energy, and public utilities sectors.

Box 5: Robust Demand for Digital Infrastructure Investment

In recent years, digitalization has become a strong worldwide trend, driven by new, innovative technologies such as cloud computing, the Internet of Things (IoT), artificial intelligence (AI), and autonomous driving. Countless businesses have embarked on digital transformations, and this process has been accelerated by the COVID-19 pandemic.

The digital economy era has precipitated a vast expansion of data. It is estimated that in the coming five years, the volume of data will increase at a compound annual growth rate of over 20%. This will create strong demand for digital infrastructure, representing significant potential for rapid growth.

CIC is closely monitoring the digital infrastructure space given its rapid growth and huge potential.
Energy and resources: CIC’s commodities portfolio posted strong results in 2021, supported by a cyclical uptrend in the sector. The company closely monitored the health of its assets, enhanced post-investment management, and guarded against risks. We also sought opportunities arising from energy transition, increased exposure to renewables, and recruited high-caliber managers with relevant industry expertise.

Agriculture: Taking a research-driven approach, we stepped up our agriculture investments and further consolidated our footprint across the agricultural value chain. We seek to build an investment ecosystem by establishing long-term relationships with major investors in this sector. Together with leading international and domestic partners, CIC is co-sponsoring multiple deals with a view to creating value. Our ability to bridge markets is central to the CIC brand and to our competitive advantage in this space.

Bilateral funds: By leveraging these cooperative mechanisms to deploy investments and capture opportunities for value creation, CIC connects portfolio companies with the China market and with Chinese industry partners, advancing international industry and investment cooperation.

Box 6: The Energy Transition Imperative

Realizing carbon peaking and carbon neutrality is essential for global sustainability.

To reduce carbon emissions, it will be crucial to build a clean power supply, which will largely rely on renewables. CIC has established an energy transition strategy with a dedicated team of professionals to actively scour this segment for investment opportunities. The company has already allocated capital to renewable energy assets across countries and regions, including wind, hydro, geothermal, and biomass.

In parallel, CIC will continue to monitor developments in the low-carbon transition of industry and digital transformation of the energy sector in order to capitalize on new investment opportunities as they arise.

Box 7: Strengthening In-House Research Capabilities to Support Proprietary Investment

Leveraging its geographical advantage, CIC International (Hong Kong) continued to apply high standards to its investments and strengthen its institutional capacity for proprietary investment.

Drawing on its comparative advantages, our equity team expanded into new investment fields and achieved strong cumulative excess returns. Our credit team, by virtue of its long-term investment approach and deep understanding of market cycles, continued to outperform with its proprietary portfolio. The EM debt team, benefiting from its presence in Hong Kong, strengthened communication with partners, which helped it boost its institutional investment capabilities in the emerging market debt segment. The research team closely tracked the domestic and international environment and analyzed policies in the world’s major economies, as well as developments in the Greater Bay Area.

Going forward, CIC International (Hong Kong) will continue to strengthen its investment and research teams and give full play to its highly competitive proprietary investment capabilities, to ensure continued robust investment returns.

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

CIC International (Hong Kong) prudently managed portfolio risks in its public market portfolios 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.

CIC New York Representative Office leveraged its local presence in the financial capital of the world to conduct research in a variety of areas including policy and regulatory developments, economic trends, and investment markets in the region. The office stayed in close liaison with our company’s broad business network in Americas, and sought to identify potential investment opportunities. The office also actively supported the investment teams at the headquarters, primarily in due diligence and post-investment management.
Investment Support

Research
CIC systematically evaluated macroeconomic and geopolitical developments and closely tracked global financial markets and peer dynamics. We continued to study investment opportunities and challenges in different markets and conducted in-depth studies of priority sectors, fully leveraging the role of research in supporting and serving our investment activities.

Investment operations
CIC continued to ensure the security and stability of its operations by diligently implementing its operational risk management systems. Investment operation services were further standardized, fine-tuned, and digitalized to better meet the needs of our overseas investment business. Data governance and standardization were strengthened to ensure that overseas investments are founded on and supported by timely and accurate investment data. CIC also bolstered its accounting and financial management system for overseas investments and optimized its investment reporting system, helping the company to decide on and manage investments more efficiently and effectively.

Legal & compliance
Sound legal, compliance, and tax-related support was provided for CIC’s outbound investments, ensuring strict and effective management of compliance risk. The company closely monitored regulatory developments and enhanced its legal and policy research.

Finance
The company further improved its financial system, with more intensive monitoring, more optimal budgeting, and more binding budget constraints. It adopted a more integrated approach to managing its assets and liabilities, and made innovations and enhancements to its debt issuance mechanisms. Following the smooth transition to new financial reporting standards, the quality of financial information has been further enhanced. Expense controls were further tightened, with more granular cost-performance analyses to better support management decision-making.

Technology
Our Digital CIC initiative made significant headway. Stronger data governance resulted in a higher level of data standardization, allowing the company to better leverage enterprise data as an important factor of production. CIC’s digital work platform provides effective support for our investment activities across the board and has created a more digital, mobile workplace. CIC continues to integrate and upgrade its IT systems to provide strong support for remote collaboration, online investment management, international exchange, and enterprise-wide synergy.

