Contributing to public finances through a responsible approach to tax

PRUDENTIAL

Contents

Introduction

At Prudential, we provide benefits for all our stakeholders. For our customers, we reduce the financial risk from some of life's biggest events, while at the same time offering opportunities to save for a better future. For our shareholders, we deliver long-term returns, and for our employees we provide jobs and development prospects.

We also deliver wider social and economic benefits to the communities in which we operate. Our products provide a degree of security that helps foster confidence and constructive risk-taking. They also create pools of savings, enabling our businesses to invest in the communities we serve, fuelling the cycle of growth and prosperity.

The tax we pay is a key part of that wider social and economic contribution, helping the communities in which we operate to deliver valuable public services and build the infrastructure that paves the way for growth. In 2016 the total value of our tax contribution around the world was nearly £2.9 billion.

Our Group strategy is aimed at meeting the long-term savings and protection needs of increasingly self-reliant customers in Asia, the US and the UK. We manage our tax affairs in a way that provides support to that strategy.

We act responsibly in all our tax matters, recognising the importance of paying the right amount of tax. We take an objective view of the generally understood interpretation of the relevant laws and regulations. We seek to build constructive relationships with tax authorities and provide transparent disclosure to ensure that all our stakeholders are well informed about our tax matters.

During 2016 we reviewed our tax strategy and tax risk policy. This was part of our regular governance review and also to comply with our duty under the UK Finance Act 2016 to publish our tax strategy before 31 December 2017.

This document has been prepared to meet those UK requirements and also provides insight on our tax practices worldwide, alongside additional tax disclosures, which complement the existing disclosures in our 2016 Annual Report. This publication was approved by our Group Audit Committee in May 2017.

Our tax strategy applies to all our businesses in the countries in which we operate. Where we have material interests in businesses but do not exercise control, we strive to exercise our influence to ensure that the approach to tax taken by those businesses is aligned with ours.

Our tax strategy is a key part of our contribution to the communities in which we operate. We will continue to take a responsible and sustainable approach to all our tax matters.

Nic Nicandrou
Chief Financial Officer
Prudential plc

£2,887 million
2016 global total tax contribution

Our tax strategy

Our clear and consistent business strategy is to meet the long-term savings and protection needs of an increasingly self-reliant population. We focus on three markets – Asia, the US and the UK – where the need for our products is strong and growing and we use our capabilities, footprint and scale to meet that need.

Together with capturing the scale and diversification benefits of our global presence, we aim to generate attractive returns, enabling us to provide financial security to our customers, invest in growth opportunities and meet our customers' expectations. We manage our tax affairs to provide responsible and sustainable support to our business strategy. In delivering this tax strategy through our day-to-day operations, we follow these guiding principles:

Responsible and sustainable management of our tax affairs

Tax compliance

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

Approach to tax

We take an objective view of the generally understood interpretation of the tax laws and regulations in each country in which we operate.

Governance

We manage tax (including uncertainties and risks) in line with our Group Governance Framework and risk management procedures.

Transparency and engagement with stakeholders

We provide transparent disclosure of our tax affairs to better inform our stakeholders of 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.

Customers are at the heart of our business strategy and the business decisions we make. 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 country in which we operate – are critical in meeting the needs of our customers and providing them with peace of mind. More than ever, responsible corporate tax practices are a key driver in customers' decision-making, and in customers becoming advocates for our business. We have an obligation to act in the best interests of our investors by maximising the returns to the people and organisations that have invested with us, through managing the taxes we pay in a responsible and sustainable manner. We seek to comply fully with all our tax obligations, including paying the right amount of tax in each country in which we operate and applying rigorous management over our tax uncertainties and risks.

It is also in our customers' and shareholders' interest for Prudential to be a responsible business which invests in and gives back to our local communities, alongside the jobs, growth and tax revenue we provide.

We place great importance on having an effective relationship with those who supervise us and our markets. Our customers' 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 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 the tax decisions we make 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 making tax decisions with a long-term rather than short-term perspective.

