HOOPP TAX STRATEGY

Background

The Healthcare of Ontario Pension Plan (“HOOPP” or “The Plan”) is a contributory defined benefit jointly sponsored pension plan. The Plan was established under an *Agreement and Declaration of Trust* (as amended) for the benefit of eligible employees of participating employers. The Board is responsible for administering the Plan in accordance with the *Pension Benefits Act* (Ontario) (PBA), the *Income Tax Act* (Canada), the *Plan Text,* and HOOPP’s policies and procedures.

HOOPP is one of Canada’s leading pension plans, with a diversified, global portfolio and a consistently strong funded status. As a Registered Pension Plan (RPP), HOOPP plays a critical role in supporting Canada’s retirement system, which is comprised of three pillars that work together to build the financial foundation of a secure retirement for Canadians. They include: government programs, workplace retirement savings arrangements, and personal savings.

HOOPP’s tax environment

The system of taxation that is applied to registered retirement pension plans such as HOOPP is referred to as an “EET” (Exempt, Exempt, Taxable) system. This system applies to all Canadian retirement savings accounts, such as Registered Retirement Savings Plans (RRSPs) and RPPs, where EET represents the tax effect of cash inflows and outflows from a registered retirement pension plan. Under this system,

- contributions to the Plan are exempt from taxation, as members can claim a tax deduction on their contributions to the Plan against their taxable income, subject to a cap;
- income earned by the Plan in Canada is exempt from Canadian taxation; and
- pension income received by the Plan’s members is fully taxed at ordinary tax rates once distributed.

The EET system of taxation aligns with Canada’s integrated tax system by ensuring an appropriate amount of tax is paid in Canada.

Where the Plan directly or indirectly earns income from investments in a jurisdiction other than Canada, such income may be subject to tax in that jurisdiction. In these circumstances, the Plan cannot claim foreign tax credits in Canada given its exempt status. Therefore, any tax cost incurred by the Plan outside Canada is an absolute cost to the Plan and factored into the Plan’s expected rate of return and diversification strategies.

As part of the minimum standards prescribed by the PBA, the Plan administrators are subject to a fiduciary duty that is owed to more than 400,000 members. This fiduciary duty ensures that HOOPP manages its affairs in the best interest of members taking into account the tax position of the Plan.

HOOPP's tax strategy and approach

HOOPP approaches tax planning prudently to ensure we understand the tax implications in each jurisdiction in which we invest. When appropriate, HOOPP engages external tax advisors to help complement our understanding of tax and compliance obligations to ensure a reasonable approach has been taken. HOOPP promotes a prudent approach to tax risk management within our portfolio companies as well. HOOPP engages, and expects its portfolio companies to engage, with tax authorities in all jurisdictions in a transparent and constructive manner.

HOOPP monitors for changes to tax and compliance legislation and advocates for changes when appropriate to ensure a strong yet fair tax environment which takes into account Canada's EET system and our fiduciary duty to members.

We are supportive of the work being performed by the Organisation for Economic Co-operation and Development (OECD) through the Base Erosion and Profit Shifting (BEPS) initiative which continues to bring about major reform to the international tax system by identifying and addressing gaps and mismatches between the tax systems of individual jurisdictions. In particular, we appreciate that the OECD recognizes the different systems of taxation for retirement income across all jurisdictions and has shown a commitment to ensuring an appropriate amount of tax is paid by pension plans and other retirement accounts across all systems of taxation on a fully distributed basis.

HOOPP's internal tax governance framework

HOOPP's Investment Tax and Enterprise Tax teams work together to ensure that any investment structures are designed according to HOOPP's prudent tax risk profile and that tax positions are appropriately reported. This entails clearly defined roles and responsibilities throughout the life cycle of an investment, as set out below. It is important to note that any significant updates concerning HOOPP's tax positions are provided to HOOPP's Audit & Finance Committee on a timely basis to ensure prompt escalation.

In respect of new investments, and significant events relating to such investments (including disposals), HOOPP's Investment Tax team and Investment Management team work with reputable external advisors to review the tax consequences of such transactions and structures as part of the investment process.

During the subsequent life cycle of each investment, HOOPP's Enterprise Tax team is responsible for ensuring that all tax compliance, both domestic and international, is completed accurately, timely, and in accordance with all relevant tax legislation and guidelines.

Protecting HOOPP's RPP and tax-exempt status is paramount and achieving our mission to deliver on our pension promise is at the core of everything we do.

This document is regarded as complying with the duty under Schedule 19 of the UK Finance Act 2016 for the financial year ended December 31, 2024 on behalf of all relevant entities within Healthcare of Ontario Pension Plan's group.