Supervision
CIC is committed to a risk- and issue-driven approach to supervision. The company performs regular reviews of its overseas investment deals and conducts audits of investment activities, internal controls, and economic accountability, as well as audits for special purposes. Where issues are flagged as a result of internal and external audits, follow-up guidance and supervision ensure that the relevant departments make necessary improvements.

Box 8: Building a Digital CIC with Business-Technology Integration
In 2021, CIC established a digitalization steering group to drive data governance projects aimed at delivering across-the-board enhancements to the company’s data management and digitization. Under the steering group’s guidance, the company has integrated digital technologies into business processes and made significant improvements to its data governance, including:

- Enhanced top-down design: CIC finalized an enterprise-wide data governance plan with specific data management targets. The plan draws on industry best practices and is tailored to the company’s needs.
- High-quality data standardization: With the adoption of uniform data standards, CIC has put in place Single Source of Truth (SSOT) architecture with clearly defined rules governing business data quality requirements and interrelationships between data entities.
- Enhanced IT systems: Legacy systems have been upgraded to ensure full implementation of data standards. By embedding data management into investment decision-making and operational processes, CIC has improved its data management and digital capabilities, thereby strengthening investment decision-making, risk management, and post-investment management.

Post-Investment Management
As an integral part of long-term investment, post-investment management is essential to managing investment risks, achieving investment objectives, and improving investment performance. Since its inception, CIC, in strict compliance with relevant corporate rules, has taken a granular approach to formulating and implementing differentiated post-investment management plans, assigning clear-cut management responsibilities while taking into account the characteristics of different types of assets.

In 2021, CIC carefully monitored the health of its portfolio and tracked critical performance metrics across its portfolio companies. We diligently carried out process evaluation, inspection, and supervision activities, taking a differentiated approach by asset class and investment style. The company also strengthened company-wide management of personnel appointed to serve as senior executives at portfolio companies or to sit on their boards and advisory bodies. For priority deals, we conducted forward-looking post-investment management, closely supervised the operations of portfolio companies, and strengthened routine monitoring and value creation. By allocating resources for post-investment management more effectively and better separating investment and management functions, the company was able to make investment teams more productive and post-investment management more professional.
Risk Management

As a sovereign wealth fund that invests around the globe, CIC firmly believes that robust, comprehensive risk management is essential to the high-quality development of our business.

Since 2021, CIC has further enhanced its risk management governance framework. We have established a Risk Management Committee under the Board of Directors, as well as a Comprehensive Risk Management Committee under the Executive Committee. The company continues to optimize its risk management system, in particular by integrating climate change into the risk management framework and further strengthening its integrated approach to managing overseas investment risks.

CIC’s comprehensive risk management system addresses eleven types of risk: market risk, credit risk, operational risk, liquidity risk, country risk, strategy risk, legal risk, reputational risk, geopolitical risk, information technology risk, and corruption risk. To ensure the orderly operation of investment activities within our risk tolerance, the company continues to enrich its risk management toolkits for all portfolio tiers, including the total portfolio, asset classes, and strategies/deals.

Risk Management Characteristics

CIC adopts a sound risk management system as outlined below to effectively manage risk.

Three-layered framework
This framework consists of fundamental rules, risk-specific rules, and operational procedures. This tripartite system provides a robust foundation for the company’s risk and compliance culture, as well as guidance for day-to-day risk management.

Three-tiered asset structure
Consistent with the company’s asset allocation framework, CIC has put in place risk management guidelines for the total portfolio, for asset classes, and for specific strategies/deals. This allows us to break down risk quotas on a highly granular basis, covering the entire risk spectrum.

Three-phase investment process
CIC’s risk management operates as an independent, specialized function and covers all three phases in our investment process: due diligence, investment decision-making, and post-investment management.

Risk Management Organization

The Comprehensive Risk Management Committee is responsible for putting in place and maintaining a comprehensive risk management system for the company. Its sub-committees manage the risks of the company’s overseas investments and domestic equity investments.

CIC rigorously enforces its “three lines of defense” and continuously strengthens its risk management organization based on clearly delineated roles and responsibilities.

The Three Lines of Defense

First line of defense
All departments take direct responsibility for the risk management of their own businesses.

Second line of defense
The relevant departments exercise their responsibilities independently. The Department of Risk Management leads the company’s overall risk management efforts and works in concert with the relevant departments to develop and fine-tune the company’s risk management policies, systems, and processes.

Third line of defense
The Audit Department reviews and evaluates the effectiveness of the risk management system and acts as the supervisor of risk management activities.

Comprehensive Risk Management

As risk assets surged and safe-haven assets came under pressure in 2021, CIC revised its Guidelines on Enhancing Overseas Investment Risk Management to provide stronger policy guidance, improve risk awareness and management capabilities, and ensure the sound and steady operation of our overseas investments.

