Tax Transparency Report

2019

WELCOME

Tax provides governments with the very seeds for growth and development.

AXA Group is a worldwide multinational company and one of the largest insurance companies that has a presence in more than 60 countries. In each and every country where it operates, the Group recognizes the pivotal role taxes play in both contributing to public Finances and developing the countries.

Thanks to these revenues, Governments are able to fund essential public services such as healthcare and education, along with public infrastructure growth and upkeep. Today, these revenues are also essential in tackling the health, economic and social emergency caused by the spread of Covid-2019 globally.

In 2019, the total tax contribution of AXA Group worldwide amounted to 10 Bn€.

In AXA Group, corporate responsibility is at the core of our strategy and as an inherent part of it, the Group is committed to being a responsible taxpayer that works closely and continuously with experts, auditors and tax authorities in an effort to ensure it pays the right amount of taxes in the right place and at the right time. It is an AXA Group commitment not to use non cooperative jurisdictions to avoid taxes on activities conducted elsewhere.

During the past few years, there has been growing attention from media and public and non-governmental organizations over contributions multinationals make to public budgets and over the equity and transparency of tax systems.

In 2015, the OECD released its Base Erosion and Profit Shifting (BEPS) initiative recommending the implementation of the Country-by-Country reporting and other transfer pricing regulations. AXA Group has been providing Country-by-country reports to the French Tax Authorities since 2017 (based on 2016 figures). Although the OECD has no such requirement, **AXA Group has decided to publish the key tax figures for its flagship countries in this Tax Transparency Report.** The OECD is currently holding a public consultation on how to handle the tax challenges arising from the growth of digitalization and **AXA Group has been actively participating in working groups to provide input.**

Fully aware that the complex nature of national tax regimes coupled with international taxation and accounting regulations can lead to a loss of public trust, AXA Group believes that increasing its tax transparency is essential and that this information should come along with supporting information to facilitate understanding. This is why, in this second edition of its Tax Transparency Report, AXA Group has been proactive in providing more details on its guiding tax principles and its worldwide Public Finance contributions.

ETIENNE BOUAS-LAURENT
Group Chief Financial Officer

2019 Group Activity Highlights

In 2019, AXA demonstrated its capacity to deliver on its operational targets, while completing major transformative moves, in accordance with its Ambition 2020 strategic plan.

AXA has completed a shift in its risk profile, moving away from financial risks towards technical risks.

The sell-down of our U.S. Life and Asset Management operations is now complete. AXA XL's integration within the Group has been progressing quickly, strengthening our position as the world's leading P&C commercial lines insurer, protecting companies of all sizes, anywhere, and against all types of risks.

The Group now has full control over its P&C business in China, a market in which we are now the largest foreign actor. AXA further simplified its footprint, notably divesting from insurance operations in Ukraine and banking activities in Belgium. Additionally, in early 2020, AXA announced the sale of its insurance and asset management operations in Central and Eastern Europe (Poland, Czech Republic and Slovakia).

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Introduction

2019 Tax Regulatory Environment

In 2019, new guidance or compliance requirements have been enacted to enhance entities' tax transparency both in the consolidated accounts (**IFRIC 23**) and in disclosures to local tax administrations (**DAC 6**). AXA Group is always proactive in implementing new processes and fully committed to complying in due time with new requirements.

IFRIC 23 - Uncertainty over tax treatments

IFRIC 23 'Uncertainty over tax treatments' published on June 7, 2017 is effective from January 1, 2019. This guidance has clarified how to account for income tax when it is unclear whether the tax authority will accept the tax treatment applied in the tax return. The presentation of these positions in the consolidated statement of financial position has changed and AXA included a dedicated section in note 19 of its 2019 Annual Report.

