PRUDENTIAL

Prudential plc
Tax Strategy Report 2023

Managing our tax affairs *responsibly and sustainably*

Contents

“I am delighted to introduce Prudential’s Tax Strategy Report for 2023. Our tax strategy is a core contributor to our wider sustainability activity.

Foreword

In 2023, we have set out our renewed purpose ‘For Every Life, For Every Future’. This purpose embodies our commitment as a life and health insurance provider and long-term investor in Asia and Africa. Our strategy sets out where and how we will create value for our shareholders by enhancing delivery for our customers, strengthening our multi-channel distribution, and transforming our health business model to better deliver across the markets in which we operate.

A key part of our mission is to add value to the wider community, for a more sustainable and inclusive future. Part of how we add value to the wider community is through the tax we pay. In 2023, we made a total tax contribution of $969 million, helping to provide for the infrastructure, economic and social developments to support the welfare of people in those communities. Our tax contribution will drive sustainable growth in these communities and build confidence in the future.

We have a strong commitment to make the right tax contribution at the right time. The key objectives of our Group Tax team are to ensure the tax affairs of our businesses are sustainable, well governed and transparent. Our tax strategy has put in place mechanisms to ensure awareness of and adherence to our governance structure, and clear procedures in relation to tax risk management. We are committed to the compliance of tax laws and regulations in the countries in which we operate. We do not engage in tax avoidance, tax evasion nor aggressive tax planning as part of our tax strategy. We are transparent in all our tax disclosures, to ensure that our stakeholders are fully informed about our tax matters. Within this report you will find a tax contribution analysis of all our major markets showing the clear link between location of our business operations and the jurisdictions of our tax contribution.

2023 global total tax contribution

$969 million

(2022: $1,009 million)

During 2023, jurisdictions around the world commenced implementation of the Organisation for Economic Co-operation and Development (OECD) global minimum tax rules, effective for 2024 onwards. For those jurisdictions where the rules will apply to Prudential in 2024, management’s assessment is that the new tax rules are not expected to have a material impact for 2024. From 2025 onwards, the new tax rules are expected to be effective in Hong Kong (where Prudential plc is tax resident), at which point the new rules will apply to the whole Prudential Group. These new rules are complex and extensive and we continue to analyse them as they are implemented into the local legislation of jurisdictions in which we operate. We will ensure appropriate disclosures are made ahead of the rules taking effect.

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 Annual Report 2023. While the financial information within this report covers 2023, the strategy set out applies to 2024, demonstrating our intentions for the year ahead.

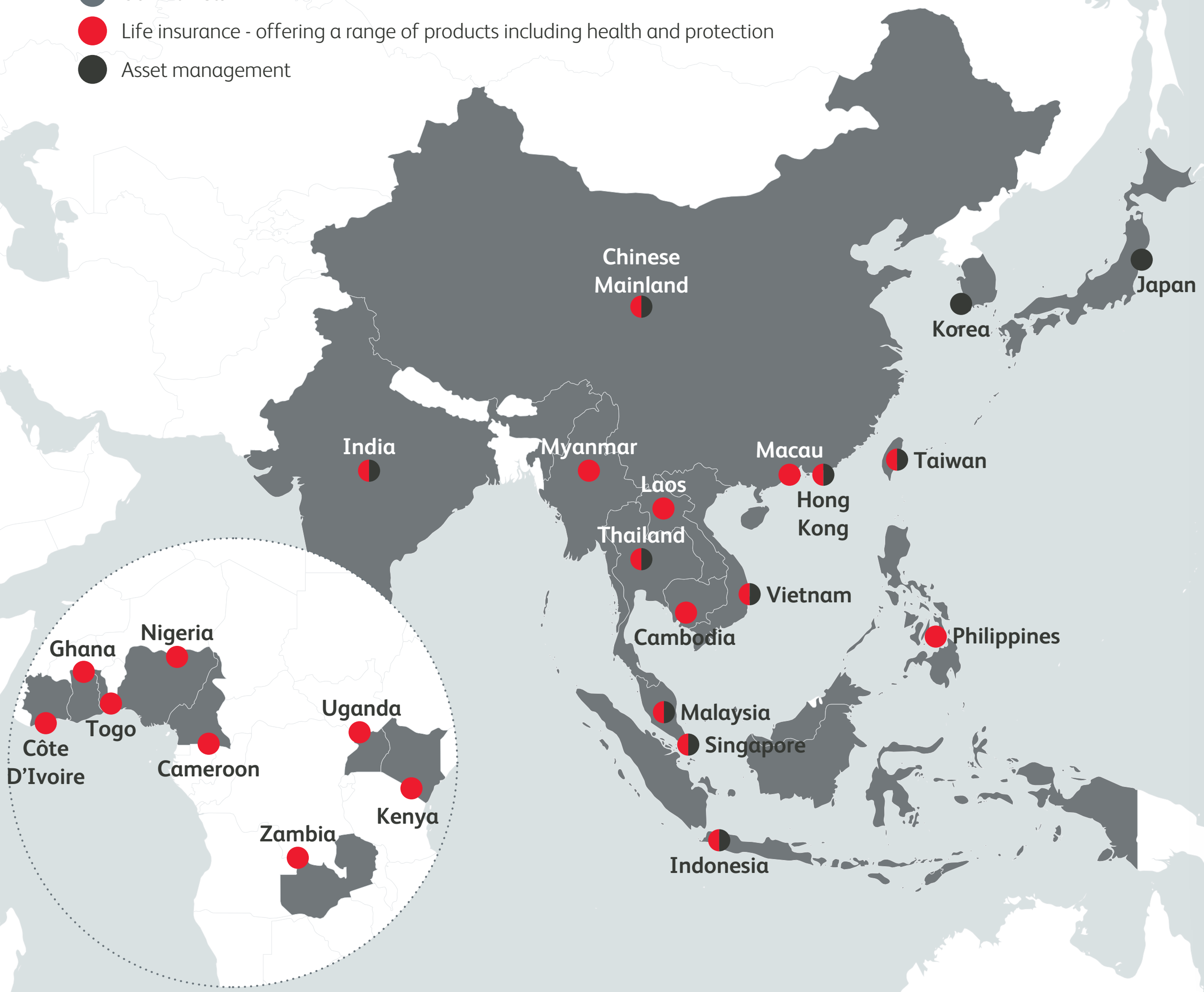
This report was approved by Prudential plc’s Group Audit Committee in May 2024.

