

# Responsible Investment 2024



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## In brief: what we achieved in 2024

| Exercising shareholder rights   |  |   |
|---|--|---|
| Engagement  |  | Exercise of voting rights   |
| <ul style="list-style-type: none"><li>– Maintained <a href="#">dialogue</a> on ESG topics with 525 companies, including 217 on climate issues.</li><li>– Successfully concluded 15 dialogue cases.</li></ul>  |  | <ul style="list-style-type: none"><li>– Exercised <a href="#">voting rights</a> at all 119 Swiss companies.</li><li>– Voted on all agenda items at 292 companies abroad.</li></ul>  |
| Integrating into the securities portfolio   |  |   |
| <ul style="list-style-type: none"><li>– <a href="#">Government bonds</a>: finished implementing the bespoke ESG benchmarks for investments in emerging market government bonds.</li><li>– <a href="#">Private market investments</a>: continued to pursue progressive implementation of responsible investment in the private market investments, working with our external asset managers.</li><li>– <a href="#">Precious metals</a>: exchanged a large proportion of the gold holdings for bars produced in 2012 or later. This ensures compliance with minimum standards.</li><li>– Took part in the fourth voluntary <a href="#">PACTA Climate Test</a> run by the Federal Office for the Environment (FOEN) and the State Secretariat for International Finance (SIF).</li></ul> |  |   |
| Negative criteria   | <a href="#">Strategic risk analysis</a>  | Positive criteria   |
| <ul style="list-style-type: none"><li>– <a href="#">Excluded</a> 223 companies.</li></ul>   | <ul style="list-style-type: none"><li>– Analysed a potential escalation of the situation between China and Taiwan in depth.</li><li>– Continued building knowledge base on biodiversity.</li></ul> | <ul style="list-style-type: none"><li>– Funded CHF 838 mn in green facilities and CHF 485 mn in social facilities in the <a href="#">private market investments</a>.</li></ul>  |
| Integrating into <a href="#">direct real estate investments</a>   |  |   |
| <ul style="list-style-type: none"><li>– Cut Scope 1 CO<sub>2</sub> emissions by 5.7% according to internal energy monitoring. The reasons were: cyclical fluctuations, operational optimisation of heating systems, and acquisitions and project developments in line with the defined sustainability criteria.*</li><li>– Took part in the fourth voluntary PACTA Climate Test run by the Federal Office for the Environment (FOEN) and the State Secretariat for International Finance (SIF), and the REIDA CO<sub>2</sub> Report and Benchmark 2024. Both assessments showed that PUBLICA’s real estate portfolio has a lower CO<sub>2</sub> intensity and a lower energy intensity than the benchmark.</li></ul>  |  |   |
| Acquisitions (examples)   |  | Optimisations in the existing portfolio (examples)  |
| <p>Acquisition of Route de la Feuillère in Lausanne:</p> <ul style="list-style-type: none"><li>– Residential development at a well-connected location with a broad residential mix.</li><li>– Powered by its own communal solar panels, district heating, Minergie standard.</li></ul>  |  | <ul style="list-style-type: none"><li>– Heating systems in around one third of the properties optimised, beginning in late 2022.</li><li>– Replacement of fossil-fuel heating with renewable energy implemented or planned at three properties.</li><li>– Around 1,050 m<sup>2</sup> of surrounding surfaces desealed and greened, and seating added, in the courtyard of the Erlentor residential and commercial development in Basel. This improves the outdoor climate, makes the area a more pleasant place to be, and creates a habitat for a variety of wildlife. Read more on our <a href="#">website</a>.</li></ul> |

\* The portfolio's CO<sub>2</sub> values are always reported on the basis of data for the prior financial year. The impact of acquisitions, project developments and optimisations of the existing portfolio on the CO<sub>2</sub> intensity in the 2024 reporting year can only be reported in the following years.

# 1 Our approaches and objectives

During the year under review, we took part in the PACTA Climate Test, which is supported by the Federal Office for the Environment FOEN. The results show that PUBLICA's portfolio is on track in certain areas but still has some catching up to do in others. Further details can be found in [section 2](#). For the first time, we have categorised the impact of the private infrastructure debt investments in accordance with the UN Sustainable Development Goals. The evaluation can be seen in [section 3.4](#). We have extended the concept of responsible investment to our physical gold bars, using a simple and pragmatic approach. As a result, all the relevant asset classes are now covered. Details of how we implemented the policy in our gold holdings are contained in [section 3.5](#). Further topics and activities are covered in the following sections.

## 1.1 Responsible investment at PUBLICA

### Governance

Our governing bodies examine the issue of responsible investment in depth. The Board of Directors is PUBLICA's supreme management body. It lays down the principles and objectives of the responsible investment policy. In this task, it is advised by the Investment Committee, which is also responsible for ensuring that the various responsible investment approaches are implemented in the individual asset classes. In 2024, the Board of Directors adopted the updated responsible investment policy. The Investment Committee explicitly dealt with the responsible investment approaches in five of its six ordinary meetings.

### Strategy

Responsible investment is part of our fiduciary duty of due diligence and is embedded in our investment guidelines. We invest responsibly by taking account of environmental, social and governance (ESG) criteria when investing our active members' pension assets, in order to improve the risk/return ratio over the long term. The law does not permit us to deliberately forgo a market return. PUBLICA adopts different approaches for each asset class, in order to take ESG issues into account when investing pension assets. These approaches are described in more detail in our [responsible investment policy](#).

### Overview: the approaches we apply for each asset class

| Asset class  | Proportion of overall portfolio <sup>1</sup> | Exercising shareholder rights |                          | Integrating into the securities portfolio |                         |                   | Integrating into direct real estate investments |                        |
|--|--|-------------------------------|--------------------------|---|-------------------------|-------------------|---|------------------------|
|  |  | Engagement <sup>2</sup>       | Exercising voting rights | Negative criteria                         | Strategic risk analysis | Positive criteria | Newbuild projects                               | Refurbishment projects |
| CHF bonds and government bonds, including money market investments | 30%  | ●                             |                          | ●   | ●                       |                   |   |                        |
| Corporate bonds and equities                                       | 37%  | ●                             | ●                        | ●   | ●                       | ●                 |   |                        |
| Real estate Switzerland  | 9%   | ●                             |                          |   |                         |                   | ●   | ●                      |
| Private market investments   | 21%  |                               |                          | ●   | ●                       | ●                 |   |                        |
| Precious metals  | 3%   |                               |                          | ●   |                         |                   |   |                        |

<sup>1</sup> As per 2022 strategic asset allocation for the open pension plans

<sup>2</sup> Dialogue is currently being conducted with companies in the asset classes concerned.

