Tax Transparency Report

2020

WELCOME

In these challenging times in which governments are financing the responses against Covid-19, AXA Group is aware of the importance of the taxes it pays and collects in the countries where it operates.

AXA Group is a global insurance company present around the world. 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 country.

Thanks to these revenues, Governments are able to fund essential public services such as healthcare and education, along with public infrastructure growth and upkeep. Even more at a time of crisis, such as the COVID-19 pandemic, taxes are a vital source of revenues and are central to government policies to support their citizen's lives.

To increase our help during the crisis the Group has provided substantial contributions to various crisis-related social/solidarity initiatives in numerous jurisdictions where it does business (funding of medical research, contribution to solidarity funds for small businesses, independents, clients in difficult situations..) as well as exceptional measures implemented to help AXA's most affected customers/clients.

In 2020, the total tax contribution of AXA Group worldwide amounted to €10,7 Bn.

In AXA Group, corporate responsibility is at the core of our strategy. Therefore, our approach to tax in no way changed in 2020. The Group is strongly 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 AXA Group, we believe that transparency is a keystone of a good tax governance. That is why the Group is supporting the global initiatives developed by OECD to promote tax transparency.

Since 2017, AXA Group has been providing Country-by-country reports to the French Tax Authorities. Early 2021, European Union (EU) ministers held a policy debate in a public session on the proposed country-by-country reporting (CbCR) directive and a qualified majority of Member States are now supporting the proposal. Although neither the OECD nor the EU has yet such a requirement, **AXA Group has decided for the third year in a row to publish the key tax figures for its flagship countries in this Tax Transparency Report.**

ETIENNE BOUAS-LAURENT
Group Chief Financial Officer

2020 Group Activity Highlights

"Throughout the Covid-19 crisis, AXA has been actively fulfilling its role in society", serving its customers and supporting its employees, while contributing to the economic recovery through Euro 700 million investments in SMEs as well as other solidarity measures in France and other countries where the Group operates", **said Thomas Buberl, Chief Executive Officer of AXA.**

During this very challenging year, AXA has demonstrated its resilience, its capacity to sustain shocks while maintaining a solid performance in terms of revenues, earnings and solvency. AXA maintained employment and remuneration of all employees and declined any form of government assistance.

The Group in this context continued its transformation and simplification journey. The sale of our activities in Central and Eastern Europe was completed. AXA further announced the sale of its operations in the Gulf Region and in Greece, as well as the combination of its Property & Casualty operations in India, Bharti-AXA GI.

AXA also unveiled its 2020-2023 strategic plan and its purpose "acting for human progress by protecting what matters". One of the main objectives of the plan is to sustain the group's leadership position in shaping the climate transition.

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2020 Tax Regulatory Environment

In 2020, following the COVID-19 pandemic crisis, in most countries of the world, governments implemented **actions** and policies **to help** companies face their commitments and avoid bankruptcy. In addition, some states created **additional contributions,** such as France has for the health business. Furthermore, several countries that had in the past significantly decreased their nominal tax rates such as the US and the UK , have undertaken tax reforms to increase corporate income tax rates over the coming years.
As mentioned below the crisis also either postponed the implementation of new requirements such as DAC6 in Europe or accelerate OECD discussions around the OECD BEPS 2 project.

DAC 6 implementation

As a reminder, DAC 6 is a new disclosure rule for European intermediaries and taxpayers to report to their tax administration potential qualifying cross-border tax arrangements.
The first reportings of tax arrangements that were due to be filed with tax administrations by the summer 2020 have been postponed in most European countries until 2021 in light of the COVID-19 crisis.
In AXA, in order to fulfill this new requirement, a dedicated and common tool for all European AXA entities was implemented in 2020 to analyze the cross-border tax arrangements with the DAC 6 hallmarks.

BEPS 2 project

In October 2020, the OECD issued blueprints of Pillar 1 and Pillar 2 for a Public consultation in order to find a consensus to issue a final report for new international rules to be implemented by 2023. **Pillar 1** consists in revising the profit allocation between countries following business done through Internet. The Insurance business and Financial activities' inclusion of in the scope of Pillar 1 is still under discussion.
The purpose of **Pillar 2,** known as GLOBE (Global Anti-Base Erosion) mechanism, is to ensure that a minimum income tax on business is paid.
AXA Group has been involved in discussions and surveys with the OECD and major professional associations to define the future rules to be applied in the calculation of the minimum tax.