To guard against material risk events, we enhanced dynamic management of the negative list and proactively carried out forward-looking risk analyses. We also bolstered business continuity and contingency plans to ensure preparedness against extreme events. On the investment front, we conducted ex-ante risk identification and assessment and ex-post risk monitoring, and continued to enhance post-investment management and reviews. Management of both country risk and sovereign credit risk was made more robust. Updated risk management tools contributed to greater standardization and transparency in asset valuation.
CIC continued to refine its risk budget framework for the total portfolio, making timely adjustments to its risk criteria for different asset classes to ensure sound risk budgets at all levels in a changing market environment. Improved hurdle rates were fully integrated into the company’s private investment strategy, and enhanced risk warning by asset type enabled more effective and targeted risk management in our private market investments. The company also ran forecasts on the potential impacts of climate risk, the end of LIBOR, inflation and normalization of monetary policy by the US Federal Reserve, and utilization of subscription lines in PE funds.

CIC widened its scope of sovereign credit monitoring to cover all recipient countries. Regular updates were provided via our Sovereign Credit Risk Report, with analysis and early warning on potential country- and region-specific credit risks. We conducted a comprehensive stock-taking of the way our IT systems implement our rules for managing counterparty credit risks, with a view to improving the way we manage counterparty credit risk. We also continued to track changes in the credit risk of our investees.

CIC strictly complies with the laws and regulations of all its investment destinations, respects local community concerns, and ensures information disclosure as required by law. The company put in place new guidelines for managing reputational risks at the corporate level and in private market investments. The company also improved its mechanisms for monitoring public perception and for analyzing, reporting, and mitigating potential issues of concern. Thanks to its diligence around compliance, CIC has earned widespread recognition as a responsible corporate citizen and respected partner.

CIC issued a new Handbook for Managing Corruption Risks Overseas and took steps to strengthen the detection and control of corruption risks at the source, including through dynamic assessment updates. Internal management procedures were strengthened, and revisions were made to the company’s Anti-Corruption and Anti-Bribery Declaration along with other supporting measures.

Enhanced analytical capabilities allowed the company to systematically strengthen its management of geopolitical risks.

CIC enhanced security management of electronic information, networks, computers, and information systems.

Amidst growing complexity and volatility in international capital markets, it is ever more important for institutional investors to be able to forecast, assess, and effectively manage all categories of risk. In this context, stress tests are a key tool whose importance to portfolio management has been growing. Stress testing enables institutions to analyze the potential impacts of extreme situations on their portfolios by defining specific scenarios, examining critical variables, and evaluating asset correlations.

Leveraging industry best practices for stress testing, CIC continues to hone its analytical capabilities, including in event tracking, modelling, and development of IT systems. Various stress test scenarios have been incorporated into the company’s risk management system, based on asset class and tailored to ongoing market changes. So far, we have run over one hundred aggregated and single-factor test scenarios covering financial crises, geopolitical risk events, and different economic cycles.

By coupling stress test findings with quantitative analysis and logical inference, the company is able to identify potential portfolio vulnerabilities to risk events and to formulate recommendations for portfolio adjustments.
Pursuant to its mandate from its shareholder, Central Huijin undertakes equity investment in key state-owned financial institutions in China, exercising its rights and performing 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 Structure

Governance Structure of Central Huijin

Central Huijin is a wholly-owned subsidiary of CIC incorporated as a wholly state-owned company under the Company Law of China. Pursuant to its mandate from its shareholder, Central Huijin undertakes equity investment in key state-owned financial institutions in China, exercising its rights and performing 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. Central Huijin does not engage in any commercial activities and does not intervene in the daily management of the state-owned financial institutions in its holdings.

Central Huijin’s Board of Directors and Board of Supervisors exercise decision-making powers and supervisory duties respectively. The members of these two boards are appointed by the company’s shareholder. Central Huijin’s President is responsible for managing the company’s day-to-day operations and for implementing resolutions of the Board of Directors.

Performance

As of the end of 2021, Central Huijin directly held equity interests in 17 financial institutions (including banks, securities companies, insurance companies, and others).

Central Huijin’s Portfolio Companies (as at December 31, 2021)

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>Equity Holdings</th>
<th>Financial Institutions</th>
<th>Equity Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Development Bank</td>
<td>34.68%</td>
<td>China Galaxy Financial Holding Company Limited</td>
<td>60.07%</td>
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<tr>
<td>Industrial and Commercial Bank of China Limited</td>
<td>34.71%</td>
<td>Bauseewa Hongyuan Group Co., Ltd.</td>
<td>20.05%</td>
</tr>
<tr>
<td>Agricultural Bank of China Limited</td>
<td>40.03%</td>
<td>New China Life Insurance Co., Ltd.</td>
<td>31.34%</td>
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<tr>
<td>Bank of China Limited</td>
<td>64.02%</td>
<td>China International Capital Corporation Limited</td>
<td>40.12%</td>
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<td>China Construction Bank Corporation</td>
<td>57.11%</td>
<td>China Everbright Group Limited</td>
<td>53.95%</td>
</tr>
<tr>
<td>China Everbright Group Limited</td>
<td>63.16%</td>
<td>China Securities Co., Ltd.</td>
<td>30.76%</td>
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<tr>
<td>China Export &amp; Credit Insurance Corporation</td>
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</tr>
<tr>
<td>China Jinan Investment Limited</td>
<td>100.00%</td>
<td></td>
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</tr>
</tbody>
</table>

Reaping the fruits of diligence and excellence: In 2021, Central Huijin made steady progress in updating and extending the "Huijin Model", growing its state-owned financial assets, and making them more resilient.

