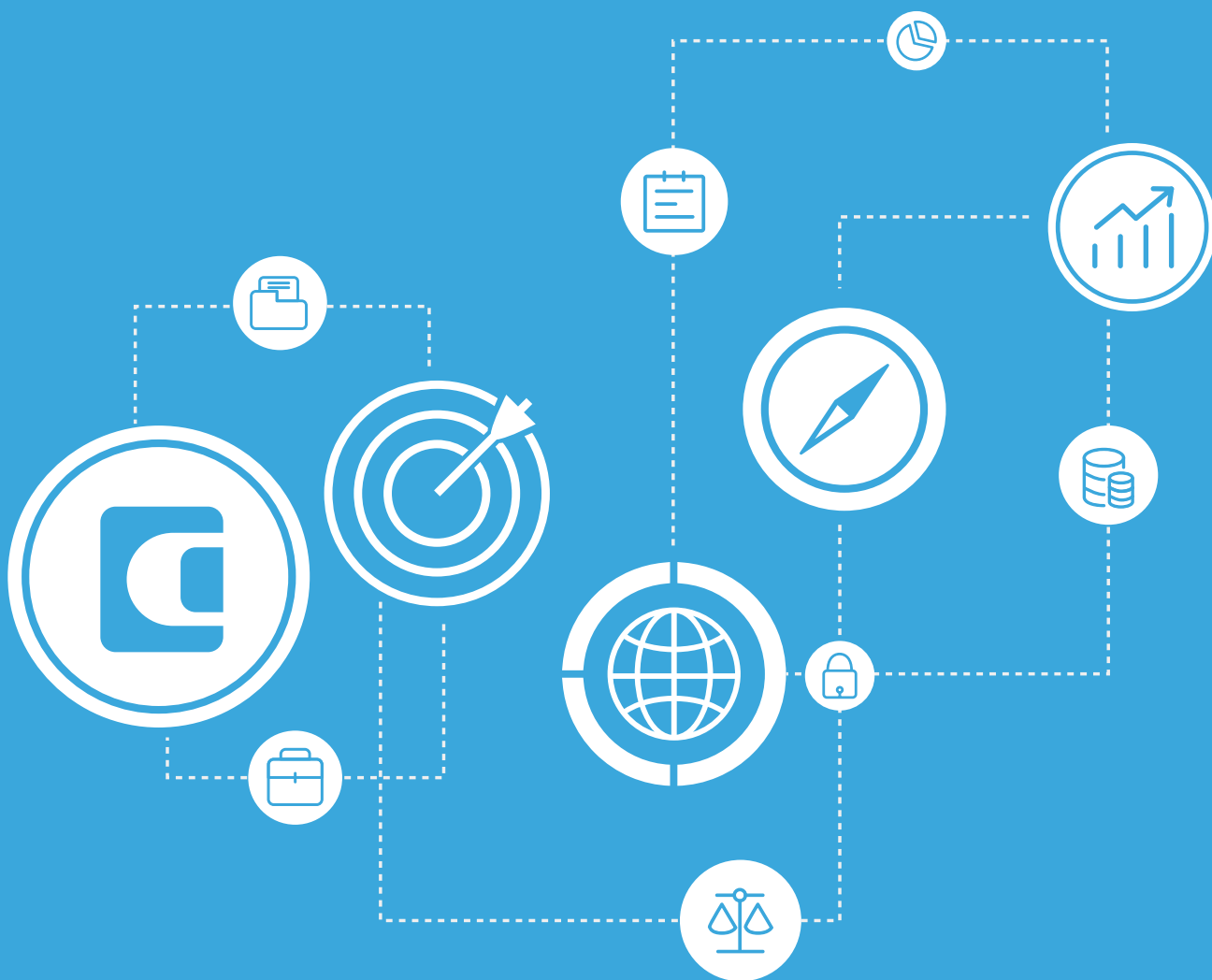


2019 ANNUAL REPORT





CHINA INVESTMENT CORPORATION
ANNUAL REPORT 2019



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.

Corporate Culture and Core Values

Core Values

Responsibility Synergy
Professionalism Aspiration

Mission

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

Vision

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

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MESSAGE



CIC will continue to operate on an international, market-driven, and professional basis and further enhance its standing as a respected large-scale international institutional investor dedicated to prudent, professional and responsible investment.



Message from the Chairman & CEO

The year 2019 marked the 70th anniversary of the People's Republic of China. It was also a year during which CIC forged ahead true to its original aspirations. Amid growing market complexity and volatility, we remained steadfast in our commitment to operating on an international, market-driven and professional basis under the leadership of our new Board of Directors and Executive Committee. We built on our legacy with innovations to fuel growth and proactively adapted to a changing environment. With strong implementation of the company's Five Year Strategic Plan, CIC successfully achieved all operational targets for the year. In 2019:

We sought excellence by honing our institutional investment capabilities.

CIC's asset allocation system was enhanced to achieve more robust management of the total portfolio. We established an Asset Allocation and Investment Policy Committee and revised our investment decision-making system. In line with the "One CIC" philosophy, we reformed our Asset Allocation Department and renamed it as the Asset Allocation and Business Management Department, underscoring the fundamental importance and guiding role of asset allocation. Construction of the total portfolio was optimized to ensure balanced allocations to different asset classes, with sound benchmarks and funding mix. The total portfolio management framework was enhanced with new and revised policies on currency, rebalancing and liquidity management that enable more flexible and timely allocation adjustments.

Stronger investment capability boosted investment quality and returns. We pressed ahead with our 'precision management' approach to investing in public markets, with standardized processes for selecting, appointing and assessing external managers and a more optimal mix of external managers and sub-portfolios, and actively sought additional sources of excess return in our public market investments. In non-public markets, CIC continued to make prudent investments and build up its direct investment capacity while deep-diving into key industry sub-sectors to identify promising investment opportunities. In 2019, CIC's incremental non-public market commitments totaled USD 17.25 billion. We also prioritized effective post-investment management. By closely monitoring market trends, the company successfully exited projects that had already realized ideal returns and took robust action to dispose of distressed assets and safeguard our business interests.

CIC adopted innovative approaches to outbound investment with an ever-growing network of partners. We continued to strengthen our existing relationships and build new ones, proactively pursuing win-win opportunities for joint investments with mutually complementary partners. Based on in-depth analysis of opportunities in Belt and Road Initiative, CIC successfully connected portfolio companies with the China market, contributing to enhanced investment performance. The company also scaled up its investments in the new type of bilateral funds and started to see results in terms of driving post-investment value thanks to an improved management framework and operational processes. We worked proactively to build a vibrant cross-border investment ecosystem, and grew our network with the successful hosting of the annual meeting of CIC's International Advisory Council, the CIC Forum, and the China-Japan Industrial Cooperation Forum.

With principled innovation, we drove improvements in the management of state-owned financial capital in Central Huijin's holdings.

Central Huijin fulfilled its mandate as an activist shareholder by leveraging on corporate governance to make its holdings more competitive, so as to preserve and enhance the value of state-owned financial assets. Dispatched directors from Central Huijin played a crucial role in its holdings' corporate governance, with a strong focus on strategic implementation

and capital planning. They helped keep Central Huijin's holdings focused on their core business, drive governance and management innovations, optimize resource allocation, and empower growth with technology. With its expertise in the market-based and professional management of state-owned financial assets, Central Huijin engaged in the reorganization of Hengfeng Bank and piloted new models for bailing out distressed financial institutions on market terms. With enhanced institutional capacity for fulfilling its mandate as an investor and a robust system to support the performance of dispatched directors, the company achieved higher quality and effectiveness in its management of state-owned financial capital. As of the end of 2019, Central Huijin's 18 holdings maintained sound operations, with steady improvement in key performance indicators and further progress in their transition to a high-quality development model. Total assets of Central Huijin's 18 holdings reached RMB 134 trillion with net assets of RMB 11.8 trillion, up by 8.9% and 15.7% respectively year on year.

We stayed focused on the prevention and mitigation of major financial risks.

We closely studied and anticipated market dynamics, maintained vigilance over potential risks, and bolstered our risk control defense lines. In the overseas portfolio, CIC geared up overall risk management by formulating 36 thematic policy guidelines, optimizing its risk management system and framework, and holding key personnel strictly accountable for enforcing the "three lines of defense". Further enhancement of risk monitoring, evaluation and early warning measures kept portfolio-wide risk within prescribed tolerance. In the domestic equity management business, Central Huijin guided all its holdings to enhance risk management and preparedness and issued a set of 24 policy guidelines aimed at stepping up risk management in the securities and insurance holdings. With this strong push for ongoing improvement in their risk management systems, Central Huijin's holdings maintained healthy levels on all major regulatory indicators. In compliance with governing laws and regulations, CIC maintained a strict firewall between its overseas investment activities under CIC International and CIC Capital and its domestic equity management activities under Central Huijin.

We deepened reform to unlock vitality and stimulate

growth potential.

Guided by the principles of driving growth with reform and overcoming challenges with innovation, CIC initiated reforms to its overseas investment management system, made adjustments to rules and procedures for investment decision-making, and enhanced support functions including legal affairs and operations, thus raising its investment management capabilities to a new level. In accordance with new reform requirements for the management of state-owned financial capital, Central Huijin was reorganized to enable strengthened management by category and by function. In addition, CIC revamped its human resources management system to better support strategic implementation priorities. This involved making improvements to promotion rules for both professional and management positions, strengthening our management and professional teams, and refining our performance evaluation system and incentive and restraint mechanisms to achieve greater efficiency in the allocation of human capital.

In 2019, the company's overseas investments posted a net annual return of 17.41%. Our annualized cumulative 10-year net return reached 6.60%, beating our 10-year performance target by 92 basis points. As of the end of 2019, the aggregate state-owned financial capital under the management of Central Huijin reached CNY 4.78 trillion. CIC's total assets surpassed the milestone of USD 1 trillion, reaching USD 1,045.7 billion, with net assets of USD 946.9 billion.

The year 2020 has proven to be an eventful one. The sudden outbreak of the COVID-19 pandemic has brought massive disruption to the world economy and sent shock waves across global financial markets. Thanks to unprecedented countermeasures adopted by authorities in different countries, major stock markets have quickly rebounded. However, the ongoing disconnect between the real economy and financial markets, intensified regulation of cross-border investments, and headwinds to globalization pose challenges never before seen by cross-border investors.

As a Chinese poem goes, ***"In a wind-torn valley, a pine tree may bend. But when the storm has passed, it will stand proud and thrive."*** CIC remains consistent in its strategic focus, pursuing steady growth across our businesses with a balanced approach to pandemic response and business

development. In our overseas investment business, we quickly activated an emergency management mode for dealing with extreme market scenarios. This included an 'Information Superhighway' mechanism to step up communication with and information flows from international institutions. We are closely tracking and analyzing the status of our total portfolio and investments in different asset classes, and have timely lowered our total portfolio risk target. By proactively seizing investment opportunities arising from market misalignments, growing our exposure to the digital economy theme and to credit assets, and taking a carefully-calibrated approach to managing our investments in non-public markets, CIC achieved better-than-benchmark performance in the first half of 2020. As a platform for investing in and managing state-owned financial assets, Central Huijin is also helping its holdings adapt to the evolving landscape, be vigilant for opportunities emerging during the crisis, conduct forward-looking assessment of the impacts of the pandemic, keep an eye on new trends and opportunities that will emerge after the pandemic, and accelerate their transformation toward innovation-driven development empowered by technology. Comprehensive risk management remains a top priority. Portfolio monitoring has been stepped up in terms of both intensity and frequency. Robust risk monitoring and screening together with strong controls over operational, reputation, legal and liquidity risks constitute a strong line of defense against major risk events.

