

> APPENDIX I

Chairman of the Supervisory Board's Report

The present Report presents, according to the provisions of article L.225-68 of the French Commercial Code, the conditions of preparation and organisation of the Supervisory Board's work (Part I) as well as the internal control procedures implemented

by the Company (Part 2). The present Report also presents the principles and the rules adopted by the Supervisory Board in order to determine the compensation and the advantages granted to the corporate officers (Part 3).

PART 1 > CONDITIONS OF PREPARATION AND ORGANISATION OF THE SUPERVISORY BOARD'S WORK

For information on the conditions of preparation and organisation of the Supervisory Board's work please see Part III – "Corporate governance, executive compensation,

major shareholders and related matters", "Supervisory Board" and "Supervisory Board Committees" Sections of this Annual Report.

PART 2 > INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY

INTRODUCTION

In accordance with article L. 225-68 of the French Commercial Code, the Chairman of the Supervisory Board has prepared the report below relating to the internal control procedures implemented by the Company at Group level. In this report, the term "Group" refers to the Company together with its direct and indirect subsidiaries falling into the scope of consolidation of the Company.

The purpose of the internal control system maintained by AXA is to anticipate and mitigate the risks linked to AXA's business. Making effective risk management solutions available to clients presupposes AXA's ability to effectively monitor its own risks. Implementing and monitoring stringent internal control policies and procedures throughout the Group is critical to AXA's daily operations and long-term development.

The internal control system maintained by management and deployed by the various entities of the Group, is designed to ensure, in particular, compliance with applicable laws and regulations, the reliability of financial information, and the monitoring of operations.

In this context, AXA has decided to adopt the "Internal Control – Integrated Framework", publicly known as COSO (Committee Of Sponsoring Organizations) of the Treadway Commission, the name of the committee that designed this standard. This report is structured around various COSO components, with a specific focus on controls in place over financial and accounting information.

CONTROL ENVIRONMENT

The control environment is the basis of an internal control system. AXA therefore promotes the establishment of a disciplined internal control environment throughout the Group, designed to ensure in particular that:

- Group strategy, operational objectives, reporting lines with subsidiaries and accountability for executing objectives are clear,
- AXA's principal subsidiaries, whether traded on a public stock market or not, have appointed independent (non-executive) directors to their boards of directors and audit committees,
- formal guidelines are in place for all businesses and operations, in particular the Group Compliance and Ethics Guide, anti-fraud and anti-money laundering policies,

- operating processes are subject to controls and ongoing improvement, notably via the Group-wide continuous process improvement program called “AXA Way” and through the Sarbanes-Oxley 404 compliance program to evaluate the Group’s internal control over financial reporting,
- AXA employees have appropriate resources to operate. The corporate Human Resources Department has implemented processes for assessing and monitoring AXA employees, as well as providing ongoing training and development opportunities.

SETTING AND REVIEWING BUSINESS OBJECTIVES

Setting business objectives and strategic planning process

The aim of AXA’s strategic planning process is to ensure coherent Group wide strategies and action plans, and the three-year forecasts developed by the Group’s main subsidiaries. Subject to various analyses and adjustments between Group Management (MB, Group Strategic Plan Steering Committee, Group Management Services (GMS) teams, including Group Strategic Planning (GSP) and Business Support and Development (BSD)) and the entities, this process results in a consolidated forecast that is used as the basis for the Group’s budget and forms the basis of the objectives contained in each operating unit’s annual target letter.

Each year, the principal operating business units of the Group present the following information for each of their business segments (Property & Casualty insurance, life insurance, asset management, banking), with a rolling three-year outlook:

- analysis of business strategies and entity positioning,
- quantitative targets (revenues, expenses, profitability, productivity and quality indicators) based on a central set of economic forecasts,
- description of corresponding action plans, including HR and IT systems aspects,
- specific information depending on the Group’s priorities – Ambition 2012.

This process enables Group Management to set targets that are consistent with its ambitions.

Business Support and Development (BSD)

As indicated above, the Group has a decentralized organization structured around seven business units.

AXA’s Management Board maintains ongoing relationships with all of these BUs through its BSD organization, which reports back to Group Management on key projects being considered or under way at business unit level.

Operating units draw up their strategic plans in accordance with preset targets by the Management Board. The BSD teams prepare these preset targets, send them to the business units and monitor BUs progress.

