175 YEARS
Celebrating Life

PRUDENTIAL

Prudential plc
Tax Strategy Report

Managing our tax affairs responsibly and sustainably

Contents

Foreword

> *"I am delighted to introduce Prudential's Tax Strategy Report for 2022. Our tax strategy is a core contributor to our wider environmental, social and governance (ESG) activity."*

As we celebrate Prudential's 175th anniversary in 2023, we are proud to have supported generations of families to get the most out of life, from industrial workers in 19th century Britain to people confronting the health and economic challenges of the Covid-19 pandemic. Today, our business is focused on the health and wealth of customers in and across Asia and Africa. We value the importance of good governance, responsible business practices and tax contributions to communities within which we operate, and as such our tax strategy is a core contributor to our wider environmental, social and governance activity.

We are fully committed to paying the right amount of tax at the right time and do not engage in tax avoidance, tax evasion, nor aggressive tax planning as part of our tax strategy. We make sure our stakeholders are fully informed of our businesses and tax affairs, as we believe that being transparent is key to responsible and sustainable management and is the right thing to do.

Our tax contributions have supported the communities in which we operate by providing the necessary funding for various public goods and services, infrastructure developments, social and welfare programmes, economic growth and stability.

2022 global total tax contribution

$1,009m

(2021: $1,071m)

In 2022, our total tax contribution was $1,009 million, which is similar to the $1,071 million in 2021 after allowing for movements in exchange rates. In the past 10 years our continuing operations have contributed a total of $8.4 billion across our markets, a breakdown of which is shown in the appendix to this document.

We strive to be a responsible and compliant taxpayer through consistent implementation of our tax strategy amid rapidly changing domestic tax laws and international tax standards. The international tax framework within which Prudential operates continues to evolve following the 2021 OECD Inclusive Framework agreement to reform international tax rules to both align taxes more closely with where revenues are earned and to impose a global minimum tax rate of 15 per cent. Most, but not yet all, OECD documents have been released. Some jurisdictions in which Prudential operates have started to issue draft legislation or hold consultations. The new rules are extensive and complex and we continue to analyse them. We expect the introduction of the global minimum tax to impact Prudential, and will provide appropriate disclosure ahead of the new rules taking effect.

Our tax footprint aligns with our business footprint and our tax residence reflects a combination of where the Board regularly meets and where senior executives, mainly the Chief Executive Officer and Group Chief Financial Officer, are based.

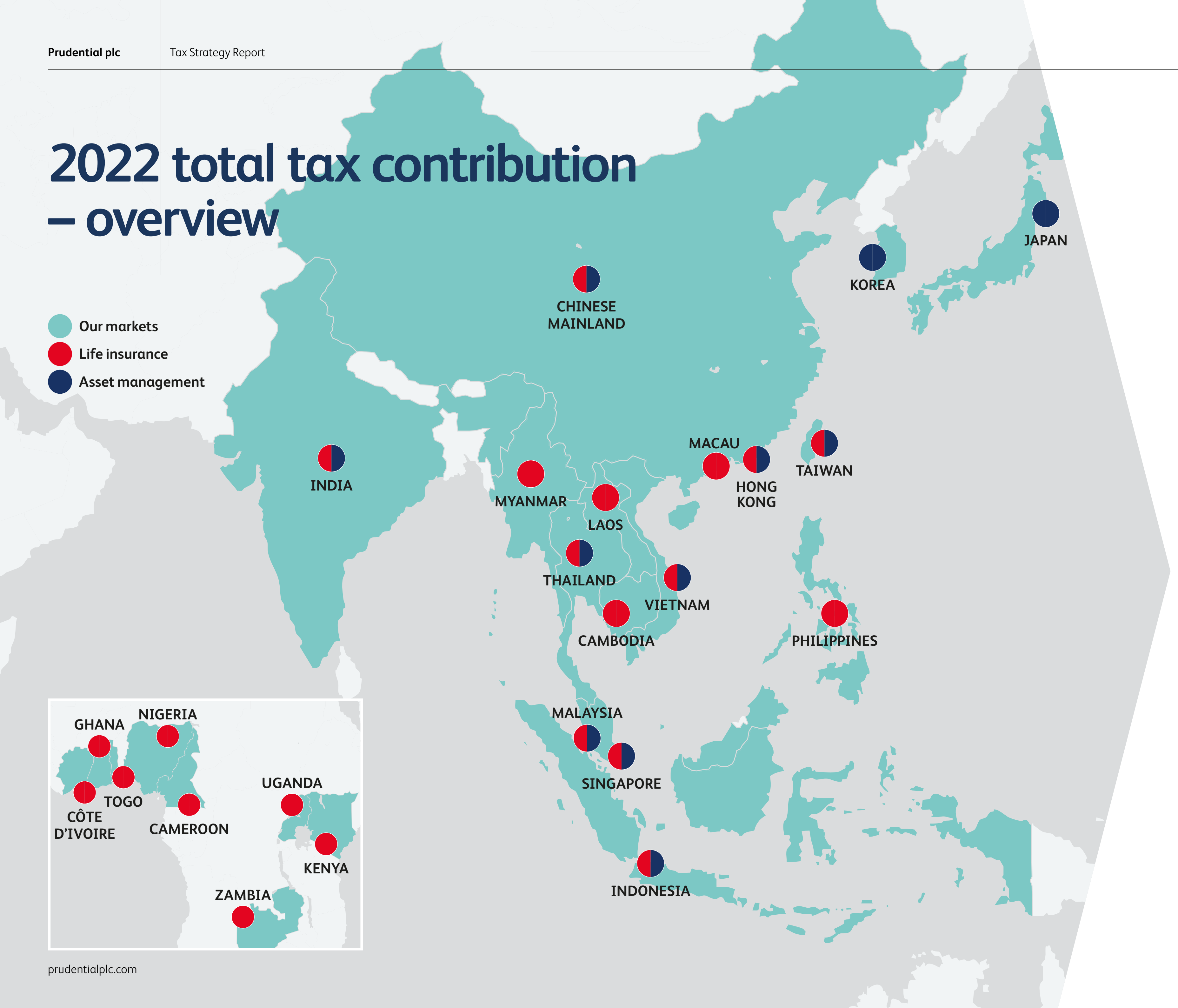
Following the strategic shift to focus on Asia and Africa, the Board now regularly meets in Hong Kong and both the Chief Executive Officer and Group Chief Financial Officer are based there as well. As such, Prudential plc has changed tax residency from the UK to Hong Kong with effect from 3 March 2023. The change of tax residency to Hong Kong is not expected to impact materially the Group's total corporate income tax payment amounts or the location of these payments. Of the $1,009 million total taxes remitted in 2022, over $950 million related to our Asia and Africa insurance and asset management businesses which pay and collect tax where they do business and where they make investments. None of these tax remittances will be affected by the tax residency change.

This report has been prepared to meet the requirements of Paragraph 16(2) Schedule 19 of the UK Finance Act 2016 to publish a tax strategy annually. It also contains information on our responsible and sustainable tax practices worldwide, alongside additional tax disclosures, which complement the existing disclosures in our 2022 Annual Report. While the financial information within this report covers 2022, the strategy set out applies to 2023, demonstrating our intentions for the year ahead.

This report was approved by Prudential plc's Group Audit Committee in May 2023.

James Turner
Group Chief Financial Officer
Prudential plc

2022 total tax contribution – overview



Taxes borne are taxes paid by Prudential that are a cost to the Group and are recorded against the jurisdiction to which they are remitted. These include corporate income tax, withholding taxes, irrecoverable VAT and other indirect taxes, employer payroll taxes and property taxes.

Taxes collected are taxes that Prudential collects on behalf of the relevant tax authority. These include employee payroll taxes, indirect taxes, premium taxes and other taxes.

	Taxes borne $m	Taxes collected $m
Hong Kong	68	–
Indonesia	65	29
Malaysia	94	26
Philippines	43	27
Singapore	104	8
Taiwan	25	2
Thailand	20	17
Vietnam	58	20
United Kingdom	12	25
Rest of the world		
Other Asia subsidiaries	11	7
Africa	8	14
Other subsidiaries	78*	2
Share of joint ventures and associates		
Share of China and India joint ventures and associates	98	136
Share of other joint ventures and associates	9	3
TOTAL	**693**	**316**
TOTAL TAX CONTRIBUTION	**1,009**	

* Includes withholding taxes incurred by the Group's insurance businesses on investments outside their home jurisdiction.

Our tax strategy

Our purpose is to help people get the most out of life. We deliver on that purpose by making healthcare affordable and accessible and by promoting financial inclusion. We protect people's wealth, help them grow their assets, and empower them to save for their goals.

Our purpose is served through implementing our business strategy, and our environmental, social and governance (ESG) strategy as set out in our 2022 Annual Report and ESG Report respectively. The key features of our ESG framework are its three strategic pillars and its three strategic enablers.

Our tax strategy and the responsible and sustainable management of our tax affairs are an important component of our ESG strategic enabler: good governance and responsible business practices.

ESG PILLARS AND FOCUS AREAS

Making health and financial security accessible

- Digital health innovation
- Inclusive offerings
- Meeting the changing needs of our customers

Building social capital

- Our people responsibility
- Our digital responsibility

Stewarding the human impacts of climate change

- Decarbonising our investment portfolio
- Supporting a just and inclusive transition

ESG STRATEGIC ENABLERS

Good governance and responsible business practices

Responsible investment

Community engagement and investment

Guiding principles

In delivering our tax strategy through our day-to-day operations, we follow a set of guiding principles.