We advocate solidarity and cooperation, endorse the vision of a community of shared future for humankind, and live up to our corporate social responsibility. While ensuring the health and safety of our employees, CIC has delivered on its responsibility to society in combating the novel coronavirus. Domestically, CIC rushed to aid hard-hit regions by mobilizing a wide range of financial sector resources to provide support for the real economy and societal needs. We continue to carry out precision-targeted poverty reduction programmes, utilizing innovative approaches to tackle poverty that integrate support for local industries, procurement of local produce, and education initiatives. Internationally, CIC has been a strong advocate for a concerted global pandemic response. We are grateful to our international friends for extending a helping hand during this trying time, and have done our utmost to speed medical supplies and personal protective equipment to our partners. We have also invited Chinese medical experts to

share experience in fighting the pandemic. We believe that exchange and mutual support can deepen friendships, promote collaboration and contribute to a concerted joint response to the crisis.

Faced with a once-in-a-century worldwide pandemic and global economic recession, the world needs solidarity and coordination, joint commitment and selfless efforts more than ever. We are convinced that only by rallying together and supporting one another can we defeat the virus, restore stability in the global economy, and lay a solid foundation for robust, sustainable, balanced and inclusive growth. CIC will continue to operate on an international, market-driven, and professional basis, fully leverage on its resources and strengths as China's sovereign wealth fund, and deepen cooperation with its partners for common progress. Faced with the most severe macro conditions and market volatility since its inception, CIC will bring to bear yet greater determination, courage and commitment in elevating its operations and management to the next level. This next chapter in the company's reform and development will further enhance its standing as a respected large-scale international institutional investor dedicated to prudent, professional and responsible investment.



A handwritten signature in black ink, consisting of stylized Chinese characters.

Peng Chun
Chairman & CEO



CORPORATE REVIEW

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 on September 29, 2007, under the Company Law of China, with a registered capital of \$200 billion raised with the proceeds of the government bond issued by the Ministry of Finance in the amount of CNY 1,550 billion. By the end of 2019, the total assets of CIC had reached \$1,045.7 billion.

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

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

CIC International was established in September 2011 and CIC Capital was incorporated in January 2015. The overseas investment and management activities of CIC are undertaken by CIC International and CIC Capital with an information barrier between the two.

CIC International conducts public equity and bond investments, hedge fund, multi-asset and real estate investments, pan-industry private equity (including private credit) fund investments, co-investments, and minority investments as a financial investor.

CIC Capital is mandated to make direct investments and manage bilateral, multilateral and platform funds. CIC International and CIC Capital adhere to operating on an international, market-driven and professional basis.

CIC International (Hong Kong) Co., Limited. (CIC International (Hong Kong)) was established in November 2010. In December 2015, CIC Representative Office in New York was established.

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

Compliant operational firewalls exist between the overseas investments conducted by CIC International and CIC Capital and the domestic equity management undertaken by Central Huijin.

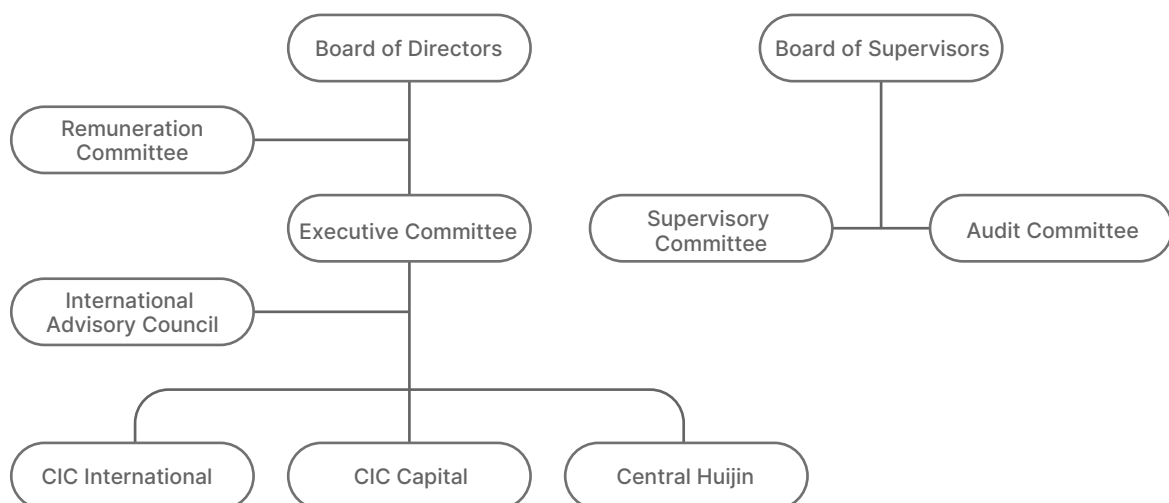
Corporate Governance

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

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

CIC has continually refined its management practices for greater efficiency. In 2019, 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 a comprehensive risk management system was launched. With these reforms, CIC has developed into a relatively mature and diversified investment platform.

Organizational Structure



Board of Directors

The Board of Directors discharges its responsibilities as specified by China's Company Law, including:

- Mapping out the company's development strategies, operational guidelines, and investment plans.
- Preparing the annual budget and final accounts.
- Providing coordination and guidance on resolving issues the company faces in its operation.
- Formulating risk management and internal control policies and overseeing their implementation.
- Appointing and removing senior executives.
- Deciding on or authorizing the establishment of internal management bodies.

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

In 2019, a new Board of Directors and Remuneration Committee were constituted, and membership in the Executive Committee was adjusted and enlarged. In line with the *China Investment Corporation Strategic Plan 2018-2022*, the Board of Directors adopted a carefully-crafted annual business plan and budget, issued guidance on the development of key businesses, and made further efforts to enhance the company's modern enterprise management capabilities, guiding CIC towards excellence in its international, market-driven, and professional development.

In June 2019, CIC's 4th Board of Directors was elected, with the following members:



Peng Chun / Chairman and Chief Executive Officer

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

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



Ju Weimin / Vice Chairman, President and Chief Investment Officer

Mr. Ju Weimin is Vice Chairman, President and Chief Investment Officer of CIC. Previously, he served as Executive Vice President of CIC. Prior to joining CIC, he was Vice President and Chief Financial Officer of CITIC Limited. He held several positions at CITIC, including Executive Director, Vice President and Chief Financial Officer of CITIC Group, 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 Deputy Director General and Director General of CITIC Finance Department. Besides, he was Chairman of China Trustee Association as well.

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



Shen Rujun / Executive Director and Executive Vice President

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

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



Ning Jizhe / Non-Executive Director

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

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



Zou Jiayi / Non-Executive Director

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

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



Ren Hongbin / Non-Executive Director

Mr. Ren Hongbin, Non-Executive Director of CIC, is Assistant Minister of Commerce. Previously, he held positions at Ministry of Commerce including 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.



Zhu Hexin / Non-Executive Director

Mr. Zhu Hexin has been Non-Executive Director of CIC since his tenure as Vice Governor of People's Bank of China. He now serves as Chairman of CITIC Group Corporation, CITIC Limited and CITIC Corporation Limited. Previously, he served as Vice Governor of People's Bank of China, Vice Governor of Sichuan Province, Executive Director and Vice President of Bank of China, and Vice President of Bank of Communications.

Mr. Zhu, born in 1968, holds a bachelor's degree in engineering from Shanghai University of Finance and Economics and is accorded Senior Economist.



Lu Lei / Non-Executive Director

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

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



Li Jiange / Independent Director

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

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



Fan Yong / Employee Director

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

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

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 to ensure the effectiveness of CIC's supervisory procedures. It is also responsible for conducting internal audits and monitoring the company's accounting and finance. The Supervisory Committee and the Audit Committee report to the Board of Supervisors.

Throughout 2019, 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. Adopting innovative supervisory methods and approaches, the Board of Supervisors conducted on-site inspection of major investment projects overseas and examined internal controls. To ensure the veracity of financial data, targeted inspections were carried out on the processes for the preparation of financial reports and on the quality and integrity of data. Another priority was to provide stronger guidance to the Boards of Supervisors of Central Huijin's holdings.

In June 2019, the 4th Board of Supervisors was elected, with the following members:



Hu Hao / Chairman of Board of Supervisors

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

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



Yuan Ye / Supervisor

Mr. Yuan Ye has been Supervisor of CIC since his tenure as Deputy Auditor General of the National Audit Office of China (NAOC). He now serves as Vice Chairman of the State-owned Assets Supervision and Administration Commission of the State Council. Previously, he served as Deputy Auditor General of the NAOC. Before this, he was Deputy Mayor of Hangzhou Municipality in Zhejiang Province. Prior to that, he held several positions at the NAOC, including Deputy Director General and then Director General of the Department of Financial System Audit, Director General of Guangzhou Office, and Director General of the Department of Public Finance Audit.

Mr. Yuan, born in 1965, holds a Ph.D. in economics from Southwestern University of Finance and Economics.



Wang Zhaoxing / Supervisor

Mr. Wang Zhaoxing, Supervisor of CIC, is Counselor of the State Council. Previously, he served as Vice Chairman of the China Banking and Insurance Regulatory Commission. He also held several positions at the China Banking Regulatory Commission, including Vice Chairman, Assistant Chairman and Director General of Banking Supervision Department III. Prior to that, he served as Head of China Banking Supervision Group (Director General level) and Deputy Director General of Bank Supervision Department I of the People's Bank of China.

Mr. Wang, born in 1959, holds a Ph.D. in economics from Shaanxi University of Finance and Economics.



Yan Qingmin / Supervisor

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

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



Cui Guangqing / Employee Supervisor

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

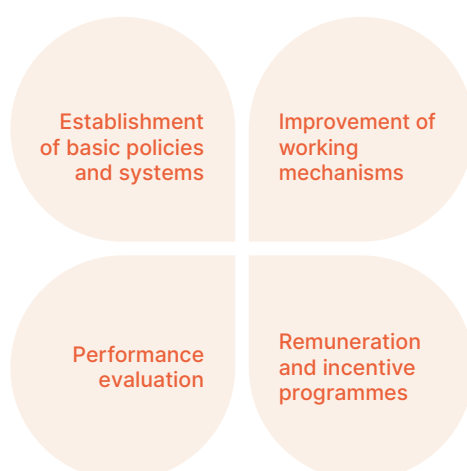
Mr. Cui, born in 1964, holds a Ph.D. in economics from Xi'an Jiaotong University.

Former Supervisor (leaving office from July 2019 to June 2020)

Yang Guozhong (Chairman of the Board of Supervisors from June 2018 to December 2019)

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.



In 2019, the Executive Committee diligently implemented CIC's strategic plan, implemented reforms in the company's asset allocation and investment management systems, and continued to develop new modalities for outbound investment. By improving the company's organizational structure, strengthening risk controls, enhancing internal management, and overhauling human resources systems and processes, the Executive Committee raised management effectiveness to a new level.

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



Peng Chun
Chairman and
Chief Executive Officer



Ju Weimin
Vice Chairman, President,
and Chief Investment Officer



Hu Hao
Chairman of the Board
of Supervisors



Shen Rujun
Executive Director and
Executive Vice President



Guo Xiangjun
Executive Vice President and
Deputy Chief Investment Officer



Qi Bin
Executive Vice President and
Deputy Chief Investment Officer



Pan Yuehan
Chief Inspector



Zhao Haiying
Executive Vice President and
Chief Strategy Officer



Liu Haoling
Member of the Executive
Committee



Cai Zhiwei
Member of the Executive
Committee



Bao Jianmin
Member of the Executive
Committee

Former Members (leaving office from July 2019 to June 2020):

Yang Guozhong (Chairman of the Board of Supervisors from June 2018 to December 2019)

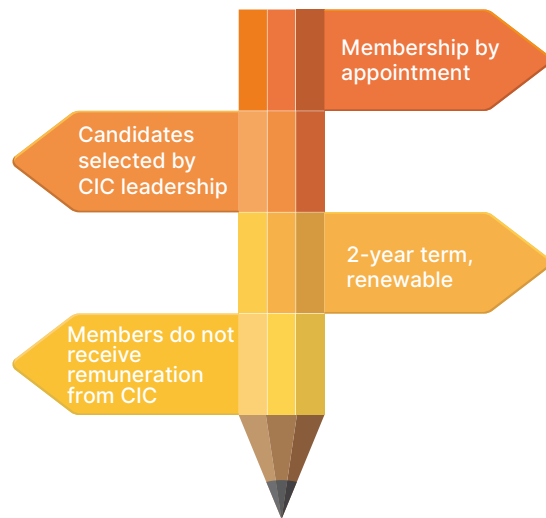
Liu Jun (Executive Vice President from November 2016 to June 2020)

International Advisory Council

The CIC International Advisory Council (IAC) was established in July 2009 as an internal advisory body. Pursuant to its charter, the IAC has a mandate to advise the company 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.