In addition, the BSD teams collect and review all the relevant information concerning the business model, the market position or any other issue that may be of interest to the Management Board. The BSD teams pass on specific information to facilitate and monitor the execution of the strategic plan.

BSD officers also sit on boards of directors of main entities, and are involved in major BU projects, such as acquisitions, partnerships and restructuring.

RISK ASSESSMENT AND MANAGEMENT

A sophisticated risk management process has been put in place to ensure that the aforementioned objectives are met.

Corporate governance bodies

Management Board and Supervisory Board

AXA has a dual governance structure, consisting of a Management Board and a Supervisory Board. To ensure that Group business is actively managed between Quarterly Business Reviews, the Management Board’s six members meet generally every week to discuss strategy and operations.

Each Management Board member is assigned responsibility for some specific aspects of the Company’s management, including finance and control.

Executive Committee

In carrying out its duties, the Management Board is assisted by an Executive Committee, whose composition reflects the Group’s structure. It consists of:

- the members of the Management Board,
- the executives of main business units.

The Executive Committee meets quarterly as part of the QBR process.

QBRs (Quarterly Business Reviews)

Quarterly Business Reviews are divided into two parts:

- meetings between the Management Board and each business unit,
- a meeting attended by Executive Committee members.

In preparation for individual meetings with the Management Board, each business unit provides the Board with formal quarterly information updates on its performance, operational questions that are specific to it, and transversal issues.

In 2007, the following transversal issues were examined in detail:

- P&C segmented price elasticity,
- “Accumulator” type business’ development,
- the “Passport 2012” implementation, a tool designed by HR enabling each employee to formalize his contribution to the strategic initiative Ambition 2012,
- Winterthur integration,
- expense management & productivity.

During the actual review meeting, the Management Board compares the actual business and performance of each business unit with the targets set out in the budget and in the annual target letter. The business unit’s performance is also assessed based on the market trends, the competitive environment and regulatory issues. In this way, quarterly business reviews enable the Management Board to monitor operations on a regular basis.

QBRs also provide members of the Executive Committee with regular and formal opportunities to meet and discuss the Group's strategic priorities for the years to come, to develop action plans and monitor their execution.

In addition, members of the Executive Committee share their local achievements during these meetings, and efforts are made to encourage the reuse of winning practices and success stories in areas touching on the business as well as on its people.

Further, the Executive Committee meeting is the venue for discussion on actions that need to be taken to optimize Group operations.

Internal departments

Risk Management Department

The role of Risk Management is to identify, quantify and manage the main risks to which AXA is exposed. To this end, the Risk Management Department develops and deploys a number of risk measurements, monitoring instruments and methods, including a set of standardized stochastic modeling tools.

When appropriate, this work leads to the implementation of decisions that affect the Group's risk profile, helping to reduce the volatility of AXA's earnings through improved understanding of the risks taken and to optimize capital allocation.

A central team, Group Risk Management (GRM), supported by local risk management teams within each operating unit, coordinates Risk Management for the Group. The types of risk covered include operating risks, asset and liability risks, and asset/liability mismatch risks. The principal control processes that fall under the responsibility of the Risk Management Department are described below:

- the local Risk Management Department carries out regular reviews of the technical reserves established by Property & Casualty and reinsurance operating units. GRM performs regular reviews of models followed throughout the Group in order to ensure the consistency between actuarial and financial standards,
- GRM conducts a decentralized review of risk-adjusted pricing and profitability for new products prior to launch; this review is centralized for variable annuity products with secondary guarantees, and submitted to the Management Board,
- the asset/liability management policy, in place at operating unit level, is monitored and controlled through an annual detailed analysis of asset/liability matching. This work is undertaken to validate the strategic allocations of invested assets. In addition, a quarterly reporting process is used to monitor portfolio developments and detect deviations from strategic asset allocations as well as with respect to benchmarks determined with asset managers,
- economic capital is estimated annually for each product line and operating unit and then aggregated at the Group level. This is one of the main uses of the stochastic modeling tools developed and implemented by the GRM. This work enables asset, liability and operational risks to be modeled together,
- GRM proposes annually to the Management Board, with the support of AXA Cessions, the main features of the Property & Casualty reinsurance coverage program of the Group,

- credit and concentration risks in the Group's asset portfolios (equities and bonds) are managed by the Risk Management department and aggregated at the Group level. GRM also monitors the corresponding exposures on a monthly basis, and ensures that local operating units comply with the concentration limits established by the Group.