1 Tax compliance

We act responsibly and with integrity in all of our tax matters. We understand the importance to governments and wider society of paying the right amount of tax on time, and so we take our tax compliance obligations seriously.

2 Approach to tax

We take an objective view of the generally understood interpretation of the tax laws and regulations in each jurisdiction in which we operate. We do not engage in tax avoidance strategies, for example by artificially diverting profits to low tax rate jurisdictions.

3 Governance

Strong governance processes are the foundation of our business and critical to maintaining trust with stakeholders, particularly in the highly regulated financial markets within which we operate. We seek to comply fully with all our tax obligations, including paying the right amount of tax in each jurisdiction in which we operate and applying rigorous management over our tax uncertainties and risks through our Group Code of Business Conduct, Group Governance Manual and risk management procedures.

4 Transparency and engagement with stakeholders

We provide transparent disclosure of our tax affairs, the amounts and types of taxes we pay and where we pay tax. We believe that transparency is key to the responsible and sustainable management of our tax affairs and better informs our stakeholders about how tax works in our Group and our tax governance practices. We respect the tax authorities with which we interact. Where possible, and following prevailing practice, we seek to build constructive relationships with tax authorities, discussing and resolving matters in real time.

How we consider our stakeholders in our approach to tax

Customers

We put customers first. Responsible tax practices – in terms of providing tax-efficient products and investment returns, ensuring accurate reporting of customer information to tax authorities (where required) and paying the right amount of tax in each jurisdiction in which we operate – are critical in meeting the needs of our customers and providing them with peace of mind.

Investors

We act in the best interests of our investors by managing the taxes we pay in a responsible and sustainable manner.

Government and wider society

We support our wider communities through investment in business and infrastructure, paying tax and community support activity.

Regulators

We place great importance on having effective relationships with those who supervise us and our markets. Our stakeholders' interests are best served when we work constructively with our regulators. Therefore, positive and transparent engagement with tax authorities, which leads to the timely and accurate payment of taxes, helps the societies in which we operate to provide valuable public services and build infrastructure for the benefit of the wider community and the economy.

What do we mean by 'responsible and sustainable'?

By responsible, we mean that our tax decisions balance our responsibility to support our business strategy with our responsibility to the communities in which we operate, which need sustainable tax revenues.

By sustainable, we mean that when making tax decisions we take the long view.

What do we mean by paying the 'right' amount of tax?

Tax is inherently complex, particularly when it involves financial services and international dimensions. Where the tax treatment of a particular transaction or activity is unclear, we will follow the generally understood interpretation of tax law.

What do we mean by 'generally understood interpretation'?

Within each of the jurisdictions in which we operate there arises over time a common view across the informed tax community (comprising taxpayers, tax advisers and the prevailing practice followed by the tax authority) of how the tax laws and regulations are interpreted and applied. This forms a 'generally understood interpretation'.

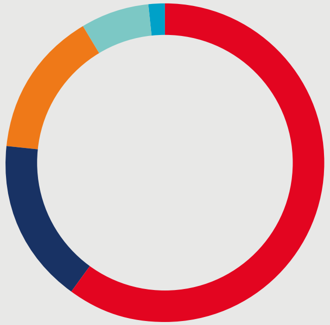
What taxes do our businesses pay?

We set out in Figure 1 the taxes borne by our businesses in 2022 – which represents a cost to the Group – and, in Figure 2, the taxes our businesses collected and remitted to tax authorities in 2022. Together these represent the total tax contribution of the Group ($1,009 million) to the societies and economies in which our businesses operate and invest. The taxes in Figures 1 and 2 include both taxes contributed by our subsidiaries and our share of taxes contributed by our joint ventures and associates.

Figure 1: 2022 total tax borne

$693m

(2021: $747m)



- **Corporate income tax** – $417 million
- **Other withholding taxes** – $116 million
- **Irrecoverable VAT and sales tax** – $102 million
- **Employer payroll taxes** – $47 million
- **Property taxes** – $11 million

The taxes borne in 2022 of **$693 million** were lower than the **$747 million** taxes borne in 2021 principally as a result of:

> Lower corporate income tax payments made in 2022 due to a reduction of taxable profit in 2022 in some jurisdictions;

> Lower withholding taxes incurred on overseas investments reflecting a change in mix of investments; and

> Lower irrecoverable VAT reflecting lower costs on which VAT is incurred and higher VAT recovery rates.

Corporate income tax

The Group pays corporate income tax on taxable profits as computed under the relevant tax laws of the jurisdictions in which we operate or have a taxable presence.

Other withholding taxes

The Group incurs withholding tax on intra-group dividends and other intra-group fees paid in certain jurisdictions. In addition, as a large institutional investor, the Group incurs withholding tax on investment income (eg dividends and interest) received in certain jurisdictions. Where these withholding taxes cannot be offset against corporate income tax or otherwise recovered, they represent a cost to the Group.

Irrecoverable VAT and other indirect taxes

The Group incurs Value Added Tax (VAT), Goods and Services Tax (GST) and other indirect taxes on goods and services that it purchases. In most jurisdictions, life insurance products are exempt from VAT and other indirect taxes and our insurance businesses can usually only recover a small proportion of the VAT and other indirect taxes incurred. Our asset management, service and holding companies will typically have higher VAT recovery rates than our insurance businesses, as fewer of their activities will be exempt from VAT. The VAT and other indirect taxes incurred, across all our different businesses, that we cannot recover results in a cost to the Group.

Employer payroll taxes

This represents the payroll tax, such as national insurance and social security, that the Group's businesses pay as an employer.

Property taxes

This relates to stamp duty or transfer tax paid on properties we have bought and other property-related duties.

Figure 2: 2022 total tax collected

$316m

(2021: $324m)

- **Employee payroll taxes** – $151 million
- **Indirect taxes and premium tax** – $125 million
- **Other withholding taxes** – $40 million

Taxes collected in 2022 of **$316 million** were similar to the **$324 million** collected in 2021.

Employee payroll taxes

In the majority of jurisdictions in which we operate, we are required to deduct tax and social security from payments made to our employees, and then remit this tax and social security to the local tax authority.

Indirect taxes and premium taxes

The Group collects indirect taxes (eg VAT/GST) on some services it provides to third parties and its customers, and in some jurisdictions in which we operate, we collect tax in relation to insurance premiums. The tax collected is then remitted to the relevant tax authority.

Other withholding taxes

The withholding taxes collected represent tax deducted by our businesses on certain payments to third parties.

How much tax do we pay and where?

We continue to make significant tax contributions in the jurisdictions in which we operate. In 2022, our global total tax contribution, both from our subsidiaries and our share of our joint ventures and associates, was $1,009 million.

Figure 3 breaks down corporate income taxes paid, other taxes borne and taxes collected for each jurisdiction in which our subsidiaries paid $5 million or more in total tax to the local tax authority in 2022. Revenue, profit and employee numbers for these jurisdictions are also shown, to give context for the tax disclosures. As can be seen from Figure 3, the Group's tax footprint (where we pay taxes) is consistent with the Group's economic footprint (where we earn revenues and profits).

Effective tax rate

In 2022, the effective tax rate on the Group's total IFRS profit was 31 per cent (2021: 17 per cent). The increase in the 2022 effective tax rate reflects the adverse impact of investment losses which are not tax effective. Note B3.2 of the Group's 2022 Annual Report includes a reconciliation of the Group expected tax rate of 20 per cent to the Group effective tax rate of 31 per cent. The Group expected tax rate reflects the corporate income tax rates that are expected to apply to the taxable profit or loss of our businesses. It reflects the statutory corporate income tax rates of each jurisdiction weighted by reference to the amount of profit or loss contributing to the aggregate result from our businesses. Further details regarding our effective tax rates compared to the statutory corporate income tax rate ('expected tax rate') at a jurisdictional level and the types of taxes remitted for our Asia jurisdictions that have been separately identified in Figure 3 are set out in the 'Overview of key Asia jurisdictions' section. For those other Asia jurisdictions not separately disclosed in Figure 3, including those where we have joint ventures and associates, similar drivers of effective tax rates such as investment income, gains and losses either being exempt from tax or being taxed at rates different to the statutory rate are present, and taxes collected are typically mainly payroll taxes and indirect taxes.

Figure 3: 2022 Prudential plc total tax contribution by jurisdiction

	2022 ($m – except for employee numbers)						
	Total taxes remitted	Corporate income taxes paid[1]	Other taxes borne[2]	Taxes collected[3]	Total revenue net of reinsurance	IFRS profit (loss) before tax[4]	Average employee numbers
Hong Kong	68	63	5	–	(14,712)[5]	291	1,459
Indonesia	94	45	20	29	1,674	264	2,050
Malaysia	120	81	13	26	1,875	368	2,028
Philippines	70	24	19	27	494	95	872
Singapore	112	93	11	8	337	556	1,916
Taiwan	27	1	24	2	530	(350)[5]	854
Thailand	37	8	12	17	678	(30)[5]	1,349
Vietnam	78	23	35	20	623	353	1,594
United Kingdom	37	–[6]	12[6]	25	120	(170)[6]	178
Rest of the world[7]	120	6	91[7]	23	446	21	1,896
Total subsidiaries	**763**	**344**	**242**	**177**	**(7,935)**	**1,398**	**14,196**
Joint ventures and associates[8]	246	73	34	139	–	29	–
Gain attaching to corporate transactions	–	–	–	–	–	55	–
Intra-group revenue[9]	–	–	–	–	(284)	–	–
Group total 2022	**1,009**	**417**	**276**	**316**	**(8,219)**	**1,482**	**14,196**
Group total 2021	1,071	453	294	324	26,500	3,018	13,837

Notes

1 Corporate income taxes paid includes (i) corporate income tax paid on taxable profits, and (ii) withholding tax on certain investment income derived in Cambodia, Indonesia, Philippines and Taiwan, where this tax is a form of corporate income tax. In addition, for some jurisdictions, the corporate income tax paid includes amounts paid on policyholder investment returns on some life insurance products. The taxable profit on which corporate income tax is calculated will be based on local tax laws and regulations, typically using either local generally accepted accounting principles (GAAP) profits or local regulatory return surplus as a starting point.