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'?

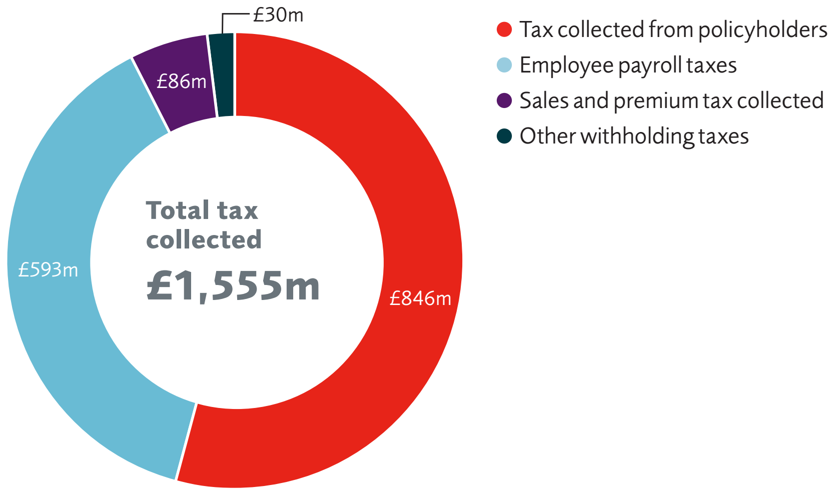
Within each of the countries in which we operate there arises over time a common view across the informed tax community (comprising taxpayers, tax advisers and the prevailing practice followed by the tax authority) of how the tax laws and regulations are interpreted and applied. This forms a 'generally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

What taxes do our businesses pay?

We set out below the taxes that our businesses bore in 2016 – which represents a cost to the Group – and the taxes our businesses collected and remitted to tax authorities in 2016. Together these represent the total tax contribution of the Group (£2,887 million) to the societies and economies in which our businesses operate and invest.

Figure 1: 2016 tax borne

Figure 2: 2016 tax collected



Corporation tax

The Group pays corporation tax on taxable profits as computed under the relevant tax laws of the countries in which we operate or have a taxable presence. Further details about what drives our corporation tax payments are set out on page 5.

Irrecoverable VAT and sales tax

The Group incurs VAT and other sales taxes on goods and services which it purchases. In most countries, life insurance products are exempt from VAT and sales tax and our insurance businesses can usually only recover a small proportion of the VAT and sales tax incurred. The VAT and sales tax incurred which 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, which the Group's businesses pay as an employer.

Other withholding taxes

As a large institutional investor, the Group incurs withholding tax on investment income (eg dividends and interest) received in certain jurisdictions. Where the withholding tax cannot be offset against corporation tax or otherwise recovered, it represents a cost to the Group.

Property taxes

This relates to stamp duty or transfer tax paid on properties we have bought.

Tax collected from policyholders

In countries such as the UK and US, we are required to deduct tax from annuity payments made to customers and remit this to the relevant tax authority.

Employee payroll taxes

In many countries 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.

Sales and premium tax

The Group collects sales tax (eg VAT/GST) on some services it provides to third parties and its customers, and remits the tax collected to the relevant tax authority.

Other withholding taxes

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

What taxes do our businesses pay?
Continued

Calculating our corporation tax due

What is the taxable profit based on?

For most of our businesses, the taxable profit is based on the accounting profit before tax in the financial statements. However, there are some exceptions to this for some of our insurance businesses. For example:

- In the US, the taxable profit is based on the surplus for the period from the regulatory return.
- In Hong Kong, the taxable profit for most of the business is assessed as 5 per cent of the premium income (net of reinsurance).
- In the UK, Singapore and Malaysia, the taxable profit comprises both the shareholder profit and the investment return earned for policyholders within the insurance funds (policyholder profit). In such countries, differential corporation tax rates can apply to the shareholder and policyholder profits.

How are investment income and capital gains taxed?