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

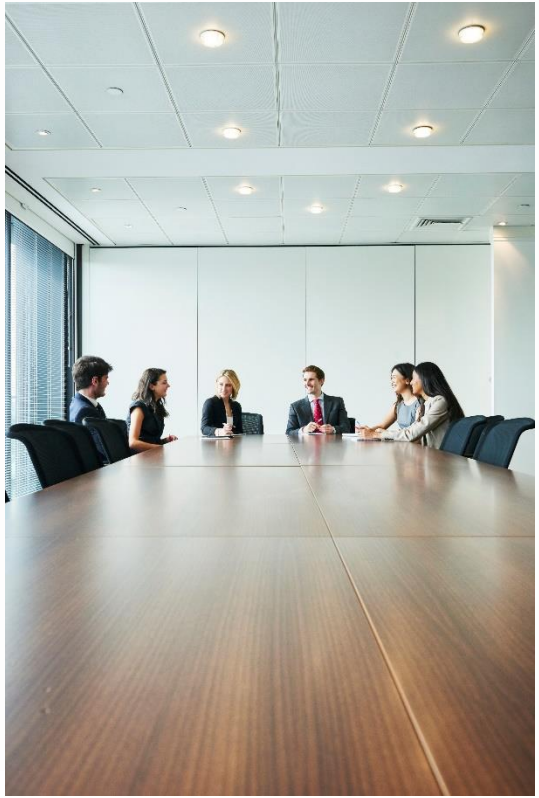
Within AXA Group the Group Tax Department is part of the central Finance function and is therefore under the responsibility of the Group Chief Financial Officer. It is led by the Head of Tax who directly reports to the Group Chief Financial Officer and updates him on tax-related matters on a regular 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 Universal Registration Document. We consider tax risk management fundamental to maintaining efficient and effective operations, and to ensuring 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 (due to the COVID-19 pandemic, the 2020 session of the International Tax conference was held virtually).
- 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.

The satisfaction of this Code of Ethics is a prerequisite of the activities performed by all AXA tax teams. 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, when necessary, 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 within connected entities belonging to the same group, these may fail to reflect an independent market price.

What is the arm's-length principle?

Under international standards, any transaction operated by an entity with another connected entity belonging to the same worldwide group, must be done as if it were done with a third party. This is what is usually named as the "arm's length principle" defined by the provisions of article 9 of the OECD double tax treaty model. It states that the price of a transaction between connected entities cannot in principle differ from one between third parties and must thus be documented for that purpose.

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

- ✓ **Usual company cross-border flows** such as: IT, management expenses, loans and guarantees, trademark fees.
- ✓ **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 OECD's recommendations, 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 **55** countries

where AXA Group operates

10 flagship countries

representing nearly 84% of AXA Group revenues in 2020

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. The presence in this jurisdiction is purely driven by operational purposes.

AXA stills holds two operating companies in Panama (one providing assistance services to local customers, and the other delivering health claim services) employing circa 45 people at the end of 2020.

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. This presence is mainly driven by local capital management regulation enabling flexibility on the required capital for reinsurance activities and AXA supports the Economic Substance legislation recently enacted in this country.

This situation will in no way change how the AXA Group is managed on the tax side. AXA will continue to tax its operations in the various countries where operational profits are made.

(1) List of non cooperative jurisdictions under French tax rules is given by a ministerial decree dated Feb 26, 2021

2020 AXA Group Tax Data Highlights

Total tax contribution by type of tax

97 €Billion

Gross revenues

4.5 €Billion

Profit before tax

105 Million

Customers worldwide

115 Thousand

Employees

(Open-ended and fixed-term contracts)

1,4 €Bn

Corporate income tax paid

4,9 €Bn

Insurance premium tax collected

2,3 €Bn

Social charges

(Borne both by employees and by employers)

1,7 €Bn

VAT/GST paid

0,4 €Bn

Other taxes

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

10,7 €Bn

2020 tax contributions worldwide

Total tax contribution by flagship countries

AXA Group total tax contribution in its 10 flagship countries amounted to **9,8 €Bn in 2020**

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: 3.8 €Bn

Belgium: 1.1 €Bn

Germany: 1.4 €Bn

Hong Kong : 0.1€Bn

Italy: 0.8 €Bn

Japan: 0.4 €Bn

Spain: 0.4 €Bn

Switzerland: 0.7 €Bn

United Kingdom: 1 €Bn

United States: 0.1 €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 payments 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 is the current income tax accrued 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 does the effective tax rate differ from the corporate tax rate?