2 Other taxes borne include irrecoverable VAT and other indirect taxes, employer payroll taxes, withholding taxes and property taxes. Withholding taxes are disclosed against the jurisdiction to which the withholding tax has been paid.

3 Taxes collected are taxes that Prudential is required to collect from employees, customers and third parties which are paid to tax authorities.

4 This measure is the formal profit before tax measure under IFRS, not the adjusted operating profit. Profit before all taxes is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of with-profits funds, after adjusting for taxes borne by policyholders.

5 The negative revenue in Hong Kong and the loss before tax in both Taiwan and Thailand reflect investment losses for the insurance businesses.

6 The loss before tax reflects interest payable on core structural borrowings, corporate expenditure and restructuring costs. Consistent with previous years, the Group's UK entities paid no UK corporate income tax in 2022, reflecting tax losses arising from external interest costs and head office costs. The lower other taxes borne in the UK reflect reduced head office costs on which VAT is incurred, a higher VAT recovery rate, and lower employee numbers leading to reduced payroll taxes.

7 Rest of the world comprises (i) all remaining subsidiaries and (ii) within other taxes borne, $76 million of withholding taxes incurred by the Group's insurance businesses on investments outside their home jurisdiction. This is made up of $45 million of US withholding tax, $11 million of withholding tax remitted to jurisdictions in Asia where we have operations and $20 million of withholding tax remitted to other jurisdictions.

8 Includes the Group's share of insurance and asset management joint ventures and associates in China, India, Hong Kong and Malaysia. See Note D6.3 of our 2022 Annual Report for more details.

9 The Group's asset management operations provide services to the Group's insurance operations. These intra-group fees are included within the revenue of the asset management operations and are eliminated on consolidation.

How much tax do we pay and where? / continued

Overview of key Asia jurisdictions

Hong Kong

$68m
Total tax remittances

$63m
Corporate income tax paid

$5m
Other taxes borne

$0m
Taxes collected

IFRS profit before tax	$291 million (A)
Total tax charge of which	$169 million
Policyholder tax	$56 million (B)
Shareholder tax	$113 million (C)
Expected tax rate	16.5%
Effective tax rate (C) / (A-B)	48%

Insurance, asset management and head office holding companies

Policyholder tax mainly comprises withholding tax incurred on non-Hong Kong investments of the insurance business.

The **effective tax rate** of 48 per cent represents the weighted average of the tax rates of all the Hong Kong businesses.

- In common with other Hong Kong insurers, the taxable profit of our Hong Kong insurance business is not based on an accounting profit or regulatory surplus; it is instead computed as 5 per cent of premium income (net of reinsurance). This measure of taxable profit is typically lower than the accounting profit and so leads to a low effective tax rate. In 2022, non-deductible adverse movements in investment losses for the insurance businesses reduced accounting profit significantly, leading to a higher effective tax rate than usual.
- The effective tax rate of the asset management business is typically very close to the 16.5 per cent expected tax rate. The head office and other costs in the Hong Kong head office entities give rise to tax losses. The Hong Kong tax system does not allow tax losses to be offset against taxable profits of other Hong Kong Group companies. No deferred tax asset is recognised in respect of the unused tax losses which are carried forward to future periods.

Other taxes borne mainly reflect stamp duty on the purchase of Hong Kong equity investments.

There are no **taxes collected** by our Hong Kong businesses. Hong Kong does not have a VAT or equivalent regime. There are no payroll taxes that need to be paid or collected in respect of the Hong Kong employees.

How much tax do we pay and where? / continued

Indonesia

$94m
Total tax remittances

$45m Corporate income tax paid

$20m Other taxes borne

$29m Taxes collected

IFRS profit before tax	$264 million (A)
Total tax charge of which	$54 million
Policyholder tax	$5 million (B)
Shareholder tax	$49 million (C)
Expected tax rate	22%
Effective tax rate (C) / (A-B)	19%

Insurance and asset management companies

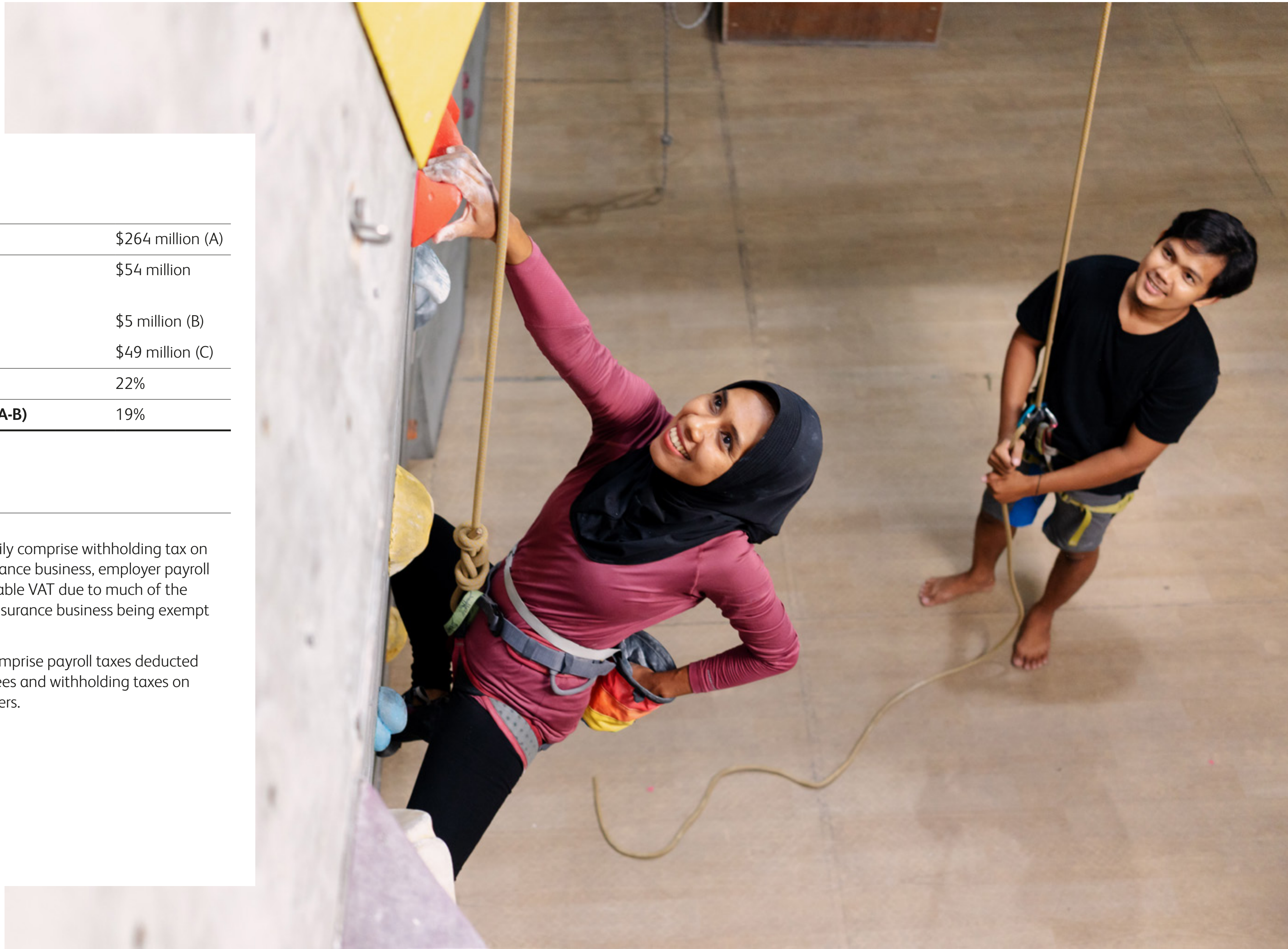
Policyholder tax mainly comprises final tax (which is a form of withholding tax at source) on investment income within the unit linked funds.

The **effective tax rate** of 19 per cent represents the weighted average of the tax rates of all the Indonesia businesses.

- The taxable profit of our Indonesia insurance business is based on the accounting profit. However, most investment gains are taxed under the final tax regime, with the final tax rate ranging from 0.1 per cent to 20 per cent. This can result in the effective tax rate being lower than the expected tax rate depending on the level of investment gains.
- The taxable profit of our Indonesia asset management business is based on the accounting profit and the effective tax rate is typically close to the 22 per cent expected tax rate.

Other taxes borne primarily comprise withholding tax on dividends paid by the insurance business, employer payroll related taxes and irrecoverable VAT due to much of the income of the Indonesia insurance business being exempt from VAT.

Taxes collected mainly comprise payroll taxes deducted from payments to employees and withholding taxes on certain payments to suppliers.