Summary findings are then presented to the Management Board, for decision-making purposes when appropriate. The Supervisory Board and the Audit Committee are also informed.

Reinsurance – AXA Cessions

Property & Casualty reinsurance policy is implemented by operating units with the help of AXA Cessions, a reinsurance company fully dedicated to servicing Group entities. Operating units define their needs on the basis of cost constraints and risk exposure reduction targets. With the main exception of facultative reinsurance operations that are ceded directly by entities to reinsurers, the majority of treaty reinsurance is ceded to AXA Cessions. AXA Cessions has state of the art expertise, particularly in carrying out analysis of the Group's exposure to catastrophic risks. Its role consists also in organizing intra-Group mutualization as well as the cession of some risks towards market reinsurers. AXA Cessions manages re-insurer counterparty risk through a Security Committee.

The involvement of AXA Cessions in the Life reinsurance of AXA operating units is growing. As of today a minority part of the Group's Life reinsurance cessions are handled through AXA Cessions as per the Property & Casualty process described above.

Internal Audit

Several years ago, the Group Audit Department set up a risk-based planning process for local internal audit teams. The aim of the risk-based planning process is to identify each entity's risk exposure and to evaluate the internal control systems that have been adopted in order to prevent and/or limit the level of risks.

Determining the main risks faced by a business is a crucial part of the internal audit planning process. It ensures that internal audit assignments focus on those areas of highest risk. In addition, internal and external auditors hold meetings to exchange views on the risks that the Group faces and to consider action plans by the business to mitigate risk.

Group Information System (IS) Department

A dedicated organization, Group IS Department, has been set up to handle IT risks:

- Group IS defines Group IT strategy and policy, in particular in relation to information security and IT governance,
- AXA Technology Services (AXA Tech) is responsible for supplying IT infrastructure service delivery (servers, storage, desktops and telecoms) for 80% of the Group,
- AXA Group Solutions offers AXA subsidiaries shared IT support application solutions that are consistent with the Group's general strategy,
- the IT departments of local operating companies develop and maintain the software used in the business; 20% of them also manage their own IT infrastructures.

Group IS sets Information Security standards and monitors their application.

The Management Board mandates the development and publication of Information Security policy to the entities, and is kept informed of implementation status.

Group IS works through Transversal Officers (TOs) to ensure adequate reporting at Group Management level on strategic or large-scale projects. The TOs report on implementation status of Group IS strategy as well as the status of large projects to the Group COO (Chief Operating Officer) and the Group CFO (Chief Financial Officer) and maintain ongoing relationships with all key operating units.

AXA Tech is responsible for ensuring that IT security policy is consistently and transparently implemented at the infrastructure level, in cooperation with their clients, the operating companies.

Crisis Management and Business Continuity

At Group level, a dedicated team is responsible for defining standard regarding Crisis Management and Business Continuity, and monitoring their implementation at local level. In 2007, Crisis Management and Business Continuity issues faced by AXA entities have been reviewed and this has led the Group team to develop a new ("second generation") Business Continuity Maturity Model. The existing Standard for Business Continuity has been rewritten, taking into account Crisis Management and Crisis Communication aspects, and the updated Crisis Management & Business Continuity Standard is to be discussed and approved by the Management Board in the course of 2008. Then, the updated Standard and the Business Continuity Maturity Model will be rolled out across the Group in the second half of 2008.

Group Marketing

The Group Marketing Department works closely with subsidiaries of the Group in seven areas: strategic marketing and customer insight, offer and innovation, quality of service, customer programs, distribution, brand, marketing business plan and performance monitoring.

For each of these areas, the priority missions are described as below:

- support Group strategy and develop a set of shared methods, such as the program conducted with AXA subsidiaries on service quality, the deployment of a methodology known as Customer Value Management, and the identification of significant sources of growth,
- challenge AXA subsidiaries in their action plans design and implementation through the drawing up of Marketing Business Plans,
- develop a set of key performance indicators, with the aim of measuring Group and subsidiaries performance, in particular for customer and distributor satisfaction, as well as customer retention and distribution network performance,
- identify and capitalize on local best practices, knowledge and expertise to step up the pace of their broader adoption within the Group, such as the measure of advertising efficiency and the launch of a structure dedicated to the third-party distribution).