Most countries in which our insurance businesses operate have specific tax rules relating to investment income and capital gains, and these rules apply to all businesses and not just insurance companies. However, the rules can have a more noticeable effect on the tax position of insurance companies, given that investment income and capital gains are a major part of the revenues of an insurance company.

In many countries it is common for dividend income from portfolio investments to be exempt from tax. However, in the US, dividends received from portfolio investments are included in policyholders' taxable income, but a deduction (known as the dividend received deduction) removes 70 per cent of the dividends from the taxable profit of the company.

In most countries, capital gains are only taxed when they are realised and so unrealised gains recognised in the accounts will not be taxed (and equally unrealised losses will not be tax deductible).

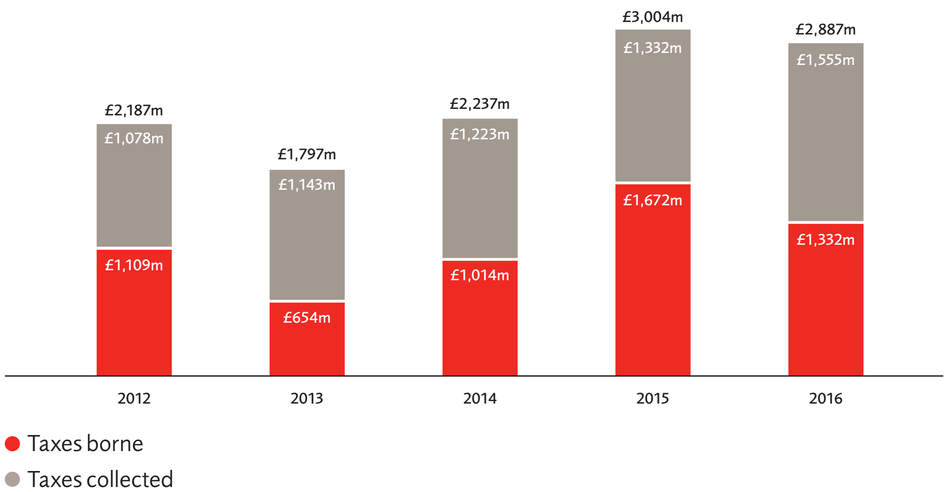
Some countries have specific tax rules that only apply to insurance companies or that apply to certain financial companies, including insurers. In the UK, unrealised gains and losses on debt securities and derivatives recognised in the accounts of insurance companies are included in the taxable profit. This can lead to significant volatility in the taxable profits of insurance companies that have investments in debt securities. In addition, in the UK, unrealised gains and losses relating to investments of life insurers in certain collective investment vehicles are amortised into the taxable profit over a seven-year period. In the US, unrealised gains and losses on certain derivatives of life insurers are amortised into the taxable profit over a number of years.

Are policyholder liabilities and expenses tax-deductible?

Technical reserves set up for policyholder liabilities are generally tax-deductible. There are some countries (eg the US, Indonesia and Thailand) where there are either restrictions on the quantum of technical reserves that can be deducted in any one year, or where specific types of technical reserve are not tax-deductible.

Whether or not expenses incurred by an insurance company are tax-deductible will generally follow the same rules as for other companies. Many countries have specific tax rules that require acquisition (or new business) expenses to be deducted for tax purposes over a number of years and not in the year when they are incurred.

Figure 3: Prudential's total tax contribution for past five years



Prudential has been publishing our total tax contribution since 2012. Outlined above is our total tax contribution, split between taxes borne and collected, for the past five years.

The decrease in the taxes borne in 2016 compared to 2015 is mainly due to a decrease in our corporate tax payments. The reduction in corporation tax payments, reflected the 2015 payments being exceptionally high due to a combination of a new basis of taxing derivatives in the US which accelerated the timing of cash tax payments into 2015, and the positive impact on 2015 UK tax payments from favourable bond market conditions.

How much tax do we pay?