Ben Bulmer
Group Chief Financial Officer

Prudential plc

2023 total tax contribution overview

- Our markets
- Life insurance - offering a range of products including health and protection
- Asset management



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 Value Added Tax (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	62	-
Indonesia	59	36
Malaysia	62	23
Philippines	56	30
Singapore	78	13
Taiwan	34	3
Thailand	17	23
Vietnam	60	23
United Kingdom	14	23
Rest of the world		
Other Asia subsidiaries	13	10
Africa	9	17
Other subsidiaries	102*	1
Share of joint ventures and associates		
Share of Chinese Mainland and India joint ventures and associates	86	107
Share of other joint ventures and associates	4	4
TOTAL	**656**	**313**
TOTAL TAX CONTRIBUTION	**969**	

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

Our tax strategy

At Prudential, it is our mission to be the most trusted partner and protector for this generation and generations to come by providing simple and accessible financial and health solutions. We look out for the health of our customers and add value to our communities by supporting a sustainable and inclusive future.

Our purpose is served through implementing our business strategy and our sustainability strategy, as set out in our Annual Report 2023 and Sustainability Report respectively. The key features of our sustainability framework are its three strategic pillars: (i) simple and accessible health and financial protection; (ii) responsible investment; and (iii) sustainable business.

Sustainability Pillars

Simple and accessible health and financial protection	Responsible investment	Sustainable business
As an insurer, we are in a unique position to increase access to health and financial protection for every life across our markets.	As an asset owner, we can deploy our investments and stewardship power to enable a just and inclusive transition to net zero for every future.	As a sustainable business, we want to embed sustainability into our business and value chain to amplify the pace and scale of our impact.
Delivering partnerships and digital innovation for health outcomes	Decarbonising our portfolio	Empowering our people
Developing sustainable and inclusive offerings	Financing a just and inclusive transition	Establishing sustainable operations and value chain
Building resilient communities	Mainstreaming responsible investments in emerging markets	Harnessing thought leadership to shape the agenda

Foundation

Good governance and responsible business practices

Net zero by 2050, 55% WACI reduction by 2030

All people managers with sustainability linked KPIs by 2026

Our tax strategy and the responsible and sustainable management of our tax affairs are an important component of our sustainability strategic foundation: good governance and responsible business practices. In delivering our tax strategy through our day-to-day operations, we follow a set of guiding principles.

Guiding principles

1 Tax compliance

We respect and comply with all applicable tax laws. We consider that full tax compliance is key and, therefore, 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, which is why 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 participate in tax evasion or undertake aggressive tax planning. We do not artificially transfer profits from one business location to another to avoid tax.

3 Governance

We seek to fully comply with all our tax obligations, including paying the right amount of tax in each jurisdiction in which we operate. We adopt a formal process in identifying and managing risks, and apply rigorous management over our tax uncertainties and risks through our Group Code of 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

Our customers are at the heart of what we do. Our mission is to provide simple and accessible financial health solutions. Our responsible tax practices means 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. We believe it is critical in meeting the needs of our customers and providing them with peace of mind.

Shareholders

We meet our commitment of long-term delivery of shareholders returns through a combination of value appreciation and dividends. We act in the best interests of our shareholders by managing the taxes we pay in a responsible and sustainable manner.

Communities

We support our wider communities through investment in business and infrastructure, paying tax and our purpose-driven Sustainability Strategy.

Employees

Our people are our most important asset. Our focus is on creating an environment where talent thrives and our employees can grow, connect and succeed. We undertake our role as employers seriously and ensure all employer tax obligations are met.

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 we take the long view when making tax decisions.

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 2023 – which represents a cost to the Group – and, in Figure 2, the taxes our businesses collected and remitted to tax authorities in 2023. Together, these represent the total tax contribution of the Group ($969 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: 2023 total tax borne

$656m

2022: $693m

Corporate income tax	**$329m**
Other withholding taxes	**$141m**
Irrecoverable VAT and sales tax	**$104m**
Employer payroll taxes	**$50m**
Property taxes	**$32m**

The taxes borne in 2023 of **$656 million** were lower than the **$693 million** taxes borne in 2022 - principally, as a result of lower corporate income tax payments made in the fiscal year 2023 due to a reduction of taxable profits in some jurisdictions.

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 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 result 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.

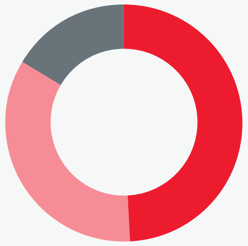
Property taxes

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

Figure 2: 2023 total tax collected

$313m

2022: $316m



Employee payroll taxes	**$154m**
Indirect taxes and premium tax	**$108m**
Other withholding taxes	**$51m**

Taxes collected in 2023 of **$313 million** were similar to the **$316 million** collected in 2022.

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 or 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 2023, our global total tax contribution, both from our subsidiaries and our share of our joint ventures and associates, was $969 million.

Figure 3 breaks down corporate income taxes paid, other taxes borne, and taxes collected for each jurisdiction in which our subsidiaries paid $10 million or more in total tax to the local tax authority in 2023. 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 2023, the effective tax rate on the Group's total International Financial Reporting Standards (IFRS) profit was 18 per cent (2022: negative 55 per cent), reflecting a reduction in the level of investment losses on which no tax credit is recognised. Note B3.2 of the Group's Annual Report 2023 includes a reconciliation of the Group expected tax rate of 19 per cent to the Group effective tax rate of 18 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: 2023 Prudential total tax contribution by jurisdiction