Group Procurement Department

In order to reduce procurement costs and improve the management of the relationship with its major suppliers and vendors, AXA has set up a Group Procurement Department. Its primary missions are to (i) develop procurement expertise based on the Group Procurement Standard within the main operating units so as to build a talent pool of professional buyers, (ii) negotiate global agreements with suppliers and vendors in compliance with the Standard, and (iii) reduce the overall costs and risks by establishing contractual and ethical standards.

The Management Board approves Group procurement strategy and is kept informed on its implementation status.

Group Legal Department (DJC - Direction Juridique Centrale)

The Group Legal Department is responsible for identifying and managing the significant legal risks to which the Group is exposed. It provides expertise and advice on all significant corporate legal matters at the Group level and manages the legal aspects of transactions undertaken by the Group as well as significant litigation, regulatory, and compliance matters. The Group Legal Department works closely with the Legal Departments of AXA's principal subsidiaries on legal, regulatory, and compliance matters impacting those companies.

Finance and Control Department (DCFG)

The role of the DCFG is described in detail in paragraphs "Monitoring of financial commitments" and "Management of the Group financial structure".

Planning, Budget, Result and Central Department (PBRC)

The role of the Group's PBRC Department is described in detail in the paragraph "Consolidation Management, Reporting, and Control over Financial and Accounting Information".

Control Procedures – Definition of Group's procedures and standards

Compliance Guide

The Group Compliance and Ethics Guide was adopted by the Management Board in 2004. The Guide applies to all Group companies and employees, subject to compliance with local legislation and is available on the Group website (www.axa.com) under the heading "Corporate Governance".

The Guide was updated in 2005 and a new release was communicated in March 2006 by the Group Chief Financial Officer (CFO) to CEOs and Chief Financial Officers (CFOs), heads of legal departments, of HR and of internal communications throughout the Group together with local implementation guidelines. Any problems encountered with, local adaptation of the Guide due to legal requirements, distribution, understanding or certification must be reported to Group relevant departments.

Anti-money laundering/Counter terrorist financing and Anti-fraud procedures

AXA is firmly committed to combating money laundering and terrorist financing and has maintained a Group AML Charter since 2002. In line with this charter, each entity is required to introduce procedures based on certain general principles, on

top of applicable local regulations, and to appoint an anti-money laundering officer. The "know your customer" principle is crucial in this respect, and is fundamental to all transactions. The Group Charter is reviewed and adjusted on a regular basis by taking into account international legal and regulatory developments.

As far as the fight against internal fraud is concerned, a formal policy has been put into place and a network of correspondents dedicated to this task was set up in 2005. Internal fraud has been divided up into four specific categories: Fraudulent Financial Reporting; Misappropriation of Assets; Improper or Fraudulent Financial Activity; Senior Management Frauds.

The Group monitors internal frauds reported by entities on a semi-annual basis. The Group Internal Fraud Officer organizes annual training days for local Fraud Officers. In 2006, a Group-led fraud assessment and review was conducted in the Group's major entities. In 2007, the entities reviewed their fraud risk assessments in light of new threats.

Monitoring of financial commitments

Financial commitments are monitored as part of the consolidation process, under which each subsidiary transmits information to the PBRC (Plan Budget Résultat Centrale).

AXA's financial commitments fall into three main categories.

COLLATERAL, SECURITIES, PLEDGES AND GUARANTEES

The collateral, securities, pledges and guarantees are governed by the Supervisory Board's internal regulations, which set notably an authorized annual limit, along with limits for each type of commitment. They are also subject to a specific procedure. The DJC and the DCFG are responsible for supervising these commitments and in particular for analyzing their legal nature, arranging their prior validation by management, and monitoring their execution. Most of these commitments are granted to subsidiaries to the ultimate benefit of third-parties, or relate to intra-Group loans.

DERIVATIVES INSTRUMENTS

For managing and optimizing interest rate and exchange rate risk, the DCFG is authorized to use derivative instruments, mainly interest rate and currency swaps, options, caps and floors. These instruments, which may be either standard or structured, are used as part of strategies reviewed by the Supervisory Board's Finance Committee. Persons authorized to commit the Company and trade such transactions are listed in a book of signatures, available for distribution to bank counterparts.

The DCFG is organized in such a way as to separate the responsibilities of the team in charge of initiating derivatives transactions from those of the team in charge of controlling related risks. The latter is in charge of publishing detailed set of reports, allowing consolidating and controlling interest rate and foreign exchange exposures. Furthermore, derivative transactions are valued on a daily basis by the Group, through an integrated trading, risk and operations management software. Valuations are individually checked with an external banking source on a semi-annual basis.

