

Guidance as to market value of Jackson shares for United Kingdom tax reporting purposes

Important information

The following is a general guide for United Kingdom (**UK**) tax resident shareholders of Prudential plc who hold their shares as investments (other than under an individual savings account (**ISA**) or self invested personal pension (**SIPP**)) and who receive, or are treated as receiving, Jackson shares pursuant to the demerger. It does not constitute tax advice and must not be relied upon as such. All UK resident shareholders should consult with their own independent tax advisers regarding their participation in the demerger and the determination for UK tax purposes of the value of the demerger dividend received by them, in light of their own particular circumstances.

UK taxation implications of the demerger dividend for UK resident shareholders

- For individual UK resident shareholders of Prudential plc, the receipt of Jackson shares under the demerger will generally be a taxable dividend for UK income tax purposes.
- For corporate UK resident shareholders of Prudential plc, the receipt of Jackson shares under the demerger may be exempt from UK corporation tax provided certain conditions are met.
- The value of the dividend for an individual UK resident shareholder will be equal to the market value of the Jackson shares received on the date of the demerger – 13 September 2021 - and is separate from the value of any shares sold (see further below).
- All UK resident shareholders will have a capital gains base cost in the Jackson shares equal to the market value of the Jackson shares received on the date of the demerger (see further below).

Market value of Jackson shares for UK tax purposes

The market value of Jackson shares for UK tax purposes is determined by the value of those shares on the date of the demerger dividend – 13 September 2021. The Jackson shares commenced “when issued trading” on the NYSE on 1 September 2021 and will commence regular trading on the NYSE on 20 September 2021.

The usual UK tax rules for determining the market value of listed shares do not directly deal with this particular set of facts. Prudential has discussed the situation with HM Revenue & Customs (**HMRC**) and based on precedent and other relevant materials, Prudential has suggested to HMRC that using the average of the highest and lowest share prices on 13 September 2021 would be an appropriate approach to determining the market value of the Jackson shares for UK tax purposes. HMRC responded to Prudential and indicated that whilst HMRC does not give pre transaction valuation advice, given the facts outlined by Prudential, HMRC would not object to the approach suggested by Prudential as a means of determining market value.

On 13 September 2021, the highest share price of the Jackson shares was \$27.63 and the lowest share price was \$26.51. The average of these two prices is \$27.07. For UK tax purposes it is necessary to convert the \$27.07 into British Pounds (**GBP**). Using the WM/Refinitiv service, the GBP-USD mid fix exchange rate on 13 September 2021 was 1.38495. Applying this exchange rate, the market value of the Jackson shares for UK tax purposes should be **£19.5458** [\$27.07 divided by 1.38495] per Jackson share.

For example, if you have 10,000 Prudential shares, you will have received 250 Jackson shares and the market value of those shares for UK tax purposes should be £4,886.45 [250 * 19.5458]. This is the equivalent of receiving a dividend of 48.8645 pence per Prudential share.

Share Sale Option

If you chose to participate in the Share Sale Option, you will be treated as immediately disposing of the Jackson shares that you received under the demerger. The sale of the Jackson shares will be completed within 60 days of the demerger.

If you are an individual UK tax resident shareholder, you will still need to include the market value of the Jackson shares which you were treated as receiving on the date of the demerger (£19.5458 per Jackson share as outlined above) as a taxable dividend (except, for example, where the shares are held in an ISA or SIPP).

Your base cost in the Jackson shares will be equal to the market value of the Jackson shares received on the date of the demerger, not at the time of sale. Therefore, you could make a capital gain or capital loss equal to the difference between the sales proceeds realised under the Share Sale Option and your base cost in the Jackson shares sold.