

Pensioenfonds

Zorg & Welzijn



Tax position of Dutch pension fund

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Background

This document describes the tax policy of Stichting Pensioenfonds Zorg en Welzijn (PFZW) and is reviewed and updated every three years. Taxes are crucial for collective expenditures society, such as healthcare and infrastructure. PFZW wants to deal with this consciously, so that it contributes to a liveable world, in which pensions are valuable. PFZW operates in a changing tax environment, with increasing emphasis from policymakers on transparency and the prevention of tax avoidance. Taxes also play an important role in sustainability and corporate governance¹.

Tax position of Dutch pension fund

PFZW is exempt from Dutch corporate income tax and dividend tax, and pension accrual premiums are untaxed. Tax is levied on pension payment at the time of receipt by the participant, with PFZW acting as the withholding agent. As a result, the pension is taxed only once in the Netherlands. PFZW invests globally, and exemptions for pension funds are not always available abroad. This may lead to (economic) double taxation for PFZW and/or its participants. To mitigate this, PFZW uses investment structures in a socially responsible manner. PFZW complies with both the letter and the spirit of tax laws and regulations. Transparency regarding taxation and maintaining a constructive relationship with tax authorities are key priorities, alongside fostering tax awareness within the organization. PFZW believes that responsible tax behavior contributes to the predictability of tax risks and the long-term stability of investment returns.

Tax principles

As a global investor, PFZW is committed to a liveable world and, to support this, has formulated six principles in the field of taxation. The degree of influence that PFZW can exercise on the tax matters of an investment structure is limited if there is no decisive influence for PFZW (<30% interest).

1. PFZW has developed tax viewpoints for its practice, which also apply in the investment practice (see below);
2. PFZW is transparent about its tax policy and strives for transparency in the implementation and its tax footprint in all investee jurisdictions;
3. PFZW aims to ensure that a robust tax risk management system is implemented within the pension administration organization, with periodic monitoring and testing;
4. PFZW strives for a high level of tax awareness within the investment chain in order to manage tax consequences;
5. PFZW aims to ensure that service providers and other stakeholders apply a tax code of conduct that aligns with PFZW's views;
6. PFZW seeks to make a positive contribution to public discussions on (international) tax matters that affect pension funds.

1. Recognized by international organizations such as the United Nations, Principles for Responsible Investment (PRI), OECD, EU and the Global Reporting Initiative.

Tax viewpoints²

PFZW's tax viewpoints are drawn up from a tax perspective to manage tax risks, but decisions, such as new investments, are always made within a broader context. Both tax and non-tax criteria are assessed, often based on the professional judgment of experts.

- A. PFZW does not use any investment strategies or investment transactions that are primarily tax-driven, and the economic reality is the starting point in the investment portfolio.
- B. PFZW aims to invest directly without the use of holding entities or Special Purpose Vehicles (SPVs). If the use of an SPV is necessary, it will be approached with caution.
- C. PFZW applies a responsible tax standard as part of 'know what you own' in the pursuit of financial and social returns (3D investing). This includes:
 - iv. the prevention of (economic) double taxation for the pension fund and its participants;
 - v. compliance with both the letter and the spirit of international tax laws and regulations in all jurisdictions in which PFZW invests. PFZW avoids uncertain tax positions and strives for a tax position that can reasonably be expected to be maintained in the event of an investigation by a tax court.
 - vi. mitigating artificial base erosion and profit shifting, whereby the use of tax treaties, SPVs, hybrid instruments, and other tax practices is critically assessed (including, for example, VAT arbitrage). This assessment is done on a case-by-case basis, and the principal purpose test may be used as a test for this.

- D. Within the investment sector, low-tax jurisdictions—also known as offshore jurisdictions—are frequently used. Some of these jurisdictions have been blacklisted by the EU and the Netherlands. PFZW closely monitors developments related to these lists. When structuring investments, PFZW avoids using jurisdictions on these lists unless such use aligns with the tax laws and regulations of all involved countries, including consistent policies of the relevant tax authorities. In situations where PFZW does not have decisive influence, the use of such jurisdictions may sometimes be unavoidable. In these cases, the use is typically driven by other considerations, and obtaining a tax benefit is not the primary objective.
- E. PFZW strives for transparent and constructive relationships with tax authorities worldwide, based on mutual trust and respect. PFZW sometimes requests certainty from the authorities in advance about the tax treatment of specific transactions, sharing all relevant facts and circumstances.

Transparency

PFZW communicates transparently with its stakeholders about its tax policy by making it public and strives to provide insight into tax risk management and tax decisions. In addition, PFZW ensures that SPVs in investment structures are established in countries that are at least '(provisionally) largely compliant' with the OECD criteria as formulated in the Global Forum on Transparency and Exchange of Information for Tax Purposes.

2. PFZW often does not have a decisive influence in an investment structure and in these cases the pension administration organisation will do everything reasonably possible to apply the tax positions.

Lending of securities

Lending securities is a financial transaction in which a party lends securities for a fee, which are returned after a certain period of time. PFZW uses this strategy to increase returns on long-term investment positions, such as listed shares. Lending securities is a commercial strategy for PFZW, not primarily aimed at tax benefits. Measures have been taken to mitigate involvement in dividend arbitrage practices. PFZW never borrows securities to allow the lending party to benefit from PFZW's withholding tax status.

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