	2023 ($m – except for employee numbers)						
	Total taxes remitted	Corporate income taxes paid[1]	Other taxes borne[2]	Taxes collected[3]	Revenue from external customers[4]	Profit (loss) before tax attributable to shareholders' returns[5]	Average employee numbers
Hong Kong	62	54	8		3,253	355	1,658
Indonesia	95	41	18	36	1,148	196	1,983
Malaysia	85	49	13	23	1,166	339	1,860
Philippines	86	25	31	30	347	164	911
Singapore	91	60	18	13	2,010	576	1,883
Taiwan	37	6	28	3	385	101	973
Thailand	40	6	11	23	419	70	1,387
Vietnam	83	30	30	23	668	274	1,717
United Kingdom	37	5	9	23		104	166
Rest of the world[6]	152	9	115[6]	28	344	31	2,492
Total subsidiaries	**768**	**285**	**281**	**202**	**9,740**	**2,210**	**15,030**
Joint ventures and associates[7]	201	44	46	111		(91)	
Loss attaching corporate transactions						(22)	
Group total 2023	**969**	**329**	**327**	**313**	**9,740**	**2,097**	**15,030**
Group total 2022	1,009	417	276	316	8,985	(643)	14,196

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 Revenue from external customers includes insurance revenue and asset management revenue but excludes intra-group revenue and investment returns. See note B1.4 of our Annual Report 2023 for details of the amounts included within this total. There are slight differences in the jurisdictional breakdown between Figure 3 and note B1.4 which relates to external revenue from asset management business which are not included in the figures in note B1.4, in the row of 'Total revenue from external customers'. For example the external revenue number for Singapore in note B1.4 is $1,983 million and in Figure 3 above is $2,010 million, the difference of $27 million relates to external revenue from asset management business which is included in the other revenue line in note B1.4.

5 This measure is not the formal profit before tax measure under IFRS. Profit before tax attributable to shareholders' returns is more representative of the pre-tax profit attributable to shareholders, and is determined by adjusting the IFRS profit before tax for taxes borne by policyholders.

6 Rest of the world comprises: (i) all remaining subsidiaries; and (ii) within other taxes borne, $101 million of withholding taxes incurred by the Group's insurance businesses on investments outside their home jurisdiction. This is made up of $62 million of US withholding tax, $15 million of withholding tax remitted to jurisdictions in Asia where we have operations and $24 million of withholding tax remitted to other jurisdictions.

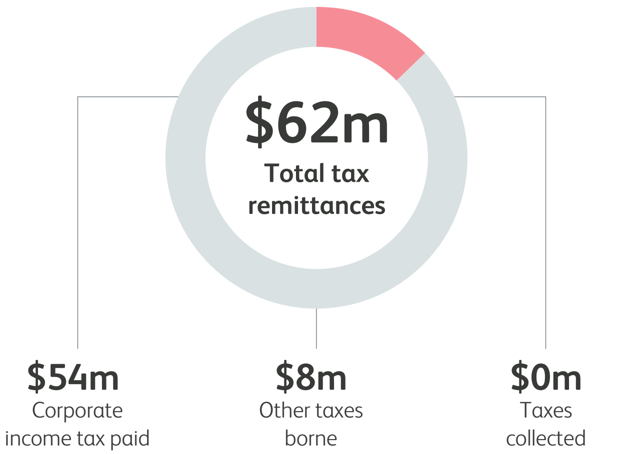
7 Includes the Group's share of our insurance and asset management joint ventures and associates in Chinese Mainland, Hong Kong, India and Malaysia. See note D5.3 of our Annual Report 2023 for more details.

How much tax do we pay and where? continued

Overview of key Asia jurisdictions

Hong Kong

Insurance, asset management and head office holding companies



IFRS profit before tax*	$355 million
Employee numbers	1,658
Number of entities	13

* The IFRS profit before tax number shown is the amount of the Group's IFRS profit before tax (computed under IFRS 17) referable to the jurisdiction in question. This will differ from the profit before tax in the local financial statements where those financial statements are prepared under local GAAP/IFRS which differs from the Group IFRS17.

Insurance, asset management and head office holding companies

Our insurance business incurs **policyholder tax**, which mainly comprises withholding tax incurred on non-Hong Kong investments.

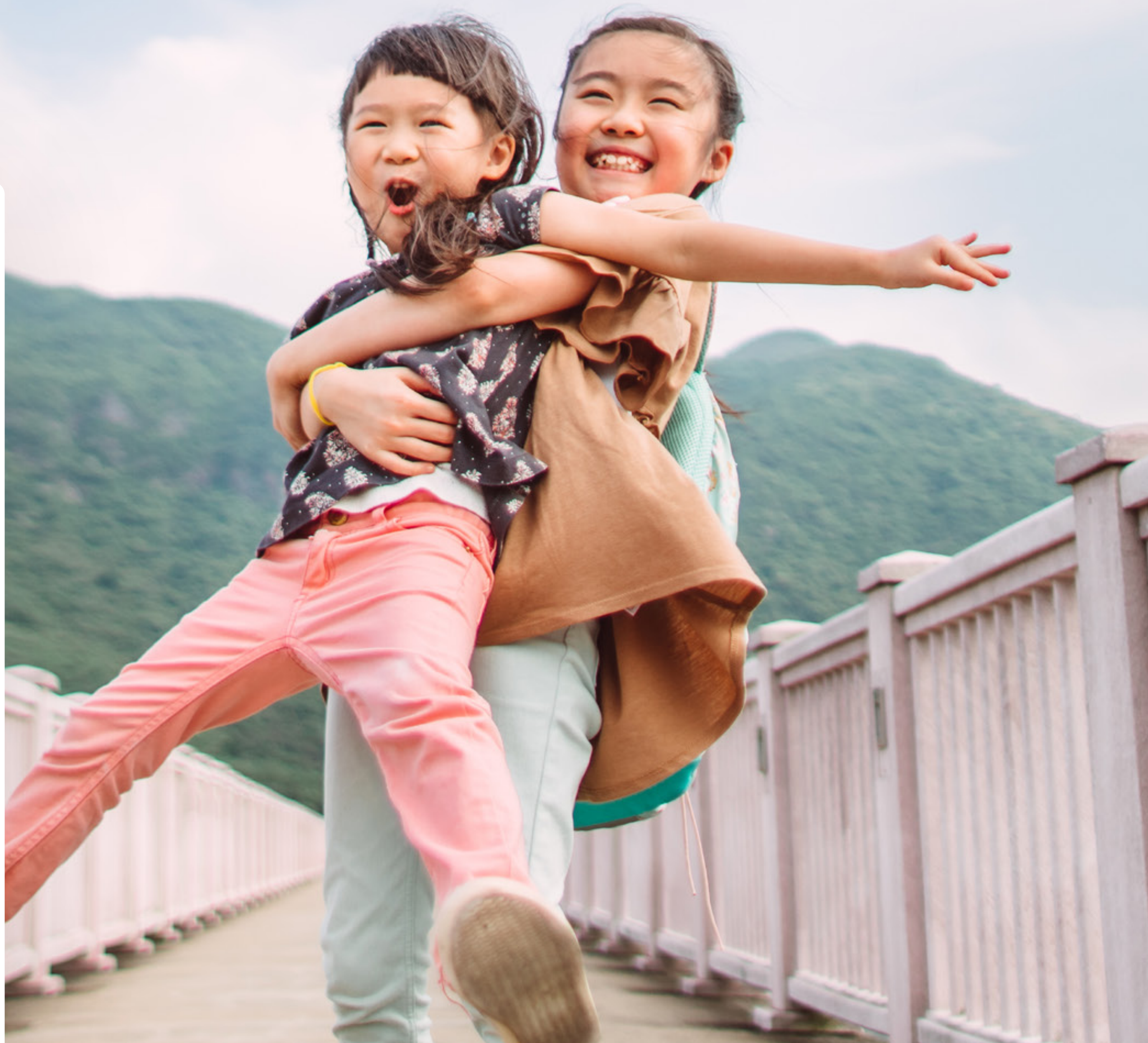
In common with other Hong Kong insurers, the taxable profit of our Hong Kong insurance business is not based on accounting profit or regulatory surplus. Instead, it is computed as 5 per cent of premium income (net of reinsurance). This measure of taxable profit is typically lower than the accounting profit and so usually leads to a low effective tax rate.

