

The background of the slide features a large, abstract graphic on the left side. It is composed of numerous thin, dark blue curved lines that sweep upwards and to the right, creating a sense of dynamic movement and depth. The lines are more densely packed on the left and become more sparse as they curve towards the right. The overall color palette is a gradient of light blue, transitioning from a slightly darker shade on the left to a lighter shade on the right.

Tax Transparency Report **2018**



WELCOME

Both as a multinational company and as a provider of investments and savings products, the AXA Group is aware of the local and global impacts of its business from a Public Finances standpoint. Indeed, the various taxes AXA pays and collects play a key role in the development of countries where it operates.

Revenues from taxation enable Governments to fund essential public services such as healthcare and education, along with public infrastructure growth and upkeep.

As a world-wide multinational company, AXA Group recognizes the pivotal role taxes play in both contributing to public Finances and in developing the countries where it operates. AXA Group places corporate responsibility at the core of its strategy and as an inherent part of it, the Group is committed to being a responsible taxpayer and works closely with experts, auditors and tax authorities on a continuous basis in an effort to ensure it pays the right amount of taxes in the right place and at the right time. AXA does not use non cooperative jurisdictions in order to avoid taxes on activities conducted elsewhere.

Over the past few years, the media as well as public and non-governmental organizations have shown a growing interest in the contributions multinationals make to public budgets. The highly complex nature of national tax regimes coupled with international taxation and accounting regulations can make it difficult to understand their essence leading to a loss of public confidence and an even higher desire for tax transparency.

This is why AXA Group has been proactive in providing more details on its guiding tax principles and its worldwide Public Finance contributions, along with supporting information to facilitate understanding.

This is further complemented by the Organization for Economic Co-operation and Development's (OECD) Base Erosion and Profit-Shifting (BEPS) program that, now requires multinationals to provide a Country-by-country Reporting (CBCR) to relevant tax authorities to ensure they are taxed where their economic activities take place and create value.

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 has additionally to make the major figures for its flagship countries public.**



GERALD HARLIN
Chief Financial Officer

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 **Group Tax Policy**

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**, agreed between Group Tax Department and 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 connected to specific items.



Tax aspects of activities of the Group



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 that new products undergo a thorough **approval process** before they go to market.

The local decision to launch a new product must result from a documented approval process that complies with the **AXA Group's standards in terms of product features, pricing, Asset-Liability Management and aspects related to legal, compliance, regulatory, accounting and reputation.**

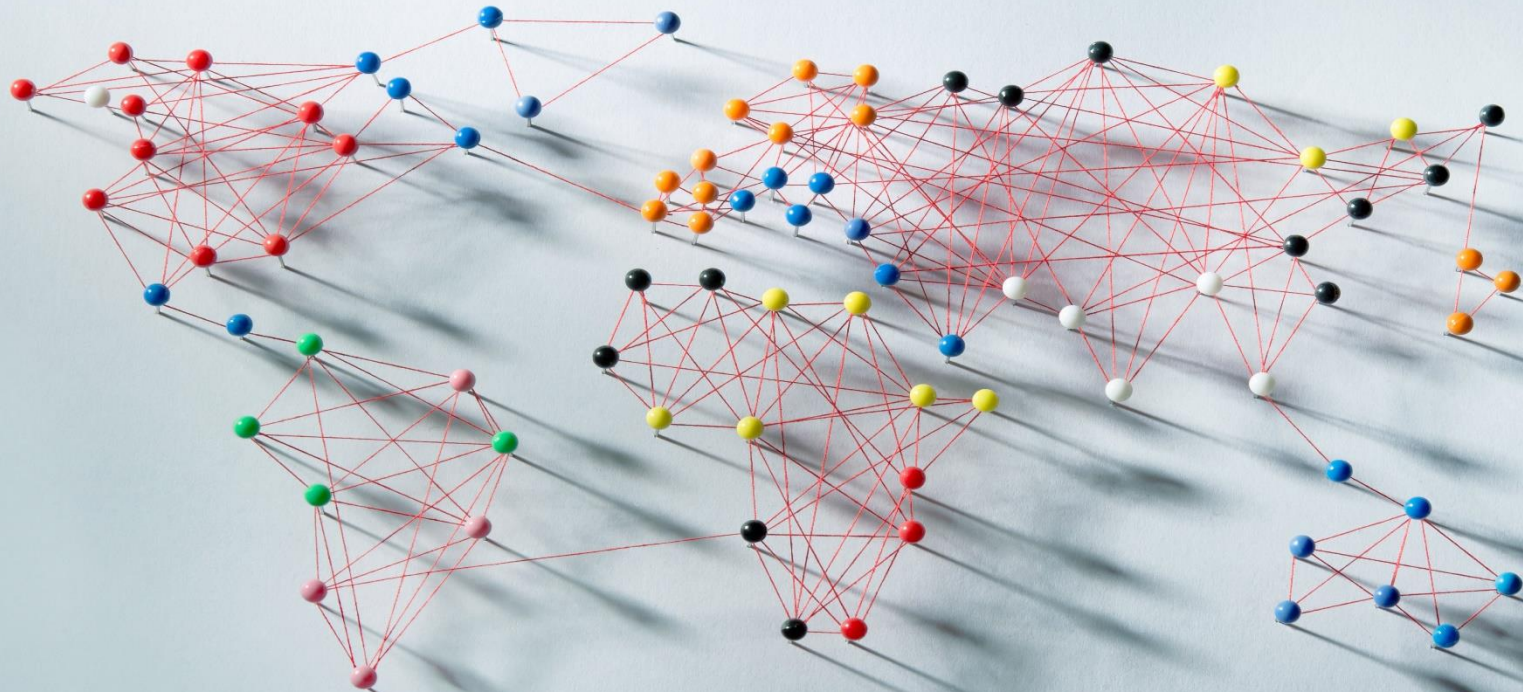
Moreover, **AXA has established strict policies regarding its cross-border activities and knowledge of its customers**, in order to ensure that our products and services are not misused for money laundering or tax evasion purposes and are governed by specific rules according to which cross-border life insurance proposals must 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 this product is not compliant 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**