How much tax do we pay and where? / continued

Malaysia

$120m
Total tax remittances

$81m
Corporate income tax paid

$13m
Other taxes borne

$26m
Taxes collected

Insurance, asset management and service companies

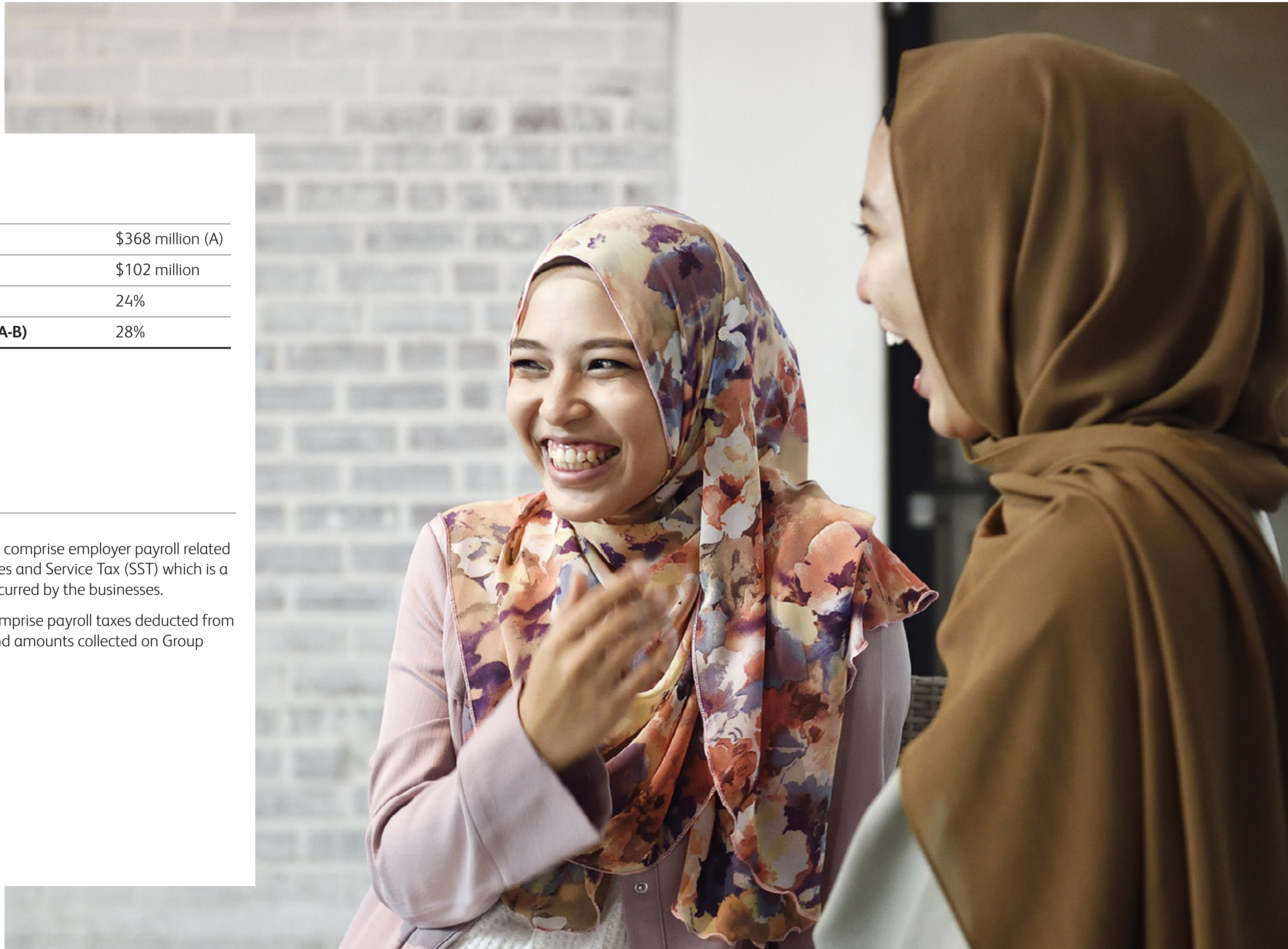
IFRS profit before tax	$368 million (A)
Total tax charge	$102 million
Expected tax rate	24%
Effective tax rate (C) / (A-B)	28%

The **effective tax rate** of 28 per cent represents the weighted average of the tax rates of all the Malaysia businesses.

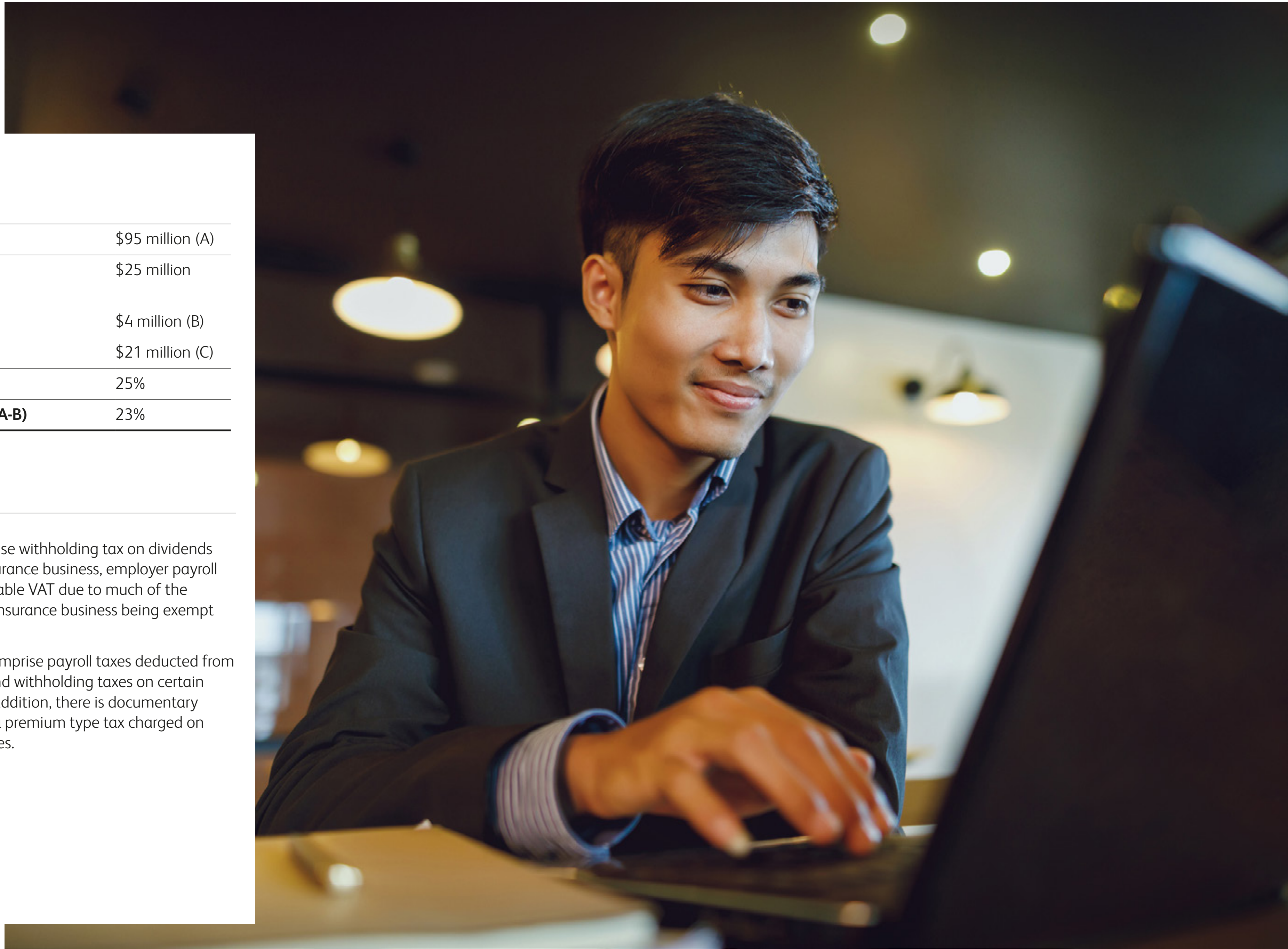
- The taxable profit for the insurance company's main life fund, which consists of participating fund, unit linked fund and non-participating fund, is 8 per cent of net investment income. Profits in the shareholders' fund are taxed at the standard tax rate of 24 per cent.
- The taxable profit of our Malaysia asset management business and service companies is based on accounting profit.
- In 2022, the effective tax rate was also higher than the expected tax rate due to the impact of a temporary tax rate increase, from 24 per cent to 33 per cent on taxable profits exceeding 100 million Malaysian ringgit.

Other taxes borne mainly comprise employer payroll related taxes and irrecoverable Sales and Service Tax (SST) which is a final tax on certain costs incurred by the businesses.

Taxes collected mainly comprise payroll taxes deducted from payments to employees and amounts collected on Group insurance business.



How much tax do we pay and where? / continued



Philippines

$70m
Total tax remittances

$24m	$19m	$27m
Corporate income tax paid	Other taxes borne	Taxes collected

Insurance and asset management companies

IFRS profit before tax	$95 million (A)
Total tax charge of which	$25 million
Policyholder tax	$4 million (B)
Shareholder tax	$21 million (C)
Expected tax rate	25%
Effective tax rate (C) / (A-B)	23%

Policyholder tax mainly comprises final tax (which is a form of withholding tax at source) on investment income within unit linked funds.

The **effective tax rate** of 23 per cent represents the weighted average of the tax rates of all the Philippines businesses.

