OPTRUST TAX STRATEGY

INTRODUCTION

Established in 1994 as a pension plan jointly governed by the Ontario Public Service Employees' Union (OPSEU) and the Government of Ontario, the OPSEU Pension Plan (OPTrust) is a defined benefit pension plan that invests and administers pensions primarily for OPSEU employees in the Ontario public service. OPTrust's investment strategy is intended to support our mission of paying pensions today and preserving pensions for tomorrow.

A goal of the Canadian retirement income and tax system is to foster retirement income security. Canadian pension plans, including OPTrust, are exempt from Canadian income tax on investment income. This tax status encourages retirement savings by deferring the tax on pension contributions and investment returns until payments are received by pensioners. Pensioners pay tax at their individual rates when they receive their payments. Globally, several other governments also provide similar tax exemptions on investment income to pension plan investors.

The tax strategy outlined below applies to the investment activities of OPTrust and its subsidiaries worldwide across all locations where we invest and manage pension assets.

Attitude towards tax planning

Pension plans in Canada have diversified globally to ensure adequate funding of pension obligations. As a global investor, OPTrust is subject to the laws of Canada, as well as the laws and regulations of the jurisdictions where we invest or operate. We take a conservative approach to tax risk and tax planning – all with a view to supporting the investment activities of the plan and our ability to pay pensions to our members. Consistent with our approach to risk management, OPTrust has processes and policies in place to ensure that tax risk is maintained at an acceptably low level. In keeping with our obligations as a pension plan administrator, we manage our tax affairs to be both compliant and efficient.

When we engage with tax authorities, we are transparent in disclosing all relevant facts. Given the complex nature of tax legislation, tax laws can be subject to a broad range of interpretations. We apply a prudent approach to our interpretation of tax laws, and where the tax treatment of a transaction may be uncertain, we engage external tax advisors. In the event of a difference of opinion, we would want to positively and collaboratively engage with the tax authorities.

OPTrust supports the various OECD initiatives, including the Base Erosion and Profit Shifting (BEPS) project and other global initiatives working to create a single set of consensus-based international tax rules. OPTrust produces Country-by-Country Reporting, which provides a breakdown of our worldwide income to tax authorities, and promotes tax transparency globally.

Governance and management of tax risk

OPTrust's governance framework includes tax risk management. OPTrust has adopted a conservative approach to tax risk and tax planning, which is reflected in the tax risk management framework. Working with the investment teams, the Vice President, Tax oversees tax risk management through the tax risk management framework, including compliance with applicable tax laws and regulations. Tax risks are reported to the Chief Financial Officer, and to the Audit, Finance and Risk Committee of the Board of Trustees.

As the global tax landscape is constantly evolving, we monitor changes in order to ensure continued compliance. We are committed to upholding high standards of business conduct and ethics, as reflected in our Code of Conduct. In addition, we consider our commitment to our members to invest responsibly, including reputational risk.

OPTrust regards the publication of this document to comply with the requirements set out in U.K. legislation, under Schedule 19, Finance Act 2016, for the financial year ended 31 December 2021.