The effective tax rate of the asset management business is typically very close to the 16.5 per cent expected tax rate.

Our head office and other costs in our 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.

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

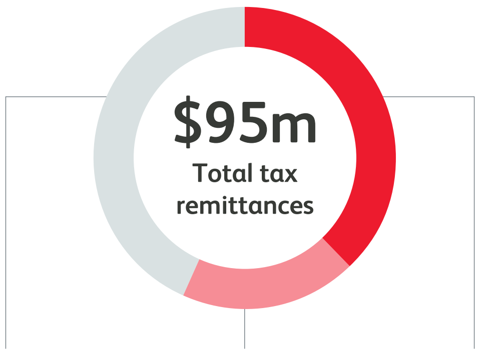
There are no **taxes collected** by our Hong Kong businesses. Hong Kong does not have a VAT or equivalent regime. There are no payroll taxes that need to be paid or collected in respect of our Hong Kong employees.



How much tax do we pay and where? continued

Indonesia

Insurance and asset management companies



$41m Corporate income tax paid

$18m Other taxes borne

$36m Taxes collected

IFRS profit before tax*	$196 million
Employee numbers	1,983
Number of entities	3

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Insurance and asset management companies

Our insurance businesses incurs **policyholder tax**, which mainly comprises final tax (which is a form of withholding tax at source) on investment income within the unit linked funds.

The taxable profits of our Indonesia insurance businesses are based on accounting profits. 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.

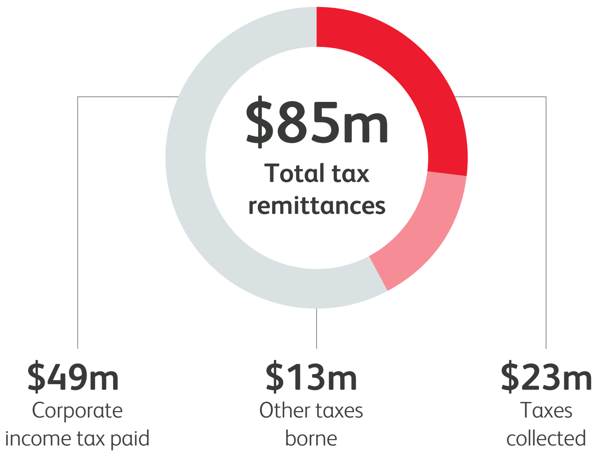
Other taxes borne primarily comprises withholding tax on dividends paid by our Indonesian subsidiaries, employer payroll-related taxes and irrecoverable VAT due to much of the income of our Indonesia insurance businesses being exempt from VAT.

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

Insurance, asset management and service companies



IFRS profit before tax*	$339 million
Employee numbers	1,860
Number of entities	6

* The IFRS profit before tax number shown is the amount of the Group's IFRS profit before tax (computed under IFRS 17) referable to the jurisdiction in question. This will differ from the profit before tax in the local financial statements where those financial statements are prepared under local GAAP/IFRS which differs from the Group IFRS17.

Insurance, asset management and service companies

The taxable profit for our 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.

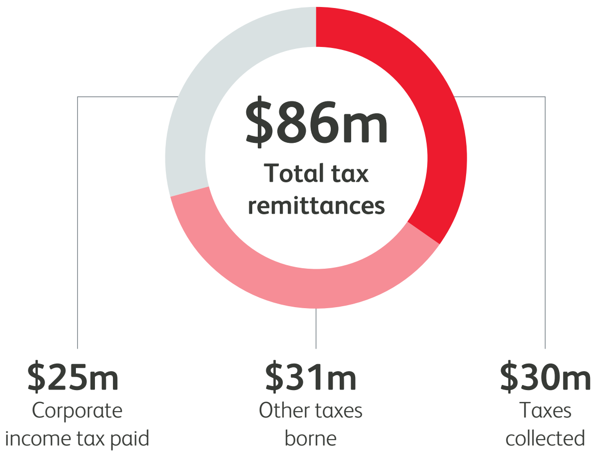
Other taxes borne mainly comprises employer payroll-related taxes and irrecoverable Sales and Service Tax (SST) which is a final tax on certain costs incurred by our businesses.

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

Insurance and asset management companies



IFRS profit before tax*	$164 million
Employee numbers	911
Number of entities	3

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Insurance and asset management companies

Our insurance business incurs **policyholder tax**, which mainly comprises final tax (which is a form of withholding tax at source) on investment income within unit linked funds.