## Risk management

### China-Taiwan scenarios

The situation between China and Taiwan could escalate. We analysed this topic in detail in 2024, and reviewed a range of possible courses of action for PUBLICA's portfolio. The analyses reveal that the conflict scenarios examined would have a significant impact on many asset classes. The findings will flow into PUBLICA's next review of its strategic asset allocation.

### Adaptation to climate change

In 2024, we finished implementing the bespoke ESG benchmarks for the emerging market government bonds. We take account of factors including transition and physical climate risks in order to determine the weighting of the individual countries in the emerging market government bonds portfolio.

Last year, we also reviewed our climate-efficient equity indices, which we use to reduce climate-related risks and increase the climate-related opportunities in the equity portfolio. The review showed that our expectations for the climate-efficient benchmarks with regard to return, risk and improvements in a range of climate metrics have been met since they were introduced in 2020 and 2021. The Investment Committee decided to continue factoring climate-related risks and opportunities into the equity portfolio.

### Biodiversity loss

We continued building our knowledge base on biodiversity, examining a range of methods for measuring the financial risks resulting from biodiversity loss. We conducted an initial evaluation using one of them, [ENCORE](#) (Exploring Natural Capital Opportunities, Risks and Exposure), which shows how far various sectors are dependent on ecosystem services, or the benefits that ecosystems bring.

The ENCORE analysis revealed that the following sectors have a substantial number of business processes that depend on ecosystem services, in particular access to water:

- Industrials, consumer discretionary, consumer staples
- Basic materials
- Utilities
- Energy

If ecosystem services are impaired or lost, this can disrupt business processes and lead to financial losses for companies in those sectors. In the following sectors, there appear to be fewer business processes that are heavily dependent on ecosystem services:

- Financials
- Technology
- Health care
- Telecommunications
- Real estate

However, the ENCORE analysis does not cover companies' value chains. This means there may be substantial dependencies that are not reflected here. Regardless of the precision of the estimates, it is clear that virtually all companies are directly or indirectly affected by the loss of biodiversity. Biodiversity loss is therefore a systemic risk that it is almost impossible to eliminate through diversification. Accordingly, the current engagement approach is the right way to address the issue. Read more on the [SVVK-ASIR website](#). A new analysis is planned to take place in a few years' time, when the measurement methods are more refined.

### Focal points and objectives

PUBLICA aims to continually improve its responsible investment strategy. We pay particular attention to the following aspects, because they can influence the portfolio's risk/return profile:



Environmental: climate risks and achieving net-zero emissions by 2050 at the latest



Social: respect for human and workers' rights on the part of companies



Governance: clearly formulated expectations on the composition of the board of directors and on compensation

The quantitative climate goals are:

### Objectives by asset class

|   | Objective   | Proportion of overall portfolio <sup>1</sup> | Status                      |
|---|---|--|-----------------------------|
| Overall portfolio                       | Net-zero emissions by 2050 at the latest  | 100%   | Being implemented           |
| Equities Switzerland                    | 1. Reduce transition risks by 30% compared with the benchmark<br>2. Increase transition opportunities by 30% compared with the benchmark<br>3. Reduce physical risks by 30% compared with the benchmark | 6%   | Achieved                    |
| Equities developed and emerging markets | 1. Reduce transition risks by 50% compared with the benchmark<br>2. Increase transition opportunities by 50% compared with the benchmark<br>3. Reduce physical risks by 50% compared with the benchmark | 26%  | Achieved                    |
| Corporate bonds US and Europe           | Reduce CO <sub>2</sub> intensity by at least 40% compared with the benchmark  | 5%   | Achieved                    |
| Real estate Switzerland                 | Reduce Scope 1 CO <sub>2</sub> emissions to 5.6 kg CO <sub>2</sub> e/m <sup>2</sup> energy reference area (ERA) by 2030 and 4.2 kg CO <sub>2</sub> e/m <sup>2</sup> ERA by 2035                         | 9%   | Implementation by 2030/2035 |

<sup>1</sup> As per 2022 strategic asset allocation for the open pension plans

### Achievement status

For the [bespoke climate-efficient equity index](#) we have three metrics: transition risks, transition opportunities, and physical risks and opportunities. Every six months, we check whether the three metrics are 30%–50% better than in the benchmark: this was the case in 2024.

As regards corporate bonds, we have agreed with the external asset managers a minimum 40% reduction in CO<sub>2</sub> intensity compared with the existing benchmark. We achieved this in 2024.

In 2024, we reduced the Scope 1 CO<sub>2</sub> emissions of our directly held real estate by 5.7%, according to our internal energy monitoring. The reasons were: cyclical fluctuations, operational optimisations of the existing portfolio, and acquisitions of two energy-efficient project developments.

We have not yet set any quantitative climate targets for money market investments, CHF bonds, government bonds, private market investments or precious metals.

## Memberships

Memberships of recognised organisations and initiatives make it easier for us to access expert knowledge about responsible investment, help us conduct our dialogue with companies, and promote exchange with other institutional investors.

We are members of:

- [ASIP – Swiss Pension Funds Association](#)
- [Climate Action 100+](#) (PUBLICA is a supporter)
- [IIGCC – Institutional Investors Group on Climate Change](#)
- [Inrate Responsible Shareholder Group](#)
- [SVVK-ASIR – Swiss Association for Responsible Investments](#)
- [UN PRI – Principles for Responsible Investment](#)
- [Exemplary Energy and Climate](#)

Through our membership of SVVK-ASIR we additionally support the following initiatives:

- [Council on Ethics – Big Tech & Human Rights investor collaboration](#)
- [FAIRR – Farm Animal Investment Risk & Return](#)
- [Nature Action 100](#)
- [UN PRI Advance](#)

## Activities in the memberships

ASIP published its [revised ESG reporting standard](#) in December 2024. PUBLICA's feedback had been incorporated via SVVK-ASIR.

PUBLICA is now a member of the UN PRI network's Swiss Regional Policy Reference Group. This was set up in summer 2024 and is part of the larger Global Policy Reference Group. It deals with regulatory issues related to sustainability in Switzerland.

The Exemplary Energy and Climate initiative published its annual report in September 2024. In it, PUBLICA discloses the progress made in respect of the measures agreed with other players. The report can be consulted on the [Exemplary Energy and Climate website](#).