Figure 4: 2016 total tax contribution by country

	2016 (£m – other than employee numbers)							
	Total revenue net of reinsurance	**Profit (loss) before tax[1]**	**Average employee numbers**	**Total current tax charge[2]**	**Corporation taxes paid[3]**	**Other taxes[4]**	**Taxes collected[5]**	**Total taxes remitted**
UK	32,530	1,258	5,716	573	319	155	896	1,370
USA	22,718	526	4,450	502	305	83	535	923
Indonesia	1,873	424	2,119	108	118	41	21	180
Malaysia	1,263	183	2,196	34	24	9	27	60
Singapore	3,491	431	1,368	60	37	4	3	44
Hong Kong	7,112	153	1,459	53	41	2	–	43
Vietnam	667	110	5,070	13	18	3	9	30
Thailand	423	37	710	12	12	3	5	20
Philippines	314	38	628	6	7	2	10	19
Korea	781	17	416	2	6	5	6	17
Japan	49	4	55	2	4	11	–	15
Taiwan	718	38	837	1	4	5	3	12
Ireland	257	25	65	3	2	4	2	8
Germany	9	3	33	1	2	5	–	7
France	7	–	22	–	–	7	–	7
Rest of the world	181	21	1,123	7	7	22	5	34
Total subsidiaries	**72,393**	**3,268**	**26,267**	**1,377**	**906**	**361**	**1,522**	**2,789**
Share of profit/(loss) and tax payments relating to joint ventures and associates	–	182	–	–	44	21	33	98
Intra-group revenue[6]	(551)	–	–	–	–	–	–	–
Remeasurement of carrying value of Korea life business classified as held for sale		(238)						
Group total	**71,842**	**3,212**	**26,267**	**1,377**	**950**	**382**	**1,555**	**2,887**

Notes

1. This measure is the formal profit before tax measure under IFRS. Profit before all taxes is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of the Prudential Assurance Company's with-profits fund, after adjusting for taxes borne by policyholders.
2. The total current tax charge is the tax liability we expect to be due when the 2016 corporation tax returns are filed, together with adjustments for prior years. This differs from the corporation tax paid in the year principally due to the timing of when tax is paid, and also because the tax payments in 2016 include adjustments to tax payments made in previous years reflecting tax returns filed or adjusted in 2016. These differences between current tax charge and tax paid are explained further in the following section 'Why does the amount of corporation tax paid differ from the tax charge in the accounts?'.
3. Corporation tax includes (i) corporation tax paid on taxable profits, and (ii) withholding tax on income in Indonesia and the Philippines where this withholding tax is a form of corporation tax. In addition, for certain countries such as the UK, the corporation tax paid includes amounts paid on policyholder investment returns on certain life insurance products. In 2016, the corporation tax paid in the UK on policyholder investment returns was £226 million. The taxable profit on which corporation tax is calculated, will be based on local tax laws and regulations, typically using local GAAP profits as a starting point. As noted earlier on page 5, there are some jurisdictions where the taxable profit is based on something other than the local GAAP profits.
4. Other taxes include irrecoverable VAT, sales tax, employer payroll taxes, withholding taxes and property taxes. Withholding taxes are disclosed against the country to which the withholding tax has been paid.
5. Taxes collected are taxes that Prudential is required to collect from employees, customers and third parties which are paid to tax authorities. See Figure 2 for more information.
6. The Group's asset management operations provide services to the Group's insurance operations. These intra-group fees included within revenue of the asset management operations are eliminated on consolidation.

The Prudential Group makes significant tax contributions in the countries in which we operate. In 2016, our global total tax contribution was just under £2.9 billion. The table opposite breaks down these payments, showing each country in which more than £5 million in total tax was paid to the local tax authority in 2016. Revenue, profit and employee numbers for these countries are also shown to give context for the tax disclosures. As can be seen from Figure 4, the Group's tax footprint (where we pay taxes) is consistent with the Group's economic footprint (where we earn revenues and profits).