The taxable profits of our Philippines insurance and asset management businesses are based on 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 of 25 per cent.

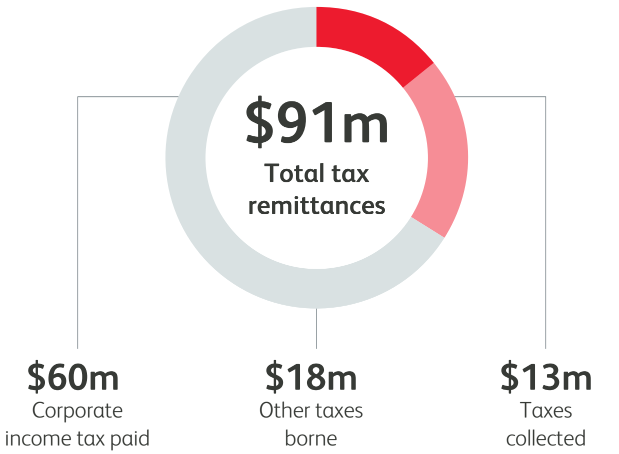
Other taxes borne comprise withholding tax on dividends paid by our Philippines insurance business, employer payroll-related taxes and irrecoverable VAT due to much of the income of our Philippines insurance business being exempt from VAT.

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

Insurance, asset management and service companies



IFRS profit before tax*	$576 million
Employee numbers	1,883
Number of entities	11

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Insurance and asset management companies

Our insurance business incurs **policyholder tax**, which mainly comprises tax on distributions to policyholders from the participating fund and withholding tax incurred on non-Singapore investments.

The taxable profit of our Singapore insurance business is based on the regulatory return rather than accounting profit. Singapore dividend income and foreign dividend income that meet 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.

The taxable profit of our Singapore asset management business is based on 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.

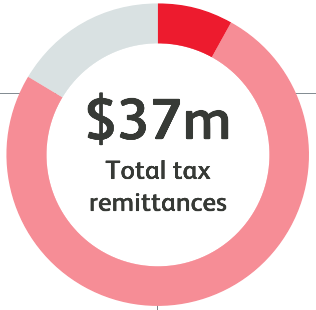
Other taxes borne primarily comprise irrecoverable GST, due to much of the income of our Singapore insurance business being exempt from GST.

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

Insurance and asset management companies



$6m Corporate income tax paid

$28m Other taxes borne

$3m Taxes collected

IFRS profit before tax*	$101 million
Employee numbers	973
Number of entities	2

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Insurance and asset management companies

The taxable profit of our Taiwan insurance business is based on accounting profit.

For Taiwan insurance businesses, investment gains or losses on domestic securities are non-taxable or non-deductible (respectively) and this can result in the effective tax rate differing from the expected tax rate.

The effective tax rate of our Taiwan asset management business is typically close to the expected tax rate of 20 per cent.

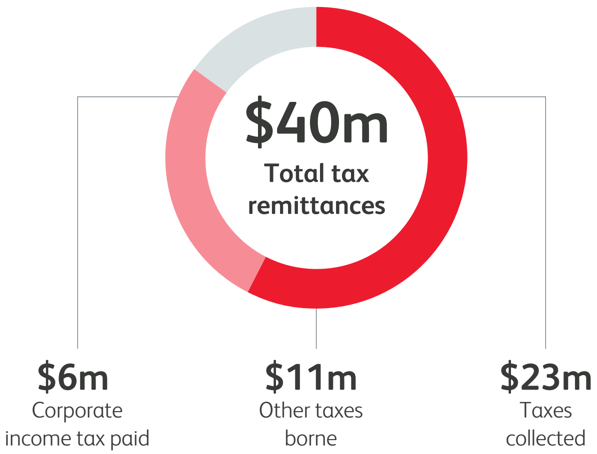
Other taxes borne comprise withholding tax on payments to related parties and irrecoverable VAT.

Taxes collected comprise payroll taxes deducted from payments to employees.

How much tax do we pay and where? continued

Thailand

Insurance and asset management companies



IFRS profit before tax*	$70 million
Employee numbers	1,387
Number of entities	4

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Insurance and asset management companies

The taxable profits of our Thailand insurance and asset management businesses are based on accounting profits and the effective tax rates for both are typically close to the expected tax rate of 20 per cent.

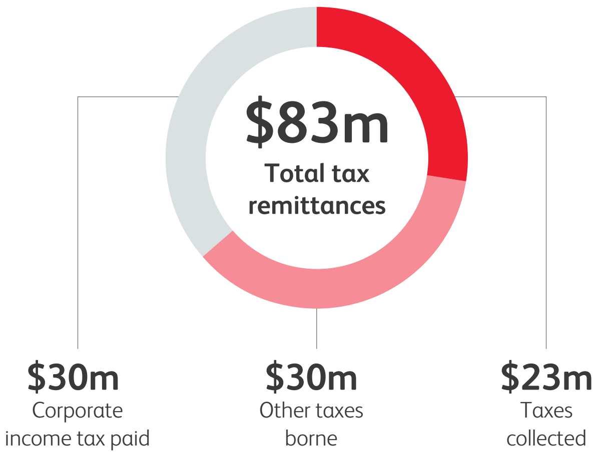
Other taxes borne comprise employer payroll taxes and irrecoverable VAT due to much of the income of our Thailand insurance business being exempt from VAT.

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

Insurance and asset management companies



IFRS profit before tax*	$274 million
Employee numbers	1,717
Number of entities	2

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Insurance and asset management companies

The taxable profits of our Vietnam insurance and asset management businesses are based on accounting profits. Certain dividend income of our insurance business is exempt from tax and can lead to a slightly lower effective tax rate than the expected tax rate of 20 per cent. The effective tax rate of our asset management business is typically close to the expected tax rate.