DAC 6

The EU Member States had until December 31, 2019 to adopt the **Directive on the mandatory disclosure** and exchange of information on cross-border tax arrangements potentially used for aggressive tax planning to be reported to tax administrations. The scope of covered taxes are all taxes except VAT, customs and excise duties, compulsory social security contributions. As a result, DAC 6 should have a deterrence effect on aggressive tax-planning practices. Within AXA Group, a dedicated tool will be implemented to help the European AXA entities to comply with these rules.

Group Tax Policy

Our commitments regarding tax

C — CONTRIBUTE
our fair part by paying our taxes at the right time and at the right place

O — OPERATE
as a transparent and collaborative partner with tax authorities and states

M — MANAGE
a tax organization to ensure full tax compliance

M — MONITOR
limited appetite for tax risk with adequate governance and appropriate processes

I — INCLUDE
tax as a key contributor to the ESG Group Policy

T — TESTIFY
to transfer pricing compliance with taxation of profits where activities are performed

Tax risk management and internal governance

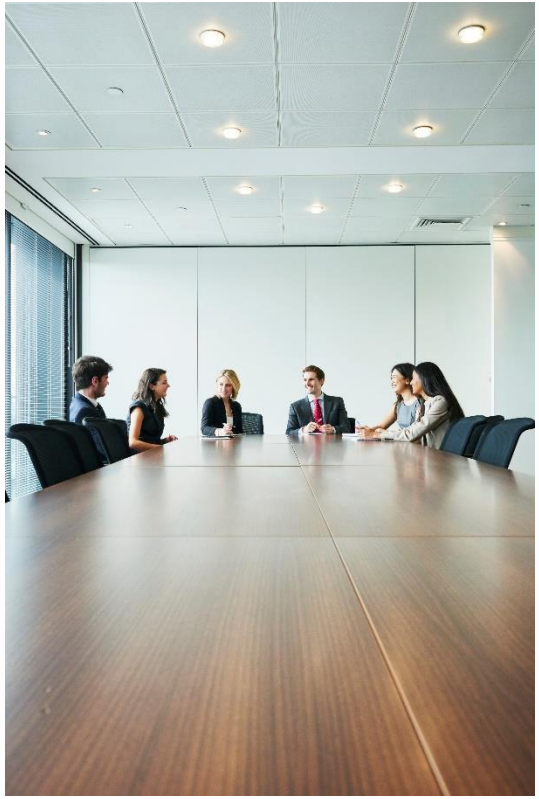
Within AXA Group the Group Tax Department is part of the central Finance function and is therefore under the responsibility of the Group Chief Financial Officer. It is led by the Head of Tax who directly reports to the Group Chief Financial Officer and updates him on tax-related matters on a regular basis.

The Group Tax Department is accountable and responsible for the Group's :

- tax positions and group-level tax strategy
- tax policies, controls and instructions
- global transfer pricing model

In local entities, tax teams are accountable and responsible for tax compliance and the day-to-day tax matters in line with the Group Tax Department guidance.

AXA Group has a strong corporate Governance around tax, which is described in the AXA Group Tax Policy, published annually in the Registration Document. We consider tax risk management fundamental to maintaining efficient and effective operations, and to ensure full compliance with tax regulations.



In order to assure an effective tax risk management, a number of actions and processes are in place throughout the Group to identify, assess and monitor tax risks such as :

- Handling tax-related topics by in-house **highly qualified tax experts** who are provided with **ongoing training** and access to external advice when needed
- Ensuring consistency in approach on some technical topics, as well as agreements on guidelines connected to specific items, with a particular attention to tax risks and tax audits, an **International Tax Committee** and **an International Tax conference gather** various senior tax executives throughout the different entities of the Group
- Implementing a uniform and well-established **reporting of the uncertain tax positions** regularly provided to the Group Tax Department by local entities
- Monitoring of **updates to changes in tax laws** and their impacts on AXA and industry
- Updating the **Group Audit Committee** of the significant tax risks on a regular basis
- Including internal controls on tax processes in the Group's **internal finance control program**
- **Defining Group standards for tax compliance**, and ensuring their full satisfaction, in particular for cross-border life business, and more globally for compliance with tax regulations

Moreover, the Group is actively involved in the discussions about tax regulations through its membership in different national or international business and insurance associations in the countries where it operates. These memberships allow the Group to ensure an ongoing transparent exchange on tax-related matters with a variety of stakeholders.