The annual meeting of IAC is chaired by CIC's Chairman and CEO. IAC Secretariat within CIC is responsible for coordinating engagement with IAC members in a variety of formats, including publishing quarterly newsletters, arranging mutual visits, sharing research findings, handling ongoing communication and organizing IAC's annual meetings.

At the core of IAC are its individual members. All members are internationally influential professionals of the highest caliber, with distinguished backgrounds in governance, business and academia. The composition of IAC is periodically updated in line with the company's development and strategic priorities. Since its founding more than a decade ago, the IAC has become a benchmark of internal advisory service in the industry. IAC members make valuable inputs by sharing international best practices, contributing insight on the global economy and major events, and offering advice on CIC's development. IAC members also help introduce China's sovereign wealth fund to the world at various fora, contributing to CIC's positive image internationally.



In 2019, Mr. Gerhard Schröder, the former Chancellor of Germany; Lord James Sassoon, President of the China-Britain Business Council and former Commercial Secretary to the Treasury of the United Kingdom; and Andrónico Luksic, Chairman of Luksic Group joined the IAC, making its membership more diverse and representative.

The 11th IAC annual meeting was held in September 2019 in Shanghai, with the three major themes of macro landscapes, risks and opportunities, and improving institutional investment capabilities. Views were exchanged on the topics of General Trends amid Major Changes; Challenges and Opportunities in the General Trends; and Strengthening Institutional Investment Capacity and Seeking Development Potential. At the meeting, IAC members observed that a peaceful and open world requires reasonable international rules and sound institutions. Multilateralism and international cooperation are the only correct path. Countries should find ways to share the benefits of globalization in a balanced way. Efforts should be made to promote education, science and innovation, and to protect an enabling ecological environment.

Noting that cross-border investment is being disrupted by geopolitical issues and trade frictions, IAC members advised cautious assessment of locality-specific risks; adherence to a commercially-driven investment approach; building a strong reputation as a market-driven and responsible investor; and ongoing enhancement of overall cross-border investment capabilities with an expanded network of partners.

IAC members further counselled that Chinese enterprises engaging in cross-border investment should capitalize on their unique advantages—access to a large market and deep capital pools—and engage in win-win cooperation with their partners on an equal footing.

Finally, the members of IAC expressed their admiration for Shanghai, a modern international metropolis teeming with vitality, opportunity and talent, and the exciting progress the city has made in establishing itself as an international financial center. IAC members stand ready to help facilitate further engagement in their respective areas of focus.

On the sidelines of the meeting, the secretariat organized visits by IAC members to leading hi-tech companies in Shanghai, showcasing to them China's momentum in the technology and innovative sectors.

To reduce the meeting's environmental footprint and enhance efficiency, a "paperless IAC" model was piloted at the meeting.



Box 1: Friendship in a Challenging Time

The COVID-19 pandemic that broke out in early 2020 poses a severe threat to global public health and has triggered widespread concern around the world. CIC and its IAC members have rallied together to tackle this formidable challenge.

When China was first hit by the initial wave of the outbreak, CIC reached out to IAC members with an update on measures being taken by the government and the company, and to reassure them that CIC's management would remain unaffected and the company would continue to operate in a stable and orderly fashion. IAC members commended the government's efforts and expressed their support for the company's initiatives and their best wishes for the early containment of the virus.

As COVID-19 further escalated into a global crisis, Chairman Peng Chun wrote personally to IAC members on behalf of CIC. The Chairman related

that the Chinese government was actively engaging in international cooperation and was rendering support to other countries and to the relevant international organizations. IAC members expressed appreciation for the international assistance furnished by the Chinese government and civil society, and applauded how CIC was reaching out to its partners in solidarity and providing generous humanitarian assistance during this trying time.

Partnership makes good times better and hard times easier. Throughout the current pandemic, CIC and its IAC members have remained committed to close communication and mutual care and support. This underscores our shared belief in a community of shared future for humanity, and our conviction that only by working together and supporting one another can the global pandemic be defeated.



Human Resources

Human talent is our most valuable asset, and the source of our core competitiveness as a company. CIC is committed to best practices in cultivating and incentivizing talent, to fair, merit-based competitions, and to offering wide-ranging and attractive opportunities for career development across our businesses. The company continues to innovate and refine its systems for recruiting, training, managing, incentivizing and retaining talent, so as to ensure the level of excellence in our management team, professional staff, and junior employees required by a first-class sovereign wealth fund.

A Talent Magnet

CIC is committed to a talent-driven growth strategy. Over the course of more than a decade, we have developed open, proactive and systematic programmes for hiring talent at different levels and through various channels. Sourcing from both markets and campuses, we continue to garner high-caliber, dedicated professionals, and to build a first-class team that is characterized by excellence, effectiveness, and low turnover.

CIC is a respected employer for its merit culture, strong belief in people's value, openness to diversity and enabling environment. We identify, employ and retain talents with skillsets that are accretive to our business objectives and institutional capabilities. In-house training and development are stressed to

pass on CIC culture and nurture synergy. We recruit overseas talents through our offshore offices, seeking to amplify CIC's competitive strength with their international perspective. To ensure an adequate supply of talents, CIC has set up a leadership group for the recruitment of mid- and high-level international investment professionals and an international database of candidates in different categories and at different levels.

As of June 2020, CIC's total headcount stood at 689, including 204 on our global investments team. Within our global investments team, over 80% of our staff have overseas education and/or professional experience.

A Talent Incubator

Talent development remains a strategic priority for CIC. The company constantly invests in innovating and enhancing its human resources management system, with the objective of achieving synergy through a balance of professional competencies and managerial expertise. To this end, we continue to perfect our selection and promotion mechanisms, foster a proactive entrepreneurial environment, and build exceptional teams with well-balanced skillsets and outstanding competence.

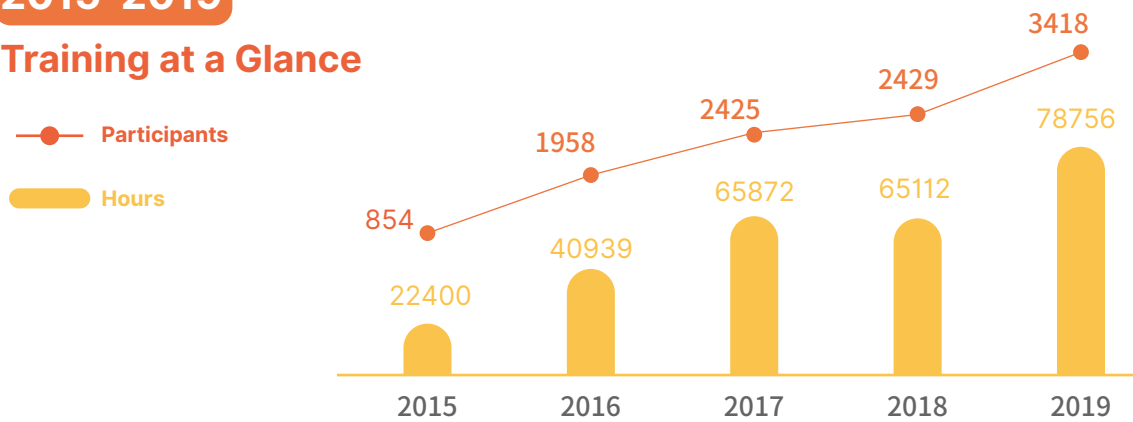
The company's training and education systems continue to be strengthened and refined to meet the requirements of institutional reform and capacity

development. Training content includes corporate culture, professional competencies, management and leadership, and foundational skills, and is delivered through lectures, online courses, interactive workshops, exchanges and study programmes. External training partners include Chinese and foreign universities, professional organizations and industry associations. In-house trainers and proprietary curricula support the generation and sharing of internal knowledge and experience.

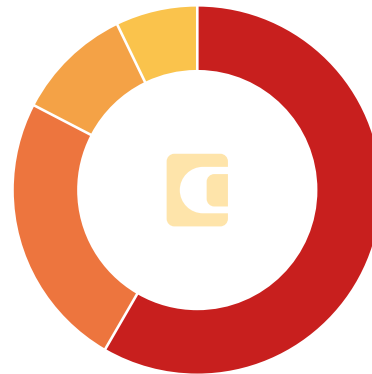
In 2019, CIC organized 31 training programmes, delivering a total of 78,756 hours of instruction to 3,418 participants.

2015-2019

Training at a Glance



Training Attendance (by content)



CIC's Talent Strategy

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

The company's performance-based and incentive-compatible remuneration policy rewards strong performance and penalizes underperformance. Alignment between individual and corporate goals is promoted through incentive mechanisms that balance the short and long term and include tangible and intangible benefits. Teams are effectively motivated

with a flexible distribution policy. CIC champions a healthy work concept and has built a multi-tiered reward management system imbued with a culture of caring.

Human talent is the impetus of CIC's sustained development. With its vision of being a world-leading sovereign wealth fund, CIC will stay true to its talent-centered philosophy and will continue to explore yet more robust and effective models in human resources management, empowering its people to jointly shape the future.

In 2019, CIC made important reforms to its talent management systems with programmes for incentivizing young employees, for internal referrals, and for external recruitment, further unleashing the vitality of our existing talent pool and accelerating its expansion.

Global Outreach

We actively engage in international exchanges and cooperation as an important part of our efforts to build our brand, showcase our corporate profile, and create opportunities for our development.

In terms of our corporate identity, as China's sovereign wealth fund, CIC has since its founding positioned itself as a long-term financial investor. As such, CIC mainly makes financial and cooperative investments. From our inception, we have engaged proactively with foreign governments, business partners and peers, making diversified outbound investments that have generated strong results.

It is clear, from our own experience and that of our peers, that in order to build institutional investment capacity, it is imperative to expand our network of external partners and managers. This network supplements our own human capital, skill set and incentive programmes, and greatly facilitates investments. CIC is currently working with major investment institutions around the world, and sees these partners as a valuable resource. CIC's executives and employees also frequently visit major economies and investment destinations to gain an in-depth understanding of investees, the local environment and investment policies, and hunt for new investment opportunities. CIC also receives a large number of international visits. These visits and exchanges have laid the foundation for win-win cooperation between CIC and its partners.