> The taxable profits of our Philippines insurance and asset management businesses are based on the accounting profits. However, interest income is generally subject to final tax. Dividend income and long-term gains on investments are tax exempted. Adjusting for this can often result in the effective tax rate being different to the expected tax rate.

Other taxes borne comprise withholding tax on dividends paid by our Philippines insurance business, employer payroll related taxes and irrecoverable VAT due to much of the income of the Philippines insurance business being exempt from VAT.

Taxes collected mainly comprise payroll taxes deducted from payments to employees and withholding taxes on certain payments to suppliers. In addition, there is documentary stamp tax (DST), which is a premium type tax charged on certain life insurance policies.

How much tax do we pay and where? / continued

Singapore

$112m
Total tax remittances

$93m	$11m	$8m
Corporate income tax paid	Other taxes borne	Taxes collected

Insurance, asset management and service companies

IFRS profit before tax	$556 million (A)
Total tax charge of which	$47 million
Policyholder tax	$(44) million (B)
Shareholder tax	$91 million (C)
Expected tax rate	17%
Effective tax rate (C) / (A-B)	15%

Policyholder tax mainly comprises tax on distributions to policyholders from the participating fund and withholding tax incurred on non-Singapore investments of the insurance business.

The **effective tax rate** of 15 per cent represents the weighted average of the tax rates of all the Singapore businesses.

- The taxable profit of our Singapore insurance business is based on the regulatory return rather than the accounting profit. Singapore dividend income and foreign dividend income that meets certain criteria are both exempt from tax and are therefore excluded when calculating the taxable profit. In addition, income from qualifying debt securities is subject to a concessionary tax rate of 10 per cent. These factors lead to the effective tax rate being typically lower than the expected tax rate of 17 per cent.
- Policyholder tax was a credit in 2022 due to the deferred tax impact of policyholder liability movements caused by adverse market movements.
- The taxable profit of our Singapore asset management business is based on the accounting profit. The effective tax rate of the asset management business is typically slightly lower than the 17 per cent expected tax rate as management and advisory fees are subject to a concessionary tax rate of 10 per cent.

Other taxes borne primarily comprise irrecoverable GST, due to much of the income of the Singapore insurance business being exempt from GST.

Taxes collected mainly comprise GST collected on standalone health related insurance policies and fund management services.

How much tax do we pay and where? / continued

Taiwan

$27m
Total tax remittances

$1m Corporate income tax paid

$24m Other taxes borne

$2m Taxes collected

Insurance and asset management companies

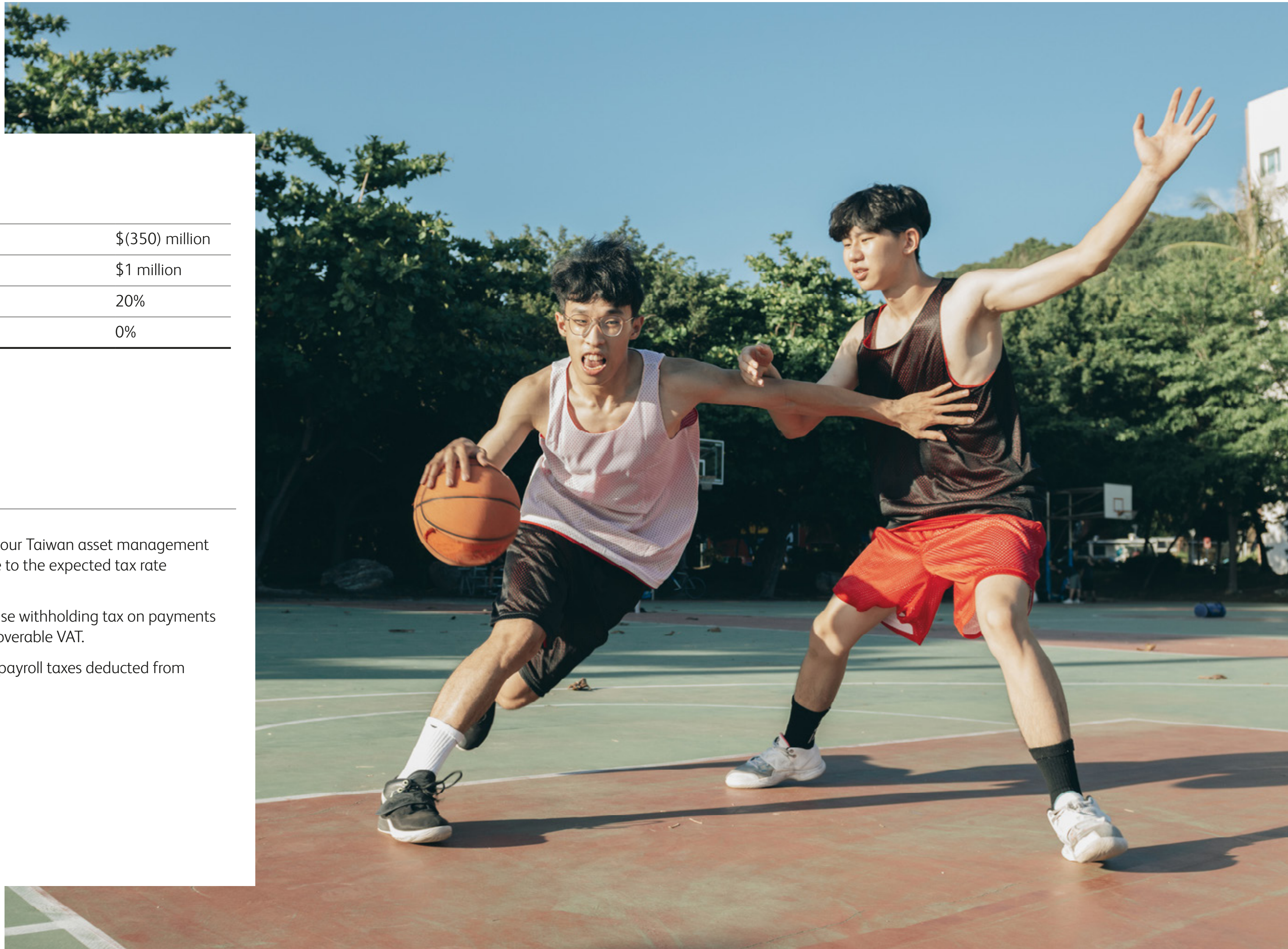
IFRS loss before tax	$(350) million
Total tax charge	$1 million
Expected tax rate	20%
Effective tax rate	0%

The **effective tax rate** of 0 per cent represents the weighted average of the tax rates of all the Taiwan businesses.

- The taxable profit of our Taiwan insurance business is based on the accounting profit.
- The effective tax rate of the Taiwan insurance business reflects a combination of brought forward tax losses, investment gains or losses on domestic securities being non-taxable or non-deductible (respectively) and Taiwan's surtax on undistributed earnings.
- The effective tax rate was 0 per cent on an accounting loss before tax in 2022 due primarily to the impact of non-deductible investment losses.
- The effective tax rate of our Taiwan asset management business is typically close to the expected tax rate of 20 per cent.

Other taxes borne comprise withholding tax on payments to related parties and irrecoverable VAT.

Taxes collected comprise payroll taxes deducted from payments to employees.



How much tax do we pay and where? / continued

Thailand

$37m
Total tax remittances

$8m
Corporate income tax paid

$12m
Other taxes borne

$17m
Taxes collected

Insurance and asset management companies

IFRS loss before tax	$(30) million
Total tax credit	$(5) million
Expected tax rate	20%
Effective tax rate	17%

The **effective tax rate** of 17 per cent represents the weighted average of the tax rates of all the Thailand businesses and is typically close to the expected tax rate.

> The taxable profits of our Thailand insurance and asset management businesses are based on the accounting profits.

Other taxes borne comprise employer payroll taxes and irrecoverable VAT due to much of the income of the Thailand insurance business being exempt from VAT.

Taxes collected mainly comprise payroll taxes deducted from payments to employees, withholding taxes on certain payments to suppliers, and stamp duty on some insurance policies.

How much tax do we pay and where? / continued

Vietnam

$78m
Total tax remittances

IFRS profit before tax	$353 million
Total tax charge	$70 million
Expected tax rate	20%
Effective tax rate	20%

$23m Corporate income tax paid

$35m Other taxes borne

$20m Taxes collected

Insurance and asset management companies

The **effective tax rate** of 20 per cent represents the weighted average of the tax rates of all the Vietnam businesses and is typically close to the expected tax rate of 20 per cent.

> The taxable profits of our Vietnam insurance and asset management businesses are based on the accounting profits.

Other taxes borne comprise irrecoverable VAT incurred by the businesses, employer payroll related taxes and taxes withheld on certain payments to suppliers.

