

Socially Responsible Investment by Pension Funds: International Experiences and Development in China

Qiao Yang

Beijing Technology and Business University

Abstract: Socially responsible investment (SRI) integrates the financing purposes with the social, environmental and ethical issues, to provide financial support to those who fulfill the corporate social responsibility. In European Developed countries and the United States, SRI has shown superior investment performance in general, and because of its intrinsic value with the current orientation of the social objectives of sustainable development in line, it wins more attention and favor of investors. Recently, there are some new trends towards SRI, one is that SRI approaches tends to look to generate outperformance over the long term by incorporating ESG (environmental, social and governance) factors, and this new SRI approach are often referred to as sustainability investing.

Due to their main characteristics – size, investment horizon and diversification – pension funds are often thought to be natural supporters of SRI strategies. Of all asset owners, pension funds are the most supportive of sustainable investment policies due to their fiduciary duty. They need to guarantee stable returns in the long run, and will face the consequences of global challenges such as population growth, enormous wealth increase in emerging economies, climate change and the shortage of clean water, raw materials, etc. SRI takes an explicitly long-term approach, incorporating structural factors thought to impact a company's future development. Since pension funds take a decades-long approach, SRI would be particularly appealing.

According to a survey conducted by The European Social Investment Forum (EUROSIF) in 2011, 56% of the surveyed pension funds indicate that they have a responsible investment policy. 60% feel that ESG factors affect the long-term performance of the pension fund. Moreover, more pension funds (111 or 66%) feel that having an SRI policy is part of their fiduciary duty. This means that there are a number of pension funds that are, in their own estimation, not fulfilling their fiduciary duty by failing to have an SRI policy.

And in another survey conducted by Allianz Global Investors and the Centre for European Economic Research (ZEW) among pension experts in several main Europe pension markets on the future of socially responsible investment in pension fund portfolios, most of the pension experts surveyed believe that, in the future, SRI criteria will play an increasingly important role in how pension funds make investment decisions.

This paper will focus on the SRI strategy and performance by pension funds. It is expected to include 4 parts: The first part will examine the principal concepts and evolution of SRI ; the 2nd part will try to find the reasons why SRI can be particularly interesting for pension funds and the fundamental theory of SRI strategies by pension funds. The 3rd part will investigate the international

experiences of pension funds' SRI; and in the last part, we try to explore China's feasible way of carrying out SRI in the pension fund investment.

Key words: SRI; Pension Fund; Investment strategy

养老基金的社会责任投资：国际经验及在中国的发展

乔杨

北京工商大学经济学院