First, Central Huijin continued to guide its portfolio companies to serve the real economy with higher quality and efficiency. By supporting banks in its portfolio in their role as backbone lenders, Central Huijin helped ensure that more credit was allocated to priority sectors of the economy, thereby contributing to macroeconomic stability. The company also guided insurance companies in its portfolio to increase and extend protection coverage for the real economy. Directors dispatched by Central Huijin helped shape portfolio company initiatives to surrender profits to the real economy, including by setting annual operational plans and performance evaluation criteria for senior executives.

Second, Central Huijin actively facilitated financial sector development. It helped its portfolio companies develop and implement new development strategies that leverage the strengths of their core businesses. The company also supported its portfolio companies with its institutional reforms, helping them bolster their core competitiveness and achieve high-quality growth.

Third, Central Huijin remained focused on preventing and mitigating financial risk. To this end, it continued to improve its risk management governance framework and established a committee to oversee the risk management of its portfolio companies, promoting a healthy balance between stability and growth measures. Making full use of its equity management toolkit, Central Huijin completed 32 risk evaluation and monitoring reports on its portfolio companies, and issued 31 management advice and risk alert memos. Its dispatched directors effectively monitored risks in priority institutions and areas, and helped optimize contingency plans for extreme events.
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

Great achievements stem from human talent. Talent is the driver behind any company’s long-term success. That is why CIC remains committed to its talent-centered approach in building teams of professionals, supporting their balanced development, and ensuring continued access to the talent needed to sustain high-quality growth.

Engaging Talent

At CIC we value our people. We recruit with discernment and assign with conviction, building strong teams with diverse backgrounds. We hire high-caliber graduates from leading universities at home and abroad, and continue to expand recruitment of experienced practitioners in the market, to ensure a strong talent pipeline at all levels. The company has also been stepping up its recruitment of international investment professionals by expanding its database of such professionals that helps to identify potential new hires. By recruiting professionals and senior business leaders alike, we are substantially enhancing the strength and expertise of our team.

As of June 2022, 86% of our employees at the head office possessed a graduate degree, i.e. a master’s or doctoral degree; among our overseas investment professionals, the ratio was as high as 98%. Since the beginning of 2021, when CIC established its Postdoctoral Research Station, the company has hired 11 postdocs who conduct research on the asset allocation of institutional investors, economic cycles and sectoral rotation, geopolitics, technology and innovation, sustainable development, and other themes of relevance to the company’s strategy and operations.

Career development of our female employees is a key priority for CIC. As of June 2022, women accounted for of 39.3% of mid-level management positions and above, playing a prominent role in the company’s operations and management. Within the overseas investment team, women accounted for 54.2% of all employees and 38.7% of mid-level management positions and above.

CIC is committed to supporting the growth of our young employees and to offering them a wide range of opportunities to realize their potential. As of June 2022, 60% of our staff at the head office were aged younger than 40 years; within our overseas investment team, the ratio was as high as 75%.

Fostering Talent

At CIC we recognize the importance of learning and development opportunities for our employees. To this end, we have built a robust, multi-level training and development system that empowers our employees’ growth.

This system is continuously updated to meet the changing needs of the company and our employees. Training modules are organized at five different levels, are delivered through lectures, online courses, and interactive workshops, and cover theory, professional skills, management skills, and fundamental skills. Training is provided both by external partners such as Chinese and international universities, professional training providers, and industry associations, and by in-house speakers and trainers who share their experience and know-how within the organization.

In 2021, CIC further updated its training model to more effectively address the challenges of the pandemic, providing more than 230,000 hours of training to over 8,900 employees at the head office and across the CIC Group.
Empowering Talent

The company is committed to providing an empowering employment environment that rewards strong performance and diverse experiences across divisions and posts, including both grassroots and key functions.

In 2021, CIC further formalized its recruitment and promotion processes for both management and professional development paths. This reform has resulted in better-anchored employee expectations and an improved selection mechanism for outstanding young talents.

Recruitment across functions

In 2021, the company, for the first time, transferred a select group of middle- and back-office employees to the front office. The aim of this initiative was to facilitate exchange among young employees from different functions, to broaden their skillsets and provide them with opportunities to excel.

Secondment

CIC gives young professionals opportunities to grow within the CIC Group by leveraging its strong presence across regions and subsectors of finance to create new channels for career development and exchange. The year 2021 marked the first time that the company seconded a group of head office employees to Central Huijin’s portfolio companies for a two-year exchange program. Going forward, such secondments will be further formalized and expanded, to encourage employees to broaden their horizons and gain valuable experience.