Tax aspects in relation to AXA as a multinational company

In the countries where it operates, **AXA is both a tax payer and a tax collector**, given that many specific taxes are levied on (re) insurance policies and collected from our customers as part of the insurance and Asset Management revenues while others are remitted to the various state and federal administrations around the world.

The tax function is organized within the Group to ensure full compliance with all tax legislation in the countries where AXA operates. In addition to the Group Tax Department based in France, all key operational entities/countries/geographic zones have a tax team in charge of ensuring that tax regulations are well understood and satisfied by the entities.

As a part of the global internal risk assessment, a specific tax internal control program is implemented. These controls must be reported and documented by each team in scope to ensure full compliance.

A **Tax Code of Ethics**, as agreed between the Group Tax Department and the local tax teams, highlights the key principles guiding the actions of the various tax teams:

- to remain up to date with respect to applicable laws and regulations;
- to comply with tax laws and regulations;
- to maintain a good relationship with the local tax authorities;
- and not to engage in aggressive tax driven transactions that could compromise the good reputation of the Group.

All AXA Tax teams abide by this Code of Ethics in conducting their activities. In this respect, a biannual tax review process of each key entity or business line is performed by the Group Tax Department in connection with each local team. During these reviews, specific attention is given to tax audits and associated tax risks as well as market positions on tax matters that may impact AXA. These reviews offer a global framework for the tax teams to identify, analyze, control and report tax risks.

In addition, an **International Tax Committee** composed of various senior tax executives within AXA tax teams meets every quarter to ensure consistency in approach on some technical topics, as well as agreements on guidelines connected to specific items.

Tax aspects of the Group's activities

The Group's activities are subject to strict regulations and rigorous control in each territory in which AXA operates. In addition to these regulations, AXA has developed a set of detailed internal standards that applies to all Group entities that are managed or controlled by AXA, regardless of the activities undertaken by the entity or its ownership structure.

According to these internal standards, **CEOs must ensure that staff are fully conversant, and comply with applicable laws, mandatory Codes of Conduct, rules and regulations** (including applicable tax laws and regulations) relevant to their area of operations.

This means that local senior management must appreciate the tax implications of the activities in their entity. The main considerations are:

- compliance with the taxation of employees in the territory in which they are employed;
- compliance with the taxation of business undertaken in the territory (including levies and sales taxes); and
- cross-border tax issues.

A specific focus on **transfer pricing** is made in application of these standards, to ensure that the pricing of our intra-group activities is consistent with the OECD "arm's length" principle as well as with local transfer pricing rules to pay adequate tax on profits where the value is created.

In particular, Chief Financial Officers must ensure that (re) insurance policies entered into represent a true transfer of risk and that their status as (re)insurance contracts could not be subject to challenge.

Business between Group companies must be transacted at market prices where a market price exists, or in the absence of market prices, must be supported by formally documented justification for the charge made.

Tax aspects of products offered by the Group

AXA products are not designed to allow or encourage tax evasion.

The Group has set up a validation framework to ensure new products undergo a thorough **approval process** before they go to market.

The local decision to launch a new product results from a documented approval process that complies with the **AXA Group standards in terms of product features, pricing, asset-liability management and aspects related to legal, compliance, regulatory, accounting and reputation.**

Moreover, **AXA has established strict policies regarding its cross-border activities and its customer knowledge** to ensure our products and services are not misused for money laundering or tax evasion purposes and are governed by specific rules requiring cross-border life insurance proposals to be presented to the Group Tax and Compliance Departments for validation.

While all Group entities must in any case comply with local regulation, the Group Tax Department can veto a product if it fails to comply with internal rules.