Whenever a hedging strategy is implemented, the DCFG is in charge, if needed, of establishing the necessary documentation and efficiency testing for the hedging instruments' classification.

OTHER COMMITMENTS

DCFG is responsible for managing liquidity risk. Therefore, DCFG determines the required amount of committed credit facilities needed by the Group to weather a liquidity crisis, and sets constraints on the debt maturity profile.

AXA remains constantly vigilant regarding contractual documentation clauses that may be binding on the Group. This helps monitor that the AXA Group is not exposed to default or early repayment clauses that may have a material adverse effect on its consolidated financial position.

Information about off-balance sheet commitments can be found in the appendix to the Company's annual financial statements.

Management of the Group financial structure

The Supervisory Board's Finance Committee and the Management Board are regularly informed by the CFO of major projects and changes relating to the management of the Group's consolidated financial position, and examine reports and forecasts periodically. These forecasts, together with sensitivity analyses which factor in extreme financial market swing scenarios, are also updated monthly and presented as part of the Group Management performance indicators.

In addition, the Finance Committee reviews the risk analysis methods, measurement standards and action plans that allow the Group to maintain a solid financial position. It also determines the scope of action of the Management.

Working in close collaboration with local finance teams, the DCFG (i) defines and manages subsidiaries' capital adequacy, (ii) defines and manages the Group's liquidity policy, and (iii) coordinates and centralizes the Group's financing policy.

MONITORING GROUP AND SUBSIDIARY CAPITAL ADEQUACY

Local solvency regulations

Each subsidiary's Finance Department is responsible for producing regulatory information and for liaising with local regulators.

As part of the recurrent capital allocation process, each subsidiary sends periodic reports to the DCFG including actual and forecasted solvency positions, enabling the latter to verify the subsidiaries' capital adequacy with respect to local regulatory constraints.

In addition, subsidiaries carry out simulations that take into account their regulatory requirements using extreme scenarios concerning assets (market value of equities and interest rate movements). These simulations are consolidated by the DCFG, enabling the latter to measure each subsidiary's financial flexibility.

Consolidated solvency

The Group is subject to regulations that require additional monitoring for insurance companies. Consequently, the PBRC Department calculates an adjusted solvency margin on the basis of the Group's consolidated financial statements. This information is transmitted to the ACAM (the French insurance industry supervisory Commission).

The DCFG also maintains a three-year forecast of the Group's consolidated solvency margin at all times, as well as sensitivity analyses using extreme equity market and interest rate scenarios.

LIQUIDITY RISK MONITORING AND MANAGEMENT

The liquidity risk is managed by AXA's various operating units. The DCFG monitors this risk at the consolidated level, carrying out standardized measurements of the maturity of resources available to the Group. To this end, the DCFG has devised formal principles for monitoring and measuring resources, along with liquidity risk management standards:

- liquidity is managed centrally and conservatively by the DCFG, through a significant amount of unused confirmed medium-term credit facilities maintained as a back-up at all times, and using long-term and mainly subordinated debt resources,
- "GIE AXA Trésorerie Europe", an inter-company partnership (GIE), carries out centralized cash management for AXA operating units in the Euro zone, using Group standards designed to ensure liquidity due to the profile of invested assets, particularly through the ownership of a significant portfolio of assets defined as eligible by the European Central Bank (ECB),
- a liquidity contingency plan at the Group level also provides AXA with the ability to withstand a liquidity crisis.

GROUP FINANCING POLICY AND MANAGEMENT OF CONSOLIDATED DEBT

To ensure that the Group has ample financial flexibility, the DCFG liaises with AXA subsidiaries to coordinate consolidated debt, and also manages this debt in terms of interest rate and exchange rate risk. The DCFG has devised formal principles for managing and measuring resources in terms of interest rate and exchange rate risk, with the aim of maintaining a standardized consolidated position. To this end, it relies on information transmitted by subsidiaries. An accounting reconciliation is carried out at the end of each half-year period.

The structure of financial resources and debt ratios are managed to ensure that they remain compatible with the Group's financial strength rating targets, even in adverse circumstances of rising interest rates, declining equity markets and falling profits. The structure of financial resources, as well as the repayment schedule and debt service costs, is managed on the basis of a three-year plan.