The tax notes in our financial statements provide information on our effective tax rates and why these differ from the corporation tax rates applicable to the Group's businesses. These can be found on pages 194 to 198 of the Group's 2016 Annual Report.

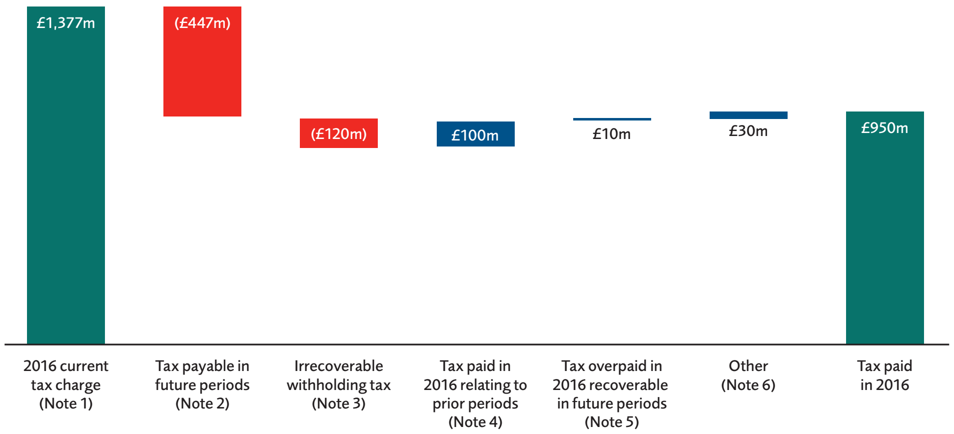
How much tax do we pay?
Continued

Why does the amount of corporation tax paid differ from the tax charge in the accounts?

The amount of corporation tax paid (sometimes referred to as the cash tax paid) will differ each year from the tax charge shown in the Group accounts. 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 2016 our current tax charge was £1,377 million and our corporation tax payments were £950 million. The figure on the right provides a reconciliation between these two numbers.

Figure 5: 2016 tax charge to tax paid reconciliation



Notes

1. Total current tax of £1,377 million is per note B5 on pages 194 to 198 in the 2016 Annual Report and comprises the current tax charge in respect of 2016 together with adjustments for prior years. It does not include any deferred tax.
2. In most countries, corporation tax is payable in regular instalments, some of which fall into the current period, and some which fall into the following year.
3. This relates to irrecoverable withholding tax on dividends payable to the UK from certain non-UK subsidiaries, and dividends on overseas portfolio investments of insurance funds. The withholding tax is included in the accounts tax charge but as it is not corporation tax as such, it is not included in the corporation tax paid. The £120 million withholding tax is included in 2016 total taxes borne as per Figure 1 of this report.
4. This is a combination of £138 million in respect of instalment tax payments falling due in 2016 relating to 2015 partly offset by £(38) million repayments from tax authorities following routine true-ups of prior period tax returns.
5. Instalment tax payments are typically based on estimated taxable profits. The £10 million above reflects overpaid tax following a downward revision of estimated taxable profits.
6. Other includes a combination of (i) £44 million in respect of Prudential's share of tax paid from joint ventures and associates; (ii) £37 million other adjustments, principally foreign exchange partly offset by £(51) million in respect of the movement of provisions for open tax matters included in the current tax charge.

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 idea 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.

Use of tax advisers

Our tax teams at Group, regional and country level 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, to provide second opinions on significant transactions, to help us understand new legislation or to provide us with insight on industry practice. In addition, we engage tax advisers (and others) to undertake tax compliance work on our behalf in various countries where it is more cost-efficient or operationally sensible to do so.

Managing and structuring investments

An important part of our business is managing investments from our insurance companies and third parties through investment vehicles. Collective investment vehicles, such as 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.

— Reduced cost – by pooling investors' money the cost of investing is reduced and shared.

