Tax Strategy

March 25th, 2025

CPP Investments

CPP Investments' tax strategy is consistent with our mandate and with CPP's status as Canada's national pension plan. It is one of a number of considerations we take into account as part of our investment process. Our tax strategy is best considered in the context of how CPP's 22 million Canadian contributors and beneficiaries are taxed on their CPP income.

CPP Investments is a global investment organization working to help ensure that the Canada Pension Plan (CPP) is there for generations. We do this by investing the funds of the CPP on behalf of its 22 million contributors and beneficiaries. We are guided by our singular mandate to maximize returns without undue risk of loss, taking into account the factors that may affect the funding of the CPP. Our investment strategy is designed to capitalize on our comparative advantages while ensuring we maintain our commitment to responsible investing.

Our investment strategy is structured to be resilient in the face of wide-ranging market and economic conditions and covers all major asset classes, monitors significant risk factors and encompasses multiple distinct investment strategies.

With this approach we are able to achieve the right balance of risk and returns while seeking to add additional value through active management. Our goal is to achieve sustainable returns over the long term for the benefit of Canadians.

As a long-term global investor, CPP Investments sees value in stable and predictable tax regimes. CPP Investments has actively supported the work of the Organisation for Economic Co-operation and Development (OECD) on the Base Erosion Profit Shifting project and understands the need for governments to address inappropriate tax practices. We engage with, and constructively contribute to, public consultation by tax authorities and policy makers to ensure our perspective is understood, in line with our mandate to maximise returns without undue risk of loss.

Tax strategy

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For sound public policy purposes, income earned by CPP Investments and its subsidiaries is exempt from tax in Canada. This enables investment income to grow tax free in Canada during the investment period, and CPP beneficiaries are then taxed on receipt of their pension based on their tax rate at that time. This is similar to the treatment of Canadian registered retirement savings plans.

To ensure we create a well-diversified investment portfolio, we invest globally across a wide range of asset classes and more than 85% of our assets are invested outside Canada. As a result, CPP Investments is subject to the tax laws of the countries where we invest. We honour our tax obligations around the world and pay taxes due on the income earned in those countries. Various types of taxes are also paid by the companies in our investment portfolio, as determined by the tax rules applicable in the jurisdictions in which those companies carry out their business activities.

To help ensure that our 22 million Canadian contributors and beneficiaries do not pay tax twice on income earned by CPP Investments, we employ judicious and prudent investment structures designed to maximize the after-tax investment returns available to CPP contributors and beneficiaries.

Risk management and governance

The foundation of our mandate and resulting investment strategy is to ensure prudent and appropriate risk management structures and processes are in place. This includes factoring tax risk directly into how we make investments.

CPP Investments' Board has oversight of risk management, including tax risk. To that end, the Board, through its various committees and processes, reviews internal controls and systems designed to address key risks for the Fund, including tax risk.

At the management level, CPP Investments' Chief Financial Officer (CFO) is responsible for CPP Investments' tax strategy. Day to day management of tax risk sits with the Head of Tax who periodically reports to the Audit Committee.

As with any other risk, our aim is to mitigate tax risk, taking account of our investment mandate, through adherence to the controls and procedures embedded in our internal policies. CPP Investments considers tax risks in terms of:

- Technical risk – the risk that our tax position is successfully challenged in whole or part by a tax authority due to uncertainties under relevant tax laws or regulations.
- Operational risk – the risk that certain actions / operations do not happen as expected and the tax outcome is different to our expectation.
- Regulatory (change of law risk) – the risk that our expected tax cost changes over time due to changes in tax law.

For each of these tax risks we have controls and procedures in place to mitigate potential financial and/or reputational implications, including when and how particular tax risks are escalated in the organisation.

The Head of Tax is supported by our in-house team of tax professionals located in our offices around the world. This team comprises appropriately qualified and experienced professionals, with specific tax responsibilities and accountabilities. They use their experience and judgement to assess the tax risk, working with our investment departments and core services departments to manage the risks of our investments. We supplement our in-house tax expertise through the use of local tax advisors to understand our obligations and associated tax risks in a specific jurisdiction.

Given the complex nature of tax legislation globally, we take professional advice to help us assess and manage tax risk and support our tax positions. We do not place any reliance on a low risk of detection of any position taken. When we encounter areas of tax law which are unclear, we seek to take an approach which is consistent with well-established government policy and market practices and may seek clearances from taxation authorities.

The global tax environment is constantly changing. CPP Investments' in-house tax team, with the assistance of our local tax advisors as required, regularly monitor changes of tax law to understand potential impacts and to remain in compliance with tax laws around the world. When we engage with tax authorities worldwide, we are transparent and disclose relevant facts regarding our investments and operations to the tax authorities.

The content on this webpage is regarded as complying with the duty under Schedule 19 of the UK Finance Act 2016 on behalf of all relevant entities within the CPPIB group for the year from 1 April 2024 to 31 March 2025.