

UK Tax Strategy

Introduction

Intelsat operates the world's largest satellite services business, providing a critical layer in the global communications infrastructure. Intelsat owns a fleet of approximately 50 satellites used to provide communications services. Intelsat provides diversified communications services to the world's leading media companies, fixed and wireless telecommunications operators, data networking service providers for enterprise and mobile applications in the air and on the seas, multinational corporations, and ISPs. Additionally, Intelsat is the leading provider of commercial satellite communications services to the U.S. government and other select military organizations and their contractors.

Intelsat's global business activities incur a wide variety of taxes, including corporate income taxes, stamp taxes, business rates and, in the UK, employer's national insurance. In addition, Intelsat collects and pays employment taxes and indirect taxes such as VAT.

Intelsat's global tax strategy applies to taxes of all countries in which we operate with respect to businesses we control. Where we have a material interest in a business, but do not have control of them, we will, where possible, exercise our influence as shareholder to ensure that the business tax strategies are aligned to ours.

The following is provided in compliance with the requirements of Finance Act 2016 Schedule 19 in respect of the financial year ending December 31, 2019 and, as such, applies to the UK entities in the Intelsat group, but is fully aligned with our global approach.

Approach to management of tax risk and governance

Intelsat's tax strategy includes identification, mitigation and management of risk and follows the overall risk management processes of the Intelsat group.

Responsibility for the tax strategy, the supporting governance framework and management of tax risk ultimately sits with the Chief Financial Officer (CFO). Day-to-day responsibility for each of these areas sits with the Vice President, Finance, who reports to the CFO.

Intelsat seeks for its tax affairs to be sustainable, well governed and transparent. Tax risk arises due to the complexity of tax legislation and potential differences in interpretation, and in how the rules relate to our business operating model. We have established policies and processes in place to ensure the integrity of our tax filings and other tax compliance obligations in the UK and worldwide, and our tax processes are subject to the same level of internal controls, review and external audit as the rest of the business.

Attitude toward tax planning

Intelsat recognizes that it has a responsibility to pay an appropriate amount of tax in each of the key jurisdictions in which it operates. We aim to balance this with our responsibility to our shareholders to structure our affairs in an efficient manner. Accordingly, we may utilize tax incentives or opportunities for obtaining tax efficiencies where these:

- are not considered to carry significant reputational risk or significant risk of damaging our relationship with the tax authorities in the jurisdictions in which we operate,

- are aligned with the intended policy objectives of the governments which introduced the incentives, and
- are aligned with our business or operational objectives.

Intercompany transactions are conducted on arm's length principles, in accordance with OECD guidelines.

External advice may be sought in relation to tax planning or areas of complexity or uncertainty to support compliance with the tax strategy.

Remuneration packages for employees and directors are structured so that Intelsat reasonably believes that the proper amounts of tax and social security contributions are paid on the rewards of employment.

We do not tolerate tax evasion, nor do we tolerate the facilitation of tax evasion by any person(s) acting on Intelsat's behalf.

Acceptable level of tax risk

Tax risk is considered as part of our broader enterprise-wide risk management processes and is overseen by the Board.

The Board sees compliance with tax legislation as key to managing tax risk. We understand the importance of tax in the wider context of business decisions and have processes in place to ensure tax is considered as part of the decision making process.

We have relationships with professional advisers that allow us to seek expert advice on specialist areas of tax. Our approach is to ensure we are compliant and understand our responsibilities with regards to tax, rather than looking for ways to aggressively avoid payment of tax.

The Board is conscious of the hugely negative publicity attracted by a bad attitude towards tax, and sees strong internal processes and a good relationship with our professional advisors as the best way to manage this reputational risk.

Working with HMRC

We seek to comply with our tax filing, tax reporting and tax payment obligations globally.

We look to maintain open and transparent relationships with the tax authorities in the key jurisdictions in which we operate. This may take the form of discussing key developments in our business and the potential impact of those developments. Equally, it may involve disclosing and seeking to resolve a known issue prior to the filing of the relevant tax return.

Intelsat and HMRC meet regularly for a Business Risk Review ("BRR") which addresses all the taxes and is a wide-ranging discussion of all aspects of our UK tax affairs. HMRC has updated the BRR process, effective October 1, 2019. The new BRR introduces three Customer Behaviors; Systems and Delivery, Internal Governance and Approach to Tax Compliance. Each behavior will be reviewed and rated leading to an overall risk rating. Customers will be informed of the risk rating for each behavior, plus the overall rating. The detailed guidance will be shared with customers when arrangements for their BRR are made. Intelsat has not been contacted yet for their BRR. There are four possible ratings, "Low Risk", "Moderate Risk", "Moderate-High Risk" and "High Risk". One benefit of being "Low Risk" is that a BRR will be carried out every three years instead of annually.

Inherent risk factors include that Intelsat is both large and international in nature, but is mitigated by the fact that the business is relatively stable. HMRC's most recent rating for Intelsat is Low Risk.

From time to time, our views (or those of our advisors) on the appropriate tax treatment in any given case may differ from those of the tax authorities. Where such circumstances arise, we will work constructively and proactively with the tax authorities in question with a view to achieving an early resolution to any matters arising.