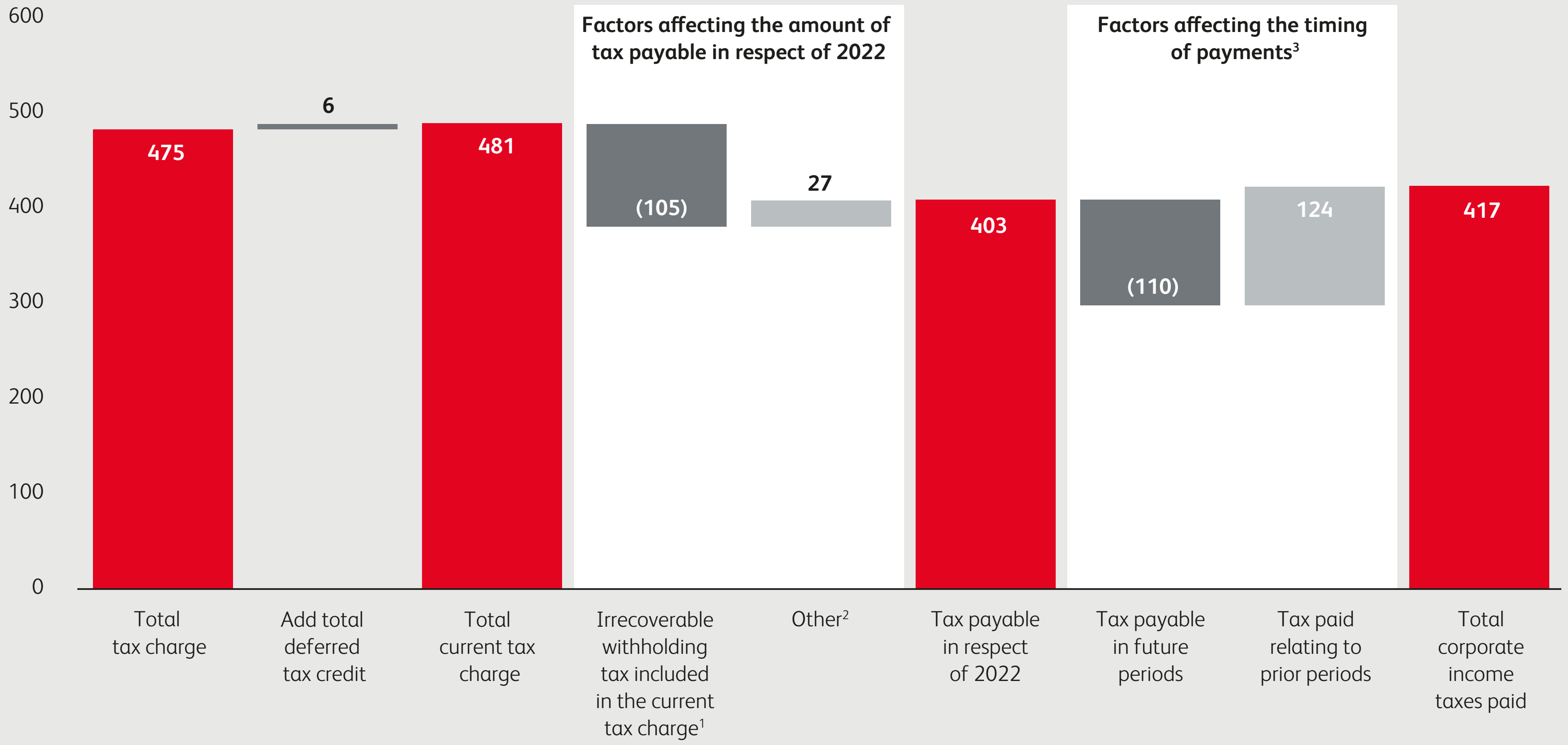
Taxes collected primarily comprise payroll taxes deducted from payments to employees.

How much tax do we pay and where? / continued

Why does the amount of corporate income tax paid differ from the tax charge in the accounts?
The amount of corporate income tax paid (sometimes referred to as the cash tax paid) will differ each year from the current tax charge shown in the Group's Annual Report. This is due to a number of factors. The principal factor is the timing of when payments are made in respect of a given financial period. Some payments will be due during the year in question and some will be due in the following year. A secondary factor is that adjustments made when the tax return is filed (or when the tax return is agreed with the tax authority) can lead to additional tax payments being made or refunds being received in a later year.

In 2022, our total tax charge was $475 million and our corporate income tax payments were $417 million. Figure 4 provides a reconciliation between the total tax charge and the corporate income tax payments made during 2022.

Figure 4: 2022 reconciliation of total tax charge to corporate income tax paid ($m)



Notes

1 Reducing tax payable, the Group incurs withholding tax on remittances received from certain jurisdictions and on certain investment income. The withholding tax is included in the accounts tax charge but as it is not corporate income tax it is not included in the corporate income tax paid. The $(105) million withholding tax is included in the $116 million withholding tax in total taxes borne in Figure 1, with the remainder of $11 million relating to withholding taxes suffered which have been expensed in computing the profit before tax.

2 Increasing tax payable, Other comprises $73 million in respect of Prudential's share of tax paid from joint ventures and associates, which as per the Consolidated income statement on page 283 of the Group's 2022 Annual Report, has been deducted from Prudential's share of profits from joint ventures and associates; and $1 million in foreign exchange and other adjustments; partly offset by $(40) million from movements in provisions; and $(7) million in prior year adjustments.

3 In most countries, corporate income tax is payable in regular instalments, some of which fall into the current period, and some into the following year.

How we manage our tax affairs

Questions we consider when making tax decisions

- What is the overall business objective underpinning our approach?
- Is the tax position sustainable in the long term, or is it based on an area of tax law that is likely to change?
- What is the legal and regulatory framework that we need to respect?
- Does the tax position reflect the business and economic reality?
- What is the potential reputational impact?

Our approach to tax planning

The management of our tax affairs reflects the regulatory, legal and commercial environment in which our businesses operate. All decisions are taken after careful consideration of all the issues and potential impacts. Where we have a choice on how to structure a particular business, transaction or investment, we will structure it in a tax-efficient manner, where we have concluded that it is a responsible and sustainable choice, consistent with our business strategy. We do not base our decisions on aggressive interpretations of the tax law. We do not engage in tax avoidance strategies, for example by artificially diverting profits to low tax rate jurisdictions.

Our investments

We protect people's wealth, help them grow their assets and empower them to save for their goals. Our insurance companies hold a broad investment portfolio on behalf of our customers. This includes collective investment vehicles, such as funds managed by our investment manager – Eastspring Investments – and externally managed funds. Such funds are often widely held by both external investors and Prudential's insurance companies.

Funds are designed to provide a cost-efficient, diversified pooling vehicle to facilitate investment and savings. Funds are widely accepted and used by a variety of investors for a number of reasons:

- **Professional management** – investing directly requires considerable time and research. Our asset managers have the expertise to keep on top of any market changes and make the decisions about when to buy or sell assets;
- **Spread the risk** – our funds help mitigate the risk associated with investing into individual stocks and bonds. If one of the fund's investments underperforms, its impact may be mitigated for the investor by the overall investment performance;
- **Convenience** – our asset management companies handle the buying and selling of the assets and the collection of dividends and income on behalf of the investors; and
- **Reduced cost** – by pooling investors' money the cost of investing is reduced and shared.

Funds are often structured with various legal entities in different jurisdictions. There are a number of reasons for this, including to facilitate the segregation and limited liability of investments, to provide flexibility on the future disposal of investments or, as is often the case with real estate, to address legal impediments to non-residents holding property.

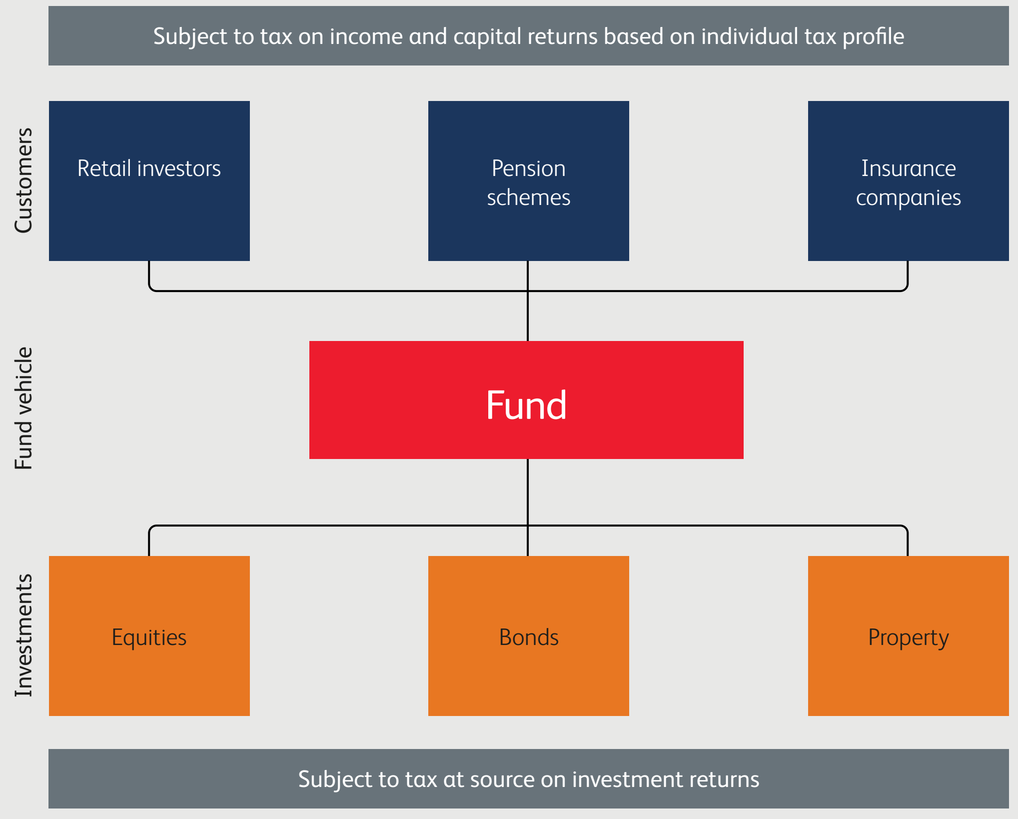
In common with other investors, our insurance companies invest in funds as part of a diversified investment strategy and as part of managing liquidity. Some of these funds will include investments in real estate and infrastructure. Real estate and infrastructure funds, in particular, also provide a vital source of capital for investment to drive future economic growth. In many instances, our insurance companies will provide the start-up capital for such funds. Such investments are typically made through a layered fund structure with special purpose vehicles that will hold the underlying assets. These may be supported by debt funds that provide a vital source of capital for companies that own real estate and infrastructure investments to enable future economic growth.