Transfer pricing

Clarifying key concepts

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.

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⁽¹⁾ 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.

The main cross border intercompany transactions in AXA Group are:

- ✓ **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.

Following recommendations of the OECD, especially in its BEPS⁽²⁾ action 13, many countries have adopted **the three-tiered transfer pricing documentation** requirements that includes:

- ✓ **The Master file presents** 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, presents a breakdown of intragroup transactions with foreign jurisdictions.
- ✓ **The Country-by-country Reporting presents** 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

An interactive map of AXA locations in the world is available on our website [here](#)

62 countries

where AXA Group operates

● **10** flagship countries

representing nearly 90% of AXA Group revenues in 2018

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

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

AXA XL: a Bermuda-based company acquired in 2018

A historic business-driven location

Bermuda is a center of expertise and one of the key locations of the worldwide reinsurance markets. Home to over 700 insurance companies, it is not considered as a non-cooperative jurisdiction according to the French and the European laws. AXA supports Bermuda's recently enacted Economic Substance legislation; XL Group has had a presence in Bermuda since 1986, which grew significantly following the acquisition of the Bermuda-based Catlin Group Limited in 2015.

A significant portion of XL's business, through its largest operating subsidiary, has been located in Bermuda for decades. It is regulated by the Bermuda Monetary Authority ("BMA"), a premier regulator of global insurance and reinsurance companies and Bermuda itself is a recognized equivalent jurisdiction under Solvency II.

Following the acquisition of XL in 2018, AXA Group now has a material presence and substance in Bermuda with nearly 200 AXA XL employees working there.

A contribution further to corporate income tax

AXA XL pays multiple taxes and fees in Bermuda, namely:

- Payroll tax
- Land tax
- Government fees



On September 12, 2018 AXA announced the completion of the acquisition of Bermuda-based XL Group LTD



Financial and Tax Figures

2018 AXA Group Data Highlights



103 €Billion

Gross revenues



105 Million

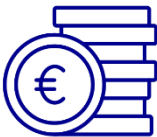
Customers worldwide



126 Thousand

Employees

(Open-ended and fixed-term contracts)



EURO 9.3 Billion

in tax contributions worldwide

0.7 Billion in Corporate Income Tax Paid

4.2 Billion in insurance premium tax collected

2.1 Billion in social charges
(Borne both by employees and by employers)

1.7 Billion in VAT paid

0.6 Billion in other taxes (i.e. Stamp duties, property taxes, financial taxes)

Total tax contribution in our flagship countries

AXA Group total tax contribution in its 10
flagship countries amounts to **8.3 €Bn**

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

France: 2.9 €Bn



Belgium: 1.2 €Bn



Germany: 1.2 €Bn



United Kingdom: 0.9 €Bn



Switzerland: 0.6 €Bn



Italy: 0.5 €Bn



Spain: 0.4 €Bn



United States: 0.3 €Bn



Japan: 0.3 €Bn



Hong Kong: 0.03 €Bn





2018 AXA Group effective tax rate and breakdown per flagship country

In 2018, the effective tax rate of AXA Group stood at 119%.