In the international investment environment, we note growing geopolitical risks, an ongoing slowdown in international trade and cross-border investment, greater complexity, and heightened regulatory scrutiny over foreign investment activities. CIC is committed to mutual benefit and win-win cooperation. We stand ready to work with international partners, and in particular with

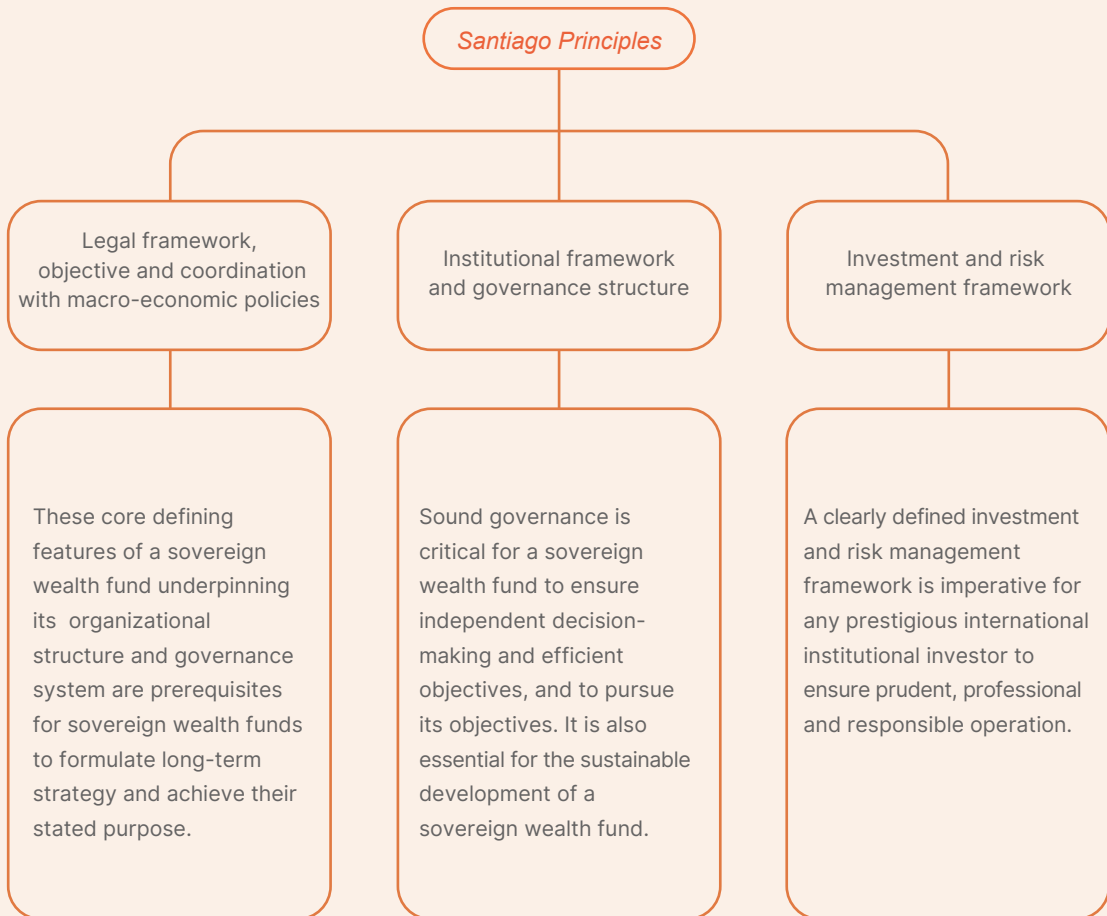
government and commercial institutions in recipient countries, to deepen understanding of the relevant sectors and regions, build mutual trust, and jointly realize the potential of our investments.

In line with this philosophy, CIC continues to expand its global network of high-caliber partners, including government agencies, regulators, peers, industry experts and the media. We also maintain close contact and frequently exchange visits with foreign political leaders, officials of international institutions, executives of commercial partners, representatives of peer institutions, and scholars from research institutions. As a responsible institutional investor and valued partner in the international market, CIC embraces a prudent and professional approach and has earned recognition as a sovereign wealth fund that operates on an international, market-driven and professional basis.

As a founding member and board member of the International Forum of Sovereign Wealth Funds (IFSWF), CIC has diligently implemented the *Santiago Principles* for the governance of sovereign wealth funds and has contributed to the development of the forum and broader adoption of the Principles globally. For over a decade, the company has shown leadership at IFSWF board meetings, annual meetings and seminars by actively sharing proposals and perspectives, presenting a positive image of China and our company, and contributing to substantial progress in deepening friendships and common understanding.

According to an IFSWF report, as of early 2020 all 34 member institutions had completed self-assessments against the 24 principles and practices under the *Santiago Principles*, marking an important milestone in the forum's development.

It's our solemn commitment to the international community that we will voluntarily respect and abide by the *Santiago Principles*.



With its strong presence at the forefront of international financial markets, CIC participates in many important bilateral and multilateral dialogues and events, contributing international, market-driven, and professional perspectives. Through open and effective communication, we make known CIC's mission as a financial investor, advocate for the free, open and orderly international flow of capital and investments, and champion an open, fair, and nondiscriminatory international investment environment and the protection of investors' legitimate rights and interests. CIC also regularly carries out exchanges and collaboration with authoritative organizations in the field of green development and with peers who are actively investing in this area, with a view to engaging in joint research on how sovereign wealth funds can champion green development.



In order to maintain transparency around the investment business of China's sovereign wealth fund and win understanding and recognition from the international community, CIC makes proactive and timely disclosures on its corporate governance, investment strategy and philosophy, key investment projects, changes within the executive leadership team, investment performance and other key aspects of its business via a variety of channels including its corporate website, annual report, spokesperson, media reports, and its official WeChat account. CIC's disclosure practices are widely applauded by its partners and by the international community.

Corporate Social Responsibility

As a responsible institutional investor, CIC actively practices corporate social responsibility.

The COVID-19 pandemic that broke out in early 2020 is an unforeseen catastrophe that is impacting societies all around the world. In response to this global crisis, CIC has fulfilled its duty as China's sovereign wealth fund and acted on its belief in a community of shared future for humanity. Leveraging on its domestic and international networks and its access to resources within the financial sector, the company has lent support at home and abroad with donations of cash and medical supplies and by providing insurance coverage. By acting as a bridge for communication and through the provision of much-needed aid during this trying time, CIC has stood in solidarity with its friends and partners, in a spirit of friendship, mutual support and win-win cooperation.

It is our conviction that socially responsible enterprises create value for themselves while contributing to society, whether it be by helping to lift people out of poverty, promoting sustainable development, or joining hands in the global campaign to combat the current public health crisis. Strong, healthy communities and decent livelihoods are the basis of economic prosperity. As a sovereign wealth fund that cares, CIC delivers on its promise to help build a better world by contributing to stronger communities, education, environment and public health.

Targeted Poverty Reduction to Benefit Local Communities

In 2019, CIC scaled up its poverty reduction programmes with increased financial inputs, further design innovations, and stronger implementation support. In the course of the year, the four counties that CIC supports under a paired-assistance arrangement—Jingning and Huining Counties in Gansu Province, Xunhua County in Qinghai Province, and Shibing County in Guizhou Province—received total donations from CIC amounting to CNY 251 million. CIC further helped these counties by facilitating agricultural produce sales of CNY 2.68 million, poverty reduction grants worth CNY 10.99 million, and business investments and bank loans worth CNY 118 million, marking the first-ever private investments into these counties.

At the same time, CIC continued to leverage on financial innovation to empower local industries and address development bottlenecks. For example, we helped local enterprises to improve their corporate governance and reform their ownership structure, with a view to IPO. We helped launch e-commerce platforms, provided training and counseling to grassroots leaders spearheading local poverty reduction efforts, and improved management of our employees who serve on secondment as local officials. By mobilizing top-down strategies and bottom-up efforts, we sought to generate enduring outcomes and build sustained development capacity in these counties for the post-poverty era. As a result, all four counties flagged for CIC assistance in three

provinces have been officially taken off the country's poverty list. This milestone marks a decisive victory for CIC's poverty reduction programmes, which have brought about significant positive impacts in the beneficiary counties in terms of economic development and human wellbeing.

In response to the COVID-19 outbreak in 2020, CIC further drew on its financial expertise and resources to help mitigate the impact on these partner counties. Five key measures were rolled out: comprehensive insurance coverage to prevent relapse into poverty; a "futures+insurance" programme; direct procurement from impacted localities; support to local industries; and a job creation programme. These measures have proven effective in minimizing the impact of the pandemic on the poverty reduction gains made in the four counties, and have yielded positive results in helping these counties overcome difficulties in pandemic prevention and control as well as in poverty reduction.

In 2020, CIC continues to devote maximum efforts to fulfilling its paired-assistance responsibilities, with unfaltering commitment to implementation and a stable suite of policies and initiatives. Going forward, we will seek to integrate our paired-assistance measures with a broader rural revitalization strategy, and help our four partner counties put in place durable mechanisms to address relative poverty.

Box 2: Enlightening the Younger Generation to Tackle Poverty

Education is not only a critical component of poverty eradication, but also an important foundation for social harmony and stability. One part of a lasting solution to prevent relapse into poverty is to help children in poor, mountainous areas break free of the poverty mindset and to narrow the urban-rural education gap.

This recognition motivated CIC to co-sponsor a Little Water Drop and Golden Sunshine Charity Study Tour Programme in 2019, in partnership with China Youth Travel Service. The programme brought to Beijing 48 students and teachers from Jingning and Huining Counties in Gansu, Xunhua County in Qinghai and Shibing County in Guizhou. In the capital, CIC employees served as volunteer guides, taking them to places

of historic and cultural significance as well as the Museum of Science & Technology and the campuses of prestigious universities. In addition, CIC volunteers organized of their own accord a study tour for students and teachers from a boarding school for children from the herdsmen community in Jimunai County, Xinjiang. They were hosted in Beijing by local students and took part in cultural and social activities.

Through these kinds of immersive experiences, we hope to open a door to a whole new world for children from poor, mountainous areas and remote border regions, with a heart-warming educational experience that leaves memories of love and care and sows the seed of hope.

Advocating Green Development

As a responsible institutional investor, CIC is committed to green development. Our long-term risk-return objective seeks a balance between financial returns and sustainable development. Furthermore, the company firmly believes that all long-term investors will benefit from greater operational stability, transparency and efficiency across markets as a whole. We maintain regular communication with international organizations

that advocate green development and responsible investment and with like-minded peer institutions, and are actively engaged in research and exploration around this theme. This investment approach can promote sustainable development and contribute to the vision of a community of shared future for humanity with strong, healthy societies and ecosystems.

Landmarks

2008

January

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

September

CIC launched its official website.

October

The Chinese government endorsed the *Santiago Principles*.

2010

November

CIC International (Hong Kong) was incorporated.

2012

July

CIC launched the *CIC Culture Consensus*.

2007

September

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

2009

July

CIC inaugurated the International Advisory Council.

CIC released its first annual report.

2011

January

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

CIC established the Representative Office in Toronto.

May

CIC hosted the 3rd annual meeting of the International Forum of Sovereign Wealth Funds.

September

CIC International was established.

2013

July

Mr. Ding Xuedong took office as Chairman and CEO.



2015

January

CIC Capital was established.

November

Central Huijin Asset Management Ltd. was incorporated.

December

The Representative Office in New York was established.

2017

December

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

2019

April

Mr. Peng Chun took office as Chairman and CEO.

2014

January

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

2016

January

CIC adopted the Reference Portfolio framework for asset allocation.

2018

December

The State Council approved the *China Investment Corporation Strategic Plan 2018-2022*.

2020

February

CIC set up the Asset Allocation and Investment Policy Committee.

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





OVERSEAS INVESTMENT AND MANAGEMENT

Investment Strategy and Management

Investment Principles and Philosophies

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

Four principles underlie CIC's investment activities:

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

CIC follows a set of investment philosophies based on its own characteristics and understanding of investment management:

- 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.
- As a long-term investor, CIC is well positioned to withstand short-term market volatilities and capture illiquidity premiums.
- CIC continues to pursue risk diversification by spreading risk factor allocation in a bid to reduce portfolio volatility and curb downside risks.

Investment Performance

The net annual return of CIC's overseas portfolio in 2019 **17.41%**

CIC's annualized cumulative 10-year net return **6.60%**

CIC's annualized cumulative net return since its inception **6.13%**

CIC is a long-term institutional investor. As such, its investment horizon was extended to 10 years by decision of the Board of Directors in 2011, applying annualized rolling returns as a key performance indicator.

In 2019, CIC's overseas portfolio posted a net annual return of 17.41%. As of December 31, 2019, CIC realized an annualized cumulative 10-year net return of 6.60% and an annualized cumulative net return of 6.13% since its inception.

(All the above figures are calculated on a USD value basis).

Investment Decision-making

CIC maintains a methodical, disciplined, and effective decision-making framework for overseas investment and investment management. Decision-makers at different levels have clear divisions of responsibility with coherent interlinkages. Investment decisions are made with due consideration to both efficiency and compliance. This approach lays the foundation for methodical, disciplined and effective investment.

In early 2020, CIC set up an Asset Allocation and Investment Policy Committee to oversee the allocation of our entire overseas portfolio, and better ensure that asset allocation objectives are being implemented across our portfolio and driving investments in line with our strategy.