The Group is furthermore committed to fulfilling all its reporting obligations to the Tax Authorities regarding products sold to foreign policyholders as a consequence of the FATCA and CRS regulations [1].

(1) FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) are information standards for automatic exchange of information implemented respectively by US federal laws and the OECD

Transfer Pricing

Clarifying key concepts

What is transfer pricing?

Transfer pricing refers to the terms and conditions of transactions within a multi-national company. It concerns the prices charged for inter-company transactions (i.e. transfer of goods and services) between associated enterprises established in different countries.

Since the prices are set by non-independent associates in the multi-national, these may fail to reflect an independent market price.

What is the arm's-length principle?

The arm's-length principle of transfer pricing states that the **amount one related party charges to another for a given product/service must be the same as if the parties were not related.** This arm's length principle can be found in **article 9 of the OECD Model Tax Convention.**

In accordance with international standards, individual Group members of a multi-national enterprise must thus be taxed on the arm's length principle in their dealings with one other.

What are the main cross border intercompany transactions in AXA Group?

- ✓ **Usual company cross-border flows** such as: IT, management expenses, loans and guarantees
- ✓ **Insurance-specific business cross-border flows:** reinsurance is a mechanism through which insurers can manage insurance risk by shifting or ceding one or more insured risks to reinsurers in exchange for payment of premiums and commissions. It is an insurer's fundamental risk management tool.

What is the documentation required for transfer pricing?

Following the recommendations of the OECD, especially in its BEPS action 13, many countries have adopted **the three-tiered transfer pricing documentation** requirements that include:

- ✓ **The Master file presenting** the company's business, its organizational structure, an overview of the company's business processes, its intangibles and a description of its intragroup financial transactions.
- ✓ **The Local file,** in compliance with Local Transfer Pricing Regulations, **presenting** a breakdown of intragroup transactions with foreign jurisdictions.
- ✓ **The Country-by-country Reporting presenting** aggregated tax jurisdiction-wide information on various KPIs such as current tax indicators (i.e. tax paid and accrued) and a list of the controlled Entities registered in each tax jurisdiction where the Group operates. The CbC report is to be filed by the parent company of a Group to its local Tax Authority which, according to information exchange agreements, is in charge of sharing it with other foreign tax authorities.

AXA Group is committed to complying with the regulations of every tax jurisdiction in which it operates regarding the Transfer Pricing documentation and notification requirements.

AXA locations worldwide

Existing AXA locations *Not present in this location*

more than **60** countries

where AXA Group operates

10 flagship countries

representing nearly 84% of AXA Group revenues in 2019

France, Belgium, Germany, Hong Kong, Italy, Japan, Spain, Switzerland, the United Kingdom and the United States

Any presence in countries in which AXA operates are driven by business operations

AXA has no licensed insurance or operating business activities in the countries specifically identified as non-cooperative jurisdictions[1] under French and European rules, except in Panama and Oman.

In Oman, AXA has been acting locally for several years through one insurance operating branch of its Bahrain Insurance subsidiary. In Panama, AXA holds two operating companies and has decided to close its subsidiary providing assistance services to local customers and/or travelers, but to keep the non-consolidation health claims processing center in the country.

Since 2018, AXA Group also has a material presence and substance in Bermuda – a country that is not considered as a non-cooperative jurisdiction according to French and European laws - following the acquisition of the Bermuda-based company XL, a company specialized in commercial insurance and reinsurance.