This unusually high effective tax rate is mainly explained by the United States' exceptional goodwill impairment of €6.3 Billion (of which AXA Group share of €3 Bn).

Excluding this goodwill impairment the effective tax rate would have been 22%

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

€M	Profit before tax	Income tax accrued (Current and deferred)	Effective tax rate	Corporate tax rate	Income tax paid
France	1 032	(244)	23,6%	34,4%	332
United States	(4 673)	53	NS	21,0%	(53)
Switzerland	994	(172)	17,3%	20,5%	(210)
Germany	959	(242)	25,2%	31,2%	(206)
United Kingdom	316	(43)	13,6%	19,0%	(20)
Japan	649	(172)	26,5%	28,0%	(152)
Belgium	461	(88)	19,1%	29,0%	(127)
Spain	132	(40)	30,3%	25,0%	(58)
Italy	319	(93)	29,2%	27,3%	(69)
Hong Kong	365	(9)	2,4%	16,5%	(23)
Rest of the world*	688	(424)	N/A	N/A	(158)
TOTAL	1 243	(1 474)	118,6%	N/A	(744)

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

- France:** the lower effective tax rate is mainly due to **non taxable financial income** and to the **booking of an income tax receivable following the Steria law case** (of which a part is still to be refunded at the end of 2018). At the end of the year, the income tax cash flow is highly impacted by the **cash refund pursuant to the decision rendered by the French Constitutional Court regarding the 3% contribution tax** (accrued in 2017)
- United States:** exceptional situation due to the €6.3 Bn **impairment of the goodwill**. As US law prohibits deducting the goodwill valuation allowance, no tax benefit has been accounted for this impairment
- Germany / Belgium:** the lower effective tax rate is mainly due to **non-taxable financial income**
- Switzerland:** due to the **corporate income tax rate decrease in some cantons**, all deferred taxes have been reassessed leading to a net deferred tax liability decrease. This decrease reduces the IFRS income tax accrued and hence the effective tax rate
- United Kingdom:** the lower effective tax rate is mainly due to the reassessment **net deferred tax liabilities** following the decrease of the corporate income tax rate in the coming years and to **non taxable financial income**.
- Japan / Italy:** the effective tax rate is close to the corporate tax rate
- Spain:** the effective tax rate is higher than the corporate tax rate because of the negative impact of **non deductible financial depreciations**.
- Hong Kong:** the taxable profits of a life insurance business are deemed to be **5 % of the net premiums**.

Other taxes by flagship country



Figures reported in €million

Insurance premium taxes collected

France	1 676
Germany	718
United Kingdom	551
Belgium	487
Italy	254
Spain	165
Switzerland	111
United States	61
Japan	11
Hong Kong	-
TOTAL	4 034

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	877
Belgium	223
Germany	193
Switzerland	171
United Kingdom	154
United States	147
Japan	115
Spain	45
Italy	24
Hong Kong	16
TOTAL	1 964

These social contributions are paid to general government that entitles residents to future social benefits such as unemployment insurance, pensions, medical services.

Contributions are levied on both employees and employers.

Value Added Taxes (VAT) Paid

France	493
Belgium	190
United Kingdom	147
Italy	142
Switzerland	118
Spain	109
Germany	96
Japan	61
United States	-
Hong Kong	-
TOTAL	1 356

In most countries where AXA Group operates, insurance products are exempt from VAT and sales tax. Therefore, the Group cannot fully recover its VAT and sales tax.

The VAT which is not recoverable results in a cost for the Group.

IFRS Financial and Tax Figures

Clarifying key concepts

Pursuant to the IFRS following IAS 12, income tax accrued encompasses current and deferred income tax. It also integrates the repercussions of tax disputes and any penalties and interest 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.

Tax basis and accounting basis often differ because they are built on different principles. If this difference is temporary, meaning that the recognition for tax and accounting occurs in different periods, a **deferred income tax asset or liability** is booked in the IFRS consolidated accounts. Therefore, as deferred tax allows booking the tax and accounting basis in the same financial period, it prevents volatility in the financial statements.

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 taxable result and a balance payment occurs the year after

- ✓ after a tax audit or a claim, the Administration can either refund or require additional payment on prior years' accounting periods.

The effective tax rate is the ratio of corporate income tax accrued (current and deferred tax) compared with the 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)

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





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.