Evaluation and Testing of Internal Controls

The Group conducts an annual evaluation of the effectiveness of its internal control over financial reporting and its disclosure controls and procedures. This evaluation is designed to support annual certifications required to be filed with the United States Securities and Exchange Commission (SEC) by AXA's Chief Executive Officer and Chief Financial Officer under Sections 302, 906 and 404 of the US Sarbanes-Oxley Act (SOX). AXA is subject to SOX as a result of its listing on the New York Stock Exchange. For the year ended December 31, 2006, Management concluded that the design and operation of the Group's internal control over financial reporting were effective as of December 31, 2006 based on criteria established in COSO and that the Group's disclosure controls and procedures were also effective at that date.

PricewaterhouseCoopers, AXA's financial statement auditor for its accounts filed with the SEC, delivered an unqualified "integrated audit" opinion on the Group's consolidated financial statements and internal control over financial reporting for the year ended December 31, 2006. PwC's "integrated audit" opinion can be found in Item 18 of the Group's 2006 Annual Report on Form 20-F filed with the SEC.

INFORMATION AND COMMUNICATION

Investor Relations

The quality of financial and accounting information depends upon the production, review and validation of financial information between the different services of the Group Finance Department, and on the principle of having a single source of information. With very few exceptions, all financial information reported by the Group comes from the PBRC Department. Exceptions arise occasionally when the financial markets request management information that does not originate from the Group's accounting and financial consolidation systems.

Financial and accounting information is monitored in different ways depending on the medium used, with the aim of enhancing disclosures in both qualitative and quantitative terms:

Financial communication media (press releases, press and financial market presentations, etc.)

Information issued via these media is produced by the Investor Relations Department, and is intended to give a clear and intelligible overview of the Group's business and operations (e.g., earnings release, merger and acquisition, financing...). Key announcements are reviewed and validated by the Finance Department and the Legal Department prior to submission for approval to the Management Board. Press releases concerning financial statements are reviewed by the Supervisory Board. The External Auditors also review press releases concerning annual and half-year accounts closings.

The Group Financial Communications Department coordinates relations with analysts and with AXA Group investors.

Annual Report (*Document de Référence*)

Several departments within AXA (Investor Relations, Internal Communications and Group Legal) are involved in preparing the Annual Report. The PBRC Department coordinates its preparation and ensures the overall consistency of information. Each contributor works to ensure that the Annual Report complies with standards and is clear. The Annual Report is reviewed by the Management Board.

All information contained in these legal documents is also audited by the External Auditors in accordance with professional standards applicable in France.

Communications and Sustainable Development

The Communications and Sustainable Development (CSD) Department defines the Group policy and monitors its roll out worldwide in terms of internal communications, press relations (policy, tools and support), sustainable development, communications to individual shareholders and

corporate philanthropy. CSD has the necessary resources to release accurate, time sensitive and reliable information and to manage any image impairment risk. In addition, CSD ensures that information flows smoothly and is shared throughout the Group. To achieve this aim, it uses a variety of media, including but not limited to, internet and intranet, document databases, periodic in-house publications, and relies on its internal correspondent network and information processes.

ONGOING ASSESSMENT, MONITORING AND IMPROVEMENT OF INTERNAL CONTROL PROCEDURES

Evaluating corporate governance structures

The Supervisory Board and some of its specialized Sub-Committees use regular self-assessment as a means to improve performance. The procedures used to evaluate the Supervisory Board and its Committees are described in the first section of this report. In accordance with the law, the Supervisory Board exerts a permanent control on the Management Board.

Group Audit

Role

The Group Audit Department works on behalf of the Management Board and the Audit Committee to assess the effectiveness and efficiency of the Group's control systems. All Group subsidiaries, companies, activities and projects fall within its scope.

The Group Audit Department operates in accordance with a Charter approved by the Management Board and Audit Committee.

The internal audit profession has its own international organization, the Institute of Internal Auditors (IIA), which has drawn up a set of international standards governing practice. These standards have been recognized by regulators and adopted by the Group Audit Department, for application globally.

Organization and resources

AXA's internal audit organization is structured around a central Group Audit Department that coordinates and supervises the Group's overall internal audit process and capability, and internal audit teams set up within Group subsidiaries. The Group Audit Department operates mainly through:

- management of internal audit teams within operating units,
- strategic and transversal internal audit assignments.

The head of the Group Audit Department reports to the Chairman of AXA's Management Board (with a functional reporting line to AXA's Chief Financial Officer) and also has a direct and regular contact with the Chairman of AXA's Audit Committee.