We also signed up to the following investor declarations in 2024:

- [Call to Action: ISSB Global Adoption](#)
- [Investors urge McDonald's Board to improve oversight of child labor](#)
- [Investor Statement in support of Climate Action 100+](#)
- [Global Investor Statement to Government on the Climate Crisis](#)

## 1.2 Key figures: overview as at 31 December 2024

### Exercise of voting rights

|   | Switzer-<br>land | in % | International | in % | Transparency<br>rate | Source                     |
|---|------------------|------|---------------|------|----------------------|----------------------------|
| Companies at which votes were cast and proportion of invested capital in % (equities) | 119              | 100% | 292           | 28%  | 100%                 | Inrate / Minerva Analytics |
| No. of agenda items   | 2,687            |      | 5,020         |      |                      |                            |
| of which votes in favour  | 2,197            | 82%  | 3,846         | 77%  | 100%                 | Inrate / Minerva Analytics |
| of which votes against  | 490              | 18%  | 1,109         | 22%  | 100%                 |                            |
| of which abstentions  | 0                | 0%   | 65            | 1%   | 100%                 |                            |

### Dialogue

|  |  |
|--|--|
| Memberships of engagement initiatives                                  | Inrate Responsible Shareholder Group, SVVK-ASIR and supporter of Climate Action 100+ |
| Is a credible stewardship strategy to mitigate climate change applied? | Yes  |
| Link to climate stewardship strategy and report                        | <a href="#">SVVK-ASIR website</a>  |

|  | Number <sup>1</sup> | in % | Transparency rate | Source                                   |
|--|---------------------|------|-------------------|--|
| Companies with which the dialogue is conducted and proportion of invested capital in % (equities)                      | 525                 | 26%  | 100%              | Inrate / SVVK-ASIR / Climate Action 100+ |
| Companies that are subject to an active climate engagement strategy and proportion of invested capital in % (equities) | 217                 | 13%  | 100%              | Inrate / SVVK-ASIR / Climate Action 100+ |

<sup>1</sup> Excluding double counting of companies with which Inrate, SVVK-ASIR and Climate Action 100+ are conducting the dialogue

### Notes on the key figures for the exercise of voting rights and dialogue

Further details of the key figure results can be found in [section 3.2](#) on corporate bonds and equities.



## Key figures on climate

| Government bonds (22% of PUBLICA's portfolio)                             | Units   | Portfolio | Benchmark <sup>2</sup> | Transparency rate <sup>3</sup> | Source         |
|---|---|-----------|------------------------|--------------------------------|----------------|
| Weighted average CO <sub>2</sub> intensity (production-related emissions) | Tonnes of CO <sub>2</sub> e emissions per CHF million GDP | 137       | 211                    | 100%                           | Beyond Ratings |

| Corporate bonds (5% of PUBLICA's portfolio)   | Units  | Portfolio <sup>4</sup> | Benchmark | Transparency rate | Source |
|---|--|------------------------|-----------|-------------------|--------|
| CO <sub>2</sub> footprint (Scopes 1 + 2)  | Tonnes of CO <sub>2</sub> e emissions per CHF million invested capital | 59                     | 109       | 95%               | MSCI   |
| CO <sub>2</sub> footprint (Scope 3)   |  | 506                    | 528       | 96%               | MSCI   |
| Weighted average CO <sub>2</sub> intensity (Scopes 1 + 2)                                     | Tonnes of CO <sub>2</sub> e emissions per CHF million revenues         | 131                    | 254       | 96%               | MSCI   |
| Weighted average CO <sub>2</sub> intensity (Scope 3)  |  | 846                    | 910       | 96%               | MSCI   |
| Exposure to coal  | in %   | 1.1%                   | 3.1%      | 96%               | MSCI   |
| Exposure to other fossil fuels  | in %   | 14.4%                  | 16.8%     | 96%               | MSCI   |
| Proportion of portfolio companies with verified net-zero targets and credible interim targets | in %   | 24.4%                  | 24.9%     | 96%               | MSCI   |
| Global warming potential (1.5°C scenario)   | in degrees Celsius   | 2.4                    | 2.5       | 96%               | MSCI   |

| Equities (32% of PUBLICA's portfolio)   | Units  | Portfolio <sup>4</sup> | Benchmark | Transparency rate | Source |
|---|--|------------------------|-----------|-------------------|--------|
| CO <sub>2</sub> footprint (Scopes 1 + 2)  | Tonnes of CO <sub>2</sub> e emissions per CHF million invested capital | 28                     | 51        | 100%              | MSCI   |
| CO <sub>2</sub> footprint (Scope 3)   |  | 226                    | 338       | 100%              | MSCI   |
| Weighted average CO <sub>2</sub> intensity (Scopes 1 + 2)                                     | Tonnes of CO <sub>2</sub> e emissions per CHF million revenues         | 74                     | 131       | 100%              | MSCI   |
| Weighted average CO <sub>2</sub> intensity (Scope 3)  |  | 610                    | 906       | 100%              | MSCI   |
| Exposure to coal  | in %   | 0.4%                   | 1.2%      | 100%              | MSCI   |
| Exposure to other fossil fuels  | in %   | 3.8%                   | 8.7%      | 100%              | MSCI   |
| Proportion of portfolio companies with verified net-zero targets and credible interim targets | in %   | 25.4%                  | 21.9%     | 99%               | MSCI   |
| Global warming potential (1.5°C scenario)   | in degrees Celsius   | 2.2                    | 2.6       | 99%               | MSCI   |

<sup>2</sup> Benchmarks used

Government bonds = 82% FTSE World Government Bond Index + 18% FTSE Emerging Markets Government Bond Index

Equities = MSCI All Country World Investable Market Index

Corporate bonds = 40% Bloomberg Euro Intermediate Corporate Index (80% Investment Grade, 20% High Yield) + 60%

Bloomberg US Intermediate Corporate Index (80% Investment Grade, 20% High Yield)

Real estate Switzerland = REIDA benchmark

<sup>3</sup> The transparency rate relates to the portfolio in each case.