The effective tax rate differs from the corporate tax rate any time an IFRS income/expense is either non-taxable or non-deductible according to the local tax regulation (called 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 – 2020 in more detail

In the table below, we provide an overview of the 2020 IFRS income tax figures both 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	1 392	(464)	33,3%	32,02%	(102)
Switzerland	890	(168)	18,9%	19%	(254)
Belgium	859	(135)	15,7%	25%	(121)
Germany	779	(198)	25,4%	31,2%	(248)
Japan	599	(171)	28,5%	28%	(255)
Hong Kong	448	(32)	7,1%	16,5%	(7)
Italy	385	(125)	32,5%	30,8%	(170)
Ireland	351	(32)	9 %	12,5%	(29)
Spain	193	(63)	32,6%	25%	(44)
Mexico	95	(32)	33,7%	30%	(38)
United Kingdom	93	5	(5,4)%	19%	(0)
United States	(63)	27	43,8%	21%	22
Bermuda	(1 919)	(6)	(0,3)%	0%	(6)
Rest of the world	370	(147)	N/A	N/A	(119)
TOTAL	4 472	(1 541)	34,5%	N/A	(1 371)

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 the countries' tax regulations.

The 34,5 % Effective Tax Rate of the group in 2020 was mainly driven by the weight of the Bermuda losses with no tax benefit associated. Additional explanations are provided below :

- **Belgium:** the lower effective tax rate was mainly due to non-taxable financial incomes.
- **Germany:** the lower effective tax rate is due to non-taxable financial incomes and the reversal of tax provision following the settlement of prior years tax audit.
- **Hong Kong**: the taxable profits of a life insurance business are deemed to be 5% of the net premiums.
- **Ireland:** the lower effective tax rate was mainly due to the prior years' adjustments and foreign tax credits
- **Spain and Mexico:** the higher effective tax rate was mainly due to the accounting of provision to cover uncertain tax positions
- **United Kingdom:** the small negative effective tax rate was mainly due to the recognition of tax benefits on prior losses following an increase of the forecasted absorption capacity of the UK tax group.
- **United States:** being in a making loss year the high rate is due to tax benefits from prior adjustments related to US care law, the recognition of benefits of prior losses and the settlement of a tax audit.
- **Bermuda:** Corporate tax does not exist in Bermuda so the significant amount of losses produces no tax benefit. The tax burden booked corresponds to foreign withholding tax.
- **Rest of the world**: the main contributors are Colombia, Finland, Luxembourg, Morocco, Poland, Saudi Arabia and Turkey.

Other taxes by flagship country

Figures reported in €million

Insurance premium taxes collected

France	2 022
Belgium	484
Germany	849
Hong Kong	-
Italy	350
Japan	17
Spain	188
Switzerland	122
United Kingdom	549
United States	98
Rest of the world	199
TOTAL	4 878

The Insurance Premium Tax (IPT) is an indirect tax levied in some countries on gross premium written issued by insurers and allocable to the country where the risk is located. The IPT is usually charged to the policyholder and remitted to the local tax administration.

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	1 082
Belgium	193
Germany	209
Hong Kong	17
Italy	51
Japan	122
Spain	54
Switzerland	200
United Kingdom	160
United States	50
Rest of the world	162
TOTAL	2 300

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	435
Belgium	78
Germany	102
Hong Kong	-
Italy	173
Japan	31
Spain	92
Switzerland	102
United Kingdom	251
United States	-
Rest of the world	389
TOTAL	1 653

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 Kingdom and United States) and are based on the individual reporting of the most significant subsidiaries.

Société Anonyme (a public company under French law) - Share capital: €5,538,111,744.32 - Registered office: 25, avenue Matignon – 75008 Paris – France - Paris Trade and Company Register 572 093 920