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

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

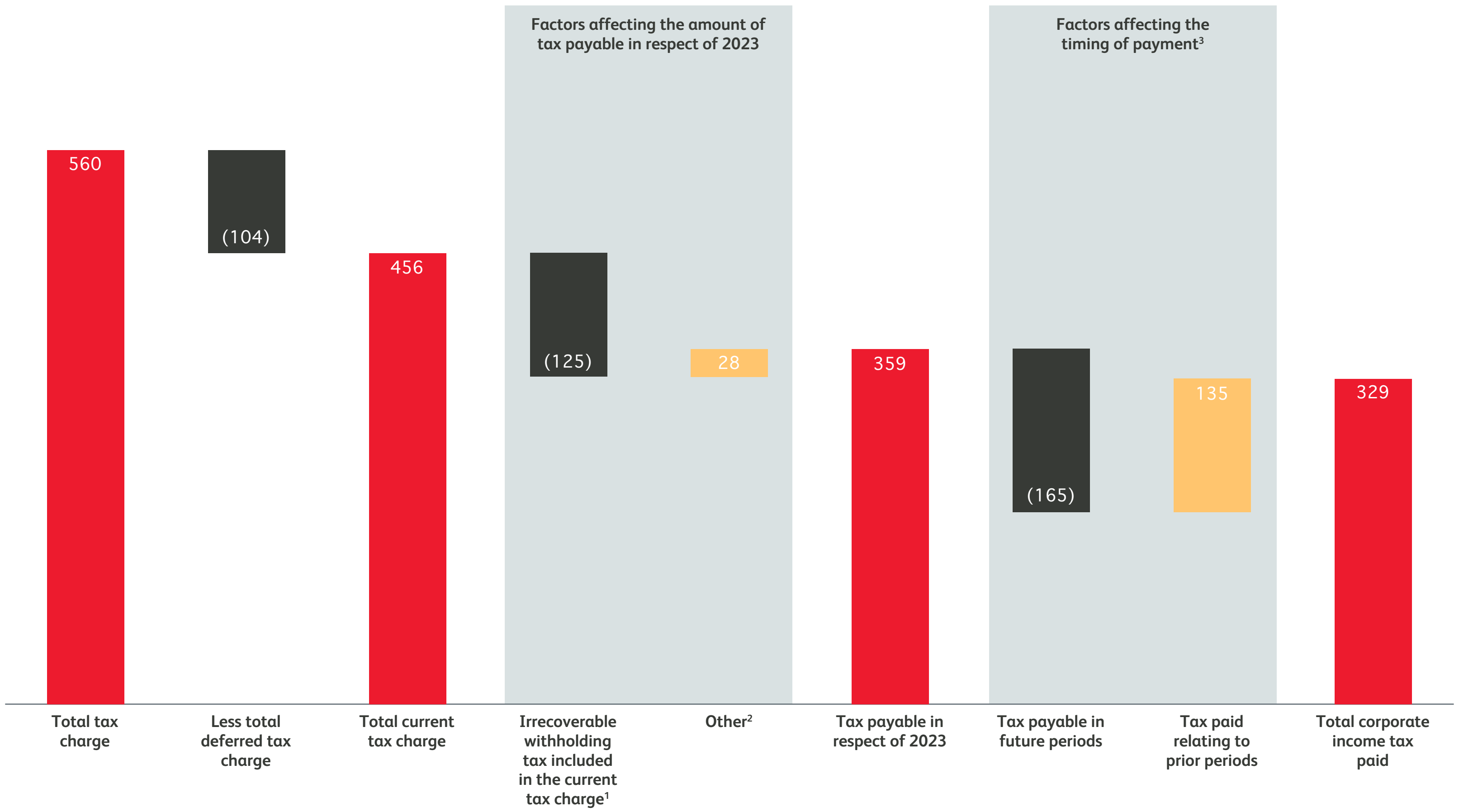
How much tax do we pay and where? continued

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 2023, our total tax charge was $560 million and our corporate income tax payments were $329 million. Figure 4 provides a reconciliation between the total tax charge and the corporate income tax payments made during 2023.

Figure 4: 2023 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 $(125) million withholding tax is included in the $141 million withholding tax in total taxes borne in Figure 1, with the remainder of $16 million relating to withholding taxes suffered which have been expensed in computing the profit before tax.

2 Increasing tax payable, Other comprises $44 million in respect of Prudential's share of tax paid from joint ventures and associates, which as per the Consolidated income statement on page 229 of the Group's Annual Report 2023, has been deducted from Prudential's share of profits from joint ventures and associates; partly offset by $(15) million from movements in provisions; and $(1) 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.

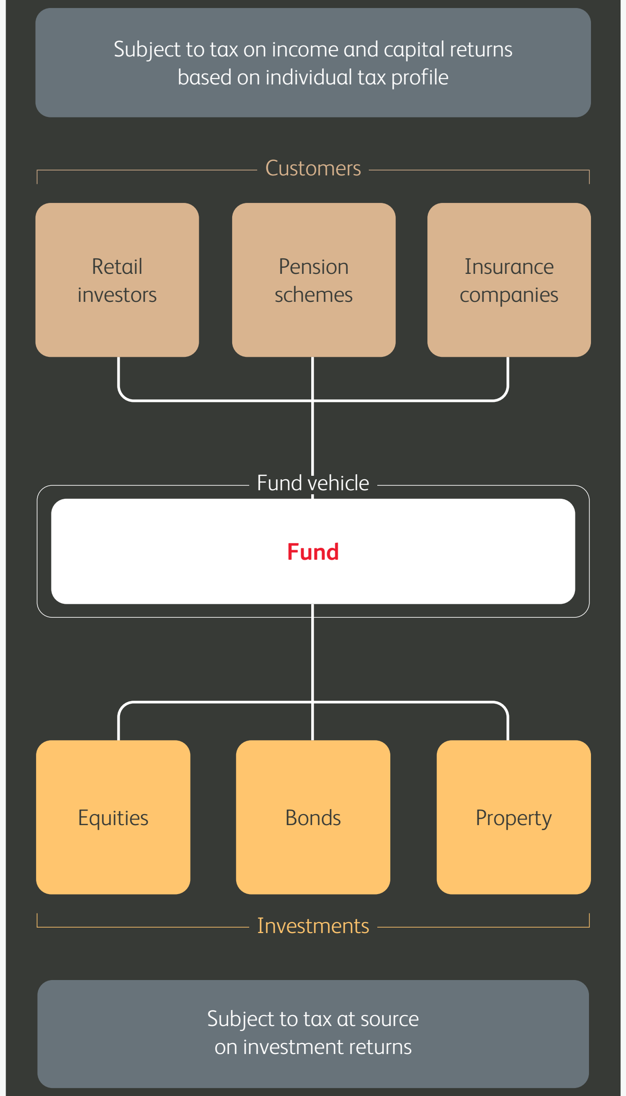
Funds are often structured with various legal entities in different jurisdictions. There are a number of reasons for this, including to facilitate the segregation and limited liability of investments, to provide flexibility on the future disposal of investments or, as is often the case with real estate,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