As a significant allocator of capital in financial markets, our commitment to responsible investment encompasses our role as both asset owner and asset manager. We do not invest in funds with the intention to reduce the tax that we pay and we comply with all customer tax disclosure requirements for the funds we manage.

It is common for funds to be established in jurisdictions that do not impose an additional layer of taxes on the fund itself or have special rules for asset management entities. Instead, the investment return is taxed in the hands of the investor (commonly referred to as the 'look through tax treatment'). This ensures that as much as possible of the investment return from the underlying investments flows through to the investors.

Most widely held fund vehicles seek to ensure the investors' tax position would be the same if they had the capacity to invest directly. Regardless of where the fund is established, investors will be subject to tax on investment returns in accordance with the tax rules of those jurisdictions where the investors are resident. As a consequence, our investing companies will be subject to tax on income and capital returns from the fund based on their individual tax profile. In most instances, this results in the tax paid being similar to what the tax would have been if our companies had invested directly in the underlying assets.

Illustrative example of simplified fund structure



How we manage our tax affairs / continued

Cross-border transactions and transfer pricing

Regulatory requirements typically mean that profits from insurance businesses are taxed in the jurisdiction where the insurance is sold and regulated.

All our businesses are responsible for developing their own products, for pricing and marketing, and for managing local regulatory capital requirements. Where cross-border transactions do arise between related parties, in addition to applying the local tax laws of the jurisdiction in which we operate, we follow the OECD's principles on transfer pricing and other international tax matters to ensure we pay tax in the jurisdictions in which economic value is created. Our tax strategy requires that all related party transactions within the Group reflect economic and commercial reality and follow appropriate transfer pricing methodologies. We review our transfer pricing processes and produce all transfer pricing documentation, including local files, the Group-wide transfer pricing master file and the country-by-country report in line with local tax laws and OECD guidelines.

Low tax rate jurisdictions

In 2021, the international consensus in the OECD Base Erosion and Profit Shifting (BEPS) proposals was that 15 per cent should be the global minimum tax rate. Note D6.4 of the Group's 2022 Annual Report provides a full list of the Group's subsidiaries, joint ventures, associates, and significant holdings (being holdings of more than 20 per cent). Within that list, as at 31 December 2022, the Group had seven entities in jurisdictions with a headline corporate income tax rate of less than 15 per cent.

Details of these entities are as follows:

- **Cayman Islands:** We have one non-controlled related undertaking, which represents an investment by Prudential;
- **Guernsey:** We have one regulated captive insurance subsidiary, whose profits are subject to tax in the UK under the UK's Controlled Foreign Company regime; and
- **Ireland:** We have five non-controlled related undertakings, which represent investments by Prudential into various funds.

In 2022, the one consolidated entity in a low tax jurisdiction (Guernsey) accounts for less than $1 million of total Group revenue and total Group profit.

Interaction with tax authorities

Our tax affairs are complex, reflecting a combination of specific or additional corporate income tax rules for life insurance companies, the range of taxes that apply to our businesses and the cross-border dimensions that come from being an international group. We deal with tax authorities in an open and constructive manner aimed at bringing matters to a timely conclusion. In the UK, we are committed to discussing all significant matters in real time with HMRC.

The complexity of the tax laws and regulations that relate to our businesses means that from time to time we may disagree with tax authorities on the technical interpretation of a particular area of tax law. Generally this is due to:

- Ambiguity in the law and its intent;
- Changes that occur over time in tax authority interpretation;
- Case law developments; and
- Tax law not keeping pace with product or wider commercial/regulatory developments.

Most of the time, these disagreements can be resolved through discussion. However, there are times where it is necessary for the matter to proceed to litigation to clarify and resolve differences between the taxpayers and tax authorities interpretation of the relevant tax law. As shown in note B3.2(viii) of our 2022 Annual Report, $79 million of provisions in respect of open tax issues were held at 31 December 2022, which increased from $42 million at 31 December 2021.

Tax policy work

We believe that more informed and sustainable outcomes are achieved where governments and policymakers openly consult with industry and other affected stakeholders. We work with governments and policymakers directly, where possible, or through industry trade bodies or networks, to explain the wider impact that tax proposals will have on the industry, the regulatory environment and our customers. We seek to provide pragmatic, proportionate and constructive comments to help meet the objectives of new initiatives in the interests of all of our stakeholders.

Similarly, we have proactively engaged with civil society forums that are focused on building a sustainable and transparent global tax system.

In October 2021, the OECD/G20 Inclusive Framework of over 130 jurisdictions reached agreement on a two pillar approach to reforming international tax. Pillar 1 is focused on the allocation of taxing rights between jurisdictions for in-scope multinational enterprises that sell cross-border goods and services into countries with little or no local physical presence. There is an exemption from Pillar 1 for regulated financial services and so Prudential does not expect to be affected by Pillar 1. Pillar 2 is focused on ensuring that in-scope multinational enterprises pay a global minimum tax of 15 per cent in each jurisdiction in which they operate.

The OECD published detailed model rules for Pillar 2 in December 2021, and followed this in March 2022 with detailed guidance to assist with interpreting the model rules. In December 2022, the OECD issued additional documents including proposals for safe harbours and a consultation on the proposed information return. In February 2023, the OECD published additional administrative guidance to further assist with interpreting the model rules. Further documents are expected to be issued by the OECD in 2023 including the implementation framework and additional administrative guidance.

Prudential has contributed to representations made by a number of Asian and UK insurance and financial services trade bodies and networks, in relation to the detailed Pillar 2 rules and guidance. Prudential's focus has been on practical matters arising from the proposals, including areas where the rules and guidance either remain unclear or produce outcomes that appear inconsistent with the policy intent.

A number of jurisdictions in which Prudential has operations have either confirmed their intention to introduce a domestic minimum tax for in-scope multinationals alongside introducing the global rules or have published draft legislation. This is likely to impact the Group's effective tax rate from 2024 onwards. Detailed analysis and consideration of relevant draft legislation and all of the OECD documents noted above is ongoing.

Our tax teams and the use of tax advisers

Our specialist tax teams in Asia and the UK comprise individuals with a mix of industry and business knowledge and subject matter expertise. From time to time we will engage tax advisers to provide specialist expertise, second opinions and advice on significant transactions. We also use tax advisers to help us understand new legislation or to provide us with insight on industry practice. In addition, we engage tax advisers to undertake tax compliance work on our behalf in various jurisdictions where it is more operationally efficient to do so.

Governance and management of tax risk

Governance over tax

The Group's tax governance focuses on the Group's strategic tax issues, our Group Tax Risk Policy, and the day-to-day operational processes and controls that are designed to ensure that tax risks are managed effectively and within our risk appetite. Accountability for our tax strategy and management of tax risk ultimately rests with the Board. Responsibility for the implementation of our tax strategy rests with the Group Chief Financial Officer, who updates the Board on material tax matters, and is supported in fulfilling this role by the Group Tax Director and Group Tax department. The day-to-day operational management of tax lies within our businesses, reflecting that taxes are currently only levied on legal entities and sometimes groups of entities, rather than on the Group as a whole. Therefore, our business CEOs and CFOs are responsible for managing tax risks within their jurisdictions.

In line with the Group Tax Risk Policy, our business units provide regular tax risk reports to the Group Tax department. These are reviewed by the Group Tax Director and discussed in regular meetings between our specialist tax teams and the business units. At Group level, the management of tax risk is overseen by the Audit and Risk Committees. The Group Audit Committee receives regular updates from the Group Tax Director on material tax issues, tax disputes and tax policy developments. On an annual basis the Committee assesses the effectiveness of the Group's system of risk management and internal control, which includes management of tax risks. The Group Risk Committee receives updates on material tax risks, any operational incidents and the effectiveness of associated controls as part of the wider Group Risk Framework.

Managing tax risk

The tax strategy is supported by the Group Tax Risk Policy, which sets out the standards for managing and reporting a broad range of tax risks across the Group. Our approach to tax risk management also gives due regard to the commitments we have made to our customers and other key stakeholders – in that our governance, processes and controls enable us to deal with uncertainty effectively, which is critical to the achievement of our strategy of capturing long-term structural opportunities and helping our customers achieve their long-term financial goals.

The Group Tax Risk Policy is part of the wider Group Risk Framework, where we define 'risk' as the uncertainty that the Group faces in successfully implementing its strategies and objectives. This includes all internal and external events, acts or omissions that have the potential to threaten the success and survival of the Group. As outlined in the section on 'Risk Governance' that can be found on pages 51 to 53 of the Group's 2022 Annual Report, we have a system of governance that promotes and embeds a clear ownership of risk, processes that link risk management to business objectives and a proactive Board and senior management providing oversight of risks. Mechanisms and methodologies to review, discuss and communicate risks are in place, together with risk policies and standards to enable risks to the Group to be identified, measured and assessed, managed and controlled, monitored and reported.