Local internal audit teams are placed under the responsibility of a Chief Audit Executive, who reports directly to the

local Chief Executive Officer or Chief Financial Officer or a member of the local Executive Committee, and also to the local internal audit committee. These local teams also have a reporting line to the Group Audit Department.

Scope of operations

The Group Audit Department fulfills its responsibilities as follows:

- coordinating internal audit teams, through establishing internal audit directives and standards, the annual risk-based audit process, and by monitoring the quality of work completed,
- ensuring that adequate resources are made available to internal audit teams, and monitors on an annual basis the internal audit teams' performance and coverage,
- carrying out strategic and transversal internal audits, which are intended to determine whether the local business management is effectively fulfilling their planning, organizational, governance and supervisory roles. These audit assignments are carried out exclusively in accordance with the written instructions of the Chairman of the Management Board.

Local internal audit teams focus mainly on identifying the key risks facing their business units, and on evaluating the design and operation of associated controls.

Monitoring audit recommendations

Audit assignments generally culminate in a report with a set of recommendations for the audited unit or business. All Internal Audit teams in the Group report the major findings and action plans to their local executive management and their local Audit Committee.

Group Audit recommendations and related action plans are subject to regular monitoring, the results of which are submitted to the Management Board and Audit Committee for review.

The Audit Committees in the Group play a strong role in monitoring the plans, staffing and reporting from the local Internal Audit teams.

AXA Way

In 2002, AXA launched AXA Way, its continuous process improvement program designed to optimize customer service quality, increase market share and develop distribution. A central unit, at Group level, is in charge of managing a common methodology, defining standards, setting up global targets, tracking and monitoring the projects. This unit is also responsible for training local AXA Way teams.

Local operating units develop AXA Way projects with the support of an AXA Way Leader, and the sponsoring of a local Chief AXA Way Officer (who is also a member of the Executive Committee). While these projects are carried out on the basis of the aforementioned Group method, it is sufficiently flexible and can be adapted to take local issues into account.

Since the launch of AXA strategic initiative Ambition 2012 in 2005, AXA Way has been enabling the Differentiation Strategy, aiming to make of AXA the preferred company. Key strategic processes have been identified, action plans

have been set up and all AXA Way teams are highly engaged to raise the service quality level for exceeding our Customer expectations.

“Scope” survey to the Group’s employees

Since 1993, AXA has conducted periodic surveys that encourage employees to express their views on what it is like to work for AXA. Survey findings are communicated to all AXA employees, and serve as the basis of a formal dialogue with management that leads to the development of targeted action plans. A summary of the process and resulting plans are reviewed by the Management Board. In 2002, the Scope survey process became an annual event.

Major incident reporting system

In accordance with the AXA Compliance Guide, AXA employees may submit any concerns they may have regarding issues related to accounting, internal control, auditing or fraud directly to the Chairman of AXA’s Audit Committee. AXA employees also have the option of speaking with their supervisor, or with a representative of their HR, Legal or Compliance Department or the AXA Legal Department.

In late 2005, the CNIL (Commission Nationale de l’Informatique et des Libertés) adopted and published guidelines on whistle-blowing hotlines that set forth its position on the matter. AXA conducted a review of its own major incident reporting system to ensure compliance with the CNIL guidelines.

CONSOLIDATION MANAGEMENT, REPORTING, AND CONTROL OVER FINANCIAL AND ACCOUNTING INFORMATION

Principles

The PBRC (Planning, Budgets, Results and Central) Department within the Group Finance Department is responsible for consolidation, management reporting and control over financial and accounting information. It works with local PBR units within the finance departments of Group subsidiaries. PBRC policies and procedures allow an adequate monitoring and supervision at the decentralized locations.

The PBRC’s role encompasses:

- establishing and distributing consolidation standards and Group reporting standards, and managing the worldwide network of PBR teams,
- managing the Group’s economic and accounting reporting system,
- managing and coordinating the Group’s accounts’ into IFRS,
- coordinating the production of AXA’s *Document de Référence* filed with the AMF,
- coordinating AXA’s Form 20-F filed with the SEC,
- developing and using management control tools,
- analyzing quantitative data on Group business and results, and key performance indicators,
- liaising with the External Auditors (independent accountants) and contributing to Audit Committee meetings as required.