Global Outreach

Amid the ongoing COVID-19 pandemic, the international environment has grown more complex. In this context, CIC has continued to adopt fresh new approaches to global outreach. Leveraging our roots in China and our strong capacity to forge connections in other parts of the world, we continue to contribute to global governance and an open, fair, and non-discriminatory international investment environment by sharing our international, market-oriented, and professional perspectives. We aim to facilitate the free, orderly international flow of capital, thereby adding impetus to the global economic recovery in the post-pandemic era.

Joining forces to develop a common blueprint

In 2021, CIC took part in events held by the International Chamber of Commerce, the Institute of International Finance, and various bilateral business councils, as well as the China-Italy, China-France, China-Germany and other bilateral economic and financial dialogues. The company’s management attended the Bo’ao Forum for Asia, the China Development Forum, the Bund Summit, the Future Investment Initiative Summit, the EU-China CEO and Former Senior Officials Dialogue, and other high-level financial and economic events. We also maintained close contact with our partners regarding sustainable investment policies and practices, via written communications and video conferences.

In 2022, Ms. ZHAO Haiying, Executive Vice President and Chief Strategy Officer of CIC, is serving as Pro Tempore Chairperson of the BRICS Women’s Business Alliance (WBA). This represents an important opportunity for engagement with BRICS partners to promote women’s development and our vision of inclusive, mutually beneficial social development.

Driving development through responsible action

In 2021, the International Forum of Sovereign Wealth Funds (IFSWF) elected a new Board of Directors – its highest decision-making body. Mr. JU Weimin, Vice Chairman, President, and CIO of CIC, was elected as a director, making CIC the only IFSWF member to be represented on its board continuously since the Forum’s inception.

As a member of the IFSWF Board, CIC continues to exert leadership and support the Forum’s development through strong engagement and high-quality events. Specifically, the company has:
• Played a leading role in the Forum’s strategic decision-making and in promoting its openness and inclusiveness, safeguarding the equal status of all members;

• Facilitated strategic studies, policy consultations, and communication among members through our participation in the IFSWF Advisory Committee;

• Hosted a range of webinars on themes including Carbon Neutrality: Research Framework and Investment Opportunities and Strategies, Risks, and Challenges in an Era of Great Change in order to share valuable experiences and research-based insights; and

• Worked closely with the Secretariat in implementing board decisions, formulating development plans for the Forum, reviewing membership applications, engaging in peer exchanges, sharing research findings, and conducting self-assessments.

Connecting and engaging via new media channels.

New technologies have ushered in a new information age. CIC has actively seized the opportunities afforded by new communication tools. Leveraging new media platforms in our external communication, we offer a diverse range of content in different formats. In 2021, subscribers to our official social media account increased by 85.6% year on year, and article views and shares grew by 50.3% and 46.7% respectively. The company continued to further enhance transparency with timely and effective disclosure of its corporate governance, investment strategies and philosophies, and investment performance.

Going forward, CIC will remain committed to transparency and inclusiveness, and work closely with its partners to contribute its share to the sustainable, high-quality recovery of the global economy.

Box 10: Beginning with the End in Mind – CIC’s Engagement in the Development of the IFSWF

In April 2008, 26 major sovereign wealth funds from around the world joined forces to establish the International Working Group of Sovereign Wealth Funds (IWG). The working group sought to develop a common global set of guidelines for sovereign wealth funds, with the objective of winning the right of equitable participation in market activities. CIC, which had just been established, rose to the challenge and served as the only Chinese member of the working group. The company actively participated in the development of the Generally Accepted Principles and Practices, known as the Santiago Principles, demonstrating its commitment to responsibility and service.

With the ratification of the governments of all 26 IWG members, the Santiago Principles were officially adopted in October 2008. The member countries also unanimously agreed to make the IWG a standing body with a permanent mandate to monitor compliance with the principles and work toward their continuous improvement. The IWG later became today’s IFSWF.

CIC has not only faithfully implemented the Santiago Principles, but has also promoted their widespread adoption and actively contributed to the IFSWF’s ongoing development. In May 2011, the third annual meeting of the Forum was held in Beijing and was attended by then-Vice Premier Li Keqiang, who delivered an important address. The meeting culminated in the release of the Beijing Declaration, which urges all countries to work together to defend and promote an open, stable international investment environment.

Since the Forum’s inception, CIC has contributed to its development and reform initiatives, shared best practices in investment and risk management, hosted topical workshops and seminars, and participated in research activities. CIC has actively supported the Forum’s growth and shared the company’s voice and model with its international peers, consistently advocating inclusiveness and innovation. We have worked with our peers to promote openness, fairness, and non-discrimination in global investment markets, thereby contributing to the global economic recovery and financial stability.
CIC actively practices corporate social responsibility. We support rural areas in their revitalization efforts, help to reduce poverty, and work to put sustainable development concepts into practice so as to foster harmony with nature and build a more sustainable home for humanity.

The year 2021 marked the launch of China’s new rural revitalization strategy. In 2021, CIC provided support and investment for Shibing County in Guizhou Province, Xunhua County in Qinghai Province, and Jingning County and Huining County in Gansu Province to prevent their relapse into poverty and help the local communities revitalize their economies.