[1] List of non cooperative jurisdictions under French tax rules is given by a ministerial decree date January 6, 2020

2019 AXA Group Tax Data Highlights

2019 AXA Group - Tax Data Highlights

Total tax contribution by type of tax

104 €Billion

Gross revenues

5.1 €Billion

Profit before tax

108 Million

Customers worldwide

121 Thousand

Employees

(Open-ended and fixed-term contracts)

1.2 €Bn

Corporate income tax paid

4.5 €Bn

Insurance premium tax collected

2.1 €Bn

Social charges

(Borne both by employees and by employers)

1.6 €Bn

VAT/GST paid

0.6 €Bn

Other taxes

(i.e. Stamp duties, property taxes, financial transactions taxes)

10 €Bn

2019 tax contributions worldwide

Total tax contribution by flagship countries

AXA Group total tax contribution in its 10 flagship countries amounted to **9 €Bn in 2019**

These figures include: corporate income tax paid, the insurance premium tax collected, social charges borne both by employees and employers, VAT/GST paid and other taxes (i.e. transactional taxes, property taxes, excise taxes, financial taxes)

France: 3.5 €Bn

Belgium: 1.1 €Bn

Germany: 1.3 €Bn

Hong Kong: 0.1 €Bn

Italy: 0.6 €Bn

Japan: 0.5 €Bn

Spain: 0.5 €Bn

Switzerland: 0.7 €Bn

United Kingdom: 0.9 €Bn

United States: (0.2) €Bn

IFRS corporate income tax figures - Clarifying key concepts

What is income tax accrued?

In IFRS, according to IAS 12, income tax accrued encompasses current and deferred income tax. It also integrates the repercussions of tax disputes and any penalties and interests for late payment arising from such disputes.

- ✓ **Current income tax** refers to the amount of income tax payable or receivable for a given period's taxable profit or loss. Its assessment is based on the country's applicable local tax legislation for that period.
- ✓ **Deferred income tax** is recognized when the reporting period for profits differs from the one for submitting financial statements and the tax return.

What is the effective tax rate ?

It is the ratio of corporate income tax accrued (current and deferred tax) compared with the IFRS profit (or loss) before tax. Every year, the theoretical tax rate and the effective tax rate's reconciliation figures in the Annual Report's Tax Note (Note 19 of the Consolidated Financial Statements).

Why do the tax basis and the accounting basis often differ?

It is because they are built on different principles, meaning that, if the difference is temporary, the recognition of a tax and its accounting occurs in different periods. In this case, a deferred income tax asset or liability is booked in the IFRS consolidated accounts. Deferred tax hence allows booking the tax and accounting basis in the same financial period and prevents volatility in the financial statements.

Why the current income tax accrued is different from current income tax paid ?

Current income tax accrued corresponds to the tax amount impacting an accounting period's results. Current income tax paid represents all the (in or out) cash flows between the company and the Tax Administration in an accounting period.

These two amounts are often disconnected as:

- ✓ in most countries, entities pay instalments based on the prior year's taxable results and a balance payment occurs the year after
- ✓ after a tax audit or a claim, the Tax Administration can either refund or require an additional payment on prior years' accounting periods.

Why the effective tax rate differs from the corporate tax rate?

The effective tax rate differs from the corporate tax rate any time an IFRS income/expense are either non-taxable or non-deductible according to the local tax regulation (namely a permanent difference). All jurisdictions have their own rules triggering specific permanent differences.

In an insurance company, financial transactions represent a significant part of the results and therefore, the main permanent adjustments come from:

- ✓ dividends that are partially or totally non-taxable
- ✓ non-taxable capital gains/non-deductible capital losses

IFRS corporate income tax figures – 2019 in more detail

In the table below, we provide an overview of the IFRS income tax figures in 2019 for our significant countries and for the Group, as reported in our IFRS Group Financial Statements.