At present, investment decisions at different levels and for different asset classes are implemented by four committees:

- the Asset Allocation and Investment Policy Committee
- the Investment Committee of CIC International Co., Ltd. ("CIC International IC")
- the Investment and Management Committee of CIC Capital Corporation ("CIC Capital IMC")
- the Dynamic Asset Allocation Committee

In order to further enhance the efficiency and quality of decision-making and make explicit the division of authority and accountability in relation to project management, CIC has issued detailed guidelines on the delegation of investment decision authority.

The CIC International IC, CIC Capital IMC, and the Dynamic Asset Allocation Committee each formulate their own investment strategies, policies, and performance and risk targets pursuant to guidelines set by the Board of Directors, the Executive Committee, and the Asset Allocation and Investment Policy Committee, and devise or revise their investment management systems and procedures accordingly. These committees convene regularly (and on an ad hoc basis when necessary) to review investment proposals and take independent investment decisions, which are implemented by their executives and investment teams and supported by the middle and back offices.

Investment Departments

▶ **The Department of Asset Allocation and Business Management** is responsible for coordinating CIC's overseas investment; researching and formulating investment strategies and policies; managing total portfolio allocation and construction; developing investment guidelines for asset classes and strategies; measuring investment performance; managing dynamic and tactical asset allocation; etc.

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

The Department of Public Equity is responsible for self-managed and externally-managed investments in global public equity.

The Department of Fixed Income and Absolute Return is responsible for investing in fixed income, hedge funds, and multi-asset strategies.

The Department of Private Equity is responsible for making private equity investments in all industries other than resources, energy, agriculture, forestry, animal husbandry, fisheries, and infrastructure. It also makes investments in private credit.

The Department of Real Estate is responsible for constructing a direct investment portfolio in the global real estate sector; for appointing and managing private equity funds in this sector and making co-investments with them; and for making real estate investments in public markets.

▶ **Investment Department I** is responsible for direct and fund investments in infrastructure, resources and energy; managing related bilateral and multilateral funds; and making co-investments.

Investment Department II is responsible for directly investing and investing through funds in general sectors other than agriculture and those covered by Investment Department I; managing related bilateral and multilateral platform funds; and making co-investments.

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

▶ **CIC International (Hong Kong)** is responsible for the externally-managed global investment-grade corporate bond strategy portfolio; the Hong Kong equity strategy portfolio; the internally-managed Asian equity portfolio; a sub-strategy portfolio focused on special credit opportunities in Chinese enterprises; the US high-yield bond portfolio; and the internally-managed emerging market local currency sovereign debt portfolio.



Asset Allocation and Portfolio Construction

As a large, long-term institutional investor, CIC focuses on asset allocation based on four principles:

- Compliance with the long-term return objectives and risk tolerance approved by the Board of Directors;
- Alignment with CIC's characteristics and investment principles and philosophies;
- Based on academic research and the practices of other investment institutions;
- Continuous optimization and improvement through investment practice.

CIC adopts a sound asset allocation framework with the Reference Portfolio as the anchor, which also includes the Three-year Policy Portfolio, the Annual Policy Portfolio/Target Portfolio, and the Actual Portfolio. The Reference Portfolio framework has made CIC's asset allocation and total portfolio management more transparent and effective.

- Consists of public market equities and fixed-income assets to which exposure can be obtained via low-cost passive products.
- Serves as the anchor for the long-term neutral risk target of the total portfolio.
- Acts as the benchmark for medium- to long-term relative performance.

The Reference Portfolio

The Policy Portfolio

- The Three-year Policy Portfolio includes reasonable allocations to other asset classes and has a better risk-return profile than the Reference Portfolio.
- The Annual Policy Portfolio takes into account the progress of alternative investment and short-term market views.

- Seeks to generate excess return via active strategies.

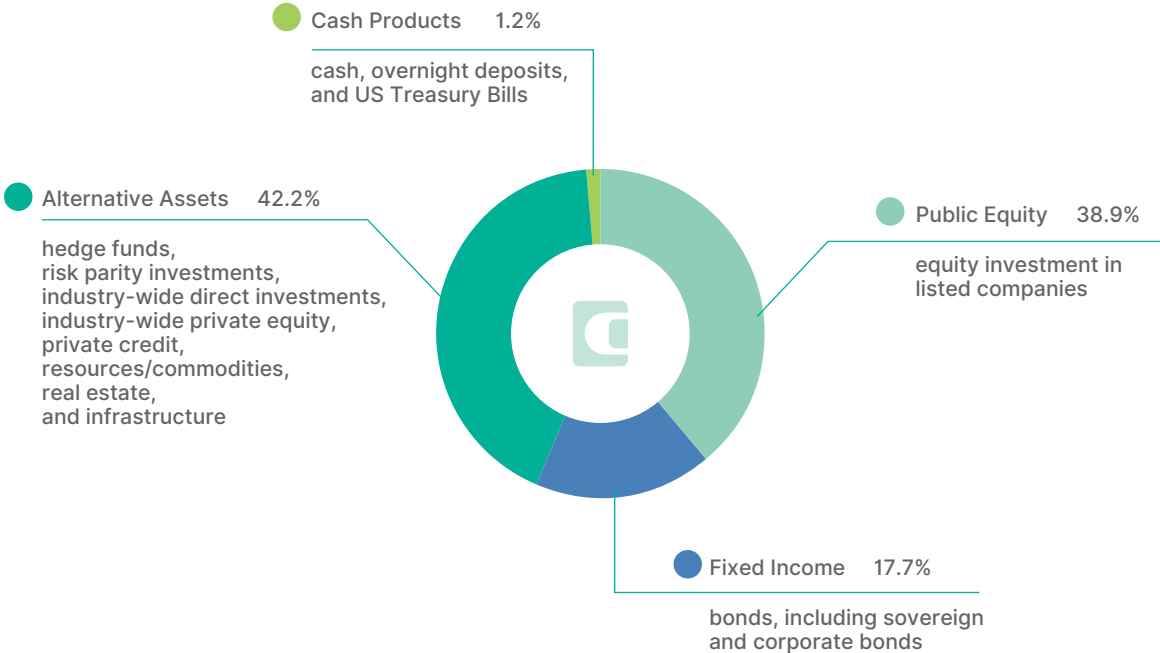
The Actual Portfolio

In 2019, CIC implemented an “allocation-driven investment and strategy-guided allocation” philosophy to enhance portfolio return and resilience. To that end, CIC first continued to focus on the construction of the total portfolio, ensuring reasonable allocations to different asset classes, setting benchmarks and funding mix, optimizing the active/passive allocation for both equity and bond strategies, and implementing enhanced analysis of allocation execution in non-public markets. Second, CIC improved the asset allocation framework. By making reference to the experience of international peers, a process for dynamic asset allocation was established, enabling more flexible and timely adjustments. Third, CIC steadily carried out portfolio adjustment and exposure management, with a focus on tracking and execution. Fourth, portfolio analysis and performance measurement were strengthened with the establishment of attribution analysis and performance evaluation systems. Accountability has been explicitly assigned to relevant personnel, paving the way for closed-loop management from allocation through execution. Fifth, CIC reviewed and made improvements to the total portfolio management system, and formulated or revised numerous policies relating to the management of currency, rebalancing and liquidity.

In order to emphasize the fundamental importance and guiding role of asset allocation, CIC set up an Asset Allocation and Business Management Department in early 2020.

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

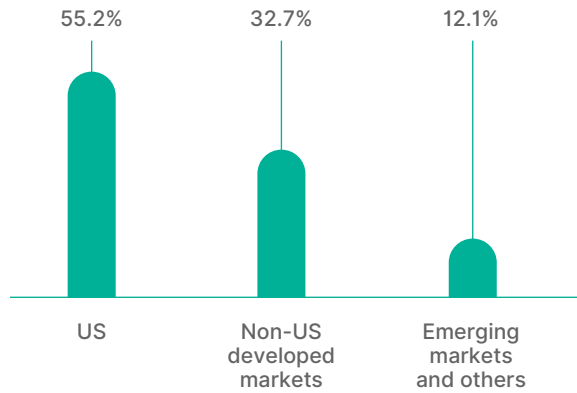
Global Investment Portfolio Distribution¹ (as of December 31, 2019)



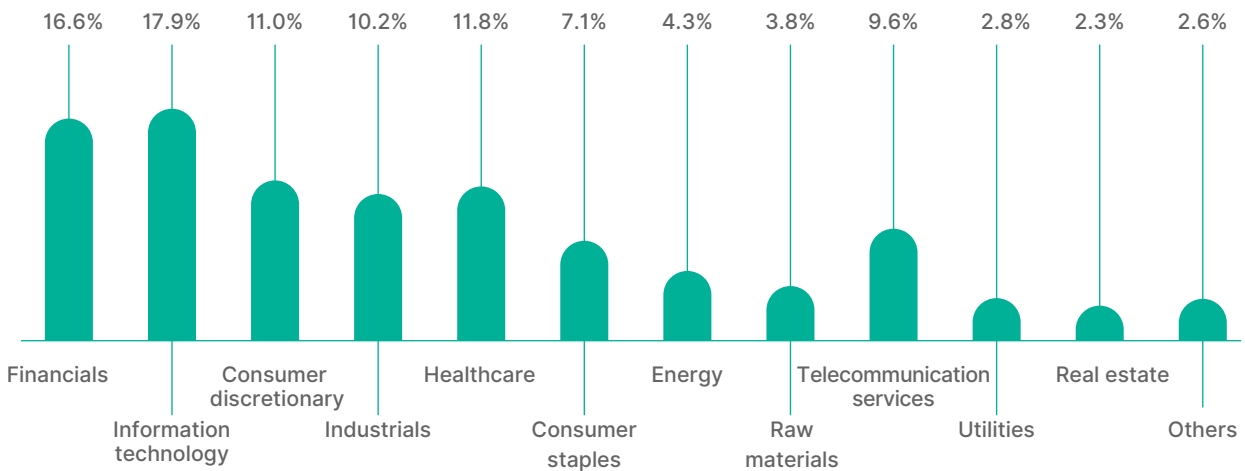
1. Excluding financing

Distribution of the Global Investment Portfolio: Public Equity (as of December 31, 2019)

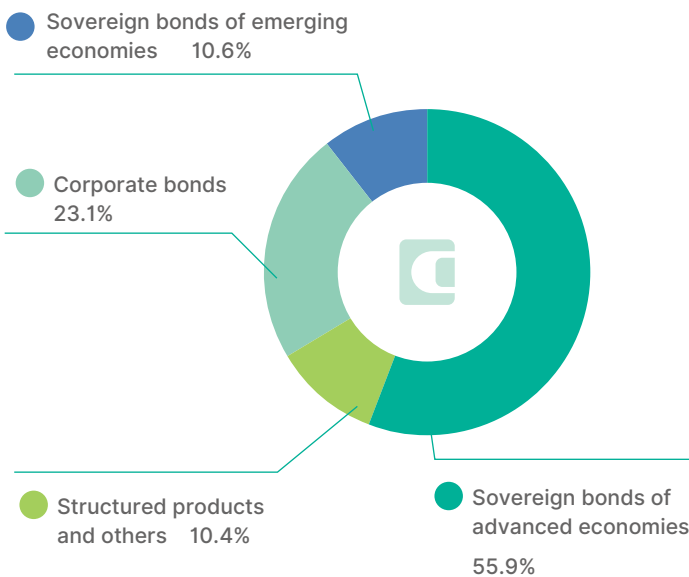
By Geography



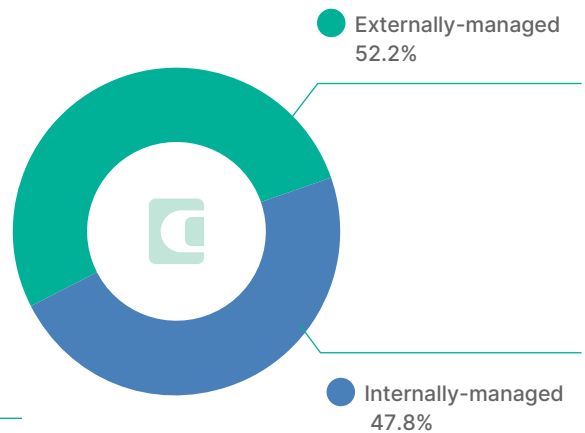
By Industry



Distribution of the Global Investment Portfolio: Fixed Income (as of December 31, 2019)