<sup>4</sup> The climate metrics for corporate bonds and equities were calculated using version 1 of the Swiss Climate Scores.

| Real estate Switzerland<br>(9% of PUBLICA's portfolio)     | Units  | Portfolio <sup>5</sup> | Benchmark | Transparency rate | Source            |
|--|--|------------------------|-----------|-------------------|-------------------|
| CO <sub>2</sub> intensity (Scope 1, climate-adjusted)      | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 8.5                    | –         | 100%              | REIDA             |
| CO <sub>2</sub> intensity (Scope 2 climate-adjusted)       | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 2.2                    | –         | 100%              | REIDA             |
| CO <sub>2</sub> intensity (Scopes 1 + 2, climate-adjusted) | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 10.7                   | 13.0      | 100%              | REIDA             |
| Energy intensity   | kWh/m <sup>2</sup> ERA/year                  | 82.2                   | 95.5      | 100%              | REIDA             |
| Energy source mix – proportion of fossil fuels             | in %   | 68%                    | –         | 100%              | Amstein + Walther |
| Energy source mix – proportion of renewables               | in %   | 30%                    | –         | 100%              | Amstein + Walther |
| Energy source mix – proportion of other sources            | in %   | 2%                     | –         | 100%              | Amstein + Walther |

| Real estate international<br>(9% of PUBLICA's portfolio) | Units                                     | Portfolio <sup>6</sup> | Benchmark | Transparency rate | Source         |
|--|---|------------------------|-----------|-------------------|----------------|
| CO <sub>2</sub> intensity (Scope 1)                      | kg CO <sub>2</sub> e/m <sup>2</sup> /year | 9.5                    | –         | 76%               | Asset managers |
| CO <sub>2</sub> intensity (Scope 2)                      | kg CO <sub>2</sub> e/m <sup>2</sup> /year | 21.0                   | –         | 81%               | Asset managers |
| Energy intensity   | kWh/m <sup>2</sup> /year                  | 101.9                  | –         | 86%               | Asset managers |

Transparency rate for asset classes<sup>7</sup> = 77%

<sup>5</sup> The figures for the real estate portfolio are always reported with a one-year delay. This is because not all ancillary cost statements for the reporting year were available at the time of going to press. The figures are calculated by REIDA using its methodology.

<sup>6</sup> The data for real estate international are always reported with a one-year delay and are based on GRESB and its methodology.

<sup>7</sup> No data are available for money market investments (3%), CHF bonds (5%), private market investments (12%) or precious metals (3%).

### Notes on the key figures for climate

**Government bonds:** The government bond portfolio has outperformed the benchmark, thanks mainly to the high weighting of Swiss government bonds in the developed markets portfolio and the introduction of the bespoke ESG benchmarks for emerging market government bonds.

**Equities:** The equities portfolio outperformed the benchmark, thanks largely to the systematic incorporation of climate-related opportunities and risks into our [bespoke climate-efficient equity index](#).

**Corporate bonds:** The corporate bond portfolio has outperformed the benchmark. It is less exposed to coal and other fossil fuels than the benchmark, but in both cases, the Scope 3 values are higher than the previous year. We attribute this to the inclusion of 20% high-yield bonds in the portfolio.

**Real estate:** The real estate portfolio outperformed the benchmark (REIDA). PUBLICA holds a young, high-quality portfolio of properties.

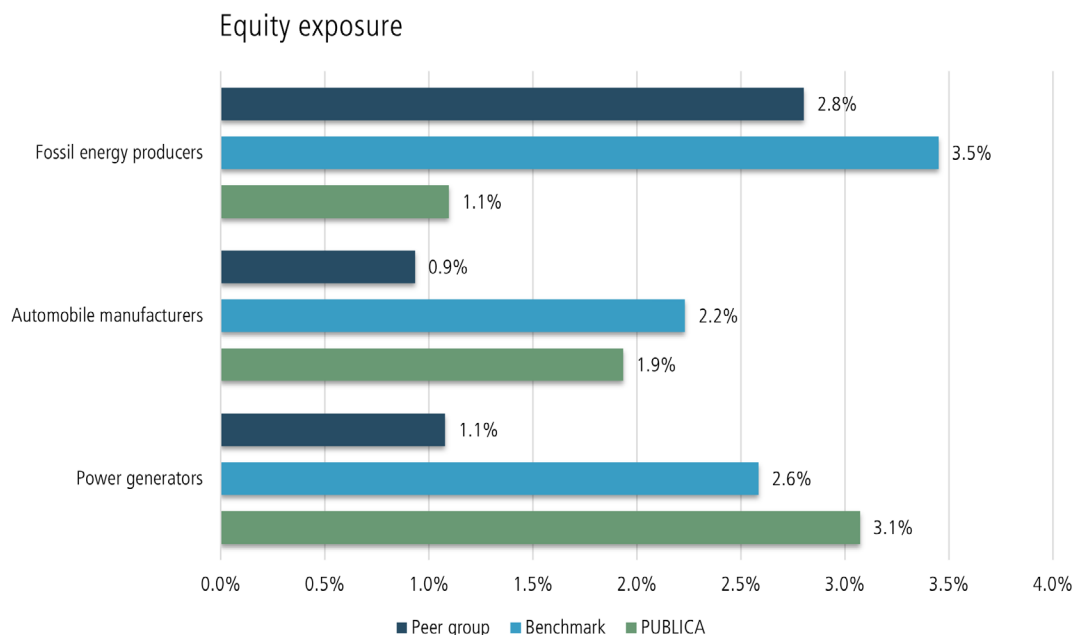
## 2 PACTA Climate Test 2024

PUBLICA took part in the PACTA Climate Test. This test, which is supported by the Federal Office for the Environment FOEN, evaluates the progress made by the Swiss financial market and individual financial institutions towards achieving net-zero emissions by 2050. In all, 121 financial institutions, including pension funds, insurers, banks and asset managers, took part in the fourth PACTA test. In addition to equities and corporate bonds, it also analysed Swiss real estate and mortgages.