Sign convention: Income (+) / Expense (-)

€M	Profit before tax	Income tax accrued (Current and deferred)	Effective tax rate	Corporate income tax rate	Corporate income tax paid
France	121	(81)	66,9%	34,4%	(209)
Belgium	527	(107)	20,3%	29,6%	(149)
Germany	751	(227)	30,2%	31,2%	(196)
Hong Kong	441	(28)	6,3%	16,5%	(19)
Ireland	143	(16)	11,2%	12,5%	(38)
Italy	352	(105)	29,8%	30,8%	(61)
Japan	731	(210)	28,7%	28,0%	(340)
Mexico	112	(37)	33,1%	30,0%	(73)
Spain	174	(42)	24,2%	25,0%	(58)
Switzerland	921	(136)	14,8%	20,0%	(206)
United Kingdom	230	(20)	8,7%	19,0%	(12)
United States	330	(39)	11,8%	21,0%	329
Rest of the world*	287	(371)	N/A	N/A	(137)
TOTAL	5 120	(1 419)	27,7%	N/A	(1 169)

**Rest of the world also includes transversal entities (as AXA Investment managers and AXA XL)*

Differences between the applicable corporate income tax rate and the effective tax rate mostly result from income or expenses that are either non-taxable or non-deductible according to countries' tax regulations.

Where the effective tax rate differs by more than 5% from the applicable corporate income tax rate, the differences are explained below :

- **France:** this line corresponds to the French operating entities and also AXA SA, the holding of the Group. The high effective tax rate mainly stemmed from AXA SA's recognition of a non deductible **capital loss on the US disposal** and non deductible impairments.
- **Switzerland:** due to the corporate income **tax rate decrease** in cantons of Genova and Zurich, all deferred taxes have been reassessed leading to a net deferred tax liability decrease. This decrease reduced the IFRS income tax accrued and hence the effective tax rate.
- **United Kingdom:** the lower effective tax rate was mainly due to **prior years adjustments** leading to a decrease of the tax burden.
- **Belgium:** the lower effective tax rate was mainly due to **non-taxable financial incomes**.
- **Hong Kong**: the taxable profits of a life insurance business are deemed to be **5% of the net** premiums.
- **United States:** lower effective tax rate was due to **non taxable dividends** received in the first quarter corresponding to the 2019 consolidation period of the US entities. During this period, they received a refund from the Tax Administration for overpaying on the advance instalments in 2018 compared with the final assessment.

Other taxes by flagship country

Figures reported in €million

Insurance premium taxes collected

France	1 794
Belgium	456
Germany	856
Hong Kong	-
Italy	310
Japan	7
Spain	171
Switzerland	116
United Kingdom	567
United States	66
Rest of the world	197
TOTAL	4 540

The Insurance Premium Tax (IPT) is a type of indirect tax levied on general insurance premiums.

The applicable IPT rate depends on the type of insurance contract, the risk covered and the country.

Accrued Social Charges borne by AXA and its employees

France	873
Belgium	208
Germany	203
Hong Kong	20
Italy	48
Japan	121
Spain	48
Switzerland	190
United Kingdom	160
United States	49
Rest of the world	166
TOTAL	2 084

These social contributions are paid to the government where entitles' employees reside to give them access to future social benefits such as unemployment insurance, pensions, medical services.

Contributions are levied on both employees and employers.

Value Added Taxes (VAT) and Gross Sales Taxes (GST) paid

France	449
Belgium	77
Germany	77
Hong Kong	-
Italy	198
Japan	31
Spain	107
Switzerland	120
United Kingdom	203
United States	-
Rest of the world	358
TOTAL	1 620

In most countries where AXA Group operates, insurance products are exempted from VAT and GST.

When the Group cannot fully recover its VAT and GST. The non recoverable VAT/GST paid is a cost that fully impacts the P&L of the Group.

AXA SA, the Group's holding company, is a French corporation organized in accordance with the laws of France.

The AXA Group Organization chart is available on our website here

The list of the main consolidated subsidiaries of AXA Group is available in our Annual Report
(Note 2 – Scope of consolidation, Consolidated financial Statements).

DISCLAIMER
This report has not been audited and signed off by group's external auditors.
The total tax contributions are only disclosed for our flagship countries (France, Belgium, Germany, Hong Kong, Italy, Spain, Switzerland, United States and United Kingdom) and are based on the individual reporting of the most significant subsidiaries.

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