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A New Chapter in Rural Revitalization

The year 2021 marked the launch of China’s new rural revitalization strategy. In 2021, CIC provided support and investment for Shibing County in Guizhou Province, Xunhua County in Qinghai Province, and Jingning County and Huining County in Gansu Province to prevent their relapse into poverty and help the local communities revitalize their economies.

We have set forth our goals and targets for the next five years.

We continued to step up our assistance and exceeded our own annual targets. In 2021, CIC provided CNY 232 million in poverty reduction investments to the four counties, and mobilized an additional CNY 28.48 million. We purchased CNY 41.25 million worth of agricultural produce and facilitated sales of another CNY 42.07 million.

We also provided more staff and more training to build the skills needed in these local communities. In 2021, the CIC Group sent 17 employees on secondment to provide support on the ground and financed training of 9,705 agricultural technicians, breeders and producers, and e-commerce personnel.

We laid a stronger foundation for economic revitalization in the four counties by tailoring our programs around local conditions and resources:

- In Jingning County, CIC’s “insurance + futures” program for apple crops was expanded to cover the whole county, extending income protection to 8,963 households. Together with China Galaxy, we set up the CIC-China Galaxy Industry Development Fund with an initial investment of CNY 50 million to support Jingning’s economic development.
- In Xunhua County, we provided CNY 18 million for loan collateral and interest subsidies and mobilized commercial banks to provide facilities of over CNY 100 million to support the modernization of the local hand-pulled noodle (lamian) industry.
- In Huining County, we provided CNY 12 million in funding for farmers to purchase mulch film for over 130,000 hectares of corn and potato crops to improve drought resistance and crop yield.
- In Shibing County, our initiatives focused on supporting the development of specialty agricultural products such as reishi mushrooms (lingzhi) and konjac.

Going forward, CIC will continue to leverage its financial resources to support the economy and create jobs in these local communities to enable them to enter a new phase of rural revitalization.
Sustainable Development for a Better Tomorrow

The world has reached consensus on the need to fight climate change, and commitments to peaking carbon emissions and achieving carbon neutrality are now being put into action globally. CIC is committed to being a responsible investor and to actively contributing to China’s carbon peak and neutrality targets. In addition to practicing sustainability through our investments, we have intensified relevant research activities, explored new solutions, and mainstreamed best practices from China and around the world in our operations and management, while striving to play an active part in global climate governance.

Employee engagement: Through carbon neutrality training, we have raised awareness among our employees and encouraged them to take practical actions towards decarbonization. We launched a ‘Be Green’ initiative that calls on all our employees to engage with sustainability and aims to mobilize more people to go green and low-carbon in order to truly entrench sustainability in our society.

Operations: CIC has improved internal processes and conducted themed campaigns to minimize food waste, encourage low-carbon mobility, save water and electricity, and reduce consumption of office supplies. These initiatives are promoting waste and carbon reduction across our operations.

International exchange: The company has stepped up its international engagement on green finance and investment. It advocated providing long-term capital to recipient economies and contributing to a more livable planet and improved living standards. In addition, CIC leveraged international platforms to strengthen communication with its peers, share ESG practices of Chinese businesses, and explore opportunities for investment cooperation.

Environment: In the spring of 2021, CIC, together with Beijing’s Yanqing District, organized a tree-planting initiative that mobilized volunteers from across the CIC Group and raised awareness of the need for everyone to help protect our environment. In their daily lives, many of our employees regularly make efforts to reduce their carbon footprints, volunteer to plant trees, donate saplings, and work in a variety of ways to contribute to a clean, green, and beautiful shared home.

Overcoming Poverty through Education

Helping children realize their aspirations. CIC aims not only to combat poverty, but also to support the aspirations of children through long-term education support for disadvantaged communities. As part of this commitment, we sent volunteers from among our employees to three primary schools – one in Hebei, two in Shaanxi – on one-year placements to provide educational support in the local communities.

Developing students’ interests. CIC’s volunteer placed emphasis on introducing students to non-textbook knowledge and practical skills as part of their classroom learning. Additionally, during extra-curricular program time, hands-on science classes organized by our volunteer gave students an opportunity to conduct their own experiments in the school’s laboratory, helping to stimulate their interest in science and develop independent and rigorous thinking skills. Students were also shown documentaries and given lectures on China’s society and hot spot issues in China and the rest of the world, helping them to open up new vistas of understanding.

Supporting holistic development. Our volunteer organized a range of extra-curricular experiences that encouraged the children to dream and aspire. These spanned cultural events, gymnastics tournaments, literature, Chinese Go, computer literacy, basketball and Taekwondo clubs, and a radio station. As a highlight, the volunteer invited star athletes to speak virtually with the students about their sports and their experiences, inspiring the children to be more physically active and learn sporting skills.

Ensuring safety. In 2021, one of the three schools suffered several days of heavy rain that posed a potential safety hazard. Our volunteer showed strong professional ethics as a teacher and worked closely with the school’s teachers to evacuate the students in an orderly fashion. He also raised the children’s safety awareness, taught them essential safety skills, basic first aid, and legal knowledge.