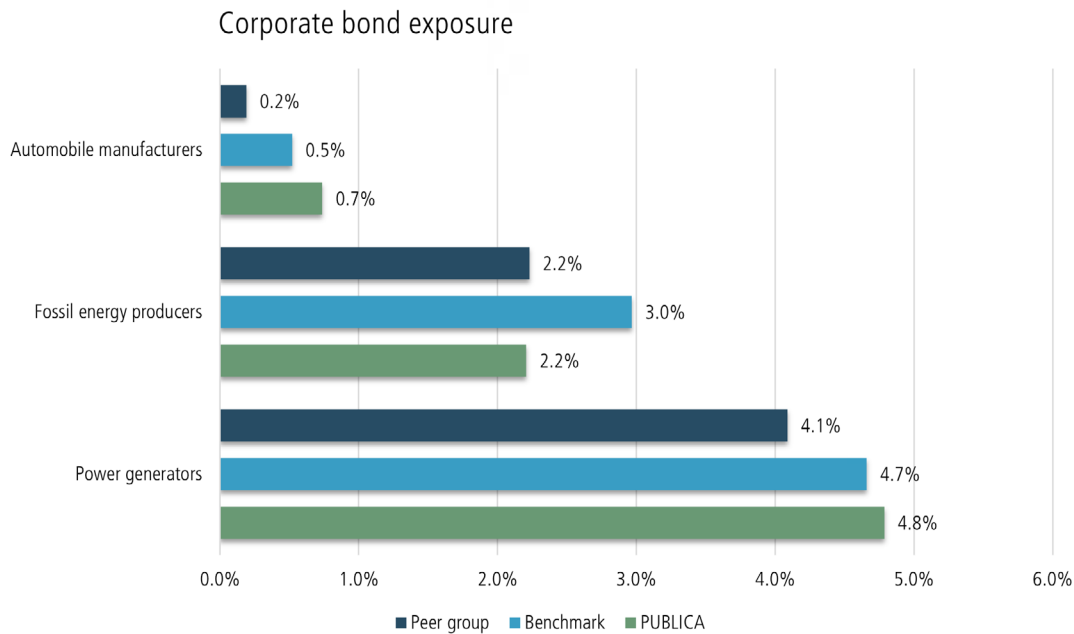
For equities and corporate bonds, PACTA measures the portfolio's exposure to climate-relevant sectors compared with the market as a whole and the peer group, comprising the 121 participating financial institutions. It also assesses the production plans of the companies in the portfolio and compares them with a range of climate scenarios, to test alignment. Finally, the report contains a qualitative assessment of the dialogue activities (engagement).

### Power generators overweighted, fossil energy and automobile manufacturers underweighted

In equities, PUBLICA's portfolio is overweighted in power generation compared with the benchmark and peer group (3.1%, as against 2.6% for the benchmark and 1.1% for the peer group), but significantly underweighted in fossil energy producers (oil, gas and coal): 1.1% compared with 3.5% for the benchmark and 2.8% for the peer group. In automobile manufacturers, the portfolio has a lower exposure than the benchmark (1.9% as against 2.2%), but is overweighted compared with the peer group, which is on 0.9%. In corporate bonds, the deviations from the benchmark and peer group are similar in all three sectors, though much less pronounced. Overall, PUBLICA's portfolio is less exposed to climate-relevant sectors than the benchmark.



Source: exposure of PUBLICA's portfolio to climate-relevant sectors according to the PACTA test 2024



Source: exposure of PUBLICA's portfolio to climate-relevant sectors according to the PACTA test 2024

### Companies need time to adjust

The analysis focuses on sectors for which transition scenarios have been drawn up by recognised organisations such as the International Energy Agency IEA. These scenarios model the adjustments technically required to achieve the various climate goals. For example, the Paris Agreement aims to keep the rise in global temperature to below 2 degrees Celsius. This requires the proportion of renewable energy sources in power generation to rise from its current figure of 28% to 47%. Using the production plans published by companies for the next five years, this makes it possible to estimate how far they are from achieving the Paris climate goal. PUBLICA's portfolio includes firms such as the Spanish utility company Iberdrola, whose production capacity currently allows for 69% low-emission energy. Iberdrola is planning to expand this further. As such, it is a positive example. On the other hand, there are companies such as Hong Kong-based Power Assets Holdings, whose low-emission energy production capacities amount to less than 2% and which is planning to expand them only marginally. In general, the power generators' planned renewable energy capacities are not yet sufficient to achieve the climate goals.

There are welcome developments in coal: in both equities and corporate bonds, the power generators in PUBLICA's portfolio plan to cut their coal-based energy production over the next five years, and are thus on course to meet the climate goals. This shows that our coal exclusion policy is effective. Fossil energy producers and automobile manufacturers, meanwhile, are not yet on track. Given the long investment cycles in the energy sector, we expect the adjustment in this area to be slow. Among automobile manufacturers, we expect production plans to be adjusted more quickly over the next five years in many countries, because a lot is being done to promote electric mobility. Since the portfolio is underweighted in both sectors, the climate-related risks for PUBLICA are manageable from the current perspective.

## 3 What we have achieved in the asset classes

### 3.1 CHF bonds and government bonds

#### ESG benchmarks fully implemented

In emerging market government bonds, we finished implementing the new bespoke ESG benchmarks at the start of 2024. Their aim is to improve the risk/return profile of the government bond portfolios. The country universe is defined in collaboration with FTSE Russell, and the ESG criteria for weighting those countries implemented in the index in a rules-based manner, with the potentially investable countries being selected on the basis of the assessment by [Freedom House](#) and the [V-Dem Institute](#). The companies in the resulting universe are then overweighted or underweighted based on ESG criteria. The following criteria are taken into account:

- Environmental: energy, climate, resources (including biodiversity)
- Social: inequality, employment levels, human capital and innovations, health, social wellbeing
- Governance: corruption, effectiveness and quality of government, political stability and absence of violence, rule of law, co-determination and accountability

The sanctions list issued by the State Secretariat for Economic Affairs SECO forms the basis for excluding individual countries. The sanctions against countries policy and the current country exclusion list can be found on the [SVVK-ASIR website](#).

### 3.2 Corporate bonds and equities

#### Dialogue continued

Over recent years, we have continued to pursue dialogue, working with our specialised partners. SVVK-ASIR conducts dialogue with companies in response to systematic and serious violations of norms, or on thematic focus areas such as climate, biodiversity and human rights. You can read more about on-going and completed engagement cases in the [SVVK-ASIR report](#).

In the case of two companies (Xinjiang Zhongtai Chemical Co. Ltd. and HDC Hyundai Development), the dialogue was unsuccessful. SVVK-ASIR has been recommending them for exclusion since 2024. PUBLICA is implementing the recommendations.

In Switzerland, Inrate continued the dialogue with the companies on the following focal areas:

- Environment: measurement of Scope 3 CO<sub>2</sub> emissions, sustainable products and biodiversity
- Society: human rights and treatment of psychosocial risks
- Governance: powers of the board of directors and ESG criteria in the remuneration system

The progress made is documented in [Inrate's engagement report](#).