Our Group Risk Framework requires all of our businesses and functions to establish processes for identifying, measuring, managing and reporting the key risks faced by the Group. In particular, within the Group Operational Risk Policy, the Management Risk and Control Self-Assessment (RCSA) is a key risk process that enables tax risks to be identified, business impacts (financial and non-financial) to be understood, and effectiveness of controls to mitigate those risks to be assessed. As business processes change, or new risks are identified, the RCSAs are updated with controls identified and assessed. Additionally, within the Group's Non-Financial Risk Appetite Framework, tax risk is also incorporated within broader risk appetite statements and limits. In line with these risk frameworks, our Group Tax Risk Policy incorporates processes to identify, measure, manage and report on our tax risks, and details the processes and procedures followed in respect of each category of tax, to ensure risks are minimised and managed consistently across the Group.

Governance and management of tax risk / continued

Our definition of tax risk

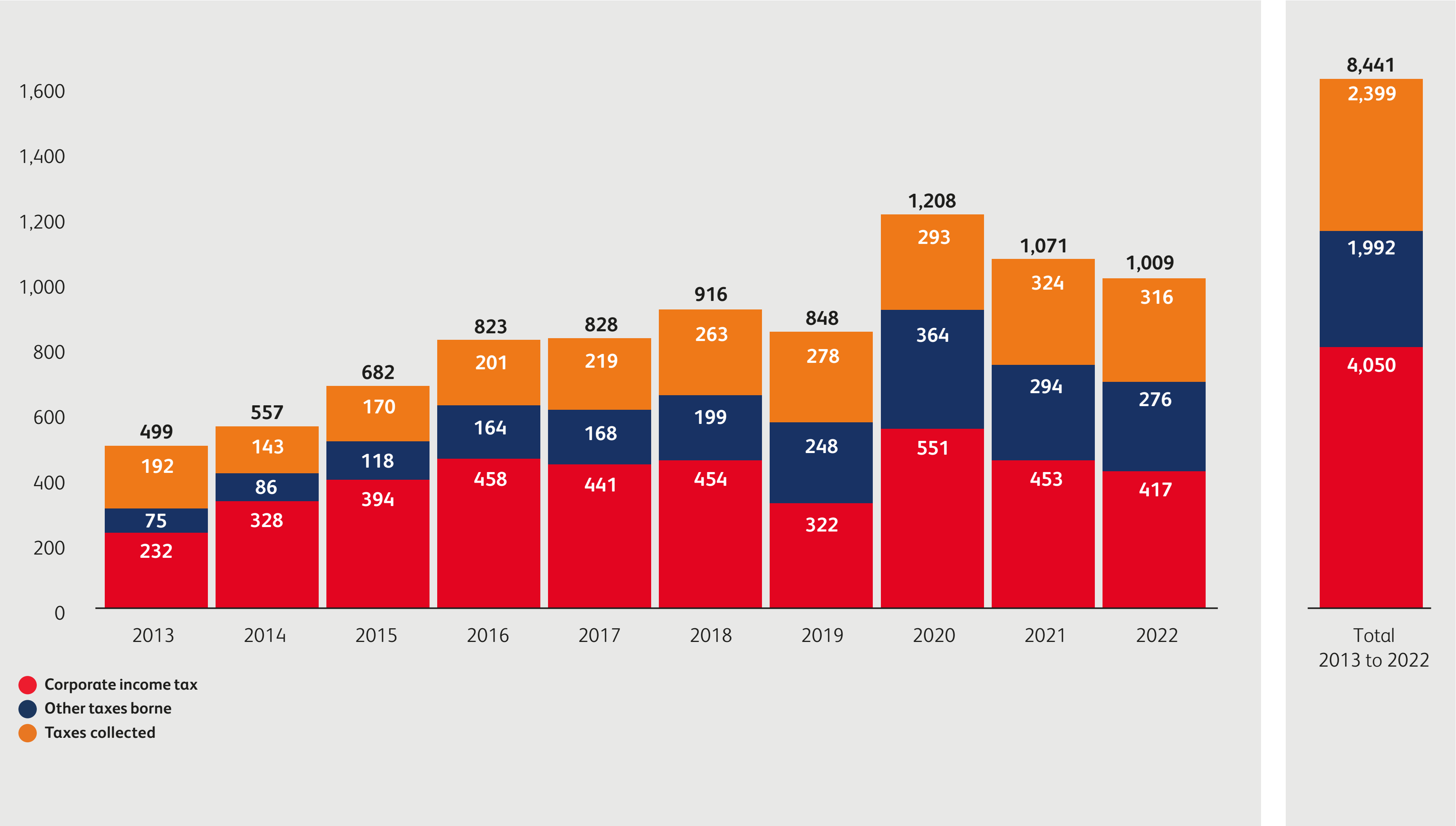
We define tax risk as any uncertainty from either the interpretation of tax law to a particular situation or the practical implementation of tax law in an operational or tax compliance sense, which has the potential to have an adverse financial or reputational outcome.

Categories of tax risk

	Technical judgement tax risk	Operational tax risk	Regulatory tax risk	Reputational tax risk
Definition	This is the uncertainty arising where a transaction or investment is structured, or a tax return is filed based on an interpretation of the tax law where (1) it is possible that the tax authority may take a differing interpretation, (2) the tax authority does dispute the interpretation, or (3) it is possible that the tax law may change in a manner that affects the tax treatment of the transaction or investment.	Risk of loss (or unintended gain or profit) arising from inadequate or failed internal processes, personnel and systems, or from external events, which result in the filing of inaccurate or late tax returns or incorrect tax payments.	This is risk that relates to compliance with changing tax and regulatory requirements. The rapid and continuing evolution of global tax regulations, in an already complex tax and wider regulatory landscape, increases the risk of non-compliance due to a failure to identify, correctly interpret, implement and/or monitor regulations.	Risk that, as a result of actions or decisions we take or as a result of an external event, the perception of our Group, from the perspective of key stakeholders, is damaged, leading to financial and non-financial impacts.
Risk appetite	We have no appetite for adopting a technical judgement which is based on an aggressive interpretation of the relevant tax law, nor do we have any appetite for adopting a technical judgement where external advice has been obtained and has indicated a 'less likely than not' chance of success. We do not take positions that do not have a reasonable basis.	We have no appetite for material adverse financial losses (direct or indirect) suffered as a result of failing to develop, implement and monitor appropriate controls to manage operational tax risks. We have no appetite for any participation in tax avoidance or tax evasion.	We have no appetite for material adverse financial losses (direct or indirect) suffered as a result of failing to monitor and respond to tax changes. We have no appetite for failure to appropriately manage regulatory fines, tax penalties, enforcement action, investigation or litigation.	We have no appetite for sources of non-financial or reputation risk leading to a significant reduction in the Group's share price. We have very limited appetite for sources of non-financial or reputational risk leading to a material challenge or lawsuit by investors or shareholders.
Management of risk	We take an objective view of the generally understood interpretation of the tax laws that exist. Where alternative rules or positions are available, we will only look for responsible and sustainable tax outcomes in the context of seeking to deliver long-term value for our customers and our shareholders.	We look to manage these risks by the way we operate on a day-to-day basis when meeting all our tax filing and financial reporting disclosure requirements and our interactions with tax authorities.	We actively monitor emerging tax changes and input, where appropriate, into the tax policy process.	We expect our employees to exercise reasonable care and operate in a way that preserves the Group's reputation and to consider reputational consequences in their decision-making processes.

Appendix

Prudential plc historical tax remittances from continuing operations ($m)



Glossary

Effective tax rate
The effective tax rate is the average rate at which profits are taxed for a particular period and is calculated by dividing the total tax charge by the profit before tax.

Expected tax rate
The expected tax rate, often referred to as the statutory tax rate, is the applicable tax rate established by the tax laws of the jurisdiction in question.

Non-participating business
A life insurance policy where the policyholder is not entitled to a share of the company's profits and surplus, but receives certain guaranteed benefits. Examples include pure risk policies (eg fixed annuities, term insurance, critical illness) and unit-linked insurance contracts.

Organisation for Economic Co-operation and Development (OECD)
An intergovernmental economic organisation with 38 member countries, founded in 1961 to stimulate economic progress and world trade.

Participating policies or participating business
Contracts of insurance where the policyholders have a contractual right to receive, at the discretion of the insurer, additional benefits based on factors such as investment performance, as a supplement to any guaranteed benefits. This is also referred to as with-profits business.

Taxes borne
Taxes paid by Prudential that are a cost to the Group. These include corporate income tax, withholding taxes, irrecoverable VAT and other indirect taxes, employer payroll taxes and property taxes.

Taxes collected
Taxes that Prudential collects on behalf of the relevant tax authority. These include employee payroll taxes, indirect taxes, premium taxes and other taxes.

Transfer pricing
Refers to the setting of the price for a good or service sold or provided between related parties within a group.

Unit linked business
Insurance products where the surrender value of the policy is linked to the value of underlying investments (such as collective investment schemes, internal investment pools or other property) or fluctuations in the value of underlying investment or indices. Investment risk associated with the product is usually borne by the policyholder. Insurance coverage, investment and administration services are provided for which the charges are deducted from the investment fund assets. Benefits payable will depend on the price of the units prevailing at the time of surrender, death or the maturity of the product, subject to surrender charges.

With-profits business
See 'participating policies' above.

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Prudential plc is a holding company, some of whose subsidiaries are authorised and regulated, as applicable, by the Hong Kong Insurance Authority and other regulatory authorities. The Group is subject to a group-wide supervisory framework which is regulated by the Hong Kong Insurance Authority.

Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America, nor with The Prudential Assurance Company Limited, a subsidiary of M&G plc, a company incorporated in the United Kingdom.

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