Providing care and support. Throughout the year, CIC’s head office stayed in close communication with our volunteer teachers to provide encouragement and support, and also to better understand the needs of these underserved communities. This enabled us to tailor monetary and in-kind donations and care-through-consumption initiatives to provide the communities with the types of care they need most.
## Landmarks

**2008**
- **January** CIC set up the Investment Committee and the Risk Management Committee.
- **November** CIC International (Hong Kong) was incorporated.
- **July** CIC launched its official website.
- **October** The Chinese government endorsed the Santiago Principles.

**2009**
- **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.
- **July** CIC inaugurated the International Advisory Council. CIC released its first annual report.
- **May** CIC hosted the third annual meeting of the International Forum of Sovereign Wealth Funds.
- **September** CIC International was established.

**2010**
- **January** CIC launched the CIC Culture Consensus.
- **November** CIC Capital was established.
- **July** Mr. DING Xuedong took office as Chairman and CEO.
- **November** Central Huijin Asset Management Ltd. was incorporated.

**2011**
- **January** The Board of Directors extended the investment horizon to 10 years.
- **July** CIC Toronto Representative Office was established.
- **May** CIC hosted the third annual meeting of the International Forum of Sovereign Wealth Funds.
- **September** CIC Toronto Representative Office was closed.
- **December** CIC successfully exceeded its 10-year investment performance target set by the Board of Directors.

**2012**
- **January** CIC launched the Risk and Performance Analysis System (the Fengye System).
- **November** CIC International (Hong Kong) was incorporated.
- **July** Mr. DING Xuedong took office as Chairman and CEO.

**2013**
- **January** CIC Capital was established.
- **December** CIC New York Representative Office was established and CIC Toronto Representative Office was closed.

**2014**
- **January** CIC launched the Risk and Performance Analysis System (the Fengye System).
- **November** CIC successfully exceeded its 10-year investment performance target set by the Board of Directors.
- **December** CIC set up the Asset Allocation and Investment Policy Committee.
- **January** CIC adopted the Reference Portfolio framework for asset allocation.

**2015**
- **January** CIC adopted the Reference Portfolio framework for asset allocation.
- **November** CIC successfully exceeded its 10-year investment performance target set by the Board of Directors.
- **December** The Remuneration Committee was renamed the Nomination and Remuneration Committee, and the Strategy and Social Responsibility Committee and the Risk Management Committee were established under the Board of Directors. The Comprehensive Risk Management Committee was established under the Executive Committee.

**2016**
- **January** CIC adopted the Reference Portfolio framework for asset allocation.
- **December** The State Council approved CIC’s Strategic Plan 2018-2022.

**2017**
- **February** CIC set up the Asset Allocation and Investment Policy Committee.
- **November** CIC adopted the Sustainable Investment Policy.

**2018**
- **October** Mr. PENG Chun took office as Chairman and CEO.

**2019**
- **April** Mr. PENG Chun took office as Chairman and CEO.

**2020**
- **February** CIC optimized its investment decision-making system and investment decision authorization plans.
- **November** CIC adopted the Sustainable Investment Policy.

**2021**
- **January** CIC optimized its investment decision-making system and investment decision authorization plans.
- **November** The Remuneration Committee was renamed the Nomination and Remuneration Committee, and the Strategy and Social Responsibility Committee and the Risk Management Committee were established under the Board of Directors. The Comprehensive Risk Management Committee was established under the Executive Committee.
The independent auditor has audited the consolidated financial statements of CIC, and issued an unqualified opinion.
CIC conducts its overseas investment business through CIC International and CIC Capital, and its domestic investment business through Central Huijin. CIC prepares its consolidated financial statements in accordance with the Accounting Standards for Business Enterprises (ASBE) issued by the Ministry of Finance of the PRC. These standards have achieved substantial convergence with the International Financial Reporting Standards (IFRS). The independent auditor of CIC has audited the consolidated financial statements of the Company and issued an unqualified audit report. The financial statements prepared by CIC comply with the requirements of the ASBE and give a true and fair view of the financial position of CIC as at December 31, 2021 and of the Company’s operating results and cash flows for the year 2021.

The preparation of financial statements in conformity with ASBE requires management to make certain judgments, estimates, and assumptions based on historical experience and other factors that it believes to be reasonable in the circumstances. These judgments, estimates, and assumptions are mainly applied to the valuation of financial assets and the recognition of income taxes.

CIC’s fiscal year runs from January 1 to December 31 on the Gregorian calendar. The accounts of CIC, CIC International, and CIC Capital are denominated in U.S. dollars; the accounts of Central Huijin are denominated in RMB.

Central Huijin mainly uses the equity method to account for long-term equity investments and does not consolidate the financial statements of its subsidiaries.

### Basis of Presentation

### Summary of Accounting

#### Classification of financial instruments

The Company's financial assets are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss; its financial liabilities are classified as financial liabilities at amortized cost and financial liabilities at fair value through profit or loss. All financial instruments are classified into these categories based on their business model and contractual cash flow characteristics.