Internally-managed Assets versus Externally-managed Assets in the Global Investment Portfolio (as of December 31, 2019)

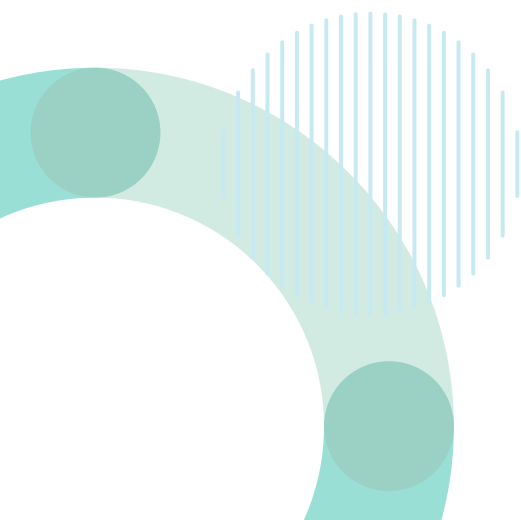


Investment Management Activities

Strengthening CIC's Institutional Investment Capability

In 2019, CIC overcame significant challenges and pressed ahead with making significant improvements in its institutional investment capability. The company continued to hone its ability to gauge and predict the evolution of complex market circumstances, while strengthening its asset allocation, business coordination and performance evaluation functions. In public markets, we implemented precision management over our investments with an emphasis on performance evaluation, optimized strategy composition, and improved investment efficiency. In non-public markets, we moved steadily ahead with investments and ensured that accountability for all non-public market investments was clearly assigned. In making these investments, we leveraged on our strong network of partners and our proximity to the China market to achieve high-quality implementation. Furthermore, we did a solid job in post-investment management. By strengthening our post-investment management system, implementing a variety of management mechanisms in different categories and at different levels, and strengthening supervision, oversight and process management, we became more effective in post-investment management.

CIC successfully achieved all main business targets set for the year and made significant progress in all aspects of investment management. As of December 31, 2019, the net return on our overseas investment portfolio was on par with the highest historic level, and the 10-year annualized rolling return exceeded the long-term target set by the Board of Directors.



Box 3. Upholding a Long-term Investment Philosophy and Responding Actively to Market Fluctuations

The global COVID-19 pandemic of 2020 not only threatens public health but has also overshadowed the global economy, sending shockwaves across stock markets, oil prices and money markets. It has dealt a double blow to the global economy, which was already in a down cycle.

As a long-term institutional investor, CIC promptly took action to minimize the impact of the ensuing market turmoil. At the total portfolio level, CIC enhanced liquidity management and dynamically adjusted allocations. To this end, CIC first analyzed total portfolio liquidity in terms of supply and demand, ran stress tests on worst-case scenarios, and secured additional sources of liquidity to ensure adequate supply. Second, CIC moved quickly to optimize the risk level of the total portfolio and its rebalancing mechanism.

Third, CIC developed contingency plans for dynamic allocation adjustment to ensure total portfolio resilience. In its public market investments, CIC has closely monitored market dynamics and portfolio performance to optimize strategy construction. In its non-public market investments, CIC has reviewed all existing investments, moved ahead prudently with new investments, closely tracked key industries and projects in terms of performance and liquidity, and put in place contingency plans for extreme scenarios. We have also kept our eyes open for investment opportunities with good long-term prospects that are emerging in the wake of the pandemic, while adapting to heightened volatility and seizing opportunities amid the turmoil to contribute to the recovery and development of the global real economy.

Public market investments: CIC seized market opportunities, optimized portfolio strategy and structure, and actively put into practice a more refined management system.

CIC monitored and analyzed each strategy, defined management rules for active and passive strategies implemented by internal and external managers, and enhanced the set-up and effectiveness of its public market investments. The company developed a "5P" framework to assess active investment managers in the public market against the criteria of platform, people, philosophy, process, and performance. Investment teams can add additional evaluation criteria on top of this base set in accordance with the specificities of their own investment strategy, as a means of building up institutional knowledge base. The application of this framework in a results-oriented approach has helped to optimize the mix of managers and sub-strategies, push down management fees, and diversify our sources of investment excess returns in public markets. CIC has also deepened its communication and information-sharing with external managers so as to benefit from increased knowledge transfer. Internally-managed strategies were also reviewed for their alignment with the company's overall investment strategy, differentiated competitive advantages, and economies of scale.

Public equities: In line with its long-term investment horizon, CIC International has constructed a top-down analytical framework and strengthened its overall risk controls. Optimization of investment distribution and strategy composition has facilitated the identification of new investment opportunities and helped deliver sustainable, replicable, and scalable results. Perceiving disparities in market efficiency across the world, the company has diverted investment away from high-competition, low-confidence markets toward high-confidence markets. Strategy construction has been reinforced as a result of intensive research on investment themes, improved sector- and factor-based investment management, and uniform analysis and management of portfolio style preferences. The company

strengthened portfolio analysis and evaluation, enhanced its analytical tools, and apprehended portfolio characteristics in different scenarios to achieve greater predictability of returns. Closer cooperation with external managers has enabled the more effective use of investment resources.

Fixed income and absolute return: CIC International conducted a comprehensive review of the performance of existing investment managers on a strategy-specific basis. The company also continued to build the capabilities of its own investment management teams and to strengthen active portfolio management, while also effectively managing its passive portfolios, thus supporting increased exposure efficiency and liquidity. Research on a public market opportunistic credit strategy was completed and managers appointed, opening up a new avenue for flexible investments in this asset class. The company also established a macro factor sub-strategy under the multi-asset risk allocation strategy and appointed managers. And work was advanced on incepting and selecting managers for an opportunistic sub-strategy under the hedge fund portfolio.

In-house capability building: The company strengthened the construction of internally-managed equity portfolios to supplement and seek synergy with external managers. The internally-managed bond strategy was expanded to cover global sovereign and quasi-sovereign bonds in an active portfolio, and inflation-linked bonds and treasury bonds issued by developed economies in a passive portfolio. The company engaged in the securities lending business and enhanced its collateral management practices. It also continued to deepen the complementarity and synergy between internal and external investment capabilities.

Non-public market investments: CIC optimized its investments in funds, boosted its co-investment capabilities, and proceeded to make judicious investments while ensuring quality.

CIC has established relationships with leading international partners in all fields and continues to deepen its partnerships with external managers, engaging with them in multi-level and multi-dimensional cooperation. We are working actively on expanding our co-investment and co-sponsorship deal flow and scaling up our co-investment and co-sponsorship activities.

Private equity and private credit: Our investment strategy is to optimize fund investment and expand co-investment. We have made steady progress in private equity and private credit fund investment, with steady growth in both fund commitments and net portfolio value in line with our alternative asset allocation strategy. We continued to optimize fund composition, re-upping high-quality funds and engaging new top managers, to make the fund portfolio more diverse and balanced. We also continued to build up our co-investment capabilities, and developed a hybrid co-investment model including self-managed co-investment and outsourced co-investment to external managers. Our co-investment programme continues to grow in size and deliver outstanding returns, with strong performance in pan-industry private equity and private credit.

Real estate: Real estate continues to protect against inflation, provide long-term stable cash flows, and exhibit low correlation with other asset classes. We have put in place an enhanced end-to-end process for investing in, managing, and exiting real estate projects. We closely tracked sub-sectors and high-quality assets for alignment with long-term market trends, ability to weather market cycles, potential for long-term stable returns and resistance to price falls. Accordingly, we made both direct and indirect investments, subscribing to new funds and re-upping existing fund managers on a highly selective basis. Our proactive approach to post-investment management contributed value growth across our diversified asset portfolio. We exercised strict investment discipline, made timely adjustments to our portfolio, and seized market windows to exit selected projects and locked in returns, thus contributing to stable yields and ensuring adequate liquidity for the total portfolio.

Box 4. Private Equity Fund Investment

CIC regards private equity funds as an important asset class. Private equity investments can generate not only equity Beta return but also Alpha return known as “illiquidity premiums” through managers’ value creation activities. Through to the end of 2019, our private equity fund investments and co-investments both consistently outperformed their benchmark, performing well as a return enhancer in our portfolio.

Strategy

LBO is the main strategy. We also invest in growth equity and VC funds to understand industrial evolution and support technical innovation.

Geography

With an external manager network spanning Europe, the Americas, and Asia, and a special focus on China, CIC offers capital support to the world economy and benefits from its growth.

Fund type

Mostly mid-cap and large-cap funds, striking a balance between investment return and capital deployment.

Since its inception in 2008, CIC has adopted an approach combining “top-down strategy design” and “bottom-up fund selection” to construct its private equity portfolio.

Scanning the international private equity sector;
Diving deeply into strategy composition, geographical distribution and industrial profiles;
Formulating private equity fund investment guidelines based on CIC's corporate profile.



Screening target regions to identify private equity funds pursuant to guidelines;
Investing in high-quality funds to construct the PE portfolio;
Adding new funds selectively to improve portfolio composition.

After over a decade of development, CIC's private equity portfolio has achieved a diversified and balanced allocation with a sound mix of strategies, geographies, and fund types.

CIC Capital's direct investment: CIC Capital has expanded its footprint and established a comprehensive monitoring mechanism to review the audit reports of investee companies. Its overseas investment model is built on a matrix that combines key geographies and sectors. In 2019, CIC Capital approved 30 investments, with a total commitment of approximately USD 5.8 billion covering infrastructure, energy, TMT, consumer, healthcare, manufacturing, agriculture and other sectors. Tailor-made solutions and post-investment management plans were implemented for several legacy deals, based on the local market environment and project performance. By working with stakeholders and capitalizing on market windows, CIC Capital exited projects successfully and secured returns.

Infrastructure: CIC Capital deployed its capital through investment in funds, co-investment and direct investment. While continuing to expand its global pool of external managers, the company also deepened its partnership with core existing managers. On top of robust global investments in utilities and transportation, CIC Capital also explored opportunities in emerging markets, renewable energy and digital real assets. With stable and rapid growth in its infrastructure investment business, CIC Capital has devised a business model of “promoting co-investment and co-sponsorship while maintaining passive fund investment as the foundation”, and a management matrix that “integrates the investment functions’ expertise in sector verticals, and the asset monitoring teams’ horizontal capabilities”, unlocking the potential of value creation.

Energy and Resources: Amid tumbling oil and commodity prices, CIC Capital closely scanned its natural resource, commodity and energy portfolio, stressed post-investment management, and maintained an appropriate exposure to the aforementioned sectors in a low oil price environment by investing in relevant funds.

Pan-industry investment: CIC Capital continued to build up its presence in the TMT (technology, media and telecom), healthcare, consumer, manufacturing, and financial technology sectors. In the TMT sector, CIC Capital focused on high technology and on the intersection between the digital economy and the upgrading of traditional industries, and successfully exited a number of projects. In the healthcare sector, the company stepped up post-investment management to help investee companies secure follow-up financing and connect with potential partners from China and abroad. In the consumer sector, CIC Capital facilitated investee companies’ connections with Chinese partners to create opportunities for value enhancement. In the manufacturing sector, CIC Capital targeted leading companies in high-growth segments for value creation. In the financial technology sector, CIC Capital leveraged on its partners’ resources to empower technical advances in financial services, and invested in both upstream and downstream projects in the value chain. In addition, the company made great efforts to recruit new partners in all these industries, and accelerated its investment in sector-specific funds.

Agriculture: CIC Capital carried out in-depth study and analysis to identify sub-sectors in agriculture with good investment prospects, and refined its whole-value-chain investment strategy in line with the company’s own strengths. We actively developed our specialized business platform for overseas direct investment in agriculture, and worked to deepen cooperation with agricultural enterprises and investment institutions and build a network for international engagement and investment cooperation. Investments have been made in sub-sectors including breeding, supply chain, warehousing and logistics.

Bilateral and multilateral platform funds: CIC Capital continued to deepen its cooperation by creative means with external managers and established a number of multilateral and bilateral funds.