Our partners' engagement policies can be found on their websites:

- [SVVK-ASIR](#)
- [Climate Action 100+](#)
- [Inrate Responsible Shareholder Group](#)

### Voting rights exercised and shareholder motions supported

Acting on behalf of PUBLICA, our proxy voting agency rejected 18% of agenda items at Swiss companies in 2024. The issues on which the highest proportions of rejections occurred were:

- capital band,
- capital increase,
- election of the remuneration committee,
- remuneration report,
- remuneration of the executive board and board of directors.

Abroad, the proxy voting agency rejected 22% of agenda items, with the highest proportion of rejections among items on remuneration. Both in Switzerland and abroad, motions on remuneration were rejected when it was deemed too high or the remuneration systems were not transparent.

In 2024, PUBLICA voted against McDonald's CEO and Chairman of the Board Chris Kempczinski in response to the stagnating dialogue on workers' rights. Mr Kempczinski was re-elected with a clear majority, but achieved by far the worst result, with almost 5% voting against him. The voting and a number of investor letters jointly signed by SVVK-ASIR and PUBLICA prompted McDonald's to [resume the dialogue](#). PUBLICA also supported a shareholder resolution at TotalEnergies, which was coordinated by Ethos and the French Forum pour l'investissement responsable. It called for the functions of CEO and chairman of the board to be separated. Regrettably, TotalEnergies did not allow voting on the resolution at the annual general meeting. Legal action against TotalEnergies did not help either.<sup>1</sup>

Detailed information on our exercise of voting rights at individual annual general meetings is published on [our website](#). The guidelines on the exercise of voting rights in Switzerland and abroad can be viewed on [Inrate's website](#).

### Climate-efficient equity benchmarks approach reviewed

As a number of years have passed since the climate-efficient equity benchmarks were introduced, we subjected the approach to a critical review during 2024. We started by examining whether the assumptions made when the approach was developed remain valid today. These included the question of whether current market prices fail to fully reflect climate-related risks and opportunities, and whether the assumed climate scenarios are still realistic. We then analysed the influence on the investment result. The deviations attributable to the approach vary from region to region, between -1.6% and +0.2% (annualised). It should be noted that the measurement period of three years is very short.

Finally, we compared our proprietary approach with comparable offerings from a well-known index provider, focusing in particular on the climate benchmarks proposed by the EU. We concluded that our approach remains the best solution for our portfolio and will therefore be continuing to use it.

### Companies excluded

A total of 223 companies were excluded in 2024 (prior year: 218). SVVK-ASIR's exclusions can be viewed on [its website](#). We also exclude companies on Urgewald's [Global Coal Exit List](#), unless we are already in dialogue with them or they have a credible coal exit plan.

<sup>1</sup> Ethos's press release on the court ruling can be consulted here:  
<https://www.ethosfund.ch/en/totalenergies-ethos-regrets-the-decision-of-the-french-court>

### 3.3 Real estate Switzerland

#### Scope 1 CO<sub>2</sub> emissions lowered

In 2024, we reduced Scope 1 CO<sub>2</sub> emissions by 5.7%, according to our internal energy monitoring. The reduction path sets interim targets for 2030 (5.6 kg CO<sub>2</sub>e/m<sup>2</sup> ERA) and 2035 (4.2 kg CO<sub>2</sub>e/m<sup>2</sup> ERA). The reduction is due to cyclical fluctuations and the following factors:

- operational optimisations commenced in the fourth quarter of 2022 at 24 of the 83 portfolio properties,
- acquisitions of two newbuild projects between 2020 and 2022. These were completed in 2022 and 2023 respectively, and have a much better carbon footprint than the rest of the portfolio.

PUBLICA once again took part in the REIDA CO<sub>2</sub> Report and Benchmark in 2024. In all, 31 investors with a total of 78 portfolios reflecting a market value of CHF 222 billion participated. PUBLICA's portfolio is 13.9% better for energy efficiency and has a 17.7% lower greenhouse gas intensity than the REIDA peer benchmark. According to the Report and Benchmark, the climate-adjusted Scope 1 CO<sub>2</sub> emissions were lowered from 8.9 kg CO<sub>2</sub>e/m<sup>2</sup> ERA (consumption data for 2022) to 8.5 kg CO<sub>2</sub>e/m<sup>2</sup> ERA (consumption data for 2023).

#### Real estate Switzerland

|  | Units  | 2023 | 2022 | Benchmark<br>2023* | Transparency<br>rate | Source |
|--|--|------|------|--------------------|----------------------|--------|
| CO <sub>2</sub> intensity (Scope 1, climate-adjusted)      | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 8.5  | 8.9  | –                  | 100%                 | REIDA  |
| CO <sub>2</sub> intensity (Scope 2, climate-adjusted)      | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 2.2  | 2.4  | –                  | 100%                 | REIDA  |
| CO <sub>2</sub> intensity (Scopes 1 + 2, climate-adjusted) | kg CO <sub>2</sub> e/m <sup>2</sup> ERA/year | 10.7 | 11.3 | 13.0               | 100%                 | REIDA  |
| Energy intensity of the portfolio                          | kWh/m <sup>2</sup> ERA/year                  | 82.2 | 84.9 | 95.5               | 100%                 | REIDA  |

\* Benchmark = REIDA Peer Benchmark Group: Mixed

PUBLICA took part in the PACTA Climate Test for its directly held real estate portfolio in 2024. The PACTA report shows a lower CO<sub>2</sub> and energy intensity for PUBLICA's portfolio compared with the benchmark.

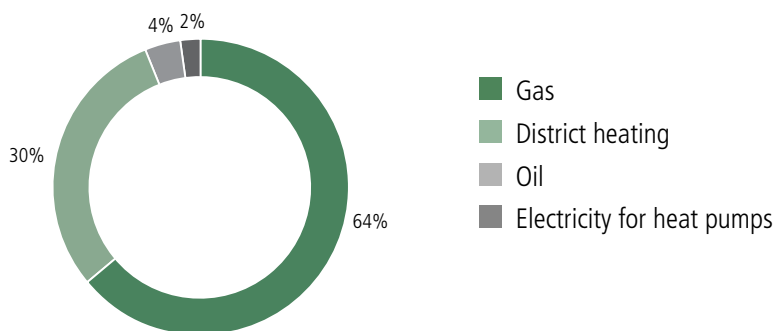
#### Heating system replacements implemented or planned

Wherever technically possible and feasible, fossil-fuel heating systems are replaced with renewable energy during major cyclical renovations. This was implemented or planned at three properties in Bern, Igis and Geneva during 2024. The impact of this on the energy source mix (heating) will be measured over the coming years. The evaluation of the consumption data always follows the reporting year with a one-year time lag.