It is common for funds to be established in countries that do not impose an additional layer of taxes on the fund itself. 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 invests, tax will be paid in accordance with the tax rules of those countries.

Our investments

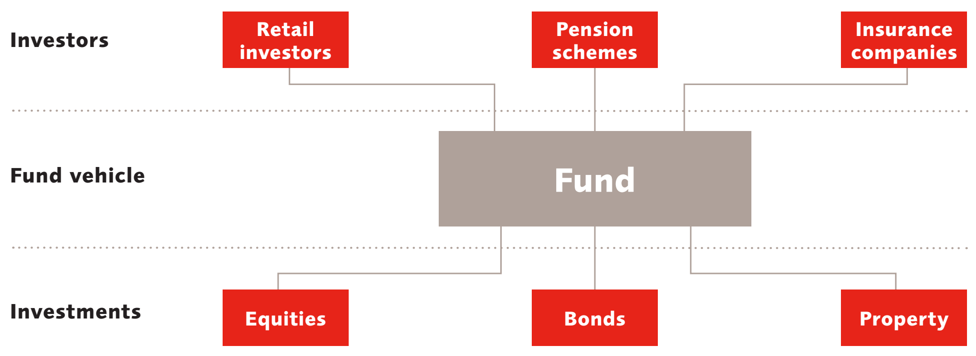
Our insurance companies hold a broad investment portfolio which will include investments in real estate and infrastructure. Such investments are typically made through a layered fund structure with special purpose vehicles that will hold the underlying physical assets. These may be supported by debt funds which provide a vital source of capital for companies which own real estate and infrastructure investments to enable future economic growth. These funds will often be managed by one of our investment managers and widely held by both external investors and Prudential's insurance companies.

Funds are often structured with various legal entities in different jurisdictions. There are a number of reasons for this including commercial and regulatory factors eg 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 of 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. 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.

Fund look through tax treatment is recognised in many tax regimes throughout the world and we do not invest in funds with the intention to reduce the tax that we pay. Our investing companies will be subject to tax on income and capital returns from the fund based on their individual tax profile. The consequence of our companies investing in these funds is that in most instances the tax paid is 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

Low tax rate jurisdictions

At the end of 2016, the Group had 28 entities tax resident[1] in countries with a headline corporate tax rate of 10 per cent or lower (in terms of our operations this means entities in the Caribbean, the Channel Islands, Gibraltar and Isle of Man), of which 13 were fund-related. Of the 15 non-fund-related entities, three were insurance/reinsurance companies, nine were real estate-related, and the remaining three entities are now in liquidation. In 2016, the 28 entities in total accounted for 0.01 per cent of total Group revenues (£10 million) and 0.06 per cent of total Group profit (£2 million).

We also have a number of business operations in countries that often feature on lists of low tax rate jurisdictions. For example, as evidenced in Figure 4, we have a significant presence in Hong Kong and Singapore where we are one of the leading providers of life insurance and asset management services offering savings and protection opportunities to local customers. In Ireland, we have been offering investment bonds to predominantly UK customers for nearly 20 years.

In common with the asset management industry, our asset management businesses – M&G and Eastspring – have fund-related entities in countries such as Luxembourg, Mauritius, Ireland and the Cayman Islands. These countries are established centres for asset management businesses, and because they typically have either low or zero corporate tax rates or special rules for asset management vehicles, basing funds in these countries will in most situations ensure that our customers are only taxed once, where the customer is resident.

All the countries where we have entities that are subject to no tax or low tax rates are committed to tax transparency (as members of the Organisation for Economic Co-operation and Development [OECD] Global Forum on Transparency Exchange of Information for Tax Purposes), and we comply with all customer tax disclosure requirements where the entities are located.

Interaction with tax authorities

Our tax affairs are complex, reflecting a combination of specific or additional corporation 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. When dealing with tax authorities we do so in an open and constructive manner that aims to bring 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. Sometimes, however, it is necessary for the matter to proceed to litigation to clarify the interpretation of the law.