Box 5. Availing of Our Value Creation Platform

As China's sovereign wealth fund, CIC has gained valuable experience from over a decade of investing globally and has built up a team of professionals who understand both China and the world.

At both portfolio and project levels and driven by the urge to develop new approaches to outbound investment, we have made active efforts to create value and enhance the competitiveness of our investee companies by facilitating connections with Chinese partners and the China market. In 2019, we bridged cross-border investment cooperation among industrial enterprises and financial institutions from home and abroad by hosting a range of events including CIC Forum 2019, China Japan Industrial Cooperation Forum and the Forum on Intelligent Industry and Cross-border Investment during Smart China Expo 2019, attracting thousands of individuals and representatives from approximately 1,000 enterprises.

As a sovereign wealth fund, we leveraged on the power of our platform to empower investee companies through a variety of investment modalities, including equity, debt and mezzanine instruments, in line with the construction of our total portfolio.

In certain priority industries, CIC has been exploring a more proactive approach to making outbound investments. The company continues to study and gain insight into the business patterns and development trends of these sectors. CIC actively seeks co-investment and co-sponsorship opportunities and engages in value-based investments with specialized external managers in key markets, to leverage on their expertise in different sub-sectors and different stages of investment.

Overseas offices: a key strategic initiative, allowing us to extend our footprint across the globe, deepen our international partnerships, and enhance our own institutional investment capabilities.

CIC International (Hong Kong) achieved outstanding performance, despite market volatility, by managing its portfolios proactively and prudently in accordance with established investment disciplines and research protocols. It 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-HongKong-Macau Greater Bay Area and growing reach to the Asia Pacific, CIC International (Hong Kong) explores non-public market investments and synergizes with headquarters departments in deal sourcing and post-investment management.

The Representative Office in New York took full advantage of the resources available in New York City, an international financial hub, to research the economy, policies, financial markets and regulatory trends of the region, to expand CIC's business network, and to identify potential investment opportunities. The office built stronger links with local commercial partners in support of CIC's investment activities across the Americas.

Box 6. CIC International (Hong Kong) Optimized its Portfolio

The Chinese enterprise dollar bond market has grown apace since 2012. As of the end of 2019, the value of outstanding dollar bonds issued by Chinese enterprises reached USD 870 billion, roughly equivalent to 7% of China's domestic bond market. Such bonds have emerged as the leading player in Asia's dollar bond markets, accounting for over 50% of total market volume. The company enjoys a strong brand as an investor in this market. Over the past nine years, CIC International (Hong Kong) has witnessed and participated in the growth of the Hong Kong market for offshore dollar bonds issued by Chinese enterprises.

CIC International (Hong Kong) has also engaged in an equity strategy focused on Chinese companies. With the establishment of an internally-managed Asian equity portfolio and internally-managed emerging market local currency bond portfolio, CIC International (Hong Kong) has further diversified its investment strategy.

Home to a cluster of financial, R&D, and industrial powerhouses, the Guangdong-Hong Kong-Macao Greater Bay Area is ripe with investment opportunities. While participating in the growth of the Greater Bay Area, CIC International (Hong Kong) will also help fuel the development of key industries in the region.

Investment Support and Management

Investment support: First, CIC closely tracked and analyzed market conditions to make forward-looking judgments on macro-level market cycles and on key regions, sectors and investment themes. Targeted research and cogent conclusions provided effective support for asset allocation.

Second, CIC continued to enhance its systems and framework for investment operations, actively responded to regulatory requirements, and worked to improve its support model for post-investment management. Enabled by technology, the company continued to digitize its investment operations. Increasing efforts were devoted to data management, capturing a broader and fuller array of data on alternative investments, and enhancing data support on all investment categories. Precision management contributed to lower operating costs.

Third, CIC has mandated higher levels of compliance with the general budget, with a constantly improving color-coded performance tracking programme. By fully distributing cost and measuring net income, the company can better conduct measurement and benchmarking of its cost effectiveness. The company ensured the full implementation of accounting policies and regulations, continually improved its disclosure of financial information, and engaged in targeted research on key accounting issues. Our cost management system and control procedures have been enhanced to support financial supervision.

Fourth, CIC continued to push ahead with comprehensive digitalization. We are deploying and optimizing big data platforms that support data mining, analysis and management. We completed development on our new alternative investment management system which supports life-cycle management of alternative investments. A corporate mobile platform has been launched to increase work efficiency. The company continued to strengthen its cybersecurity defenses to ensure the secure operation of its network and systems.

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

Sixth, CIC continued to enhance its corporate governance, with supervision of the performance of duties by directors and senior executives and of the company's accounting system and finances. We take a risk-driven and issue-driven approach to supervising and inspecting our overseas investment projects, auditing investment activities and economic responsibilities.

Post-investment management: CIC has diligently implemented its post-investment policies and disciplines. Basic requirements, mandatory actions and assessment indicators have been specified for different asset classes. Significant effort has been devoted to process assessment and to monitoring and inspection. Close supervision and analysis of how our investee projects are performing facilitates early detection and effective management of all kinds of risks. We adopted a coherent top-down approach with “customized implementation for individual projects”. We endeavored to capture market opportunities to exit projects that have yielded sound returns, and improved asset disposal outcomes, sparing no efforts to safeguard CIC’s interests. A set of standards and protocols have been formulated to guide post-investment management.

Box 7. Guidelines for Post-Investment Management

Investment is an ongoing process. Sound post-investment management helps to mitigate risks, ensure projects develop in line with intentions, and increase returns. As such, CIC has formulated Guidelines for Post-Investment Management, specifying standards concerning information collection, periodic communication, on-site visits, reporting of major events, pre-warning and risk response, periodic analytics, etc. This normative document defines mandatory standards and explicitly assigns responsibility and accountability in relation to post-investment management.

Basic principles for Post-Investment Management

Integration of investment and management	<ul style="list-style-type: none"> • Specify post-investment management strategy and focus prior to investment • Subject risks detected prior to investment to ongoing and targeted monitoring and analysis
Category-based management	<ul style="list-style-type: none"> • Categorize projects by investment type and asset characteristics • Utilize standard digital templates to specify key issues in post-investment management, and the methods, frequency and essential requirements of relevant work
Being pragmatic	<ul style="list-style-type: none"> • Acknowledge business patterns and facts • Clarify basic protocols and essential requirements, and give reasonable authorization to the investment function
Effective collaboration	<ul style="list-style-type: none"> • Base post-investment management on the internal manager responsibility system • Assign primary responsibility for post-investment management to internal investment managers/teams • Collaborate with other departments and teams to create synergy
Diligence in discharging responsibility	<ul style="list-style-type: none"> • Exercise adequate prudence and care and apply professional skills in post-investment management

Risk Management

CIC has an integrated and comprehensive risk management system. In 2019, in order to strengthen this system to ensure its robust and effective operation, the company enhanced its top-down design and overall architecture, solidifying the institutional foundation for preventing and mitigating major risks. Priority was placed on identifying and addressing the root causes of risks, innovating risk controls and relevant tools, analyzing extreme risk scenarios and putting in place business continuity plans for such contingencies, and safeguarding the health and stability of our outbound investments.

Objective and Approach

The objective of risk management is to put in place effective policies, mechanisms, systems, and processes for investment and operations to maximize the returns for the shareholder within acceptable risk tolerance.

Risk management is a company-wide effort involving every business line, department, and individual. It is embedded throughout the investment life cycle, from the total portfolio to general asset classes and to specific investment strategies and sub-strategies.

System and Mechanism

CIC has a comprehensive risk classification and management system involving the Executive Committee, Risk Management Committee, and relevant departments to manage all kinds of risks: market, credit, operational, liquidity, strategy, legal, reputational, and locality-specific risks.

In line with policies set by the Board of Directors and the Executive Committee, the Risk Management Committee oversees CIC's risk management strategies and approaches. Its key responsibilities include the following: reviewing risk management strategies, policies and procedures; determining the risk budgeting and allocation plan; reviewing assessment standards, management schemes, and internal control mechanisms for major risk drivers and events as well as key business processes; conducting periodic reviews of the risk profile of asset allocations and the execution of the allocated risk budgets; reviewing the risk management strategy and contingency plans for major risk events.

The Internal Control and Operational Risk Management Committee and the Valuation Committee are two sub-committees established under the Risk Management Committee. The Internal Control and Operational Risk Management Committee is responsible for reviewing internal control and operational risk management policies and the relevant rules and procedures, and supervising the investigation and handling of operational risk incidents and implementation of action plans. The Valuation Committee is mainly responsible for reviewing and approving the company's valuation accounting policies and valuation reports, the sources of market prices and parameters used for valuation, and valuation models and fair value adjustments.

Three-layered guiding system

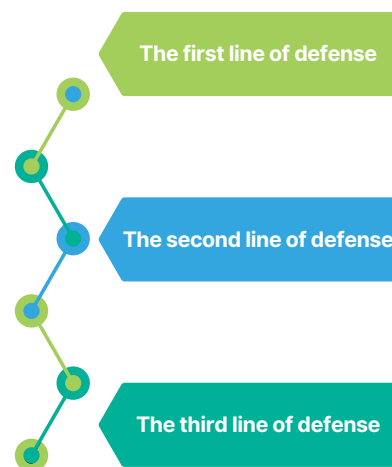
- It includes basic procedures, management approaches designated according to different types of risks, and risk management guidelines.
- It provides institutional guarantees for scientific, well-defined, and orderly risk management.

Three-tiered management system

- It is a company-wide, inter-department, and intra-department management system.
- It standardizes risk management across various operations, including investment, management and support, and supervision, thereby enhancing efficiency and standardization in operations and management.

Three lines of defense

- **The first line of defense:** departments should take direct responsibility for the risk management of their own businesses. As such, investment functions bear direct responsibility for the portfolio or deals within their mandate and should remain well informed of the risks associated with the investment products and follow CIC's risk management rules in their investment activities.
- **The second line of defense:** the Department of Risk Management leads the risk management of the company's overseas portfolio; sets risk limits on various asset classes based on the risk budget; formulates the risk management framework, mechanism and processes; works with other functional departments to monitor and manage risks.
- **The third line of defense:** the Department of Internal Audit supervises and evaluates company-wide investment procedural compliance and effectiveness in risk management and internal controls and make recommendations to redress inadequacies if these arise.



Management of Multiple Types of Risks

In 2019, CIC carried out a great deal of work in response to changes in the international situation, the expansion of our own investment business and the evolution of our portfolio risk profile. We have systematically constructed an integrated risk management system covering macro, meso and micro risks; stressed the comprehensive, consistent and strategic nature of risk management and strengthened its top-down design; restructured our investment risk guidelines, putting in place risk management guidelines for the total portfolio, for liquidity and for major asset classes, to ensure full-spectrum coverage; improved the risk early warning system, and explored the development of a mechanism for the disposal of distressed assets; explored the development of a risk management coordination mechanism to further strengthen the comprehensive coverage of our risk controls; carried out in-depth pre-investment risk identification and assessment and post-investment risk monitoring, to ensure the orderly and disciplined conduct of investment activities; and improved various risk management tools to ensure the timely and accurate valuation of assets.

Market Risk Management

Guided by its overall business objectives, CIC invests within acceptable risk tolerance to generate returns.

Enhancements have been made to our comprehensive risk monitoring system, which covers macro-, market- and portfolio-level risks. Public market risks are continuously monitored and managed, with ongoing attention to the performance of key capital markets. We have strengthened dynamic tracking, analysis and research on private equity, real estate and other non-public investment areas. Total portfolio exposure and rebalancing are carefully monitored. We continued to closely scrutinize risks and performance throughout our portfolio at all levels, with an enhanced early warning mechanism. We have continued to optimize our "Fengye System", including with deeper analytics and visualization, in order to implement analytic functionality for strategy factors, portfolio and macro-economic factors.

Credit Risk Management

The major credit risks in CIC's investment activities are sovereign risks, counterparty risks, and risks associated with invested assets.