<sup>2</sup> The portfolio's CO<sub>2</sub> values are always reported on the basis of data for the prior financial year. The impact of acquisitions, project developments and optimisations of the existing portfolio in the 2024 reporting year can only be reported in the following years.

With a view to reducing the Scope 2 CO<sub>2</sub> emissions in the district heating mix over the medium to long term, a workshop was organised with Exemplary Energy and Climate last year to examine ways of improving transparency in the mix of district heating providers. A working group at the Swiss Federal Office of Energy (SFOE) is considering the next steps.

Breakdown of energy sources (heating)



Source: internal energy monitoring (2023 data)

### 3.4 Private market investments

#### External asset managers: transparency increased

PUBLICA mandates five asset managers for the corporate, infrastructure and real estate debt asset classes. It also invests in 14 international real estate funds from 11 asset managers and 3 infrastructure funds from 3 asset managers.

This year's discussions with the managers focused on continual improvements in transparency on ESG topics. The quality and quantity of the data basis has improved, enabling the asset managers to report more comprehensively and optimise the portfolios over the medium to long term. They have also made progress in the ongoing monitoring and management of sustainability-related risks.

An evaluation of the reporting reveals that:

- All asset managers have signed up to the United Nations Principles for Responsible Investment (UN PRI), four are also members of the Net Zero Asset Managers initiative, and 14 out of 19 have set themselves a net-zero target at portfolio manager level by 2050 at the latest.
- All 14 real estate funds are members of the Global Real Estate Sustainability Benchmark (GRESB) and demonstrate good to very good results.



| Fund   | 2024  |       | 2023  |       |
|--|-------|-------|-------|-------|
|  | Stars | Score | Stars | Score |
| AEW EUROCORE Fund  | 5     | 92    | 5     | 88    |
| AXA CoRE Europe Fund                                     | 4     | 83    | 5     | 88    |
| Dexus Shopping Center Fund                               | 5     | 90    | 5     | 88    |
| Dexus Wholesale Property Fund                            | 5     | 88    | 5     | 93    |
| GPT Wholesale Office Fund                                | 5     | 90    | 5     | 94    |
| Hines Pan-European Core Fund                             | 5     | 93    | 5     | 93    |
| LaSalle Property Fund                                    | 4     | 82    | 4     | 83    |
| M&G Asia Property Fund                                   | 5     | 89    | 5     | 91    |
| Nuveen Real Estate Asia Pacific Cities Fund              | 4     | 88    | 4     | 83    |
| PGIM Real Estate European Core Diversified Property Fund | 4     | 89    | 4     | 87    |
| PRISA LP   | 4     | 93    | 4     | 86    |
| RREEF America REIT II                                    | 5     | 88    | 4     | 84    |
| BGO Diversified US Property Fund (new)                   | 4     | 85    | –     | –     |
| BGO Prime Canadian Property Fund (new)                   | 4     | 87    | –     | –     |

- Two real estate funds have already achieved net-zero emissions. Six real estate fund managers have set themselves a target of net zero by 2050, and one each for the years 2040 and 2030. Of these, six have set themselves interim targets within the years 2025–2030. We are currently in discussions with the four managers that do not yet have a net-zero target.

| Fund   | Net-zero target | Target year | Interim target |
|--|-----------------|-------------|----------------|
| AEW EUROCORE Fund  | Yes             | 2050        | 2030           |
| AXA CoRE Europe Fund                                     | Yes             | 2050        | 2025           |
| Dexus Shopping Center Fund                               | No              | –           | –              |
| Dexus Wholesale Property Fund                            | Yes             | 2022        | –              |
| GPT Wholesale Office Fund                                | Yes             | 2020        | –              |
| Hines Pan-European Core Fund                             | Yes             | 2030        | –              |
| LaSalle Property Fund                                    | Yes             | 2050        | 2030           |
| M&G Asia Property Fund                                   | Yes             | 2050        | –              |
| Nuveen Real Estate Asia Pacific Cities Fund              | Yes             | 2040        | 2025           |
| PGIM Real Estate European Core Diversified Property Fund | No              | –           | –              |
| PRISA LP   | No              | –           | –              |
| RREEF America REIT II                                    | No              | –           | –              |
| BGO Diversified US Property Fund (new)                   | Yes             | 2050        | 2030           |
| BGO Prime Canadian Property Fund (new)                   | Yes             | 2050        | 2030           |

- All five asset managers with mandates operate in accordance with the same rules on exclusions as PUBLICA already applies to equities and corporate bonds: exclusion of controversial weapons, coal, and companies where dialogue is unsuccessful. As regards the 14 real estate and 3 infrastructure funds, PUBLICA has less influence on how the exclusion criteria are set.

Our partners integrate environmental and social issues into their investment process and have signed up to initiatives. This year, we can report for the first time an aggregated evaluation of the CO<sub>2</sub> and energy

metrics for the portfolio of 14 real estate funds. This is shown below. In all the other asset classes, substantial gaps remain in the gathering of these figures. Here, we are liaising closely with the asset and fund managers to improve reporting in future. As things stand, there is no reason to replace a partner due to lack of efforts in the area of ESG.

#### Real estate international portfolio evaluated for the first time

PUBLICA engaged in extensive discussions with the asset managers of the real estate funds over the last year, leading to substantial improvements in the data basis. As with real estate Switzerland, the Scope 1 and Scope 2 CO<sub>2</sub> intensities and energy intensity of the portfolio were evaluated. There has been a welcome increase in the transparency rate, along with slight improvements in the energy efficiency and greenhouse gas intensity of PUBLICA's portfolio. While the real estate Switzerland portfolio is concentrated mainly on the residential sector, the international portfolio has a strong presence of other sectors. For this reason, there are limits on the comparability of the two asset classes. The aim for the coming years is to increase the transparency rate further so that PUBLICA can gain further findings.