Transfer pricing refers to the rules and methods for pricing transactions (ie transfer of goods and services) within a multi-national group. As these transactions occur between connected entities within a controlled environment, there is a potential for companies to distort taxable income. For this reason, the OECD and tax authorities stipulate intragroup pricing rules to follow the arm's-length principle. 'Arm's-length pricing' simply means related parties should transact as if they were not related. That is, the price, terms and conditions of the transaction would be the same as what unrelated parties would otherwise agree and enter into.

Regulatory requirements in which we operate typically mean that profits from insurance businesses are taxed in the jurisdiction where the insurance is sold and regulated. Where cross-border transactions arise between related parties, in addition to complying with local tax laws, we follow the OECD's principles on transfer pricing and other international tax matters. This ensures that we pay tax in the jurisdictions where economic value is created. Our main cross-border intercompany transactions in the Group include asset management services, management support and IT services, treasury services and loans, and reinsurance arrangements.

Our tax strategy requires that a consistent approach is applied on the transfer pricing of our intercompany transactions. 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, which consists of a three-tiered approach in line with local tax laws and OECD guidelines.

This three-tiered approach consists of:

- A specific 'local file' that provides the local tax administration with information regarding material related party transactions, the amounts involved, and the company's analysis of the transfer pricing determinations they have made with regard to those transactions;
- A 'master file' that provides tax administrations with high-level information regarding a multinational enterprise's (MNE's) global business operations and transfer pricing policies; and
- A country by country report (CbCR) template that includes information on revenue (related and unrelated party), profits, income tax paid and taxes accrued, employees, stated capital and retained earnings, and tangible assets for each tax jurisdiction in which the MNE does business. In addition, the template includes information identifying each entity within the MNE Group doing business in a particular tax jurisdiction and the business activities each entity conducts.

In some of our jurisdictions, our businesses are required to file the local file and/or the master file alongside submitting the corporate income tax return. In other jurisdictions, the files have been prepared, and are available should they be requested by the tax authority. The CbCR document is filed with the tax authority where Prudential plc is tax resident. This tax authority then shares the document with other tax authorities in line with the relevant tax information exchange agreements.

OECD – Pillar 2 minimum tax

In October 2021, the OECD/G20 Inclusive Framework, comprising 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. Prudential does not expect to be affected by proposals under the Pillar 1 rules, given they include an exemption for regulated financial services companies. Pillar 2 is focused on ensuring that in-scope multinational enterprises pay a minimum tax of 15 per cent in each jurisdiction in which they operate.

The Pillar 2 rules operate through a series interlocking measures comprising:

i A global minimum tax that applies a top-up tax on the parent entity of a group to the extent it has profits arising in jurisdictions that are subject to tax below the minimum rate;

ii A domestic minimum tax rule which enables the implementing jurisdiction to retain primary taxation rights over any Pillar 2 top-up tax payable in respect of income arising in the territory rather than this falling to the jurisdiction of the group's parent; and

iii An undertaxed profits rule, this is a back-stop measure that enables the implementing jurisdiction to apply a top-up tax to profits arising in a jurisdiction that is not covered by either the global or domestic minimum tax rules.

In overview, the rules will apply as follows:

1. Each jurisdiction is expected to base its Pillar 2 rules on the OECD model rules. The calculation of any top-up tax due is performed at a jurisdictional, rather than entity level. This is an important departure from normal corporate income tax calculations which for most jurisdictions are solely done at entity level.
2. During the transition period which applies to 2024, 2025 and 2026, three simplified safe harbour tests are available. If any of the tests are satisfied, no further work is required for that jurisdiction. If all safe harbour tests are failed, then the detailed calculations are required to be done for that jurisdiction. The principal safe harbour test is based on a jurisdiction level effective tax rate (ETR) computed from the CbCR filed with the tax authority of the group's parent company.
3. For jurisdictions that do not meet one of the safe harbours, the Pillar 2 ETR will need to be calculated using the full rules. The full rules are based on the profit and tax charge, per the group consolidated financial statements, that is attributable to the jurisdiction. Adjustments to the jurisdictional profit and tax based on more than 150 data points per constituent entity are required along with consideration of multiple elections per jurisdiction. Top-up tax will apply to a jurisdiction's Pillar 2 adjusted profits to the extent that the Pillar 2 ETR is below 15 per cent.
4. Where top-up tax is due for a jurisdiction, an adjustment is made using prescribed formulae to give credit for genuine substance (eg in terms of number of employees and tangible fixed assets) which the Group has in the jurisdiction in question.
5. The top up tax amount due for a jurisdiction will be paid to the relevant tax authority depending on whether the relevant rules are those which apply at the level of the group's parent company or those which apply at local jurisdiction level.

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. The OECD issued further sets of guidance during 2022 and 2023 and is due to publish further guidance in 2024.

A number of jurisdictions in which the Group has operations – Japan, South Korea, Luxembourg, Vietnam and the UK – have implemented either a global minimum tax or a domestic minimum tax at a rate of 15 per cent, in line with the OECD proposals, effective for 2024 onwards. Malaysia has implemented both the global minimum tax and domestic minimum tax, effective for 2025 onwards. Other jurisdictions where the Group has a taxable presence, including Hong Kong (where Prudential plc has been tax resident since 3 March 2023), Singapore and Thailand intend to implement the proposals for 2025 onwards. For those jurisdictions where either a global minimum tax or domestic minimum tax or both have been implemented with effect for 2024, no material impact to the Group's IFRS tax charge for the 2024 financial year is expected. The implementation of a global minimum tax and domestic minimum tax in Malaysia effective for 2025 is not expected to have a material impact for the Group's IFRS tax charge for the 2025 financial year. For those jurisdictions, such as Hong Kong and Singapore, where the proposals are expected to be implemented with effect from 2025 onwards, work is ongoing to assess the potential impact and guidance will be provided in due course during 2024.