Financial and accounting information is consolidated within the Finance Department in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. As it relates to the financial statements included in this Annual Report, there is no difference between IFRS as adopted by the E.U. and IFRS as adopted by the International Accounting Standard Board.

Respective responsibilities of the local and central PBR Departments

The subsidiaries are responsible for the consolidation and the control of the financial information produced in their consolidation sub-group whereas PBRC reviews this information and produces the Group’s consolidated financial statements and related summaries at Group level.

The role of the PBRC in this process is as follows:

- upstream of the consolidation and control process, it is responsible for the information transmission system – comprised of the consolidation system, consolidation guidelines, reporting guidelines and guidelines for measuring embedded value – and for issuing instructions to subsidiaries,
- downstream of the consolidation and control process, it is responsible for reviewing financial and accounting information produced by subsidiaries, and for producing the various outputs, including the *Document de Référence*,
- it is also responsible for monitoring and resolving technical accounting issues specific to the Company and the entities.

The consolidation system is managed and updated by a dedicated team. Financial accounting data that comply with the Group’s accounting standards and that reflect consolidation rules under IFRS accounting standards are entered into the system locally.

This system is also used to deliver the management reporting information used to produce an economic perspective on the consolidated financial statements. The process through which this management reporting information is produced and validated is the same as that used to prepare consolidated financial information.

Group accounting standards, which are consistent with accounting and regulatory principles for consolidated financial statements, are set forth in the AXA Group Consolidation Guidelines. Updated regularly by PBRC experts, these guidelines are submitted to AXA’s independent auditors for review and validation before being made available to AXA subsidiaries.

Control mechanisms

As indicated in the previous paragraph, AXA subsidiaries are responsible for controlling the financial information produced locally for consolidation purposes. In this respect, the CFO of each entity sign offs on the accuracy of consolidated figures reported through Magnitude (consolidation tool of the Group) and their compliance with both the Group accounting manual and instructions.

Moreover, the review and analysis of financial and accounting information, which is consolidated using the aforementioned system and accompanied by comments from subsidiaries that make up the various consolidation sub-groups, are carried

out by teams that liaise with subsidiaries on a full-time basis. In particular, these teams review:

- restatements of local GAAP to comply with Group Standards and consolidation principles,
- all items in the financial statements, including:
 - information provided to the Investor Relations Department,
 - notes to the consolidated financial statements,
 - all additional information to the notes and published in the Group's interim and annual report,
- the analysis of results, shareholders' equity and the main balance sheet items,
- the activity and management reports.

This organization is used for all AXA Group publications, i.e. interim and annual consolidated financial statements, quarterly revenue releases, and an annual statement of embedded value.

In all cases, the procedures are those described above, along with close collaboration with the Statutory Auditors of the Group, which generally work as follows:

- all changes in accounting standards are anticipated in collaboration with AXA's accountants and its statutory auditors and implemented after approval adopted by the internal accountants, as well as the statutory auditors,
- the main audit issues are addressed and resolved in the phase prior to accounts closing through "clearance meetings" with local and central statutory auditors, and local and central finance teams,
- the principal options for closing the consolidated accounts are presented to the Management Board and then to the Audit Committee,
- the auditing of financial and accounting data is finalized at the accounts closing stage in meetings attended by local

and central finance teams, as well as local and central statutory auditors who present the outcome of their audit work.

Other information

Along with work relating to the preparation of financial statements, the PBRC Department produces monthly activity reports, quarterly profitability reports and one half-year and two full-year sets of forecasts for internal use, and consolidates the financial data contained in the budget and the strategic plan. The PBRC team and the statutory auditors identify risks and validate the proposed accounting principles and accounts closing options, working on both annual and half-year financial statements.

CONCLUSION

By implementing the aforementioned structures of corporate governance and human resources, as well as the internal departments, procedures and standards described above, AXA has set up an internal control system that is considered as being adapted to the risks of its business.

Naturally, this system is not foolproof. However, it does constitute a robust control structure for a global organization such as AXA.

Neither the control environment nor the control system is static. Consequently, AXA remains attentive to changes in this area, so that continuous improvements can be made to its own internal control system.

PART 3 > COMPENSATION

For information on the principles and the rules adopted by the Supervisory Board in order to determine the compensation and the advantages granted to the corporate officers please see Part III – "Corporate

governance, executive compensation, major shareholders and related matters", "Full disclosure on executive and employees compensation and share in capital" Section 3.2 of this Annual Report.