#### Real estate international

|  | Units                                     | 2022  | Transparency rate | 2023  | Transparency rate | Source         |
|--|---|-------|-------------------|-------|-------------------|----------------|
| CO <sub>2</sub> intensity (Scope 1) of the portfolio | kg CO <sub>2</sub> e/m <sup>2</sup> /year | 11.8  | 70%               | 9.5   | 76%               | Asset managers |
| CO <sub>2</sub> intensity (Scope 2) of the portfolio | kg CO <sub>2</sub> e/m <sup>2</sup> /year | 25.4  | 72%               | 21.0  | 81%               | Asset managers |
| Energy intensity of the portfolio                    | kWh/m <sup>2</sup> /year                  | 117.2 | 82%               | 101.9 | 86%               | Asset managers |

#### Social and green facilities financed

PUBLICA funds CHF 485 million of social facilities (e.g. schools) and CHF 838 million of green facilities (e.g. renewable energy). To categorise these, our external asset managers use the [Green, Social and Sustainability Principles](#). An investment in renewable energy in the infrastructure debt was repaid, while no new investment was made. As a result, the energy generated fell slightly year on year. PUBLICA now also invests in infrastructure equities. You can read more about this on [our website](#). Because the new asset class is still in the build-up phase, we do not yet have any meaningful data for 2024.

#### PUBLICA's investments in private infrastructure debt

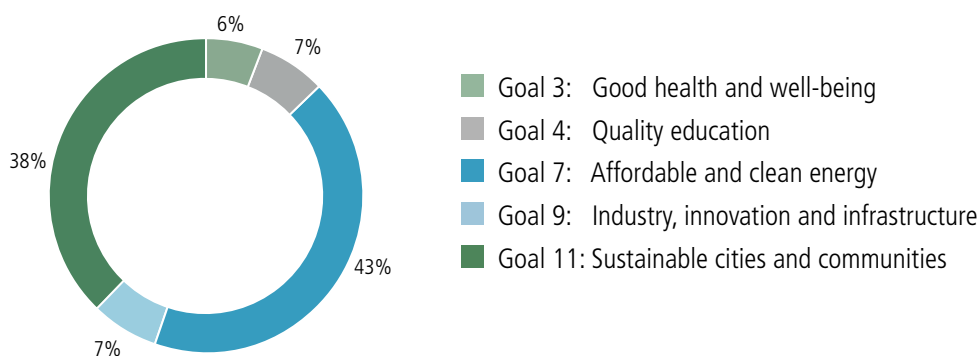
PUBLICA's share of total output in megawatts (MW)

|   | Units        | 2022  | 2023  | 2024  |
|---|--------------|-------|-------|-------|
| Photovoltaic installations                    | MW           | 30    | 30    | 30    |
| Wind farms                                    | MW           | 57    | 57    | 57    |
| Hydroelectric plants                          | MW           | 18    | 18    | 18    |
| Geothermal                                    | MW           | 7     | 7     | 7     |
| District heating                              | MW           | 42    | 42    | 28    |
| Total renewables                              | MW           | 154   | 154   | 140   |
| Market value of investments in renewables     | CHF millions | 212   | 198   | 161   |
| Market value of infrastructure debt portfolio | CHF millions | 1,111 | 1,247 | 1,255 |

### Infrastructure debt classified

In 2024, working with our partner Net Purpose, we made a first attempt to gauge the impact of our infrastructure debt using the UN Sustainable Development Goals. The evaluation showed that just under 40% of our infrastructure debt makes a positive contribution to sustainable development in Goals 3, 4, 7, 9 and 11, with the biggest contributions being in Goals 7 and 11. However, the data basis is limited. The focus for 2025 will therefore be on improving data gathering, to enable us to categorise the investments more precisely.

Breakdown of infrastructure debt making a positive contribution to the UN Sustainable Development Goals



Source: Net Purpose and asset managers

## 3.5 Precious metals

### Standard applied

Essentially, investments in commodities, both direct and indirect (via investments in the form of equities or corporate bonds of mining companies, refineries, processors and trading companies) come with the risk of environmental and ethical conflicts. Extracting and processing a tonne of pure gold, for example, is estimated to cause 31,000 tonnes of CO<sub>2</sub> emissions.

In the 2024 financial year, we evaluated various ways of incorporating precious metals investments into our responsible investment policy. We hold the overwhelming majority of our precious metals physically, mostly in the form of standardised bars that can be traded on the gold market organised and regulated by the LBMA (London Bullion Market Association). Only bars that meet the LBMA's "good delivery" standard are accepted for trading.

In 2012, the LBMA introduced the binding Responsible Gold Guidance, which requires all local laws to be complied with during extraction, processing and trading, and sets minimum standards for human rights and the avoidance of conflict financing and money laundering. The standard has been continually expanded since it was introduced in 2012, especially as regards environmental issues.

A large proportion of the gold holdings were exchanged for bars produced in 2012 or later. This ensures compliance with minimum standards. For reasons of cost and feasibility, further measures have not been adopted.

## 4 Summary

As expected, the climate-related metrics have changed little since last year's report. It is taking decades for companies to implement the technological changeover from fossil to renewable energy sources, and for governments, companies and households to adapt their behaviour. This is evident from the results of the PACTA test, which reveals that companies' five-year plans are on course but are still not sufficient to achieve the Paris climate goals.

There have been welcome developments in Swiss real estate. CO<sub>2</sub> emissions have fallen thanks to acquisitions of major newbuilds and the replacement of fossil-fuel heating systems, so that the portfolio is on the targeted reduction path. A similar trend can be observed in the foreign real estate.

In equities and corporate bonds, our partners continued their dialogue with companies on climate, biodiversity, human and workers' rights, and good governance. There have been positive changes at McDonald's, where pressure from various investors, including SVVK-ASIR and PUBLICA, has helped to bring about a resumption of dialogue on workers' rights.

We have also successfully classified private infrastructure debt in line with the UN Sustainable Development Goals (SDGs) for the first time. This increases transparency. Working with the external asset managers and our partner Net Purpose, the PUBLICA team has developed a customised questionnaire which allows us to assign the infrastructure debt qualitatively to the relevant UN SDGs.

Finally, a pragmatic approach enabled us to ensure that PUBLICA's gold holdings meet a recognised standard for combating money laundering and protecting human rights. However, the analysis also revealed that investments in precious metals involve violations of labour law and, inevitably, an adverse effect on the environment. This also demonstrates the limits of our responsible investment strategy.

We welcome your feedback on this report, which will help us to improve our reporting still further. Write to us at [info@publica.ch](mailto:info@publica.ch).

### Our partners' disclaimers

Source: MSCI. Calculated on MSCI Analytics.

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Source: Net Purpose: Underlying company data is based on the latest published and public company information.

Source: Inrate. The Swiss Federal Pension Fund PUBLICA's partner for exercising voting rights at the annual general meetings of Swiss companies is Inrate AG. Votes are cast in accordance with the published voting guidelines and the list of criteria. Inrate supplies voting recommendations in advance of the annual general meetings and provides full support for reporting.

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