Based on its portfolio risk and exposure profiles, CIC regularly publishes a *Sovereign Credit Risk Report*, with analysis and early warning on potential sovereign credit risks. The company has also revised its Guidelines on the Management of Counterparty Credit Risks, and refined its differentiated approach for the management of disparate counterparty risks. We closely monitor changes in the credit risk of our invested assets, and have strengthened our early warning and risk response measures and urged the investment function to strengthen post-investment management.

Internal Control and Operational Risk Management

CIC continued to strengthen management of its corporate systems and procedures with internal controls and an operational risk management framework that are geared to the needs of our growing business. A more granular approach was adopted for precision management of operational risks. While institutionalizing proven best practices, the company has also identified new priorities for internal control in relation to new developments in its business. Improvements have been made to internal control inspection and auditing practices. The company's comprehensive system of internal controls has been further enhanced across all processes and business areas.

Reputational and Compliance Risk Management

CIC places high priority on the prevention and management of reputation and compliance risk. Reputation risk is always a key consideration in our selection of investment projects and partners. We strictly abide by the laws and regulations of our investment destinations, respect the concerns of the local community, and make information disclosures as required by law. Thanks to its emphasis on careful management of these risks, CIC has earned a reputation as a responsible corporate citizen and respected partner.

Box 8. "Three Lines of Defense" to Protect our Assets from Market Turbulence in the Wake of the COVID-19 Pandemic

The COVID-19 pandemic has triggered large plunges in international financial markets. In response, CIC upholds its "three lines of defense", with all departments making proactive and coordinated efforts to safeguard the company's assets.

Second line of defense: Close monitoring

The Risk Management Department closely monitors market dynamics and carries out forward-looking scenario analysis with respect to the potential impact of the pandemic on the risk-return profile of the total portfolio. Early warnings and rebalancing recommendations are issued in a timely fashion.



First line of defense: Proactive response

CIC manages total portfolio risk via asset allocation, performance assessment, portfolio analysis, and rebalancing. We have put in place an "Information Superhighway" mechanism with morning meetings and daily reporting to support rapid decision-making. The company is proactively managing investment risks across all asset classes and projects.

Third line of defense: Pre-emptive supervision

CIC's Internal Audit Department closely follows major risk response processes. By monitoring and assessing risk control of the total portfolio and risk response measures in different asset classes, Internal Audit supports the effective operation of the company's comprehensive risk management system.

**DOMESTIC
EQUITY
MANAGEMENT**



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



Governance and Structure

Governance Structure of Central Huijin

Central Huijin is a wholly-owned subsidiary of CIC incorporated as a 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. Central Huijin represents the State in 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 other 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 powers respectively. The members of these two boards are appointed by its 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.

Equity Management Functions

To better perform its function of managing state-owned financial assets, Central Huijin adjusted its organizational structure in 2019. The company's current structure comprises Equity Management Department I, Equity Management Department II, Comprehensive Management Department, Capital Operations Department/Central Huijin Asset Management Company, and various business support functions.

Equity Management Department I

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

Equity Management Department II

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

Comprehensive Management Department

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

Capital Operations Department/Central Huijin Asset Management Company

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

Performance in 2019

As of the end of 2019, Central Huijin directly held equity interests in 18 financial institutions (including banks, securities companies, insurance companies, and others) with aggregate assets of CNY 134 trillion, registering a year-on-year growth of 8.9%. State-owned financial capital under the management of Central Huijin reached CNY 4.78 trillion. The aggregate value of profits turned over to the State by Central Huijin since the company's inception combined with the current value of its equity interests stands at 7.3 times the State's capital injection. The company has therefore delivered outstanding performance in preserving and growing the value of state-owned capital.

In 2019, the loan books of the seven banks in which Central Huijin holds an equity stake grew by CNY 5.8 trillion (including both local and foreign currency loans). These banks focused their lending support on key sectors such as infrastructure and manufacturing and on vulnerable entities such as private businesses and small and micro enterprises. Inclusive lending to small and micro enterprises and to private businesses increased by 50.7% and 13.0% respectively year-on-year. The four securities companies in which Central Huijin holds an equity stake also assisted small and micro enterprises and private businesses to secure direct financing through a variety of channels. In 2019, they completed the initial public offerings of 56 private companies, raising a total of CNY 185.5 billion, and assisted 17 private companies with private placements that raised a total of CNY 32.6 billion. The two commercial insurance companies in which Central Huijin holds an equity stake posted total premium income of CNY 283.1 billion, a year-on-year increase of 15.8%.

Holdings of Central Huijin (as of December 31, 2019)

Financial Institutions	Equity holdings	Financial Institutions	Equity holdings
China Development Bank	34.68%	China Reinsurance (Group) Corporation	71.56%
Industrial and Commercial Bank of China Limited	34.71%	New China Life Insurance Company Co., Ltd.	31.34%
Agricultural Bank of China Limited	40.03%	China Jianyin Investment Limited	100.00%
Bank of China Limited	64.02%	China Galaxy Financial Holding Company Limited	69.07%
China Construction Bank Corporation	57.11%	Shenwan Hongyuan Group Co., Ltd	20.05%
China Everbright Group Limited	55.67%	China International Capital Corporation Limited	44.32%
China Everbright Bank Company Limited	19.53%	China Securities Co., Ltd.	31.21%
Hengfeng Bank Co., Ltd	53.95%	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
China Export & Credit Insurance Corporation	73.63%	Guotai Jun'an Investment Management Co., Ltd.	14.54%

Note 1: In addition to the institutions listed above, Central Huijin also has a wholly-owned subsidiary, Central Huijin Asset Management Ltd., which was incorporated in November 2015 in Beijing. This company conducts asset management with a registered capital of CNY 5 billion.

Note 2: On May 20, 2020, Central Huijin signed an agreement with China Everbright Group to transfer its holding of 10.251 billion shares (19.53%) in China Everbright Bank to China Everbright Group, in consideration for which China Everbright Group would issue shares to Central Huijin. Central Huijin's increased shareholding in China Everbright Group was registered with the State Administration for Market Regulation on June 8, 2020, taking its ownership of China Everbright Group from 55.67% to 63.16%. The transaction was closed on July 10, 2020 with the issuance of share transfer confirmation by China Securities Depository and Clearing Corporation Limited (CSDC). Following this transaction, Central Huijin no longer directly holds shares in China Everbright Bank.

Note 3: Jiantou Zhongxin Asset Management Co., Ltd. increased its share capital and in June 2020 renamed itself China Galaxy Asset Management Co., Ltd. After completion of share capital increase formalities with the State Administration for Market Regulation, Central Huijin's ownership of share capital in China Galaxy Asset Management Co., Ltd will decrease from 70.0% to 13.3%.

In 2020, Central Huijin will continue to play its leading role as a shareholder in state-owned financial institutions, encouraging and empowering them to provide greater support for the real economy, in particular for medium, small and micro-sized enterprises, and to help ensure the achievement of the government's policy of "maintaining security in the six areas in order to ensure stability on the six fronts¹."

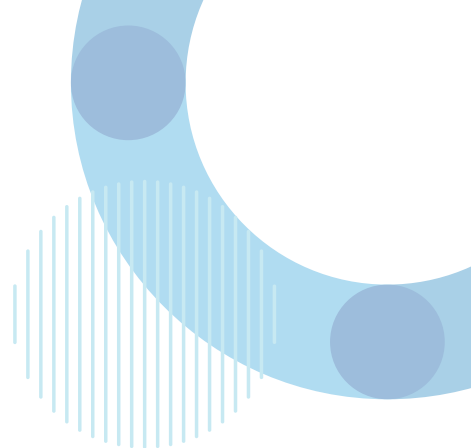
Box 9. Information System on the Performance of Duties by Dispatched Directors

In order to further enhance the "Huijin Model", to collect more information on and strengthen management over the performance of duties by dispatched directors, and to improve the institutionalized management of state-owned financial capital, Central Huijin upgraded the Huijin Information System which was first engineered in 2012. A new platform for managing dispatched directors' performance of duties went live in October 2019. Designed as an underlying information platform, it incorporates key workflow, record keeping, data collection, and analytics of dispatched directors' performance of duties.

The platform enables whole-process closed-loop management of reviewing proposals at the boards of Central Huijin's holdings as well as other functions. The system ensures the accountability of dispatched directors for their performance of duties and makes equity management more standardized, traceable and transparent. Moreover, it is a step forward in the digitalization of Central Huijin's approach to equity management. The system provides effective support for dispatched directors in their performance of duties and serves as an effective instrument for Central Huijin to strengthen management over state-owned financial capital.

Going forward, Central Huijin will continue to optimize the new system, provide more technical support for dispatched directors, and further enhance the professional management of state-owned financial capital.

1. The six fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations. The six areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments.



Box 10. Promoting Robust Risk Management of Central Huijin's Holdings

Since its incorporation, Central Huijin has consistently acted as an activist shareholder providing guidance to state-owned financial institutions. With a market-driven approach, it motivates these institutions to build up their risk management capabilities and implement robust systems of corporate governance and risk control.

In 2019, in response to downside economic pressure and mounting financial risks, Central Huijin stepped up risk monitoring of its holdings. By issuing management advice and risk alerts, tracking and evaluating risks, on-site inspection by dispatched directors, and reviewing proposals submitted to the boards of its holdings, Central Huijin vigilantly watched out for external risks in the economy and the financial sector.

It systematically assessed the risk management system of these companies, helping them identify gaps and firm up their lines of defense. Central Huijin also invested CNY 60 billion in Hengfeng Bank on legal and market-driven terms, spearheading the reform and restructuring of small and medium-sized financial institutions.

In 2019, the holdings of Central Huijin were sound in operation, healthy on all headline regulatory indicators, and kept the bottom line of no major risk issues. As of the end of 2019, its bank holdings had on average an NPL ratio of 1.36%, a provision coverage ratio of 255%, and a capital adequacy ratio of 14.95%. Its securities company holdings had an average risk coverage ratio of 255% and its insurance company holdings had a comprehensive solvency ratio of 250%.

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





**2019
FINANCIALS**

Basis of Presentation

The consolidated financial statements of CIC have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. These accounting standards have substantially converged with the International Financial Reporting Standards. The independent auditor has issued an unqualified opinion for the CIC's consolidated financial statements which represent a true and fair view of the company's financial position, operating results, and cash flows for the year that ended on December 31, 2019.

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

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

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



Summary of Accounting

Classification of Financial Instruments

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

Measurement of Financial Instruments

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

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

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

Measurement of Income Tax

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

Financial Statements

Consolidated Balance Sheet

(as of December 31, 2019)

(Amount in millions of US dollars)

	2019	2018
Assets		
Cash and deposits	10,454	18,534
Financial assets at fair value through profit or loss	285,708	242,992
Receivables and prepayments	3,197	2,183
Available-for-sale investments	55	56
Long-term equity investments	685,764	628,699
Deferred tax assets	-	227
Other assets	60,537	47,913
Total assets	1,045,715	940,604
Liabilities		
Bank Borrowing	16,919	23,996
Financial liabilities at fair value through profit or loss	563	279
Bonds payable	60,661	42,637
Deferred tax liabilities	7,714	3,351
Other liabilities	12,924	11,496
Total liabilities	98,781	81,759
Owner's equity		
Owner's capital	200,000	200,000
Capital reserves and others	746,934	658,845
Total owner's equity	946,934	858,845
Total liabilities and owner's equity	1,045,715	940,604

Consolidated Income Statement

(for the year ended December 31, 2019)

(Amount in millions of US dollars)

	2019	2018
Investment income		
Interest income	4,575	4,994
Dividend income	3,526	3,433
Net realized gains on investments	10,708	8,501
Unrealized gains (losses) from changes in fair value of investments	28,931	(21,189)
Investment income from long-term equity investments	73,618	72,050
Foreign exchange gains (losses)	(86)	(38)
Other income	102	93
Total investment income	121,374	67,844
Expenses		
Investment expense	(308)	(358)
General and administrative expense	(199)	(203)
Finance expense	(2,855)	(3,365)
Total expense	(3,362)	(3,926)
Operating income	118,012	63,918
Others, net	(14)	(10)
Income before taxes	117,998	63,908
Income taxes	(7,685)	1,150
Net income	110,313	65,058

Annual Report 2019



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

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

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