Tax policy work

We believe that more informed and sustainable outcomes are achieved where governments openly consult with industry and other affected stakeholders. We work with governments, both directly and through industry trade bodies, 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. We have engaged with US, UK and other tax authorities on the scope and implementation of the US FATCA (Foreign Account Tax Compliance Act) and the OECD's Common Reporting Standard. Both of these regimes are intended to assist tax authorities in combating tax evasion. Similarly, we have engaged with OECD and UK officials on various aspects of the scope and implementation of the work to reform and modernise the international tax regime stemming from the OECD Base Erosion and Profit Shifting (BEPS) project.

Note
1 With an interest of 50 per cent or more.

Governance and management of tax risk

Governance over tax

Ownership of our tax strategy, as with the wider business strategy, rests with the Group's Board. The day-to-day responsibility for tax rests within the business units, as taxes by their nature are levied on legal entities, and sometimes groups of entities, rather than on the Group as a whole. Business unit audit and risk committees receive regular reports and updates on material tax risks, tax disputes and tax policy developments. Business units submit regular tax risk reports to Group Tax which are reviewed by the Group's Head of Tax, and are discussed in regular meetings between the Group Tax function and the business units. At Group level, the Group Audit Committee receives regular updates from the Group's Head of Tax on material tax issues, tax disputes and tax policy developments. The Chief Financial Officer provides updates on material tax matters as part of the regular updates to the Board.

Managing tax risk

Tax risk is managed in a manner consistent with the management of all other risks. We recognise that we are implicitly committing to customers that we will maintain a healthy company, and are there to meet our long-term commitments to them. We define 'risk' as the uncertainty that we face in successfully implementing our strategies and objectives. As outlined in our Group Chief Risk Officer's report in our 2016 Annual Report, we have well defined risk governance structures in place made effective through individuals, Group-wide functions and committees involved in the management of risk. Our Group Risk Management Framework requires all of our functions and businesses to establish processes for identifying, evaluating and managing the key risks faced by the Group. Our Group Tax Risk Policy comprises processes to identify, measure, control and report on our tax risks within this framework.

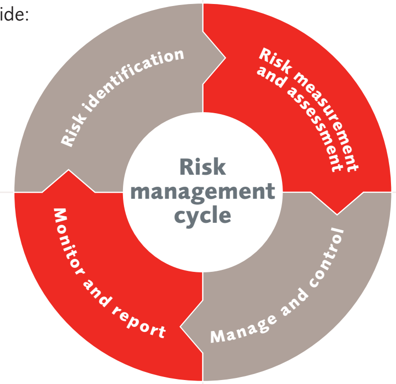
We define tax risk as:

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.

Risk identification covers Group-wide:

— Top down risk identification
— Bottom up risk identification
— Emerging risk identification

BU reports provide monthly updates to Group tax.



Risks are assessed in terms of materiality.

Risks which cannot be quantified are assessed qualitatively.

Risk processes that support the management and controlling of risk exposures including risk appetite and limits.

Tax risk can broadly be grouped into four categories as set out in the table below.

	Technical judgment 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 it is (1) possible that the tax authority may take a differing interpretation, or (2) where the tax authority does dispute the interpretation, or (3) where it is possible that the tax law may change in a manner which 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 high rate of global tax change, 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 judgment which is based on an aggressive interpretation of the relevant tax law, nor do we have any appetite for adopting a technical judgment where external advice has been obtained and has indicated a 'less likely than not' chance of success.	We have no appetite for material 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 material losses (direct or indirect) suffered as a result of failing to monitor and respond to tax changes.	We have no appetite for suffering reputational damage, which destroys shareholder value, adversely impacts revenues or results in significant costs to rectify, as a result of failing to develop, implement and monitor appropriate controls to manage reputational risk.
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.

Prudential public limited company
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Prudential plc is a holding company,
subsidiaries of which are authorised
and regulated, as applicable, by the
Prudential Regulation Authority and
the Financial Conduct Authority.