#### Recognition and measurement of financial instruments

On initial recognition, financial instruments are measured at fair value. On subsequent measurement, financial assets measured at amortized cost are measured at amortized cost using the effective interest method, with gains or losses arising from amortization or impairment recognized in profit or loss. Financial assets measured at fair value through other comprehensive income are subsequently measured at fair value, except for impairment losses and exchange gain or loss on foreign-currency monetary financial assets recognized in profit or loss, and changes in fair value are recognized as other comprehensive income until the cumulative gain or loss is transferred to current profit or loss upon derecognition. Financial assets designated as at fair value through other comprehensive income, only the related dividend income is recognized in current profit or loss, and changes in fair value are recognized as other comprehensive income until the cumulative gain or loss is transferred to retained earnings upon derecognition. Financial assets at fair value through profit or loss are subsequently measured at fair value, with all changes in fair value recognized in profit or loss.

Fair value is the price that market participants would receive to sell an asset or pay to transfer a liability in an orderly transaction that occurs on the measurement date. For financial instruments for which an active market exists, the fair value is determined using quoted prices in an active market. For financial instruments for which there is no active market, the fair value is estimated using valuation techniques. The main valuation techniques used include the market approach, the income approach, and the cost approach. When using valuation techniques, relevant observable inputs (inputs that can be obtained from market data and reflect the assumptions used by market participants in pricing the relevant asset or liability) are used to the maximum extent possible, and unobservable inputs are used only when relevant observable inputs are not available or not practicable to obtain. The Company regularly evaluates valuation techniques and tests their effectiveness.

#### Accounting for income taxes

The accounting of the Company’s income taxes is based on the balance sheet liability method. Income tax expenses include current income tax and deferred income tax. Current income tax is the amount that should be calculated and paid for the transactions and events occurring in the current period, i.e. income tax payable, as calculated and determined by the company in accordance with tax regulations. The Company’s deferred income tax assets and deferred income tax liabilities are recognized based on the differences between the tax bases of assets and liabilities and their carrying values (temporary differences) and the tax rates applicable to the periods in which the assets are expected to be recovered or the liabilities settled.
### Consolidated Balance Sheet

(Amount in millions of US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2021-12-31</th>
<th>2021-1-1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monetary funds</td>
<td>57,644</td>
<td>16,532</td>
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<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>369,446</td>
<td>330,748</td>
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<tr>
<td>Buy-back financial assets</td>
<td>1,545</td>
<td>-</td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td>6,027</td>
<td>6,412</td>
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<tr>
<td>Long-term equity investments</td>
<td>876,185</td>
<td>795,686</td>
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<tr>
<td>Other assets</td>
<td>40,012</td>
<td>70,892</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,350,863</td>
<td>1,222,270</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank borrowing</td>
<td>984</td>
<td>4,273</td>
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<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>837</td>
<td>824</td>
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<tr>
<td>Bonds payable</td>
<td>65,504</td>
<td>73,902</td>
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<tr>
<td>Deferred income tax liabilities</td>
<td>14,638</td>
<td>10,935</td>
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<tr>
<td>Other liabilities</td>
<td>23,774</td>
<td>18,712</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>105,777</td>
<td>108,646</td>
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<tr>
<td><strong>Owner’s equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Provident and other</td>
<td>1,045,086</td>
<td>913,624</td>
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<tr>
<td><strong>Total owner’s equity</strong></td>
<td>1,245,086</td>
<td>1,113,624</td>
</tr>
<tr>
<td><strong>Total liabilities and owner’s equity</strong></td>
<td>1,350,863</td>
<td>1,222,270</td>
</tr>
</tbody>
</table>

### Consolidated Income Statement

(Amount in millions of US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td>134,008</td>
<td>116,945</td>
</tr>
<tr>
<td>Of which: Investment income</td>
<td>111,776</td>
<td>83,689</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,329</td>
<td>2,562</td>
</tr>
<tr>
<td>Gain/loss on changes in fair value</td>
<td>18,875</td>
<td>28,142</td>
</tr>
<tr>
<td>Foreign exchange gain/loss</td>
<td>954</td>
<td>472</td>
</tr>
<tr>
<td>Other income</td>
<td>94</td>
<td>80</td>
</tr>
<tr>
<td><strong>Operating cost</strong></td>
<td>(3,133)</td>
<td>(3,526)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(2,503)</td>
<td>(2,996)</td>
</tr>
<tr>
<td>Taxes and surcharges</td>
<td>(23)</td>
<td>(22)</td>
</tr>
<tr>
<td>Operating and management fees</td>
<td>(607)</td>
<td>(508)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>130,875</td>
<td>113,419</td>
</tr>
<tr>
<td>Net non-operating income and expenses</td>
<td>(16)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total profit</strong></td>
<td>130,859</td>
<td>113,406</td>
</tr>
<tr>
<td>Loss: Income tax expense</td>
<td>(8,189)</td>
<td>(5,327)</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>122,670</td>
<td>108,079</td>
</tr>
</tbody>
</table>