Throughout this period, 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. In addition, Prudential has made direct representations to consultations undertaken by Hong Kong and the UK and will consider further representations to jurisdictions in which Prudential operates, should the opportunity arise. In making representations, Prudential's focus has been on practical matters arising from the proposals, including areas where the rules and guidance either remain unclear, or the rules produce outcomes that appear inconsistent with the policy intent or could result in instances of double taxation.

How we manage our tax affairs continued

Low tax rate jurisdictions

As noted above, the international consensus reflected in the Pillar 2 proposals is that 15 per cent should be the global minimum tax rate. Note D5.4 of the Group's 2023 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 2023, the Group had five 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 three non-controlled related undertakings, which represent investments by Prudential into various funds.

In 2023, the one consolidated entity in a low tax jurisdiction (Guernsey) accounted for less than $2 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 or 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 2023 Annual Report, $93 million of provisions in respect of open tax issues were held at 31 December 2023, which increased from $79 million at 31 December 2022.

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.

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. Accountability for our tax strategy and management of tax risk ultimately rests with the Board. The 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's Chief Executive Officers and Chief Financial Officers 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. The Committee assesses the effectiveness of the Group's system of risk management and internal control on an annual basis, which includes management of tax risks. The Group Risk Committee receives updates on any operational incidents relating to tax 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 effectively deal with uncertainty, representing a key source of competitive advantage to the Group.

The Group Tax Risk Policy forms part of the wider Group Risk Framework, where we define 'risk' as the uncertainty that the Group faces in successfully implementing its strategies and achieving its purpose 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 management and internal control that can be found on pages 176 to 177 of the Group's Annual Report 2023, 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, as well as monitored and reported.

Our Group Risk Framework requires all 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.

Our definition of tax risk

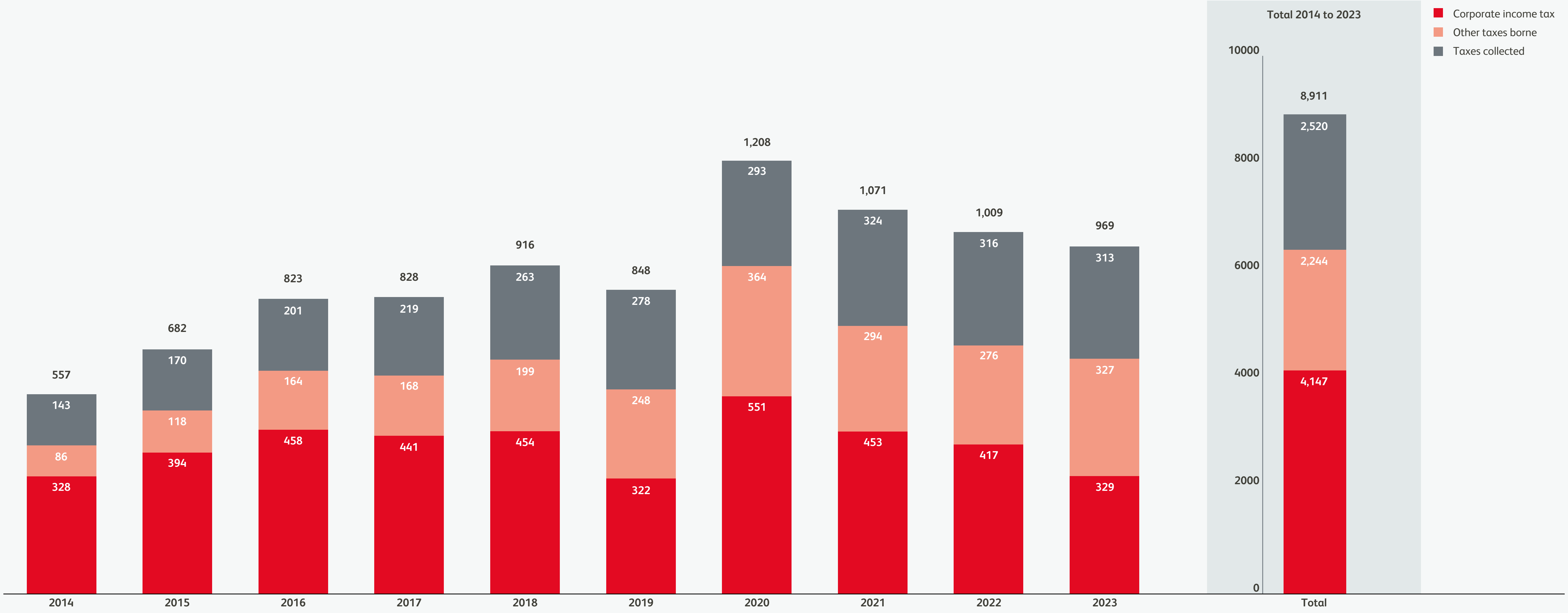
We define tax risk as any uncertainty from either the interpretation of tax law to a particular situation, or the practical implementation of tax law in an operational or tax compliance sense, which has the potential to have an adverse financial or reputational outcome.

Categories of tax risk

	Technical judgement tax risk	Operational tax risk	Regulatory tax risk	Reputational tax risk
Definition	An uncertainty that arises from a transaction or investment being structured or a tax return being 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 disputes 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.	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 arises from actions or decisions we make or external events, which may damage the perception of our Group from the perspective of key stakeholders, resulting in 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 tax remittances from continuing operations for the last 10 years ($m)



Glossary

Country by country report
Part of the OECD's three tier requirements for providing tax authorities information regarding information on the businesses of multinational groups. A template that includes information on revenue (related and unrelated party), profits, income tax paid and taxes accrued, employees, stated capital and retained earnings, and tangible assets for each tax jurisdiction in which the MNE does business. In addition, the template includes information identifying each entity within the MNE Group doing business in a particular tax jurisdiction and the business activities each entity conducts.

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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